CODEXIS INC
Form S-1/A
March 26, 2010
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As filed with the Securities and Exchange Commission on March 26, 2010

Registration No. 333-164044

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CODEXIS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**8731**	**71-0872999**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

200 Penobscot Drive, Redwood City, CA 94063

(650) 421-8100

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Douglas T. Sheehy

Senior Vice President, General Counsel and Secretary

Codexis, Inc.

200 Penobscot Drive

Redwood City, CA 94063

(650) 421-8100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer (Do not check if a smaller reporting company) x	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(2)**
Common Stock, $0.0001 par value	$100,000,000	$7,130

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933. Includes the offering price of additional shares that the underwriters have the option to purchase.

(2) The registrant previously paid a registration fee of $3,930 with a registration statement on Form S-1, File No. 333-150224, initially filed with the Commission on April 14, 2008. Pursuant to Rule 457(p) of the Securities Act of 1933, $3,930 of the previously paid registration fee is offset against the registration fee otherwise due for this registration statement. The remaining balance of the registration fee, or $3,200, was previously paid in connection with the initial filing of this Registration Statement on December 28, 2009.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED MARCH 26, 2010

Shares

Codexis, Inc.

Common Stock

Prior to this offering, there has been no public market for our common stock. We anticipate that the initial public offering price will be between $ and $ per share. We have applied to list our common stock on The Nasdaq Global Market under the symbol CDXS.

We are selling shares of our common stock through the underwriters.

The underwriters have an option to purchase a maximum of additional shares to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors on page 10.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Codexis
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2010.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

Piper Jaffray

RBC Capital Markets

Pacific Crest Securities

The date of this prospectus is , 2010.

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You should rely only on the information contained in this prospectus. We and the underwriters have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, or such other dates as are stated in this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Dealer Prospectus Delivery Obligation

Until , 2010 (25 days after commencement of this offering), all dealers that buy, sell, or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, appearing elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in Risk Factors, before making an investment decision. Unless otherwise indicated herein, Codexis, Inc., Codexis, the Company, we, us and our Codexis, Inc. and its subsidiaries.

Our Company

Our proprietary technology platform enables the creation of optimized biocatalysts that make existing industrial processes faster, cleaner and more efficient than current methods and has the potential to make new industrial processes possible at commercial scale. We have commercialized our biocatalysts in the pharmaceutical industry and are developing biocatalysts for use in producing advanced biofuels under a multi-year research and development collaboration with Shell. We are also using our technology platform to pursue biocatalyst-enabled solutions in other bioindustrial markets, including carbon management, water treatment and chemicals.

Biocatalysts are enzymes or microbes that initiate or accelerate chemical reactions. Manufacturers have historically used naturally occurring biocatalysts to produce many goods used in everyday life. However, inherent limitations in naturally occurring biocatalysts have restricted their commercial use. Our proprietary technology platform is able to overcome many of these limitations, allowing us to evolve and optimize biocatalysts to perform specific and desired chemical reactions at commercial scale.

We have focused our biocatalyst development efforts on large and rapidly growing markets, including pharmaceuticals and advanced biofuels. We have enabled biocatalyst-based drug manufacturing processes at commercial scale and have delivered biocatalysts and drug products to some of the world s leading pharmaceutical companies, including Dr. Reddy s Laboratories Ltd., Merck & Co., Inc., Pfizer Inc. and Ranbaxy Laboratories Limited. In our research and development collaboration with Shell, we are developing biocatalysts for use in producing advanced biofuels from renewable sources of non-food plant materials, known as cellulosic biomass.

The Biocatalysis Opportunity Industry Overview

Biocatalyst-enabled manufacturing processes may address a number of the drawbacks of conventional chemistry-based manufacturing. For example, unlike most chemistry-based manufacturing processes, biocatalysts can operate at or near room temperature and pressure, and often use manufacturing equipment that is less complex and expensive to build and operate. Biocatalyst-enabled processes can create products with the same or higher quality as chemistry-based manufacturing processes, while reducing the risks associated with extreme manufacturing environments and without generating the high volumes of waste, some of it hazardous to health and the environment, typically associated with conventional chemistry-based manufacturing processes.

In addition, due to concerns about the environment and the scarcity and security of supply of petroleum, there is an increasing interest in using cellulosic biomass as the feedstock for a variety of products, including advanced biofuels and other chemicals, as a replacement for petroleum. To date, conventional chemistry-based manufacturing approaches have not resulted in commercially viable processes for the conversion of cellulosic biomass to biofuels and other products. Biocatalysts have the potential to enable processes for the development of products, such as cellulose-derived biofuels, that cannot currently be manufactured using alternative techniques.

Despite their potentially significant advantages, biocatalysts have not achieved their full potential in industrial applications. Naturally occurring biocatalysts are often not stable enough to be used in industrial settings, where conditions may differ significantly from those in the biocatalysts natural environments. The activity and productivity of these biocatalysts is often too limited to be cost-effective in commercial scale manufacturing. In addition, the activity of natural biocatalysts is typically inhibited by the end product of the reactions they facilitate. This characteristic of natural biocatalysts, which is referred to as product inhibition, results in limited product yields in industrial settings. Moreover, for certain industrial applications, there are no known naturally occurring biocatalysts that catalyze the desired reaction.

Due to these limitations, other companies and researchers have tried to improve the performance of naturally occurring biocatalysts by directing their evolution through biotechnology techniques such as the random mutation of genes. However, to date, these techniques have had only limited success for a number of reasons. For example, random mutations of genes often result in decreased, not improved, performance and these alternative biotechnology techniques cannot effectively remove accumulated detrimental mutations. The end result is often an evolved biocatalyst with activity that reaches a plateau at a level that is insufficient for a commercial process. We believe there is a significant opportunity for novel technologies that can address the limitations of other biotechnology techniques and can substantially enhance the performance of biocatalysts in industrial settings.

Our Platform Technology

We believe that our proprietary technology platform can transform the industrial application of biocatalysts by improving their commercially relevant characteristics, such as stability, activity, product yield and tolerance to industrial conditions, while reducing product inhibition. In addition, our technology platform allows us to develop and optimize biocatalysts much more rapidly than is currently possible with alternative methods. Perhaps most importantly, we have demonstrated that our technology platform can enable the manufacture of products cost-effectively, at commercial scale and with significantly reduced environmental impact relative to conventional manufacturing processes.

Our proprietary technology platform uses advanced biotechnology methods, bioinformatics and years of accumulated know-how to significantly expedite the process of developing optimized biocatalysts. Key components of our technology platform include gene shuffling, whole genome shuffling, multiplexed gene SOEing, and proprietary bioinformatic software tools that allow us to identify and quantify the potential value of beneficial mutations and avoid detrimental mutations.

Our Target Markets and Solutions

Pharmaceuticals

Our technology platform enables us to deliver solutions to our customers in the pharmaceutical market by developing and delivering optimized biocatalysts that perform chemical transformations at a lower cost, and improve the efficiency and productivity of manufacturing processes. We provide value throughout the pharmaceutical product lifecycle, from preclinical development to clinical development and commercialization of products and the eventual transition from branded to generic products. Our technology platform allows us to provide benefits to our customers in a number of ways, including:

- reducing the use of raw materials and intermediate products;
- improving product yield;
- using water as a primary solvent;
- performing reactions at or near room temperature and pressure;
- eliminating the need for certain costly manufacturing equipment;

reducing energy requirements;

reducing the need for late-stage purification steps;

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- eliminating multiple steps in the manufacturing process; and

- eliminating hazardous inputs and harmful emission by-products.

Early in the product lifecycle, customers can use our services to achieve speed to market and to reduce manufacturing costs. If a pharmaceutical company that has developed a patent-protected drug, known as an innovator, incorporates our products or processes into an FDA-approved product, we expect the innovator to continue to use these products or processes for the patent life of the approved drug.

After a product is launched, customers also use our services to reduce manufacturing costs. At this stage, changes in the manufacturing process originally approved by the FDA may require additional review. Typically, pharmaceutical companies will only seek FDA approval for a manufacturing change if there are substantial cost savings associated with the change. We believe that the cost savings associated with our products may lead our customers to change their manufacturing processes for approved products and, if necessary, seek FDA approval of the new processes which incorporate our biocatalysts. Moreover, we believe these cost savings are attractive to generics manufacturers, who compete primarily on price.

Our products and services include our Codex Biocatalyst Panels, biocatalyst screening services, biocatalyst optimization services, biocatalysts and intermediates and active pharmaceutical ingredients, or APIs.

Biofuels

We believe that our technology platform will enable the development of biocatalysts that can be used to produce commercially viable, cellulose-derived biofuel alternatives to petroleum-based fuels. Since 2006, we have been engaged with Equilon Enterprises LLC dba Shell Oil Products US, which we refer to as Shell, in a research and development collaboration under which we are developing biocatalysts for use in producing advanced biofuels. Advanced biofuels are liquid transportation fuels derived from non-food biomass and which meet certain minimum carbon reduction criteria. Under the Energy Independence and Security Act of 2007, a minimum of 21 billion gallons of advanced biofuels must be sold in the United States by 2022. Our advanced biofuels program focuses on two primary elements: (1) developing biocatalysts to convert cellulosic biomass into sugars; and (2) converting these sugars into two advanced biofuels, cellulosic ethanol and biohydrocarbon diesel. For the first element, we have used our technology platform to improve our cellulase and other biocatalysts. For the second element, we have developed a biocatalyst that converts sugars to diesel fuel, and are working on improving ethanol-producing yeast. We believe that our biocatalysts will be able to convert cane sugar and sugar derived from cellulose into diesel fuel. We are using our technology platform to develop biocatalysts that we believe will:

- increase the rate at which cellulosic biomass is converted into biofuels;

- increase the yield of biofuels produced from cellulosic biomass;

- eliminate the need to use food resources for the production of biofuels;

- provide producers with more flexibility in designing processes to convert cellulosic biomass to biofuels, thereby reducing the costs associated with building and operating biofuel production facilities; and

- enable the production of new types of cellulosic biofuels that could be alternatives to petroleum-based fuels.

Under our research and development collaboration with Shell, Shell will have the right, but not the obligation, to commercialize any technology that we develop in our biofuels program. If Shell commercializes our biofuels technology, we will collect a royalty for every gallon of fuel that Shell produces using our technology. If Shell chooses to commercialize any biofuels products developed through our collaboration, we believe that the combination of our technology platform with Shell s proven project development capabilities and resources could enable a biofuels solution that extends from the conversion of cellulosic biomass into biofuels to delivery and distribution of refined biofuels to consumers at the pump.

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Additional Bioindustrial Opportunities

We believe that our technology platform, together with the knowledge and experience gained from our efforts in the pharmaceutical market and in our biofuels development program, will allow us to capitalize on opportunities in other bioindustrial markets, including carbon management, water treatment and chemicals. Depending on the market, we may pursue collaborations with industry leaders to allow us to leverage their competitive strengths and resources in pursuit of these opportunities.

Our Business Model

Our business model allows us to simultaneously pursue multiple commercial opportunities across a number of major markets. Our business model has resulted in a diversified revenue stream that is predictable over the near term with significant growth potential, while allowing us to share risk with and leverage the capabilities of our collaborators. Our business model includes the following key elements:

Targeting Multiple Major and Growing Markets. We currently use our technology platform to produce biocatalysts that are used at commercial scale in the pharmaceutical market. Through our collaboration with Shell, we are developing biocatalysts for use in producing commercially viable biofuels from cellulosic biomass. We also believe that we can use our technology platform to deliver biocatalyst-enabled solutions to other bioindustrial markets, including carbon management, water treatment and chemicals.

Capital-Efficient Collaborations with Industry Leaders. We have adopted a business model that leverages our collaborators engineering, manufacturing and commercial expertise, their distribution infrastructure and their ability to fund commercial scale production facilities. For instance, in the pharmaceuticals market, our supply relationship with Arch enables us to bring intermediates and/or APIs for branded pharmaceutical products to market with very limited additional capital. In addition, if we are able to develop biocatalysts that enable the commercial production of biofuels derived from cellulosic biomass and Shell decides to commercialize products based on this technology, we would need to rely on Shell, or other parties selected by Shell, to design and build the commercial scale fuel production facilities and to distribute the final fuel product.

Diversified Revenue Base. We are generating a revenue stream that is diversified across distinct industries, which should mitigate our exposure to cyclical downturns or fluctuations in any one market. In 2008, our revenues were derived from the pharmaceuticals and biofuels markets, and consisted primarily of collaborative research and development revenues and product sales. We are pursuing biocatalyst-enabled solutions in other bioindustrial markets, including carbon management, water treatment and chemicals that, if successful, will allow us to further diversify our revenues.

Visible and Predictable Revenues. Based on our existing arrangements, we believe that the revenues from both our biofuels and pharmaceutical businesses should be predictable over the near term. We receive bi-monthly payments from Shell that are based on the number of funded full-time employee equivalents, or FTEs, that work on our research collaboration with Shell. The number of funded FTEs that work on the program, and the payments from Shell for these FTEs, are specified in our collaborative research agreement, subject to Shell s ability to increase or reduce the number of FTEs under certain conditions over time. Because we allow our pharmaceutical customers to achieve significant cost savings in their manufacturing processes, historically they have continued using our biocatalysts once they have begun using our biocatalyst-enabled process.

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Strategy

Our objective is to be the leading provider of optimized biocatalyst-enabled solutions across a wide range of industries. Key elements of our strategy are as follows:

Become a leading biocatalyst supplier to the advanced biofuels market. Our primary development efforts are focused on producing biocatalysts that can enable Shell to become a global leader in the advanced biofuels market. We continue to build upon our milestone-driven, multi-year research and development collaboration with Shell as we advance our efforts to produce biofuels from cellulosic biomass cost-effectively at commercial scale. Because of our success to date, Shell has expanded our collaboration twice, which we believe positions us to be a key contributor to their overall biofuels strategy.

Expand into new bioindustrial markets. We are actively pursuing opportunities in other bioindustrial markets, including through self-funded research in carbon management and the pursuit of funded collaborations in carbon management, water treatment and chemicals. We have the right to use the intellectual property developed in our collaboration with Shell in fields outside of fuels and related products. We intend to leverage this and other intellectual property and our technology platform to develop products in our other target markets.

Continue growing our pharmaceutical business. We intend to pursue new collaborations in the pharmaceutical industry to integrate our products and services more deeply into drug development and manufacturing processes for clinical stage and commercially approved pharmaceutical products. As part of that effort, we will continue to aggressively market our Codex Biocatalyst Panels to pharmaceutical companies to demonstrate the capabilities of our technology platform.

Secure access to additional production capacity. To increase our biocatalyst manufacturing capacity and establish secondary supply sources, we are working to establish long-term supply contracts with contract manufacturers and are evaluating whether to invest in our own manufacturing capabilities. We may also opportunistically seek to secure specialty manufacturing assets and expand existing relationships for the supply of our biocatalysts, key pharmaceutical APIs and intermediates used in the manufacture of APIs. For example, in August 2008, we entered into an expanded supply relationship with Arch through a series of agreements for the manufacture of intermediates and APIs for specified pharmaceutical products, which agreements were terminated in February 2010 and replaced by a product supply agreement and an enzyme and product supply agreement in order to streamline and modify certain of the contractual terms governing the supply relationship.

Expand our business and technology platform through the addition of new technologies, products or businesses. In the past, we have expanded our business by acquiring companies with synergistic business plans and licensing new technology. We will continue to evaluate opportunities to acquire or license new technologies, products or businesses that complement or expand our capabilities, including in the carbon management, water treatment and chemical markets. In addition, we intend to continue to advance our technology platform by investing in our research and development capabilities to allow us to more rapidly identify and develop products and pursue new market opportunities.

Corporate Information

We were incorporated in Delaware in January 2002 as a wholly-owned subsidiary of Maxygen, Inc. We commenced independent operations in March 2002, after licensing core enabling technology from Maxygen. As of February 28, 2010, Maxygen beneficially owned approximately 21.4% of our common stock. Our other investors include industry leaders such as Shell, Chevron Corporation, Pfizer and The General Electric Company. Our principal executive offices are located at 200 Penobscot Drive, Redwood City, CA 94063, and our telephone number is (650) 421-8100. Our website address is www.codexis.com. Information

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contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

Our logo, Codexis, Codex and Codex Biocatalyst Panel and other trademarks or service marks of Codexis, Inc. appearing in this prospectus are the property of Codexis, Inc. This prospectus contains additional trade names, trademarks and service marks of other companies. We do not intend our use or display of other companies trade names, trademarks or service marks to imply relationships with, or endorsement or sponsorship of us by, these other companies.

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The Offering

Common stock offered by Codexis	shares (or shares if the underwriters exercise their over-allotment option in full).
Common stock to be outstanding after this offering	shares (or shares if the underwriters exercise their over-allotment option in full).
Proposed Nasdaq Global Market symbol	CDXS
Use of proceeds	We intend to use the net proceeds from this offering for working capital and other general corporate purposes, including the costs associated with being a public company. We may also use a portion of the net proceeds to acquire other businesses, products or technologies, and to increase our internal biocatalyst production capacity. However, we do not have agreements or commitments for any specific acquisitions at this time. Please see Use of Proceeds.
Risk factors	See Risk Factors starting on page 10 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

The number of shares of common stock to be outstanding after this offering is based on 41,864,065 shares outstanding as of December 31, 2009 and excludes:

- 11,830,261 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2009 at a weighted average exercise price of $3.50 per share;
- 491,513 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2009 at a weighted average exercise price of $3.95 per share; and
- shares of common stock reserved for issuance under our 2010 Equity Incentive Award Plan, which will become effective in connection with the consummation of this offering (plus an additional 2,330,238 shares of common stock reserved for future grant or issuance under our 2002 Stock Plan as of December 31, 2009, which shares will be added to the shares to be reserved under our 2010 Equity Incentive Award Plan upon the effectiveness of the 2010 Equity Incentive Award Plan).

Except as otherwise indicated, all information in this prospectus assumes:

- the conversion of all of our outstanding shares of preferred stock into 37,859,510 shares of common stock in connection with the consummation of this offering and the related conversion of all outstanding preferred stock warrants into common stock warrants;
- no exercise of the underwriters over-allotment option; and

the filing of our amended and restated certificate of incorporation, which will occur in connection with the consummation of this offering.

We refer to our Series A, Series B, Series C, Series D, Series E and Series F preferred stock collectively as redeemable convertible preferred stock for financial reporting purposes and in the financial tables included in this prospectus, as more fully explained in Note 2 to our consolidated financial statements. In other parts of this prospectus, we refer to our Series A, Series B, Series C, Series D, Series E and Series F preferred stock collectively as preferred stock.

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Summary Consolidated Financial Data

The following table sets forth a summary of our historical consolidated financial data for the periods ended or as of the dates indicated. We have derived the consolidated statements of operations data for the years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheet data as of December 31, 2009 from our audited consolidated financial statements appearing elsewhere in this prospectus. You should read this table together with our consolidated financial statements and the accompanying notes, Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus. The summary consolidated financial data in this section is not intended to replace our consolidated financial statements and the accompanying notes. Our historical results are not necessarily indicative of our future results.

The following table also sets forth summary unaudited pro forma and pro forma as adjusted consolidated financial data, which gives effect to the transactions described in the footnotes to the table. The unaudited pro forma and pro forma as adjusted consolidated financial data is presented for informational purposes only and does not purport to represent what our consolidated results of operations or financial position actually would have been had the transactions reflected occurred on the dates indicated or to project our financial condition as of any future date or results of operations for any future period.

	Years Ended December 31,		
	2007	2008	2009
	(in thousands, except per share amounts)		
Consolidated Statements of Operations Data:			
Revenues:			
Product	$ 11,418	$ 16,860	$ 18,554
Related party collaborative research and development	8,481	30,239	62,656
Collaborative research and development	4,733	3,062	1,652
Government grants	701	317	46
Total revenues	25,333	50,478	82,908
Costs and operating expenses:			
Cost of product revenues	8,319	13,188	16,678
Research and development	35,644	45,554	54,725
Selling, general and administrative	19,713	35,709	29,871
Total costs and operating expenses	63,676	94,451	101,274
Loss from operations	(38,343)	(43,973)	(18,366)
Interest income	1,491	1,538	180
Interest expense and other, net	(2,533)	(2,365)	(2,037)
Loss before provision (benefit) for income taxes	(39,385)	(44,800)	(20,223)
Provision (benefit) for income taxes	(408)	327	66
Net loss	$ (38,977)	$ (45,127)	$ (20,289)
Net loss per share of common stock, basic and diluted	$ (15.53)	$ (12.64)	$ (5.16)
Weighted average common shares used in computing net loss per share of common stock, basic and diluted	2,510	3,570	3,933
Net loss used in computing pro forma net loss per share of common stock, basic and diluted (unaudited)(1)			$ (19,662)

Pro forma net loss per share of common stock, basic and diluted (unaudited)(1)	$	(0.49)
Weighted average common shares used in computing pro forma net loss per share of common stock, basic and diluted (unaudited)(1)		40,198

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(1) Net loss used in computing pro forma basic and diluted net loss per share of common stock, pro forma basic and diluted net loss per share of common stock and number of weighted average common shares used in computing pro forma basic and diluted net loss per share of common stock in the table above give effect to the automatic conversion of all of our outstanding redeemable convertible preferred stock into common stock upon the closing of this offering as if such conversion had occurred at the beginning of each period or upon issuance, if later.

	December 31, 2009		
	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)(3)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and marketable securities	$ 55,563	$ 55,563	
Working capital	16,397	18,406	
Total assets	99,036	99,036	
Redeemable convertible preferred stock warrant liability	2,009		
Current and long-term financing obligations	7,942	7,942	
Redeemable convertible preferred stock	179,672		
Stockholders (deficit) equity	(144,845)	36,836	

(1) The pro forma consolidated balance sheet data gives effect to (i) conversion of all of our outstanding shares of redeemable convertible preferred stock into shares of common stock, and (ii) conversion of all of our warrants for redeemable convertible preferred stock into warrants for common stock and the related reclassification of redeemable convertible preferred stock warrant liability to stockholders equity upon the completion of this offering.

(2) The pro forma as adjusted consolidated balance sheet data gives effect to the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) would increase or decrease, as applicable, our pro forma as adjusted cash, cash equivalents and marketable securities, working capital, total assets and stockholders equity by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this prospectus, before deciding whether to invest in shares of our common stock. The occurrence of any of the events described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the trading price of our common stock may decline and you may lose all or part of your investment.

Risks Relating to Our Business and Strategy

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

Our company has been in existence since early 2002. From 2002 until 2005, our operations focused on organizing and staffing our company and developing our technology platform. In 2005, we recognized our first revenues from product sales. Since 2005, we have continued to generate revenues, but because our revenue growth has occurred in recent periods, our limited operating history may make it difficult to evaluate our current business and predict our future performance. Any assessments of our current business and predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries. If we do not address these risks successfully, our business will be harmed.

Our quarterly operating results may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of research analysts or investors, which could cause our stock price to decline.

Our financial condition and operating results have varied significantly in the past and may continue to fluctuate from quarter to quarter and year to year in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following factors, as well as other factors described elsewhere in this prospectus:

- our ability to achieve or maintain profitability;
- actions that could cause us to lose any of our rights under our license from Maxygen;
- our relationships with and dependence on collaborators in our principal markets;
- our dependence on Shell for the development and commercialization of biofuels;
- the feasibility of producing and commercializing biofuels derived from cellulose;
- our dependence on a limited number of customers;
- our dependence on a limited number of contract manufacturers of our biocatalysts and suppliers for our pharmaceutical intermediates and APIs;
- our ability to manage our growth;

our pharmaceutical customers abilities to incorporate our biocatalysts into their manufacturing processes;

the outcomes of clinical trials conducted by our innovator customers;

our ability to develop and successfully commercialize new products for the pharmaceuticals market;

the effect of consolidation in the pharmaceutical industry on demand for our products;

our ability to commercialize our technology in other bioindustrial markets;

our ability to maintain license rights for commercial scale expression systems for cellulases;

fluctuations in the price of and demand for petroleum-based fuels;

the availability of non-food renewable cellulosic biomass sources;

reductions or changes to existing fuel regulations and policies;

the existence of government subsidies or regulation with respect to carbon dioxide emissions;

our potential need for additional licenses from Maxygen to pursue certain future business opportunities in the chemical market;

our ability to obtain and maintain governmental grants;

risks associated with the international aspects of our business;

our ability to integrate any businesses we may acquire with our business;

potential issues related to our ability to accurately report our financial results in a timely manner;

our dependence on, and the need to attract and retain, key management and other personnel;

our ability to obtain, protect and enforce our intellectual property rights;

our ability to prevent the theft or misappropriation of our biocatalysts, the genes that code for our biocatalysts, know-how or technologies;

potential advantages that our competitors and potential competitors may have in securing funding or developing products;

our ability to obtain additional capital that may be necessary to expand our business;

business interruptions such as earthquakes and other natural disasters;

public concerns about the ethical, legal and social ramifications of genetically engineered products and processes;

our ability to comply with laws and regulations;

- our ability to properly handle and dispose of hazardous materials used in our business;

- potential product liability claims; and

- our ability to use our net operating loss carryforwards to offset future taxable income.

Due to the various factors mentioned above, and others, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

We have a history of net losses, and we may not achieve or maintain profitability.

We have incurred net losses since our inception, including losses of $39.0 million, $45.1 million and $20.3 million in 2007, 2008 and 2009, respectively. As of December 31, 2009, we had an accumulated deficit of $159.6 million. We expect to incur losses and negative cash flow from operating activities for the foreseeable future. To date, we have derived a substantial portion of our revenues from research and development agreements with our collaborators and expect to derive a substantial portion of our revenues from these sources for the foreseeable future. If we are unable to extend our existing agreements or enter into new agreements upon the expiration or termination of our existing agreements, our revenues could be adversely affected. In addition, some of our collaboration agreements provide for milestone payments and future royalty payments, the payment of which are uncertain as they are dependent on our and our collaborators abilities and willingness to successfully develop and commercialize products. We expect to spend significant amounts to fund the development of additional pharmaceutical and potential bioindustrial products, including biofuels. As a result, we expect that our expenses will exceed revenues for the foreseeable future and we do not expect to achieve profitability

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during this period, if ever. If we fail to achieve profitability, or if the time required to achieve profitability is longer than we anticipate, we may not be able to continue our business. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

If we fail to remediate deficiencies in our control environment or are unable to implement and maintain effective internal control over financial reporting in the future, the accuracy and timeliness of our financial reporting may be adversely affected.

In connection with the audit of our consolidated financial statements for 2005, 2006 and 2007, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company s annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness comprised a lack of policies and procedures, with the associated internal controls, to appropriately address complex, non-routine transactions and a lack of a sufficient number of qualified personnel to timely account for such transactions in accordance with U.S. generally accepted accounting principles. These deficiencies in the design and operation of our internal controls resulted in the recording of numerous audit adjustments and significantly delayed our financial statement close process for the three year period ended December 31, 2007.

In connection with the audit of our consolidated financial statements for 2008, we and our independent registered public accounting firm identified a material weakness, which was related to an inadequately designed process to analyze and reconcile certain accounts and the failure of supervisors or business unit managers to review the analysis prepared for certain accounts. The material weakness affected our accruals, stock-based compensation, reimbursements under a license agreement, and inventories processes. We also identified two significant deficiencies in our internal control over financial reporting, one related to the misapplication of U.S. generally accepted accounting principles and the other related to an ineffective contract compliance process. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company s financial reporting.

In connection with the audit of our consolidated financial statements for 2009, we and our independent registered public accounting firm determined that the previously identified significant deficiency which related to an ineffective contract compliance process continued to exist as of December 31, 2009. Although we began to implement policies and processes to address this deficiency following the audit of our consolidated financial statements for 2008, we had not completed this implementation as of December 31, 2009.

We have not performed an evaluation of our internal control over financial reporting, such as required by Section 404 of the Sarbanes-Oxley Act, nor have we engaged our independent registered public accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our financial statements. Had we performed such an evaluation or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, control deficiencies, including material weaknesses and significant deficiencies, in addition to those discussed above, may have been identified.

We have taken numerous steps to address the underlying causes of the control deficiencies described above, primarily through the development and implementation of policies, improved processes and documented procedures, the retention of third-party experts and contractors, and the hiring of additional accounting and finance personnel with technical accounting, inventory accounting and financial reporting experience. If we fail to remediate deficiencies in our control environment or are unable to implement and maintain effective internal control over financial reporting to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results, or report them within the timeframes required by law or exchange regulations. In

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addition, while we currently use a third-party contractor to assist us in the preparation of our financial statements, we intend for our internal accounting and finance groups to handle our financial reporting obligations upon becoming a reporting company. We may encounter difficulties as we reduce our use of this contractor, which could impact our ability to timely and accurately prepare our financial statements. We cannot assure you that we will be able to remediate our existing significant deficiency in a timely manner, if at all, or that in the future additional material weaknesses or significant deficiencies will not exist or otherwise be discovered, a risk that is significantly increased in light of the complexity of our business and multinational operations. If our efforts to remediate the significant deficiency are not successful or if other deficiencies occur, our ability to accurately and timely report our financial position, results of operations or cash flows could be impaired, which could result in late filings of our annual and quarterly reports under the Securities Exchange Act of 1934, as amended, restatements of our consolidated financial statements, a decline in our stock price, suspension or delisting of our common stock by The Nasdaq Global Market, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity.

If we lose our intellectual property rights licensed from Maxygen, we may be unable to continue our business.

We have licensed core enabling intellectual property rights and technology from Maxygen, Inc., or Maxygen, under our March 2002 license agreement with Maxygen, which was subsequently amended in September 2002, October 2002 and August 2006. Under the terms of the license agreement, we are obligated, among other things, to pay Maxygen a significant percentage of certain types of consideration we receive in connection with our biofuels research and development collaboration with Shell. As a result of consideration received in connection with this collaboration, we were obligated to pay Maxygen $7.9 million, $0.9 million and $5.5 million for 2007, 2008 and 2009, respectively.

We rely heavily on the technology licensed to us by Maxygen and third parties under the Maxygen license. This technology includes advanced biotechnology methods, bioinformatics and years of accumulated know-how to develop the biocatalysts that are central to our business. Certain technologies sublicensed to us from Maxygen are owned by third parties, and our use of these technologies may be restricted by Maxygen s agreements with those third parties. Maxygen has the right to terminate our rights under the license with respect to fuels, but not with respect to chemicals or pharmaceuticals, if we breach our royalty obligations to Maxygen and do not cure such breach within 60 days after we receive notice of the breach. In addition, as part of the license we received from Maxygen, Maxygen assigned or sublicensed to us several license agreements between Maxygen and third parties, including an agreement with one of our competitors, Novozymes A/S, or Novozymes. These third party agreements may restrict our use of the licensed technology. If we breach one of these third party agreements and fail to cure such breach within the time period specified in such third party agreement, Maxygen has the right to terminate our license with respect to the subject matter covered by the applicable third party agreement. Maxygen also has the right to terminate our license with respect to any family of related patent applications if we fail to pay our share of costs for obtaining and maintaining a patent licensed to us by Maxygen more than three times within any three-year period. In addition, Maxygen has the first right to control prosecution, maintenance and enforcement of certain licensed intellectual property rights. If Maxygen is acquired by a third party or transfers to a third party some or all of the intellectual property rights that we have licensed, the acquirer may choose not to enforce the intellectual property rights on which our business relies, or may seek to enforce those rights ineffectively and have them invalidated, and our ability to develop and expand our business may be adversely impacted. Any termination of our license agreement with Maxygen or any of the rights licensed to us by third parties through Maxygen, or any loss of our intellectual property rights as a result of ineffective enforcement of such rights, would have a material adverse impact on our financial condition, results of operations and growth prospects and could prevent us from continuing our business.

The license agreement with Maxygen, the related sublicenses to third party technologies and the third party agreements assigned to us under the Maxygen agreement, and the interplay between those

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agreements, are highly complex. For example, the agreements rely on highly technical definitions and delineate permitted and restricted activities. As a result of this complexity, the agreements may be subject to differing interpretations by the counterparties that could lead to disputes or litigation, including for alleged breaches or claims that our products or activities are not covered by the scope of the licenses. If Maxygen or a third party were to make such a contention and we were unable to reach agreement on the meaning or scope of the licenses, we could be subject to litigation. Any such litigation may divert management time from focusing on business operations and could cause us to spend significant amounts of money. If such litigation were to be decided adversely to us, we could: lose our rights to utilize the subject intellectual property in our business; be forced to stop selling or using our products or processes that use the subject intellectual property; be required to obtain a license to use the subject intellectual property, which license may not be available on commercially reasonable terms, or at all; be forced to redesign those products or processes that use the subject intellectual property, which may result in significant cost or delay to us, or which could be technically infeasible; or be required to pay monetary damages.

Under our license with Maxygen, there are limitations on our ability to enforce Maxygen s patents to which we hold a license, which could have a material adverse effect on our business.

Under our agreement with Maxygen, Maxygen has the first right to enforce many of the patents that we have licensed, particularly those directly related to gene shuffling technology. If Maxygen declines to enforce these patent rights, we can enforce these rights after a delay of up to six months, or Maxygen can deny us the ability to enforce if Maxygen concludes that such enforcement may have a material adverse impact on Maxygen or one or more other licensees of Maxygen s technology. Some portions of the technology licensed to us by Maxygen are owned by third parties that retain the right to enforce the patents. If Maxygen or these third parties fail to enforce their patent rights, our business could be materially adversely affected. Maxygen also has the right to control the defense of patent infringement claims made by third parties alleging infringement related to gene shuffling technology. If Maxygen does not provide a timely and adequate defense to these claims, we could be forced to stop using the licensed technology, redesign our products and/or obtain a license from the party claiming infringement, which may not be available on commercially reasonable terms or at all. If Maxygen were to become acquired or controlled by a competitor of ours or a third party who is not willing to work with us on the same terms or commit the same resources as Maxygen, our business could be harmed.

We are dependent on our collaborators, and our failure to successfully manage these relationships could prevent us from developing and commercializing many of our products and achieving or sustaining profitability.

Our ability to maintain and manage collaborations in our markets is fundamental to the success of our business. We currently have license agreements, research and development agreements, supply agreements and/or distribution agreements with various collaborators. We may have limited or no control over the amount or timing of resources that any collaborator is able or willing to devote to our partnered products or collaborative efforts. Any of our collaborators may fail to perform their obligations as expected. These collaborators may breach or terminate their agreements with us or otherwise fail to conduct their collaborative activities successfully and in a timely manner. Further, our collaborators may not develop products arising out of our collaborative arrangements or devote sufficient resources to the development, manufacture, marketing, or sale of these products. Moreover, disagreements with a collaborator could develop and any conflict with a collaborator could reduce our ability to enter into future collaboration agreements and negatively impact our relationships with one or more existing collaborators. If any of these events occur, or if we fail to maintain our agreements with our collaborators, we may not be able to commercialize our existing and potential products, grow our business, or generate sufficient revenues to support our operations. Our collaboration opportunities could be harmed if:

- we do not achieve our research and development objectives under our collaboration agreements in a timely manner or at all;

we develop products and processes or enter into additional collaborations that conflict with the business objectives of our other collaborators;

we disagree with our collaborators as to rights to intellectual property we develop, or their research programs or commercialization activities;

we are unable to manage multiple simultaneous collaborations;

our collaborators become competitors of ours or enter into agreements with our competitors;

our collaborators become unable or less willing to expend their resources on research and development or commercialization efforts due to general market conditions, their financial condition or other circumstances beyond our control; or

consolidation in our target markets limits the number of potential collaborators.

Additionally, our business could be negatively impacted if any of our collaborators or suppliers undergoes a change of control or were to otherwise assign the rights or obligations under any of our agreements. For example, under our license agreement with Shell, Shell may assign the agreement without our consent to its controlled affiliates or in connection with a change of control. If Shell or any of our other collaborators were to assign these agreements to a competitor of ours or to a third party who is not willing to work with us on the same terms or commit the same resources as the current collaborator, our business and prospects could be harmed.

Our future success is heavily dependent on our collaborative research agreement with Shell.

Our current business plan for biofuels is heavily dependent on our collaborative research agreement with Shell, which will continue to be critical to researching and developing successful biocatalysts for producing biofuel products. Shell s efforts in commercializing those products profitably will be critical to the success of our business plan for biofuels. If we are unable to successfully execute on the development of products for Shell, our ability to expand into other bioindustrial areas may be significantly impaired, which will materially and adversely affect our ability to grow our business.

We cannot control the financial resources Shell devotes to our programs under the collaborative research agreement. Currently, we receive bi-monthly payments from Shell that are based on the number of full-time employee equivalents, or FTEs, that work on our research collaboration with Shell. The number of FTEs that work on the program, and the payments from Shell for these FTEs, are specified in our collaborative research agreement. Until November 1, 2010, Shell has the right to reduce the number of funded FTEs under the collaborative research agreement by up to 12 FTEs following 60 days advance written notice. After November 1, 2010, Shell has the right to further reduce the number of funded FTEs, with any one reduction not to exceed 98 funded FTEs, following advance written notice. The required notice period ranges from 30 to 270 days, so the earliest an FTE reduction could take place would be December 2, 2010. Following any such reduction, Shell is subject to a standstill period of between 90 and 360 days during which period Shell cannot provide notice of any further FTE reductions. The notice and standstill periods are dependent on the number of funded FTEs reduced, with the length of notice and standstill periods increasing commensurate with the number of FTEs reduced. Any such reduction would have a material adverse impact on our revenues and business plan for biofuels. Moreover, disputes may arise between us and Shell, which could delay the programs on which we are working or could prevent the commercialization of products developed under our research and development collaboration. If that were to occur, we may have to use funds, personnel, equipment, facilities and other resources that we have not budgeted to undertake certain activities on our own. Disagreements with Shell could also result in expensive arbitration or litigation, which may not be resolved in our favor. Performance issues, program delay or termination or unbudgeted use of our resources may have a material adverse effect on our business and financial condition. Even if we successfully develop commercially viable technologies, our ability to

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derive revenues from those technologies will be dependent upon Shell s willingness and ability to commercialize them. Shell has the right, but not the obligation, to commercialize these technologies. If Shell decides to commercialize our technology, we would need to rely on Shell, or other parties selected by Shell, to design, finance and construct commercial scale biofuel facilities, and operate commercial scale facilities at costs that are competitive with traditional petroleum-based fuels and other alternative fuel technologies that may be developed. Shell could merge with or be acquired by another company or experience financial or other setbacks unrelated to our research collaboration agreement that could adversely affect us.

We have agreed to work exclusively with Shell until November 2012 in the field of converting cellulosic biomass into fermentable sugars that are used in the production of fuels and related products as well as the conversion of these sugars into fuels and related products. However, Shell is not required to work exclusively with us, and could develop or pursue alternative technologies that it decides to use for commercialization purposes instead of the technology developed under our collaborative research agreement with Shell. For example, Shell is currently working with Virent Energy Systems to develop a thermo-chemical approach to developing biogasoline. Even if Shell decides to commercialize products based on our technologies, Shell has no obligation to purchase its biocatalyst supply from us. If Shell does not pursue the commercialization of any cellulosic sugars, biofuels or related products that may be developed under our collaborative research agreement, our exclusive arrangement would prevent us from licensing any technology developed under the collaboration for the patent life of such technology, which could place us at a significant competitive disadvantage in the biofuels market.

We cannot guarantee that our relationship with Shell will continue. After November 1, 2010, Shell can terminate its collaborative research agreement with us for any or no reason by providing us with nine months notice. Each party also has the right to terminate the license agreement and the collaborative research agreement in the case of an uncured breach by the other party, and to terminate the collaborative research agreement if that party believes the other party has assigned the collaborative research agreement to a direct competitor of the terminating party. If our collaboration with Shell were to fail, we would likely need to find another collaborator to provide the financial assistance and infrastructure necessary for us to develop and commercialize our products and execute our strategy with respect to biofuels. Failure to maintain this relationship would have a material adverse effect on our business, financial condition and prospects.

The success of our cellulosic ethanol program may be dependent on the performance of other parties.

In connection with our research and development collaboration with Shell, we entered into a multi-party collaborative research and license agreement with Iogen Energy Corporation, or Iogen, and Shell in July 2009, which is focused on developing technology to convert cellulosic biomass to ethanol for commercial scale production. Either Shell or Iogen may fail to perform their obligations under this collaboration, may breach or terminate the collaboration agreement or otherwise fail to conduct their collaborative activities successfully and in a timely manner. Further, they may not devote sufficient resources to the development of technology to convert cellulosic biomass to ethanol or may fail to develop the technology altogether. Moreover, disagreements or conflicts amongst the parties could develop and could negatively impact our development efforts or our relationships with Shell and Iogen. If any of these events occur, or if we fail to maintain this collaboration with Shell and Iogen, we may be unable to develop technology for use in the production of cellulosic ethanol at commercial scale, which would have an adverse impact on our ability to grow our business. In addition, the collaborative research and license agreement with Iogen and Shell terminates in the event (i) our separate license agreements with Shell terminate or (ii) Iogen s separate technology license agreement with Shell terminates. In addition, Shell can terminate the collaborative research and license agreement for any or no reason by providing us and Iogen with 30 days notice. Any unilateral action by Shell to terminate either its separate license agreements with us or Iogen will prevent any further research and development activities under the multi-party

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collaboration. As a result, our ability to pursue research and development activities relating to the conversion of cellulosic biomass and our biofuels programs may be adversely impacted.

We do not yet know what impact, if any, the proposed joint venture recently announced by Shell and Cosan will have on our business.

In February 2010, Shell International Petroleum Company Limited, or Shell International, an affiliate of Shell, announced that it had signed a non-binding memorandum of understanding with Cosan S.A. with the intention of forming a joint venture in Brazil for the production of ethanol, sugar and power, and the supply, distribution and retail of transportation fuels. According to the announcement, Shell International would contribute to the joint venture, among other assets, Shell s equity interest in us. The consummation of the joint venture is subject to the negotiation and execution of final transaction documentation, the satisfactory completion of due diligence and the receipt of regulatory approvals, among other conditions. As a result, there can be no certainty when or if the joint venture will be consummated. If the joint venture is formed, we do not know whether we will receive any benefits from it. Moreover, the joint venture may impact Shell s willingness to continue to fund our collaborative research program and to commercialize any advanced biofuels that may be produced utilizing our technology, and on the timing of any such commercialization. Any of these events, or other decisions made by Shell with respect to the proposed joint venture, could have a material adverse effect on our business.

Production and commercialization of biofuels derived from cellulose may not be feasible.

We are developing biocatalysts for use in producing two advanced biofuels, cellulosic ethanol and biohydrocarbon diesel, as part of our research and development collaboration with Shell. However, production and commercialization of cellulosic biofuels may not be feasible for a variety of reasons. For example, the development of technology for converting sugar derived from non-food renewable biomass sources into a commercially viable biofuel is still in its early stages, and we do not know whether this can be done commercially or at all. To date, there has been limited private and government funding for research and development in advanced biofuels relative to the scope of the challenges presented by this development effort. Furthermore, there have been only a few well-directed public policies emphasizing investment in the research and development of, and providing incentives for the commercialization of and transition to, biofuels.

As of the date of this prospectus, we believe that there are no commercial scale cellulosic biofuel production plants in operation. There can be no assurance that anyone will be able or willing to develop and operate biofuel production plants at commercial scale or that any biofuel facilities can be profitable.

Additionally, different biocatalysts may need to be developed for use in different geographic locations to convert the cellulosic biomass available in each locale into sugars that can be used in the production of these biofuels. This will make the development of biofuels derived from cellulose more challenging and expensive.

Moreover, substantial development of infrastructure will be required for the ethanol market to grow. Areas requiring expansion include, but are not limited to, additional rail capacity, additional storage facilities for ethanol, increases in truck fleets capable of transporting ethanol within localized markets, expansion of refining and blending facilities to handle ethanol, and growth in the fleet of end user vehicles capable of using ethanol blends. Substantial investments required for infrastructure changes and expansions may not be made on a timely basis or at all. Any delay or failure in making the changes to or expansion of infrastructure could harm demand or prices for ethanol and impose additional costs that would hinder its commercialization.

Finally, if existing tax credits, subsidies and other incentives in the United States and foreign markets are phased out or reduced, the overall cost of commercialization of cellulosic biofuels will increase.

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We are dependent on a limited number of customers.

Our current revenues are derived from a limited number of key customers. For the year ended December 31, 2008, our top five customers accounted for 79% of our total revenues, with Shell alone accounting for 60% of our total revenues. For the year ended December 31, 2009, our top five customers accounted for 90% of our total revenues, with Shell accounting for 76% of our total revenues. We expect a limited number of customers to continue to account for a significant portion of our revenues for the foreseeable future. This customer concentration increases the risk of quarterly fluctuations in our revenues and operating results. The loss or reduction of business from one or a combination of our significant customers could materially adversely affect our revenues, financial condition and results of operations.

Our dependence on contract manufacturers for biocatalyst production exposes our business to risks.

We have limited internal capacity to manufacture biocatalysts and are unable to do so for commercial scale production. As a result, we are dependent upon the performance and capacity of third party manufacturers for the commercial scale manufacturing of our biocatalysts.

We rely on two primary contract manufacturers, CPC Biotech srl, or CPC, and Lactosan GmbH & Co. KG, or Lactosan, to manufacture substantially all of the biocatalysts used in our pharmaceutical business. Our pharmaceutical business, therefore, faces risks of difficulties with, and interruptions in, performance by these contract manufacturers, the occurrence of which could adversely impact the availability, launch and/or sales of our enzymes in the future. We have qualified other contract manufacturers to manufacture biocatalysts for our pharmaceutical business, but we do not have agreements or commitments with such contract manufacturers at this time. The failure of any manufacturers that we may use to supply manufactured product on a timely basis or at all, or to manufacture our biocatalysts in compliance with our specifications or applicable quality requirements or in volumes sufficient to meet demand would adversely affect our ability to sell pharmaceutical products, could harm our relationships with our collaborators or customers and could negatively affect our revenues and operating results. For example, in 2008, we were required to secure an alternative source of certain biocatalysts when viruses infected one of our contract manufacturer s facilities. If this or any similar event disrupts the operations of any of our suppliers in the future, we may be forced to secure alternative sources of supply, which may be unavailable on commercially acceptable terms, cause delays in our ability to deliver products to our customers, increase our costs and decrease our profit margins.

We do not currently have a long-term supply contract with CPC, Lactosan or any other contract manufacturers, which are under no obligation to manufacture our biocatalysts and could elect to discontinue their manufacture at any time. If we require additional manufacturing capacity and are unable to obtain it in sufficient quantity, we may not be able to increase our pharmaceutical sales, or we may be required to make substantial capital investments to build that capacity or to contract with other manufacturers on terms that may be less favorable than the terms we currently have with CPC or Lactosan. If we choose to build our own additional manufacturing capacity, it could take a year or longer before our facility is able to produce commercial volumes of our biocatalysts. In addition, if we contract with other manufacturers, we may experience delays of several months in qualifying them, which could harm our relationships with our collaborators or customers and could negatively affect our revenues or operating results.

We are working to establish long-term supply contracts with contract manufacturers and are evaluating whether to invest in our own manufacturing capabilities. However, we cannot guarantee that we will be able to enter into long-term supply contracts on commercially reasonable terms, or at all, or to acquire, develop or contract for internal manufacturing capabilities. Any resources we expend on acquiring or building internal manufacturing capabilities could be at the expense of other potentially more profitable opportunities.

We are primarily dependent on contract manufacturers to manufacture our pharmaceutical products.

We currently rely on a small number of contract manufacturers to manufacture all of our pharmaceutical APIs and intermediates used in the manufacture of APIs. In particular, in August 2008, we entered into a series of agreements that significantly broadened our relationship with Arch, which serves as our exclusive supplier for certain intermediates and APIs, including intermediates used to manufacture atorvastatin. These agreements were terminated in February 2010 and replaced by a product supply agreement and an enzyme and product supply agreement in order to streamline and modify certain of the contractual terms governing the supply relationship.

Our pharmaceutical business may face risks of difficulties with, and interruptions in, performance by Arch, or any other contract manufacturer that we rely on to manufacture our intermediates and APIs, the occurrence of which could adversely impact the availability, launch and/or sales of our products in the future. Under our arrangement with Arch, Arch is obligated to exclusively supply to Codexis and Codexis is obligated to exclusively purchase from Arch five distinct products, subject to certain specified exceptions. Because we rely on Arch to supply us exclusively with certain intermediates and APIs, the failure of Arch to supply our products on a timely basis or at all, or to manufacture our products in compliance with our specifications or applicable quality requirements, which may include current Good Manufacturing Practices, or cGMP, or to manufacture these products in volumes sufficient to meet demand would adversely affect our ability to commercialize these products and could lead to lost sales and lost customer confidence and would negatively affect our revenues and operating results. If for any reason Arch is unable to meet our volume requirements, or if either we or Arch terminates our relationship prematurely pursuant to the terms of our agreements, we will need to contract with other suppliers. We may experience delays in contracting with other suppliers, or we may not be able to contract with other suppliers on commercially reasonable terms or at all. We will not have enough capacity to meet our current demand projections if we are faced with any such delay or inability to contract with other suppliers, which could adversely affect our ability to commercialize these products and could harm our relationships with our customers.

We also rely on other contract manufacturers to supply other pharmaceutical intermediates, APIs and other products. The failure of any of these contract manufacturers to supply intermediates or APIs, or to manufacture products in compliance with our specifications or in sufficient volumes, would have negative effects on our revenues and operating results.

In February 2010, we entered into an agreement with Dishman Pharmaceuticals and Chemicals, Ltd., or Dishman, a global manufacturer of intermediates and APIs located in India, whereby we will work exclusively with Dishman and Dishman will work exclusively with us with respect to the manufacture and supply of intermediates and APIs using our biocatalysts for a select group of innovator pharmaceutical companies. Dishman will have a one-time right to expand such exclusivity to include all other innovator pharmaceutical companies if revenues under the collaboration agreement reach certain targeted levels. In the event we do not achieve subsequent revenue targets after Dishman has exercised such expansion right, we may choose to convert Dishman s exclusive right back to a non-exclusive right for such other innovators. To the extent we are obligated to exclusively engage Dishman with respect to the manufacture and supply of APIs and intermediates we may be unable to secure certain innovator pharmaceutical companies as our customers if they have a previous relationship with another contract manufacturer or otherwise prefer a contract manufacturer other than Dishman to manufacture and supply APIs or other intermediates for their products.

We rely on Arch to market our products in certain regions, and Arch may not be able to effectively market our products.

Using our biocatalysts, Arch manufactures certain specified APIs, and intermediates used in the manufacture of APIs, that we then purchase and have the right to sell to innovator pharmaceutical

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companies worldwide, generic pharmaceutical companies in the United States, Canada, Europe and Israel, and certain pharmaceutical companies in India. Arch has the exclusive right to manufacture, market and sell such APIs and intermediaries to generic pharmaceutical companies in countries other than the United States, Canada, Europe and Israel, and certain other pharmaceutical companies in India. We must therefore rely on Arch for their financial resources and their marketing expertise for the commercialization of such APIs and intermediates in these regions. We cannot control Arch s level of activity or expenditures relating to the marketing of such products relative to the rest of their products or marketing efforts. Arch may fail to effectively market our products in these regions. Conflicting priorities, competing demands or other factors that we cannot control, and of which we may not be aware, may cause Arch to deemphasize such products. If we are unable to effectively leverage Arch s marketing capabilities or Arch does not successfully promote such products in the designated territories as our sole marketing partner, this could harm our business, our revenues and operating results, and our ability to bring such products to the marketplace could be harmed.

We may continue to encounter difficulties managing our growth, which could adversely affect our business.

Our business has grown rapidly and we expect this growth to continue. Overall, we have grown from approximately 40 employees at the end of 2002 to approximately 290 employees as of December 31, 2009. Currently, we are working simultaneously on multiple projects targeting several markets. Furthermore, we are conducting our business across several countries, including activities in the United States, India, Japan, Singapore, Austria, France, Germany, Hungary and Italy. These diversified, global operations place increased demands on our limited resources and require us to substantially expand the capabilities of our administrative and operational resources and to attract, train, manage and retain qualified management, technicians, scientists and other personnel. As our operations expand domestically and internationally, we will need to continue to manage multiple locations and additional relationships with various customers, collaborators, suppliers and other third parties. Our ability to manage our operations, growth, and various projects effectively will require us to make additional investments in our infrastructure to continue to improve our operational, financial and management controls and our reporting systems and procedures and to attract and retain sufficient numbers of talented employees, which we may be unable to do effectively. As a result, we may be unable to manage our expenses in the future, which may negatively impact our gross margins or operating margins in any particular quarter. In addition, we may not be able to successfully improve our management information and control systems, including our internal control over financial reporting, to a level necessary to manage our growth and to remediate the existing significant deficiency in our internal control over financial reporting that was identified in our last audit, and we may discover additional deficiencies in existing systems and controls that we may not be able to remediate in an efficient or timely manner.

Our business could be adversely affected if pharmaceutical customers do not incorporate our biocatalysts into their manufacturing processes.

Historically, pharmaceutical companies have been reluctant to use biocatalysts in the manufacture of their intermediates or APIs because naturally occurring biocatalysts were not economically viable for production at commercial scale. For example, naturally occurring biocatalysts are often not stable enough to be used in industrial settings. Additionally, the activity and productivity of these biocatalysts are often too limited to be effective in commercial scale manufacturing and often result in incomplete reactions and insufficient product yields. Although our biocatalysts have been developed to address shortcomings of naturally occurring biocatalysts, we may still encounter reluctance by pharmaceutical companies to adopt processes that use our biocatalysts. If customers decide not to adopt processes using our biocatalysts over other methods of producing the intermediates or APIs for their drugs, our revenues and prospects will be negatively impacted.

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Moreover, we believe that the lower manufacturing costs enabled by our technology platform is one of the principal reasons pharmaceutical companies have purchased and will continue to purchase our biocatalysts and optimization services. If we are unable to maintain the cost advantages provided by our technology platform, customers may be less willing to purchase our products and services, which would also negatively impact our revenues. In addition, we may be unable to reach agreement on pricing or other terms with potential customers, which may adversely impact our ability to grow our business.

Our business could be adversely affected if the clinical trials being conducted by our innovator customers fail or if the processes used by those customers to manufacture their final pharmaceutical products fail to be approved.

Our biocatalysts are used in the manufacture of intermediates and APIs which are then used in the manufacture of final pharmaceutical products by our existing and potential customers who sell branded drugs, which we refer to as innovators. These pharmaceutical products must be approved by the FDA in the United States and similar regulatory bodies in other markets prior to commercialization. If these customers experience adverse events in their clinical trials, fail to receive regulatory approval for the drugs, or decide for business or other reasons to discontinue their clinical trials or drug development activities, our revenues and prospects will be negatively impacted. For example, one of our customers that incorporated our biocatalysts in the manufacturing process for a drug candidate suspended its development efforts during clinical trials. As a result, we were unable to realize a potential long-term revenue stream that would otherwise be associated with a commercialized product. The process of producing these drugs, and their generic equivalents, is also subject to regulation by the FDA in the United States and equivalent regulatory bodies in other markets. If any pharmaceutical process that uses our biocatalysts does not receive approval by the appropriate regulatory body or if customers decide not to pursue approval, our business could be adversely affected.

If we are unable to develop and commercialize new products for the pharmaceutical market, our business and prospects will be harmed.

We have launched several new intermediates and APIs for generic drugs, including Singulair and Cymbalta, in markets in which they are not patent protected, and plan to launch these same products in various other markets once the patent protection for each product in those other markets expires. In addition, we plan to launch other new intermediates and APIs in the future. These efforts are subject to numerous risks, including the following:

- we may be unable to successfully develop the biocatalysts or manufacturing processes for our intermediates and APIs in a timely and cost-effective manner, if at all;
- we may face difficulties in transferring the developed technologies to Arch, or other contract manufacturers that we may use, for commercial scale production;
- Arch, or other contract manufacturers that we may use, may be unable to scale their manufacturing operations to meet the demand for these products and we may be unable to secure additional manufacturing capacity;
- generics manufacturers may not be willing to purchase these products from us on favorable terms, if at all;
- we may face product liability litigation, unexpected safety or efficacy concerns and product recalls or withdrawals;
- changes in laws or regulations relating to the pharmaceutical industry could cause us to incur increased costs of compliance or otherwise harm our business;
- negative publicity may affect doctor or patient confidence in the products;

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- we may face pressure from existing or new competitive products; and
- we may face pricing pressures from existing or new competitors, some of which may benefit from government subsidies or other incentives in their local markets.

In addition, our innovator customers may view us as competitors and be less willing to do business with us. Moreover, we may be subject to claims alleging that our pharmaceutical products violate the patent or other intellectual property rights of third parties, particularly in connection with any generic products on which the patent covering the branded drug is expiring. These claims could give rise to litigation, which may be costly and time-consuming and could divert management s attention. If we are unsuccessful in our defense of any such claims, we may lose our right to develop or manufacture the products, be required to pay monetary damages, or be required to enter into license agreements and pay substantial royalties. If one or more of these risks were to materialize, our future business, results of operations and financial condition could be materially adversely affected, and we may be unable to grow our business.

Consolidation in the pharmaceutical industry could adversely impact our business.

There has been significant consolidation in the pharmaceutical industry, including the recent mergers of Pfizer Inc. and Wyeth, Merck and Schering-Plough Corporation and F. Hoffman-La Roche Ltd. and Genentech Inc., and the acquisition of several generics businesses by Novartis AG, and this consolidation may continue in the future. When pharmaceutical companies merge, they often rationalize their product portfolios by eliminating competing product programs, resulting in fewer drug programs for certain target indications. As a result of this consolidation, there are fewer potential pharmaceutical customers and fewer drug development programs that could utilize our products and services to enhance drug manufacturing processes. For example, the consolidation of two pharmaceutical companies may lead the acquiring company to suspend or terminate development programs for certain product candidates for which we may have been providing or had the opportunity to provide biocatalysts, intermediates or APIs. This would lead to diminished demand for our products and services, which could adversely impact our business.

If we are unable to successfully commercialize our technology in other bioindustrial markets, we may be unable to grow our business.

In addition to biofuels, we expect to invest a significant amount of our future research and development efforts in other bioindustrial markets, including carbon management, water treatment and chemicals. Because we do not currently and may never possess the resources necessary to independently develop and commercialize all of the potential products that may result from our technologies, our ability to succeed in these target markets will likely depend on our ability to enter into collaboration agreements to develop and commercialize potential products. We intend to pursue such additional collaborations, but may be unable to do so on terms satisfactory to us, or at all. Even if we are able to enter into collaborations in one or more of these areas, the collaborations may be unsuccessful. Moreover, because we have limited financial and managerial resources, we will be required to prioritize our application of resources to particular development and commercialization efforts. Any resources we expend on one or more of these efforts could be at the expense of other potentially profitable opportunities. If we focus our efforts and resources on one or more of these areas and they do not lead to commercially viable products, our revenues, financial condition and results of operations could be adversely affected.

If we are unable to maintain license rights to a commercial scale expression system for enzymes that convert cellulosic biomass to sugars, our business may be materially adversely affected.

We entered into a license agreement with Dyadic International, Inc. and its affiliate, or Dyadic, in November 2008 to obtain access to an expression system that is capable of producing the necessary biocatalysts for the commercialization of cellulosic biofuels. Under the license agreement with Dyadic, we obtained a non-exclusive license under intellectual property rights of Dyadic relating to Dyadic s proprietary fungal expression technology for the production of enzymes. We also obtained access to specified materials of Dyadic relating to such Dyadic technology. Our license is sublicenseable to Shell in the field of biofuels. Dyadic has the right to terminate our licenses under the license agreement if we challenge the validity of any of the patents licensed under the license agreement and for various other reasons. Our licenses, and access to such materials of Dyadic, under the license agreement will terminate as a result of any termination of the license agreement other than due to Dyadic s material breach. If we are unable to maintain these rights on commercially reasonable terms or if the license agreement is terminated for any reason, we will need to buy or license this type of expression system from another party or develop this type of expression system ourselves, which may be difficult, costly and time consuming, in part because of the broad, existing intellectual property rights owned by Danisco A/S, Novozymes and others. If any of these events occur, our business may be materially adversely affected.

Fluctuations in the price of and demand for petroleum-based fuels may reduce demand for biofuels.

Biofuels are anticipated to be marketed as an alternative to petroleum-based fuels. Therefore, if the price of oil falls, any revenues that we generate from biofuel products could decline, and we may be unable to produce products that are a commercially viable alternative to petroleum-based fuels. Additionally, demand for liquid transportation fuels, including biofuels, may decrease due to economic conditions or otherwise.

The royalties that we may earn under our agreements with Shell are indexed to the price of oil and generally increase as the price of oil increases. However, the index is set based on average prices between November 2007 and the date of first commercial sale. Therefore, if prices fall, our revenues would be negatively impacted.

Our approach to the advanced biofuels markets may be limited by the availability or cost of non-food renewable cellulosic biomass sources.

Our approach to the advanced biofuels markets will be dependent on the availability and price of the cellulosic biomass that will be used to produce biofuels derived from cellulose. If the availability of cellulosic biomass decreases or its price increases, this may reduce the royalties that we collect from Shell and have a material adverse effect on our financial condition and operating results. At certain levels, prices may make these products uneconomical to use and produce.

The price and availability of cellulosic biomass may be influenced by general economic, market and regulatory factors. These factors include the availability of arable land to supply feedstock, weather conditions, farming decisions, government policies and subsidies with respect to agriculture and international trade, and global demand and supply. The significance and relative impact of these factors on the price of cellulosic biomass is difficult to predict, especially without knowing what types of cellulosic biomass materials we may need to use.

Reductions or changes to existing fuel regulations and policies may present technical, regulatory and economic barriers, all of which may significantly reduce demand for biofuels.

The market for biofuels is heavily influenced by foreign, federal, state and local government regulations and policies concerning the petroleum industry. For example, in 2007, the U.S. Congress passed an alternative fuels mandate that currently calls for approximately 13 billion gallons of liquid transportation fuels sold in 2010 to come from alternative sources, including biofuels, a mandate that grows to 36 billion gallons by 2022. Of this amount, a minimum of 21 billion gallons must be advanced biofuels. In the United States and in a number of other countries, these regulations and policies have been modified in the past and may be modified again in the future. Any reduction in mandated requirements for fuel alternatives and additives to gasoline may cause demand for biofuels to decline and deter investment in the

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research and development of biofuels. Market uncertainty regarding future policies may also affect our ability to develop new biofuels products or to license our technologies to third parties. Any inability to address these requirements and any regulatory or policy changes could have a material adverse effect on our biofuels business, financial condition and operating results. Our other potential bioindustrial products may be subject to additional regulations.

If governmental incentives or other actions targeted at limiting carbon emissions are not adopted, a broad market for carbon management solutions may not develop.

Our strategy with respect to carbon management, although still in the research phase, would likely require an expansion of the market for the management of carbon dioxide emissions prior to us being able to recognize significant revenues from our research and continuing expenditures of resources. The development of a significant market will likely depend on the adoption of government subsidies or other government regulation requiring companies to limit their carbon emissions. In the absence of such additional government subsidies or regulation, this market may not expand and we would not be able to generate significant revenues from our carbon management operations.

We may need additional licenses from Maxygen to pursue certain future business opportunities in the chemicals market.

Under our license agreement with Maxygen, we obtained exclusive rights to manufacture certain types of chemicals for specified purposes within particular fields. Should we desire to work on any chemicals that are outside the scope of these license rights, we may need to seek additional rights from Maxygen. Maxygen has no obligation to grant such rights to us and may choose not to license such rights to us on favorable terms, if at all. If we are unable to obtain rights to those additional areas, we may not be able to develop products or services or pursue collaborations in those areas, which could limit our ability to expand into the chemicals market.

Our government grants are subject to uncertainty, which could harm our business and results of operations.

We have received various government grants to complement and enhance our own resources. We may seek to obtain government grants and subsidies in the future to offset all or a portion of the costs of building additional manufacturing facilities and research and development activities. We cannot be certain that we will be able to secure any such government grants or subsidies. Any of our existing grants or new grants that we may obtain may be terminated, modified or recovered by the granting governmental body under certain conditions.

We may also be subject to audits by government agencies as part of routine audits of our activities funded by our government grants. As part of an audit, these agencies may review our performance, cost structures and compliance with applicable laws, regulations and standards. Funds available under grants must be applied by us toward the research and development programs specified by the granting agencies, rather than for all of our programs generally. If any of our costs are found to be allocated improperly, the costs may not be reimbursed and any costs already reimbursed may have to be refunded. Accordingly, an audit could result in an adjustment to our revenues and results of operations.

We face risks associated with our international business.

Significant portions of our operations are conducted outside of the United States and we expect to continue to have significant foreign operations in the foreseeable future. International business operations are subject to a variety of risks, including:

- changes in or interpretations of foreign regulations that may adversely affect our ability to sell our products or repatriate profits to the United States;

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- the imposition of tariffs;
- the imposition of limitations on, or increase of, withholding and other taxes on remittances and other payments by foreign subsidiaries or joint ventures;
- the imposition of limitations on genetically-engineered products or processes and the production or sale of those products or processes in foreign countries;
- currency exchange rate fluctuations;
- uncertainties relating to foreign laws and legal proceedings including tax and exchange control laws;
- the availability of government subsidies or other incentives that benefit competitors in their local markets that are not available to us;
- economic or political instability in foreign countries;
- difficulties in staffing and managing foreign operations; and
- the need to comply with a variety of U.S. laws applicable to the conduct of overseas operations, including export control laws and the Foreign Corrupt Practices Act.

We manufacture many of our pharmaceutical intermediates in India, which has stringent local regulations that make it difficult for money earned in India to be taken out of the country without being subject to Indian taxes. While our Indian subsidiary can make use of some of the funds we earn in India, these regulations may limit the amount of profits we can repatriate from operations in India.

If we engage in any acquisitions, we will incur a variety of costs and may potentially face numerous risks that could adversely affect our business and operations.

We have made acquisitions in the past, and if appropriate opportunities become available, we expect to acquire additional businesses, assets, technologies, or products to enhance our business in the future. In connection with any future acquisitions, we could:

- issue additional equity securities which would dilute our current stockholders;
- incur substantial debt to fund the acquisitions; or
- assume significant liabilities.

Acquisitions involve numerous risks, including problems integrating the purchased operations, technologies or products, unanticipated costs and other liabilities, diversion of management s attention from our core businesses, adverse effects on existing business relationships with current and/or prospective collaborators, customers and/or suppliers, risks associated with entering markets in which we have no or limited prior experience and potential loss of key employees. We do not have extensive experience in managing the integration process and we may not be able to successfully integrate any businesses, assets, products, technologies, or personnel that we might acquire in the future without a significant expenditure of operating, financial and management resources, if at all. The integration process could divert management time from focusing on operating our business, result in a decline in employee morale and cause retention issues to arise from changes in compensation, reporting relationships, future prospects or the direction of the business. Acquisitions may also require us to record goodwill and non-amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges, incur amortization expenses related to certain intangible assets, and incur large and immediate write offs and restructuring and other related expenses, all of which could harm our operating results and financial condition. In addition, we may acquire companies that have insufficient internal financial controls, which could impair our ability to integrate the acquired company and adversely impact our financial reporting. If we fail in our integration efforts with respect to any of our acquisitions and are unable to efficiently operate as a combined organization, our business and financial condition may be adversely affected.

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We must rely on our suppliers, contract manufacturers and customers to deliver timely and accurate information in order to accurately report our financial results in the time frame and manner required by law.

We need to receive timely, accurate and complete information from a number of third parties in order to accurately report our financial results on a timely basis. We rely on third parties that sell our pharmaceutical products that are manufactured using our biocatalysts to provide us with complete and accurate information regarding revenues, costs of revenues and payments owed to us on a timely basis. In addition, we rely on suppliers and certain contract manufacturers, including Arch, to provide us with timely and accurate information regarding our inventories and manufacturing cost information, and we rely on current and former collaborators to provide us with product sales and cost saving information in connection with royalties owed to us. Any failure to receive timely information from one or more of these third parties could require that we estimate a greater portion of our revenues and other operating performance metrics for the period, which could cause our reported financial results to be incorrect. Moreover, if the information that we receive is not accurate, our financial statements may be materially incorrect and may require restatement, and we may not receive the full amount of revenues that we are entitled to under these arrangements. Although we typically have audit rights with these parties, performing such an audit could be harmful to our collaborative relationships, expensive and time consuming and may not be sufficient to reveal any discrepancies in a timeframe consistent with our reporting requirements.

If we lose key personnel, including key management personnel, or are unable to attract and retain additional personnel, it could delay our product development programs, harm our research and development efforts, and we may be unable to pursue collaborations or develop our own products.

Our business involves complex, global operations across a variety of markets and requires a management team and employee workforce that is knowledgeable in the many areas in which we operate. The loss of any key members of our management, including our Chief Executive Officer, Alan Shaw, or the failure to attract or retain other key employees who possess the requisite expertise for the conduct of our business, could prevent us from developing and commercializing our products for our target markets and entering into collaborations or licensing arrangements to execute on our business strategy. In addition, the loss of any key scientific staff, or the failure to attract or retain other key scientific employees, could prevent us from developing and commercializing our products for our target markets and entering into collaborations or licensing arrangements to execute on our business strategy. We may not be able to attract or retain qualified employees in the future due to the intense competition for qualified personnel among biotechnology and other technology-based businesses, particularly in the biofuels area, or due to the unavailability of personnel with the qualifications or experience necessary for our biofuels business. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience staffing constraints that will adversely affect our ability to meet the demands of our collaborators and customers in a timely fashion or to support our internal research and development programs. In particular, our product and process development programs are dependent on our ability to attract and retain highly skilled scientists. Competition for experienced scientists and other technical personnel from numerous companies and academic and other research institutions may limit our ability to attract and retain such personnel on acceptable terms. All of our employees are at-will employees, which means that either the employee or we may terminate their employment at any time.

Our planned activities will require additional expertise in specific industries and areas applicable to the products and processes developed through our technology platform or acquired through strategic or other transactions, especially in the end markets that we seek to penetrate. These activities will require the addition of new personnel, and the development of additional expertise by existing personnel. The inability to attract personnel with appropriate skills or to develop the necessary expertise could impair our ability to grow our business. Additionally, we would be in breach of our collaborative research agreement with Shell if we fail to maintain a specified number of personnel.

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Our ability to compete may decline if we do not adequately protect our proprietary technologies or if we lose some of our intellectual property rights through costly litigation or administrative proceedings.

Our success depends in part on our ability to obtain patents and maintain adequate protection of our intellectual property for our technologies and products and potential products in the United States and other countries. We have adopted a strategy of seeking patent protection in the United States and in foreign countries with respect to certain of the technologies used in or relating to our products and processes. As such, as of December 31, 2009, we owned or had licensed rights to approximately 235 issued patents and approximately 280 pending patent applications in the United States and in various foreign jurisdictions. Of the licensed patents and patent applications, most are owned by Maxygen and exclusively licensed to us for use with respect to certain products for specified purposes within certain fields. However, some of these patents will expire as early as 2014. As of December 31, 2009, we owned approximately 35 issued patents and approximately 115 pending patent applications in the United States and in various foreign jurisdictions. These patents and patent applications are directed to our enabling technologies and to our methods and products which support our business in the pharmaceuticals and bioindustrials markets. We intend to continue to apply for patents relating to our technologies, methods and products as we deem appropriate.

Numerous patents in our portfolio involve complex legal and factual questions and, therefore, enforceability cannot be predicted with any certainty. Issued patents and patents issuing from pending applications may be challenged, invalidated, or circumvented. Moreover, third parties could practice our inventions in territories where we do not have patent protection. Such third parties may then try to import products made using our inventions into the United States or other territories. Additional uncertainty may result from potential passage of patent reform legislation by the United States Congress, legal precedent as handed down by the United States Federal Circuit and Supreme Court as they determine legal issues concerning the scope and construction of patent claims and inconsistent interpretation of patent laws by the lower courts. Accordingly, we cannot ensure that any of our pending patent applications will result in issued patents, or even if issued, predict the breadth of the claims upheld in our and other companies patents. Given that the degree of future protection for our proprietary rights is uncertain, we cannot ensure that: (i) we were the first to make the inventions covered by each of our pending applications, (ii) we were the first to file patent applications for these inventions, and (iii) the proprietary technologies we develop will be patentable.

In addition, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our intellectual property is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in certain foreign countries where the local laws may not protect our proprietary rights as fully as in the United States. If competitors are able to use our technology, our ability to compete effectively could be harmed. Moreover, others may independently develop and obtain patents for technologies that are similar to or superior to our technologies. If that happens, we may need to license these technologies, and we may not be able to obtain licenses on reasonable terms, if at all, which could cause harm to our business.

Our commercial success also depends in part on not infringing patents and proprietary rights of third parties, and not breaching any licenses or other agreements that we have entered into with regard to our technologies, products and business. We cannot ensure that patents have not been issued to third parties that could block our ability to obtain patents or to operate as we would like. There may be patents in some countries that, if valid, may block our ability to make, use or sell our products in those countries, or import our products into those countries, if we are unsuccessful in circumventing or acquiring the rights to these patents. There also may be claims in patent applications filed in some countries that, if granted and valid, may also block our ability to commercialize products or processes in these countries if we are unable to circumvent or license them.

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The biotechnology industry is characterized by frequent and extensive litigation regarding patents and other intellectual property rights, and we believe that the various bioindustrial markets will also be characterized by this type of litigation. Many biotechnology companies have employed intellectual property litigation as a way to gain a competitive advantage. Our involvement in litigation, interferences, opposition proceedings or other intellectual property proceedings inside and outside of the United States, to defend our intellectual property rights or as a result of alleged infringement of the rights of others, may divert management time from focusing on business operations and could cause us to spend significant amounts of money. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, incorporating or using our products that use the subject intellectual property;
- obtain from the third party asserting its intellectual property rights a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; or
- redesign those products or processes that use any allegedly infringing technology, or relocate the operations relating to the allegedly infringing technology to another jurisdiction, which may result in significant cost or delay to us, or which could be technically infeasible.

We are aware of a significant number of patents and patent applications relating to aspects of our technologies filed by, and issued to, third parties. We cannot assure you that if this third party intellectual property is asserted against us that we would ultimately prevail.

If any of our competitors have filed patent applications or obtained patents that claim inventions also claimed by us, we may have to participate in interference proceedings declared by the relevant patent regulatory agency to determine priority of invention and, thus, the right to the patents for these inventions in the United States. These proceedings could result in substantial cost to us even if the outcome is favorable. Even if successful, an interference may result in loss of certain claims. Any litigation or proceedings could divert our management s time and efforts. Even unsuccessful claims could result in significant legal fees and other expenses, diversion of management time, and disruption in our business. Uncertainties resulting from initiation and continuation of any patent or related litigation could harm our ability to compete.

We may not be able to enforce our intellectual property rights throughout the world.

The laws of some foreign countries, including India, where we manufacture pharmaceutical intermediates and APIs through contract manufacturers, do not protect intellectual property rights to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or bioindustrials technologies. This could make it difficult for us to stop the infringement of our patents or misappropriation of our other intellectual property rights. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate.

If our biocatalysts, or the genes that code for our biocatalysts, are stolen, misappropriated or reverse engineered, others could use these biocatalysts or genes to produce competing products.

Third parties, including our contract manufacturers, customers and those involved in shipping our biocatalysts often have custody or control of our biocatalysts. If our biocatalysts, or the genes that code for our biocatalysts, were stolen, misappropriated or reverse engineered, they could be used by other parties that may be able to reproduce these biocatalysts for their own commercial gain. If this were to occur, it would be difficult for us to challenge this type of use, especially in countries with limited intellectual property protection.

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Confidentiality agreements with employees and others may not adequately prevent disclosures of trade secrets and other proprietary information.

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. We require new employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual s relationship with us be kept confidential and not disclosed to third parties. These agreements also generally provide that inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. Nevertheless, our proprietary information may be disclosed, third parties could reverse engineer our biocatalysts and others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Competitors and potential competitors who have greater resources and experience than we do may develop products and technologies that make ours obsolete or may use their greater resources to gain market share at our expense.

The biocatalysis industry and each of our target markets are characterized by rapid technological change. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. We are aware that other companies, including Verenium Corporation (formed by the merger of Diversa Corporation and Celunol Corporation), Royal DSM N.V., or DSM, Danisco/Genencor, Novozymes and E.I. Du Pont De Nemours and Company, or DuPont, have alternative methods for obtaining and generating genetic diversity or use mutagenesis techniques to produce genetic diversity. Academic institutions such as the California Institute of Technology, the Max Planck Institute and the Center for Fundamental and Applied Molecular Evolution (FAME), a jointly sponsored initiative between Emory University and Georgia Institute of Technology, are also working in this field. Technological development by others may result in our products and technologies, as well as products developed by our customers using our biocatalysts, becoming obsolete.

We face intense competition in the pharmaceuticals market. There are a number of companies who compete with us throughout the various stages of a pharmaceutical product s lifecycle. Many large pharmaceutical companies have internal capabilities to develop and manufacture intermediates and APIs. These companies include many of our large innovator and generic pharmaceutical customers, such as Merck, Pfizer and Teva Pharmaceutical Industries Ltd. There are also many large, well-established fine chemical manufacturing companies, such as DSM, BASF Corporation and Lonza Group Ltd, that compete to supply pharmaceutical intermediates and APIs to our customers. We also face increasing competition from generic pharmaceutical manufacturers in low cost centers such as India and China.

In addition to competition from companies manufacturing APIs and intermediates, we face competition from companies that sell biocatalysts for use in the pharmaceutical market. There is competition from large industrial enzyme companies, such as Novozymes and Amano Enzyme Inc., whose industrial enzymes (for detergents, for example) are occasionally used in pharmaceutical processes. There is also competition in this area from several small companies with product offerings comprised primarily of naturally occurring biocatalysts or that offer biocatalyst optimization services.

We expect the biofuels industry to be extremely competitive, with competition coming from ethanol producers as well as other providers of alternative and renewable fuels. Significant competitors include companies such as: Novozymes, which has partnered with a number of companies and organizations on a regional basis to develop or produce biofuels, and recently opened a biofuel demonstration plant with

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Inbicon A/S of Denmark; Danisco/Genencor, which has formed a joint venture with DuPont, called DuPont Danisco Cellulosic Ethanol, or DDCE, and is marketing a line of cellulases to convert biomass into sugar; DSM, which received a grant from the U.S. Department of Energy to be the lead partner in a technical consortium including Abengoa Bioenergy New Technologies, and is developing cost-effective enzyme technologies; Mascoma Corporation, which has entered into a feedstock processing and lignin supply agreement with Chevron Technology Ventures, a division of Chevron U.S.A., Inc.; and Verenium, which has entered into a research and development collaboration with BP, p.l.c and formed a joint venture with BP called Vercipia Biofuels to develop a commercial scale cellulosic ethanol facility. In addition, other companies are attempting to develop non-ethanol biofuels. DuPont has announced plans to develop and market biobutanol through Butamax Advanced Biofuels LLC, a joint venture with BP, and Virent Energy Systems Inc. is collaborating with Shell to develop thermochemical catalytic routes to produce biogasoline directly from sugars. Range Fuels Inc. is also focused on developing non-biocatalytic thermochemical processes to convert cellulosic biomass into fuels, and Coskata, Inc. is developing a hybrid thermochemical-biocatalytic process to produce ethanol from a variety of feedstocks. Some or all of these competitors or other competitors, as well as academic, research and government institutions, are developing or may develop technologies for, and are competing or may compete with us in, the production of alternative fuels or biofuels.

As we pursue opportunities in other bioindustrial markets, we expect to face competition from numerous companies focusing on developing biocatalytic and other solutions for these markets, including a number of the companies described above.

Our ability to compete successfully will depend on our ability to develop proprietary products that reach the market in a timely manner and are technologically superior to and/or are less expensive than other products on the market. Many of our competitors have substantially greater production, financial, research and development, personnel and marketing resources than we do. In addition, certain of our competitors may also benefit from local government subsidies and other incentives that are not available to us. As a result, our competitors may be able to develop competing and/or superior technologies and processes, and compete more aggressively and sustain that competition over a longer period of time than we could. Our technologies and products may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by one or more of our competitors. As more companies develop new intellectual property in our markets, the possibility of a competitor acquiring patent or other rights that may limit our products or potential products increases, which could lead to litigation.

In addition, various governments have recently announced a number of spending programs focused on the development of clean technology, including alternatives to petroleum-based fuels and the reduction of carbon emissions, two of our target markets. Such spending programs could lead to increased funding for our competitors or the rapid increase in the number of competitors within those markets.

Our limited resources relative to many of our competitors may cause us to fail to anticipate or respond adequately to new developments and other competitive pressures. This failure could reduce our competitiveness and market share, adversely affect our results of operations and financial position, and prevent us from obtaining or maintaining profitability.

We may need substantial additional capital in the future in order to expand our business.

Our future capital requirements may be substantial, particularly as we continue to develop our business and expand our biocatalyst discovery and development process. Although we believe that, based on our current level of operations and anticipated growth, our existing cash, cash equivalents and marketable securities will provide adequate funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months, we may need additional capital if our current plans and assumptions change. Our need for additional capital will depend on many factors, including the financial success of our pharmaceutical business, whether we are successful in obtaining payments from customers, whether we can enter into additional collaborations, the progress and scope of our collaborative and independent research and development projects performed by us and our collaborators, the effect of any acquisitions of other businesses or technologies that we may make in the future, whether we decide to develop an internal manufacturing capability, and the filing, prosecution and enforcement of patent claims.

If our capital resources are insufficient to meet our capital requirements, and we are unable to enter into or maintain collaborations with partners that are able or willing to fund our development efforts or commercialize any products that we develop or enable, we will have to raise additional funds to continue the development of our technology and products and complete the commercialization of products, if any, resulting from our technologies. If future financings involve the issuance of equity securities, our existing stockholders would suffer dilution. If we were permitted to raise additional debt financing, we may be subject to restrictive covenants that limit our ability to conduct our business. We may not be able to raise sufficient additional funds on terms that are favorable to us, if at all. If we fail to raise sufficient funds and continue to incur losses, our ability to fund our operations, take advantage of strategic opportunities, develop products or technologies, or otherwise respond to competitive pressures could be significantly limited. If this happens, we may be forced to delay or terminate research or development programs or the commercialization of products resulting from our technologies, curtail or cease operations or obtain funds through collaborative and licensing arrangements that may require us to relinquish commercial rights, or grant licenses on terms that are not favorable to us. If adequate funds are not available, we will not be able to successfully execute our business plan or continue our business.

The terms of our loan and security agreement with General Electric Capital Corporation and Oxford Finance Corporation may restrict our ability to engage in certain transactions.

In September 2007, we entered into a loan and security agreement with General Electric Capital Corporation, or GE Capital, and Oxford Finance Corporation, or Oxford. Pursuant to the terms of the loan and security agreement, we cannot engage in certain transactions, including disposing of certain assets, transferring capital to foreign subsidiaries, incurring additional indebtedness, declaring dividends, acquiring or merging with another entity or leasing additional real property unless certain conditions are met or unless we receive prior approval of GE Capital and Oxford. If GE Capital and Oxford do not consent to any of these actions that we desire to take, we could be prohibited from engaging in transactions which could be beneficial to our business and our stockholders.

Business interruptions could delay us in the process of developing our products and could disrupt our sales.

Our headquarters is located in the San Francisco Bay Area near known earthquake fault zones and is vulnerable to significant damage from earthquakes. We are also vulnerable to other types of natural disasters and other events that could disrupt our operations, such as riot, civil disturbances, war, terrorist acts, flood, infections in our laboratory or production facilities or those of our contract manufacturers and other events beyond our control. We do not have a detailed disaster recovery plan. In addition, we do not carry insurance for earthquakes and we may not carry sufficient business interruption insurance to compensate us for losses that may occur. Any losses or damages we incur could have a material adverse effect on our cash flows and success as an overall business. Furthermore, Shell may terminate our collaborative research agreement if a force majeure event interrupts our collaboration activities for more than ninety days.

Ethical, legal and social concerns about genetically engineered products and processes could limit or prevent the use of our products, processes, and technologies and limit our revenues.

Some of our products and processes are genetically engineered or involve the use of genetically engineered products or genetic engineering technologies. If we and/or our collaborators are not able to overcome the ethical, legal, and social concerns relating to genetic engineering, our products and processes may not be accepted. Any of the risks discussed below could result in increased expenses, delays, or other impediments to our programs or the public acceptance and commercialization of products and processes dependent on our technologies or inventions. Our ability to develop and commercialize one or more of our technologies, products, or processes could be limited by the following factors:

- public attitudes about the safety and environmental hazards of, and ethical concerns over, genetic research and genetically engineered products and processes, which could influence public acceptance of our technologies, products and processes;

- public attitudes regarding, and potential changes to laws governing ownership of genetic material, which could harm our intellectual property rights with respect to our genetic material and discourage collaborators from supporting, developing, or commercializing our products, processes and technologies; and

- governmental reaction to negative publicity concerning genetically modified organisms, which could result in greater government regulation of genetic research and derivative products.

The subject of genetically modified organisms has received negative publicity, which has aroused public debate. This adverse publicity could lead to greater regulation and trade restrictions on imports of genetically altered products.

The biocatalysts that we develop have significantly enhanced characteristics compared to those found in naturally occurring enzymes or microbes. While we produce our biocatalysts only for use in a controlled industrial environment, the release of such biocatalysts into uncontrolled environments could have unintended consequences. Any adverse effect resulting from such a release could have a material adverse effect on our business and financial condition, and we may have exposure to liability for any resulting harm.

Compliance with stringent laws and regulations may be time consuming and costly, which could adversely affect the commercialization of our biofuels products.

Any biofuels developed using our technologies will need to meet a significant number of regulations and standards, including regulations imposed by the U.S. Department of Transportation, the U.S. Environmental Protection Agency, various state agencies and others. Any failure to comply, or delays in compliance, with the various existing and evolving industry regulations and standards could prevent or delay the commercialization of any biofuels developed using our technologies and subject us to fines and other penalties.

We use hazardous materials in our business and we must comply with environmental laws and regulations. Any claims relating to improper handling, storage or disposal of these materials or noncompliance of applicable laws and regulations could be time consuming and costly and could adversely affect our business and results of operations.

Our research and development processes involve the use of hazardous materials, including chemical, radioactive, and biological materials. Our operations also produce hazardous waste. We cannot eliminate entirely the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state, and local laws and regulations govern the use, manufacture, storage, handling and disposal of, and human exposure to, these materials. We may be sued for any injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed our total assets. Although we believe that our activities conform in all material respects with environmental laws, there can be no assurance that violations of environmental, health and safety laws will not occur in the future as a result of human error, accident, equipment failure or other causes. Compliance with applicable environmental laws and regulations may be expensive, and the failure to comply with past, present, or future laws could result in the imposition of fines, third party property damage, product liability and personal injury claims, investigation and remediation costs, the suspension of production, or a cessation of operations, and our liability may exceed our total assets. Liability under environmental laws can be joint and several and without regard to comparative fault. Environmental laws could become more stringent over time imposing greater compliance costs and increasing risks and penalties associated with violations, which could impair our research, development or production efforts and harm our business.

We may be sued for product liability.

The design, development, manufacture and sale of our products involve an inherent risk of product liability claims and the associated adverse publicity. We may be named directly in product liability suits relating to drugs that are produced using our biocatalysts or that incorporate our intermediates and APIs. These claims could be brought by various parties, including customers who are purchasing products directly from us, other companies who purchase products from our customers or by the end users of the drugs. We could also be named as co-parties in product liability suits that are brought against our contract manufacturers who manufacture our pharmaceutical intermediates and APIs, such as Arch. Insurance coverage is expensive and may be difficult to obtain, and may not be available in the future on acceptable terms, or at all. We cannot assure you that our contract manufacturers will have adequate insurance coverage to cover against potential claims. In addition, although we currently maintain product liability insurance for our products in amounts we believe to be commercially reasonable, if the coverage limits of these insurance policies are not adequate, a claim brought against us, whether covered by insurance or not, could have a material adverse effect on our business, results of operations, financial condition and cash flows. This insurance may not provide adequate coverage against potential losses, and if claims or losses exceed our liability insurance coverage, we may go out of business. Moreover, we have agreed to indemnify some of our customers for certain claims that may arise out of the use of our products, which could expose us to significant liabilities.

Our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating loss carryforwards, or NOLs, to offset future taxable income. If the Internal Revenue Service challenges our analysis that our existing NOLs are not subject to limitations arising from previous ownership changes, or if we undergo an ownership change in connection with or after this public offering, our ability to utilize NOLs could be limited by Section 382 of the Internal Revenue Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we attain profitability.

Risks Relating to this Offering

We are subject to anti-takeover provisions in our certificate of incorporation and bylaws and under Delaware law that could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our stockholders.

Provisions in our amended and restated certificate of incorporation and our bylaws, both of which will become effective upon the completion of this offering, may delay or prevent an acquisition of us. Among other things, our amended and restated certificate of incorporation and bylaws will provide for a board of directors which is divided into three classes, with staggered three-year terms and will provide that all stockholder action must be effected at a duly called meeting of the stockholders and not by a consent in writing, and will further provide that only our board of directors, the chairman of the board of directors, our chief executive officers or president may call a special meeting of the stockholders. These provisions may also frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management team. Furthermore, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits, with some exceptions, stockholders owning in excess of 15% of our outstanding voting stock from merging or combining with us. Finally, our charter documents establish advanced notice requirements for nominations for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings. Although we believe these provisions together provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer to acquire our company may be considered beneficial by some stockholders.

Concentration of ownership among our existing officers, directors and principal stockholders may prevent other stockholders from influencing significant corporate decisions and depress our stock price.

When this offering is completed, our officers, directors and existing stockholders who hold at least 5% of our stock will together control approximately % of our outstanding common stock. As of February 28, 2010, Maxygen, Shell and Biomedical Sciences Investment Fund Pte Ltd beneficially owned approximately 21.4%, 19.8% and 12.0% of our common stock, respectively. If these officers, directors, and principal stockholders or a group of our principal stockholders act together, they will be able to exert a significant degree of influence over our management and affairs and control matters requiring stockholder approval, including the election of directors and approval of mergers or other business combination transactions. The interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders. For instance, officers, directors, and principal stockholders, acting together, could cause us to enter into transactions or agreements that we would not otherwise consider. Similarly, this concentration of ownership may have the effect of delaying or preventing a change in control of our company otherwise favored by our other stockholders. This concentration of ownership could depress our stock price.

Our share price may be volatile and you may be unable to sell your shares at or above the offering price.

The initial public offering price for our shares will be determined by negotiations between us and representatives of the underwriters and may not be indicative of prices that will prevail in the trading market. The market price of shares of our common stock could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- the position of our cash, cash equivalents and marketable securities;
- actual or anticipated changes in our growth rate relative to our competitors;
- actual or anticipated fluctuations in our competitors operating results or changes in their growth rate;
- announcements of technological innovations by us, our collaborators or our competitors;
- announcements by us, our collaborators or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- any changes in Shell s biofuels strategy or timelines, or in our relationship with Shell, including any decision by Shell to terminate our collaboration or reduce the number of FTEs funded by Shell under our collaborative research agreement;

any announcements or developments with respect to the proposed Shell-Cosan joint venture;

- any changes in our relationship with Maxygen, or any events that impact, or are perceived to impact, the rights we have licensed from Maxygen;
- announcements or developments regarding pharmaceutical products manufactured using our biocatalysts, intermediates and APIs;
- the entry into, modification or termination of collaborative arrangements;
- additions or losses of customers;
- additions or departures of key management or scientific personnel;
- competition from existing products or new products that may emerge;
- issuance of new or updated research reports by securities or industry analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- changes in existing laws, regulations and policies applicable to our business and products, including the National Renewable Fuel Standard program, and the adoption or failure to adopt carbon emissions regulation;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or our other stockholders;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- general market conditions in our industry; and
- general economic and market conditions, including the recent financial crisis.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of shares of our common stock. If the market price of shares of our common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management s attention from other business concerns, which could seriously harm our business.

A significant portion of our total outstanding shares of common stock is restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. As of February 28, 2010, our three largest stockholders beneficially own, collectively, approximately 53.2% of our outstanding common stock. If one or more of them were to sell a substantial portion of the shares they hold, it could cause our stock price to decline. Based on shares outstanding as of February 28, 2010, upon completion of this offering, we will have outstanding shares of common stock, assuming no exercise of the

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underwriters over-allotment option to purchase additional shares. This includes the shares that we are selling in this offering. Of the remaining shares, shares of common stock will be subject to a 180-day contractual lock-up with the underwriters, and shares of common stock will be subject to a 180-day contractual lock-up with us.

In addition, as of February 28, 2010, there were 12,776,307 shares subject to outstanding options that will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements, the lock-up agreements and Rules 144 and 701 under the Securities Act of 1933, as amended. Moreover, after this offering, holders of an aggregate of approximately 38,653,836 shares of our common stock will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

We also intend to register all shares of common stock that we may issue under our 2010 Equity Incentive Award Plan. Once we register these shares, they can be freely sold in the public market upon issuance and once vested, subject to the 180-day lock-up periods under the lock-up agreements described in the Underwriting section of this prospectus.

No public market for our common stock currently exists and an active trading market may not develop or be sustained following this offering.

Prior to this offering, there has been no public market for our common stock. An active trading market may not develop following the completion of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or change their opinion of our stock in a negative manner, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price will be substantially higher than the tangible book value per share of shares of our common stock based on the total value of our tangible assets less our total liabilities immediately following this offering. Therefore, if you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution of approximately $ per share in the price you pay for shares of our common stock as compared to its tangible book value, assuming an initial public offering price of $ per share. To the extent outstanding options and warrants to purchase shares of common stock are exercised, there will be further dilution. For further information on this calculation, see Dilution elsewhere in this prospectus.

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We have broad discretion in the use of net proceeds from this offering and may not use them effectively.

Although we currently intend to use the net proceeds from this offering in the manner described in Use of Proceeds elsewhere in this prospectus, we will have broad discretion in the application of the net proceeds. Our failure to apply these net proceeds effectively could affect our ability to continue to develop and sell our products and grow our business, which could cause the value of your investment to decline.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

We have never operated as a stand-alone public company. As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act, as well as related rules implemented by the Securities and Exchange Commission and The Nasdaq Stock Market, impose various requirements on public companies. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more expensive for us to maintain director and officer liability insurance.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, commencing in 2011, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, our stock price could decline, and we could face sanctions, delisting or investigations by The Nasdaq Global Market, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity.

We do not anticipate paying cash dividends, and accordingly, stockholders must rely on stock appreciation for any return on their investment.

The terms of our loan and security agreement with GE Capital and Oxford currently prohibit us from paying cash dividends on our common stock. In addition, we do not anticipate paying cash dividends in the future. As a result, only appreciation of the price of our common stock, which may never occur, will provide a return to stockholders. Investors seeking cash dividends should not invest in our common stock.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are contained principally in the sections entitled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. These risks and uncertainties are contained principally in the section entitled Risk Factors.

Forward-looking statements include all statements that are not historical facts. In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, expects, plans, anticipates, believes, estimates, projects, predicts, poten those terms, and similar expressions and comparable terminology intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus.

This prospectus also contains estimates and other information concerning our current and target markets that are based on industry publications, surveys and forecasts, including those generated by IMS Health, Datamonitor and the U.S. Energy Information Administration. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates and information. These industry publications, surveys and forecasts generally indicate that their information has been obtained from sources believed to be reliable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors. These and other factors could cause actual results to differ materially from those expressed in these publications, surveys and forecasts.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ million from the sale of shares of common stock offered in this offering, based on an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be approximately $ million.

We intend to use the net proceeds of this offering, together with existing cash and cash equivalents, to fund working capital and other general corporate purposes, including the costs associated with being a public company. We may also use a portion of the net proceeds to acquire other businesses, products or technologies, and to increase our internal biocatalyst production capacity. We do not have agreements or commitments for any specific acquisitions at this time.

The expected use of net proceeds of this offering represents our current intentions based upon our present plan and business conditions. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering. Accordingly, we will have broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the net proceeds of this offering.

Until we use the net proceeds of this offering, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities. We cannot predict whether the net proceeds invested will yield a favorable return.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock, and currently do not plan to declare dividends on shares of our common stock in the foreseeable future. In addition, the terms of our loan and security agreement with General Electric Capital Corporation and Oxford Finance Corporation currently prohibit us from paying cash dividends on our common stock. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. In addition, in certain circumstances, we are prohibited by various borrowing arrangements from paying cash dividends without the prior written consent of the lenders. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our board of directors.

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CAPITALIZATION

The following table sets forth our cash, cash equivalents and marketable securities and our capitalization as of December 31, 2009:

- on an actual basis;
- on a pro forma basis to reflect:
  - the filing of a restated certificate of incorporation to authorize shares of common stock and shares of undesignated preferred stock;
  - the conversion of all of our outstanding shares of redeemable convertible preferred stock into 37,859,510 shares of common stock and the related conversion of all outstanding redeemable convertible preferred stock warrants to common stock warrants;
  - the reclassification of the redeemable convertible preferred stock warrant liability to stockholders equity upon the completion of this offering; and
- on a pro forma as adjusted basis to reflect the pro forma adjustments described above and our receipt of the estimated net proceeds from this offering, based on an assumed initial public offering of shares at a price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma and pro forma as adjusted information below is illustrative only and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

	As of December 31, 2009		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited)	
	(in thousands, except per share data)		
Cash, cash equivalents and marketable securities	$ 55,563	$ 55,563	$
Redeemable convertible preferred stock warrant liability	$ 2,009	$	$
Financing obligations, net of current portion	2,574	2,574	
Redeemable convertible preferred stock, $0.0001 par value per share; 39,205 shares authorized, 37,799 shares issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	179,672		
Stockholders equity (deficit):			
Preferred stock, $0.0001 par value per share; no shares authorized, issued and outstanding, actual; shares authorized, no shares issued and outstanding, pro forma; shares authorized, no shares issued and outstanding, pro forma as adjusted			
Common stock, $0.0001 par value per share; 68,000 shares authorized; 4,005 shares issued and outstanding, actual; 68,000 shares authorized, 41,864 shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted		4	

Additional paid-in capital	15,015	196,692	
Accumulated other comprehensive loss	(252)	(252)	
Accumulated deficit	(159,608)	(159,608)	
Total stockholders equity (deficit)	(144,845)	36,836	
Total capitalization	$ 39,410	$ 39,410	$

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Each $1.00 increase or decrease in the assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus) would increase or decrease, as applicable, our pro forma as adjusted cash, cash equivalents and marketable securities, additional paid-in capital and stockholders equity by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The number of shares of common stock shown as issued and outstanding in the table is based on the number of shares of our common stock outstanding as of December 31, 2009 and excludes:

- 11,830,261 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2009 at a weighted average exercise price of $3.50 per share;

- 491,513 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2009 at a weighted average exercise price of $3.95 per share; and

- shares of our common stock reserved for future issuance under our 2010 Equity Incentive Award Plan, which will become effective in connection with the consummation of this offering (including 2,330,238 shares of common stock reserved for future grant or issuance under our 2002 Stock Plan as of December 31, 2009, which shares will be added to the shares to be reserved under our 2010 Equity Incentive Award Plan upon the effectiveness of the 2010 Equity Incentive Award Plan).

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

Our pro forma net tangible book value at December 31, 2009 was $32.7 million, or $0.78 per share of common stock. Pro forma net tangible book value per share represents total tangible assets less total liabilities (which includes the reclassification of redeemable convertible preferred stock warrant liability into additional paid-in capital upon the conversion of outstanding shares of preferred stock underlying warrants into shares of common stock), divided by the number of outstanding shares of common stock on December 31, 2009, after giving effect to the conversion of all outstanding shares of preferred stock into shares of common stock as if the conversion occurred on December 31, 2009. Our pro forma as adjusted net tangible book value at December 31, 2009, after giving effect to the sale by us of shares of common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors, or approximately % of the assumed initial public offering price of $ per share. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share at December 31, 2009	$ 0.78	
Increase in pro forma net tangible book value per share attributable to this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus) would increase (decrease) our pro forma as adjusted net tangible book value by $ million, the pro forma as adjusted net tangible book value per share by $ per share and the dilution in the pro forma net tangible book value to new investors in this offering by $ per share, assuming the number of shares offered by us, as set forth on the cover pages of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table shows, as of December 31, 2009, the number of shares of common stock purchased from us, the total consideration paid to us and the average price paid per share by existing stockholders and by new investors purchasing common stock in this offering at an assumed initial public offering price of $ per share, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100.0%	$	100.0%	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus) would increase (decrease) total consideration paid by new investors, total consideration paid by all stockholders and the average price per share paid by all stockholders by $, $ and $, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us.

The discussion and tables in this section regarding dilution are based on 41,864,065 shares of common stock issued and outstanding as of December 31, 2009 which reflects the automatic conversion of all of our preferred stock into an aggregate of 37,859,510 shares of our common stock, and excludes:

- shares of common stock issuable upon the exercise of 11,830,261 options outstanding at a weighted average exercise price of $3.50 per share;
- shares of common stock issuable upon exercise of 491,513 warrants outstanding at a weighted average exercise price of $3.95 per share; and
- shares of common stock reserved for issuance under our 2010 Equity Incentive Award Plan, which will become effective upon the completion of this offering (plus an additional 2,330,238 shares of common stock reserved for future grant or issuance under our 2002 Stock Plan as of December 31, 2009, which shares will be added to the shares to be reserved under our 2010 Equity Incentive Award Plan upon the effectiveness of the 2010 Equity Incentive Award Plan).

If the underwriters exercise their over-allotment option in full, the following will occur:

- the number of shares of our common stock held by existing stockholders would decrease to approximately % of the total number of shares of our common stock outstanding after this offering; and
- the number of shares of our common stock held by new investors would increase to approximately % of the total number of shares of our common stock outstanding after this offering.

To the extent that outstanding options or warrants are exercised, you will experience further dilution. If all of our outstanding options and warrants were exercised, our pro forma net tangible book value as of December 31, 2009 would have been $76.0 million, or $1.40 per share, and the pro forma, as adjusted net tangible book value after this offering would have been $ million, or $ per share, causing dilution to new investors of $ per share.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read together with our consolidated financial statements and accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus. The selected consolidated financial data in this section is not intended to replace our consolidated financial statements and the accompanying notes. Our historical results are not necessarily indicative of our future results.

We derived the consolidated statements of operations data for 2007, 2008 and 2009 and the consolidated balance sheets data as of December 31, 2008 and 2009 from our audited consolidated financial statements appearing elsewhere in this prospectus. The consolidated statement of operations data for 2005 and 2006 and the consolidated balance sheets data as of December 31, 2005, 2006 and 2007 have been derived from our audited consolidated financial statements not included in this prospectus. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included herein.

	Years Ended December 31,				
	2005	2006	2007	2008	2009
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Revenues:					
Product	$ 2,265	$ 2,544	$ 11,418	$ 16,860	$ 18,554
Related party collaborative research and development		863	8,481	30,239	62,656
Collaborative research and development	9,363	8,403	4,733	3,062	1,652
Government grants	156	317	701	317	46
Total revenues	11,784	12,127	25,333	50,478	82,908
Costs and operating expenses:					
Cost of product revenues	2,233	1,806	8,319	13,188	16,678
Research and development	12,839	17,257	35,644	45,554	54,725
Selling, general and administrative	7,891	11,880	19,713	35,709	29,871
Total costs and operating expenses	22,963	30,943	63,676	94,451	101,274
Loss from operations	(11,179)	(18,816)	(38,343)	(43,973)	(18,366)
Interest income	245	742	1,491	1,538	180
Interest expense and other, net	(413)	(724)	(2,533)	(2,365)	(2,037)
Loss before provision (benefit) for income taxes	(11,347)	(18,798)	(39,385)	(44,800)	(20,223)
Provision (benefit) for income taxes	243	(127)	(408)	327	66
Net loss	$ (11,590)	$ (18,671)	$ (38,977)	$ (45,127)	$ (20,289)
Net loss attributable to common stockholders per share of common stock, basic and diluted	$ (7.69)	$ (10.99)	$ (15.53)	$ (12.64)	$ (5.16)
Weighted average common shares used in computing net loss per share of common stock, basic and diluted	1,508	1,699	2,510	3,570	3,933
Net loss used in computing pro forma net loss per share of common stock, basic and diluted (unaudited)(1)					$ (19,662)
Pro forma net loss per share of common stock, basic and diluted (unaudited)(1)					$ (0.49)
Weighted average common shares used in computing pro forma net loss per share of common stock, basic and diluted (unaudited)(1)					40,198

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(1) Net loss used in computing pro forma basic and diluted net loss per share of common stock, pro forma basic and diluted net loss per share of common stock and the number of weighted average common shares used in computing the pro forma basic and diluted net loss per share of common stock in the table above give effect to the automatic conversion of all of our outstanding redeemable convertible preferred stock into common stock upon the closing of this offering as if such conversion had occurred at the beginning of each period or upon issuance, if later.

	December 31,				
	2005	2006	2007	2008	2009
	(in thousands)				
Consolidated Balance Sheets Data:					
Cash, cash equivalents and marketable securities	$ 7,005	$ 32,246	$ 84,070	$ 37,130	$ 55,563
Working capital	2,781	22,972	60,732	5,933	16,397
Total assets	21,380	46,659	113,541	70,882	99,036
Current and long-term financing obligations	4,017	4,073	17,477	13,681	7,942
Redeemable convertible preferred stock	37,750	77,513	132,746	132,746	179,672
Total stockholders deficit	(34,774)	(52,766)	(87,468)	(129,124)	(144,845)

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in Risk Factors.

Overview

Our proprietary technology platform enables the creation of optimized biocatalysts that make existing industrial processes faster, cleaner and more efficient than current methods and has the potential to make new industrial processes possible on a commercial scale. We have commercialized our biocatalysts in the pharmaceutical industry and are developing biocatalysts for use in producing advanced biofuels under a multi-year research and development collaboration with Shell. We are also using our technology platform to pursue biocatalyst-enabled solutions in other bioindustrial markets, including carbon management, water treatment and chemicals.

We were incorporated in Delaware in January 2002 as a wholly-owned subsidiary of Maxygen, Inc. In March 2002, we licensed from Maxygen core enabling technology and commenced operations. From 2002 until 2005, our operations focused on organizing and staffing our company and developing our technology platform. In 2005, we recognized our first revenues from product sales to the pharmaceutical industry. In 2006, we entered into our initial research and development collaboration with Equilon Enterprises LLC dba Shell Oil Products US, or Shell, an affiliate of Royal Dutch Shell plc, in the biofuels market.

To date, we have generated revenues primarily from collaborative research and development funding, pharmaceutical product sales and government grants. Our revenues have increased in each of the last three fiscal years, growing from $25.3 million in 2007, to $50.5 million in 2008 and to $82.9 million in 2009. Most of our revenues since inception have been derived from collaborative research and development arrangements, which accounted for 52%, 66% and 78% of our revenues in 2007, 2008 and 2009, respectively. Related party collaborative research and development received from Shell accounted for 33%, 60% and 76% of our revenues in 2007, 2008 and 2009, respectively. Our product sales have increased in each of the last three fiscal years, from $11.4 million in 2007, to $16.9 million in 2008 and to $18.6 million in 2009. Notwithstanding our revenue growth, we have continued to experience significant losses as we have invested heavily in research and development and administrative infrastructure in connection with growth in our business. As of December 31, 2009, we had an accumulated deficit of $159.6 million. We incurred net losses of $39.0 million, $45.1 million and $20.3 million in 2007, 2008 and 2009, respectively. In light of the growth in market acceptance of our products and services to date, we currently intend to increase our investment in research and development. We do not currently expect to achieve profitability prior to at least 2011.

We targeted the pharmaceutical industry as the first market for our products and services. In this market, we have historically entered into collaborations, which have involved complex service and intellectual property agreements under which we research and develop optimized biocatalysts for innovator pharmaceutical companies in connection with their drug development efforts. In these collaborations, we typically receive revenues in the form of one or more of the following: up-front payments, milestone payments, payments based upon the number of full-time employee equivalents, or FTEs, engaged in related research and development activities and licensing fees and royalties.

Our pharmaceutical product offerings include biocatalysts, pharmaceutical intermediates, active pharmaceutical ingredients, or APIs, and Codex Biocatalyst Panels. Our pharmaceutical customers incorporate our biocatalysts into the manufacturing processes used to produce their drugs. Our

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intermediates are complex chemical substances that have been manufactured by, or on behalf of, us using our biocatalysts. Drug manufacturers use intermediates to produce the APIs used in their drugs. We believe that major pharmaceutical manufacturers are increasingly willing to outsource portions of their own internal manufacturing and to purchase intermediates that are difficult or expensive to manufacture. Our Codex Biocatalyst Panels are plates embedded with genetically diverse variants of our proprietary biocatalysts, which allow our customers to screen our biocatalysts for desired activity that is applicable to a particular pharmaceutical manufacturing process. We view our Codex Biocatalyst Panels, which we began selling in 2007, as a way to build early and broad awareness of the power and utility of our technology platform. We plan to increase our efforts to expand use of our Codex Biocatalyst Panels among our current and potential customers.

Our pharmaceutical service offerings include screening and optimization services. We use our screening services to test our customers pharmaceutical materials against our existing libraries of biocatalysts to determine whether our existing biocatalysts produce any desired activities. We then use our optimization services to improve the performance of these biocatalysts to meet customer requirements. We also use our optimization services to improve biocatalysts identified by our customers through their use of our Codex Biocatalyst Panels. The use of our panels, as well as these services, has led to sales of biocatalysts to our pharmaceutical customers.

We provide our biocatalysts, Codex Biocatalyst Panels, screening and optimization services and intermediates to our innovator customers and provide intermediates to our generics customers. We have also launched several new intermediates and APIs for the generic equivalents of branded pharmaceutical products, including Singulair and Cymbalta, in markets where these products are not subject to patent protection, and intend to sell these same intermediates and APIs for use in other markets when the patent protection for each product expires. We sell our products primarily to pharmaceutical manufacturers through our small direct sales and business development force in the United States and Europe.

In the biofuels market, we entered into a research agreement with Shell in 2006. The goal of this collaboration was to develop biocatalysts to break down renewable sources of non-food plant materials, known as cellulosic biomass, and convert them to fuels. In connection with this collaboration, we received up-front payments, research and development service payments and milestone payments.

Based on the success of this initial collaboration, in 2007, we entered into a new, expanded multi-year research and development collaboration with Shell to develop biocatalysts to convert cellulosic biomass into fermentable sugars that are used in the production of fuels and related products and to convert these sugars into fuels and related products. We received an up-front fee and are currently receiving FTE payments under this collaboration. This up-front fee is refundable under certain conditions, such as a change in control in which we are acquired by a competitor of Shell. This refundability lapses ratably over a five-year period beginning on November 1, 2007, on a straight-line basis. In March 2009, we agreed to devote to the research collaboration 128 FTEs, which are required to be funded by Shell at an annual base rate per FTE of $441,000 for FTEs located in the United States, and $350,000 for FTEs located in Hungary. These annual base rates per FTE are subject to annual adjustments based on changes in the Consumer Price Index, or CPI, for the United States and Hungary for each subsequent year of the collaboration. Until November 1, 2010, Shell has the right to reduce the number of funded FTEs under the collaborative research agreement by up to 12 FTEs following 60 days advance written notice. After November 1, 2010, Shell has the right to further reduce the number of funded FTEs, with any one reduction not to exceed 98 funded FTEs, following advance written notice. The required notice period ranges from 30 to 270 days, so the earliest an FTE reduction could take place would be December 2, 2010. Following any such reduction, Shell is subject to a standstill period of between 90 and 360 days during which period Shell cannot provide notice of any further FTE reductions. The notice and standstill periods are dependent on the number of funded FTEs reduced, with the length of notice and standstill periods increasing commensurate with the number of FTEs reduced.

We are also eligible for annual milestone payments of up to an aggregate of $25.4 million over the remaining term of the agreement, contingent upon the achievement of certain technical goals beginning in

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2009, and a milestone payment of $10.0 million upon achievement of certain commercial goals. In 2009, we met or exceeded each of our technical goals under the collaborative research agreement by the applicable deadlines and earned milestone payments of $4.6 million. Shell will also be required to pay us a royalty per gallon with respect to certain products manufactured using our technology platform, including liquid fuels, fuel additives and lubricants, if Shell or any of its licensees manufactures such products. With respect to cellulosic biomass converted into sugars, Shell agreed to pay us a royalty per gallon of fuel product made from those sugars. With respect to sugars converted into fuel, Shell agreed to pay us a separate royalty per gallon of fuel product. We may be entitled to receive one or both of these royalties depending on whether Shell uses our technology to commercialize one or both of these steps.

Under our research and development collaboration with Shell, we retain ownership of all intellectual property we develop, other than patent rights related to certain fuel innovations, and Shell will have an exclusive license to such intellectual property we develop. We have agreed to work exclusively with Shell until November 2012 to convert cellulosic biomass into fermentable sugars that are used in the production of fuels and related products and to convert these sugars into fuels and related products. However, Shell is not required to work exclusively with us, and could develop or pursue alternative technologies that it decides to use for commercialization purposes instead of any technology developed under our collaborative research agreement. Even if Shell decides to commercialize products based on our technologies, they have no obligation to purchase their biocatalyst supply from us. If Shell chooses to commercialize any biofuels products developed through our collaboration, we believe that the combination of our technology platform with Shell s proven project development capabilities and resources could enable a biofuels solution that extends from the conversion of cellulosic biomass into biofuels to delivery and distribution of refined biofuels to consumers at the pump.

One element of our collaboration with Shell relates to the development of cellulosic ethanol. In connection with our collaboration with Shell, we entered into a multi-party collaborative research and license agreement with Iogen Energy Corporation, or Iogen, and Shell in July 2009, which is focused on the conversion of cellulosic biomass to ethanol for commercial scale production. Iogen has agreed to pay us a royalty per gallon with respect to certain fuel products, which include liquid fuels, fuel additives and lubricants, that are covered by inventions jointly made by us and Iogen, but that are solely owned by Iogen. We will be entitled to collect royalties from Shell or Iogen for any use of our biofuels technology by Shell or Iogen. Shell can choose to commercialize cellulosic ethanol manufactured using our technology independently, or in collaboration with Iogen.

Under the terms of our license agreement with Maxygen, we are obligated to pay Maxygen a significant portion of certain types of consideration we receive in connection with our biofuels research and development, including our collaboration with Shell. The actual fees payable to Maxygen will depend on the amount, timing and type of consideration we receive, including payments from the sale of our equity securities to Shell and payments in connection with the sale of fuel products made with a biocatalyst developed using the licensed technology and/or research and development activities.

If we directly commercialize an energy product that is made using any biocatalyst developed from the technology licensed from Maxygen, we will owe Maxygen a 2% royalty on our net sales of the energy product and on amounts received from any sublicensee or third party for the use of the energy product, to the extent that we utilize such energy product to provide services to such sublicensee or third party. If we sublicense our rights under the license agreement to a third party for the development and commercialization of an energy product, we will owe Maxygen 20% of all consideration we receive from any sublicensee. Specifically, we will owe Maxygen fees in connection with consideration we receive in the form of (1) up-front option and/or license fees, (2) FTE funding for biofuels research, (3) milestone payments, (4) payments from the sale of our equity securities and (5) payments in connection with the commercialization of energy products made with a biocatalyst developed using the licensed technology.

In the case of consideration received from the sale of our equity securities to Shell, we are obligated to pay Maxygen 20% of any excess paid above $3.97 per share, the price per share of our Series D preferred

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stock. With regard to FTE funding, we are only obligated to pay Maxygen 20% of the portion of any consideration received in excess of a specified amount, which was initially $350,000 per year starting in September 2006, but is adjusted annually based on the published CPI for the United States. We are also obligated to reimburse up to 20% of the costs incurred by Maxygen related to the prosecution and maintenance of the patents licensed from Maxygen relating to our core technology. Further, in the event that any subsidiary or affiliate of ours develops and/or sells any energy applications using the Maxygen technology, we are obligated to transfer to Maxygen a percentage of the value of the subsidiary or affiliate that is attributable to the Maxygen technology and give Maxygen an option to acquire a percentage of the other consideration that we invest in such affiliate or subsidiary.

In connection with all consideration received from Shell relating to our biofuels research and development collaboration, we were obligated to pay Maxygen $7.9 million, $0.9 million and $5.5 million for 2007, 2008 and 2009, respectively, of which $0, $0.9 million and $1.4 million, respectively, were payments owed to Maxygen in connection with Shell s FTE funding. The payments relating to FTE funding were less than 5% of the total FTE payments we received from Shell in those periods.

Our strategy for collaborative arrangements is to retain substantial participation in the future economic value of our technology while receiving current cash payments to offset research and development costs and working capital needs. These agreements are complex and have multiple elements that cover a variety of present and future activities. In addition, certain elements of these agreements are intrinsically difficult to separate and treat as separate units for accounting purposes, especially exclusivity payments. Consequently, we expect to recognize these exclusivity payments over the term of the exclusivity period.

We have limited internal manufacturing capacity at our headquarters in Redwood City, California. We expect to rely on third-party manufacturers for commercial production of our biocatalysts for the foreseeable future. Our in-house manufacturing is dedicated to producing both our Codex Biocatalyst Panels and biocatalysts for use by our customers in pilot scale production. We also supply initial commercial quantities of biocatalysts for use by our collaborators to produce pharmaceutical intermediates and manufacture biocatalysts that we sell.

We rely on two primary contract manufacturers, CPC Biotech srl, or CPC, located in Italy, and Lactosan GmbH & Co. KG, or Lactosan, located in Austria, to manufacture substantially all of the biocatalysts used in our pharmaceutical business. We have qualified other contract manufacturers for the manufacture of our biocatalysts, but we do not currently use them for any of our supply commitments. In addition, we contract with other suppliers for the manufacture of our pharmaceutical intermediates and APIs. Since 2006, Arch Pharmalabs Limited, or Arch, of Mumbai, India has manufactured all of our commercialized drug-related products for sale to generic API manufacturers. We are party to a number of agreements with Arch that govern the commercialization of various current and future products for supply into the generic and innovator marketplaces. In addition, in February 2010, we entered into a collaboration with Dishman Pharmaceuticals and Chemicals, Ltd., or Dishman, a global manufacturer of intermediates and APIs located in India, whereby we will work exclusively with Dishman, and Dishman will work exclusively with us, with respect to the manufacture and supply of intermediates and APIs using our biocatalysts for a select group of innovator pharmaceutical companies.

We continue to evaluate whether to develop internal capabilities to manufacture biocatalysts at commercial scale. To increase our biocatalyst manufacturing capacity, we may invest in our own manufacturing capabilities through the construction of additional manufacturing facilities. The factors we will consider in deciding whether to expand our internal manufacturing capabilities include the costs and impact on our cash flow associated with developing and maintaining such capabilities, the time required to develop such capabilities, potential locations for manufacturing sites, including proximity to existing customers, taxes associated with manufacturing activities and local incentives.

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Our revenue stream is diversified across various industries, which should mitigate our exposure to cyclical downturns or fluctuations in any one market. Revenues during 2008 and 2009 were derived from the pharmaceuticals and biofuels markets, and consisted of collaborative research and development revenues, product sales and government grants, which are separately identified in our consolidated statements of operations. Based on our existing arrangements, we believe that revenues from both our pharmaceutical and biofuels customers should be predictable over the near term. The revenues that we expect to recognize from our collaborative research agreement with Shell should provide a high degree of visibility into our aggregate revenues for the foreseeable future.

We actively seek contract manufacturers who are willing to invest in capital equipment to manufacture our products at commercial scale. As a result, we are heavily dependent on the availability of manufacturing capacity at, and the reliability of, our contract manufacturers. We also pursue collaborations with industry leaders that allow us to leverage our collaborators engineering, manufacturing and commercial expertise, their distribution infrastructure and their ability to fund commercial scale production facilities. If our collaborators choose to utilize our technology to commercialize new products, we expect our collaborators will finance, build and operate the larger, more expensive facilities for the intermediate or end products in our markets, which will allow us to expand into new markets without having to finance or operate large industrial facilities.

Revenues and Operating Expenses

Revenues

Our revenues are comprised of collaborative research and development revenues, product revenues and government grants.

- Collaborative research and development revenues include license, technology access and exclusivity fees, FTE payments, milestones, royalties, and optimization and screening fees. We report our collaborative research and development revenues under two categories consisting of revenues (i) from related parties and (ii) from all other collaborators. Related party collaborative research and development revenues consist of revenues from Shell.

- Product revenues consist of sales of biocatalysts, intermediates, APIs and Codex Biocatalyst Panels.

- Government grants consist of payments from government entities. The terms of these grants generally provide us with cost reimbursement for certain types of expenditures in return for research and development activities over a contractually defined period. Historically, we have received government grants from Germany and the United States and expect to receive additional grants from other governments in the future.

Cost of Product Revenues

Cost of product revenues includes both internal and third-party fixed and variable costs including amortization of purchased technology, materials and supplies, labor, facilities and other overhead costs associated with our product revenues.

Research and Development Expenses

Research and development expenses consist of costs incurred for internal projects as well as partner-funded collaborative research and development activities. These costs include license and royalty fees payable to Maxygen for consideration that we receive in connection with our biofuels collaboration, our direct and research-related overhead expenses, which include salaries and other personnel-related expenses, facility costs, supplies, depreciation of facilities, and laboratory equipment, as well as research consultants and the cost of funding research at universities and other research institutions, and are expensed as incurred. License and royalty fees payable to Maxygen may fluctuate depending on the timing and type of consideration received from Shell in connection with our biofuels research and development collaboration. Costs to acquire technologies that are utilized in research and development and that have no alternative future use are expensed

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when incurred. Our research and development efforts devoted to our internal product and process development projects increased from 46 projects in 2007, to 47 projects in 2008 and to 62 projects in 2009. Our internal research and development projects are typically completed in 12 to 24 months, and generally the costs associated with any single internal project during these periods were not material.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation expenses (including stock-based compensation), hiring and training costs, consulting and service provider expenses (including patent counsel related costs), marketing costs, occupancy-related costs, depreciation and amortization expenses and travel and relocation expenses.

Critical Accounting Policies and Estimates

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States and include our accounts and the accounts of our wholly-owned subsidiaries. The preparation of our consolidated financial statements requires our management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the applicable periods. Management bases its estimates, assumptions and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our consolidated financial statements, which, in turn, could change the results from those reported. Our management evaluates its estimates, assumptions and judgments on an ongoing basis.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

When evaluating multiple element arrangements, we consider whether the components of each arrangement represent separate units of accounting. Application of the standard requires subjective determinations and requires management to make judgments about the fair values of each individual element and whether it is separable from other aspects of the contractual relationship. Revenue arrangements with multiple components are divided into separate units of accounting if certain criteria are met, including whether the delivered component has stand-alone value to the customer, and whether there is objective and reliable evidence of the fair value of the undelivered items. Consideration received is allocated among the separate units of accounting based on their respective fair values. Applicable revenue recognition criteria are then applied to each of the units.

Revenues are recognized when the four basic revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) products have been delivered, transfer of technology has been completed or services have been rendered; (3) the fee is fixed or determinable; and (4) collectibility is reasonably assured.

Our primary sources of revenues consist of collaborative research and development agreements, product revenues and government grants. Collaborative research and development agreements typically provide us with multiple revenue streams, including up-front fees for licensing, exclusivity and technology access, fees for FTE services and the potential to earn milestone payments upon achievement of contractual criteria and royalty fees based on future product sales or cost savings by our customers.

For each source of collaborative research and development revenues, product revenues and grant revenues, we apply the above revenue recognition criteria in the following manner:

Up-front fees received in connection with collaborative research and development agreements, including license fees, technology access fees and exclusivity fees, are deferred upon receipt, are

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not considered a separate unit of accounting and are recognized as revenues over the relevant performance periods under the agreements, as discussed below.

Revenues related to FTE services are recognized as research services are performed over the related performance periods for each contract. We are required to perform research and development activities as specified in each respective agreement. The payments received are not refundable and are based on a contractual reimbursement rate per FTE working on the project. When up-front payments are combined with FTE services in a single unit of accounting, we recognize the up-front payments using the proportionate performance method of revenue recognition based upon the actual amount of research and development labor hours incurred relative to the amount of the total expected labor hours to be incurred by us, up to the amount of cash received. In cases where the planned levels of research services fluctuate substantially over the research term, we are required to make estimates of the total hours required to perform our obligations. Research and development expenses related to FTE services under the collaborative research and development agreements approximate the research funding over the term of the respective agreements.

Revenues related to milestones that are determined to be at risk at the inception of the arrangement and substantive are recognized upon achievement of the milestone event and when collectability is reasonably assured. Milestone payments are triggered either by the results of our research efforts or by events external to us, such as our collaboration partner achieving a revenue target. Fees associated with milestones for which performance was not at risk at the inception of the arrangement or that are determined not to be substantive are accounted for in the same manner as the up-front fees, provided collectability is reasonably assured.

We recognize revenues from royalties based on licensees sales of products using our technologies. Royalties are recognized as earned in accordance with the contract terms when royalties from licensees can be reasonably estimated and collectability is reasonably assured.

Product revenues are recognized once passage of title and risk of loss has occurred and contractually specified acceptance criteria have been met, provided all other revenue recognition criteria have also been met. Product revenues consist of sales of biocatalysts, intermediates and APIs, and Codex Biocatalyst Panels. Cost of product revenues includes both internal and third party fixed and variable costs including amortization of purchased technology, materials and supplies, labor, facilities and other overhead costs associated with our product revenues.

We license mutually agreed upon third party technology for use in our research and development collaboration with Shell. We record the license payments to research and development expense and offset related reimbursements received from Shell. Payments made by Shell to us are direct reimbursements of our costs. We account for these direct reimbursable costs as a net amount, whereby no expenses or revenues are recorded for the costs reimbursed by Shell. For any payments not reimbursed by Shell, we will recognize these as expenses in the statement of operations. We elected to present the reimbursement from Shell as a component of our research and development expense since presenting the receipt of payment from Shell as revenues does not reflect the substance of the arrangement.

We receive payments from government entities in the form of government grants. Government grants are agreements that generally provide us with cost reimbursement for certain types of expenditures in return for research and development activities over a contractually defined period. Revenues from government grants are recognized in the period during which the related costs are incurred, provided that the conditions under which the government grants were provided have been met and we have only perfunctory obligations outstanding.

Shipping and handling costs charged to customers are recorded as revenues. Shipping costs are included in our cost of product revenues. Such charges were not significant in any of the periods presented.

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Stock-Based Compensation

Prior to January 1, 2006, we accounted for stock-based employee compensation arrangements using the intrinsic value method required at the time. Under the intrinsic value method, compensation expense for employees is based on the intrinsic value of the option, determined as the excess, if any, of the fair value of the common stock over the exercise price of the option on the date of grant. Historically, our stock options have been granted with exercise prices at or above the estimated fair value of our common stock on the date of grant.

Effective January 1, 2006, we began recognizing compensation expense related to share-based transactions, including the awarding of employee stock options, based on the estimated fair value of the awards granted. We adopted this fair value method using the prospective transition method, as options granted prior to January 1, 2006 were measured using the minimum value method for the pro forma disclosures previously required. In accordance with the prospective transition method, we continued to account for non-vested employee share-based awards outstanding at the date of adoption using the intrinsic value method. All awards granted, modified or settled after January 1, 2006 have been accounted for using the fair value method.

We account for stock options issued to non-employees based on their estimated fair value determined using the Black-Scholes option-pricing model. The fair value of the options granted to non-employees is remeasured as they vest, and the resulting increase in value, if any, is recognized as expense during the period the related services are rendered.

The following table summarizes the options granted from January 2008 through the date of this prospectus with their exercise prices, the fair value of the underlying common stock, and the intrinsic value per share, if any:

Date of Issuance	Number of Shares Subject to Options Granted	Exercise Price per Share	Fair Value of Common Stock per Share	Intrinsic Value
January 29, 2008	1,095,550	$ 7.00	$ 6.25	$ (0.75)
May 22, 2008	250,000	7.90	7.90	
September 25, 2008(1)	10,000	4.57	7.19	2.62
September 25, 2008	750,012	7.19	7.19	
June 2, 2009	1,683,000			

Our concluded discount rate used in the discounted cash flow models to determine the fair value of the licenses was 10% for our 13 largest markets and 10.5% for all of our other markets in both the December 31, 2008 and June 30, 2009 impairment models. Applying the discount rate, the present value of cash flows during the discrete projection period and terminal value were added to estimate the fair value of the hypothetical start-up operation. The initial capital investment was subtracted to arrive at the value of the licenses. The initial capital investment represents the fixed assets needed to operate the radio station.

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The discount rate used in the December 31, 2008 impairment model increased 150 basis points compared to the discount rate used in the preliminary purchase price allocation as of July 30, 2008 which resulted in a decline in the fair value of our licenses. As a result, we recognized a non-cash impairment charge in approximately one-quarter of our markets, which totaled $936.2 million. The fair value of our FCC licenses was $3.0 billion at December 31, 2008.

The BIA forecast for 2009 declined 8.7% and declined between 13.8% and 15.7% through 2013 compared to the BIA forecasts used in the 2008 impairment test. Additionally, the industry profit margin declined 100 basis points from the 2008 impairment test. These market driven changes were primarily responsible for the decline in fair value of the FCC licenses below their carrying value. As a result, we recognized a non-cash impairment charge in approximately one-quarter of our markets, which totaled $590.3 million. The fair value of our FCC licenses was $2.4 billion at June 30, 2009.

In calculating the fair value of our FCC licenses, we primarily relied on the discounted cash flow models. However, we relied on the stick method for those markets where the discounted cash flow model resulted in a value less than the stick method indicated.

To estimate the stick values for our markets, we obtained historical radio station transaction data from BIA which involved sales of individual radio stations whereby the station format was immediately abandoned after acquisition. These transactions are highly indicative of stick transactions in which the buyer does not assign value to any of the other acquired assets (i.e. tangible or intangible assets) and is only purchasing the FCC license.

In addition, we analyzed publicly available FCC license auction data involving radio broadcast licenses. Periodically, the FCC will hold an auction for certain FCC licenses in various markets and these auction prices reflect the purchase of only the FCC radio license.

Based on this analysis, the stick values were estimated to be the minimum value of a radio license within each market. This value was considered to be the fair value of the license for those markets where the present value of the cash flows and terminal value did not exceed the estimated stick value. Approximately 17% and 23% of the fair value of our FCC licenses at December 31, 2008 and June 30, 2009, respectively, was determined using the stick method.

The following table shows the increase to the FCC license impairment that would have occurred using hypothetical percentage reductions in fair value, had the hypothetical reductions in fair value existed at the time of our impairment testing:

(In thousands)	June 30, 2009	December 31, 2008
Percent change in fair value	Change to impairment	Change to impairment
5%	$ 118,877	$ 151,008
10%	$ 239,536	$ 302,016
15%	$ 360,279	$ 453,025

Annual Impairment Test to FCC Licenses

We perform our annual impairment test on October 1 of each year. We engaged Mesirow Financial, a third-party valuation firm, to assist us in the development of the assumptions and our determination of the fair value of our FCC licenses. The aggregate fair value of our FCC licenses on October 1, 2009 increased approximately 11% from the fair value at June 30, 2009. The increase in fair value resulted primarily from an increase of $120.4 million related to improved revenue forecasts and an increase of $195.9 million related to a decline in the discount rate of 50 basis points. We calculated the discount rate as of the valuation date and also one-year, two-year, and three-year historical quarterly averages. The discount rate was calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average of data for publicly traded companies in the radio broadcasting industry. These market driven changes were responsible for the decline in the calculated discount rate.

As a result of the increase in the fair value of our FCC licenses, no impairment was recorded at October 1, 2009. The fair value of our FCC licenses at October 1, 2009 was approximately $2.7 billion.

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While we believe we have made reasonable estimates and utilized reasonable assumptions to calculate the fair value of our FCC licenses, it is possible a material change could occur. If our future actual results are not consistent with our estimates, we could be exposed to future impairment losses that could be material to our results of operations. The following table shows the decline in the fair value of our FCC licenses that would result from a 100 basis point decline in our discrete and terminal period revenue growth rate and profit margin assumptions and a 100 basis point increase in our discount rate assumption:

(In thousands)

Indefinite-lived intangible	Revenue growth rate	Profit margin	Discount rate
FCC licenses	$ 275,410	$ 117,410	$ 378,300

Interim Impairments to Billboard Permits

Our billboard permits are effectively issued in perpetuity by state and local governments as they are transferable or renewable at little or no cost. Permits typically specify the locations at which we are allowed to operate an advertising structure. Due to significant differences in both business practices and regulations, billboards in our International segment are subject to long-term, finite contracts unlike our permits in the United States and Canada. Accordingly, there are no indefinite-lived assets in our International segment.

The United States and global economies have undergone a period of economic uncertainty, which caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity and lower consumer and business spending. These disruptions in the credit and financial markets and the impact of adverse economic, financial and industry conditions on the demand for advertising negatively impacted the key assumptions in the discounted cash flow models used to value our billboard permits since the merger. Therefore, we performed an interim impairment test on our billboard permits as of December 31, 2008, which resulted in a non-cash impairment charge of $722.6 million.

Our cash flows during the first six months of 2009 were below those in the discounted cash flow model used to calculate the impairment at December 31, 2008. As a result, we performed an interim impairment test as of June 30, 2009 on our billboard permits resulting in a non-cash impairment charge of $345.4 million.

Our impairment tests consisted of a comparison of the fair value of the billboard permits at the market level with their carrying amount. If the carrying amount of the billboard permit exceeded its fair value, an impairment loss was recognized equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the billboard permit is its new accounting basis. The fair value of the billboard permits was determined using the direct valuation method as prescribed in ASC 805-20-S99. Under the direct valuation method, the fair value of the billboard permits was calculated at the market level as prescribed by ASC 350-30-35. We engaged Mesirow Financial to assist us in the development of the assumptions and our determination of the fair value of our billboard permits.

Our application of the direct valuation method utilized the greenfield approach as discussed above. Our key assumptions using the direct valuation 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 representing an average billboard permit within a market.

Management uses its internal forecasts to estimate industry normalized information as it believes these forecasts are similar to what a market participant would expect to generate. This is due to the pricing structure and demand for outdoor signage in a market being relatively constant regardless of the owner of the operation. Management also relied on its internal forecasts because there is little public data available for each of its markets.

The build-up period represents the time it takes for the hypothetical start-up operation to reach normalized operations in terms of achieving a mature market revenue share and profit margin. Management believes that a one-year build-up period is required for a start-up operation to erect the necessary structures and obtain advertisers in order to achieve mature market revenue share. It is estimated that a start-up operation would be able to obtain 10% of the potential revenues in the first year of operations and 100% in the second year. Management assumed industry revenue growth of negative 9% and negative 16% during the build-up period for the December 31, 2008 and June 30, 2009 interim impairment tests, respectively. However, the cost structure is expected to reach the normalized level over three years due to the time required to recognize the synergies and cost savings associated with the ownership of the permits within the market.

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For the normalized operating margin in the third year, management assumed a hypothetical business would operate at the lower of the operating margin for the specific market or the industry average margin of 46% and 45% based on an analysis of comparable companies in the December 31, 2008 and June 30, 2009 impairment models, respectively. For the first and second year of operations, the operating margin was assumed to be 50% of the normalized operating margin for both the December 31, 2008 and June 30, 2009 impairment models. The first and second-year expenses include the non-recurring start-up costs necessary to build the operation (i.e. development of customers, workforce, etc.).

In addition to cash flows during the projection period, a normalized residual cash flow was calculated based upon industry-average growth of 3% beyond the discrete build-up projection period in both the December 31, 2008 and June 30, 2009 impairment models. The residual cash flow was then capitalized to arrive at the terminal value.

The present value of the cash flows is calculated using an estimated required rate of return based upon industry-average market conditions. In determining the estimated required rate of return, management calculated a discount rate using both current and historical trends in the industry.

We calculated the discount rate as of the valuation date and also one-year, two-year, and three-year historical quarterly averages. The discount rate was calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average of data for publicly traded companies in the outdoor advertising industry.

The calculation of the discount rate required the rate of return on debt, which was based on a review of the credit ratings for comparable companies (i.e. market participants). We used the yield on a Standard & Poor s B rated corporate bond for the pre-tax rate of return on debt and tax-effected such yield based on applicable tax rates.

The rate of return on equity capital was estimated using a modified CAPM. Inputs to this model included the yield on long-term U.S. Treasury Bonds, forecast betas for comparable companies, calculation of a market risk premium based on research and empirical evidence and calculation of a size premium derived from historical differences in returns between small companies and large companies using data published by Ibbotson Associates.

Our concluded discount rate used in the discounted cash flow models to determine the fair value of the permits was 9.5% at December 31, 2008 and 10% at June 30, 2009. Applying the discount rate, the present value of cash flows during the discrete projection period and terminal value were added to estimate the fair value of the hypothetical start-up operation. The initial capital investment was subtracted to arrive at the value of the permits. The initial capital investment represents the expenditures required to erect the necessary advertising structures.

The discount rate used in the December 31, 2008 impairment model increased approximately 100 basis points over the discount rate used to value the permits in the preliminary purchase price allocation as of July 30, 2008. Industry revenue forecasts declined 10% through 2013 compared to the forecasts used in the preliminary purchase price allocation as of July 30, 2008. These market driven changes were primarily responsible for the decline in fair value of the billboard permits below their carrying value. As a result, we recognized a non-cash impairment charge which totaled $722.6 million. The fair value of our permits was $1.5 billion at December 31, 2008.

The discount rate used in the June 30, 2009 impairment model increased approximately 50 basis points over the discount rate used to value the permits at December 31, 2008. Industry revenue forecasts declined 8% through 2013 compared to the forecasts used in the 2008 impairment test. These market driven changes were primarily responsible for the decline in fair value of the billboard permits below their carrying value. As a result, we recognized a non-cash impairment charge in all but five of our markets in the United States and Canada, which totaled $345.4 million. The fair value of our permits was $1.1 billion at June 30, 2009.

The following table shows the increase to the billboard permit impairment that would have occurred using hypothetical percentage reductions in fair value, had the hypothetical reductions in fair value existed at the time of our impairment testing:

(In thousands)	June 30, 2009	December 31, 2008
Percent change in fair value	Change to impairment	Change to impairment
5%	$ 55,776	$ 80,798
10%	$ 111,782	$ 156,785
15%	$ 167,852	$ 232,820

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Annual Impairment Test to Billboard Permits

We perform our annual impairment test on October 1 of each year. We engaged Mesirow Financial to assist us in the development of the assumptions and our determination of the fair value of our billboard permits. The aggregate fair value of our permits on October 1, 2009 increased approximately 8% from the fair value at June 30, 2009. The increase in fair value resulted primarily from an increase of $57.7 million related to improved industry revenue forecasts. The discount rate was unchanged from the June 30, 2009 interim impairment analysis. We calculated the discount rate as of the valuation date and also one-year, two-year, and three-year historical quarterly averages. The discount rate was calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average of data for publicly traded companies in the outdoor advertising industry.

The fair value of our permits at October 1, 2009 was approximately $1.2 billion.

While we believe we have made reasonable estimates and utilized reasonable assumptions to calculate the fair value of our permits, it is possible a material change could occur. If our future actual results are not consistent with our estimates, we could be exposed to future impairment losses that could be material to our results of operations. The following table shows the decline in the fair value of our billboard permits that would result from a 100 basis point decline in our discrete and terminal period revenue growth rate and profit margin assumptions and a 100 basis point increase in our discount rate assumption:

(In thousands)

Indefinite-lived intangible	Revenue growth rate	Profit margin	Discount rate
Billboard permits	$ 405,900	$ 102,500	$ 428,100

Interim Impairments to Goodwill

We test goodwill at interim dates if events or changes in circumstances indicate that goodwill might be impaired. The United States and global economies have undergone a period of economic uncertainty, which caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity and lower consumer and business spending. These disruptions in the credit and financial markets and the impact of adverse economic, financial and industry conditions on the demand for advertising negatively impacted the key assumptions in the discounted cash flow model used to value our reporting units since the merger. Therefore, we performed an interim impairment test resulting in a non-cash impairment charge of $3.6 billion as of December 31, 2008.

Our cash flows during the first six months of 2009 were below those used in the discounted cash flow model used to calculate the impairment at December 31, 2008. Additionally, the fair value of our debt and equity at June 30, 2009 was below the carrying amount of our reporting units at June 30, 2009. As a result of these indicators, we performed an interim goodwill impairment test as of June 30, 2009 resulting in a non-cash impairment charge of $3.1 billion.

Our goodwill impairment test is 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. If applicable, 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. We engaged Mesirow Financial to assist us in the development of the assumptions and our determination of the fair value of our reporting units.

Each of our U.S. radio markets and outdoor advertising markets are components. Our U.S. radio markets are aggregated into a single reporting unit and our U.S. outdoor advertising markets are aggregated into a single reporting unit for purposes of the goodwill impairment test using the guidance in ASC 350-20-55. We also determined that in our Americas segment, Canada, Mexico, Peru, and Brazil constitute separate reporting units and each country in our International segment constitutes a separate reporting unit.

The discounted cash flow model indicated that we failed the first step of the impairment test for substantially all reporting units as of December 31, 2008 and June 30, 2009, which required us to compare the implied fair value of each reporting unit s goodwill with its carrying value.

The discounted cash flow approach we use for valuing our reporting units involves estimating future cash flows expected to be generated from the related assets, discounted to their present value using a risk-adjusted discount rate. Terminal values are also estimated and discounted to their present value.

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We forecasted revenue, expenses, and cash flows over a ten-year period for each of our reporting units. In projecting future cash flows, we consider a variety of factors including our historical growth rates, macroeconomic conditions, advertising sector and industry trends as well as company-specific information. Historically, revenues in our industries have been highly correlated to economic cycles. Based on these considerations, our assumed 2008 and 2009 revenue growth rates used in the December 31, 2008 and June 30, 2009 impairment models were negative followed by assumed revenue growth with an anticipated economic recovery in 2009 and 2010, respectively. To arrive at our projected cash flows and resulting growth rates, we evaluated our historical operating results, current management initiatives and both historical and anticipated industry results to assess the reasonableness of our operating margin assumptions. We also calculated a normalized residual year which represents the perpetual cash flows of each reporting unit. The residual year cash flow was capitalized to arrive at the terminal value of the reporting unit.

We calculated the weighted average cost of capital (WACC) as of December 31, 2008 and June 30, 2009 and also one-year, two-year, and three-year historical quarterly averages for each of our reporting units. WACC is an overall rate based upon the individual rates of return for invested capital (equity and interest-bearing debt). The WACC is calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average data for publicly traded companies in the radio and outdoor advertising industry. Our calculation of the WACC considered both current industry WACCs and historical trends in the industry.

The calculation of the WACC requires the rate of return on debt, which was based on a review of the credit ratings for comparable companies (i.e. market participants) and the indicated yield on similarly rated bonds.

The rate of return on equity capital was estimated using a modified CAPM. Inputs to this model included the yield on long-term U.S. Treasury Bonds, forecast betas for comparable companies, calculation of a market risk premium based on research and empirical evidence and calculation of a size premium derived from historical differences in returns between small companies and large companies using data published by Ibbotson Associates.

In line with advertising industry trends, our operations and expected cash flow are subject to significant uncertainties about future developments, including timing and severity of the recessionary trends and customers behaviors. To address these risks, we included company-specific risk premiums for each of our reporting units in the estimated WACC. Based on this analysis, as of December 31, 2008, company-specific risk premiums of 100 basis points, 300 basis points and 300 basis points were included for our Radio, Americas outdoor and International outdoor segments, respectively, resulting in WACCs of 11%, 12.5% and 12.5% for each of our reporting units in the Radio, Americas and International segments, respectively. As of June 30, 2009, company-specific risk premiums of 100 basis points, 250 basis points and 350 basis points were included for our Radio, Americas outdoor and International outdoor segments, respectively, resulting in WACCs of 11%, 12.5% and 13.5% for each of our reporting units in the Radio, Americas and International segments, respectively. Applying these WACCs, the present value of cash flows during the discrete projection period and terminal value were added to estimate the fair value of the reporting units.

The discount rate utilized in the valuation of the FCC licenses and outdoor permits as of December 31, 2008 and June 30, 2009 excludes the company-specific risk premiums that were added to the industry WACCs used in the valuation of the reporting units. Management believes the exclusion of this premium is appropriate given the difference between the nature of the licenses and billboard permits and reporting unit cash flow projections. The cash flow projections utilized under the direct valuation method for the licenses and permits are derived from utilizing industry normalized information for the existing portfolio of licenses and permits. Given that the underlying cash flow projections are based on industry normalized information, application of an industry average discount rate is appropriate. Conversely, our cash flow projections for the overall reporting unit are based on our internal forecasts for each business and incorporate future growth and initiatives unrelated to the existing license and permit portfolio. Additionally, the projections for the reporting unit include cash flows related to non-FCC license and non-permit based assets. In the valuation of the reporting unit, the company-specific risk premiums were added to the industry WACCs due to the risks inherent in achieving the projected cash flows of the reporting unit.

We also utilized the market approach to provide a test of reasonableness to the results of the discounted cash flow model. The market approach indicates the fair value of the invested capital of a business based on a company s market capitalization (if publicly traded) and a comparison of the business to comparable publicly traded companies and transactions in its industry. This approach can be estimated through the quoted market price method, the market comparable method, and the market transaction method.

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One indication of the fair value of a business is the quoted market price in active markets for the debt and equity of the business. The quoted market price of equity multiplied by the number of shares outstanding yields the fair value of the equity of a business on a marketable, noncontrolling basis. We then apply a premium for control and add the estimated fair value of interest-bearing debt to indicate the fair value of the invested capital of the business on a marketable, controlling basis.

The market comparable method provides an indication of the fair value of the invested capital of a business by comparing it to publicly traded companies in similar lines of business. The conditions and prospects of companies in similar lines of business depend on common factors such as overall demand for their products and services. An analysis of the market multiples of companies engaged in similar lines of business yields insight into investor perceptions and, therefore, the value of the subject business. These multiples are then applied to the operating results of the subject business to estimate the fair value of the invested capital on a marketable, noncontrolling basis. We then apply a premium for control to indicate the fair value of the business on a marketable, controlling basis.

The market transaction method estimates the fair value of the invested capital of a business based on exchange prices in actual transactions and on asking prices for controlling interests in similar companies recently offered for sale. This process involves comparison and correlation of the subject business with other similar companies that have recently been purchased. Considerations such as location, time of sale, physical characteristics, and conditions of sale are analyzed for comparable businesses.

The three variations of the market approach indicated that the fair value determined by our discounted cash flow model was within a reasonable range of outcomes as of December 31, 2008 and June 30, 2009.

Our revenue forecasts for 2009 declined 18%, 21% and 29% for Radio, Americas outdoor and International outdoor, respectively, compared to the forecasts used in the July 30, 2008 preliminary purchase price allocation primarily as a result of our revenues realized for the year ended December 31, 2008. These market driven changes were primarily responsible for the decline in fair value of our reporting units below their carrying value. As a result, we recognized a non-cash impairment charge to reduce our goodwill of $3.6 billion at December 31, 2008.

Our revenue forecasts for 2009 declined 8%, 7% and 9% for Radio, Americas outdoor and International outdoor, respectively, compared to the forecasts used in the 2008 impairment test primarily as a result of our revenues realized during the first six months of 2009. These market driven changes were primarily responsible for the decline in fair value of our reporting units below their carrying value. As a result, we recognized a non-cash impairment charge to reduce our goodwill of $3.1 billion at June 30, 2009.

The following table shows the increase to the goodwill impairment that would have occurred using hypothetical percentage reductions in fair value, had the hypothetical reduction in fair value existed at the time of our impairment testing:

(In thousands)	June 30, 2009			December 31, 2008		
	Change to impairment			Change to impairment		
Reportable segment	5%	10%	15%	5%	10%	15%
Radio Broadcasting	$ 353,000	$ 706,000	$ 1,059,000	$ 460,007	$ 920,007	$ 1,380,007
Americas Outdoor	$ 164,950	$ 329,465	$ 493,915	$ 166,303	$ 341,303	$ 516,303
International Outdoor	$ 7,207	$ 18,452	$ 33,774	$ 6,761	$ 14,966	$ 24,830

Annual Impairment Test to Goodwill

We perform our annual impairment test on October 1 of each year. We engaged Mesirow Financial to assist us in the development of the assumptions and our determination of the fair value of our reporting units. The fair value of our reporting units on October 1, 2009 increased from the fair value at June 30, 2009. The increase in fair value of our radio reporting unit was primarily the result of a 50 basis point decline in the WACC as well as a 130 basis point increase in the long-term operating margin. The increase in fair value of our Americas reporting unit was primarily the result of a 150 basis point decline in the WACC. Application of the market approach described above supported lowering the company-specific risk premium used in the discounted cash flow model to fair value the Americas reporting unit. The increase in the aggregate fair value of the reporting units in our International outdoor segment was primarily the result of an improvement in the long-term revenue forecasts. A certain reporting unit in our International outdoor segment recognized a $41.4 million impairment to goodwill related to the fair value adjustments of certain noncontrolling interests recorded in the merger pursuant to ASC 480-10-S99.

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While we believe we have made reasonable estimates and utilized appropriate assumptions to calculate the fair value of our reporting units, it is possible a material change could occur. If future results are not consistent with our assumptions and estimates, we may be exposed to impairment charges in the future. The following table shows the decline in the fair value of each of our reportable segments that would result from a 100 basis point decline in our discrete and terminal period revenue growth rate and profit margin assumptions and a 100 basis point increase in our discount rate assumption:

(In thousands)

Reportable segment	Revenue growth rate	Profit margin	Discount rates
Radio Broadcasting	$ 770,000	$ 210,000	$ 700,000
Americas Outdoor	$ 480,000	$ 110,000	$ 430,000
International Outdoor	$ 180,000	$ 150,000	$ 160,000

A rollforward of our goodwill balance from July 30, 2008 through December 31, 2009 by reporting unit is as follows:

(In thousands)	Balances as of July 30, 2008	Acquisitions	Dispositions	Foreign Currency	Impairment	Adjustments	Balances as of December 31, 2008
United States Radio Markets	$ 6,691,260	$ 3,486	$	$	$ (1,115,033)	$ (523)	$ 5,579,190
United States Outdoor Markets	3,121,645				(2,296,915)		824,730
France	122,865			(14,747)	(23,620)		84,498
Switzerland	57,664			(977)		198	56,885
Australia	40,520			(11,813)		(529)	28,178
Belgium	37,982			(4,549)	(7,505)		25,928
Sweden	31,794			(8,118)			23,676
Norway	26,434			(7,626)			18,808
Ireland	16,224			(1,939)			14,285
United Kingdom	32,336			(10,162)	(22,174)		
Italy	23,649		(542)	(2,808)	(20,521)	222	
China	31,187			234	(31,421)		
Spain	21,139			(2,537)	(18,602)		
Turkey	17,896				(17,896)		
Finland	13,641			(1,637)	(12,004)		
Americas Outdoor Canada	35,390			(5,783)	(24,687)		4,920
All Others Americas	86,770			(23,822)			62,948
All Others International Outdoor	54,265			3,160	(19,692)	(2,448)	35,285
Other	331,290						331,290
	$ 10,793,951	$ 3,486	$ (542)	$ (93,124)	$ (3,610,070)	$ (3,080)	$ 7,090,621

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(In thousands)	Balances as of December 31, 2008	Acquisitions	Dispositions	Foreign Currency	Impairment	Adjustments	Balances as of December 31, 2009
United States Radio Markets	$ 5,579,190	$ 4,518	$ (62,410)	$	$ (2,420,897)	$ 46,468	$ 3,146,869
United States Outdoor Markets	824,730	2,250			(324,892)	69,844	571,932
Switzerland	56,885			1,276	(7,827)		50,334
Ireland	14,285			223	(12,591)		1,917
Baltics	10,629				(10,629)		
Americas Outdoor Mexico	8,729			7,440	(10,085)	(442)	5,642
Americas Outdoor Chile	3,964			4,417	(8,381)		
Americas Outdoor Peru	45,284				(37,609)		7,675
Americas Outdoor Brazil	4,971			4,436	(9,407)		
Americas Outdoor Canada	4,920					(4,920)	
All Others International Outdoor	205,744	110		15,913	(42,717)	45,042	224,092
Other	331,290		(2,276)		(211,988)	(482)	116,544
	$ 7,090,621	$ 6,878	$ (64,686)	$ 33,705	$ (3,097,023)	$ 155,510	$ 4,125,005

Restructuring Program

In 2008 and continuing into 2009, the global economic downturn adversely affected advertising revenues across our businesses. In the fourth quarter of 2008, CCMH initiated an ongoing, company-wide strategic review of our costs and organizational structure to identify opportunities to maximize efficiency and realign expenses with our current and long-term business outlook. As of December 31, 2009, we had incurred a total of $260.3 million of costs in conjunction with this restructuring program. We estimate the benefit of the restructuring program was an approximate $441.3 million aggregate reduction to fixed operating and corporate expenses in 2009 and that the benefit of these initiatives will be fully realized by 2011.

No assurance can be given that the restructuring program will achieve all of the anticipated cost savings in the timeframe expected or at all, or that the cost savings will be sustainable. In addition, we may modify or terminate the restructuring program in response to economic conditions or otherwise.

The following table shows the expenses related to our restructuring program recognized as components of direct operating expenses, selling, general and administrative (SG&A) expenses and corporate expenses for the year ended December 31, 2009 and 2008, respectively:

(In thousands)	Post-Merger Year Ended December 31, 2009	Combined Year Ended December 31, 2008
Direct operating expenses	$ 89,604	$ 31,704
SG&A expenses	39,193	57,909
Corporate expenses	35,612	6,288
Total	$ 164,409	$ 95,901

Sale of Non-core Radio Stations

Our sale of non-core radio stations was substantially complete in the first half of 2008. We determined that each radio station market in our non-core radio station sales represents a disposal group consistent with the provisions of ASC 360-10. Consistent with the provisions of ASC 360-10, we classified these assets sales as discontinued operations. Additionally, net income and cash flow from these non-core radio station sales were classified as discontinued operations in the consolidated statements of operations and the consolidated statements of cash flows, respectively, in 2008 through the date of sale and for all of 2007.

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Sale of the Television Business

On March 14, 2008, we completed the sale of our television business to Newport Television, LLC for $1.0 billion, adjusted for certain items including proration of expenses and adjustments for working capital. As a result, we recorded a gain of $662.9 million as a component of Income (loss) from discontinued operations, net in our consolidated statement of operations during 2008. Additionally, net income and cash flows from the television business were classified as discontinued operations in the consolidated statements of operations and the consolidated statements of cash flows, respectively, in 2008 through the date of sale and for all of 2007.

Radio Broadcasting

Our radio business has been adversely impacted and may continue to be adversely impacted by the recession in the United States. The weak economy in the United States has, among other things, adversely affected our clients need for advertising and marketing services thereby reducing demand for, and prices for, our advertising spots. Continued weak demand for these services could materially affect our business, financial condition and results of operations.

Our revenue is derived from selling advertising time, or spots, on our radio stations, with advertising contracts typically less than one year in duration. The programming formats of our radio stations 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 highest priced. Management monitors yield per available minute in addition to average rates because yield allows management to track revenue performance across our inventory. Yield is measured by management in a variety of ways, including revenue earned divided by minutes of advertising sold.

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 each of our stations.

Management looks at our radio operations overall revenue as well as the revenue from each type of advertising, including 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 station s sales staff 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. We periodically review and refine our selling structures in all markets in an effort to maximize the value of our offering to advertisers and, therefore, our revenue.

Management also looks at radio revenue by market size. Typically, larger markets can reach larger audiences with wider demographics than smaller markets. Additionally, management reviews our share of radio advertising revenues in markets where such information is available, as well as 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 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, we incur discretionary costs in our marketing and promotions, which we primarily use in an effort to maintain and/or increase our audience share.

Americas and International Outdoor Advertising

Our outdoor advertising business has been, and may continue to be, adversely impacted by the difficult economic conditions currently present in the United States and other countries in which we operate. The recession has, among other things, adversely affected our clients need for advertising and marketing services, resulted in increased cancellations and non-renewals by our clients, thereby reducing our occupancy levels, and could require us to lower our rates in order to remain competitive, thereby reducing our yield, or affect our client s solvency. Any one or more of these effects could materially affect our business, financial condition and results of operations.

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Our revenue is derived from selling advertising space on the displays 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 with clients 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 a number of different factors including location, competition, size of display, illumination, market and gross ratings points. Gross ratings points are the 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 revenue 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, primarily the Euro area, the United Kingdom and China, 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.

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 billboard, 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 one to 20 years.

In our International business, normal market practice is to sell billboards and street furniture as network packages with contract terms typically ranging from one to two weeks, compared to contract terms typically ranging from four weeks to one year in the U.S. In addition, competitive bidding for street furniture and transit display contracts, which constitute a larger portion of our International business, and a different regulatory environment for billboards, result in higher site lease cost in our International business compared to our Americas business. As a result, our margins are typically less in our International business than in the Americas.

Our street furniture and transit display contracts, the terms of which range from three 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 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.

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THE COMPARISON OF YEAR ENDED DECEMBER 31, 2009 TO YEAR ENDED DECEMBER 31, 2008 IS AS FOLLOWS:

(In thousands)	Year ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year ended December 31, 2008 Combined	% Change
Revenue	$ 5,551,909	$ 2,736,941	$ 3,951,742	$ 6,688,683	(17%)
Operating expenses:					
Direct operating expenses (excludes depreciation and amortization)	2,583,263	1,198,345	1,706,099	2,904,444	(11%)
Selling, general and administrative expenses (excludes depreciation and amortization)	1,466,593	806,787	1,022,459	1,829,246	(20%)
Depreciation and amortization	765,474	348,041	348,789	696,830	10%
Corporate expenses (excludes depreciation and amortization)	253,964	102,276	125,669	227,945	11%
Merger expenses		68,085	87,684	155,769	
Impairment charges	4,118,924	5,268,858		5,268,858	
Other operating income (expense) net	(50,837)	13,205	14,827	28,032	
Operating income (loss)	(3,687,146)	(5,042,246)	675,869	(4,366,377)	
Interest expense	1,500,866	715,768	213,210	928,978	
Gain (loss) on marketable securities	(13,371)	(116,552)	34,262	(82,290)	
Equity in earnings (loss) of nonconsolidated affiliates	(20,689)	5,804	94,215	100,019	
Other income (expense) net	679,716	131,505	(5,112)	126,393	
Income (loss) before income taxes and discontinued operations	(4,542,356)	(5,737,257)	586,024	(5,151,233)	
Income tax benefit (expense):					
Current	76,129	76,729	(27,280)	49,449	
Deferred	417,191	619,894	(145,303)	474,591	
Income tax benefit (expense)	493,320	696,623	(172,583)	524,040	
Income (loss) before discontinued operations	(4,049,036)	(5,040,634)	413,441	(4,627,193)	
Income (loss) from discontinued operations, net		(1,845)	640,236	638,391	
Consolidated net income (loss)	(4,049,036)	(5,042,479)	1,053,677	(3,988,802)	
Amount attributable to noncontrolling interest	(14,950)	(481)	17,152	16,671	

Net income (loss) attributable to the Company	$ (4,034,086)	$ (5,041,998)	$ 1,036,525	$ (4,005,473)

Consolidated Results of Operations

Revenue

Our consolidated revenue decreased $1.14 billion during 2009 compared to 2008. Revenue declined $557.5 million during 2009 compared to 2008 from our radio business associated with decreases in both local and national advertising. Our Americas outdoor revenue also declined approximately $192.1 million attributable to decreases in bulletin, poster and airport revenues associated with cancellations and non-renewals from larger national advertisers. Our International revenue declined approximately $399.2 million primarily as a result of challenging advertising climates in our markets and approximately $118.5 million from movements in foreign exchange.

Direct Operating Expenses

Our consolidated direct operating expenses decreased approximately $321.2 million during 2009 compared to 2008. Our international outdoor business contributed $217.6 million of the overall decrease primarily from a decrease in site-lease expenses from lower revenue and cost savings from the restructuring program and $85.6 million related to movements in foreign exchange.

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Our Americas outdoor direct operating expenses decreased $39.4 million driven by decreased site-lease expenses from lower revenue and cost savings from the restructuring program. Our radio broadcasting direct operating expenses decreased approximately $77.5 million primarily related to decreased compensation expense associated with cost savings from the restructuring program.

SG&A Expenses

Our SG&A expenses decreased approximately $362.7 million during 2009 compared to 2008. SG&A expenses in our radio business decreased approximately $249.1 million primarily from decreases in commission and salary expenses and decreased marketing and promotional expenses. Our international outdoor SG&A expenses decreased approximately $71.3 million primarily attributable to $23.7 million from movements in foreign exchange and an overall decline in compensation and administrative expenses. Our Americas outdoor SG&A expenses decreased approximately $50.7 million primarily related to a decline in commission expense.

Depreciation and Amortization

Depreciation and amortization expense increased $68.6 million in 2009 compared to 2008 primarily due to $139.9 million associated with the fair value adjustments to the assets acquired in the merger. Partially offsetting the increase was a $43.2 million decrease in depreciation expense associated with the impairment of assets in our International outdoor segment during the fourth quarter of 2008 and a $20.6 million decrease from movements in foreign exchange.

Corporate Expenses

Corporate expenses increased $26.0 million in 2009 compared to 2008 primarily as a result of a $29.3 million increase related to the restructuring program and a $23.5 million accrual related to an unfavorable outcome of litigation concerning a breach of contract regarding internet advertising and our radio stations. The increase was partially offset by $33.3 million primarily related to reductions in the legal accrual as a result of litigation settled in the current year.

Other Operating Income (Expense) - Net

The $50.8 million expense for 2009 is primarily related to a $42.0 million loss on the sale and exchange of radio stations and a $20.9 million loss on the sale of our taxi advertising business. The losses were partially offset by a $10.1 million gain on the sale of Americas and International outdoor assets.

The $28.0 million income in 2008 consists of a gain of $3.3 million from the sale of sports broadcasting rights, a $7.0 million gain on the disposition of a representation contract, a $4.0 million gain on the sale of property, plant and equipment, a $1.7 million gain on the sale of international street furniture and $9.6 million from the favorable settlement of a lawsuit.

Interest Expense

Interest expense increased $571.9 million in 2009 compared to 2008 primarily from an increase in outstanding indebtedness due to the merger. Additionally, we borrowed approximately $1.6 billion under our $2.0 billion credit facility during the first quarter of 2009 to improve our liquidity position in light of the uncertain economic environment.

Gain (Loss) on Marketable Securities

The loss on marketable securities of $13.4 million in 2009 relates to the impairment of Independent News & Media PLC (INM). The fair value of INM was below cost for an extended period of time. As a result, we considered the guidance in ASC 320-10-S99 and reviewed the length of the time and the extent to which the market value was less than cost and the financial condition and near-term prospects of the issuer. After this assessment, we concluded that the impairment was other than temporary and recorded an $11.3 million non-cash impairment charge to our investment in INM. In addition, we recognized a $1.8 million loss on the third quarter sale of our remaining 8.6% interest in Grupo ACIR Communicaciones (Grupo ACIR).

During the fourth quarter of 2008, we recorded a non-cash impairment charge to INM and Sirius XM Radio. The fair value of these available-for-sale securities was below their cost each month subsequent to the closing of the merger. After considering the guidance in ASC 320-10-S99, we concluded that the impairment was other than temporary and recorded a $116.6 million impairment charge to our investments in INM and Sirius XM Radio. This loss was partially offset by a net gain of $27.0 million recorded in the second quarter of 2008 on the unwinding of our secured forward exchange contracts and the sale of our American Tower Corporation (AMT) shares.

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Equity in Earnings (Loss) of Non-consolidated Affiliates

Equity in loss of nonconsolidated affiliates of $20.7 million in 2009 is primarily related to a $22.9 million impairment of equity investments in our International outdoor segment in addition to a $4.0 million loss on the sale of a portion of our investment in Grupo ACIR. Subsequent to the January 2009 sale of 57% of our remaining 20% interest in Grupo ACIR, we no longer accounted for our investment as an equity method investment and began accounting for it at cost in accordance with ASC 323.

Included in equity in earnings of nonconsolidated affiliates in 2008 is a $75.6 million gain on the sale of our 50% interest in Clear Channel Independent, a South African outdoor advertising company.

Other Income (Expense) Net

Other income of $679.7 million in 2009 relates to an aggregate gain of $368.6 million on the repurchases of certain of our senior notes and an aggregate gain of $373.7 million on the repurchases of certain of our senior toggle notes and senior cash pay notes. The gains on extinguishment of debt were partially offset by a $29.3 million loss related to loan costs associated with the $2.0 billion retirement of certain of our outstanding senior secured debt. Please refer to the *Sources and Uses* section within this MD&A for additional discussion of the repurchases and debt retirement.

Other income of $126.4 million in 2008 relates to an aggregate net gain of $94.7 million on the tender of certain of our outstanding notes, a $29.3 million foreign exchange gain on translating short-term intercompany notes and an $8.0 million dividend received from a cost investment, partially offset by a $4.7 million impairment of our investment in a radio partnership.

Income Taxes

Current tax benefits for 2009 increased $26.7 million compared to the full year for 2008 primarily due to our ability to carry back certain net operating losses to prior years. On November 6, 2009, the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) was enacted into law. The Act amended Section 172 of the Internal Revenue Code to allow net operating losses realized in a tax year ended after December 31, 2007 and beginning before January 1, 2010 to be carried back for up to five years (such losses were previously limited to a two-year carryback). This change will allow us to carryback fiscal 2009 taxable losses of approximately $361 million, based on our projections of projected taxable losses eligible for carryback, to prior years and receive refunds of previously paid Federal income taxes of approximately $126.4 million. The ultimate amount of such refunds realized from net operating loss carryback is dependent on our actual taxable losses for fiscal 2009, which may vary from our current expectations.

The effective tax rate for the year ended December 31, 2009 was 10.9% as compared to 10.2% for the year ended December 31, 2008. The effective tax rate for 2009 was impacted by the goodwill impairment charges which are not deductible for tax purposes. In addition, as noted above, due to the law change on November 6, 2009 that allows us to carryback a portion of our 2009 net operating losses back five years and based on our expectations as to future taxable income from deferred tax liabilities that reverse in the relevant carryforward period for those net operating losses that cannot be carried back, we believe that the realization of the deferred tax assets associated with the remaining net operating loss carryforwards and other deferred tax assets is more likely than not and therefore no valuation allowance is needed for the majority of our deferred tax assets.

The 2008 effective tax rate was impacted by the impairment charge that resulted in a $5.3 billion decrease in Income (loss) before income taxes and discontinued operations and tax benefits of approximately $648.2 million. Partially offsetting this decrease to the effective rate were tax benefits recorded as a result of the release of valuation allowances on the capital loss carryforwards that were used to offset the taxable gain from the disposition of our investment in AMT and Grupo ACIR. Additionally, we sold our 50% interest in Clear Channel Independent in 2008, which was structured as a tax free disposition. The sale resulted in a gain of $75.6 million with no current tax expense. Further, in 2008 valuation allowances were recorded on certain net operating losses generated during the period that were not able to be carried back to prior years.

For the year ended December 31, 2009, deferred tax benefits decreased $57.4 million as compared to 2008 primarily due to larger impairment charges recorded in 2008 related to the tax deductible intangibles. This decrease was partially offset by increases in deferred tax expense in 2009 as a result of the deferral of certain discharge of indebtedness income, for income tax purposes, resulting from the reacquisition of business indebtedness, as provided by the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009.

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Income (Loss) from Discontinued Operations

Income from discontinued operations of $638.4 million recorded during 2008 primarily relates to a gain of $631.9 million, net of tax, related to the sale of our television business and the sale of radio stations.

Radio Broadcasting Results of Operations

Our radio broadcasting operating results were as follows:

(In thousands)	Years Ended December 31,		
	2009	2008	
	Post-Merger	Combined	% Change
Revenue	$ 2,736,404	$ 3,293,874	(17%)
Direct operating expenses	901,799	979,324	(8%)
SG&A expenses	933,505	1,182,607	(21%)
Depreciation and amortization	261,246	152,822	71%
Operating income	$ 639,854	$ 979,121	(35%)

Our radio broadcasting revenue declined approximately $557.5 million in 2009 compared to 2008, driven by decreases in local and national revenues of $388.5 million and $115.1 million, respectively. Local and national revenue were down as a result of an overall weakness in advertising and the economy. The decline in advertising demand led to declines in total minutes sold and yield per minute in 2009 compared to 2008. Our radio revenue experienced declines across markets and advertising categories.

Direct operating expenses declined approximately $77.5 million in 2009 compared to 2008. Compensation expense declined approximately $55.0 million primarily as a result of cost savings from the restructuring program. We also reclassified $34.2 million of direct operating expenses to amortization expense related to a purchase accounting adjustment to talent contracts. Non-renewals of sports contracts resulted in a decrease of $9.1 million while non-cash compensation decreased $13.5 million as a result of accelerated expense taken in 2008 related to options that vested in the merger. The declines were partially offset by an increase of approximately $9.4 million in programming expenses primarily related to new contract talent payments in our national syndication business and an increase of $34.1 million in expense primarily associated with severance accruals related to the restructuring program. SG&A expenses decreased approximately $249.1 million in 2009 compared to 2008, primarily from a $43.3 million decline in marketing and promotional expenses, a $122.9 million decline in commission and compensation expenses related to the decline in revenue and cost savings from the restructuring program, and an $18.3 million decline in bad debt expense. Non-cash compensation decreased $16.0 million as a result of accelerated expense taken in 2008 on options that vested in the merger.

Depreciation and amortization increased approximately $108.4 million in 2009 compared to 2008, primarily as a result of additional amortization associated with the purchase accounting adjustments to intangible assets acquired in the merger.

Americas Outdoor Advertising Results of Operations

Our Americas outdoor advertising operating results were as follows:

(In thousands)	Years Ended December 31,		
	2009	2008	
	Post-Merger	Combined	% Change
Revenue	$ 1,238,171	$ 1,430,258	(13%)

Direct operating expenses		608,078		647,526	(6%)
SG&A expenses		202,196		252,889	(20%)
Depreciation and amortization		210,280		207,633	1%
Operating income	$	217,617	$	322,210	(32%)

Our Americas revenue decreased approximately $192.1 million in 2009 compared to 2008 primarily driven by declines in bulletin, poster and transit revenues due to cancellations and non-renewals from larger national advertisers resulting from the overall weakness in advertising and the economy. The decline in bulletin, poster and transit revenues was also impacted by a decline in rate compared to 2008.

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Our Americas direct operating expenses decreased $39.4 million in 2009 compared to 2008, primarily from a $25.3 million decrease in site-lease expenses associated with cost savings from the restructuring program and the decline in revenues. This decrease was partially offset by $5.7 million related to the restructuring program. Our SG&A expenses decreased $50.7 million in 2009 compared to 2008, primarily from a $26.0 million decline in compensation expense associated with the decline in revenue and cost savings from the restructuring program and a $16.2 million decline in bad debt expense as a result of accounts collected and an improvement in the agings of our accounts receivable during the current year.

International Outdoor Advertising Results of Operations

Our international operating results were as follows:

(In thousands)	Years Ended December 31,		
	2009	2008	
	Post-Merger	Combined	% Change
Revenue	$ 1,459,853	$ 1,859,029	(21%)
Direct operating expenses	1,017,005	1,234,610	(18%)
SG&A expenses	282,208	353,481	(20%)
Depreciation and amortization	229,367	264,717	(13%)
Operating income (loss)	$ (68,727)	$ 6,221	(1205%)

Our International revenue decreased approximately $399.2 million in 2009 compared to 2008, with approximately $118.5 million from movements in foreign exchange. The revenue decline occurred across most countries, with the most significant decline in France of $75.5 million due to weak advertising demand. Other countries with significant declines include the U.K. and Italy, which declined $30.4 million and $28.3 million, respectively, due to weak advertising markets.

Direct operating expenses decreased $217.6 million in 2009 compared to 2008, in part due to a decrease of $85.6 million from movements in foreign exchange. The remaining decrease in direct operating expenses was primarily attributable to a $146.4 million decline in site lease expenses partially attributable to cost savings from the restructuring program. The decrease in direct operating expenses was partially offset by $12.8 million related to the restructuring program and the decline in revenue. SG&A expenses decreased $71.3 million in 2009 compared to 2008, primarily from $23.7 million related to movements in foreign exchange, $34.3 million related to a decline in compensation expense and a $25.8 million decrease in administrative expenses, both partially attributable to cost savings from the restructuring program and the decline in revenue.

Depreciation and amortization decreased $35.4 million in 2009 compared to 2008, primarily related to a $43.2 million decrease in depreciation expense associated with the impairment of assets during the fourth quarter of 2008 and a $20.6 million decrease from movements in foreign exchange. The decrease was partially offset by $31.9 million related to additional amortization associated with the purchase accounting adjustments to the acquired intangible assets.

Reconciliation of Segment Operating Income (Loss)

(In thousands)	Years Ended December 31,	
	2009	2008
	Post-Merger	Combined
Radio Broadcasting	$ 639,854	$ 979,121
Americas Outdoor Advertising	217,617	322,210
International Outdoor Advertising	(68,727)	6,221

Other	(43,963)	(31,419)
Impairment charges	(4,118,924)	(5,268,858)
Other operating income (expense) - net	(50,837)	28,032
Merger expenses		(155,769)
Corporate	(262,166)	(245,915)
Consolidated operating income (loss)	$ (3,687,146)	$ (4,366,377)

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THE COMPARISON OF YEAR ENDED DECEMBER 31, 2008 TO YEAR ENDED DECEMBER 31, 2007 IS AS FOLLOWS:

(In thousands)	Years Ended December 31, 2008 Combined	2007 Pre-Merger	% Change
Revenue	$ 6,688,683	$ 6,921,202	(3%)
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	2,904,444	2,733,004	6%
Selling, general and administrative expenses (excludes depreciation and amortization)	1,829,246	1,761,939	4%
Depreciation and amortization	696,830	566,627	23%
Corporate expenses (excludes depreciation and amortization)	227,945	181,504	26%
Merger expenses	155,769	6,762	
Impairment charges	5,268,858		
Other operating income - net	28,032	14,113	
Operating income (loss)	(4,366,377)	1,685,479	
Interest expense	928,978	451,870	
Gain (loss) on marketable securities	(82,290)	6,742	
Equity in earnings of nonconsolidated affiliates	100,019	35,176	
Other income - net	126,393	5,326	
Income (loss) before income taxes and discontinued operations	(5,151,233)	1,280,853	
Income tax benefit (expense):			
Current	49,449	(252,910)	
Deferred	474,591	(188,238)	
Income tax benefit (expense)	524,040	(441,148)	
Income (loss) before discontinued operations	(4,627,193)	839,705	
Income from discontinued operations, net	638,391	145,833	
Consolidated net income (loss)	(3,988,802)	985,538	
Amount attributable to noncontrolling interest	16,671	47,031	
Net income (loss) attributable to the Company	$ (4,005,473)	$ 938,507	

Consolidated Results of Operations

Revenue

Our consolidated revenue decreased $232.5 million during 2008 compared to 2007. Revenue growth during the first nine months of 2008 was offset by a decline of $254.0 million in the fourth quarter. Revenue declined $264.7 million during 2008 compared to 2007 from our radio business associated with decreases in both local and national advertising. Our Americas outdoor revenue also declined approximately $54.8 million attributable to decreases in poster and bulletin revenues associated with cancellations and non-renewals from major national advertisers. The declines were partially offset by an increase from our international outdoor revenue of approximately $62.3 million, with roughly $60.4 million from movements in foreign exchange.

Direct Operating Expenses

Our consolidated direct operating expenses increased approximately $171.4 million during 2008 compared to 2007. Our international outdoor business contributed $90.3 million to the increase primarily from an increase in site-lease expenses and $39.5 million related to movements in foreign exchange. Our Americas outdoor business contributed $57.0 million to the increase primarily from new contracts. These increases were partially offset by a decline in direct operating expenses in our radio segment of approximately $3.6 million related to a decline in programming expenses.

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SG&A Expenses

Our SG&A expenses increased approximately $67.3 million during 2008 compared to 2007. Approximately $48.3 million of this increase occurred during the fourth quarter primarily as a result of an increase in severance. Our international outdoor business contributed approximately $41.9 million to the increase primarily from movements in foreign exchange of $11.2 million and an increase in severance in 2008 associated with the restructuring program of approximately $20.1 million. Our Americas outdoor SG&A expenses increased approximately $26.4 million largely from increased bad debt expense of $15.5 million and an increase in severance in 2008 associated with the restructuring program of $4.5 million. SG&A expenses in our radio business decreased approximately $7.5 million primarily from reduced marketing and promotional expenses and a decline in commissions associated with the decline in revenues, partially offset by increase in severance in 2008 associated with the restructuring program of approximately $32.6 million.

Depreciation and Amortization

Depreciation and amortization expense increased $130.2 million in 2008 compared to 2007 primarily due to $86.0 million in additional depreciation and amortization associated with the preliminary purchase accounting adjustments to the acquired assets, $29.3 million of accelerated depreciation in our Americas and International outdoor segments from billboards that were removed and approximately $11.3 million related to impaired advertising display contracts in our international segment.

Corporate Expenses

The increase in corporate expenses of $46.4 million in 2008 compared to 2007 primarily relates to a $16.7 million increase in non-cash compensation related to awards that vested at closing of the merger, a $6.3 million management fee to the Sponsors in connection with the management and advisory services provided following the merger, and $6.2 million related to outside professional services.

Merger Expenses

Merger expenses for 2008 were $155.8 million and include accounting, investment banking, legal and other expenses.

Impairment Charge

The global economic downturn has adversely affected advertising revenues across our businesses in recent months. As discussed above, we performed an impairment test in the fourth quarter of 2008 and recognized a non-cash impairment charge to our indefinite-lived intangible assets and goodwill of $5.3 billion.

Other Operating Income - Net

The $28.0 million income for 2008 consists of a gain of $3.3 million from the sale of sports broadcasting rights, a $7.0 million gain on the disposition of a representation contract, a $4.0 million gain on the sale of property, plant and equipment, a $1.7 million gain on the sale of international street furniture and $9.6 million from the favorable settlement of a lawsuit. The $14.1 million income in 2007 related primarily to $8.9 million gain from the sale of street furniture assets and land in our international outdoor segment as well as $3.4 million from the disposition of assets in our radio segment.

Interest Expense

The increase in interest expense for 2008 over 2007 is the result of the increase in our average debt outstanding after the merger. Our outstanding debt was $19.5 billion and $6.6 billion at December 31, 2008 and 2007, respectively.

Gain (Loss) on Marketable Securities

During the fourth quarter of 2008, we recorded a non-cash impairment charge to certain available-for-sale securities. The fair value of these available-for-sale securities was below their cost each month subsequent to the closing of the merger. As a result, we considered the guidance in ASC 320-10-S99 and reviewed the length of the time and the extent to which the market value was less than cost and the financial condition and near-term prospects of the issuer. After this assessment, we concluded that the impairment was other than temporary and recorded a $116.6 million impairment charge. This loss was partially offset by a net gain of $27.0 million recorded in the second quarter of 2008 on the unwinding of our secured forward exchange contracts and the sale of our AMT shares.

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The $6.7 million gain on marketable securities for 2007 primarily related to changes in fair value of our shares of AMT and the related forward exchange contracts.

Equity in Earnings of Non-consolidated Affiliates

Equity in earnings of nonconsolidated affiliates increased $64.8 million in 2008 compared to 2007 primarily from a $75.6 million gain recognized in the first quarter 2008 on the sale of our 50% interest in Clear Channel Independent, a South African outdoor advertising company. We also recognized a gain of $9.2 million on the disposition of 20% of Grupo ACIR. These gains were partially offset by a $9.0 million impairment charge to one of our international outdoor equity method investments and declines in equity in income from our investments in certain international radio broadcasting companies as well as the loss of equity in earnings from the disposition of Clear Channel Independent.

Other Income Net

Other income of $126.4 million in 2008 relates to an aggregate gain of $124.5 million on the fourth quarter 2008 tender of certain of our outstanding notes, a $29.3 million foreign exchange gain on translating short-term intercompany notes, an $8.0 million dividend received, partially offset by a $29.8 million loss on the third quarter 2008 tender of certain of our outstanding notes and a $4.7 million impairment of our investment in a radio partnership and $0.9 million of various other items.

Other income of $5.3 million in 2007 primarily relates to a foreign exchange gain on translating short-term intercompany notes.

Income Taxes

Current tax expense for 2008 decreased $302.4 million compared to 2007 primarily due to a decrease in income (loss) before income taxes and discontinued operations of $1.2 billion which excludes the non-tax deductible impairment charge of $5.3 billion recorded in 2008. In addition, current tax benefits of approximately $74.6 million were recorded during 2008 related to the termination of our cross currency swap. Also, we recognized additional tax depreciation deductions as a result of the bonus depreciation provisions enacted as part of the Economic Stimulus Act of 2008. These current tax benefits were partially offset by additional current tax expense recorded in 2008 related to currently non deductible transaction costs as a result of the merger.

The effective tax rate for the year ended December 31, 2008 decreased to 10.2% as compared to 34.4% for the year ended December 31, 2007, primarily due to the impairment charge that resulted in a $5.3 billion decrease in income (loss) before income taxes and discontinued operations and tax benefits of approximately $648.2 million. Partially offsetting this decrease to the effective rate were tax benefits recorded as a result of the release of valuation allowances on the capital loss carryforwards that were used to offset the taxable gain from the disposition of our investment in AMT and Grupo ACIR. Additionally, we sold our 50% interest in Clear Channel Independent in 2008, which was structured as a tax free disposition. The sale resulted in a gain of $75.6 million with no current tax expense. Further, in 2008 valuation allowances were recorded on certain net operating losses generated during the period that were not able to be carried back to prior years. Due to the lack of earnings history as a merged company and limitations on net operating loss carryback claims allowed, we cannot rely on future earnings and carryback claims as a means to realize deferred tax assets which may arise as a result of future period net operating losses. Pursuant to the provision of ASC 740-10, deferred tax valuation allowances would be required on those deferred tax assets.

For the year ended December 31, 2008, deferred tax expense decreased $662.8 million as compared to 2007 primarily due to the impairment charge recorded in 2008 related to the tax deductible intangibles. This decrease was partially offset by increases in deferred tax expense in 2008 related to recording of valuation allowances on certain net operating losses as well as the termination of the cross currency swap and the additional tax depreciation deductions as a result of the bonus depreciation provisions enacted as part of the Economic Stimulus Act of 2008 mentioned above.

Income (Loss) from Discontinued Operations

Income from discontinued operations of $638.4 million recorded during 2008 primarily relates to a gain of $631.9 million, net of tax, related to the sale of our television business and the sale of radio stations.

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Radio Broadcasting Results of Operations

Our radio broadcasting operating results were as follows:

(In thousands)	Years Ended December 31,		
	2008 Combined	2007 Pre-Merger	% Change
Revenue	$ 3,293,874	$ 3,558,534	(7%)
Direct operating expenses	979,324	982,966	(0%)
SG&A expenses	1,182,607	1,190,083	(1%)
Depreciation and amortization	152,822	107,466	42%
Operating income	$ 979,121	$ 1,278,019	(23%)

Our radio broadcasting revenue declined approximately $264.7 million during 2008 compared to 2007, with approximately 43% of the decline occurring during the fourth quarter. Our local revenues were down $205.6 million in 2008 compared to 2007. National revenues declined as well. Both local and national revenues were down as a result of overall weakness in advertising. Our radio revenue experienced declines across advertising categories including automotive, retail and entertainment advertising categories. For the year ended December 31, 2008, our total minutes sold and average minute rate declined compared to 2007.

Direct operating expenses declined approximately $3.6 million. Decreases in programming expenses of approximately $21.2 million from our radio markets were partially offset by an increase in programming expenses of approximately $16.3 million in our national syndication business. The increase in programming expenses in our national syndication business was mostly related to contract talent payments. SG&A expenses decreased approximately $7.5 million primarily from reduced marketing and promotional expenses and a decline in commission expenses associated with the revenue decline. Partially offsetting the decline in SG&A expenses was an increase in severance in 2008 associated with the restructuring program of approximately $32.6 million and an increase in bad debt expense of approximately $17.3 million.

Depreciation and amortization increased approximately $45.4 million mostly as a result of additional amortization associated with the preliminary purchase accounting adjustments to the acquired intangible assets.

Americas Outdoor Advertising Results of Operations

Our Americas outdoor advertising operating results were as follows:

(In thousands)	Years Ended December 31,		
	2008 Combined	2007 Pre-Merger	% Change
Revenue	$ 1,430,258	$ 1,485,058	(4%)
Direct operating expenses	647,526	590,563	10%
SG&A expenses	252,889	226,448	12%
Depreciation and amortization	207,633	189,853	9%
Operating income	$ 322,210	$ 478,194	(33%)

Revenue decreased approximately $54.8 million during 2008 compared to 2007, with the entire decline occurring in the fourth quarter. Driving the decline was approximately $87.4 million attributable to poster and bulletin revenues associated with cancellations and non-renewals from major national advertisers, partially offset by an increase of $46.2 million in airport revenues, digital display revenues and street furniture revenues. Also impacting the decline in bulletin revenue was decreased occupancy while the decline in poster revenue was affected by a decrease in both occupancy and rate. The increase in airport and street furniture revenues was primarily driven by new contracts while digital display revenue growth was primarily the result of an increase in the number of digital displays. Other miscellaneous revenues also declined approximately $13.6 million.

Our Americas direct operating expenses increased $57.0 million primarily from higher site-lease expenses of $45.2 million primarily attributable to new taxi, airport and street furniture contracts and an increase of $2.4 million in severance. Our SG&A expenses increased $26.4 million largely from increased bad debt expense of $15.5 million and an increase of $4.5 million in severance in 2008 associated with our restructuring program.

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Depreciation and amortization increased approximately $17.8 million mostly as a result of $6.6 million related to additional depreciation and amortization associated with preliminary purchase accounting adjustments to the acquired assets and $11.3 million of accelerated depreciation from billboards that were removed.

International Outdoor Advertising Results of Operations

Our international operating results were as follows:

(In thousands)	Years Ended December 31,		
	2008 Combined	2007 Pre-Merger	% Change
Revenue	$ 1,859,029	$ 1,796,778	3%
Direct operating expenses	1,234,610	1,144,282	8%
SG&A expenses	353,481	311,546	13%
Depreciation and amortization	264,717	209,630	26%
Operating income	$ 6,221	$ 131,320	(95%)

Revenue increased approximately $62.3 million, with roughly $60.4 million from movements in foreign exchange. The remaining revenue growth was primarily attributable to growth in China, Turkey and Romania, partially offset by revenue declines in France and the United Kingdom. China and Turkey benefited from strong advertising environments. We acquired operations in Romania at the end of the second quarter of 2007, which also contributed to revenue growth in 2008. The decline in France was primarily driven by the loss of a contract to advertise on railways and the decline in the United Kingdom was primarily driven by weak advertising demand.

During the fourth quarter of 2008, revenue declined approximately $88.6 million compared to the fourth quarter of 2007, of which approximately $51.8 million was attributable to movements in foreign exchange and the remainder primarily the result of a decline in advertising demand.

Direct operating expenses increased $90.3 million. Included in the increase is approximately $39.5 million related to movements in foreign exchange. The remaining increase in direct operating expenses was driven by an increase in site-lease expenses. SG&A expenses increased $41.9 million in 2008 over 2007 with approximately $11.2 million related to movements in foreign exchange and $20.1 million related to severance in 2008 associated with the restructuring program.

Depreciation and amortization expenses increased $55.1 million with $18.8 million related to additional depreciation and amortization associated with the preliminary purchase accounting adjustments to the acquired assets, approximately $18.0 million related to an increase in accelerated depreciation from billboards to be removed, approximately $11.3 million related to impaired advertising display contracts and $4.9 million related to an increase from movements in foreign exchange.

Reconciliation of Segment Operating Income (Loss)

(In thousands)	Years Ended December 31,	
	2008 Combined	2007 Pre-Merger
Radio Broadcasting	$ 979,121	$ 1,278,019
Americas Outdoor Advertising	322,210	478,194
International Outdoor Advertising	6,221	131,320

Other	(31,419)	(11,659)
Impairment charges	(5,268,858)	
Other operating income - net	28,032	14,113
Merger expenses	(155,769)	(6,762)
Corporate	(245,915)	(197,746)
Consolidated operating income (loss)	$ (4,366,377)	$ 1,685,479

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Share-Based Payments

We do not have any compensation plans under which we grant stock awards to employees. Our employees receive equity awards from CCMH s equity incentive plans. Prior to the merger, we granted options to purchase our common stock to our employees and directors and our affiliates under our various equity incentive plans typically at no less than the fair value of the underlying stock on the date of the grant.

As of December 31, 2009, there was $83.9 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over three years. In addition, as of December 31, 2009, there was $80.2 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on market, performance and service conditions. This cost will be recognized when it becomes probable that the performance condition will be satisfied.

Vesting of certain Clear Channel stock options and restricted stock awards was accelerated upon the closing of the merger. As a result, holders of stock options, other than certain executive officers and holders of certain options that could not, by their terms, be cancelled prior to their stated expiration date, received cash or, if elected, an amount of CCMH s stock, in each case equal to the intrinsic value of the awards based on a market price of $36.00 per share while holders of restricted stock awards received, with respect to each share of restricted stock, $36.00 per share in cash or, if elected, a share of CCMH stock. Approximately $39.2 million of share-based compensation was recognized in the 2008 pre-merger period as a result of the accelerated vesting of stock options and restricted stock awards and is included in the table below.

The following table details compensation costs related to share-based payments for the years ended December 31, 2009, 2008 and 2007:

(In millions)	Years Ended December 31,		
	2009 Post-Merger	2008 Combined	2007 Pre-Merger
Radio Broadcasting			
Direct operating expenses	$ 3.8	$ 17.2	$ 10.0
SG&A expenses	4.5	20.6	12.2
Americas Outdoor Advertising			
Direct operating expenses	$ 5.7	$ 6.3	$ 5.7
SG&A expenses	2.2	2.1	2.2
International Outdoor Advertising			
Direct operating expenses	$ 1.9	$ 1.7	$ 1.2
SG&A expenses	0.6	0.4	0.5
Corporate and other expenses	$ 21.1	$ 30.3	$ 12.2
Total	$ 39.8	$ 78.6	$ 44.0

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Liquidity and Capital Resources

Cash Flows

(In thousands)	Year ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 to July 30, 2008 Pre-Merger	2008 Combined	Year ended December 31, 2007 Pre-Merger
Cash provided by (used in):					
Operating activities	$ 181,175	$ 246,026	$ 1,035,258	$ 1,281,284	$ 1,576,428
Investing activities	$ (141,749)	$ (17,711,703)	$ (416,251)	$ (18,127,954)	$ (482,677)
Financing activities	$ 1,604,722	$ 17,554,739	$ (1,646,941)	$ 15,907,798	$ (1,431,014)
Discontinued operations	$	$ 2,429	$ 1,031,141	$ 1,033,570	$ 366,411

Operating Activities

2009

The decline in cash flow from operations in 2009 compared to 2008 was primarily driven by a 17% decline in consolidated revenues associated with the weak economy and challenging advertising markets and a 62% increase in interest expense to service our debt obligations. Other factors contributing to our operating cash flow include a consolidated net loss of $4.0 billion adjusted for non-cash impairment charges of $4.1 billion related to goodwill and intangible assets, depreciation and amortization of $765.5 million and $229.5 million related to the amortization of debt issuance costs and accretion of fair value adjustments related to existing senior notes in the purchase accounting for the merger. In addition, we recorded a $713.0 million gain on the extinguishment of debt discussed further in the *Debt Repurchases, Tender Offers, Maturities and Other* section within this MD&A and deferred taxes of $417.2 million. We also recorded a $20.7 million loss in equity of nonconsolidated affiliates primarily due to a $22.9 million non-cash impairment of equity investments in our International segment.

2008

Cash provided by operating activities for 2008 primarily reflects a net loss before discontinued operations of $4.6 billion adjusted for non-cash impairment charges of $5.3 billion related to goodwill and intangible assets, depreciation and amortization of $696.8 million and $106.4 million related to the amortization of debt issuance costs and accretion of fair value adjustments made to existing senior notes in the purchase accounting for the merger. In addition, we recorded a deferred tax benefit of $474.6 million that was partially offset by share-based compensation of $78.6 million. In addition, we recorded $100.0 million in equity in earnings primarily related to a $75.6 million gain in equity in earnings of nonconsolidated affiliates related to the sale of its 50% interest in Clear Channel Independent, a South African outdoor company, based on the fair value of the equity securities received. We also recorded a net gain of $27.0 million on the termination of our secured forward sales contracts and sale of our AMT shares.

2007

Net cash flow from operating activities during 2007 primarily reflected income before discontinued operations of $839.7 million plus depreciation and amortization of $566.6 million and deferred taxes of $188.2 million.

Investing Activities

2009

In 2009, we spent $41.9 million for non-revenue producing capital expenditures in our Radio segment. We spent $84.4 million in our Americas segment for the purchase of property, plant and equipment mostly related to the construction of new billboards and $91.5 million in our International segment for the purchase of property, plant and equipment related to new billboard and street furniture contracts and renewals of existing contracts. We received proceeds of $41.6 million primarily related to the sale of our remaining investment in Grupo ACIR. In addition, we received proceeds of $48.8 million primarily related to the disposition of radio stations and corporate assets.

2008

Cash used in investing activities during 2008 principally reflects cash used in the acquisition of $17.5 billion. In 2008, we spent $61.5 million for non-revenue producing capital expenditures in our Radio segment. We spent $175.8 million in our Americas segment for the purchase of property, plant and equipment mostly related to the construction of new billboards and $182.5 million in

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our International segment for the purchase of property, plant and equipment related to new billboard and street furniture contracts and renewals of existing contracts. We spent $177.1 million primarily for the purchase of outdoor display faces and additional equity interest in international outdoor companies, representation contracts and two FCC licenses. In addition, we received proceeds of $38.6 million primarily from the sale of radio stations, $41.5 million related to the sale of Americas and International assets and $9.6 million related to a litigation settlement.

2007

Net cash used in investing activities during 2007 principally reflects the purchase of property, plant and equipment of $363.3 million. We spent $79.7 million for non-revenue producing capital expenditures in our Radio segment. We spent $142.8 million in our Americas segment for the purchase of property, plant and equipment mostly related to the construction of new billboards and $132.9 million in our International segment for the purchase of property, plant and equipment related to new billboard and street furniture contracts and renewals of existing contracts. During 2007, we acquired domestic outdoor display faces and additional equity interests in international outdoor companies for $69.1 million. In addition, our national representation business acquired representation contracts for $53.0 million.

Financing Activities

2009

Cash provided by financing activities during 2009 primarily reflects a draw of remaining availability of $1.6 billion under our $2.0 billion revolving credit facility and $2.5 billion of proceeds from issuance of subsidiary senior notes, offset by the $2.0 billion paydown of our senior secured credit facilities. We also redeemed the remaining principal amount of our 4.25% senior notes at maturity with a draw under the $500.0 million delayed draw term loan facility that is specifically designated for this purpose as discussed in the *Debt Repurchases, Tender Offers, Maturities and Other* section within this MD&A. Our wholly-owned subsidiaries, CC Finco and CC Finco II, LLC, together repurchased certain of our outstanding senior notes for $343.5 million as discussed in the *Debt Repurchases, Tender Offers, Maturities and Other* section within this MD&A. In addition, during 2009, our Americas Outdoor segment purchased the remaining 15% interest in our fully consolidated subsidiary, Paneles Napsa S.A., for $13.0 million and our International Outdoor segment acquired an additional 5% interest in our fully consolidated subsidiary, Clear Channel Jolly Pubblicita SPA, for $12.1 million.

2008

Cash used in financing activities during 2008 primarily reflects $15.4 billion in debt proceeds used to finance the acquisition and an equity contribution of $2.1 billion to finance the merger. Also included in financing activities is $1.9 billion related to the redemption of our 4.625% senior notes due 2008 and 6.625% senior notes due 2008 at their maturity, the redemption of and cash tender offer for AMFM Operating Inc. s 8% senior notes due 2008, and the cash tender offer and consent solicitation for our 7.65% senior notes due 2010. In addition, $93.4 million relates to dividends paid.

2007

Net cash used in financing activities for the year ended December 31, 2007 principally reflects $372.4 million in dividend payments and a net reduction in debt of approximately $1.1 billion. Cash used in financing was partially offset by the proceeds from the exercise of stock options of $80.0 million.

Discontinued Operations

During 2008, we completed the sale of our television business to Newport Television, LLC for $1.0 billion and completed the sales of certain radio stations for $110.5 million. The cash received from these sales was recorded as a component of cash flows from discontinued operations during 2008.

The proceeds from the sale of 160 stations in 2007 are classified as cash flows from discontinued operations in 2007.

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Anticipated Cash Requirements

Our primary source of liquidity is cash flow from operations, which has been adversely affected by the global economic downturn. The risks associated with our businesses become more acute in periods of a slowing economy or recession, which may be accompanied by a decrease in advertising. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. The current global economic downturn has resulted in a decline in advertising and marketing services among our customers, resulting in a decline in advertising revenues across our businesses. This reduction in advertising revenues has had an adverse effect on our revenue, profit margins, cash flow and liquidity. A continuation of the global economic downturn may continue to adversely impact our revenue, profit margins, cash flow and liquidity.

Our ability to fund our working capital needs, debt service and other obligations, and to comply with the financial covenant under our financing agreements depends on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control. If our future operating performance does not meet our expectation or our plans materially change in an adverse manner or prove to be materially inaccurate, we may need additional financing. Consequently, there can be no assurance that such financing, if permitted under the terms of our financing agreements, will be available on terms acceptable to us or at all. The inability to obtain additional financing in such circumstances could have a material adverse effect on our financial condition and on our ability to meet our obligations.

Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand (including amounts drawn or available under our senior secured credit facilities) as well as cash flow from operations will enable us to meet our working capital, capital expenditure, debt service and other funding requirements for at least the next 12 months.

We expect to be in compliance with the covenants contained in our material financing agreements, including the subsidiary senior notes, in 2010, including the maximum consolidated senior secured net debt to adjusted EBITDA limitation contained in our senior secured credit facilities. However, our anticipated results are subject to significant uncertainty and our ability to comply with this limitation may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any covenants set forth in our financing agreements would result in a default thereunder. An event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, the lenders under the revolving credit facility under our senior secured credit facilities would have the option to terminate their commitments to make further extensions of revolving credit thereunder. If we are unable to repay our obligations under any secured credit facility, the lenders could proceed against any assets that were pledged to secure such facility. In addition, a default or acceleration under any of our material financing agreements, including the subsidiary senior notes, could cause a default under other of our obligations that are subject to cross-default and cross-acceleration provisions. The threshold amount for a cross-default under the senior secured credit facilities is $100 million dollars.

Our and CCMH s current corporate ratings are CCC+ and Caa2 by Standard & Poor s Ratings Services and Moody s Investors Service, respectively, which are speculative grade ratings. These ratings have been downgraded and then upgraded at various times during the two years ended December 31, 2009. These adjustments had no impact on our borrowing costs under the credit agreements.

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Sources of Capital

As of December 31, 2009 and 2008, we had the following indebtedness outstanding:

(In millions)	Post-Merger December 31, 2009	Post-Merger December 31, 2008
Senior Secured Credit Facilities:		
Term Loan A Facility	$ 1,127.7	$ 1,331.5
Term Loan B Facility	9,061.9	10,700.0
Term Loan C Asset Sale Facility	695.9	695.9
Delayed Draw Term Loan Facilities	874.4	532.5
Receivables Based Facility	355.7	445.6
Revolving Credit Facility (1)	1,812.5	220.0
Secured Subsidiary Debt	5.2	6.6
Total Secured Debt	13,933.3	13,932.1
Senior Cash Pay Notes	796.3	980.0
Senior Toggle Notes	915.2	1,330.0
Clear Channel Senior Notes (2)	2,479.5	3,192.3
Subsidiary Senior Notes	2,500.0	
Clear Channel Subsidiary Debt	77.7	69.3
Total Debt	20,702.0	19,503.7
Less: Cash and cash equivalents	1,884.0	239.8
	$ 18,818.0	$ 19,263.9

(1) In February 2009, we borrowed the approximately $1.6 billion of remaining availability under this facility.

(2) Includes $788.1 million and $1.1 billion at December 31, 2009 and 2008, respectively, in unamortized fair value purchase accounting discounts related to the merger.

We and our subsidiaries have from time to time repurchased certain of our debt obligations and may in the future, as part of various financing and investment strategies we may elect to pursue, purchase additional outstanding indebtedness of ours or our subsidiaries or outstanding equity securities of Clear Channel Outdoor Holdings, Inc., in tender offers, open market purchases, privately negotiated transactions or otherwise. We may also sell certain assets or properties and use the proceeds to reduce our indebtedness or the indebtedness of our subsidiaries. These purchases or sales, if any, could have a material positive or negative impact on our liquidity available to repay outstanding debt obligations or on our consolidated results of operations. These transactions could also require or result in amendments to the agreements governing outstanding debt obligations or changes in our leverage or other financial ratios, which could have a material positive or negative impact on our ability to comply with the covenants contained in our debt agreements. These transactions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Senior Secured Credit Facilities

Borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the higher of (A) the prime lending rate publicly announced by the administrative agent and (B) the Federal funds effective rate from time to time plus 0.50%, or

(ii) a Eurocurrency rate determined by reference to the costs of funds for deposits for the interest period relevant to such borrowing adjusted for certain additional costs.

The margin percentages applicable to the term loan facilities and revolving credit facility are the following percentages per annum:

- with respect to loans under the term loan A facility and the revolving credit facility, (i) 2.40% in the case of base rate loans and (ii) 3.40% in the case of Eurocurrency rate loans subject to downward adjustments if our leverage ratio of total debt to EBITDA (as calculated in accordance with the senior secured credit facilities) decreases below 7 to 1; and
- with respect to loans under the term loan B facility, term loan C - asset sale facility and delayed draw term loan facilities, (i) 2.65%, in the case of base rate loans and (ii) 3.65%, in the case of Eurocurrency rate loans subject to downward adjustments if our leverage ratio of total debt to EBITDA decreases below 7 to 1.

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We are required to pay each revolving credit lender a commitment fee in respect of any unused commitments under the revolving credit facility, which is 0.50% per annum, subject to downward adjustments if our leverage ratio of total debt to EBITDA decreases below 4 to 1. We are required to pay each delayed draw term facility lender a commitment fee in respect of any undrawn commitments under the delayed draw term facilities, which initially is 1.825% per annum until the delayed draw term facilities are fully drawn or commitments thereunder terminated.

The senior secured credit facilities include two delayed draw term loan facilities. The first is a $589.8 million facility which may be drawn to purchase or redeem our outstanding 7.65% senior notes due 2010, of which $451.0 million was drawn as of December 31, 2009, and a $423.4 million facility which was drawn to redeem our outstanding 4.25% senior notes in May 2009.

The senior secured credit facilities require us to prepay outstanding term loans, subject to certain exceptions, with:

- 50% (which percentage will be reduced to 25% and to 0% based upon our leverage ratio) of our annual excess cash flow (as calculated in accordance with the senior secured credit facilities), less any voluntary prepayments of term loans and revolving credit loans (to the extent accompanied by a permanent reduction of the commitment) and subject to customary credits;
- 100% (which percentage will be reduced to 75% and 50% based upon our leverage ratio) of the net cash proceeds of sales or other dispositions by us or our wholly-owned restricted subsidiaries (including casualty and condemnation events) of assets other than specified assets subject to reinvestment rights and certain other exceptions; and
- 100% of the net cash proceeds of any incurrence of certain debt, other than debt permitted under the senior secured credit facilities.

The foregoing prepayments with the net cash proceeds of certain incurrences of debt and annual excess cash flow will be applied (i) first to the term loans other than the term loan C - asset sale facility loans (on a pro rata basis) and (ii) second to the term loan C - asset sale facility loans, in each case to the remaining installments thereof in direct order of maturity. The foregoing prepayments with the net cash proceeds of the sale of assets (including casualty and condemnation events) will be applied (i) first to the term loan C - asset sale facility loans and (ii) second to the other term loans (on a pro rata basis), in each case to the remaining installments thereof in direct order of maturity.

We may voluntarily repay outstanding loans under our senior secured credit facilities at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency rate loans.

We are required to repay the loans under our term loan facilities, after giving effect to the December 2009 prepayment of $2.0 billion of term loans with proceeds from the issuance of subsidiary senior notes discussed elsewhere in this MD&A, as follows:

- the term loan A facility will amortize in quarterly installments commencing on the third interest payment date after the fourth anniversary of the closing date of the merger, in annual amounts equal to 4.7% of the original funded principal amount of such facility in year four, 10% thereafter, with the balance being payable on the final maturity date (July 2014) of such term loans; and
- the term loan B facility and the delayed draw facilities will be payable in full on the final maturity date (January 2016) of such term loans; and
- the term loan C facility will amortize in quarterly installments on the first interest payment date after the third anniversary of the closing date of the merger, in annual amounts equal to 2.5% of the original funded principal amount of such facilities in years four and five and 1% thereafter, with the balance being payable on the final maturity date (January 2016) of such term loans.

We are required to repay all borrowings under the receivables based facility and the revolving credit facility at their final maturity in July 2014.

The senior secured credit facilities are guaranteed by each of our existing and future material wholly-owned domestic restricted subsidiaries, subject to certain exceptions.

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All obligations under the senior secured credit facilities, and the guarantees of those obligations, are secured, subject to permitted liens and other exceptions, by:

- a first-priority lien on the our capital stock;
- 100% of the capital stock of any future material wholly-owned domestic license subsidiary that is not a Restricted Subsidiary under the indenture governing our senior notes;
- certain assets that do not constitute principal property (as defined in the indenture governing our senior notes);
- certain assets that constitute principal property (as defined in the indenture governing our senior notes) securing obligations under the senior secured credit facilities up to the maximum amount permitted to be secured by such assets without requiring equal and ratable security under the indenture governing our senior notes; and
- a second-priority lien on the accounts receivable and related assets securing our receivables based credit facility.

The obligations of any foreign subsidiaries that are borrowers under the revolving credit facility will also be guaranteed by certain of their material wholly-owned restricted subsidiaries, and secured by substantially all assets of all such borrowers and guarantors, subject to permitted liens and other exceptions.

The senior secured credit facilities require us to comply on a quarterly basis with a maximum consolidated senior secured net debt to adjusted EBITDA ratio (maximum of 9.5:1). This financial covenant becomes more restrictive over time beginning in the second quarter of 2013. Our secured debt consists of the senior secured credit facilities, the receivables based credit facility and certain other secured subsidiary debt. Secured leverage, defined as secured debt, net of cash, divided by the trailing 12-month consolidated EBITDA was 7.4:1 at December 31, 2009. Our consolidated adjusted EBITDA of $1.6 billion is calculated as the trailing twelve months operating income before depreciation, amortization, impairment charge, other operating income (expense) net, all as shown on the consolidated statement of operations plus non-cash compensation, and is further adjusted for certain items, including: (i) an increase for expected cost savings (limited to $100.0 million in any twelve month period) of $100.0 million; (ii) an increase of $20.9 million for cash received from nonconsolidated affiliates; (iii) an increase of $24.6 million for non-cash items; (iv) an increase of $164.4 million related to expenses incurred associated with our cost savings program; and (v) an increase of $38.8 million for various other items.

In addition, the senior secured credit facilities include negative covenants that, subject to significant exceptions, limit our ability and the ability of our restricted subsidiaries to, among other things:

- incur additional indebtedness;
- create liens on assets;
- engage in mergers, consolidations, liquidations and dissolutions;
- sell assets;
- pay dividends and distributions or repurchase its capital stock;
- make investments, loans, or advances;
- prepay certain junior indebtedness;
- engage in certain transactions with affiliates;
- amend material agreements governing certain junior indebtedness; and
- change our lines of business.

The senior secured credit facilities include certain customary representations and warranties, affirmative covenants and events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under ERISA, material judgments, the invalidity of material provisions of the senior secured credit facilities documentation, the failure of collateral under the security documents for the senior secured credit facilities, the failure of the senior secured credit facilities to be senior debt under the subordination provisions of certain of our subordinated debt and a change of control. If an event of default occurs, the lenders under the senior secured credit facilities will be entitled to take various actions, including the acceleration of all amounts due under the senior secured credit facilities and all actions permitted to be taken by a secured creditor.

Receivables Based Credit Facility

The receivables based credit facility of $783.5 million provides revolving credit commitments in an amount equal to the initial borrowing of $533.5 million on the closing date plus $250 million, subject to a borrowing base. The borrowing base at any time equals 85% of our and certain of our subsidiaries eligible accounts receivable. The receivables based credit facility includes a letter of credit sub-facility and a swingline loan sub-facility.

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Borrowings, excluding the initial borrowing, under the receivables based credit facility are subject to compliance with a minimum fixed charge coverage ratio of 1.0:1.0 if at any time excess availability under the receivables based credit facility is less than $50 million, or if aggregate excess availability under the receivables based credit facility and revolving credit facility is less than 10% of the borrowing base.

Borrowings under the receivables based credit facility bear interest at a rate equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the higher of (A) the prime lending rate publicly announced by the administrative agent and (B) the Federal funds effective rate from time to time plus 0.50%, or (ii) a Eurocurrency rate determined by reference to the costs of funds for deposits for the interest period relevant to such borrowing adjusted for certain additional costs.

The margin percentage applicable to the receivables based credit facility which is (i) 1.40%, in the case of base rate loans and (ii) 2.40% in the case of Eurocurrency rate loans subject to downward adjustments if our leverage ratio of total debt to EBITDA decreases below 7 to 1.

We are required to pay each lender a commitment fee in respect of any unused commitments under the receivables based credit facility, which is 0.375% per annum, subject to downward adjustments if our leverage ratio of total debt to EBITDA decreases below 6 to 1.

If at any time the sum of the outstanding amounts under the receivables based credit facility (including the letter of credit outstanding amounts and swingline loans thereunder) exceeds the lesser of (i) the borrowing base and (ii) the aggregate commitments under the receivables based credit facility, we will be required to repay outstanding loans and cash collateralize letters of credit in an aggregate amount equal to such excess.

We may voluntarily repay outstanding loans under the receivables based credit facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency rate loans.

The receivables based credit facility is guaranteed by, subject to certain exceptions, the guarantors of the senior secured credit facilities. All obligations under the receivables based credit facility, and the guarantees of those obligations, are secured by a perfected first priority security interest in all of our and all of the guarantors accounts receivable and related assets and proceeds thereof, subject to permitted liens and certain exceptions.

The receivables based credit facility includes negative covenants, representations, warranties, events of default, conditions precedent and termination provisions substantially similar to those governing our senior secured credit facilities.

Senior Cash Pay Notes and Senior Toggle Notes

We have outstanding $796.3 million aggregate principal amount of 10.75% senior cash pay notes due 2016 and $915.2 million aggregate principal amount of 11.00%/11.75% senior toggle notes due 2016.

The senior toggle notes mature on August 1, 2016 and may require a special redemption of up to $30.0 million on August 1, 2015. We may elect on each interest election date to pay all or 50% of such interest on the senior toggle notes in cash or by increasing the principal amount of the senior toggle notes or by issuing new senior toggle notes (such increase or issuance, PIK Interest). Interest on the senior toggle notes payable in cash will accrue at a rate of 11.00% per annum and PIK Interest will accrue at a rate of 11.75% per annum.

On January 15, 2009, we made a permitted election under the indenture governing the senior toggle notes to pay PIK Interest under the senior toggle notes for the semi-annual interest period commencing February 1, 2009. For subsequent interest periods, we must make an election regarding whether the applicable interest payment on the senior toggle notes will be made entirely in cash, entirely through PIK Interest or 50% in cash and 50% in PIK Interest. In the absence of such an election for any interest period, interest on the senior toggle notes will be payable according to the election for the immediately preceding interest period. As a result, we are deemed to have made the PIK Interest election for future interest periods unless and until we elect otherwise.

A contractual payment to bondholders will be required on August 1, 2013. The amount included in "Interest payments on long-term debt" in the *Contractual Obligations* table of this MD&A assumes that we continue to make the PIK election.

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Subsidiary Senior Notes

In December 2009 Clear Channel Worldwide Holdings, Inc. (CCWH), an indirect, wholly-owned subsidiary of our publicly traded subsidiary, Clear Channel Outdoor Holdings, Inc. (CCOH), issued $500.0 million aggregate principal amount of Series A Senior Notes due 2017 and $2.0 billion aggregate principal amount of Series B Senior Notes due 2017 (collectively, the Notes). The Notes are guaranteed by CCOH, Clear Channel Outdoor, Inc. (CCOI), a wholly-owned subsidiary of CCOH, and certain other existing and future domestic subsidiaries of CCOH (collectively, the Guarantors).

The Notes are senior obligations that rank pari passu in right of payment to all unsubordinated indebtedness of CCWH and the guarantees of the Notes will rank pari passu in right of payment to all unsubordinated indebtedness of the Guarantors.

The indentures governing the Notes require us to maintain at least $100 million in cash or other liquid assets or have cash available to be borrowed under committed credit facilities consisting of (i) $50.0 million at the issuer and guarantor entities (principally the Americas outdoor segment) and (ii) $50.0 million at the non-guarantor subsidiaries (principally the International outdoor segment) (together the Liquidity Amount), in each case under the sole control of the relevant entity. In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding of Clear Channel Communications, Inc., for the period thereafter that is the shorter of such proceeding and 60 days, the Liquidity Amount shall be reduced to $50.0 million, with a $25.0 million requirement at the issuer and guarantor entities and a $25.0 million requirement at the non-guarantor subsidiaries.

In addition, interest on the Notes accrues daily and is payable into an account established by the trustee for the benefit of the bondholders (the Trustee Account). Failure to make daily payment on any day does not constitute an event of default so long as (a) no payment or other transfer by CCOH or any of its Subsidiaries shall have been made on such day under the cash management sweep with Clear Channel Communications, Inc. and (b) on each semiannual interest payment date the aggregate amount of funds in the Trustee Account is equal to at least the aggregate amount of accrued and unpaid interest on the Notes.

The indenture governing the Series A Notes contains covenants that limit CCOH and its restricted subsidiaries ability to, among other things:

- incur or guarantee additional debt to persons other than Clear Channel Communications and its subsidiaries (other than CCOH) or issue certain preferred stock;
- create liens on its restricted subsidiaries assets to secure such debt;
- create restrictions on the payment of dividends or other amounts to CCOH from its restricted subsidiaries that are not guarantors of the notes;
- enter into certain transactions with affiliates;
- merge or consolidate with another person, or sell or otherwise dispose of all or substantially all of its assets;
- sell certain assets, including capital stock of its subsidiaries, to persons other than Clear Channel Communications and its subsidiaries (other than CCOH).

The indenture governing the Series A Notes does not include limitations on dividends, distributions, investments or asset sales.

The indenture governing the Series B Notes contains covenants that limit CCOH and its restricted subsidiaries ability to, among other things:

- incur or guarantee additional debt or issue certain preferred stock;
- redeem, repurchase or retire CCOH s subordinated debt;
- make certain investments;
- create liens on its or its restricted subsidiaries assets to secure debt;

create restrictions on the payment of dividends or other amounts to it from its restricted subsidiaries that are not guarantors of the Notes;
enter into certain transactions with affiliates;
merge or consolidate with another person, or sell or otherwise dispose of all or substantially all of its assets;
sell certain assets, including capital stock of its subsidiaries;
designate its subsidiaries as unrestricted subsidiaries;
pay dividends, redeem or repurchase capital stock or make other restricted payments; and

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purchase or otherwise effectively cancel or retire any of the Series B Notes if after doing so the ratio of (a) the outstanding aggregate principal amount of the Series A Notes to (b) the outstanding aggregate principal amount of the Series B Notes shall be greater than 0.250. This stipulation ensures, among other things, that as long as the Series A Notes are outstanding, the Series B Notes are outstanding.

The Series B Notes indenture restricts CCOH s ability to incur additional indebtedness and pay dividends based on an incurrence test. In order to incur additional indebtedness, CCOH s debt to adjusted EBITDA ratios (as defined by the indenture) must be lower than 6.5:1 and 3.25:1 for total debt and senior debt, respectively. Similarly in order for CCOH to pay dividends from the proceeds of indebtedness or the proceeds from asset sales, its debt to adjusted EBITDA ratios (as defined by the indenture) must be lower than 6.0:1 and 3.0:1 for total debt and senior debt, respectively. If these ratios are not met, CCOH has certain exceptions that allow it to incur additional indebtedness and pay dividends, such as a $500.0 million exception for the payment of dividends. CCOH was in compliance with these covenants as of December 31, 2009.

A portion of the proceeds of the Notes were used to (i) pay the fees and expenses of the Notes offering, (ii) fund $50.0 million of the Liquidity Amount (the $50.0 million liquidity amount of the non-guarantor subsidiaries was satisfied) and (iii) apply $2.0 billion of the cash proceeds (which amount is equal to the aggregate principal amount of the Series B Notes) to repay an equal amount of indebtedness under our senior secured credit facilities. In accordance with the senior secured credit facilities, the $2.0 billion cash proceeds were applied ratably to the Term Loan A, Term Loan B, and both delayed draw term loan facilities, and within each such class, such prepayment was applied to remaining scheduled installments of principal.

The balance of the proceeds is available to CCOI for general corporate purposes. In this regard, all of the remaining proceeds could be used to pay dividends from CCOI to CCOH. In turn, CCOH could declare a dividend to its shareholders of which we would receive our proportionate share. Payment of such dividends would not be prohibited by the terms of the Notes or any of the loan agreements or credit facilities of CCOI or CCOH.

Dispositions and Other

During 2009, we sold six radio stations for approximately $12.0 million and recorded a loss of $12.8 million in Other operating income (expense) net. In addition, we exchanged radio stations in our radio markets for assets located in a different market and recognized a loss of $28.0 million in Other operating income (expense) net.

During 2009, we sold international assets for $11.3 million resulting in a gain of $4.4 million in Other operating income (expense) net. In addition, we sold assets for $6.8 million in our Americas outdoor segment and recorded a gain of $4.9 million in Other operating income (expense) net. We sold our taxi advertising business and recorded a loss of $20.9 million in our Americas outdoor segment included in Other operating income (expense) net. We also received proceeds of $18.3 million from the sale of corporate assets during 2009 and recorded a loss of $0.7 million in Other operating income (expense) net.

In addition, we sold our remaining interest in Grupo ACIR for approximately $40.5 million and recorded a loss of approximately $5.8 million during 2009.

During 2008, we received proceeds of $110.5 million related to the sale of radio stations recorded as investing cash flows from discontinued operations and recorded a gain of $28.8 million as a component of Income from discontinued operations, net during 2008. We received proceeds of $1.0 billion related to the sale of our television business recorded as investing cash flows from discontinued operations and recorded a gain of $662.9 million as a component of Income from discontinued operations, net .

In addition, we sold our 50% interest in Clear Channel Independent during 2008 and recognized a gain of $75.6 million in Equity in earnings (loss) of nonconsolidated affiliates based on the fair value of the equity securities received in the pre-merger period.

We sold a portion of our investment in Grupo ACIR for approximately $47.0 million on July 1, 2008 and recorded a gain of $9.2 million in Equity in earnings (loss) of nonconsolidated affiliates.

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Uses of Capital

Debt Repurchases, Tender Offers, Maturities and Other

During 2009 and 2008, our wholly-owned subsidiaries, CC Finco, LLC, and CC Finco II, LLC, repurchased certain of our outstanding senior notes through open market repurchases, privately negotiated transactions and tenders as shown in the table below. Notes repurchased and held by CC Finco, LLC and CC Finco II, LLC, are eliminated in consolidation.

(In thousands)	Year Ended December 31,	
	2009	2008
CC Finco, LLC	Post-Merger	Post-Merger
Principal amount of debt repurchased	$ 801,302	$ 102,241
Purchase accounting adjustments [1]	(146,314)	(24,367)
Deferred loan costs and other	(1,468)	
Gain recorded in Other income (expense) net [2]	(368,591)	(53,449)
Cash paid for repurchases of long-term debt	$ 284,929	$ 24,425
CC Finco II, LLC		
Principal amount of debt repurchased [3]	$ 433,125	$
Deferred loan costs and other	(813)	
Gain recorded in Other income (expense) net [2]	(373,775)	
Cash paid for repurchases of long-term debt	$ 58,537	$

(1) Represents unamortized fair value purchase accounting discounts recorded as a result of the merger.
(2) CC Finco, LLC, and CC Finco II, LLC, repurchased certain of our legacy notes, senior cash pay notes and senior toggle notes at a discount, resulting in a gain on the extinguishment of debt.
(3) CC Finco II, LLC immediately cancelled these notes subsequent to the purchase.

On January 15, 2008, we redeemed our 4.625% senior notes at their maturity for $500.0 million with proceeds from our bank credit facility. On June 15, 2008, we redeemed our 6.625% senior notes at their maturity for $125.0 million with available cash on hand.

We terminated our cross currency swaps on July 30, 2008 by paying the counterparty $196.2 million from available cash on hand.

On August 7, 2008, we announced that we commenced a cash tender offer and consent solicitation for the outstanding $750.0 million principal amount of 7.65% senior notes due 2010. The tender offer and consent payment expired on September 9, 2008. The aggregate principal amount of 7.65% senior notes validly tendered and accepted for payment was $363.9 million. We recorded a $21.8 million loss in Other income (expense) net during the pre-merger period as a result of the tender.

We repurchased $639.2 million aggregate principal amount of the AMFM Operating Inc. 8% senior notes pursuant to a tender offer and consent solicitation in connection with the merger. The remaining 8% senior notes were redeemed at maturity on November 1, 2008. The aggregate loss on the extinguishment of debt recorded in 2008 as a result of the tender offer for the AMFM Operating Inc. 8% notes was $8.0 million.

On November 24, 2008, we announced that we commenced another cash tender offer to purchase our outstanding 7.65% Senior Notes due 2010. The tender offer and consent payment expired on December 23, 2008. The aggregate principal amount of 7.65% senior notes validly tendered and accepted for payment was $252.4 million. The aggregate gain on the extinguishment of debt recorded during the post-merger period as a result of the tender offer for the 7.65% senior notes due 2010 was $74.7 million.

During the second quarter of 2009, we redeemed the remaining principal amount of our 4.25% senior notes at maturity with a draw under the $500.0 million delayed draw term loan facility that is specifically designated for this purpose.

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Dividends

We have not paid cash dividends on our common stock since the merger and our ability to pay dividends is subject to restrictions should we seek to do so in the future. Our debt financing arrangements include restrictions on our ability to pay dividends, which in turn affects our ability to pay dividends.

Prior to the merger, we declared a $93.4 million dividend on December 3, 2007 payable to shareholders of record on December 31, 2007 and paid on January 15, 2008.

Capital Expenditures

Capital expenditures were $223.8 million in the year ended December 31, 2009. Capital expenditures on a combined basis for the year ended December 31, 2008 were $430.5 million.

(In millions)	Year Ended December 31, 2009				
	Radio	Americas Outdoor Advertising	International Outdoor Advertising	Corporate and Other	Total
Non-revenue producing	$ 41.9	$ 23.3	$ 23.8	$ 6.0	$ 95.0
Revenue producing		61.1	67.7		128.8
	$ 41.9	$ 84.4	$ 91.5	$ 6.0	$ 223.8

Acquisitions

During 2009, our Americas outdoor segment paid $5.0 million primarily for the acquisition of land and buildings.

We acquired FCC licenses in our radio segment for $11.7 million in cash during 2008. We acquired outdoor display faces and additional equity interests in international outdoor companies for $96.5 million in cash during 2008. Our national representation business acquired representation contracts valued at $68.9 million during 2008.

Purchases of Additional Equity Interests

During 2009, our Americas outdoor segment purchased the remaining 15% interest in our consolidated subsidiary, Paneles Napsa S.A., for $13.0 million and our International outdoor segment acquired an additional 5% interest in our consolidated subsidiary, Clear Channel Jolly Pubblicita SPA, for $12.1 million.

Certain Relationships with the Sponsors

We are party to a management agreement with certain affiliates of the Sponsors and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These arrangements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than $15.0 million per year plus expenses. During the year ended December 31, 2009, we recognized management fees of $15.0 million. For the post-merger period of 2008, we recognized Sponsors management fees of $6.3 million.

In addition, we reimbursed the Sponsors for additional expenses in the amount of $5.5 million for the year ended December 31, 2009.

In connection with the merger, CCMH paid certain affiliates of the Sponsors $87.5 million in fees and expenses for financial and structural advice and analysis, assistance with due diligence investigations and debt financing negotiations and $15.9 million for reimbursement of escrow and other out-of-pocket expenses. This amount was allocated between merger expenses, deferred loan costs or included in the overall purchase price of the merger.

Commitments, Contingencies and Guarantees

We are currently involved in certain legal proceedings. 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. The aggregate of these contingent payments, if performance targets are met, would not significantly impact our financial position or results of operations.

In addition to our scheduled maturities on our debt, we have future cash obligations under various types of contracts. We lease office space, certain broadcast facilities, equipment and the majority of the land occupied by our outdoor advertising structures under long-term operating leases. Some of our lease agreements contain renewal options and annual rental escalation clauses (generally tied to the consumer price index), as well as provisions for our payment of utilities and maintenance.

We have minimum franchise payments associated with non-cancelable contracts that enable us to display advertising on such media as buses, taxis, trains, bus shelters and terminals. The majority of these contracts contain rent provisions that are calculated as the greater of a percentage of the relevant advertising revenue or a specified guaranteed minimum annual payment. Also, we have non-cancelable contracts in our radio broadcasting operations related to program rights and music license fees.

In the normal course of business, our broadcasting operations have minimum future payments associated with employee and talent contracts. These contracts typically contain cancellation provisions that allow us to cancel the contract with good cause.

The scheduled maturities of our senior secured credit facilities, receivables based facility, senior cash pay and senior toggle notes, other long-term debt outstanding, future minimum rental commitments under non-cancelable lease agreements, minimum payments under other non-cancelable contracts, payments under employment/talent contracts, capital expenditure commitments, and other long-term obligations as of December 31, 2009 are as follows:

(In thousands)		Payments due by Period			
Contractual Obligations	Total	2010	2011-2012	2013-2014	Thereafter
Long-term Debt					
Senior Secured Debt	$ 13,928,111	$	$ 26,095	$ 3,315,026	$ 10,586,990
Senior Cash Pay and Senior Toggle Notes [1]	1,711,450				1,711,450
Clear Channel Senior Notes	3,267,549	356,156	1,082,829	853,564	975,000
Subsidiary Senior Notes	2,500,000				2,500,000
Other Long-term Debt	82,882	47,077	31,769	4,036	
Interest payments on long-term debt [2]	7,270,202	1,152,658	2,033,704	2,334,780	1,749,060
Non-Cancelable Operating Leases	2,649,573	367,524	588,254	468,144	1,225,651
Non-Cancelable Contracts	2,294,611	541,683	748,929	423,184	580,815
Employment/Talent Contracts	458,903	168,505	179,442	55,689	55,267
Capital Expenditures	136,262	67,372	45,638	19,837	3,415
Other long-term obligations [3]	152,499	1,224	13,077	3,448	134,750
Total [4]	$ 34,452,042	$ 2,702,199	$ 4,749,737	$ 7,477,708	$ 19,522,398

(1) On January 15, 2009, we made a permitted election under the indenture governing the senior toggle notes to pay PIK Interest with respect to 100% of the senior toggle notes for the semi-annual interest period commencing February 1, 2009. For subsequent interest periods, we must make an election regarding

whether the applicable interest payment on the senior toggle notes will be made entirely in cash, entirely through PIK Interest or 50% in cash and 50% in PIK Interest. In the absence of such an election for any interest period, interest on the senior toggle notes will be payable according to the election for the immediately preceding interest period. As a result, we are deemed to have made the PIK Interest election for future interest periods unless and until we elect otherwise. Therefore, the interest payments on the senior toggle notes assume that the PIK Interest election remains the default election over the term of the notes. Assuming the PIK Interest election remains in effect over the term of the Notes, we are contractually obligated to make a payment of $486.1 million on August 1, 2013 which is included in Interest payments on long-term debt in the table above.

(2) Interest payments on the senior secured credit facilities, other than the revolving credit facility, assume the obligations are repaid in accordance with the amortization schedule included in the credit agreement and the interest rate is held constant over the remaining term based on the weighted average interest rate at December 31, 2009 on the senior secured credit facilities.

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Interest payments related to the revolving credit facility assume the balance and interest rate as of December 31, 2009 is held constant over the remaining term.

Interest payments on $6.0 billion of the Term Loan B facility are effectively fixed at interest rates between 2.6% and 4.4%, plus applicable margins, per annum, as a result of an aggregate $6.0 billion notional amount of interest rate swap agreements. $3.5 billion notional amount of interest rate swap agreements mature in October of 2010 with the remaining $2.5 billion maturing in September 2013. Interest expense assumes the rate is fixed through maturity of the swaps, at which point the rate reverts back to the floating rate in effect at December 31, 2009.

(3) Other long-term obligations consist of $51.3 million related to asset retirement obligations recorded pursuant to ASC 410-20, which assumes the underlying assets will be removed at some period over the next 50 years. Also included are $36.1 million of contract payments in our syndicated radio and media representation businesses and $65.1 million of various other long-term obligations.

(4) Excluded from the table is $672.1 million related to various obligations with no specific contractual commitment or maturity, $308.3 million of which relates to unrecognized tax benefits and accrued interest and penalties recorded pursuant to ASC 740-10 and $237.2 million of which relates to the fair value of our interest rate swap agreements.

Market Risk

Interest Rate Risk

After the merger a significant amount of our long-term debt bears interest at variable rates. Accordingly, our earnings will be affected by changes in interest rates. At December 31, 2009 we had interest rate swap agreements with a $6.0 billion notional amount that effectively fixes interest at rates between 2.6% and 4.4%, plus applicable margins, per annum. The fair value of these agreements at December 31, 2009 was a liability of $237.2 million. At December 31, 2009, approximately 36% of our aggregate principal amount of long-term debt, including taking into consideration debt on which we have entered into pay-fixed rate receive floating rate swap agreements, bears interest at floating rates.

Assuming the current level of borrowings and interest rate swap contracts and assuming a 30% change in LIBOR, it is estimated that our interest expense for the year ended December 31, 2009 would have changed by approximately $5.6 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.

Foreign Currency Exchange Rate Risk

We have operations in countries throughout the world. Foreign operations are measured in their local currencies except in hyper-inflationary countries in which we operate. 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. We believe we mitigate a small portion of our exposure to foreign currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. Our foreign operations reported a net loss of approximately $285.8 million for the year ended December 31, 2009. We estimate a 10% change in the value of the U.S. dollar relative to foreign currencies would have changed our net loss for the year ended December 31, 2009 by approximately $28.6 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 equity method investments in various countries. It is estimated that the result of a 10% fluctuation in the value of the dollar relative to these foreign currencies at December 31, 2009 would change our equity in loss of nonconsolidated affiliates by $2.1 million and would change our net loss by approximately $1.3 million for the year ended December 31, 2009.

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.

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New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-02, *Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification*. The update is to ASC Topic 810, *Consolidation*. The ASU clarifies that the decrease-in-ownership provisions of ASC 810-10 and related guidance apply to (1) a subsidiary or group of assets that is a business or nonprofit activity, (2) a subsidiary or group of assets that is a business or nonprofit activity that is transferred to an equity method investee or joint venture, and (3) an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture). In addition, the ASU expands the information an entity is required to disclose upon deconsolidation of a subsidiary. This standard is effective for fiscal years ending on or after December 15, 2009 with retrospective application required for the first period in which the entity adopted Statement of Financial Accounting Standards No. 160. We adopted the amendment upon issuance with no material impact to our financial position or results of operations.

In December 2009, the FASB issued ASU No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. The update is to ASC Topic 810, *Consolidation*. This standard amends ASC 810-10-25 by requiring consolidation of certain special purpose entities that were previously exempted from consolidation. The revised criteria will define a controlling financial interest for requiring consolidation as: the power to direct the activities that most significantly affect the entity s performance, and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. This standard is effective for fiscal years beginning after November 15, 2009. We adopted the amendment on January 1, 2010 with no material impact to our financial position or results of operations.

In August 2009, the FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value*. The update is to ASC Subtopic 820-10, *Fair Value Measurements and Disclosures-Overall*, for the fair value measurement of liabilities. The purpose of this update is to reduce ambiguity in financial reporting when measuring the fair value of liabilities. The guidance provided in this update is effective for the first reporting period beginning after the date of issuance. We adopted the amendment on October 1, 2009 with no material impact to our financial position or results of operations.

Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, codified in ASC 105-10, was issued in June 2009. ASC 105-10 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States. ASC 105-10 establishes the ASC as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Following this statement, the FASB will issue new standards in the form of ASUs. ASC 105-10 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We adopted the provisions of ASC 105-10 on July 1, 2009.

Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (Statement No. 167), which is not yet codified, was issued in June 2009. Statement No. 167 shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Statement No. 167 amends Financial Accounting Standards Board Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, codified in ASC 810-10-25, to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. An approach that is expected to be primarily qualitative will be more effective for identifying which enterprise has a controlling financial interest in a variable interest entity. Statement No. 167 requires an additional reconsideration event when determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity s economic performance. It also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. These requirements will provide more relevant and timely information to users of financial statements. Statement No. 167 amends ASC 810-10-25 to require additional disclosures about an enterprise s involvement in variable interest entities, which will enhance the information provided to users of financial statements. We adopted Statement No. 167 on January 1, 2010 with no material impact to our financial position or results of operations.

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Statement of Financial Accounting Standards No. 165, *Subsequent Events*, codified in ASC 855-10, was issued in May 2009. The provisions of ASC 855-10 are effective for interim and annual periods ending after June 15, 2009 and are intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. In accordance with the provisions of ASC 855-10, we currently evaluate subsequent events through the date the financial statements are issued.

FASB Staff Position Emerging Issues Task Force 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, codified in ASC 260-10-45, was issued in June 2008. ASC 260-10-45 clarifies that unvested share-based payment awards with a right to receive nonforfeitable dividends are participating securities. Guidance is also provided on how to allocate earnings to participating securities and compute basic earnings per share using the two-class method. All prior-period earnings per share data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of ASC 260-10-45. We retrospectively adopted the provisions of ASC 260-10-45 on January 1, 2009. The impact of adopting ASC 260-10-45 decreased previously reported basic earnings per share by $.01 for the pre-merger year ended December 31, 2007.

Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51*, codified in ASC 810-10-45, was issued in December 2007. ASC 810-10-45 clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under this guidance, noncontrolling interests are considered equity and should be reported as an element of consolidated equity, net income will encompass the total income of all consolidated subsidiaries and there will be separate disclosure on the face of the income statement of the attribution of that income between the controlling and noncontrolling interests, and increases and decreases in the noncontrolling ownership interest amount will be accounted for as equity transactions. The provisions of ASC 810-10-45 are effective for the first annual reporting period beginning on or after December 15, 2008, and earlier application is prohibited. Guidance is required to be adopted prospectively, except for reclassifying noncontrolling interests to equity, separate from the parent s shareholders equity, in the consolidated statement of financial position and recasting consolidated net income (loss) to include net income (loss) attributable to both the controlling and noncontrolling interests, both of which are required to be adopted retrospectively. We adopted the provisions of ASC 810-10-45 on January 1, 2009, which resulted in a reclassification of approximately $426.2 million of noncontrolling interests to member s deficit.

Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, codified in ASC 815-10-50, was issued in March 2008. ASC 815-10-50 requires additional disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items effect an entity s financial position, results of operations and cash flows. We adopted the provisions of ASC 815-10-50 on January 1, 2009. Please refer to Note H in Item 8 of Part II of this Annual Report on Form 10-K for disclosure required by ASC 815-10-50.

FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, codified in ASC 820-10, was issued in February 2008. ASC 820-10 delays the effective date of FASB Statement No. 157, *Fair Value Measurements*, for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. We adopted the provisions of ASC 820-10 on January 1, 2009 with no material impact to our financial position or results of operations.

FASB Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, codified in ASC 820-10, was issued in April 2009. ASC 820-10-35 provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. ASC 820-10 also includes guidance on identifying circumstances that indicate a transaction is not orderly. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009 is not permitted. We adopted the provisions of ASC 820-10 on April 1, 2009 with no material impact to our financial position or results of operations.

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FASB Staff Position No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, codified in ASC 320-10-35, was issued in April 2009. It amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. ASC 320-10-35 does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009 is not permitted. We adopted the provisions of ASC 320-10-35 on April 1, 2009 with no material impact to our financial position or results of operations.

FASB Staff Position No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, codified in ASC 825-10-50, was issued in April 2009. ASC 825-10-50 amends prior authoritative guidance to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The provisions of ASC 825-10-50 are effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We adopted the disclosure requirements of ASC 825-10-50 on April 1, 2009.

Inflation

Inflation is a factor in the economies in which we do business and we continue to seek ways to mitigate its effect. 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 by increasing the effective advertising rates of most of our broadcasting stations and outdoor display faces.

Critical Accounting Estimates

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material. Our significant accounting policies are discussed in the notes to our consolidated financial statements, included in Item 8 of this Annual Report on Form 10-K. Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management s most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The following narrative describes these critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions.

Allowance for Doubtful Accounts

We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer s inability to meet its financial obligations, we record a specific reserve to reduce the amounts recorded to what we believe will be collected. For all other customers, we recognize reserves for bad debt based on historical experience of bad debts as a percent of revenue for each business unit, adjusted for relative improvements or deteriorations in the agings and changes in current economic conditions.

If our agings were to improve or deteriorate resulting in a 10% change in our allowance, we estimated that our bad debt expense for the year ended December 31, 2009, would have changed by approximately $7.2 million and our net loss for the same period would have changed by approximately $4.4 million.

Long-Lived Assets

Long-lived assets, such as property, plant and equipment and definite-lived intangibles are reviewed for impairment when events and circumstances indicate that depreciable and amortizable long-lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. When specific assets are determined to be unrecoverable, the cost basis of the asset is reduced to reflect the current fair market value.

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We use various assumptions in determining the current fair market value of these assets, including future expected cash flows, industry growth rates and discount rates, as well as future salvage values. Our impairment loss calculations require management to apply judgment in estimating future cash flows, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

Using the impairment review described above, we recorded aggregate impairment charges of approximately $87.6 million for the year ended December 31, 2009. For additional information, please refer to the *Impairment Charges* section included in the beginning of this MD&A.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results of operations. For additional information, please refer to the *Impairment Charges* section included in the beginning of this MD&A.

Indefinite-lived Assets

Indefinite-lived assets are reviewed annually for possible impairment using the direct valuation method as prescribed in ASC 805-20-S99. Under the direct valuation method, the fair value of the indefinite-lived assets was calculated at the market level as prescribed by ASC 350-30-35. Under the direct valuation 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.

Our key assumptions using the direct valuation 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 representing an average asset within a market.

In accordance with ASC 350-30, we performed an interim impairment test as of December 31, 2008 and again as of June 30, 2009. The estimated fair value of our FCC licenses and permits was below their carrying values at the date of each interim impairment test. As a result, we recognized non-cash impairment charges of $1.7 billion and $935.6 million at December 31, 2008 and June 30, 2009, respectively, related to our indefinite-lived FCC licenses and permits. For additional information, please refer to the *Impairment Charges* section included in the beginning of this MD&A.

If our future results are not consistent with our estimates, we could be exposed to future impairment losses that could be material to our results of operations.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. We test goodwill at interim dates if events or changes in circumstances indicate that goodwill might be impaired. The fair value of our reporting units is used to apply value to the net assets of each reporting unit. To the extent that the carrying amount of net assets would exceed the fair value, an impairment charge may be required to be recorded.

The discounted cash flow approach we use for valuing goodwill involves estimating future cash flows expected to be generated from the related assets, discounted to their present value using a risk-adjusted discount rate. Terminal values are also estimated and discounted to their present value. In accordance with ASC 350-20, we performed an interim impairment test on goodwill as of December 31, 2008 and again as of June 30, 2009.

The estimated fair value of our reporting units was below their carrying values at the date of each interim impairment test, which required us to compare the implied fair value of each reporting unit s goodwill with its carrying value. As a result, we recognized non-cash impairment charges of $3.6 billion and $3.1 billion at

December 31, 2008 and June 30, 2009, respectively, to reduce our goodwill. For additional information, please refer to the *Impairment Charges* section included in the beginning of this MD&A.

If our future results are not consistent with our estimates, we could be exposed to future impairment losses that could be material to our results of operations.

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Tax Accruals

The IRS and other taxing authorities routinely examine our tax returns we file as part of the consolidated tax returns filed by CCMH. From time to time, the IRS challenges certain of our tax positions. We believe our tax positions comply with applicable tax law and we would vigorously defend these positions if challenged. The final disposition of any positions challenged by the IRS could require us to make additional tax payments. We believe that we have adequately accrued for any foreseeable payments resulting from tax examinations and consequently do not anticipate any material impact upon their ultimate resolution.

Our estimates of income taxes and the significant items giving rise to the deferred assets and liabilities are shown in the notes to our consolidated financial statements and reflect our assessment of actual future taxes to be paid on items reflected in the financial statements, giving consideration to both timing and probability of these estimates. Actual income taxes could vary from these estimates due to future changes in income tax law or results from the final review of our tax returns by Federal, state or foreign tax authorities.

We have considered these potential changes in accordance with ASC 740-10, which requires us to record reserves for estimates of probable settlements of Federal and state tax audits.

Litigation Accruals

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.

Management s estimates used 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. During 2009, we recorded a $23.5 million accrual related to an unfavorable outcome of litigation concerning a breach of contract regarding internet advertising and our radio stations.

Insurance Accruals

We are currently self-insured beyond certain retention amounts for various insurance coverages, including general liability and property and casualty. Accruals are recorded based on estimates of actual claims filed, historical payouts, existing insurance coverage and projected future development of costs related to existing claims.

Our self-insured liabilities contain uncertainties because management must make assumptions and apply judgment to estimate the ultimate cost to settle reported claims and claims incurred but not reported as of December 31, 2009.

If actual results are not consistent with our assumptions and judgments, we may be exposed to gains or losses that could be material. A 10% change in our self-insurance liabilities at December 31, 2009, would have affected our net loss by approximately $2.8 million for the year ended December 31, 2009.

Asset Retirement Obligations

ASC 410-20 requires us to estimate our obligation upon the termination or nonrenewal of a lease, to dismantle and remove our billboard structures from the leased land and to reclaim the site to its original condition. We record the present value of obligations associated with the retirement of tangible long-lived assets in the period in which they are incurred. When the liability is recorded, the cost is capitalized as part of the related long-lived asset s carrying amount. Over time, accretion of the liability is recognized as an operating expense and the capitalized cost is depreciated over the expected useful life of the related asset.

Due to the high rate of lease renewals over a long period of time, our calculation assumes all related assets will be removed at some period over the next 50 years. An estimate of third-party cost information is used with respect to the dismantling of the structures and the reclamation of the site. The interest rate used to calculate the present value of such costs over the retirement period is based on an estimated risk-adjusted credit rate for the same period. If our assumption of the risk-adjusted credit rate used to discount current year additions to the asset retirement obligation decreased approximately 1%, our liability as of December 31, 2009 would increase approximately $0.2 million. Similarly, if our assumption of the risk-adjusted credit rate increased approximately 1%, our liability would decrease approximately $0.1 million.

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Shared-based Payments

Under the fair value recognition provisions of ASC 718-10, stock based compensation cost is measured at the grant date based on the value of the award. For awards that vest based on service conditions, this cost is recognized as expense on a straight-line basis over the vesting period. For awards that will vest based on market, performance and service conditions, this cost will be recognized when it becomes probable that the performance conditions will be satisfied. Determining the fair value of share-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors. If actual results differ significantly from these estimates, our results of operations could be materially impacted.

We do not have any equity incentive plans under which we grant stock awards to employees. Our employees receive equity awards from CCMH s equity incentive plans. Prior to the merger, we granted equity awards to our employees under our own equity incentive plan.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Required information is within Item 7.

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ITEM 8. Financial Statements and Supplementary Data

MANAGEMENT S REPORT ON FINANCIAL STATEMENTS

The consolidated financial statements and notes related thereto were prepared by and are the responsibility of management. The financial statements and related notes were prepared in conformity with U.S. generally accepted accounting principles and include amounts based upon management s best estimates and judgments.

It is management s objective to ensure the integrity and objectivity of its financial data through systems of internal controls designed to provide reasonable assurance that all transactions are properly recorded in our books and records, that assets are safeguarded from unauthorized use and that financial records are reliable to serve as a basis for preparation of financial statements.

The financial statements have been audited by our independent registered public accounting firm, Ernst & Young LLP, to the extent required by auditing standards of the Public Company Accounting Oversight Board (United States) and, accordingly, they have expressed their professional opinion on the financial statements in their report included herein.

The Board of Directors meets with the independent registered public accounting firm and management periodically to satisfy itself that they are properly discharging their responsibilities. The independent registered public accounting firm has unrestricted access to the Board, without management present, to discuss the results of their audit and the quality of financial reporting and internal accounting controls.

/s/ Mark P. Mays

President and Chief Executive Officer

/s/ Thomas W. Casey

Chief Financial Officer

/s/ Herbert W. Hill, Jr.

Senior Vice President/Chief Accounting Officer

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Clear Channel Capital I, LLC

We have audited the accompanying consolidated balance sheets of Clear Channel Capital I, LLC (Clear Channel Capital) as of December 31, 2009 and 2008, the related consolidated statements of operations, members interest (deficit)/shareholders equity, and cash flows of Clear Channel Capital for the year ended December 31, 2009 and for the period from July 31, 2008 through December 31, 2008, the related consolidated statement of operations, shareholders equity, and cash flows of Clear Channel Communications, Inc. (Clear Channel) for the period from January 1, 2008 through July 30, 2008, and for the year ended December 31, 2007. Our audits also included the financial statement schedule listed in the index as Item 15(a)2. These financial statements and schedule are the responsibility of Clear Channel Capital s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clear Channel Capital at December 31, 2009 and 2008, the consolidated results of Clear Channel Capital s operations and cash flows for the year ended December 31, 2009 and for the period from July 31, 2008 through December 31, 2008, the consolidated results of Clear Channel s operations and cash flows for the period from January 1, 2008 through July 30, 2008 and the year ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Clear Channel Capital s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Antonio, Texas

March 16, 2010

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CONSOLIDATED BALANCE SHEETS OF CLEAR CHANNEL CAPITAL I, LLC

ASSETS

(In thousands)

	December 31, 2009	December 31, 2008
CURRENT ASSETS		
Cash and cash equivalents	$ 1,883,994	$ 239,846
Accounts receivable, net of allowance of $71,650 in 2009 and $97,364 in 2008	1,301,700	1,431,304
Income taxes receivable	136,207	46,615
Prepaid expenses	81,669	133,217
Other current assets	255,275	215,573
Total Current Assets	3,658,845	2,066,555
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings and improvements	633,222	614,811
Structures	2,514,602	2,355,776
Towers, transmitters and studio equipment	381,046	353,108
Furniture and other equipment	234,101	242,287
Construction in progress	88,391	128,739
	3,851,362	3,694,721
Less accumulated depreciation	518,969	146,562
	3,332,393	3,548,159
INTANGIBLE ASSETS		
Definite-lived intangibles, net	2,599,244	2,881,720
Indefinite-lived intangibles licenses	2,429,839	3,019,803
Indefinite-lived intangibles permits	1,132,218	1,529,068
Goodwill	4,125,005	7,090,621
OTHER ASSETS		
Notes receivable	1,465	11,633
Investments in, and advances to, nonconsolidated affiliates	345,349	384,137
Other assets	378,058	560,260
Other investments	44,685	33,507
Total Assets	$ 18,047,101	$ 21,125,463

See Notes to Consolidated Financial Statements

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LIABILITIES AND MEMBER S DEFICIT

(In thousands, except share data)

	December 31, 2009	December 31, 2008
CURRENT LIABILITIES		
Accounts payable	$ 132,193	$ 155,240
Accrued expenses	726,311	793,366
Accrued interest	137,236	181,264
Current portion of long-term debt	398,779	562,923
Deferred income	149,617	153,153
Total Current Liabilities	1,544,136	1,845,946
Long-term debt	20,303,126	18,940,697
Deferred income taxes	2,220,023	2,679,312
Other long-term liabilities	824,554	575,739
Commitments and contingent liabilities (Note J)		
MEMBER S DEFICIT		
Noncontrolling interest	455,648	426,220
Member s interest	2,109,007	2,101,076
Retained deficit	(9,076,084)	(5,041,998)
Accumulated other comprehensive loss	(333,309)	(401,529)
Total Member s Deficit	(6,844,738)	(2,916,231)
Total Liabilities and Member s Deficit	$ 18,047,101	$ 21,125,463

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS OF CLEAR CHANNEL

CAPITAL I, LLC

(In thousands, except per share data)	Year Ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year Ended December 31, 2007 Pre-Merger
Revenue	$ 5,551,909	$ 2,736,941	$ 3,951,742	$ 6,921,202
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	2,583,263	1,198,345	1,706,099	2,733,004
Selling, general and administrative expenses (excludes depreciation and amortization)	1,466,593	806,787	1,022,459	1,761,939
Depreciation and amortization	765,474	348,041	348,789	566,627
Corporate expenses (excludes depreciation and amortization)	253,964	102,276	125,669	181,504
Merger expenses		68,085	87,684	6,762
Impairment charges	4,118,924	5,268,858		
Other operating income (loss) net	(50,837)	13,205	14,827	14,113
Operating income (loss)	(3,687,146)	(5,042,246)	675,869	1,685,479
Interest expense	1,500,866	715,768	213,210	451,870
Gain (loss) on marketable securities	(13,371)	(116,552)	34,262	6,742
Equity in earnings (loss) of nonconsolidated affiliates	(20,689)	5,804	94,215	35,176
Other income (expense) net	679,716	131,505	(5,112)	5,326
Income (loss) before income taxes and discontinued operations	(4,542,356)	(5,737,257)	586,024	1,280,853
Income tax benefit (expense):				
Current	76,129	76,729	(27,280)	(252,910)
Deferred	417,191	619,894	(145,303)	(188,238)
Income tax benefit (expense)	493,320	696,623	(172,583)	(441,148)
Income (loss) before discontinued operations	(4,049,036)	(5,040,634)	413,441	839,705
Income (loss) from discontinued operations, net		(1,845)	640,236	145,833
Consolidated net income (loss)	(4,049,036)	(5,042,479)	1,053,677	985,538
Amount attributable to noncontrolling interest	(14,950)	(481)	17,152	47,031
Net income (loss) attributable to the Company	$ (4,034,086)	$ (5,041,998)	$ 1,036,525	$ 938,507

Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	151,422	(382,760)	46,679	105,574
Unrealized gain (loss) on securities and derivatives:				
Unrealized holding gain (loss) on marketable securities	1,678	(95,669)	(52,460)	(8,412)
Unrealized holding loss on cash flow derivatives	(74,100)	(75,079)		(1,688)
Reclassification adjustment for realized (gain) loss on securities and derivatives included in net income	10,008	102,766	(29,791)	
Comprehensive income (loss)	(3,945,078)	(5,492,740)	1,000,953	1,033,981
Amount attributable to noncontrolling interest	20,788	(49,212)	19,210	30,369
Comprehensive income (loss) attributable to the Company	$ (3,965,866)	$ (5,443,528)	$ 981,743	$ 1,003,612
Net income (loss) per common share:				
Income (loss) attributable to the Company before discontinued operations basic			$ .80	$ 1.59
Discontinued operations basic			1.29	.30
Net income (loss) attributable to the Company basic			$ 2.09	$ 1.89
Weighted average common shares basic			495,044	494,347
Income (loss) attributable to the Company before discontinued operations diluted			$ .80	$ 1.59
Discontinued operations diluted			1.29	.29
Net income (loss) attributable to the Company diluted			$ 2.09	$ 1.88
Weighted average common shares diluted			496,519	495,784
Dividends declared per share			$	$ .75

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER S DEFICIT/SHAREHOLDERS EQUITY

(In thousands, except share data)

	Common Shares Issued	Noncontrolling Interest	Controlling Interest Common Stock	Additional Paid-in Capital/ Member s Interest	Retained (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Total
Pre-merger Balances at December 31, 2006	**493,982,851**	**$ 363,966**	**$ 49,399**	**$ 26,745,687**	**$ (19,054,365)**	**$ 290,401**	**$ (3,355)**	**$ 8,391,733**
Cumulative effect of FIN 48 adoption					(152)			(152)
Net income		47,031			938,507			985,538
Dividends declared					(373,133)			(373,133)
Subsidiary common stock issued for a business acquisition		5,084						5,084
Exercise of stock options and other	4,092,566	10,780	409	74,827			(1,596)	84,420
Amortization and adjustment of deferred compensation		9,370		37,565				46,935
Other		(2,049)				1		(2,048)
Comprehensive income:								
Currency translation adjustment		30,369				75,205		105,574
Unrealized (loss) on cash flow derivatives						(1,688)		(1,688)
Unrealized (loss) on investments						(8,412)		(8,412)
Pre-merger Balances at December 31, 2007	**498,075,417**	**464,551**	**49,808**	**26,858,079**	**(18,489,143)**	**355,507**	**(4,951)**	**9,233,851**
Net income		17,152			1,036,525			1,053,677
Exercise of stock options and other	82,645		30	4,963			(2,024)	2,969
Amortization and adjustment of deferred compensation		10,767		57,855				68,622

Other		(39,813)				33,383		(6,430)
Comprehensive income:								
Currency translation adjustment		22,367				24,312		46,679
Unrealized (loss) on investments		(3,125)				(49,335)		(52,460)
Reclassification adjustments for realized gain included in net income		(32)				(29,759)		(29,791)
Pre-merger Balances at July 30, 2008	**498,158,062**	**471,867**	**49,838**	**26,920,897**	**(17,452,618)**	**334,108**	**(6,975)**	**10,317,117**
Elimination of pre-merger equity	(498,158,062)	(471,867)	(49,838)	(26,920,897)	17,452,618	(334,108)	6,975	(10,317,117)
Post-merger Balances at July 31, 2008		**471,867**		**2,089,347**				**2,561,214**
Net (loss)		(481)			(5,041,998)			(5,042,479)
Issuance of restricted stock awards and other								
Amortization and adjustment of deferred compensation		4,182		11,729				15,911
Other		(136)				1		(135)
Comprehensive income:								
Currency translation adjustment		(50,010)				(332,750)		(382,760)
Unrealized (loss) on cash flow derivatives						(75,079)		(75,079)
Unrealized (loss) on investments		(6,856)				(88,813)		(95,669)
Reclassification adjustment for realized loss included in net income		7,654				95,112		102,766
Post-merger Balances at December 31, 2008		**426,220**		**2,101,076**	**(5,041,998)**	**(401,529)**		**(2,916,231)**

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(In thousands, except share data)	Common Shares Issued	Noncontrolling Interest	Common Stock	Additional Paid-in Capital	Controlling Interest Retained (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Total
Post-merger Balances at December 31, 2008		**$ 426,220**	**$**	**$ 2,101,076**	**$ (5,041,998)**	**$ (401,529)**	**$**	**$ (2,916,231)**
Net (loss)		(14,950)			(4,034,086)			(4,049,036)
Issuance (forfeiture) of restricted stock awards and other				(180)				(180)
Amortization and adjustment of deferred compensation		12,104		27,682				39,786
Other		11,486		(19,571)				(8,085)
Comprehensive income:								
Currency translation adjustment		21,201				130,221		151,422
Unrealized (loss) on cash flow derivatives						(74,100)		(74,100)
Reclassification adjustments for realized loss included in net income		727				9,281		10,008
Unrealized gain (loss) on investments		(1,140)				2,818		1,678
Post-merger Balances at December 31, 2009		**$ 455,648**	**$**	**$ 2,109,007**	**$ (9,076,084)**	**$ (333,309)**	**$**	**$ (6,844,738)**

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CONSOLIDATED STATEMENTS OF CASH FLOWS OF CLEAR CHANNEL

CAPITAL I, LLC

(In thousands)	Year Ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year Ended December 31, 2007 Pre-Merger
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES:				
Consolidated net income (loss)	$ (4,049,036)	$ (5,042,479)	$ 1,053,677	$ 985,538
Less: Income (loss) from discontinued operations, net		(1,845)	640,236	145,833
Net income (loss) from continuing operations	(4,049,036)	(5,040,634)	413,441	839,705
Reconciling Items:				
Depreciation	423,835	197,702	290,454	461,598
Amortization of intangibles	341,639	150,339	58,335	105,029
Impairment charges	4,118,924	5,268,858		
Deferred taxes	(417,191)	(619,894)	145,303	188,238
Provision for doubtful accounts	52,498	54,603	23,216	38,615
Amortization of deferred financing charges, bond premiums and accretion of note discounts, net	229,464	102,859	3,530	7,739
Share-based compensation	39,786	15,911	62,723	44,051
(Gain) loss on sale of operating and fixed assets	50,837	(13,205)	(14,827)	(14,113)
Loss on forward exchange contract			2,496	3,953
(Gain) loss on securities	13,371	116,552	(36,758)	(10,696)
Equity in loss (earnings) of nonconsolidated affiliates	20,689	(5,804)	(94,215)	(35,176)
(Gain) loss on extinguishment of debt	(713,034)	(116,677)	13,484	
(Gain) loss on other investments and assets	9,595			
Increase (decrease) in other, net	36,571	12,089	9,133	(91)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:				
Decrease (increase) in accounts receivable	99,225	158,142	24,529	(111,152)
Decrease (increase) in prepaid expenses	9,105	6,538	(21,459)	5,098
Decrease (increase) in other current assets	(21,604)	156,869	(29,329)	694
	(27,934)	(130,172)	190,834	27,027

Increase (decrease) in accounts payable, accrued expenses and other liabilities				
Increase (decrease) in accrued interest	33,047	98,909	(16,572)	(13,429)
Increase (decrease) in deferred income	2,168	(54,938)	51,200	26,013
Increase (decrease) in accrued income taxes	(70,780)	(112,021)	(40,260)	13,325
Net cash provided by operating activities	181,175	246,026	1,035,258	1,576,428

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	Year Ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Years Ended December 31, 2007 Pre-Merger
CASH FLOWS PROVIDED BY (USED IN)				
INVESTING ACTIVITIES:				
Decrease (increase) in notes receivable, net	823	741	336	(6,069)
Decrease (increase) in investments in, and advances to nonconsolidated affiliates net	(3,811)	3,909	25,098	20,868
Cross currency settlement of interest			(198,615)	(1,214)
Purchases of investments	(3,372)	(26)	(98)	(726)
Proceeds from sale of other investments	41,627		173,467	2,409
Purchases of property, plant and equipment	(223,792)	(190,253)	(240,202)	(363,309)
Proceeds from disposal of assets	48,818	16,955	72,806	26,177
Acquisition of operating assets	(8,300)	(23,228)	(153,836)	(122,110)
Decrease (increase) in other - net	6,258	(47,342)	(95,207)	(38,703)
Cash used to purchase equity		(17,472,459)		
Net cash used in investing activities	(141,749)	(17,711,703)	(416,251)	(482,677)
CASH FLOWS PROVIDED BY (USED IN)				
FINANCING ACTIVITIES:				
Draws on credit facilities	1,708,625	180,000	692,614	886,910
Payments on credit facilities	(202,241)	(128,551)	(872,901)	(1,705,014)
Proceeds from long-term debt	500,000	557,520	5,476	22,483
Proceeds from issuance of subsidiary senior notes	2,500,000			
Payments on long-term debt	(472,419)	(554,664)	(1,282,348)	(343,041)
Payments on senior secured credit facilities	(2,000,000)			
Repurchases of long-term debt	(343,466)	(24,425)		
Deferred financing charges	(60,330)			
Debt proceeds used to finance the merger		15,382,076		
Equity contribution used to finance the merger		2,142,830		
Payments on forward exchange contract			(110,410)	
Proceeds from exercise of stock options and other			17,776	80,017
Dividends paid			(93,367)	(372,369)
Payments for purchase of noncontrolling interest	(25,263)			
Payments for purchase of common shares	(184)	(47)	(3,781)	
Net cash provided by (used in) financing activities	1,604,722	17,554,739	(1,646,941)	(1,431,014)

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	Year Ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Years Ended December 31, 2007 Pre-Merger
CASH FLOWS PROVIDED BY (USED IN) DISCONTINUED OPERATIONS:				
Net cash provided by (used in) operating activities		2,429	(67,751)	33,832
Net cash provided by investing activities			1,098,892	332,579
Net cash provided by financing activities				
Net cash provided by discontinued operations		2,429	1,031,141	366,411
Net increase in cash and cash equivalents	1,644,148	91,491	3,207	29,148
Cash and cash equivalents at beginning of period	239,846	148,355	145,148	116,000
Cash and cash equivalents at end of period	$ 1,883,994	$ 239,846	$ 148,355	$ 145,148
SUPPLEMENTAL DISCLOSURE:				
Cash paid during the year for:				
Interest	$ 1,240,322	$ 527,083	$ 231,163	$ 462,181
Income taxes		37,029	138,187	299,415

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF CLEAR

CHANNEL CAPITAL I, LLC

NOTE A - SUMMARY OF

SIGNIFICANT ACCOUNTING POLICIES

As permitted by the rules and regulations of the Securities and Exchange Commission (the SEC), the financial statements and related footnotes included in Item 6 and Item 7 of Part II of this Annual Report on Form 10-K are those of Clear Channel Capital I, LLC (the Company or the Parent Company), the direct parent of Clear Channel Communications, Inc., a Texas corporation (Clear Channel or Subsidiary Issuer), and contain certain footnote disclosures regarding the financial information of Clear Channel and Clear Channel s domestic wholly-owned subsidiaries that guarantee certain of Clear Channel s outstanding indebtedness.

Nature of Business

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

Clear Channel is a wholly-owned subsidiary of the Company. Upon the consummation of the merger, CCMH became a public company and Clear Channel was no longer a public company. Prior to the acquisition, the Company had not conducted any activities, other than activities incident to its formation and in connection with the acquisition, and did not have any assets or liabilities, other than as related to the acquisition. Subsequent to the acquisition, Clear Channel became a direct, wholly-owned subsidiary of the Company and the business of the Company became that of Clear Channel and its subsidiaries. As a result, all of the operations of the Company are conducted by Clear Channel.

As a result of the merger, each issued and outstanding share of Clear Channel, other than shares held by certain principals of CCMH that were rolled over and exchanged for Class A common stock of CCMH, was either exchanged for (i) $36.00 in cash consideration or (ii) one share of CCMH s Class A common stock.

The purchase price was approximately $23 billion including $94 million in capitalized transaction costs. The merger was funded primarily through a $3 billion equity contribution, including the rollover of Clear Channel shares, and $20.8 billion in debt financing, including the assumption of $5.1 billion aggregate principal amount of Clear Channel debt.

CCMH accounted for its acquisition of Clear Channel as a purchase business combination in conformity with Statement of Financial Accounting Standards No. 141, *Business Combinations*, and Emerging Issues Task Force Issue 88-16, *Basis in Leveraged Buyout Transactions*. CCMH allocated a portion of the consideration paid to the assets and liabilities acquired at their respective fair values with the remaining portion recorded at the continuing shareholders basis. Excess consideration after this allocation was recorded as goodwill.

The purchase price allocation was complete as of July 30, 2009 in accordance with ASC 805-10-25, which requires that the allocation period not exceed one year from the date of acquisition.

The merger is discussed more fully in Note B.

CCMH Purchase Accounting Adjustments

Purchase accounting adjustments, including goodwill, are reflected in the financial statements of the Company and its subsidiaries.

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Omission of Per Share Information for the Post-Merger Period

Net loss per share information is not presented for the post-merger period as such information is not meaningful. During the post-merger periods ended December 31, 2009 and 2008, Clear Channel Capital II, LLC is the sole member of the Company and owns 100% of the limited liability company interests. Clear Channel Capital does not have any publicly traded common stock or potential common stock.

Liquidity

The Company s primary source of liquidity is cash flow from operations, which has been adversely affected by the global economic downturn. The risks associated with the Company s businesses become more acute in periods of a slowing economy or recession, which may be accompanied by a decrease in advertising. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. The global economic downturn has resulted in a decline in advertising and marketing services among the Company s customers, resulting in a decline in advertising revenues across the Company s businesses. This reduction in advertising revenues has had an adverse effect on the Company s revenue, profit margins, cash flow and liquidity. The continuation of the global economic downturn may continue to adversely impact the Company s revenue, profit margins, cash flow and liquidity.

CCMH commenced a restructuring program in the fourth quarter of 2008 targeting a reduction of fixed costs. The Company recognized approximately $164.4 million and $95.9 million of costs related to its restructuring program during the year ended December 31, 2009 and 2008, respectively.

On February 6, 2009 Clear Channel borrowed the approximately $1.6 billon of remaining availability under its $2.0 billion revolving credit facility. In December of 2009, Clear Channel applied $2.0 billion of the cash proceeds it received from Clear Channel Outdoor, Inc. from the issuance and sale of the Clear Channel Worldwide Holdings Senior Notes to repay an equal amount of indebtedness under its senior secured credit facilities, thereby strengthening the Company s capital structure meaningfully in the short and long term.

Based on the Company s current and anticipated levels of operations and conditions in its markets, it believes that cash on hand (including amounts drawn or available under Clear Channel s senior secured credit facilities) as well as cash flow from operations will enable the Company to meet its working capital, capital expenditure, debt service and other funding requirements for at least the next 12 months.

The Company expects to be in compliance with the covenants contained in Clear Channel s material financing agreements, including the subsidiary senior notes, in 2010, including the maximum consolidated senior secured net debt to adjusted EBITDA limitation contained in Clear Channel s senior secured credit facilities. However, the Company s anticipated results are subject to significant uncertainty and the Company s ability to comply with this limitation may be affected by events beyond its control, including prevailing economic, financial and industry conditions. The breach of any covenants set forth in the financing agreements would result in a default thereunder. An event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, the lenders under the revolving credit facility under the senior secured credit facilities would have the option to terminate their commitments to make further extensions of revolving credit thereunder. If the Company is unable to repay Clear Channel s obligations under any senior secured credit facilities or the receivables based credit facility, the lenders could proceed against any assets that were pledged to secure such facility. In addition, a default or acceleration under any of Clear Channel s material financing agreements, including the subsidiary senior notes, could cause a default under other obligations that are subject to cross-default and cross-acceleration provisions. The threshold amount for a cross-default under the senior secured credit facilities is $100 million dollars.

CCMH s and Clear Channel s current corporate ratings are CCC+ and Caa2 by Standard & Poor s Ratings Services and Moody s Investors Service, respectively, which are speculative grade ratings. These ratings have been downgraded and then upgraded at various times during the two years ended December 31, 2009. The adjustments had no impact on Clear Channel s borrowing costs under the credit agreements.

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Format of Presentation

The accompanying consolidated statements of operations, statements of cash flows and shareholders equity are presented for two periods: post-merger and pre-merger. The merger resulted in a new basis of accounting beginning on July 31, 2008 and the financial reporting periods are presented as follows:

The year ended December 31, 2009 and the period from July 31 through December 31, 2008 reflect the post-merger period of the Company, including the merger of a wholly-owned subsidiary of CCMH with and into Clear Channel. Subsequent to the acquisition, Clear Channel became a direct, wholly-owned subsidiary of the Company and the business of the Company became that of Clear Channel and its subsidiaries.

The periods from January 1 through July 30, 2008 and the year ended December 31, 2007 reflect the pre-merger period of Clear Channel. The consolidated financial statements for all pre-merger periods were prepared using the historical basis of accounting for Clear Channel. As a result of the merger and the associated purchase accounting, the consolidated financial statements of the post-merger periods are not comparable to periods preceding the merger.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts have been eliminated in consolidation. 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 using the equity method of accounting.

The Company holds nontransferable, noncompliant station combinations pursuant to certain FCC rules or, in a few cases, pursuant to temporary waivers. These noncompliant station combinations were placed in a trust in order to bring the merger into compliance with the FCC s media ownership rules. The Company will have to divest of certain stations in these noncompliant station combinations. The trust will be terminated, with respect to each noncompliant station combination, if at any time the stations may be owned by the Company under the then-current FCC media ownership rules. The trust agreement stipulates that the Company must fund any operating shortfalls of the trust activities, and any excess cash flow generated by the trust is distributed to the Company. The Company is also the beneficiary of proceeds from the sale of stations held in the trust. The Company consolidates the trust in accordance with ASC 810-10, which requires an enterprise involved with variable interest entities to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in the variable interest entity, as the trust was determined to be a variable interest entity and the Company is its primary beneficiary.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific customer s inability to meet its financial obligations, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. For all other customers, it recognizes reserves for bad debt based on historical experience of bad debts as a percent of revenue for each business unit, adjusted for relative improvements or deteriorations in the agings and changes in current economic conditions. The Company believes its concentration of credit risk is limited due to the large number and the geographic diversification of its customers.

Land Leases and Other Structure Licenses

Most of the Company s outdoor advertising structures are located on leased land. Americas outdoor land rents are typically paid in advance for periods ranging from one to twelve months. International outdoor land rents are paid both in advance and in arrears, for periods ranging from one to twelve months. Most international street furniture display faces are operated through contracts with the municipalities for up to 20 years. The street furniture contracts often include a percent of revenue to be paid along with a base rent payment. Prepaid land leases are recorded as an asset and expensed ratably over the related rental term and license and rent payments in arrears are recorded as an accrued liability.

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Purchase Accounting

The Company accounts for its business combinations under the acquisition method of accounting. The total cost of an acquisition is allocated to the underlying identifiable net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. Various acquisition agreements may include contingent purchase consideration based on performance requirements of the investee. The Company accounts for these payments in conformity with the provisions of ASC 805-20-30, which establish the requirements related to recognition of certain assets and liabilities arising from contingencies.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method at rates that, in the opinion of management, are adequate to allocate the cost of such assets over their estimated useful lives, which are as follows:

Buildings and improvements - 10 to 39 years

Structures - 5 to 40 years

Towers, transmitters and studio equipment - 7 to 20 years

Furniture and other equipment - 3 to 20 years

Leasehold improvements - shorter of economic life or lease term assuming renewal periods, if appropriate

For assets associated with a lease or contract, the assets are depreciated at the shorter of the economic life or the lease or contract term, assuming renewal periods, if appropriate. Expenditures for maintenance and repairs are charged to operations as incurred, whereas expenditures for renewal and betterments are capitalized.

The Company tests for possible impairment of property, plant, and equipment whenever events or changes in circumstances, such as a reduction in operating cash flow or a dramatic change in the manner for which the asset is intended to be used indicate that the carrying amount of the asset may not be recoverable. If indicators exist, the Company compares the estimated undiscounted future cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the estimated undiscounted future cash flow amount, an impairment charge is recorded in depreciation and amortization expense in the statement of operations for amounts necessary to reduce the carrying value of the asset to fair value. The impairment loss calculations require management to apply judgment in estimating future cash flows and the discount rates that reflect the risk inherent in future cash flows.

In the second quarter of 2009, the Company recorded an $8.7 million impairment to street furniture tangible assets in its International segment. Additionally, during the fourth quarter of 2009, the Company recorded a $12.3 million impairment primarily related to street furniture tangible assets in its International segment and an $11.3 million impairment of corporate assets.

Intangible Assets

The Company classifies intangible assets as definite-lived, indefinite-lived or goodwill. Definite-lived intangibles include primarily transit and street furniture contracts, talent and representation contracts, customer and advertiser relationships, and site-leases, all of which are amortized over the respective lives of the agreements, or over the period of time the assets are expected to contribute directly or indirectly to the Company s future cash flows. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived assets. These assets are recorded at cost.

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The Company impaired definite-lived intangible assets related to certain street furniture and billboard contract intangible assets in its Americas outdoor and International outdoor segments by $38.8 million as of June 30, 2009. During the fourth quarter of 2009, the Company recorded a $16.5 million impairment related to billboard contract intangible assets in its International segment.

The Company s indefinite-lived intangibles include broadcast FCC licenses in its radio broadcasting segment and billboard permits in its Americas outdoor advertising segment. The excess cost over fair value of net assets acquired is classified as goodwill. The Company s indefinite-lived intangibles and goodwill are not subject to amortization, but are tested for impairment at least annually. The Company tests for possible impairment of definite-lived intangible assets whenever events or changes in circumstances, such as a reduction in operating cash flow or a dramatic change in the manner for which the asset is intended to be used indicate that the carrying amount of the asset may not be recoverable. If indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded in amortization expense in the statement of operations for amounts necessary to reduce the carrying value of the asset to fair value.

The Company performs its annual impairment test for its FCC licenses and permits using a direct valuation technique as prescribed in ASC 805-20-S99. The key assumptions used in the direct valuation method include market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up cost and losses incurred during the build-up period, the risk adjusted discount rate and terminal values. The Company engages Mesirow Financial Consulting LLC (Mesirow Financial), a third party valuation firm, to assist the Company in the development of these assumptions and the Company s determination of the fair value of its FCC licenses and permits.

The Company performed an interim impairment test as of December 31, 2008 and June 30, 2009, which resulted in non-cash impairment charges of $1.7 billion and $935.6 million, respectively, on its indefinite-lived FCC licenses and permits. See Note D for further discussion.

At least annually, the Company performs its impairment test for each reporting unit s goodwill using a discounted cash flow model to determine if the carrying value of the reporting unit, including goodwill, is less than the fair value of the reporting unit. The Company identified its reporting units in accordance with ASC 350-20-55. The U.S. radio markets are aggregated into a single reporting unit and the U.S. outdoor advertising markets are aggregated into a single reporting unit for purposes of the goodwill impairment test. The Company also determined that within its Americas outdoor segment, Canada, Mexico, Peru, and Brazil constitute separate reporting units and each country in its International outdoor segment constitutes a separate reporting unit.

Each of the Company s reporting units is valued using a discounted cash flow model which requires estimating future cash flows expected to be generated from the reporting unit, discounted to their present value using a risk-adjusted discount rate. Terminal values were also estimated and discounted to their present value. Assessing the recoverability of goodwill requires the Company to make estimates and assumptions about sales, operating margins, growth rates and discount rates based on its budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management s judgment in applying these factors. The Company engages Mesirow Financial to assist the Company in the development of these assumptions and the Company s determination of the fair value of its reporting units.

The Company performed an interim impairment test as of December 31, 2008 and June 30, 2009, and recognized non-cash impairment charges of $3.6 billion and $3.1 billion, respectively, to reduce its goodwill. See Note D for further discussion.

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Nonconsolidated Affiliates

In general, investments in which the Company owns 20 percent to 50 percent of the common stock or otherwise exercises significant influence over the investee are accounted for under the equity method. The Company does not recognize gains or losses upon the issuance of securities by any of its equity method investees. The Company reviews the value of equity method investments and records impairment charges in the statement of operations as a component of equity in earnings (loss) of nonconsolidated affiliates for any decline in value that is determined to be other-than-temporary.

Other Investments

Other investments are composed primarily of equity securities. These securities are classified as available-for-sale or trading and are carried at fair value based on quoted market prices. Securities are carried at historical value when quoted market prices are unavailable. The net unrealized gains or losses on the available-for-sale securities, net of tax, are reported in accumulated other comprehensive loss as a component of shareholders equity. The net unrealized gains or losses on the trading securities are reported in the statement of operations. In addition, the Company holds investments that do not have quoted market prices. The Company periodically assesses the value of available-for-sale and non-marketable securities and records impairment charges in the statement of operations for any decline in value that is determined to be other-than-temporary. The average cost method is used to compute the realized gains and losses on sales of equity securities.

The Company periodically assesses the value of its available-for-sale securities. Based on these assessments, the Company concluded that an other-than-temporary impairment existed at December 31, 2008 and September 30, 2009, and recorded non-cash impairment charges of $116.6 million and $11.3 million, respectively, on the statement of operations in Gain (loss) on marketable securities . The Company assessed the value of these available-for-sale securities through December 31, 2009 and concluded that no other-than-temporary impairment existed.

Financial Instruments

Due to their short maturity, the carrying amounts of accounts and notes receivable, accounts payable, accrued liabilities, and short-term borrowings approximated their fair values at December 31, 2009 and 2008.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting bases and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if the Company believes it is more likely than not that some portion or the entire asset will not be realized. As all earnings from the Company s foreign operations are permanently reinvested and not distributed, the Company s income tax provision does not include additional U.S. taxes on foreign operations. It is not practical to determine the amount of Federal income taxes, if any, that might become due in the event that the earnings were distributed.

Revenue Recognition

Radio broadcasting revenue is recognized as advertisements or programs are broadcast and is generally billed monthly. Outdoor advertising contracts typically cover periods of up to three years and are generally billed monthly. Revenue for outdoor advertising space rental is recognized ratably over the term of the contract. Advertising revenue is reported net of agency commissions. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for the Company s broadcasting and outdoor operations. Payments received in advance of being earned are recorded as deferred income.

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Barter transactions represent the exchange of advertising spots or display space for merchandise or services. These transactions are generally recorded at the fair market value of the advertising spots or display space or the fair value of the merchandise or services received. Revenue is recognized on barter and trade transactions when the advertisements are broadcasted or displayed. Expenses are recorded ratably over a period that estimates when the merchandise or service received is utilized or the event occurs. Barter and trade revenues and expenses from continuing operations are included in consolidated revenue and selling, general and administrative expenses, respectively. Barter and trade revenues and expenses from continuing operations were:

(In millions)	Year ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year ended December 31, 2007 Pre-Merger
Barter and trade revenues	$ 71.9	$ 33.7	$ 40.2	$ 70.7
Barter and trade expenses	86.7	35.0	38.9	70.4

Barter and trade expenses for 2009 include $14.9 million of trade receivables written off as it was determined they no longer had value to the Company.

Share-Based Payments

Under the fair value recognition provisions of ASC 718-10, stock based compensation cost is measured at the grant date based on the fair value of the award. For awards that vest based on service conditions, this cost is recognized as expense on a straight-line basis over the vesting period. For awards that will vest based on market, performance and service conditions, this cost will be recognized when it becomes probable that the performance conditions will be satisfied. Determining the fair value of share-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors. If actual results differ significantly from these estimates, the Company s results of operations could be materially impacted.

The Company does not have any equity incentive plans under which it grants stock awards to employees. Employees of subsidiaries of the Company receive equity awards from CCMH s equity incentive plans. Prior to the merger, Clear Channel granted equity awards to its employees under its own equity incentive plans.

Derivative Instruments and Hedging Activities

The provisions of ASC 815-10 require the Company to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company formally assesses, both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting. The Company accounts for its derivative instruments that are not designated as hedges at fair value, with changes in fair value recorded in earnings. The Company does not enter into derivative instruments for speculation or trading purposes.

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Foreign Currency

Results of operations for foreign subsidiaries and foreign equity investees are translated into U.S. dollars using the average exchange rates during the year. The assets and liabilities of those subsidiaries and investees, other than those of operations in highly inflationary countries, are translated into U.S. dollars using the exchange rates at the balance sheet date. The related translation adjustments are recorded in a separate component of shareholders equity, Accumulated other comprehensive income (loss) . Foreign currency transaction gains and losses, as well as gains and losses from translation of financial statements of subsidiaries and investees in highly inflationary countries, are included in operations.

Advertising Expense

The Company records advertising expense as it is incurred. Advertising expenses from continuing operations were:

(In millions)	Year ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year ended December 31, 2007 Pre-Merger
Advertising expenses	$ 67.3	$ 51.8	$ 56.1	$ 138.5

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates, judgments, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes including, but not limited to, legal, tax and insurance accruals. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-02, *Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification*. The update is to ASC Topic 810, *Consolidation*. The ASU clarifies that the decrease-in-ownership provisions of ASC 810-10 and related guidance apply to (1) a subsidiary or group of assets that is a business or nonprofit activity, (2) a subsidiary or group of assets that is a business or nonprofit activity that is transferred to an equity method investee or joint venture, and (3) an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture). In addition, the ASU expands the information an entity is required to disclose upon deconsolidation of a subsidiary. This standard is effective for fiscal years ending on or after December 15, 2009 with retrospective application required for the first period in which the entity adopted Statement of Financial Accounting Standards No. 160. The Company adopted the amendment upon issuance with no material impact to its financial position or results of operations.

In December 2009, the FASB issued ASU No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. The update is to ASC Topic 810, *Consolidation*. This standard amends ASC 810-10-25 by requiring consolidation of certain special purpose entities that were previously exempted from consolidation. The revised criteria will define a controlling financial interest for requiring consolidation as: the power to direct the activities that most significantly affect the entity s performance, and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. This standard is effective for fiscal years beginning after November 15, 2009. The Company adopted the amendment on January 1, 2010 with no material impact to its financial position or results of operations.

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In August 2009, the FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value*. The update is to ASC Subtopic 820-10, *Fair Value Measurements and Disclosures-Overall*, for the fair value measurement of liabilities. The purpose of this update is to reduce ambiguity in financial reporting when measuring the fair value of liabilities. The guidance provided in this update is effective for the first reporting period beginning after the date of issuance. The Company adopted the amendment on October 1, 2009 with no material impact to its financial position or results of operations.

Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, codified in ASC 105-10, was issued in June 2009. ASC 105-10 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States. ASC 105-10 establishes the ASC as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Following this statement, the FASB will issue new standards in the form of ASUs. ASC 105-10 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted the provisions of ASC 105-10 on July 1, 2009.

Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (Statement No. 167), which is not yet codified, was issued in June 2009. Statement No. 167 shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Statement No. 167 amends Financial Accounting Standards Board Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, codified in ASC 810-10-25, to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. An approach that is expected to be primarily qualitative will be more effective for identifying which enterprise has a controlling financial interest in a variable interest entity. Statement No. 167 requires an additional reconsideration event when determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity s economic performance. It also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. These requirements will provide more relevant and timely information to users of financial statements. Statement No. 167 amends ASC 810-10-25 to require additional disclosures about an enterprise s involvement in variable interest entities, which will enhance the information provided to users of financial statements. The Company adopted Statement No. 167 on January 1, 2010 with no material impact to its financial position or results of operations.

Statement of Financial Accounting Standards No. 165, *Subsequent Events*, codified in ASC 855-10, was issued in May 2009. The provisions of ASC 855-10 are effective for interim and annual periods ending after June 15, 2009 and are intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. In accordance with the provisions of ASC 855-10, the Company currently evaluates subsequent events through the date the financial statements are issued.

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FASB Staff Position Emerging Issues Task Force 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, codified in ASC 260-10-45, was issued in June 2008. ASC 260-10-45 clarifies that unvested share-based payment awards with a right to receive nonforfeitable dividends are participating securities. Guidance is also provided on how to allocate earnings to participating securities and compute basic earnings per share using the two-class method. All prior-period earnings per share data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of ASC 260-10-45. The Company retrospectively adopted the provisions of ASC 260-10-45 on January 1, 2009. The impact of adopting ASC 260-10-45 decreased previously reported basic earnings per share by $.01 for the pre-merger year ended December 31, 2007.

Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51*, codified in ASC 810-10-45, was issued in December 2007. ASC 810-10-45 clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under this guidance, noncontrolling interests are considered equity and should be reported as an element of consolidated equity, net income will encompass the total income of all consolidated subsidiaries and there will be separate disclosure on the face of the income statement of the attribution of that income between the controlling and noncontrolling interests, and increases and decreases in the noncontrolling ownership interest amount will be accounted for as equity transactions. The provisions of ASC 810-10-45 are effective for the first annual reporting period beginning on or after December 15, 2008, and earlier application is prohibited. Guidance is required to be adopted prospectively, except for reclassifying noncontrolling interests to equity, separate from the parent s shareholders equity, in the consolidated statement of financial position and recasting consolidated net income (loss) to include net income (loss) attributable to both the controlling and noncontrolling interests, both of which are required to be adopted retrospectively. The Company adopted the provisions of ASC 810-10-45 on January 1, 2009, which resulted in a reclassification of approximately $426.2 million of noncontrolling interests to member s deficit. Adoption of this standard requires retrospective application in the financial statements of earlier periods on January 1, 2009. In connection with the offering of $500.0 million aggregate principal amount of Series A Senior Notes and $2.0 billion aggregate principal amount of Series B Senior Notes by the Company s subsidiary, the Company filed a Form 8-K filed on December 11, 2009 to retrospectively recast the historical financial statements and certain disclosures included in its Annual Report on Form 10-K for the year ended December 31, 2008 for the adoption of ASC 810-10-45.

Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities,* codified in ASC 815-10-50, was issued in March 2008. ASC 815-10-50 requires additional disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items effect an entity s financial position, results of operations and cash flows. The Company adopted the provisions of ASC 815-10-50 on January 1, 2009. Please refer to Note H for disclosure required by ASC 815-10-50.

FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, codified in ASC 820-10, was issued in February 2008. ASC 820-10 delays the effective date of FASB Statement No. 157, *Fair Value Measurements*, for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The Company adopted the provisions of ASC 820-10 on January 1, 2009 with no material impact to its financial position or results of operations.

FASB Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, codified in ASC 820-10-35, was issued in April 2009. ASC 820-10 provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. ASC 820-10 also includes guidance on identifying circumstances that indicate a transaction is not orderly. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009 is not permitted. The Company adopted the provisions of ASC 820-10 on April 1, 2009 with no material impact to its financial position or results of operations.

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FASB Staff Position No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, codified in ASC 320-10-35, was issued in April 2009. It amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. ASC 320-10-35 does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009 is not permitted. The Company adopted the provisions of ASC 320-10-35 on April 1, 2009 with no material impact to its financial position or results of operations.

FASB Staff Position No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, codified in ASC 825-10-50, was issued in April 2009. ASC 825-10-50 amends prior authoritative guidance to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The provisions of ASC 825-10-50 are effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company adopted the disclosure requirements of ASC 825-10-50 on April 1, 2009.

NOTE B - BUSINESS ACQUISITIONS

2009 Purchases of Additional Equity Interests

During 2009, the Company s Americas outdoor segment purchased the remaining 15% interest in its consolidated subsidiary, Paneles Napsa S.A., for $13.0 million and the Company s International outdoor segment acquired an additional 5% interest in its consolidated subsidiary, Clear Channel Jolly Pubblicita SPA, for $12.1 million.

2008 Acquisitions

CCMH completed its acquisition of Clear Channel on July 30, 2008. The transaction was accounted for as a purchase in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*, and Emerging Issues Task Force Issue 88-16, *Basis in Leveraged Buyout Transactions*. CCMH allocated a portion of the consideration paid to the assets and liabilities acquired at their respective fair values with the remaining portion recorded at the continuing shareholders basis. Excess consideration after this allocation was recorded as goodwill. The purchase price allocation was complete as of July 30, 2009 in accordance with ASC 805-10-25, which requires that the allocation period not exceed one year from the date of acquisition.

Following is a summary of the purchase price allocations:

(In thousands)	Preliminary Allocation	2008 Adjustments	2009 Adjustments	Final Allocation
Consideration paid	$ 18,082,938			$ 18,082,938
Debt assumed	5,136,929			5,136,929
Historical carryover basis	(825,647)			(825,647)
	$ 22,394,220			$ 22,394,220
Total current assets	2,311,777	5,041	1,234	2,318,052
PP&E - net	3,745,422	125,357	(2,664)	3,868,115
Intangible assets - net	20,634,499	(764,472)	51,293	19,921,320
Long-term assets	1,079,704	44,787		1,124,491
Current liabilities	(1,219,033)	(13,204)	26,555	(1,205,682)

Long-term liabilities	(4,158,149)	602,491	(43,036)	(3,598,694)
	22,394,220		33,382	22,427,602
Other comprehensive income			(33,382)	(33,382)
	$ 22,394,220	$	$	$ 22,394,220

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2008 Adjustments

The adjustments to PP&E net primarily relate to fair value appraisals received for land and buildings. The adjustments to intangible assets net primarily relate to an aggregate $3.6 billion adjustment to lower the estimated fair value of the Company s FCC licenses and permits based on appraised values, partially offset by a $1.5 billion fair value adjustment to recognize advertiser relationships and trade names in the Company s radio segment based on appraised values, a $240.6 million fair value adjustment to advertising contracts in the Company s Americas and International outdoor segments based on appraised values and an increase of $1.0 billion to goodwill. The adjustment to long-term liabilities primarily relates to the deferred tax effects of the fair value adjustments.

The purchase price allocation adjustments related to the Company s FCC licenses, permits and goodwill were recorded prior to the Company s interim impairment test.

2009 Adjustments

During the first seven months of 2009, the Company decreased the initial fair value estimate of its permits, contracts, site leases and other assets and liabilities primarily in its Americas outdoor segment by $116.1 million based on additional information received, which resulted in an increase to goodwill of $71.7 million and a decrease to deferred taxes of $44.4 million. During the third quarter of 2009, the Company increased its deferred tax liability by $44.3 million to true-up its tax rates in certain jurisdictions that were estimated in the initial purchase price allocation. Additionally, the Company increased other comprehensive income by $33.4 million and decreased accrued income taxes by $18.9 million. Other miscellaneous adjustments resulted in an additional increase of $15.0 million to goodwill and a decrease of $8.6 million to other intangible assets. Also, during the third quarter of 2009, the Company recorded a $45.0 million increase to goodwill in its International outdoor segment related to the fair value of certain noncontrolling interests which existed at the merger date, with no related tax effect. This noncontrolling interest was recorded pursuant to ASC 480-10-S99 which determines the classification of redeemable noncontrolling interests. The Company subsequently determined that the increase in goodwill related to these noncontrolling interests should have been included in the impairment charge resulting from the December 31, 2008 interim goodwill impairment test. As a result, during the fourth quarter of 2009, the Company impaired this entire goodwill amount, which after considering the effects of foreign exchange movements, was $41.4 million.

The purchase price allocation was complete as of July 30, 2009 in accordance with ASC 805-10-25, which requires that the allocation period not exceed one year from the date of acquisition.

The following unaudited supplemental pro forma information reflects the consolidated results of operations of the Company as if the merger had occurred on January 1, 2007. The historical financial information was adjusted to give effect to items that are (i) directly attributed to the merger, (ii) factually supportable, and (iii) expected to have a continuing impact on the consolidated results. Such items include depreciation and amortization expense associated with preliminary valuations of property, plant and equipment and definite-lived intangible assets, corporate expenses associated with new equity based awards granted to certain members of management, expenses associated with the accelerated vesting of employee share based awards upon closing of the merger, interest expense related to debt issued in conjunction with the merger and the fair value adjustment to Clear Channel s existing debt and the related tax effects of these items. This unaudited pro forma information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if the merger had actually occurred on that date, nor of the results that may be obtained in the future.

(In thousands)	Unaudited Period from January 1 through July 30, 2008 Pre-merger	Unaudited Year ended December 31, 2007 Pre-merger
Revenue	$ 3,951,742	$ 6,921,202

Income (loss) before discontinued operations	$ (64,952)	$ 4,179
Net income (loss)	$ 575,284	$ 150,012

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The Company also acquired assets in its operating segments in addition to the merger described above. The Company acquired FCC licenses in its radio segment for $11.7 million in cash during 2008. The Company acquired outdoor display faces and additional equity interests in international outdoor companies for $96.5 million in cash during 2008. The Company s national representation business acquired representation contracts valued at $68.9 million during 2008.

2007 Acquisitions

Clear Channel acquired domestic outdoor display faces and additional equity interests in international outdoor companies for $69.1 million in cash during 2007. Clear Channel s national representation business acquired representation contracts for $53.0 million in cash during 2007.

The following is a summary of the assets and liabilities acquired and the consideration given for acquisitions made during 2007:

(In thousands)		2007
Property, plant and equipment	$	28,002
Accounts receivable		
Definite lived intangibles		55,017
Indefinite-lived intangible assets		15,023
Goodwill		41,696
Other assets		3,453
		143,191
Other liabilities		(13,081)
Noncontrolling interest		
Deferred tax		
Subsidiary common stock issued, net of noncontrolling interest		
		(13,081)
Less: fair value of net assets exchanged in swap		(8,000)
Cash paid for acquisitions	$	122,110

The Company has entered into certain agreements relating to acquisitions that provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired company. 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 were met, would not significantly impact the Company s financial position or results of operations.

NOTE C DISCONTINUED OPERATIONS

Sale of non-core radio stations

The Company determined that each radio station market in Clear Channel s previously announced non-core radio station sales represents a disposal group consistent with the provisions of ASC 360-10. Consistent with the provisions of ASC 360-10, the Company classified these assets that are subject to transfer under the definitive asset purchase agreements as discontinued operations for all periods presented. Accordingly, depreciation and amortization associated with these assets was discontinued. Additionally, the Company determined that these assets comprised operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

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Sale of the television business

On March 14, 2008, Clear Channel completed the sale of its television business to Newport Television, LLC for $1.0 billion, adjusted for certain items including proration of expenses and adjustments for working capital. As a result, Clear Channel recorded a gain of $662.9 million as a component of Income (loss) from discontinued operations, net in its consolidated statement of operations during the first quarter of 2008. Additionally, net income and cash flows from the television business were classified as discontinued operations in the consolidated statements of operations and the consolidated statements of cash flows, respectively, in 2008 through the date of sale and for the year ended December 31, 2007. The net assets related to the television business were classified as discontinued operations as of December 31, 2007.

Summarized Financial Information of Discontinued Operations

Summarized operating results for the years ended December 31, 2008 and 2007 from these businesses are as follows:

(In thousands)	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year ended December 31, 2007 Pre-Merger
Revenue	$ 1,364	$ 74,783	$ 442,263
Income (loss) before income taxes	$ (3,160)	$ 702,698	$ 209,882

Included in income (loss) from discontinued operations, net is an income tax benefit of $1.3 million for the period July 31 through December 31, 2008. Included for the period from January 1 through July 30, 2008 is income tax expense of $62.4 million and a gain of $695.8 million related to the sale of Clear Channel s television business and certain radio stations. The Company estimates utilization of approximately $585.3 million of capital loss carryforwards to offset a portion of the taxes associated with these gains. The Company had approximately $699.6 million, before valuation allowance, in capital loss carryforwards remaining as of December 31, 2008.

Included in income (loss) from discontinued operations, net is income tax expense of $64.0 million for the year ended December 31, 2007. Also included in income (loss) from discontinued operations, net for the year ended December 31, 2007 are gains on the sale of certain radio stations of $144.6 million.

NOTE D - INTANGIBLE ASSETS AND GOODWILL

Definite-lived Intangible Assets

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts, permanent easements that provide the Company access to certain of its outdoor displays, and other contractual rights in its Americas and International outdoor segments. The Company has talent and program right contracts in its radio segment and contracts for non-affiliated radio and television stations in its media representation operations. These definite-lived intangible assets are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Company s future cash flows.

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The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at December 31, 2009 and 2008:

(In thousands)	Post-Merger December 31, 2009		Post-Merger December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture, and other outdoor contractual rights	$ 803,297	$ 166,803	$ 883,130	$ 49,818
Customer / advertiser relationships	1,210,205	169,897	1,210,205	49,970
Talent contracts	320,854	57,825	161,644	7,479
Representation contracts	218,584	54,755	216,955	21,537
Other	550,041	54,457	548,180	9,590
Total	$ 3,102,981	$ 503,737	$ 3,020,114	$ 138,394

Total amortization expense from continuing operations related to definite-lived intangible assets was:

(In millions)	Year ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year ended December 31, 2007 Pre-Merger
Amortization expense	$ 341.6	$ 150.3	$ 58.3	$ 105.0

Included in amortization expense in 2009 is $32.4 million for amounts since the date of the merger related to a purchase accounting adjustment of $157.7 million to increase the balance of the Company s talent contracts.

During the first seven months of 2009, the Company decreased the initial fair value estimate of its permits, contracts, site leases, and other assets and liabilities primarily in its Americas segment by $116.1 million based on additional information received.

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

(In thousands)	
2010	$ 319,967
2011	298,927
2012	289,449
2013	275,033
2014	253,626

Indefinite-lived Intangible Assets

The Company s indefinite-lived intangible assets consist of FCC broadcast licenses and billboard permits. FCC broadcast licenses are granted to radio stations for up to eight years under the Telecommunications Act of 1996 (the Act). The Act requires the FCC to renew a broadcast license if the FCC 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.

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The Company s billboard permits are effectively issued in perpetuity by state and local governments and are transferable or renewable at little or no cost. Permits typically specify the location which allows the Company the right to operate an advertising structure at the specified location. The Company s permits are located on owned land, leased land or land for which we have acquired permanent easements. In cases where the Company s permits are located on leased land, the leases typically have initial terms of between 10 and 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 indefinite-lived intangibles and goodwill are not subject to amortization, but are tested for impairment at least annually. The Company tests for possible impairment of indefinite-lived intangible assets whenever events or changes in circumstances, such as a reduction in operating cash flow or a dramatic change in the manner for which the asset is intended to be used, indicate that the carrying amount of the asset may not be recoverable. If indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded in amortization expense in the statement of operations for amounts necessary to reduce the carrying value of the asset to fair value.

Interim Impairments to FCC Licenses

The United States and global economies have undergone an economic downturn, which caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity and lower consumer and business spending. These disruptions in the credit and financial markets and the impact of adverse economic, financial and industry conditions on the demand for advertising negatively impacted the key assumptions used in the discounted cash flow models used to value the Company s FCC licenses since the merger. Therefore, the Company performed an interim impairment test on its FCC licenses as of December 31, 2008, which resulted in a non-cash impairment charge of $936.2 million.

The industry cash flows forecast by BIA Financial Network, Inc. (BIA) during the first six months of 2009 were below the BIA forecast used in the discounted cash flow model used to calculate the impairment at December 31, 2008. As a result, the Company performed another interim impairment test as of June 30, 2009 on its FCC licenses resulting in an additional non-cash impairment charge of $590.3 million.

The impairment test consisted of a comparison of the fair value of the FCC licenses at the market level with their carrying amount. If the carrying amount of the FCC license exceeded its fair value, an impairment loss was recognized equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the FCC license is its new accounting basis. The fair value of the FCC licenses was determined using the direct valuation method as prescribed in ASC 805-20-S99. Under the direct valuation method, the fair value of the FCC licenses was calculated at the market level as prescribed by ASC 350-30-35. The Company engaged Mesirow Financial, a third-party valuation firm, to assist it in the development of the assumptions and the Company s determination of the fair value of its FCC licenses.

The application of the direct valuation method attempts to isolate the income that is properly attributable to the license alone (that is, apart from tangible and identified intangible assets and goodwill). It is based upon modeling a hypothetical greenfield build up to a normalized enterprise that, by design, lacks inherent goodwill and whose only other assets have essentially been paid for (or added) as part of the build-up process. The Company forecasted revenue, expenses, and cash flows over a ten-year period for each of its markets in its application of the direct valuation method. The Company also calculated a normalized residual year which represents the perpetual cash flows of each market. The residual year cash flow was capitalized to arrive at the terminal value of the licenses in each market.

Under the direct valuation method, it is assumed that rather than acquiring indefinite-lived intangible assets as part of a going concern business, the buyer hypothetically develops 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 flow model which results in value that is directly attributable to the indefinite-lived intangible assets.

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The key assumptions using the direct valuation 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 representing an average FCC license within a market.

Management uses publicly available information from BIA regarding the future revenue expectations for the radio broadcasting industry.

The build-up period represents the time it takes for the hypothetical start-up operation to reach normalized operations in terms of achieving a mature market share and profit margin. Management believes that a three-year build-up period is required for a start-up operation to obtain the necessary infrastructure and obtain advertisers. It is estimated that a start-up operation would gradually obtain a mature market revenue share in three years. BIA forecasted industry revenue growth of 1.9% and negative 1.8%, respectively, during the build-up period used in the December 31, 2008 and June 30, 2009 impairment tests. The cost structure is expected to reach the normalized level over three years due to the time required to establish operations and recognize the synergies and cost savings associated with the ownership of the FCC licenses within the market.

The estimated operating margin in the first year of operations was assumed to be 12.5% based on observable market data for an independent start-up radio station for both the December 31, 2008 and June 30, 2009 impairment tests. The estimated operating margin in the second year of operations was assumed to be the mid-point of the first-year operating margin and the normalized operating margin. The normalized operating margin in the third year was assumed to be the industry average margin of 30% and 29%, respectively, based on an analysis of comparable companies for the December 31, 2008 and June 30, 2009 impairment tests. The first and second-year expenses include the non-operating start-up costs necessary to build the operation (i.e. development of customers, workforce, etc.).

In addition to cash flows during the projection period, a normalized residual cash flow was calculated based upon industry-average growth of 2% beyond the discrete build-up projection period for both the December 31, 2008 and June 30, 2009 impairment tests. The residual cash flow was then capitalized to arrive at the terminal value.

The present value of the cash flows is calculated using an estimated required rate of return based upon industry-average market conditions. In determining the estimated required rate of return, management calculated a discount rate using both current and historical trends in the industry.

The Company calculated the discount rate as of the valuation date and also one-year, two-year, and three-year historical quarterly averages. The discount rate was calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average of data for publicly traded companies in the radio broadcasting industry.

The calculation of the discount rate required the rate of return on debt, which was based on a review of the credit ratings for comparable companies (i.e. market participants). The Company calculated the average yield on a Standard & Poor s B and CCC rated corporate bond which was used for the pre-tax rate of return on debt and tax-effected such yield based on applicable tax rates.

The rate of return on equity capital was estimated using a modified Capital Asset Pricing Model (CAPM). Inputs to this model included the yield on long-term U.S. Treasury Bonds, forecast betas for comparable companies, calculation of a market risk premium based on research and empirical evidence and calculation of a size premium derived from historical differences in returns between small companies and large companies using data published by Ibbotson Associates.

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The concluded discount rate used in the discounted cash flow models to determine the fair value of the licenses was 10% for the 13 largest markets and 10.5% for all other markets in both the December 31, 2008 and June 30, 2009 impairment models. Applying the discount rate, the present value of cash flows during the discrete projection period and terminal value were added to estimate the fair value of the hypothetical start-up operation. The initial capital investment was subtracted to arrive at the value of the licenses. The initial capital investment represents the fixed assets needed to operate the radio station.

The discount rate used in the December 31, 2008 impairment model increased 150 basis points compared to the discount rate used in the preliminary purchase price allocation as of July 30, 2008 which resulted in a decline in the fair value of the Company s licenses. As a result, the Company recognized a non-cash impairment charge in approximately one-quarter of its markets, which totaled $936.2 million. The fair value of the Company s FCC licenses was $3.0 billion at December 31, 2008.

The BIA forecast for 2009 declined 8.7% and declined between 13.8% and 15.7% through 2013 compared to the BIA forecasts used in the 2008 impairment test. Additionally, the industry profit margin declined 100 basis points from the 2008 impairment test. These market driven changes were primarily responsible for the decline in fair value of the FCC licenses below their carrying value. As a result, the Company recognized a non-cash impairment charge in approximately one-quarter of its markets, which totaled $590.3 million. The fair value of the Company s FCC licenses was $2.4 billion at June 30, 2009.

In calculating the fair value of its FCC licenses, the Company primarily relied on the discounted cash flow models. However, the Company relied on the stick method for those markets where the discounted cash flow model resulted in a value less than the stick method indicated.

To estimate the stick values for its markets, the Company obtained historical radio station transaction data from BIA which involved sales of individual radio stations whereby the station format was immediately abandoned after acquisition. These transactions are highly indicative of stick transactions in which the buyer does not assign value to any of the other acquired assets (i.e. tangible or intangible assets) and is only purchasing the FCC license.

In addition, the Company analyzed publicly available FCC license auction data involving radio broadcast licenses. Periodically, the FCC will hold an auction for certain FCC licenses in various markets and these auction prices reflect the purchase of only the FCC radio license.

Based on this analysis, the stick values were estimated to be the minimum value of a radio license within each market. This value was considered to be the fair value of the license for those markets where the present value of the cash flows and terminal value did not exceed the estimated stick value. Approximately 17% and 23% of the fair value of the Company s FCC licenses at December 31, 2008 and June 30, 2009, respectively, was determined using the stick method.

Annual Impairment Test to FCC Licenses

The Company performs its annual impairment test on October 1 of each year. The Company engaged Mesirow Financial, a third-party valuation firm, to assist it in the development of the assumptions and the Company s determination of the fair value of its FCC licenses. The aggregate fair value of the Company s FCC licenses on October 1, 2009 increased approximately 11% from the fair value at June 30, 2009. The increase in fair value resulted primarily from an increase of $120.4 million related to improved revenue forecasts and an increase of $195.9 million related to a decline in the discount rate of 50 basis points. The Company calculated the discount rate as of the valuation date and also one-year, two-year, and three-year historical quarterly averages. The discount rate was calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average of data for publicly traded companies in the radio broadcasting industry. These market driven changes were responsible for the decline in the calculated discount rate.

As a result of the increase in the fair value of the Company s FCC licenses, no impairment was recorded at October 1, 2009. The fair value of the Company s FCC licenses at October 1, 2009 was approximately $2.7

billion.

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Interim Impairments to Billboard Permits

The Company s billboard permits are effectively issued in perpetuity by state and local governments as they are transferable or renewable at little or no cost. Permits typically include the location which permits the Company to operate an advertising structure. Due to significant differences in both business practices and regulations, billboards in the International segment are subject to long-term, finite contracts unlike the Company s permits in the United States and Canada. Accordingly, there are no indefinite-lived assets in the International segment.

The United States and global economies have undergone a period of economic uncertainty, which caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity and lower consumer and business spending. These disruptions in the credit and financial markets and the impact of adverse economic, financial and industry conditions on the demand for advertising negatively impacted the key assumptions used in the discounted cash flow models used to value the Company s billboard permits since the merger. Therefore, the Company performed an interim impairment test on its billboard permits as of December 31, 2008, which resulted in a non-cash impairment charge of $722.6 million.

The Company s cash flows during the first six months of 2009 were below those in the discounted cash flow model used to calculate the impairment at December 31, 2008. As a result, the Company performed an interim impairment test as of June 30, 2009 on its billboard permits resulting in a non-cash impairment charge of $345.4 million.

The impairment test consisted of a comparison of the fair value of the billboard permits at the market level with their carrying amount. If the carrying amount of the billboard permits exceeded their fair value, an impairment loss was recognized equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the billboard permit is its new accounting basis. The fair value of the billboard permits was determined using the direct valuation method as prescribed in ASC 805-20-S99. Under the direct valuation method, the fair value of the billboard permits was calculated at the market level as prescribed by ASC 350-30-35. The Company engaged Mesirow Financial to assist it in the development of the assumptions and the Company s determination of the fair value of the billboard permits.

The Company s application of the direct valuation method utilized the greenfield approach as discussed above. The key assumptions using the direct valuation 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 representing an average billboard permit within a market.

Management uses its internal forecasts to estimate industry normalized information as it believes these forecasts are similar to what a market participant would expect to generate. This is due to the pricing structure and demand for outdoor signage in a market being relatively constant regardless of the owner of the operation. Management also relied on its internal forecasts because there is little public data available for each of its markets.

The build-up period represents the time it takes for the hypothetical start-up operation to reach normalized operations in terms of achieving a mature market revenue share and profit margin. Management believes that a one-year build-up period is required for a start-up operation to erect the necessary structures and obtain advertisers in order achieve mature market revenue share. It is estimated that a start-up operation would be able to obtain 10% of the potential revenues in the first year of operations and 100% in the second year. Management assumed industry revenue growth of negative 9% and negative 16%, respectively, during the build-up period used in the December 31, 2008 and June 30, 2009 interim impairment tests. However, the cost structure is expected to reach the normalized level over three years due to the time required to recognize the synergies and cost savings associated with the ownership of the permits within the market.

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For the normalized operating margin in the third year, management assumed a hypothetical business would operate at the lower of the operating margin for the specific market or the industry average margin of approximately 46% and 45% based on an analysis of comparable companies in the December 31, 2008 and June 30, 2009 impairment models, respectively. For the first and second-year of operations, the operating margin was assumed to be 50% of the normalized operating margin for both the December 31, 2008 and June 30, 2009 impairment models. The first and second-year expenses include the non-recurring start-up costs necessary to build the operation (i.e. development of customers, workforce, etc.).

In addition to cash flows during the projection period, a normalized residual cash flow was calculated based upon industry-average growth of 3% beyond the discrete build-up projection period in both the December 31, 2008 and June 30, 2009 impairment models. The residual cash flow was then capitalized to arrive at the terminal value.

The present value of the cash flows is calculated using an estimated required rate of return based upon industry-average market conditions. In determining the estimated required rate of return, management calculated a discount rate using both current and historical trends in the industry.

The Company calculated the discount rate as of the valuation date and also one-year, two-year, and three-year historical quarterly averages. The discount rate was calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average of data for publicly traded companies in the outdoor advertising industry.

The calculation of the discount rate required the rate of return on debt, which was based on a review of the credit ratings for comparable companies (i.e. market participants). Management used the yield on a Standard & Poor s B rated corporate bond for the pre-tax rate of return on debt and tax-effected such yield based on applicable tax rates.

The rate of return on equity capital was estimated using a modified CAPM. Inputs to this model included the yield on long-term U.S. Treasury Bonds, forecast betas for comparable companies, calculation of a market risk premium based on research and empirical evidence and calculation of a size premium derived from historical differences in returns between small companies and large companies using data published by Ibbotson Associates.

The concluded discount rate used in the discounted cash flow models to determine the fair value of the permits was 9.5% at December 31, 2008 and 10% at June 30, 2009. Applying the discount rate, the present value of cash flows during the discrete projection period and terminal value were added to estimate the fair value of the hypothetical start-up operation. The initial capital investment was subtracted to arrive at the value of the permits. The initial capital investment represents the expenditures required to erect the necessary advertising structures.

The discount rate used in the December 31, 2008 impairment model increased approximately 100 basis points over the discount rate used to value the permits in the preliminary purchase price allocation as of July 30, 2008. Industry revenue forecasts declined 10% through 2013 compared to the forecasts used in the preliminary purchase price allocation as of July 30, 2008. These market driven changes were primarily responsible for the decline in fair value of the billboard permits below their carrying value. As a result, the Company recognized a non-cash impairment charge which totaled $722.6 million. The fair value of the permits was $1.5 billion at December 31, 2008.

The discount rate used in the June 30, 2009 impairment model increased approximately 50 basis points over the discount rate used to value the permits at December 31, 2008. Industry revenue forecasts declined 8% through 2013 compared to the forecasts used in the 2008 impairment test. These market driven changes were primarily responsible for the decline in fair value of the billboard permits below their carrying value. As a result, the Company recognized a non-cash impairment charge in all but five of its markets in the United States and Canada, which totaled $345.4 million. The fair value of the permits was $1.1 billion at June 30, 2009.

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Annual Impairment Test to Billboard Permits

The Company performs its annual impairment test on October 1 of each year. The Company engaged Mesirow Financial to assist it in the development of the assumptions and the Company s determination of the fair value of the billboard permits. The aggregate fair value of the Company s permits on October 1, 2009 increased approximately 8% from the fair value at June 30, 2009. The increase in fair value resulted primarily from an increase of $57.7 million related to improved industry revenue forecasts. The discount rate was unchanged from the June 30, 2009 interim impairment analysis. The Company calculated the discount rate as of the valuation date and also one-year, two-year, and three-year historical quarterly averages. The discount rate was calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average of data for publicly traded companies in the outdoor advertising industry.

The fair value of the Company s permits at October 1, 2009 was approximately $1.2 billion.

Interim Impairments to Goodwill

The Company tests goodwill at interim dates if events or changes in circumstances indicate that goodwill might be impaired. The United States and global economies have undergone a period of economic uncertainty, which caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity and lower consumer and business spending. These disruptions in the credit and financial markets and the impact of adverse economic, financial and industry conditions on the demand for advertising negatively impacted the key assumptions used in the discounted cash flow model used to value the Company s reporting units since the merger. Therefore, the Company performed an interim impairment test resulting in a non-cash impairment charge of $3.6 billion as of December 31, 2008.

The Company s cash flows during the first six months of 2009 were below those used in the discounted cash flow model used to calculate the impairment at December 31, 2008. Additionally, the fair value of the Company s debt and equity at June 30, 2009 was below the carrying amount of its reporting units at June 30, 2009. As a result of these indicators, the Company performed an interim goodwill impairment test as of June 30, 2009 resulting in a non-cash impairment charge of $3.1 billion.

The goodwill impairment test is 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. If applicable, 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.

Each of the Company s reporting units is valued using a discounted cash flow model which requires estimating future cash flows expected to be generated from the reporting unit, discounted to their present value using a risk-adjusted discount rate. Terminal values were also estimated and discounted to their present value. Assessing the recoverability of goodwill requires the Company to make estimates and assumptions about sales, operating margins, growth rates and discount rates based on its budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management s judgment in applying these factors. The Company engaged Mesirow Financial to assist the Company in the development of these assumptions and the Company s determination of the fair value of its reporting units.

The following table presents the changes in the carrying amount of goodwill in each of the Company s reportable segments. The provisions of ASC 350-20-50-1 require the disclosure of cumulative impairment. As a result of the merger, a new basis in goodwill was recorded in accordance with ASC 805-10. All impairments shown in the table below have been recorded subsequent to the merger and, therefore, do not include any pre-merger impairment.

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(In thousands)	Radio	Americas Outdoor	International Outdoor	Other	Total
Pre-Merger					
Balance as of December 31, 2007	$ 6,045,527	$ 688,336	$ 474,253	$ 2,000	$ 7,210,116
Acquisitions	7,051		12,341		19,392
Dispositions	(20,931)				(20,931)
Foreign currency		(293)	28,596		28,303
Adjustments	(423)	(970)			(1,393)
Balance as of July 30, 2008	$ 6,031,224	$ 687,073	$ 515,190	$ 2,000	$ 7,235,487

(In thousands)	Radio	Americas Outdoor	International Outdoor	Other	Total
Post-Merger					
Balance as of July 31, 2008	$	$	$	$	$
Preliminary purchase price allocation	6,335,220	2,805,780	603,712	60,115	9,804,827
Purchase price adjustments - net	356,040	438,025	(76,116)	271,175	989,124
Impairment	(1,115,033)	(2,321,602)	(173,435)		(3,610,070)
Acquisitions	3,486				3,486
Foreign exchange		(29,605)	(63,519)		(93,124)
Other	(523)		(3,099)		(3,622)
Balance as of December 31, 2008	5,579,190	892,598	287,543	331,290	7,090,621
Impairment	(2,420,897)	(390,374)	(73,764)	(211,988)	(3,097,023)
Acquisitions	4,518	2,250	110		6,878
Dispositions	(62,410)			(2,276)	(64,686)
Foreign currency		16,293	17,412		33,705
Purchase price adjustments - net	47,086	68,896	45,042	(482)	160,542
Other	(618)	(4,414)			(5,032)
Balance as of December 31, 2009	$ 3,146,869	$ 585,249	$ 276,343	$ 116,544	$ 4,125,005

Each of the Company s U.S. radio markets and outdoor advertising markets are components. The U.S. radio markets are aggregated into a single reporting unit and the U.S. outdoor advertising markets are aggregated into a single reporting unit for purposes of the goodwill impairment test using the guidance in ASC 350-20-55. The Company also determined that within its Americas outdoor segment, Canada, Mexico, Peru, and Brazil constitute separate reporting units and each country in its International outdoor segment constitutes a separate reporting unit.

The discounted cash flow model indicated that the Company failed the first step of the impairment test for certain of its reporting units as of December 31, 2008 and June 30, 2009, which required it to compare the implied fair value of each reporting unit s goodwill with its carrying value.

The discounted cash flow approach the Company uses for valuing its reporting units involves estimating future cash flows expected to be generated from the related assets, discounted to their present value using a risk-adjusted discount rate. Terminal values are also estimated and discounted to their present value.

The Company forecasted revenue, expenses, and cash flows over a ten-year period for each of its reporting units. In projecting future cash flows, the Company considers a variety of factors including its historical growth rates, macroeconomic conditions, advertising sector and industry trends as well as Company-specific information. Historically, revenues in its industries have been highly correlated to economic cycles. Based on these considerations, the assumed 2008 and 2009 revenue growth rates used in the December 31, 2008 and June 30, 2009 impairment models were negative followed by assumed revenue growth with an anticipated economic recovery in 2009 and 2010, respectively. To arrive at the projected cash flows and resulting growth rates, the Company evaluated its historical operating results, current management initiatives and both historical and anticipated industry results to assess the reasonableness of the operating margin assumptions. The Company also calculated a normalized residual year which represents the perpetual cash flows of each reporting unit. The residual year cash flow was capitalized to arrive at the terminal value of the reporting unit.

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The Company calculated the weighted average cost of capital (WACC) as of December 31, 2008 and June 30, 2009 and also one-year, two-year, and three-year historical quarterly averages for each of its reporting units. WACC is an overall rate based upon the individual rates of return for invested capital (equity and interest-bearing debt). The WACC is calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected capital structure. The capital structure was estimated based on the quarterly average data for publicly traded companies in the radio and outdoor advertising industry. The calculation of the WACC considered both current industry WACCs and historical trends in the industry.

The calculation of the WACC requires the rate of return on debt, which was based on a review of the credit ratings for comparable companies (i.e. market participants) and the indicated yield on similarly rated bonds.

The rate of return on equity capital was estimated using a modified CAPM. Inputs to this model included the yield on long-term U.S. Treasury Bonds, forecast betas for comparable companies, calculation of a market risk premium based on research and empirical evidence and calculation of a size premium derived from historical differences in returns between small companies and large companies using data published by Ibbotson Associates.

In line with advertising industry trends, the Company s operations and expected cash flow are subject to significant uncertainties about future developments, including timing and severity of the recessionary trends and customers behaviors. To address these risks, the Company included company-specific risk premiums for each of the reporting units in the estimated WACC. Based on this analysis, as of December 31, 2008, company-specific risk premiums of 100 basis points, 300 basis points and 300 basis points were included for the Radio, Americas outdoor and International outdoor segments, respectively, resulting in WACCs of 11%, 12.5% and 12.5% for each of the reporting units in the Radio, Americas outdoor and International outdoor segments, respectively. As of June 30, 2009, company-specific risk premiums of 100 basis points, 250 basis points and 350 basis points were included for the Radio, Americas outdoor and International outdoor segments, respectively, resulting in WACCs of 11%, 12.5% and 13.5% for each of the reporting units in the Radio, Americas outdoor and International outdoor segments, respectively. Applying these WACCs, the present value of cash flows during the discrete projection period and terminal value were added to estimate the fair value of the reporting units.

The discount rate utilized in the valuation of the FCC licenses and outdoor permits as of December 31, 2008 and June 30, 2009 excludes the company-specific risk premiums that were added to the industry WACCs used in the valuation of the reporting units. Management believes the exclusion of this premium is appropriate given the difference between the nature of the licenses and billboard permits and reporting unit cash flow projections. The cash flow projections utilized under the direct valuation method for the licenses and permits are derived from utilizing industry normalized information for the existing portfolio of licenses and permits. Given that the underlying cash flow projections are based on industry normalized information, application of an industry average discount rate is appropriate. Conversely, the cash flow projections for the overall reporting unit are based on internal forecasts for each business and incorporate future growth and initiatives unrelated to the existing license and permit portfolio. Additionally, the projections for the reporting unit include cash flows related to non-FCC license and non-permit based assets. In the valuation of the reporting unit, the company-specific risk premiums were added to the industry WACCs due to the risks inherent in achieving the projected cash flows of the reporting unit.

The Company also utilized the market approach to provide a test of reasonableness to the results of the discounted cash flow model. The market approach indicates the fair value of the invested capital of a business based on a company s market capitalization (if publicly traded) and a comparison of the business to comparable publicly traded companies and transactions in its industry. This approach can be estimated through the quoted market price method, the market comparable method, and the market transaction method.

One indication of the fair value of a business is the quoted market price in active markets for the debt and equity of the business. The quoted market price of equity multiplied by the number of shares outstanding yields the fair value of the equity of a business on a marketable, noncontrolling basis. A premium for control is then applied and added to the estimated fair value of interest-bearing debt to indicate the fair value of the invested capital of the business on a marketable, controlling basis.

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The market comparable method provides an indication of the fair value of the invested capital of a business by comparing it to publicly traded companies in similar lines of business. The conditions and prospects of companies in similar lines of business depend on common factors such as overall demand for their products and services. An analysis of the market multiples of companies engaged in similar lines of business yields insight into investor perceptions and, therefore, the value of the subject business. These multiples are then applied to the operating results of the subject business to estimate the fair value of the invested capital on a marketable, noncontrolling basis. The Company then applies a premium for control to indicate the fair value of the business on a marketable, controlling basis.

The market transaction method estimates the fair value of the invested capital of a business based on exchange prices in actual transactions and on asking prices for controlling interests in similar companies recently offered for sale. This process involves comparison and correlation of the subject business with other similar companies that have recently been purchased. Considerations such as location, time of sale, physical characteristics, and conditions of sale are analyzed for comparable businesses.

The three variations of the market approach indicated that the fair value determined by the Company s discounted cash flow model was within a reasonable range of outcomes as of December 31, 2008 and June 30, 2009.

The revenue forecasts for 2009 declined 18%, 21% and 29% for Radio, Americas outdoor and International outdoor, respectively, compared to the forecasts used in the July 30, 2008 preliminary purchase price allocation primarily as a result of the revenues realized for the year ended December 31, 2008. These market driven changes were primarily responsible for the decline in fair value of the reporting units below their carrying value. As a result, the Company recognized a non-cash impairment charge to reduce its goodwill of $3.6 billion at December 31, 2008.

The revenue forecasts for 2009 declined 8%, 7% and 9% for Radio, Americas outdoor and International outdoor, respectively, compared to the forecasts used in the 2008 impairment test primarily as a result of the revenues realized during the first six months of 2009. These market driven changes were primarily responsible for the decline in fair value of the reporting units below their carrying value. As a result, the Company recognized a non-cash impairment charge to reduce its goodwill of $3.1 billion at June 30, 2009.

Annual Impairment Test to Goodwill

The Company performs its annual impairment test on October 1 of each year. The Company engaged Mesirow Financial to assist the Company in the development of these assumptions and the Company s determination of the fair value of its reporting units. The fair value of the Company s reporting units on October 1, 2009 increased from the fair value at June 30, 2009. The increase in fair value of the radio reporting unit was primarily the result of a 50 basis point decline in the WACC as well as a 130 basis point increase in the long-term operating margin. The increase in fair value of the Americas reporting unit was primarily the result of a 150 basis point decline in the WACC. Application of the market approach described above supported lowering the company-specific risk premium used in the discounted cash flow model to fair value the Americas reporting unit. The increase in the aggregate fair value of the reporting units in the Company s International outdoor segment was primarily the result of an improvement in the long-term revenue forecasts. As discussed in Note B, a certain reporting unit in the International outdoor segment recognized a $41.4 million impairment to goodwill related to the fair value adjustments of certain noncontrolling interests recorded in the merger pursuant to ASC 480-10-S99.

NOTE E INVESTMENTS

The Company s most significant investments in nonconsolidated affiliates are listed below:

Australian Radio Network

The Company owns a fifty-percent (50%) interest in Australian Radio Network (ARN), an Australian company that owns and operates radio stations in Australia and New Zealand.

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Grupo ACIR Comunicaciones

Clear Channel sold a portion of its investment in Grupo ACIR for approximately $47.0 million on July 1, 2008 and recorded a gain of $9.2 million in equity in earnings of nonconsolidated affiliates during the pre-merger period ended July 30, 2008. Effective January 30, 2009 the Company sold 57% of its remaining 20% interest in Grupo ACIR. The Company sold the remainder of its interest on July 28, 2009.

Summarized Financial Information

The following table summarizes the Company s investments in nonconsolidated affiliates:

(In thousands)	ARN	Grupo ACIR	All Others	Total
At December 31, 2008	$ 290,808	$ 41,518	$ 51,811	$ 384,137
Reclass to cost method investments and other		(17,469)	1,283	(16,186)
Acquisition (disposition) of investments, net		(19,153)	(19)	(19,172)
Cash advances (repayments)	(17,263)	3	4,402	(12,858)
Equity in net earnings (loss)	15,191	(4,372)	(31,508)	(20,689)
Foreign currency transaction adjustment	(10,354)			(10,354)
Foreign currency translation adjustment	42,396	(527)	819	42,688
Fair value adjustments			(2,217)	(2,217)
At December 31, 2009	$ 320,778	$	$ 24,571	$ 345,349

The investments in the table above are not consolidated, but are accounted for under the equity method of accounting, whereby the Company records its investments in these entities in the balance sheet as Investments in, and advances to, nonconsolidated affiliates. The Company s interests in their operations are recorded in the statement of operations as Equity in earnings (loss) of nonconsolidated affiliates . There were no undistributed earnings for the year ended December 31, 2009. Accumulated undistributed earnings included in retained deficit for these investments were $3.6 million and $133.6 million for the years ended December 31, 2008 and 2007, respectively.

Other Investments

Other investments of $44.7 million and $33.5 million at December 31, 2009 and 2008, respectively, include marketable equity securities and other investments classified as follows:

(In thousands) Investments	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains	Cost
2009				
Available-for sale	$ 38,902	$ (12,237)	$ 32,035	$ 19,104
Other cost investments	5,783			5,783
Total	$ 44,685	$ (12,237)	$ 32,035	$ 24,887
2008				
Available-for sale	$ 27,110	$	$	$ 27,110
Other cost investments	6,397			6,397

Total	$ 33,507	$	$	$ 33,507

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The Company s available-for-sale security, Independent News & Media PLC (INM), was in an unrealized loss position for an extended period of time in 2008 and 2009. As a result, the Company considered the guidance in ASC 320-10-S99 and reviewed the length of the time and the extent to which the market value was less than cost and the financial condition and near-term prospects of the issuer. After this assessment, the Company concluded that the impairment was other than temporary and recorded a non-cash impairment charge of $11.3 million and $59.8 million in Gain (loss) on marketable securities for the year ended December 31, 2009 and 2008, respectively.

In addition, the fair value of the Company s available-for-sale security, Sirius XM Radio, Inc., was below its cost for an extended period of time in 2008. After considering ASC 320-10-S99 guidance, the Company concluded that the impairment was other than temporary and recorded a non-cash impairment charge of $56.7 million in Gain (loss) on marketable securities for the year ended December 31, 2008.

Clear Channel sold its American Tower Corporation securities in the second quarter of 2008 and recorded a gain of $30.4 million on the statement of operations in Gain (loss) on marketable securities .

Other cost investments include various investments in companies for which there is no readily determinable market value.

NOTE F - ASSET RETIREMENT OBLIGATION

The Company s asset retirement obligation is reported in Other long-term liabilities and relates to its obligation to dismantle and remove outdoor advertising displays from leased land and to reclaim the site to its original condition upon the termination or non-renewal of a lease. When the liability is recorded, the cost is capitalized as part of the related long-lived assets carrying value. Due to the high rate of lease renewals over a long period of time, the calculation assumes that all related assets will be removed at some period over the next 50 years. An estimate of third-party cost information is used with respect to the dismantling of the structures and the reclamation of the site. The interest rate used to calculate the present value of such costs over the retirement period is based on an estimated risk adjusted credit rate for the same period.

The following table presents the activity related to the Company s asset retirement obligation:

(In thousands)	Post-Merger Year ended December 31, 2009	Post-Merger Period ended December 31, 2008	Pre-Merger Period ended July 30, 2008
Beginning balance	$ 55,592	$ 59,278	$ 70,497
Adjustment due to change in estimate of related costs	(6,721)	(3,123)	1,853
Accretion of liability	5,209	2,233	3,084
Liabilities settled	(2,779)	(2,796)	(2,558)
Ending balance	$ 51,301	$ 55,592	$ 72,876

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NOTE G - LONG-TERM DEBT

Long-term debt at December 31, 2009 and 2008 consisted of the following:

(In thousands)	December 31, 2009 Post-Merger	December 31, 2008 Post-Merger
Senior Secured Credit Facilities:		
Term loan A Facility Due 2014 (1)	$ 1,127,657	$ 1,331,500
Term loan B Facility Due 2016	9,061,911	10,700,000
Term loan C - Asset Sale Facility Due 2016 (1)	695,879	695,879
Revolving Credit Facility Due 2014	1,812,500	220,000
Delayed Draw Facilities Due 2016	874,432	532,500
Receivables Based Facility Due 2014	355,732	445,609
Other Secured Long-term Debt	5,225	6,604
Total Consolidated Secured Debt	13,933,336	13,932,092
Senior Cash Pay Notes	796,250	980,000
Senior Toggle Notes	915,200	1,330,000
Clear Channel Senior Notes:		
4.25% Senior Notes Due 2009		500,000
7.65% Senior Notes Due 2010	116,181	133,681
4.5% Senior Notes Due 2010	239,975	250,000
6.25% Senior Notes Due 2011	692,737	722,941
4.4% Senior Notes Due 2011	140,241	223,279
5.0% Senior Notes Due 2012	249,851	275,800
5.75% Senior Notes Due 2013	312,109	475,739
5.5% Senior Notes Due 2014	541,455	750,000
4.9% Senior Notes Due 2015	250,000	250,000
5.5% Senior Notes Due 2016	250,000	250,000
6.875% Senior Debentures Due 2018	175,000	175,000
7.25% Senior Debentures Due 2027	300,000	300,000
Subsidiary Senior Notes:		
9.25% Series A Senior Notes Due 2017	500,000	
9.25% Series B Senior Notes Due 2017	2,000,000	
Other long-term debt	77,657	69,260
Purchase accounting adjustments and original issue discount	(788,087)	(1,114,172)
	20,701,905	19,503,620
Less: current portion	398,779	562,923
Total long-term debt	$ 20,303,126	$ 18,940,697

(1) These facilities are subject to an amortization schedule with the final payment on the Term Loan A and Term Loan C due 2014 and 2016, respectively.

Clear Channel s weighted average interest rate at December 31, 2009 was 6.3%. The aggregate market value of Clear Channel s debt based on quoted market prices for which quotes were available was approximately $17.7 billion and $17.2 billion at December 31, 2009 and 2008, respectively.

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The Company and its subsidiaries have from time to time repurchased certain debt obligations of Clear Channel and may in the future, as part of various financing and investment strategies it may elect to pursue, purchase additional outstanding indebtedness of Clear Channel or its subsidiaries or outstanding equity securities of Clear Channel Outdoor Holdings, Inc., in tender offers, open market purchases, privately negotiated transactions or otherwise. The Company may also sell certain assets or properties and use the proceeds to reduce its indebtedness or the indebtedness of its subsidiaries. These purchases or sales, if any, could have a material positive or negative impact on the Company s liquidity available to repay outstanding debt obligations or on the Company s consolidated results of operations. These transactions could also require or result in amendments to the agreements governing outstanding debt obligations or changes in the Company s leverage or other financial ratios, which could have a material positive or negative impact on the Company s ability to comply with the covenants contained in its debt agreements. These transactions, if any, will depend on prevailing market conditions, the Company s liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Senior Secured Credit Facilities

Borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, at Clear Channel s option, either (i) a base rate determined by reference to the higher of (A) the prime lending rate publicly announced by the administrative agent and (B) the Federal funds effective rate from time to time plus 0.50%, or (ii) a Eurocurrency rate determined by reference to the costs of funds for deposits for the interest period relevant to such borrowing adjusted for certain additional costs.

The margin percentages applicable to the term loan facilities and revolving credit facility are the following percentages per annum:

with respect to loans under the term loan A facility and the revolving credit facility, (i) 2.40% in the case of base rate loans and (ii) 3.40% in the case of Eurocurrency rate loans, subject to downward adjustments if Clear Channel s leverage ratio of total debt to EBITDA (as calculated in accordance with the senior secured credit facilities) decreases below 7 to 1; and

with respect to loans under the term loan B facility, term loan C - asset sale facility and delayed draw term loan facilities, (i) 2.65% in the case of base rate loans and (ii) 3.65% in the case of Eurocurrency rate loans subject to downward adjustments if the Company s leverage ratio of total debt to EBITDA decreases below 7 to 1.

Clear Channel is required to pay each revolving credit lender a commitment fee in respect of any unused commitments under the revolving credit facility, which is 0.50% per annum, subject to downward adjustments if Clear Channel s leverage ratio of total debt to EBITDA decreases below 4 to 1. Clear Channel is required to pay each delayed draw term facility lender a commitment fee in respect of any undrawn commitments under the delayed draw term facilities, which initially is 1.825% per annum until the delayed draw term facilities are fully drawn or commitments thereunder terminated.

The senior secured credit facilities include two delayed draw term loan facilities. The first is a $589.8 million facility which may be drawn to purchase or redeem Clear Channel s outstanding 7.65% senior notes due 2010, of which $451.0 million was drawn as of December 31, 2009, and a $423.4 million facility which was drawn to redeem Clear Channel s outstanding 4.25% senior notes in May 2009.

The senior secured credit facilities require the Company to prepay outstanding term loans, subject to certain exceptions, with:

50% (which percentage will be reduced to 25% and to 0% based upon the Company s leverage ratio) of the Company s annual excess cash flow (as calculated in accordance with the senior secured credit facilities), less any voluntary prepayments of term loans and revolving credit loans (to the extent accompanied by a permanent reduction of the commitment) and subject to customary credits;

100% (which percentage will be reduced to 75% and 50% based upon the Company s leverage ratio) of the net cash proceeds of sales or other dispositions by the Company or its wholly-owned restricted subsidiaries (including casualty and condemnation events) of assets other than specified assets subject to reinvestment rights and certain other exceptions; and

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- 100% of the net cash proceeds of any incurrence of certain debt, other than debt permitted under the senior secured credit facilities.

The foregoing prepayments with the net cash proceeds of certain incurrences of debt and annual excess cash flow will be applied (i) first to the term loans other than the term loan C - asset sale facility loans (on a pro rata basis) and (ii) second to the term loan C - asset sale facility loans, in each case to the remaining installments thereof in direct order of maturity. The foregoing prepayments with the net cash proceeds of the sale of assets (including casualty and condemnation events) will be applied (i) first to the term loan C - asset sale facility loans and (ii) second to the other term loans (on a pro rata basis), in each case to the remaining installments thereof in direct order of maturity.

The Company may voluntarily repay outstanding loans under its senior secured credit facilities at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency rate loans.

The Company is required to repay the loans under its term loan facilities, after giving effect to the December 2009 prepayment of $2.0 billion of term loans with proceeds from the issuance of subsidiary senior notes discussed elsewhere in Note G, as follows:

- the term loan A facility will amortize in quarterly installments commencing on the third interest payment date after the fourth anniversary of the closing date of the merger in annual amounts equal to 4.7% of the original funded principal amount of such facility in year four, 10% thereafter, with the balance being payable on the final maturity date (July 2014) of such term loans; and
- the term loan B facility and delayed draw facilities will be payable in full on the final maturity date (January 2016) of such term loans; and
- the term loan C facility will amortize in quarterly installments on the first interest payment date after the third anniversary of the closing date of the merger, in annual amounts equal to 2.5% of the original funded principal amount of such facilities in years four and five and 1% thereafter, with the balance being payable on the final maturity date (January 2016) of such term loans.

The Company is required to repay all borrowings under the receivables based facility and the revolving credit facility at their final maturity in July 2014.

The senior secured credit facilities are guaranteed by each of the Company s existing and future material wholly-owned domestic restricted subsidiaries, subject to certain exceptions.

All obligations under the senior secured credit facilities, and the guarantees of those obligations, are secured, subject to permitted liens and other exceptions, by:

- a first-priority lien on the capital stock of Clear Channel;
- 100% of the capital stock of any future material wholly-owned domestic license subsidiary that is not a Restricted Subsidiary under the indenture governing the Clear Channel senior notes;
- certain assets that do not constitute principal property (as defined in the indenture governing the Clear Channel senior notes);
- certain assets that constitute principal property (as defined in the indenture governing the Clear Channel senior notes) securing obligations under the senior secured credit facilities up to the maximum amount permitted to be secured by such assets without requiring equal and ratable security under the indenture governing the Clear Channel senior notes; and
- a second-priority lien on the accounts receivable and related assets securing our receivables based credit facility.

The obligations of any foreign subsidiaries that are borrowers under the revolving credit facility will also be guaranteed by certain of their material wholly-owned restricted subsidiaries, and secured by substantially all assets of all such borrowers and guarantors, subject to permitted liens and other exceptions.

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The senior secured credit facilities contain a financial covenant that requires Clear Channel to comply on a quarterly basis with a maximum consolidated senior secured net debt to adjusted EBITDA ratio (maximum of 9.5:1). This financial covenant becomes more restrictive over time. Clear Channel s senior secured debt consists of the senior secured facilities, the receivables based credit facility and certain other secured subsidiary debt. The Company was in compliance with this covenant as of December 31, 2009.

In addition, the senior secured credit facilities include negative covenants that, subject to significant exceptions, limit the Company s ability and the ability of its restricted subsidiaries to, among other things:

- incur additional indebtedness;
- create liens on assets;
- engage in mergers, consolidations, liquidations and dissolutions;
- sell assets;
- pay dividends and distributions or repurchase its capital stock;
- make investments, loans, or advances;
- prepay certain junior indebtedness;
- engage in certain transactions with affiliates;
- amend material agreements governing certain junior indebtedness; and
- change its lines of business.

The senior secured credit facilities include certain customary representations and warranties, affirmative covenants and events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under ERISA, material judgments, the invalidity of material provisions of the senior secured credit facilities documentation, the failure of collateral under the security documents for the senior secured credit facilities, the failure of the senior secured credit facilities to be senior debt under the subordination provisions of certain of the Company s subordinated debt and a change of control. If an event of default occurs, the lenders under the senior secured credit facilities will be entitled to take various actions, including the acceleration of all amounts due under the senior secured credit facilities and all actions permitted to be taken by a secured creditor.

Receivables Based Credit Facility

The receivables based credit facility of $783.5 million provides revolving credit commitments in an amount equal to the initial borrowing of $533.5 million on the closing date plus $250 million, subject to a borrowing base. The borrowing base at any time equals 85% of the eligible accounts receivable for certain subsidiaries of the Company. The receivables based credit facility includes a letter of credit sub-facility and a swingline loan sub-facility.

Borrowings, excluding the initial borrowing, under the receivables based credit facility are subject to compliance with a minimum fixed charge coverage ratio of 1.0:1.0 if at any time excess availability under the receivables based credit facility is less than $50 million, or if aggregate excess availability under the receivables based credit facility and revolving credit facility is less than 10% of the borrowing base.

Borrowings under the receivables based credit facility bear interest at a rate equal to an applicable margin plus, at Clear Channel s option, either (i) a base rate determined by reference to the higher of (A) the prime lending rate publicly announced by the administrative agent and (B) the Federal funds effective rate from time to time plus 0.50%, or (ii) a Eurocurrency rate determined by reference to the costs of funds for deposits for the interest period relevant to such borrowing adjusted for certain additional costs.

The margin percentage applicable to the receivables based credit facility which is (i) 1.40% in the case of base rate loans and (ii) 2.40% in the case of Eurocurrency rate loans subject to downward adjustments if the Company s leverage ratio of total debt to EBITDA decreases below 7 to 1.

Clear Channel is required to pay each lender a commitment fee in respect of any unused commitments under the receivables based credit facility, which is 0.375% per annum, subject to downward adjustments if Clear Channel s leverage ratio of total debt to EBITDA decreases below 6 to 1.

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If at any time the sum of the outstanding amounts under the receivables based credit facility (including the letter of credit outstanding amounts and swingline loans thereunder) exceeds the lesser of (i) the borrowing base and (ii) the aggregate commitments under the receivables based credit facility, the Company will be required to repay outstanding loans and cash collateralize letters of credit in an aggregate amount equal to such excess.

The Company may voluntarily repay outstanding loans under the receivables based credit facility at any time without premium or penalty, other than customary breakage costs with respect to Eurocurrency rate loans.

The receivables based credit facility is guaranteed by, subject to certain exceptions, the guarantors of the senior secured credit facilities. All obligations under the receivables based credit facility, and the guarantees of those obligations, are secured by a perfected first priority security interest in all of the Company s and all of the guarantors accounts receivable and related assets and proceeds thereof, subject to permitted liens and certain exceptions.

The receivables based credit facility includes negative covenants, representations, warranties, events of default, conditions precedent and termination provisions substantially similar to those governing our senior secured credit facilities.

Senior Cash Pay Notes and Senior Toggle Notes

Clear Channel has outstanding $796.3 million aggregate principal amount of 10.75% senior cash pay notes due 2016 and $915.2 million aggregate principal amount of 11.00%/11.75% senior toggle notes due 2016.

The senior toggle notes mature on August 1, 2016 and may require a special redemption of up to $30.0 million on August 1, 2015. The Company may elect on each interest election date to pay all or 50% of such interest on the senior toggle notes in cash or by increasing the principal amount of the senior toggle notes or by issuing new senior toggle notes (such increase or issuance, PIK Interest). Interest on the senior toggle notes payable in cash will accrue at a rate of 11.00% per annum and PIK Interest will accrue at a rate of 11.75% per annum.

The Company may redeem some or all of the notes at any time prior to August 1, 2012, at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest thereon to the redemption date and a make-whole premium, as described in the notes. The Company may redeem some or all of the notes at any time on or after August 1, 2012 at the redemption prices set forth in notes. In addition, the Company may redeem up to 40% of any series of the outstanding notes at any time on or prior to August 1, 2011 with the net cash proceeds raised in one or more equity offerings. If the Company undergoes a change of control, sells certain of its assets, or issues certain debt offerings, it may be required to offer to purchase notes from holders.

The notes are senior unsecured debt and rank equal in right of payment with all of the Company s existing and future senior debt. Guarantors of obligations under the senior secured credit facilities and the receivables based credit facility guarantee the notes with unconditional guarantees that are unsecured and equal in right of payment to all existing and future senior debt of such guarantors, except that the guarantees are subordinated in right of payment only to the guarantees of obligations under the senior secured credit facilities and the receivables based credit facility. In addition, the notes and the guarantees are structurally senior to Clear Channel s senior notes and existing and future debt to the extent that such debt is not guaranteed by the guarantors of the notes. The notes and the guarantees are effectively subordinated to the existing and future secured debt and that of the guarantors to the extent of the value of the assets securing such indebtedness and are structurally subordinated to all obligations of subsidiaries that do not guarantee the notes.

On January 15, 2009, Clear Channel made a permitted election under the indenture governing the senior toggle notes to pay PIK Interest with respect to 100% of the senior toggle notes for the semi-annual interest period commencing February 1, 2009. For subsequent interest periods, Clear Channel must make an election regarding whether the applicable interest payment on the senior toggle notes will be made entirely in cash, entirely through PIK Interest or 50% in cash and 50% in PIK Interest. In the absence of such an election for any interest period, interest on the senior toggle notes will be payable according to the election for the immediately preceding interest period. As a result, Clear Channel is deemed to have made the PIK Interest election for future interest periods unless and until it elects otherwise.

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Subsidiary Senior Notes

In December 2009, Clear Channel Worldwide Holdings, Inc., (CCWH), an indirect wholly-owned subsidiary of the Company s publicly traded subsidiary, Clear Channel Outdoor Holdings, Inc. (CCOH), issued $500.0 million aggregate principal amount of Series A Senior Notes due 2017 and $2.0 billion aggregate principal amount of Series B Senior Notes due 2017 (collectively, the Notes). The Notes are guaranteed by CCOH, Clear Channel Outdoor, Inc. (CCOI), a wholly-owned subsidiary of CCOH, and certain other existing and future domestic subsidiaries of CCOH (collectively, the Guarantors).

The Notes are senior obligations that rank pari passu in right of payment to all unsubordinated indebtedness of CCWH and the guarantees of the Notes will rank pari passu in right of payment to all unsubordinated indebtedness of the Guarantors.

The indentures governing the Notes require the Company to maintain at least $100 million in cash or other liquid assets or have cash available to be borrowed under committed credit facilities consisting of (i) $50.0 million at the issuer and guarantor entities (principally the Americas outdoor segment) and (ii) $50.0 million at the non-guarantor subsidiaries (principally the International outdoor segment) (together the Liquidity Amount), in each case under the sole control of the relevant entity. In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding of Clear Channel Communications, Inc., for the period thereafter that is the shorter of such proceeding and 60 days, the Liquidity Amount shall be reduced to $50.0 million, with a $25.0 million requirement at the issuer and guarantor entities and a $25.0 million requirement at the non-guarantor subsidiaries.

In addition, interest on the Notes accrues daily and is payable into an account established by the trustee for the benefit of the bondholders (the Trustee Account). Failure to make daily payment on any day does not constitute an event of default so long as (a) no payment or other transfer by CCOH or any of its Subsidiaries shall have been made on such day under the cash management sweep with Clear Channel Communications, Inc. and (b) on each semiannual interest payment date the aggregate amount of funds in the Trustee Account is equal to at least the aggregate amount of accrued and unpaid interest on the Notes.

The indenture governing the Series A Notes contains covenants that limit CCOH and its restricted subsidiaries ability to, among other things:

- incur or guarantee additional debt to persons other than Clear Channel Communications and its subsidiaries (other than CCOH) or issue certain preferred stock;
- create liens on its restricted subsidiaries assets to secure such debt;
- create restrictions on the payment of dividends or other amounts to CCOH from its restricted subsidiaries that are not guarantors of the notes;
- enter into certain transactions with affiliates;
- merge or consolidate with another person, or sell or otherwise dispose of all or substantially all of its assets;
- sell certain assets, including capital stock of its subsidiaries, to persons other than Clear Channel Communications and its subsidiaries (other than CCOH).

The indenture governing the Series A Notes does not include limitations on dividends, distributions, investments or asset sales.

The indenture governing the Series B Notes contains covenants that limit CCOH and its restricted subsidiaries ability to, among other things:

- incur or guarantee additional debt or issue certain preferred stock;
- redeem, repurchase or retire CCOH s subordinated debt;
- make certain investments;

create liens on its or its restricted subsidiaries assets to secure debt;
create restrictions on the payment of dividends or other amounts to it from its restricted subsidiaries that are not guarantors of the Notes;

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- enter into certain transactions with affiliates;
- merge or consolidate with another person, or sell or otherwise dispose of all or substantially all of its assets;
- sell certain assets, including capital stock of its subsidiaries;
- designate its subsidiaries as unrestricted subsidiaries;
- pay dividends, redeem or repurchase capital stock or make other restricted payments; and
- purchase or otherwise effectively cancel or retire any of the Series B Notes if after doing so the ratio of (a) the outstanding aggregate principal amount of the Series A Notes to (b) the outstanding aggregate principal amount of the Series B Notes shall be greater than 0.250. This stipulation ensures, among other things, that as long as the Series A Notes are outstanding, the Series B Notes are outstanding.

The Series B Notes indenture restricts CCOH s ability to incur additional indebtedness and pay dividends based on an incurrence test. In order to incur additional indebtedness, CCOH s debt to adjusted EBITDA ratios (as defined by the indenture) must be lower than 6.5:1 and 3.25:1 for total debt and senior debt, respectively. Similarly in order for CCOH to pay dividends from the proceeds of indebtedness or the proceeds from asset sales, its debt to adjusted EBITDA ratios (as defined by the indenture) must be lower than 6.0:1 and 3.0:1 for total debt and senior debt, respectively. If these ratios are not met, CCOH has certain exceptions that allow it to incur additional indebtedness and pay dividends, such as a $500.0 million exception for the payment of dividends. CCOH was in compliance with these covenants as of December 31, 2009.

A portion of the proceeds of the Notes were used to (i) pay the fees and expenses of the Notes offering, (ii) fund $50.0 million of the Liquidity Amount (the $50.0 million liquidity amount of the non-guarantor subsidiaries was satisfied) and (iii) applied $2.0 billion of the cash proceeds (which amount is equal to the aggregate principal amount of the Series B Notes) to repay an equal amount of indebtedness under Clear Channel s senior secured credit facilities. In accordance with the senior secured credit facilities, the $2.0 billion cash proceeds were applied ratably to the Term Loan A, Term Loan B, both delayed draw term loan facilities, and within each such class, such prepayment was applied to remaining scheduled installments of principal. The Company recorded a loss of $29.3 million in Other income (expense) net related to deferred loan costs associated with the retired senior secured debt.

The balance of the proceeds is available to CCOI for general corporate purposes. In this regard, all of the remaining proceeds could be used to pay dividends from CCOI to CCOH. In turn, CCOH could declare a dividend to its shareholders, of which Clear Channel would receive its proportionate share. Payment of such dividends would not be prohibited by the terms of the Notes or any of the loan agreements or credit facilities of CCOI or CCOH.

Debt Repurchases, Tender Offers, Maturities and Other

During 2009 and 2008, CC Finco, LLC, and CC Finco II, LLC, both wholly-owned subsidiaries of the Company, repurchased certain of Clear Channel s outstanding senior notes through open market repurchases, privately negotiated transactions and tenders as shown in the table below. Notes repurchased and held by CC Finco, LLC and CC Finco II, LLC are eliminated in consolidation.

(In thousands)	Year Ended December 31,	
	2009	2008
	Post-Merger	Post-Merger
CC Finco, LLC		
Principal amount of debt repurchased	$ 801,302	$ 102,241
Purchase accounting adjustments [1]	(146,314)	(24,367)
Deferred loan costs and other	(1,468)	
Gain recorded in Other income (expense) net [2]	(368,591)	(53,449)
Cash paid for repurchases of long-term debt	$ 284,929	$ 24,425
CC Finco II, LLC		

Principal amount of debt repurchased [3]	$ 433,125	$
Deferred loan costs and other	(813)	
Gain recorded in Other income (expense) net [2]	(373,775)	
Cash paid for repurchases of long-term debt	$ 58,537	$

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(1) Represents unamortized fair value purchase accounting discounts recorded as a result of the merger.
(2) CC Finco, LLC, and CC Finco II, LLC, repurchased certain of Clear Channel s legacy notes, senior cash pay notes and senior toggle notes at a discount, resulting in a gain on the extinguishment of debt.
(3) CC Finco II, LLC immediately cancelled these notes subsequent to the purchase.

On January 15, 2008, Clear Channel redeemed its 4.625% senior notes at their maturity for $500.0 million with proceeds from its bank credit facility. On June 15, 2008, Clear Channel redeemed its 6.625% Senior Notes at their maturity for $125.0 million with available cash on hand.

Clear Channel terminated its cross currency swaps on July 30, 2008 by paying the counterparty $196.2 million from available cash on hand.

On August 7, 2008, Clear Channel announced that it commenced a cash tender offer and consent solicitation for its outstanding $750.0 million principal amount of 7.65% senior notes due 2010. The tender offer and consent payment expired on September 9, 2008. The aggregate principal amount of 7.65% senior notes validly tendered and accepted for payment was $363.9 million. Clear Channel recorded a $21.8 million loss in Other income (expense) net during the pre-merger period as a result of the tender.

Clear Channel repurchased $639.2 million aggregate principal amount of the AMFM Operating Inc. 8% senior notes pursuant to a tender offer and consent solicitation in connection with the merger. The remaining 8% senior notes were redeemed at maturity on November 1, 2008. The aggregate loss on the extinguishment of debt recorded in Other income (expense) net in 2008 as a result of the tender offer for the AMFM Operating Inc. 8% notes was $8.0 million.

On November 24, 2008, Clear Channel announced that it commenced another cash tender offer to purchase its outstanding 7.65% Senior Notes due 2010. The tender offer and consent payment expired on December 23, 2008. The aggregate principal amount of 7.65% senior notes validly tendered and accepted for payment was $252.4 million. The Company recorded an aggregate gain on the extinguishment of debt of $74.7 million in Other income (expense) net during the post-merger period as a result of the tender offer for the 7.65% senior notes due 2010.

During the second quarter of 2009, the Company redeemed the remaining principal amount of Clear Channel s 4.25% senior notes at maturity with a draw under the $500.0 million delayed draw term loan facility that is specifically designated for this purpose.

Future maturities of long-term debt at December 31, 2009 are as follows:

(In thousands)	
2010	$ 403,233
2011	873,035
2012	267,658
2013	457,355
2014	3,715,271
Thereafter	15,773,439
Total [(1)]	$ 21,489,991

[(1)] Excludes a negative purchase accounting fair value adjustment of $788.1 million, which is amortized through interest expense over the life of the underlying debt obligations.

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NOTE H - FINANCIAL INSTRUMENTS

Interest Rate Swaps

The Company s aggregate $6.0 billion notional amount interest rate swap agreements are designated as a cash flow hedge and the effective portion of the gain or loss on the swap is reported as a component of other comprehensive income. Ineffective portions of a cash flow hedging derivative s change in fair value are recognized currently in earnings. No ineffectiveness was recorded in earnings related to these interest rate swaps.

The Company entered into the swaps to effectively convert a portion of its floating-rate debt to a fixed basis, thus reducing the impact of interest rate changes on future interest expense. The Company assesses at inception, and on an ongoing basis, whether its interest rate swap agreements are highly effective in offsetting changes in the interest expense of its floating rate debt. A derivative that is not a highly effective hedge does not qualify for hedge accounting.

The Company continually monitors its positions with, and credit quality of, the financial institutions which are counterparties to its interest rate swaps. The Company may be exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swaps. However, the Company considers this risk to be low. If a derivative instrument no longer qualifies as a cash flow hedge, hedge accounting is discontinued and the gain or loss that was recorded in other comprehensive income is recognized currently in income.

Secured Forward Exchange Contracts

Clear Channel terminated its secured forward exchange contracts effective June 13, 2008, receiving net proceeds of $15.2 million. A net gain of $27.0 million was recorded in the pre-merger period in Gain (loss) on marketable securities related to terminating the contracts and selling the underlying AMT shares.

Foreign Currency Rate Management

Clear Channel terminated its cross currency swap contracts on July 30, 2008 by paying the counterparty $196.2 million from available cash on hand. The contracts were recorded on the balance sheet at fair value, which was equivalent to the cash paid to terminate them. The related fair value adjustments in other comprehensive income were deleted when the merger took place.

NOTE I FAIR VALUE MEASUREMENTS

The Company adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements,* codified in ASC 820-10, on January 1, 2008 and began to apply its recognition and disclosure provisions to its financial assets and financial liabilities that are remeasured at fair value at least annually. ASC 820-10-35 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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

The marketable equity securities are measured at fair value using quoted prices in active markets. Due to the fact that the inputs used to measure the marketable equity securities at fair value are observable, the Company has categorized the fair value measurements of the securities as Level 1. The fair value of these securities at December 31, 2009 and 2008 was $38.9 million and $27.1 million, respectively.

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The Company s aggregate $6.0 billion notional amount of interest rate swap agreements are designated as a cash flow hedge and the effective portion of the gain or loss on the swap is reported as a component of other comprehensive income. The Company entered into the swaps to effectively convert a portion of its floating-rate debt to a fixed basis, thus reducing the impact of interest-rate changes on future interest expense. Due to the fact that the inputs to the model used to estimate fair value are either directly or indirectly observable, the Company classified the fair value measurements of these agreements as Level 2. No ineffectiveness was recorded in earnings related to these interest rate swaps.

Due to the fact that the inputs are either directly or indirectly observable, the Company classified the fair value measurements of these agreements as Level 2.

The table below shows the balance sheet classification and fair value of the Company s interest rate swaps designated as hedging instruments:

(In thousands)			
Classification as of December 31, 2009	Fair Value	Classification as of December 31, 2008	Fair Value
Other long-term liabilities	$237,235	Other long-term liabilities	$ 118,785

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

(In thousands)	Accumulated other comprehensive loss
Balance at January 1, 2009	$ 75,079
Other comprehensive loss	74,100
Balance at December 31, 2009	$ 149,179

NOTE J - COMMITMENTS AND CONTINGENCIES

The Company accounts for its rentals that include renewal options, annual rent escalation clauses, minimum franchise payments and maintenance related to displays under the guidance in ASC Topic 840, *Leases*.

The Company considers its non-cancelable contracts that enable it to display advertising on buses, taxis, trains, bus shelters, etc. to be leases in accordance with the guidance in ASC 840-10. These contracts may contain minimum annual franchise payments which generally escalate each year. The Company accounts for these minimum franchise payments on a straight-line basis. If the rental increases are not scheduled in the lease, for example an increase based on the CPI, those rents are considered contingent rentals and are recorded as expense when accruable. Other contracts may contain a variable rent component based on revenue. The Company accounts for these variable components as contingent rentals and records these payments as expense when accruable.

The Company accounts for annual rent escalation clauses included in the lease term on a straight-line basis under the guidance in ASC 840-10. The Company considers renewal periods in determining its lease terms if at inception of the lease there is reasonable assurance the lease will be renewed. Expenditures for maintenance are charged to operations as incurred, whereas expenditures for renewal and betterments are capitalized.

The Company leases office space, certain broadcasting facilities, equipment and the majority of the land occupied by its outdoor advertising structures under long-term operating leases. The Company accounts for these leases in accordance with the policies described above.

The Company s contracts with municipal bodies or private companies relating to street furniture, billboard, transit and malls generally require the Company to build bus stops, kiosks and other public amenities or advertising structures during the term of the contract. The Company owns these structures and is generally allowed to advertise on them for the remaining term of the contract. Once the Company has built the structure, the cost is capitalized and expensed over the shorter of the economic life of the asset or the remaining life of the contract.

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Certain of the Company s contracts contain penalties for not fulfilling its commitments related to its obligations to build bus stops, kiosks and other public amenities or advertising structures. Historically, any such penalties have not materially impacted the Company s financial position or results of operations.

As of December 31, 2009, the Company s future minimum rental commitments under non-cancelable operating lease agreements with terms in excess of one year, minimum payments under non-cancelable contracts in excess of one year, and capital expenditure commitments consist of the following:

(In thousands)	Non-Cancelable Operating Leases	Non-Cancelable Contracts	Capital Expenditures
2010	$ 367,524	$ 541,683	$ 67,372
2011	311,768	447,708	32,274
2012	276,486	301,221	13,364
2013	250,836	232,136	9,970
2014	217,308	191,048	9,867
Thereafter	1,225,651	580,815	3,415
Total	$ 2,649,573	$ 2,294,611	$ 136,262

Rent expense charged to continuing operations for the year ended December 31, 2009 was $1.13 billion. Rent expense charged to continuing operations for the post-merger period from July 31, 2008 to December 31, 2008 and the pre-merger period from January 1, 2008 to July 30, 2008 was $526.6 million and $755.4 million, respectively. Rent expense charged to continuing operations for the pre-merger year ended December 31, 2007 was $1.2 billion.

The Company is currently involved in certain legal proceedings and, as required, has accrued its 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 the Company s assumptions or the effectiveness of its strategies related to these proceedings.

In various areas in which the Company operates, outdoor advertising is the object of restrictive and, in some cases, prohibitive zoning and other regulatory provisions, either enacted or proposed. The impact to the Company of loss of displays due to governmental action has been somewhat mitigated by Federal and state laws mandating compensation for such loss and constitutional restraints.

Certain acquisition agreements include deferred consideration payments based on performance requirements by the seller typically involving the completion of a development or obtaining appropriate permits that enable the Company to construct additional advertising displays. At December 31, 2009, the Company believes its maximum aggregate contingency, which is subject to performance requirements by the seller, is approximately $35.0 million. As the contingencies have not been met or resolved as of December 31, 2009, these amounts are not recorded. If future payments are made, amounts will be recorded as additional purchase price.

NOTE K - GUARANTEES

At December 31, 2009, the Company guaranteed $39.9 million of credit lines provided to certain of its international subsidiaries by a major international bank. Most of these credit lines related to intraday overdraft facilities covering participants in the Company s European cash management pool. As of December 31, 2009, no amounts were outstanding under these agreements.

As of December 31, 2009, the Company had outstanding commercial standby letters of credit and surety bonds of $175.7 million and $95.2 million, respectively. Letters of credit in the amount of $67.5 million are collateral in support of surety bonds and these amounts would only be drawn under the letters of credit in the event the associated surety bonds were funded and the Company did not honor its reimbursement obligation to the issuers.

These letters of credit and surety bonds relate to various operational matters including insurance, bid, and performance bonds as well as other items.

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NOTE L - INCOME TAXES

The operations of the Company are included in a consolidated federal income tax return filed by CCMH. However, for financial reporting purposes, the Company s provision for income taxes has been computed on the basis that the Company files separate consolidated federal income tax returns with its subsidiaries.

Significant components of the provision for income tax expense (benefit) are as follows:

(In thousands)	Year ended December 31, 2009 Post-Merger	Period from July 31 through December 31, 2008 Post-Merger	Period from January 1 through July 30, 2008 Pre-Merger	Year ended December 31, 2007 Pre-Merger
Current - Federal	$ (104,539)	$ (100,578)	$ (6,535)	$ 187,700
Current - foreign	15,301	15,755	24,870	43,776
Current - state	13,109	8,094	8,945	21,434
Total current (benefit) expense	(76,129)	(76,729)	27,280	252,910
Deferred - Federal	(366,024)	(555,679)	145,149	175,524
Deferred - foreign	(30,399)	(17,762)	(12,662)	(1,400)
Deferred - state	(20,768)	(46,453)	12,816	14,114
Total deferred (benefit) expense	(417,191)	(619,894)	145,303	188,238
Income tax (benefit) expense	$ (493,320)	$ (696,623)	$ 172,583	$ 441,148

Significant components of the Company s deferred tax liabilities and assets as of December 31, 2009 and 2008 are as follows:

(In thousands)	Post-Merger 2009	Post-Merger 2008
Deferred tax liabilities:		
Intangibles and fixed assets	$ 2,074,925	$ 2,332,924
Long-term debt	530,519	352,057
Foreign	62,661	87,654
Equity in earnings	36,955	27,872
Investments	18,067	15,268
Other	17,310	25,836
Total deferred tax liabilities	2,740,437	2,841,611
Deferred tax assets:		
Accrued expenses	117,041	129,684
Unrealized gain in marketable securities	22,126	29,438
Net operating loss/Capital loss carryforwards	365,208	319,530
Bad debt reserves	11,055	28,248
Deferred Income	717	976

Other	27,701	17,857
Total gross deferred tax assets	543,848	525,733
Less: Valuation allowance	3,854	319,530
Total deferred tax assets	539,994	206,203
Net deferred tax liabilities	$ 2,200,443	$ 2,635,408

Included in the Company s net deferred tax liabilities are $19.6 million and $43.9 million of current net deferred tax assets for 2009 and 2008, respectively. The Company presents these assets in Other current assets on its consolidated balance sheets. The remaining $2.2 billion and $2.7 billion of net deferred tax liabilities for 2009 and 2008, respectively, are presented in Deferred tax liabilities on the consolidated balance sheets.

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For the year ended December 31, 2009, the Company recorded certain impairment charges that are not deductible for tax purposes and resulted in a reduction of deferred tax liabilities of approximately $379.6 million. Additional decreases in net deferred tax liabilities are as a result of increases in deferred tax assets associated with current period net operating losses. The Company is able to utilize those losses through either carrybacks to prior years as a result of the November 6, 2009, tax law change and expanded loss carryback provisions provided by the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) or based on our expectations as to future taxable income from deferred tax liabilities that reverse in the relevant carryforward period for those net operating losses that cannot be carried back. Increases in 2009 deferred tax liabilities of approximately $338.9 million are as a result of the deferral of certain discharge of indebtedness income, for income tax purposes, resulting from the reacquisition of business indebtedness (see Note G). These gains are allowed to be deferred for tax purposes and recognized in future periods beginning in 2014 through 2019, as provided by the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009.

At December 31, 2009, net deferred tax liabilities include a deferred tax asset of $23.2 million relating to stock-based compensation expense under ASC 718-10, *Compensation Stock Compensation*. Full realization of this deferred tax asset requires stock options to be exercised at a price equaling or exceeding the sum of the grant price plus the fair value of the option at the grant date and restricted stock to vest at a price equaling or exceeding the fair market value at the grant date. Accordingly, there can be no assurance that the stock price of the Company s common stock will rise to levels sufficient to realize the entire tax benefit currently reflected in its balance sheet.

For the year ended December 31, 2008, the Company recorded approximately $2.5 billion in additional deferred tax liabilities associated with the applied purchase accounting adjustments resulting from the acquisition of Clear Channel. The additional deferred tax liabilities primarily relate to differences between the purchase accounting adjusted book basis and the historical tax basis of the Company s intangible assets. During the post-merger period ended December 31, 2008, the Company recorded an impairment charge to its FCC licenses, permits and tax deductible goodwill resulting in a decrease of approximately $648.2 million in recorded deferred tax liabilities.

The deferred tax liability related to intangibles and fixed assets primarily relates to the difference in book and tax basis of acquired FCC licenses, permits and tax deductible goodwill created from the Company s various stock acquisitions. In accordance with ASC 350-10, *Intangibles Goodwill and Other*, the Company no longer amortizes FCC licenses and permits. As a result, this deferred tax liability will not reverse over time unless the Company recognizes future impairment charges related to its FCC licenses, permits and tax deductible goodwill or sells its FCC licenses or permits. As the Company continues to amortize its tax basis in its FCC licenses, permits and tax deductible goodwill, the deferred tax liability will increase over time.

The reconciliation of income tax computed at the U.S. Federal statutory tax rates to income tax expense (benefit) is:

(In thousands)	Post-merger year ended December 31, 2009		Post-merger period ended December 31, 2008		Pre-merger period ended July 30, 2008		Pre-merger year ended December 31, 2007	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Income tax expense (benefit) at statutory rates	$ (1,589,825)	35%	$ (2,008,040)	35%	$ 205,108	35%	$448,298	35%
State income taxes, net of Federal tax benefit	(7,660)	0%	(38,359)	1%	21,760	4%	35,548	3%
Foreign taxes	92,648	(2%)	95,478	(2%)	(29,606)	(5%)	(8,857)	(1%)
Nondeductible items	3,317	(0%)	1,591	(0%)	2,464	0%	6,228	0%

Changes in valuation allowance and other estimates	(54,579)	1%	53,877	(1%)	(32,256)	(6%)	(34,005)	(3%)
Impairment charge	1,050,535	(23%)	1,194,182	(21%)				
Other, net	12,244	(0%)	4,648	(0%)	5,113	1%	(6,064)	(0%)
	$ (493,320)	11%	$ (696,623)	12%	$ 172,583	29%	$441,148	34%

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A tax benefit was recorded for the post-merger period ended December 31, 2009 of 11%. The effective tax rate for the post-merger period was primarily impacted by the goodwill impairment charges which are not deductible for tax purposes (see Note D). In addition, the Company was unable to benefit tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years. These impacts were partially offset by the reversal of valuation allowances on certain net operating losses as a result of the Company s ability to utilize those losses through either carrybacks to prior years or based on our expectations as to future taxable income from deferred tax liabilities that reverse in the relevant carryforward period for those net operating losses that cannot be carried back.

A tax benefit was recorded for the post-merger period ended December 31, 2008 of 12% and reflects the Company s ability to recover a limited amount of the Company s prior period tax liabilities through certain net operating loss carrybacks. The effective tax rate for the 2008 post-merger period was primarily impacted by the goodwill impairment charges which are not deductible for tax purposes (see Note D). In addition, the Company recorded a valuation allowance on certain net operating losses generated during the post-merger period that are not able to be carried back to prior years. The effective tax rate for the 2008 pre-merger period was primarily impacted by the tax effect of the disposition of certain radio broadcasting assets and investments.

During 2007, Clear Channel utilized approximately $2.2 million of net operating loss carryforwards, the majority of which were generated by certain acquired companies prior to their acquisition by Clear Channel. The utilization of the net operating loss carryforwards reduced current taxes payable and current tax expense for the year ended December 31, 2007. Clear Channel s effective income tax rate for 2007 was 34.4% as compared to 41.2% for 2006. For 2007, the effective tax rate was primarily affected by the recording of current tax benefits of approximately $45.7 million related to the settlement of several tax positions with the Internal Revenue Service (IRS) for the 1999 through 2004 tax years and deferred tax benefits of approximately $14.6 million related to the release of valuation allowances for the use of certain capital loss carryforwards. These tax benefits were partially offset by additional current tax expense being recorded in 2007 due to an increase in Income (loss) before income taxes of $139.6 million.

The remaining Federal net operating loss carryforwards of $996.7 million expires in various amounts from 2020 to 2029.

The Company continues to record interest and penalties related to unrecognized tax benefits in current income tax expense. The total amount of interest accrued at December 31, 2009 and 2008 was $70.7 million and $53.5 million, respectively. The total amount of unrecognized tax benefits and accrued interest and penalties at December 31, 2009 and 2008 was $308.3 million and $267.8 million, respectively, and is recorded in Other long-term liabilities on the Company s consolidated balance sheets. Of this total, $308.3 million at December 31, 2009 represents the amount of unrecognized tax benefits and accrued interest and penalties that, if recognized, would favorably affect the effective income tax rate in future periods.

Unrecognized Tax Benefits *(In thousands)*	Post-merger year ended December 31, 2009	Post-merger period ended December 31, 2008	Pre-merger period ended July 30, 2008
Balance at beginning of period	$ 214,309	$ 207,884	$ 194,060
Increases for tax position taken in the current year	3,347	35,942	8,845
Increases for tax positions taken in previous years	33,892	3,316	7,019
Decreases for tax position taken in previous years	(4,629)	(20,564)	(1,764)
Decreases due to settlements with tax authorities	(203)	(9,975)	(276)
Decreases due to lapse of statute of limitations	(9,199)	(2,294)	

Balance at end of period	$ 237,517	$ 214,309	$ 207,884

The Company and its subsidiaries file income tax returns in the United States Federal jurisdiction and various state and foreign jurisdictions. During 2009, the Company increased its unrecognized tax benefits for issues in prior years as a result of certain ongoing examinations in both the United States and certain foreign jurisdictions. In addition, the Company released certain unrecognized tax benefits in certain foreign jurisdictions as a result of the lapse of the statute of limitations for certain tax years. During 2008, the

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Company favorably settled certain issues in foreign jurisdictions that resulted in the decrease in unrecognized tax benefits. In addition, as a result of the currency fluctuations during 2008, the balance of unrecognized tax benefits decreased approximately $12.0 million. The Internal Revenue Service (IRS) is currently auditing the Company s 2007 and 2008 pre and post merger periods. The company is currently in appeals with the IRS for the 2005 and 2006 tax years. The Company expects to settle certain state examinations during the next twelve months. The Company has reclassed the estimated amount of such settlements to Accrued expenses on the Company s consolidated balance sheets. Substantially all material state, local, and foreign income tax matters have been concluded for years through 2000.

NOTE M MEMBER S INTEREST/SHAREHOLDERS EQUITY

In connection with the merger, the CCMH issued approximately 23.6 million shares of its Class A common stock, approximately 0.6 million shares of its Class B common stock and approximately 59.0 million shares of its Class C common stock. Every holder of shares of Class A common stock is entitled to one vote for each share of Class A common stock. Every holder of shares of Class B common stock is entitled to a number of votes per share equal to the number obtained by dividing (a) the sum of the total number of shares of Class B common stock outstanding as of the record date for such vote and the number of shares of Class C common stock outstanding as of the record date for such vote by (b) the number of shares of Class B common stock outstanding as of the record date for such vote. Except as otherwise required by law, the holders of outstanding shares of Class C common stock are not entitled to any votes upon any matters presented to our stockholders.

Except with respect to voting as described above, and as otherwise required by law, all shares of Class A common stock, Class B common stock and Class C common stock have the same powers, privileges, preferences and relative participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, and will be identical to each other in all respects.

Vesting of certain Clear Channel stock options and restricted stock awards was accelerated upon closing of the merger. As a result, except for certain executive officers and holders of certain options that could not, by their terms, be cancelled prior to their stated expiration date, holders of stock options received cash or, if elected, an amount of Company stock, in each case equal to the intrinsic value of the awards based on a market price of $36.00 per share. Holders of restricted stock awards received $36.00 per share in cash or a share of Company stock per share of Clear Channel restricted stock. Approximately $39.2 million of share-based compensation was recognized in the pre-merger period as a result of the accelerated vesting of the stock options and restricted stock awards.

Dividends

The Company has not paid cash dividends since its incorporation and its ability to pay dividends is subject to restrictions should it seek to do so in the future. Clear Channel s debt financing arrangements include restrictions on its ability to pay dividends thereby limiting the Company s ability to pay dividends.

Prior to the merger, Clear Channel s Board of Directors declared a quarterly cash dividend of $93.4 million on December 3, 2007 and paid on January 15, 2008.

Share-Based Payments

Stock Options

The Company does not have any compensation plans under which it grants stock awards to employees. Prior to the merger, Clear Channel granted options to purchase its common stock to its employees and directors and its affiliates under its various equity incentive plans typically at no less than the fair value of the underlying stock on the date of grant. These options were granted for a term not exceeding ten years and were forfeited, except in certain circumstances, in the event the employee or director terminated his or her employment or relationship with Clear Channel or one of its affiliates. Prior to acceleration, if any, in connection with the merger, these options vested over a period of up to five years. All equity incentive plans contained anti-dilutive provisions that permitted an adjustment of the number of shares of Clear Channel s common stock represented by each option for any change in capitalization.

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CCMH has granted options to purchase its Class A common stock to certain key executives under its equity incentive plan at no less than the fair value of the underlying stock on the date of grant. These options are granted for a term not to exceed ten years and are forfeited, except in certain circumstances, in the event the executive terminates his or her employment or relationship with the Company or one of its affiliates. Approximately one-third of the options granted vest based solely on continued service over a period of up to five years with the remainder becoming eligible to vest over five years if certain predetermined performance targets are met. The equity incentive plan contains antidilutive provisions that permit an adjustment of the number of shares of CCMH s common stock represented by each option for any change in capitalization.

The Company accounts for share-based payments using the fair value recognition provisions of ASC 718-10. The fair value of the portion of options that vest based on continued service is estimated on the grant date using a Black-Scholes option-pricing model and the fair value of the remaining options which contain vesting provisions subject to service, market and performance conditions is estimated on the grant date using a Monte Carlo model. Expected volatilities were based on implied volatilities from traded options on peer companies, historical volatility on peer companies stock, and other factors. The expected life of the options granted represents the period of time that the options granted are expected to be outstanding. CCMH used historical data to estimate option exercises and employee terminations within the valuation model. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods equal to the expected life of the option. The following assumptions were used to calculate the fair value of these options:

	2009	2008
Expected volatility	58%	58%
Expected life in years	5.5 7.5	5.5 7.5
Risk-free interest rate	2.30% 3.26%	3.46% 3.83%
Dividend yield	0%	0%

The following table presents a summary of CCMH s stock options outstanding at and stock option activity during the year ended December 31, 2009 (Price reflects the weighted average exercise price per share):

(In thousands, except per share data)	Options	Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2009	7,751	$35.70		
Granted (1)	491	36.00		
Exercised		n/a		
Forfeited	(1,797)	36.00		
Expired	(285)	46.01		
Outstanding, December 31, 2009 (2)	6,160	35.15	8.5 years	$ 0
Exercisable	808	29.55	7.3 years	0
Expect to Vest	2,191	36.00	8.7 years	0

(1) The weighted average grant date fair value of options granted during the year ended December 31, 2009 was $0.12 per share.

(2) Non-cash compensation expense has not been recorded with respect to 3.4 million shares as the vesting of these options is subject to performance conditions that have not yet been determined probable to meet.

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A summary of CCMH s unvested options and changes during the year ended December 31, 2009 is presented below:

(In thousands, except per share data)	Options	Weighted Average Grant Date Fair Value
Unvested, January 1, 2009	7,354	$ 21.20
Granted	491	0.12
Vested	(696)	6.38
Forfeited	(1,797)	13.72
Unvested, December 31, 2009	5,352	19.29

Restricted Stock Awards

Prior to the merger, Clear Channel granted restricted stock awards to its employees and directors and its affiliates under its various equity incentive plans. These common shares held a legend which restricted their transferability for a term of up to five years and were forfeited, except in certain circumstances, in the event the employee or director terminated his or her employment or relationship with Clear Channel prior to the lapse of the restriction. Recipients of the restricted stock awards were entitled to all cash dividends as of the date the award was granted.

At July 30, 2008, there were 2,692,904 outstanding Clear Channel restricted stock awards held by Clear Channel s employees and directors under Clear Channel s equity incentive plans. Pursuant to the Merger Agreement, 1,876,315 of the Clear Channel restricted stock awards became fully vested and converted into the right to receive, with respect to each share of such restricted stock, a cash payment or equity in the Company equal to the value of $36.00 per share. The remaining 816,589 shares of Clear Channel restricted stock were converted on a one-for-one basis into restricted stock of the Company. These converted shares continue to vest in accordance with their original terms. Following the merger, Clear Channel restricted stock automatically ceased to exist and is no longer outstanding, and, following the receipt of the cash payment or equity, if any, described above, the holders thereof no longer have any rights with respect to Clear Channel restricted stock.

On July 30, 2008, CCMH granted 555,556 shares of restricted stock to each its Chief Executive Officer and Chief Financial Officer under its 2008 Incentive Plan. The aggregate fair value of these awards was $40.0 million, based on the market value of a share of CCMH s Class A common stock on the grant date, or $36.00 per share. These Class A common shares are subject to restrictions on their transferability, which lapse ratably over a term of five years and will be forfeited, except in certain circumstances, in the event the employee terminates his employment or relationship with the Company prior to the lapse of the restriction. The following table presents a summary of CCMH s restricted stock outstanding at and restricted stock activity during the year ended December 31, 2009 (Price reflects the weighted average share price at the date of grant):

(In thousands, except per share data)

	Awards	Price
Outstanding January 1, 2009	1,887	$ 36.00
Granted		n/a
Vested (restriction lapsed)	(474)	36.00
Forfeited	(36)	36.00
Outstanding, December 31, 2009	1,377	36.00

Subsidiary Share-Based Awards

Subsidiary Stock Options

The Company s subsidiary, Clear Channel Outdoor Holdings, Inc. (CCO), grants options to purchase shares of its Class A common stock to its employees and directors and its affiliates under its equity incentive plan typically at no less than the fair market value of the underlying stock on the date of grant. These options are granted for a term not exceeding ten years and are forfeited, except in certain circumstances, in the event the employee or director terminates his or her employment or relationship with CCO or one of its affiliates. These options vest over a period of up to five years. The incentive stock plan contains anti-dilutive provisions that permit an adjustment of the number of shares of CCO s common stock represented by each option for any change in capitalization.

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Prior to CCO s IPO, CCO did not have any compensation plans under which it granted stock awards to employees. However, Clear Channel had granted certain of CCO s officers and other key employees, stock options to purchase shares of Clear Channel s common stock under its own equity incentive plans. Concurrent with the closing of CCO s IPO, all such outstanding options to purchase shares of Clear Channel s common stock held by CCO employees were converted using an intrinsic value method into options to purchase shares of CCO Class A common stock.

The fair value of each option awarded on CCO common stock is estimated on the date of grant using a Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on CCO s stock, historical volatility on CCO s stock, and other factors. The expected life of options granted represents the period of time that options granted are expected to be outstanding. CCO uses historical data to estimate option exercises and employee terminations within the valuation model. CCO includes estimated forfeitures in its compensation cost and updates the estimated forfeiture rate through the final vesting date of awards. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods equal to the expected life of the option. The following assumptions were used to calculate the fair value of CCO s options on the date of grant:

	Post-Merger		Pre-Merger	
	Year Ended December 31, 2009	Period from July 31 through December 31, 2008	Period from January 1 through July 30, 2008	Year Ended December 31, 2007
Expected volatility	58%	n/a	27%	27%
Expected life in years	5.5 7.0	n/a	5.5 7.0	5.0 7.0
Risk-free interest rate	2.31% 3.25%	n/a	3.24% 3.38%	4.76% 4.89%
Dividend yield	0%	n/a	0%	0%

The following table presents a summary of CCO s stock options outstanding at and stock option activity during the year ended December 31, 2009 (Price reflects the weighted average exercise price per share):

(In thousands, except per share data)	Options	Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Post-Merger				
Outstanding, January 1, 2009	7,713	$ 22.03		
Granted [(1)]	2,388	5.92		
Exercised [(2)]		n/a		
Forfeited	(167)	17.37		
Expired	(894)	24.90		
Outstanding, December 31, 2009	9,040	17.58	6.0 years	$ 10,502
Exercisable	3,417	22.82	3.7 years	0
Expect to vest	5,061	14.66	7.4 years	9,095

(1) The weighted average grant date fair value of CCO options granted during the post-merger year ended December 31, 2009 was $3.38 per share. The weighted average grant date fair value of CCO options granted during the pre-merger prior from January 1, 2008 through July 30, 2008 was $7.10 per share. The weighted average grant date fair value of CCO options granted during the pre-merger year ended December 31, 2007

was $11.05 per share.

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(2) No CCO options exercised during the post-merger year ended December 31, 2009. Cash received from CCO option exercises during the pre-merger period from January 1, 2008 through July 30, 2008, was $4.3 million. Cash received from CCO option exercises during the pre-merger year ended December 31, 2007, was $10.8 million. The total intrinsic value of CCO options exercised during the pre-merger period from January 1, 2008 through July 30, 2008, was $0.7 million. The total intrinsic value of CCO options exercised during the pre-merger year ended December 31, 2007 was $2.0 million.

A summary of CCO s nonvested options at and changes during the year ended December 31, 2009, is presented below:

(In thousands, except per share data)	Options	Weighted Average Grant Date Fair Value
Nonvested, January 1, 2009	4,734	$ 7.40
Granted	2,388	3.38
Vested [(1)]	(1,332)	7.43
Forfeited	(167)	6.43
Nonvested, December 31, 2009	5,623	5.71

(1) The total fair value of CCO options vested during the post-merger year ended December 31, 2009 was $9.9 million. The total fair value of CCO options vested during the pre-merger period from January 1, 2008 through July 30, 2008 was $5.7 million. The total fair value of CCO options vested during the post-merger period from July 31 through December 31, 2008 was $2.3 million. The total fair value of CCO options vested during the pre-merger year ended December 31, 2007 was $2.0 million.

Restricted Stock Awards

CCO also grants restricted stock awards to employees and directors of CCO and its affiliates. These common shares hold a legend which restricts their transferability for a term of up to five years and are forfeited, except in certain circumstances, in the event the employee terminates his or her employment or relationship with CCO prior to the lapse of the restriction. Restricted stock awards are granted under the CCO equity incentive plan.

The following table presents a summary of CCO s restricted stock outstanding at and restricted stock activity during the year ended December 31, 2009 (Price reflects the weighted average share price at the date of grant):

(In thousands, except per share data)

	Awards	Price
Post-Merger		
Outstanding, January 1, 2009	351	$ 24.54
Granted	150	9.03
Vested (restriction lapsed)	(122)	24.90
Forfeited	(14)	22.11
Outstanding, December 31, 2009	365	18.14

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Share-Based Compensation Cost

Share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the vesting period. The following table presents the amount of share-based compensation recorded during the year ended December 31, 2009, five months ended December 31, 2008, the seven months ended July 30, 2008 and the year ended December 31, 2007:

(In thousands)	Post-Merger		Pre-Merger	
	Year Ended December 31, 2009	July 31 December 31, 2008	January 1 July 30, 2008	Year Ended December 31, 2007
Direct operating expenses	$ 11,361	$ 4,631	$ 21,162	$ 16,975
Selling, general & administrative expenses	7,304	2,687	21,213	14,884
Corporate expenses	21,121	8,593	20,348	12,192
Total share based compensation expense	$ 39,786	$ 15,911	$ 62,723	$ 44,051

As of December 31, 2009, there was $83.9 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over three years. In addition, as of December 31, 2009, there was $80.2 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on market, performance and service conditions. This cost will be recognized when it becomes probable that the performance condition will be satisfied.

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Reconciliation of Earnings (Loss) per Share

(In thousands, except per share data)	Pre-Merger Period from January 1 through July 30, 2008	Year ended December 31, 2007
NUMERATOR:		
Income (loss) before discontinued operations attributable to the Company common shares	$ 1,036,525	$ 938,507
Less: Income (loss) from discontinued operations, net	640,236	145,833
Net income (loss) from continuing operations attributable to the Company	396,289	792,674
Less: Income (loss) before discontinued operations attributable to the Company unvested shares	2,333	4,786
Net income (loss) before discontinued operations attributable to the Company per common share basic and diluted	$ 393,956	$ 787,888
DENOMINATOR:		
Weighted average common shares - basic	495,044	494,347
Effect of dilutive securities:		
Stock options and common stock warrants (1)	1,475	1,437
Denominator for net income (loss) per common share - diluted	496,519	495,784
Net income (loss) per common share:		
Income (loss) attributable to the Company before discontinued operations - basic	$ .80	$ 1.59
Discontinued operations - basic	1.29	.30
Net income (loss) attributable to the Company - basic	$ 2.09	$ 1.89
Income (loss) attributable to the Company before discontinued operations - diluted	$ .80	$ 1.59
Discontinued operations - diluted	1.29	.29
Net income (loss) attributable to the Company - diluted	$ 2.09	$ 1.88

(1)

7.6 million and 22.2 million stock options were outstanding at July 30, 2008 and December 31, 2007 that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive as the respective options strike price was greater than the current market price of the shares.

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NOTE N - EMPLOYEE STOCK AND SAVINGS PLANS

The Company has various 401(k) savings and other plans for the purpose of providing retirement benefits for substantially all employees. Under these plans, an employee can make pre-tax contributions and Clear Channel will match a portion of such an employee s contribution. Employees vest in these Clear Channel matching contributions based upon their years of service to the Company. Contributions from continuing operations to these plans of $23.0 million for the year ended December 31, 2009, $12.4 million for the post-merger period ended December 31, 2008 and $17.9 million for the pre-merger period ended July 30, 2008, were charged to expense. Contributions from continuing operations to these plans of $39.1 million were charged to expense for the year ended December 31, 2007. As of April 30, 2009, Clear Channel suspended the matching contribution.

Clear Channel sponsored a non-qualified employee stock purchase plan for all eligible employees. Under the plan, employees were provided with the opportunity to purchase shares of the Clear Channel s common stock at 95% of the market value on the day of purchase. During each calendar year, employees were able to purchase shares having a value not exceeding 10% of their annual gross compensation or $25,000, whichever was lower. The Company stopped accepting contributions to this plan, effective January 1, 2007, as a condition of its Merger Agreement. Clear Channel terminated this plan upon the closing of the merger and each share held under the plan was converted into the right to receive a cash payment equal to the value of $36.00 per share.

Clear Channel offered a non-qualified deferred compensation plan for its highly compensated executives, under which such executives were able to make an annual election to defer up to 50% of their annual salary and up to 80% of their bonus before taxes. Clear Channel accounted for the plan in accordance with the provisions of ASC 710-10, *Compensation General*. Clear Channel terminated this plan upon the closing of the merger and the related asset and liability of approximately $38.4 million were settled.

Clear Channel offers a non-qualified deferred compensation plan for its highly compensated executives, under which such executives are able to make an annual election to defer up to 50% of their annual salary and up to 80% of their bonus before taxes. The Company accounts for the plan in accordance with the provisions of ASC 710-10. Matching credits on amounts deferred may be made in Clear Channel s sole discretion and Clear Channel retains ownership of all assets until distributed. Participants in the plan have the opportunity to allocate their deferrals and any Clear Channel matching credits among different investment options, the performance of which is used to determine the amounts to be paid to participants under the plan. In accordance with the provisions of ASC 710-10, the assets and liabilities of the non-qualified deferred compensation plan are presented in Other assets and Other long-term liabilities in the accompanying consolidated balance sheets, respectively. The asset and liability under the deferred compensation plan at December 31, 2009 was approximately $9.9 million recorded in Other assets and $9.9 million recorded in Other long-term liabilities , respectively. The asset and liability under the deferred compensation plan at December 31, 2008 were approximately $2.5 million recorded in Other assets and $2.5 million recorded in Other long-term liabilities , respectively.

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NOTE O OTHER INFORMATION

(In thousands)	Post-Merger		Pre-Merger	
	Year ended December 31, 2009	Period from July 31 through December 31, 2008	Period from January 1 through July 30, 2008	Year ended December 31, 2007
The following details the components of Other income (expense) net :				
Foreign exchange gain (loss)	$ (15,298)	$ 21,323	$ 7,960	$ 6,743
Gain (loss) on early redemption of debt, net	713,034	108,174	(13,484)	
Other	(18,020)	2,008	412	(1,417)
Total other income (expense) net	$ 679,716	$ 131,505	$ (5,112)	$ 5,326
The following details the deferred income tax (asset) liability on items of other comprehensive income (loss):				
Foreign currency translation adjustments	$ 16,569	$ (20,946)	$ (24,894)	$ (16,233)
Unrealized gain (loss) on securities and derivatives:				
Unrealized holding gain (loss)	$ 6,743	$	$ (27,047)	$ (5,155)
Unrealized gain (loss) on cash flow derivatives	$ (44,350)	$ (43,706)	$	$ (1,035)

(In thousands)	Post-Merger As of December 31,	
	2009	2008
The following details the components of Other current assets :		
Inventory	$ 25,838	$ 28,012
Deferred tax asset	19,581	43,903
Deposits	20,064	7,162
Other prepayments	51,700	53,280
Deferred loan costs	55,479	29,877
Other	82,613	53,339
Total other current assets	$ 255,275	$ 215,573

(In thousands)	Post-Merger As of December 31,	
	2009	2008
The following details the components of Other assets :		
Prepaid expenses	$ 988	$ 125,768
Deferred loan costs	251,938	295,143
Deposits	11,225	27,943
Prepaid rent	87,960	92,171

Other prepayments	16,028	16,685
Non-qualified plan assets	9,919	2,550
Total other assets	$ 378,058	$ 560,260

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(In thousands)	Post-Merger As of December 31, 2009	2008
The following details the components of Other long-term liabilities :		
Unrecognized tax benefits	$ 301,496	$ 266,852
Asset retirement obligation	51,301	55,592
Non-qualified plan liabilities	9,919	2,550
Interest rate swap	237,235	118,785
Deferred income	17,105	9,346
Other	207,498	122,614
Total other long-term liabilities	$ 824,554	$ 575,739

(In thousands)	Post-Merger As of December 31, 2009	2008
The following details the components of Accumulated other comprehensive income (loss) :		
Cumulative currency translation adjustment	$ (202,529)	$ (332,750)
Cumulative unrealized gain (losses) on securities	(85,995)	(88,813)
Reclassification adjustments	104,394	95,113
Cumulative unrealized gain (losses) on cash flow derivatives	(149,179)	(75,079)
Total accumulated other comprehensive income (loss)	$ (333,309)	$ (401,529)

NOTE P - SEGMENT DATA

The Company s reportable operating segments, which it believes best reflects how the Company is currently managed, are radio broadcasting, Americas outdoor advertising and international outdoor advertising. Revenue and expenses earned and charged between segments are recorded at fair value and eliminated in consolidation. The radio broadcasting segment also operates various radio networks. The Americas outdoor advertising segment consists of our operations primarily in the United States, Canada and Latin America, with approximately 91% of its 2009 revenue in this segment derived from the United States. The international outdoor segment includes operations in Europe, the U.K., Asia and Australia. The Americas and international display inventory consists primarily of billboards, street furniture displays and transit displays. The other category includes our media representation firm as well as other general support services and initiatives which are ancillary to our other businesses. Share-based payments are recorded by each segment in direct operating and selling, general and administrative expenses.

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(In thousands)	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Post-Merger Year Ended December 31, 2009							
Revenue	$ 2,736,404	$ 1,238,171	$ 1,459,853	$ 200,467	$	$ (82,986)	$ 5,551,909
Direct operating expenses	901,799	608,078	1,017,005	98,829		(42,448)	2,583,263
Selling, general and administrative expenses	933,505	202,196	282,208	89,222		(40,538)	1,466,593
Depreciation and amortization	261,246	210,280	229,367	56,379	8,202		765,474
Corporate expenses					253,964		253,964
Impairment charges					4,118,924		4,118,924
Other operating expense net					(50,837)		(50,837)
Operating income (loss)	$ 639,854	$ 217,617	$ (68,727)	$ (43,963)	$ (4,431,927)	$	$ (3,687,146)
Intersegment revenues	$ 31,974	$ 2,767	$	$ 48,245	$	$	$ 82,986
Identifiable assets	$ 8,601,490	$ 4,722,975	$ 2,216,691	$ 771,346	$ 1,734,599	$	$ 18,047,101
Capital expenditures	$ 41,880	$ 84,440	$ 91,513	$ 322	$ 5,637	$	$ 223,792
Share-based payments	$ 8,276	$ 7,977	$ 2,412	$	$ 21,121	$	$ 39,786
Post-Merger Period from July 31, 2008 through December 31, 2008							
Revenue	$ 1,355,894	$ 587,427	$ 739,797	$ 97,975	$	$ (44,152)	$ 2,736,941
Direct operating expenses	409,090	276,602	486,102	46,193		(19,642)	1,198,345
Selling, general and administrative expenses	530,445	114,260	147,264	39,328		(24,510)	806,787
Depreciation and amortization	90,166	90,624	134,089	24,722	8,440		348,041
Corporate expenses					102,276		102,276
Merger expenses					68,085		68,085
Impairment charges					5,268,858		5,268,858
Other operating					13,205		13,205

income net							
Operating income (loss)	$ 326,193	$ 105,941	$ (27,658)	$ (12,268)	$ (5,434,454)	$	$ (5,042,246)
Intersegment revenues	$ 15,926	$ 3,985	$	$ 24,241	$	$	$ 44,152
Identifiable assets	$ 11,905,689	$ 5,187,838	$ 2,409,652	$ 1,016,073	$ 606,211	$	$ 21,125,463
Capital expenditures	$ 24,462	$ 93,146	$ 66,067	$ 2,567	$ 4,011	$	$ 190,253
Share-based payments	$ 3,399	$ 3,012	$ 797	$ 110	$ 8,593	$	$ 15,911

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	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Pre-Merger Period from January 1, 2008 through July 30, 2008							
Revenue	$ 1,937,980	$ 842,831	$ 1,119,232	$ 111,990	$	$ (60,291)	$ 3,951,742
Direct operating expenses	570,234	370,924	748,508	46,490		(30,057)	1,706,099
Selling, general and administrative expenses	652,162	138,629	206,217	55,685		(30,234)	1,022,459
Depreciation and amortization	62,656	117,009	130,628	28,966	9,530		348,789
Corporate expenses					125,669		125,669
Merger expenses					87,684		87,684
Other operating income net					14,827		14,827
Operating income (loss)	$ 652,928	$ 216,269	$ 33,879	$ (19,151)	$ (208,056)	$	$ 675,869
Intersegment revenues	$ 23,551	$ 4,561	$	$ 32,179	$	$	$ 60,291
Identifiable assets	$ 11,667,570	$ 2,876,051	$ 2,704,889	$ 558,638	$ 656,616	$	$ 18,463,764
Capital expenditures	$ 37,004	$ 82,672	$ 116,450	$ 1,609	$ 2,467	$	$ 240,202
Share-based payments	$ 34,386	$ 5,453	$ 1,370	$ 1,166	$ 20,348	$	$ 62,723
Pre-Merger Year Ended December 31, 2007							
Revenue	$ 3,558,534	$ 1,485,058	$ 1,796,778	$ 207,704	$	$ (126,872)	$ 6,921,202
Direct operating expenses	982,966	590,563	1,144,282	78,513		(63,320)	2,733,004
Selling, general and administrative expenses	1,190,083	226,448	311,546	97,414		(63,552)	1,761,939
Depreciation and amortization	107,466	189,853	209,630	43,436	16,242		566,627
Corporate expenses					181,504		181,504
Merger expenses					6,762		6,762
Other operating income net					14,113		14,113
Operating income (loss)	$ 1,278,019	$ 478,194	$ 131,320	$ (11,659)	$ (190,395)	$	$ 1,685,479

Intersegment revenues	$ 44,666	$ 13,733	$	$ 68,473	$	$	$ 126,872
Identifiable assets	$ 11,732,311	$ 2,878,753	$ 2,606,130	$ 736,037	$ 345,404	$	$ 18,298,635
Capital expenditures	$ 78,523	$ 142,826	$ 132,864	$ 2,418	$ 6,678	$	$ 363,309
Share-based payments	$ 22,226	$ 7,932	$ 1,701	$	$ 12,192	$	$ 44,051

Revenue of $1.6 billion, $799.8 million, $1.2 billion, and $1.9 billion derived from the Company s foreign operations are included in the data above for the year ended December 31, 2009, the post-merger period from July 31, 2008 through December 31, 2008, the pre-merger period January 1, 2008 through July 30, 2008, and the pre-merger year ended December 31, 2007, respectively. Identifiable assets of $2.5 billion, $2.6 billion, $2.9 billion, and $2.9 billion derived from foreign operations are included in the data above for the year ended December 31, 2009, the post-merger five months ended December 31, 2008, the pre-merger seven months ended July 30, 2008, and the pre-merger year ended December 31, 2007, respectively.

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NOTE Q - QUARTERLY RESULTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)

	March 31,		June 30,		September 30,		December 31,	
	2009	2008	2009	2008	2009	2008	2009	2008
	Post-Merger	Pre-Merger	Post-Merger	Pre-Merger	Post-Merger	Combined[3]	Post-Merger	Post-Merger
Revenue	$ 1,207,987	$ 1,564,207	$ 1,437,865	$ 1,831,078	$ 1,393,973	$ 1,684,593	$ 1,512,084	$ 1,608,805
Operating expenses:								
Direct operating expenses	618,349	705,947	637,076	743,485	632,778	730,405	695,060	724,607
Selling, general and administrative expenses	377,536	426,381	360,558	445,734	337,055	441,813	391,444	515,318
Depreciation and amortization	175,559	152,278	208,246	142,188	190,189	162,463	191,480	239,901
Corporate expenses	47,635	46,303	50,087	47,974	79,723	64,787	76,519	68,881
Merger expenses		389		7,456		79,839		68,085
Impairment charges [1]			4,041,252				77,672	5,268,858
Other operating income (expense) net	(2,894)	2,097	(31,516)	17,354	1,403	(3,782)	(17,830)	12,363
Operating income (loss)	(13,986)	235,006	(3,890,870)	461,595	155,631	201,504	62,079	(5,264,482)
Interest expense	387,053	100,003	384,625	82,175	369,314	312,511	359,874	434,289
Gain (loss) on marketable securities		6,526		27,736	(13,378)		7	(116,552)
Equity in earnings (loss) of nonconsolidated affiliates	(4,188)	83,045	(17,719)	8,990	1,226	4,277	(8)	3,707
Other income (expense) net	(3,180)	11,787	430,629	(6,086)	222,282	(21,727)	29,985	142,419
Income (loss) before income taxes and discontinued operations	(408,407)	236,361	(3,862,585)	410,060	(3,553)	(128,457)	(267,811)	(5,669,197)
Income tax (expense) benefit [2]	(19,592)	(66,581)	184,552	(125,137)	(89,118)	52,344	417,478	663,414
Income (loss) before discontinued operations	(427,999)	169,780	(3,678,033)	284,923	(92,671)	(76,113)	149,667	(5,005,783)
Income (loss) from discontinued		638,262		5,032		(4,071)		(832)

operations, net								
Consolidated net income (loss)	(427,999)	808,042	(3,678,033)	289,955	(92,671)	(80,184)	149,667	(5,006,615)
Amount attributable to noncontrolling interest	(9,782)	8,389	(4,629)	7,628	(2,816)	10,003	2,277	(9,349)
Net income (loss) attributable to the Company	$ (418,217)	$ 799,653	$ (3,673,404)	$ 282,327	$ (89,855)	$ (90,187)	$ 147,390	$ (4,997,266)

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	March 31,		June 30,		September 30,		December 31,	
	2009	2008	2009	2008	2009	2008	2009	2008
	Post-Merger	Pre-Merger	Post-Merger	Pre-Merger	Post-Merger	Combined(3)	Post-Merger	Post-Merger
Net income per common share:								
Basic:								
Income (loss) attributable to the Company before discontinued operations		$ .33		$ .56		N.A.		
Discontinued operations		1.29		.01		N.A.		
Net income (loss) attributable to the Company		$ 1.62		$ .57		N.A.		
Diluted:								
Income (loss) before discontinued operations		$ .32		$ .56		N.A.		
Discontinued operations		1.29		.01		N.A.		
Net income (loss) attributable to the Company		$ 1.61		$ .57		N.A.		
Dividends declared per share		$		$		$		

(1) As discussed in Note B, the fourth quarter of 2009 includes a $41.4 million adjustment related to previously recorded impairment charges.

(2) See Note L for further discussion of the tax benefits recorded in the fourth quarters of 2009 and 2008.

(3) The third quarter results of operations contain two months of post-merger and one month of pre-merger results, which relate to the period succeeding the merger and the periods preceding the merger, respectively. The Company believes that the presentation on a combined basis is more meaningful as it allows the results of operations to be analyzed to comparable periods in 2009. The following table separates the combined results into the post-merger and pre-merger periods:

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(In thousands)	Period from July 31 through September 30, 2008 Post-Merger	Period from July 1 through July 30, 2008 Pre-Merger	Three Months ended September 30, 2008 Combined
Revenue	$ 1,128,136	$ 556,457	$ 1,684,593
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	473,738	256,667	730,405
Selling, general and administrative expenses (excludes depreciation and amortization)	291,469	150,344	441,813
Depreciation and amortization	108,140	54,323	162,463
Corporate expenses (excludes depreciation and amortization)	33,395	31,392	64,787
Merger expenses		79,839	79,839
Gain (loss) on disposition of assets net	842	(4,624)	(3,782)
Operating income (loss)	222,236	(20,732)	201,504
Interest expense	281,479	31,032	312,511
Equity in earnings of nonconsolidated affiliates	2,097	2,180	4,277
Other income (expense) net	(10,914)	(10,813)	(21,727)
Income (loss) before income taxes and discontinued operations	(68,060)	(60,397)	(128,457)
Income tax benefit	33,209	19,135	52,344
Income (loss) before discontinued operations	(34,851)	(41,262)	(76,113)
Income (loss) from discontinued operations, net	(1,013)	(3,058)	(4,071)
Consolidated net income (loss)	(35,864)	(44,320)	(80,184)
Amount attributable to noncontrolling interest	8,868	1,135	10,003
Net income (loss) attributable to the Company	$ (44,732)	$ (45,455)	$ (90,187)
Net income (loss) per common share:			
Income (loss) attributable to the Company before discontinued operations Basic		$ (.09)	
Discontinued operations Basic			
Net income (loss) attributable to the Company Basic		$ (.09)	
Weighted average common shares - Basic		495,465	
Income (loss) attributable to the Company before discontinued operations Diluted		$ (.09)	
Discontinued operations Diluted			
Net income (loss) attributable to the Company Diluted		$ (.09)	
Weighted average common shares - Diluted		495,465	
Dividends declared per share		$	

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NOTE R CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In connection with the merger, the Company paid certain affiliates of the Sponsors $87.5 million in fees and expenses for financial and structural advice and analysis, assistance with due diligence investigations and debt financing negotiations and $15.9 million for reimbursement of escrow and other out-of-pocket expenses. This amount was preliminarily allocated between merger expenses, debt issuance costs or included in the overall purchase price of the merger.

The Company is party to a management agreement with certain affiliates of the Sponsors and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These agreements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than $15.0 million per year. For the year ended December 31, 2009, the Company recognized management fees of $15.0. For the post-merger period ended December 31, 2008, the Company recognized management fees of $6.3 million.

In addition, the Company reimbursed the Sponsors for additional expenses in the amount of $5.5 million for the year ended December 31, 2009.

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NOTE S GUARANTOR SUBSIDIARIES

The Company and certain of Clear Channel s direct and indirect wholly-owned domestic subsidiaries (the Guarantor Subsidiaries) fully and unconditionally guaranteed on a joint and several basis certain of Clear Channel s outstanding indebtedness. The following consolidating schedules present financial information on a combined basis in conformity with the SEC s Regulation S-X Rule 3-10(d):

Post-merger			December 31, 2009			
(In thousands)	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$	$ 1,258,993	$ 625,001	$	$ 1,883,994
Accounts receivable, net of allowance			569,300	732,400		1,301,700
Intercompany receivables	9,601	7,132,727	9,624	47,690	(7,199,642)	
Income taxes receivable	4,310	393,279	(313,057)	51,675		136,207
Prepaid expenses	2,098		12,018	67,553		81,669
Other current assets		47,942	39,407	190,406	(22,480)	255,275
Total Current Assets	16,009	7,573,948	1,576,285	1,714,725	(7,222,122)	3,658,845
Property, plant and equipment, net			890,068	2,442,325		3,332,393
Definite-lived intangibles, net			1,789,195	810,049		2,599,244
Indefinite-lived intangibles licenses			2,429,839			2,429,839
Indefinite-lived intangibles permits				1,132,218		1,132,218
Goodwill			3,259,659	865,346		4,125,005
Notes receivable			869	596		1,465
Intercompany notes receivable (a)		212,000			(212,000)	
Long-term intercompany receivable				123,308	(123,308)	
Investments in, and advances to, nonconsolidated affiliates			1,217	344,132		345,349
Investment in subsidiaries	(7,724,529)	4,042,305	2,903,194		779,030	
Other assets		214,687	12,658	473,620	(322,907)	378,058
Other investments		1	27,686	16,998		44,685
Total Assets	$ (7,708,520)	$ 12,042,941	$ 12,890,670	$ 7,923,317	$ (7,101,307)	$ 18,047,101
Accounts payable	$	$	$ 22,667	$ 109,526	$	$ 132,193
Accrued expenses		25	218,852	507,434		726,311
Accrued interest		158,792		924	(22,480)	137,236
Intercompany payable			7,313,326	9,624	(7,322,950)	
Current portion of long-term debt (b)		351,702	4	47,073		398,779
Deferred income			37,189	112,428		149,617
Total Current Liabilities		510,519	7,592,038	787,009	(7,345,430)	1,544,136
Long-term debt (b)		18,457,142	4,000	2,561,805	(719,821)	20,303,126
Intercompany long-term debt			212,000		(212,000)	
Deferred income taxes	(11,220)	511,142	846,062	874,039		2,220,023
Other long-term liabilities		288,667	279,477	256,410		824,554
Total member s interest (deficit)	(7,697,300)	(7,724,529)	3,957,093	3,444,054	1,175,944	(6,844,738)
Total Liabilities and Member s Interest (Deficit)	$ (7,708,520)	$ 12,042,941	$ 12,890,670	$ 7,923,317	$ (7,101,307)	$ 18,047,101

(a) Clear Channel had a note receivable in the original principal amount of $2.5 billion from Clear Channel Outdoor, Inc. which was prepaid in full and retired in December 2009 in connection with the offering of subsidiary level senior notes discussed in Note G.

(b) Clear Channel is the issuer of most of the Company s indebtedness. In December 2009, Clear Channel Outdoor, Inc. (a non-guarantor subsidiary), issued $2.5 billion in notes discussed more fully in Note G.

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Post-merger *(In thousands)*	December 31, 2008 Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$	$ 139,433	$ 100,413	$	$ 239,846
Accounts receivable, net of allowance			622,255	809,049		1,431,304
Intercompany receivables		6,609,523		431,641	(7,041,164)	
Prepaid expenses	1,472	14,677	46,603	70,465		133,217
Other current assets	1,960	178,985	(62,689)	145,565	(1,633)	262,188
Total Current Assets	3,432	6,803,185	745,602	1,557,133	(7,042,797)	2,066,555
Property, plant and equipment, net			959,555	2,588,604		3,548,159
Definite-lived intangibles, net			1,869,528	1,012,192		2,881,720
Indefinite-lived intangibles licenses			3,019,803			3,019,803
Indefinite-lived intangibles permits				1,529,068		1,529,068
Goodwill			5,809,000	1,281,621		7,090,621
Notes receivable			8,493	3,140		11,633
Intercompany notes receivable (a)		2,712,000			(2,712,000)	
Investments in, and advances to, nonconsolidated affiliates				384,137		384,137
Investment in subsidiaries	(3,443,136)	7,333,787	3,730,759		(7,621,410)	
Other assets		297,694	141,215	145,806	(24,455)	560,260
Other investments			10,089	23,418		33,507
Total Assets	$ (3,439,704)	$ 17,146,666	$ 16,294,044	$ 8,525,119	$ (17,400,662)	$ 21,125,463
Accounts payable	$	$	$ 36,732	$ 118,508	$	$ 155,240
Accrued expenses			295,402	497,964		793,366
Accrued interest		182,605		292	(1,633)	181,264
Intercompany payable	6,616	431,641	6,589,023	13,884	(7,041,164)	
Current portion of long-term debt (b)		493,395	6	69,522		562,923
Deferred income			40,268	112,885		153,153
Total Current Liabilities	6,616	1,107,641	6,961,431	813,055	(7,042,797)	1,845,946
Long-term debt (b)		18,982,760	4,004	32,332	(78,399)	18,940,697
Intercompany long-term debt			212,000	2,500,000	(2,712,000)	
Deferred income taxes	(12,229)	339,189	1,320,322	1,032,030		2,679,312
Other long-term liabilities		160,213	236,467	179,059		575,739
Total member s interest (deficit)	(3,434,091)	(3,443,137)	7,559,820	3,968,643	(7,567,466)	(2,916,231)
Total Liabilities and Member s Interest (Deficit)	$ (3,439,704)	$ 17,146,666	$ 16,294,044	$ 8,525,119	$ (17,400,662)	$ 21,125,463

(a) Clear Channel had a note receivable in the original principal amount of $2.5 billion from Clear Channel Outdoor, Inc. at December 31, 2008.

(b) Clear Channel was the issuer of substantially all of the Company s indebtedness as of December 31, 2008.

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Post-merger	Year Ended December 31, 2009					
(In thousands)	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$	$	$ 2,831,773	$ 2,723,840	$ (3,704)	$ 5,551,909
Operating expenses:						
Direct operating expenses			953,870	1,630,330	(937)	2,583,263
Selling, general and administrative expenses			967,683	501,677	(2,767)	1,466,593
Depreciation and amortization			324,204	441,270		765,474
Corporate expenses	14,690	15	174,012	65,247		253,964
Merger expenses						
Impairment charges			3,223,941	894,983		4,118,924
Other operating income (expense) net			(42,606)	(8,231)		(50,837)
Operating income (loss)	(14,690)	(15)	(2,854,543)	(817,898)		(3,687,146)
Interest expense, net	20	1,371,161	20,218	83,846	25,621	1,500,866
Loss on marketable securities			(273)	(13,098)		(13,371)
Equity in earnings (loss) of nonconsolidated affiliates	(4,367,740)	(3,770,825)	(872,212)	(20,622)	9,010,710	(20,689)
Other income (expense) net		407,748	(10,642)	(85,981)	368,591	679,716
Income before income taxes and discontinued operations	(4,382,450)	(4,734,253)	(3,757,888)	(1,021,445)	9,353,680	(4,542,356)
Income tax benefit (expense)	5,394	366,513	(25,702)	147,115		493,320
Income (loss) before discontinued operations	(4,377,056)	(4,367,740)	(3,783,590)	(874,330)	9,353,680	(4,049,036)
Income (loss) from discontinued operations, net						
Consolidated net income (loss)	(4,377,056)	(4,367,740)	(3,783,590)	(874,330)	9,353,680	(4,049,036)
Amount attributable to noncontrolling interest			(10,604)	(4,346)		(14,950)
Net income (loss) attributable to the Company	$ (4,377,056)	$ (4,367,740)	$ (3,772,986)	$ (869,984)	$ 9,353,680	$ (4,034,086)

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Post-merger *(In thousands)*	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Period from July 31 through December 31, 2008					
Revenue	$	$	$ 1,403,440	$ 1,338,014	$ (4,513)	$ 2,736,941
Operating expenses:						
Direct operating expenses			438,698	760,175	(528)	1,198,345
Selling, general and administrative expenses			536,440	274,332	(3,985)	806,787
Depreciation and amortization			122,807	225,234		348,041
Impairment charges			2,051,209	3,217,649		5,268,858
Corporate expenses	4,236	391	65,968	31,681		102,276
Merger expenses		68,085				68,085
Other operating income net			8,335	4,870		13,205
Operating income (loss)	(4,236)	(68,476)	(1,803,347)	(3,166,187)		(5,042,246)
Interest (income) expense, net	9	635,731	7,756	72,767	(495)	715,768
Loss on marketable securities			(56,710)	(59,842)		(116,552)
Equity in earnings (loss) of nonconsolidated affiliates	(5,093,258)	(4,675,297)	(3,007,885)	5,804	12,776,440	5,804
Other income (expense) net	(2)	52,243	3,496	22,319	53,449	131,505
Income before income taxes and discontinued operations	(5,097,505)	(5,327,261)	(4,872,202)	(3,270,673)	12,830,384	(5,737,257)
Income tax benefit (expense)	1,563	234,003	196,586	264,471		696,623
Income (loss) before discontinued operations	(5,095,942)	(5,093,258)	(4,675,616)	(3,006,202)	12,830,384	(5,040,634)
Income (loss) from discontinued operations, net			(1,845)			(1,845)
Consolidated net income (loss)	(5,095,942)	(5,093,258)	(4,677,461)	(3,006,202)	12,830,384	(5,042,479)
Amount attributable to noncontrolling interest			(2,136)	1,655		(481)
Net income (loss) attributable to the Company	$ (5,095,942)	$ (5,093,258)	$ (4,675,325)	$ (3,007,857)	$ 12,830,384	$ (5,041,998)

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Pre-merger *(In thousands)*	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Period from January 1 through July 30, 2008					
Revenue	$	$	$ 1,978,039	$ 1,978,264	$ (4,561)	$ 3,951,742
Operating expenses:						
Direct operating expenses			579,094	1,127,005		1,706,099
Selling, general and administrative expenses			675,333	351,687	(4,561)	1,022,459
Depreciation and amortization			100,675	248,114		348,789
Corporate expenses		275	86,030	39,364		125,669
Merger expenses		87,684				87,684
Other operating income net			3,849	10,978		14,827
Operating income (loss)		(87,959)	540,756	223,072		675,869
Interest (income) expense, net		(132,888)	257,445	88,653		213,210
Gain on marketable securities			34,262			34,262
Equity in earnings (loss) of nonconsolidated affiliates		744,920	185,444	94,215	(930,364)	94,215
Other income (expense) net		(28)	(17,576)	12,492		(5,112)
Income before income taxes and discontinued operations		789,821	485,441	241,126	(930,364)	586,024
Income tax benefit (expense)		246,704	(358,541)	(60,746)		(172,583)
Income (loss) before discontinued operations		1,036,525	126,900	180,380	(930,364)	413,441
Income (loss) from discontinued operations, net			637,120	3,116		640,236
Consolidated net income (loss)		1,036,525	764,020	183,496	(930,364)	1,053,677
Amount attributable to noncontrolling interest			19,100	(1,948)		17,152
Net income (loss) attributable to the Company	$	$ 1,036,525	$ 744,920	$ 185,444	$ (930,364)	$ 1,036,525

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Pre-merger *(In thousands)*	Year ended December 31, 2007					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$	$	$ 3,627,890	$ 3,307,105	$ (13,793)	$ 6,921,202
Operating expenses:						
Direct operating expenses			993,464	1,739,540		2,733,004
Selling, general and administrative expenses			1,220,013	555,719	(13,793)	1,761,939
Depreciation and amortization			166,328	400,299		566,627
Corporate expenses		1,452	113,972	66,080		181,504
Merger expenses		6,762				6,762
Other operating income net			2,289	11,824		14,113
Operating income (loss)		(8,214)	1,136,402	557,291		1,685,479
Interest (income) expense		(159,516)	453,686	157,700		451,870
Gain on marketable securities			6,742			6,742
Equity in earnings of nonconsolidated affiliates		776,688	266,428	35,176	(1,043,116)	35,176
Other income (expense) net		80	(3,302)	8,548		5,326
Income before income taxes and discontinued operations		928,070	952,584	443,315	(1,043,116)	1,280,853
Income tax benefit (expense)		10,437	(293,143)	(158,442)		(441,148)
Income (loss) before discontinued operations		938,507	659,441	284,873	(1,043,116)	839,705
Income (loss) from discontinued operations, net			145,017	816		145,833
Consolidated net income (loss)		938,507	804,458	285,689	(1,043,116)	985,538
Amount attributable to noncontrolling interest			27,770	19,261		47,031
Net income (loss) attributable to the Company	$	$ 938,507	$ 776,688	$ 266,428	$ (1,043,116)	$ 938,507

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Post-merger *(In thousands)*	Year Ended December 31, 2009 Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Consolidated net income (loss)	$ (4,377,056)	$ (4,367,740)	$ (3,783,590)	$ (874,330)	$ 9,353,680	$ (4,049,036)
Reconciling items:						
Depreciation and amortization			324,204	441,270		765,474
Impairment charges			3,223,941	894,983		4,118,924
Deferred taxes	1,008	216,303	(489,556)	(144,946)		(417,191)
Provision for doubtful accounts			34,815	17,683		52,498
Amortization of deferred financing charges, bond premiums, and accretion of note discounts		249,295		(45,452)	25,621	229,464
Share-based compensation			27,682	12,104		39,786
(Gain) loss on sale of operating assets			42,606	8,231		50,837
(Gain) loss on securities			273	13,098		13,371
Equity in (earnings) loss of nonconsolidated affiliates	4,367,740	3,770,825	872,212	20,622	(9,010,710)	20,689
(Gain) loss on debt extinguishment		(411,267)		66,824	(368,591)	(713,034)
(Gain) loss on other investments and assets			7,903	1,692		9,595
Other reconciling items - net			735	35,836		36,571
Changes in operating assets and liabilities:						
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(2,975)	(183,408)	200,442	27,113	(17,945)	23,227
Net cash provided by (used in) operating activities	(11,283)	(725,992)	461,667	474,728	(17,945)	181,175
Cash flows from investing activities:						
Decrease (increase) in notes receivable net		2,500,000	452	371	(2,500,000)	823
Decrease (increase) in investments in and advances to nonconsolidated affiliates net				(3,811)		(3,811)
Purchase of other investments				(3,372)		(3,372)
Investment in subsidiaries		(318,898)			318,898	
Investment in Clear Channel notes				(361,411)	361,411	
Proceeds from maturity of Clear Channel notes				33,500	(33,500)	
Proceeds from sales of other investments			810	40,817		41,627
Purchases of property, plant and equipment			(47,377)	(176,415)		(223,792)
Proceeds from disposal of assets			30,674	18,144		48,818

Acquisition of operating assets		(3,367)	(4,933)		(8,300)
Decrease (increase) in other net	(2,914)	3,124	6,048		6,258
Net cash provided by (used in) investing activities	2,178,188	(15,684)	(451,062)	(1,853,191)	(141,749)

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Post-merger *(In thousands)*	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Year Ended December 31, 2009					
Cash flows from financing activities:						
Draws on credit facilities		1,701,500		7,125		1,708,625
Payments on credit facilities		(698,877)		(3,364)	500,000	(202,241)
Proceeds from issuance of subsidiary senior notes				2,500,000		2,500,000
Proceeds from delayed draw term loan facility		500,000				500,000
Payments on long-term debt		(500,000)	(6)	(5,913)	33,500	(472,419)
Payments on senior secured credit facilities		(2,000,000)				(2,000,000)
Repayment of CCU Intercompany Note				(2,500,000)	2,500,000	
Repurchases of long-term debt					(343,466)	(343,466)
Deferred financing charges				(60,330)		(60,330)
Intercompany funding	11,467	(454,819)	673,583	269,769	(500,000)	
Proceeds from parent investment in subsidiaries				318,898	(318,898)	
Payments for purchase of noncontrolling interest				(25,263)		(25,263)
Payments for purchase of common shares	(184)					(184)
Net cash provided by (used in) financing activities	11,283	(1,452,196)	673,577	500,922	1,871,136	1,604,722
Net (decrease) increase in cash and cash equivalents			1,119,560	524,588		1,644,148
Cash and cash equivalents at beginning of period			139,433	100,413		239,846
Cash and cash equivalents at end of period	$	$	$ 1,258,993	$ 625,001	$	$ 1,883,994

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Post-merger *(In thousands)*	Period from July 31 through December 31, 2008					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Consolidated net income (loss)	$ (5,095,942)	$ (5,093,258)	$ (4,677,461)	$ (3,006,202)	$ 12,830,384	$ (5,042,479)
Less: Income (loss) from discontinued operations, net			(1,845)			(1,845)
Net income (loss) from continuing operations	(5,095,942)	(5,093,258)	(4,675,616)	(3,006,202)	12,830,384	(5,040,634)
Reconciling items:						
Depreciation and amortization			122,807	225,234		348,041
Impairment charges			2,051,209	3,217,649		5,268,858
Deferred taxes	397	(71,627)	(278,330)	(270,334)		(619,894)
Provision for doubtful accounts			30,363	24,240		54,603
Amortization of deferred financing charges, bond premiums, and accretion of note discounts		104,687	(1,288)		(540)	102,859
Share-based compensation			11,728	4,183		15,911
(Gain) loss on sale of operating assets			(8,335)	(4,870)		(13,205)
(Gain) loss on forward exchange contract						
(Gain) loss on securities			56,710	59,842		116,552
Equity in (earnings) loss of nonconsolidated affiliates	5,093,258	4,675,297	3,007,885	(5,804)	(12,776,440)	(5,804)
(Gain) loss on debt extinguishment		(60,690)	(2,538)		(53,449)	(116,677)
Other reconciling items - net			1,590	10,499		12,089
Changes in operating assets and liabilities:						
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(3,433)	122,909	(13,917)	19,311	(1,543)	123,327
Net cash provided by (used in) operating activities	(5,720)	(322,682)	302,268	273,748	(1,588)	246,026
Cash flows from investing activities:						
Decrease (increase) in notes receivable - net			572	169		741
Decrease (increase) in investments in and				3,909		3,909

advances to nonconsolidated affiliates - net						
Purchase of other investments				(26,068)	26,042	(26)
Purchases of property, plant and equipment			(30,536)	(159,717)		(190,253)
Proceeds from disposal of assets			14,038	2,917		16,955
Acquisition of operating assets		(26,042)	(11,551)	(11,677)	26,042	(23,228)
Decrease (increase) in other - net		39,891	(69,382)	(17,851)		(47,342)
Cash used to purchase equity	(2,142,830)	(15,329,629)				(17,472,459)
Net cash provided by (used in) investing activities	(2,142,830)	(15,315,780)	(96,859)	(208,318)	52,084	(17,711,703)

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Post-merger *(In thousands)*	Period from July 31 through December 31, 2008 Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from financing activities:						
Draws on credit facilities		150,000		30,000		180,000
Payments on credit facilities		(127,891)		(660)		(128,551)
Proceeds from long-term debt		532,500		25,020		557,520
Payments on long-term debt		(513,392)	(4,098)	(37,145)	(29)	(554,664)
Repurchases of long-term debt					(24,425)	(24,425)
Intercompany funding	5,720	215,169	(134,895)	(85,994)		
Debt proceeds used to finance the merger		15,382,076				15,382,076
Equity proceeds used to finance the merger	2,142,830					2,142,830
Payments for purchase of common shares				25,995	(26,042)	(47)
Net cash provided by (used in) financing activities	2,148,550	15,638,462	(138,993)	(42,784)	(50,496)	17,554,739
Cash flows from discontinued operations:						
Net cash (used in) provided by operating activities			2,429			2,429
Net cash provided by investing activities						
Net cash provided by (used in) financing activities						
Net cash provided by discontinued operations			2,429			2,429
Net (decrease) increase in cash and cash equivalents			68,845	22,646		91,491
Cash and cash equivalents at beginning of period			70,588	77,767		148,355
Cash and cash equivalents at end of period	$	$	$ 139,433	$ 100,413	$	$ 239,846

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Pre-merger	Period from January 1 through July 30, 2008					
(In thousands)	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Consolidated net income (loss)	$	$ 1,036,525	$ 764,020	$ 183,496	$ (930,364)	$ 1,053,677
Less: Income (loss) from discontinued operations, net			637,120	3,116		640,236
Net income (loss) from continuing operations		1,036,525	126,900	180,380	(930,364)	413,441
Reconciling items:						
Depreciation and amortization			100,675	248,114		348,789
Deferred taxes		54,276	67,172	23,855		145,303
Provision for doubtful accounts			14,601	8,615		23,216
Amortization of deferred financing charges, bond premiums, and accretion of note discounts		4,499	(969)			3,530
Share-based compensation			56,218	6,505		62,723
(Gain) loss on disposal of assets			(3,849)	(10,978)		(14,827)
(Gain) loss forward exchange contract			2,496			2,496
(Gain) loss on trading securities			(36,758)			(36,758)
Equity in (earnings) loss of nonconsolidated affiliates		(744,920)	(185,444)	(94,215)	930,364	(94,215)
(Gain) loss on debt extinguishment			13,484			13,484
Other reconciling items - net		72	4,628	4,433		9,133
Changes in operating assets and liabilities:						
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions		(243,368)	437,791	(35,480)		158,943
Net cash provided by operating activities		107,084	596,945	331,229		1,035,258
Cash flows from investing activities:						
Decrease (increase) in notes receivable - net			97	239		336
Decrease (increase) in investments in and advances to nonconsolidated affiliates - net				25,098		25,098
Cross currency settlement of interest		(198,615)				(198,615)
Purchase of other investments				(98)		(98)
Proceeds from sales of other investments			125,700	47,767		173,467
Purchases of property, plant and equipment			(40,642)	(199,560)		(240,202)
Proceeds from disposal of assets			34,176	38,630		72,806
Acquisition of operating assets			(69,015)	(84,821)		(153,836)
Decrease (increase) in other - net		(41,118)	(56,411)	2,322		(95,207)
Net cash used in investing activities		(239,733)	(6,095)	(170,423)		(416,251)

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Pre-merger	Period from January 1 through July 30, 2008					
(In thousands)	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from financing activities:						
Draws on credit facilities		620,464		72,150		692,614
Payments on credit facilities		(715,127)		(157,774)		(872,901)
Proceeds from long term debt				5,476		5,476
Payments on long-term debt		(625,000)	(652,686)	(4,662)		(1,282,348)
Intercompany funding		935,681	(789,261)	(146,420)		
Payments on forward exchange contract			(110,410)			(110,410)
Proceeds from exercise of stock options and other		13,515		4,261		17,776
Dividends paid		(93,367)				(93,367)
Payments for purchase of common shares		(3,517)		(264)		(3,781)
Net cash provided by (used in) financing activities		132,649	(1,552,357)	(227,233)		(1,646,941)
Cash flows from discontinued operations:						
Net cash provided by (used in) operating activities			(68,770)	1,019		(67,751)
Net cash provided by investing activities			1,095,892	3,000		1,098,892
Net cash provided by (used in) financing activities						
Net cash provided by discontinued operations			1,027,122	4,019		1,031,141
Net (decrease) increase in cash and cash equivalents			65,615	(62,408)		3,207
Cash and cash equivalents at beginning of period			4,973	140,175		145,148
Cash and cash equivalents at end of period	$	$	$ 70,588	$ 77,767	$	$ 148,355

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Pre-merger *(In thousands)*	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Year ended December 31, 2007					
Cash flows from operating activities:						
Consolidated net income	$	$ 938,507	$ 804,458	$ 285,689	$ (1,043,116)	$ 985,538
Less: Income (loss) from discontinued operations, net			145,017	816		145,833
Net income (loss) from continuing operations		938,507	659,441	284,873	(1,043,116)	839,705
Reconciling items:						
Depreciation and amortization			166,328	400,299		566,627
Deferred taxes		(15,426)	163,576	40,088		188,238
Provision for doubtful accounts			28,017	10,598		38,615
Amortization of deferred financing charges, bond premiums, and accretion of note discounts		6,335	1,404			7,739
Share-based compensation			34,681	9,370		44,051
(Gain) loss on disposal of assets			(2,289)	(11,824)		(14,113)
(Gain) loss forward exchange contract			3,954			3,954
(Gain) loss on trading securities			(10,696)			(10,696)
Equity in (earnings) loss of nonconsolidated affiliates		(776,688)	(266,428)	(35,176)	1,043,116	(35,176)
Other reconciling items - net		(200)	586	(478)		(92)
Changes in operating assets and liabilities:						
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions		(64,521)	18,788	(6,691)		(52,424)
Net cash provided by operating activities		88,007	797,362	691,059		1,576,428
Cash flows from investing activities:						
Decrease (increase) in notes receivable - net			(5,835)	(234)		(6,069)
Decrease (increase) in investments in and advances to nonconsolidated affiliates - net			(2,353)	23,221		20,868
Cross currency settlement of interest		(1,214)				(1,214)
Purchase of other investments			(67)	(659)		(726)
Proceeds from sales of other investments			2,409			2,409
Purchases of property, plant and equipment			(86,683)	(276,626)		(363,309)
Proceeds from disposal of assets			8,856	17,321		26,177
Acquisition of operating assets			(53,051)	(69,059)		(122,110)
Decrease (increase) in other - net		(24,813)	15,041	(28,931)		(38,703)
Net cash used in investing activities		(26,027)	(121,683)	(334,967)		(482,677)

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Pre-merger	Year ended December 31, 2007					
(In thousands)	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from financing activities:						
Draws on credit facilities		780,138		106,772		886,910
Payments on credit facilities		(1,628,400)		(76,614)		(1,705,014)
Proceeds from long-term debt				22,483		22,483
Payments on long-term debt		(250,000)	(26,751)	(66,290)		(343,041)
Intercompany funding		1,339,415	(1,009,695)	(329,720)		
Proceeds from exercise of stock options and other		69,236	1	10,780		80,017
Dividends paid		(372,369)				(372,369)
Net cash used in financing activities		(61,980)	(1,036,445)	(332,589)		(1,431,014)
Cash flows from discontinued operations:						
Net cash (used in) provided by operating activities			33,332	500		33,832
Net cash provided by investing activities			332,579			332,579
Net cash provided by (used in) financing activities						
Net cash provided by discontinued operations			365,911	500		366,411
Net (decrease) increase in cash and cash equivalents			5,145	24,003		29,148
Cash and cash equivalents at beginning of period			(172)	116,172		116,000
Cash and cash equivalents at end of period	$	$	$ 4,973	$ 140,175	$	$ 145,148

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NOTE T SUBSEQUENT EVENTS

On January 15, 2010, Clear Channel redeemed its 4.50% senior notes at their maturity for $250.0 million with available cash on hand.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable

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ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, who joined us effective January 4, 2010, we have carried out an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2009 to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management s Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed under the supervision of the Company s Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company s financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2009, management assessed the effectiveness of the Company s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2009, based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Company s internal control over financial reporting as of December 31, 2009. The report, which expresses an unqualified opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2009, is included in this Item under the heading Report of Independent Registered Public Accounting Firm.

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.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Clear Channel Capital I, LLC

We have audited Clear Channel Capital I, LLC s (Clear Channel Capital) internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Clear Channel Capital s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Clear Channel Capital s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Clear Channel Capital maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Clear Channel Capital as of December 31, 2009 and 2008, the related consolidated statements of operations, members interest (deficit)/shareholders equity, and cash flows of Clear Channel Capital for the year ended December 31, 2009 and for the period from July 31, 2008 through December 31, 2008, the related consolidated statement of operations, shareholders equity, and cash flows of Clear Channel Communications, Inc. for the period from January 1, 2008 through July 30, 2008, and for the year ended December 31, 2007, and our report dated March 16, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Antonio, Texas

March 16, 2010

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ITEM 9B. Other Information

Not Applicable

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PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

ITEM 11. Executive Compensation

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

ITEM 14. Principal Accounting Fees and Services

The following fees for services provided by Ernst & Young LLP were billed during the year ended December 31, 2009:

(In thousands)		
Annual audit fees (1)	$	6,627
Audit-related fees (2)		
Tax fees (3)		938
All other fees (4)		75
Total fees for services	$	7,640

(1) Annual audit fees are for professional services rendered for the audit of annual financial statements and reviews of quarterly financial statements. This category also includes fees for statutory audits required domestically and internationally, comfort letters, consents, assistance with and review of documents filed with the SEC, attest services, work done by tax professionals in connection with the audit or quarterly reviews, and accounting consultations and research work necessary to comply with generally accepted auditing standards.

(2) Audit-related fees are for due diligence related to mergers and acquisitions, internal control reviews and attest services not required by statute or regulations.

(3) Tax fees are for professional services rendered for tax compliance, tax advice and tax planning, except those provided in connection with the audit or quarterly reviews. Of the $937,733 in tax fees, $348,444 was related to tax compliance services.

(4)

All other fees are the fees for products and services other than those in the above three categories. This category includes, among other things, permitted corporate finance assistance, and certain advisory services such as internal audit assistance and legal services permitted by SEC rules during the applicable period.

The Audit Committee has considered whether Ernst & Young LLP s provision of non-audit services is compatible with maintaining Ernst & Young LLP s independence.

The Audit Committee pre-approves all audit and permitted non-audit services (including the fees and terms thereof) to be performed by its independent auditor. The chairperson of the Audit Committee may represent the entire Audit Committee for the purposes of pre-approving permissible non-audit services, provided that the decision to pre-approve any service is disclosed to the Audit Committee no later than its next scheduled meeting.

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PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a)1. Financial Statements.

The following consolidated financial statements are included in Item 8:

Consolidated Balance Sheets as of December 31, 2009 and 2008

Consolidated Statements of Operations for the Years Ended December 31, 2009, 2008 and 2007.

Consolidated Statements of Changes in Member s Deficit/Shareholders Equity for the Years Ended December 31, 2009, 2008 and 2007.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2009, 2008 and 2007.

Notes to Consolidated Financial Statements

(a)2. Financial Statement Schedule.

The following financial statement schedule for the years ended December 31, 2009, 2008 and 2007 and related report of independent auditors is filed as part of this report and should be read in conjunction with the consolidated financial statements.

Schedule II Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

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SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

Allowance for Doubtful Accounts

(In thousands)

Description	Balance at Beginning of period	Charges to Costs, Expenses and other	Write-off of Accounts Receivable	Other		Balance at end of Period
Year ended December 31, 2007	$ 56,068	$ 38,615	$ 38,711	$ 3,197	(1)	$ 59,169
Period from January 1, through July 30, 2008	$ 59,169	$ 23,216	$ 19,679	$ 2,157	(1)	$ 64,863
Period from July 31, through December 31, 2008	$ 64,863	$ 54,603	$ 18,703	$ (3,399)	(1)	$ 97,364
Year ended December 31, 2009	$ 97,364	$ 52,498	$ 77,850	$ (362)	(1)	$ 71,650

(1) Primarily foreign currency adjustments.

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SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

Deferred Tax Asset Valuation Allowance

(In thousands)

Description	Balance at Beginning of period	Charges to Costs, Expenses and other (1)	Utilization (2)	Adjustments (3)	Balance at end of Period
Year ended December 31, 2007	$ 553,398	$	$ (77,738)	$ 41,262	$ 516,922
Period from January 1, through July 30, 2008	$ 516,922	$	$ (264,243)	$	$ 252,679
Period from July 31, through December 31, 2008	$ 252,679	$ 62,114	$ 3,341	$ 1,396	$ 319,530
Year ended December 31, 2009	$ 319,530	$	$ (7,369)	$ (308,307)	$ 3,854

(1) During 2008 the Company recorded a valuation allowance on certain net operating losses that are not able to be carried back to prior years.

(2) During 2007, 2008 and 2009 the Company utilized capital loss carryforwards to offset the capital gains generated in both continuing and discontinued operations from the disposition of primarily broadcast assets and certain investments. The related valuation allowance was released as a result of the capital loss carryforward utilization.

(3)

Related to a valuation allowance for the capital loss carryforward recognized during 2005 as a result of the spin-off of Live Nation and certain net operating loss carryforwards. During 2007 the amount of capital loss carryforward and the related valuation allowance were adjusted due to the impact of settlements of various matters with the Internal Revenue Service for the 1999-2004 tax years. During 2008 the amount of capital loss carryforward and the related valuation allowance were adjusted due to the true up of the amount utilized on the 2007 tax return and the impact certain IRS audit adjustments that were agreed to during the year. During 2009 the Company released all valuation allowances related to its capital loss carryforwards due to the fact the all capital loss carryforwards were utilized or expired as of December 31, 2009. In addition, the Company released valuation allowances related to certain net operating loss carryforwards due to the fact that the Company can now carryback certain losses to prior years as a result of the enactment of the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) on November 6, 2009 that allowed carryback of certain net operating losses five years. The Company s expectations as to future taxable income from deferred tax liabilities that reverse in the relevant carryforward period for those net operating losses that cannot be carried back will be sufficient for the realization of the deferred tax assets associated with the remaining net operating loss carryforwards.

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(a)3. 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 Exhibit 2.1 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 Exhibit 2.1 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 Exhibit 2.1 to Clear Channel s Current Report on Form 8-K dated May 18, 2007).
2.4	Amendment No. 3, dated May 13, 2008, 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, CC Media Holdings, Inc. and Clear Channel Communications, Inc. (incorporated by reference to Exhibit 2.1 to Clear Channel s Current Report on Form 8-K dated May 14, 2008).
2.5	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 Exhibit 2.1 to Clear Channel s Current Report on Form 8-K dated April 26, 2007).
3.1	Third Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company s Registration Statement on Form S-4 (Registration No. 333-151345) declared effective by the Securities and Exchange Commission on June 17, 2008).
3.2	Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 3.2 to the Company s Registration Statement on Form S-4 (Registration No. 333-151345) declared effective by the Securities and Exchange Commission on June 17, 2008).
4.1	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 Exhibit 4.2 to Clear Channel s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
4.2	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 Exhibit 4.1 to the Clear Channel s Current Report on Form 8-K dated August 27, 1998).
4.3	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 Exhibit 4.2 to the Clear Channel s Current Report on Form 8-K dated August 27, 1998).
4.4	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 Exhibit 4.11 to Clear Channel s Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).

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Exhibit Number	Description
4.5	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 Exhibit 4.17 to Clear Channel s Annual Report on Form 10-K for the year ended December 31, 2002).
4.6	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 Exhibit 99.3 to Clear Channel s Current Report on Form 8-K dated March 18, 2003).
4.7	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 Exhibit 99.3 to Clear Channel s Current Report on Form 8-K dated May 2, 2003).
4.8	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 Exhibit 99.3 to Clear Channel s Current Report on Form 8-K dated May 22, 2003).
4.9	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 Exhibit 99.3 to Clear Channel s Current Report on Form 8-K dated December 10, 2003).
4.10	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 Exhibit 10.1 to Clear Channel s Current Report on Form 8-K dated September 15, 2004).
4.11	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 Exhibit 10.1 to Clear Channel s Current Report on Form 8-K dated November 17, 2004).
4.12	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 Exhibit 10.1 to Clear Channel s Current Report on Form 8-K dated December 13, 2004).
4.13	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 Exhibit 10.1 to Clear Channel s Current Report on Form 8-K dated March 21, 2006).
4.14	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 Exhibit 10.1 to Clear Channel s Current Report on Form 8-K dated August 16, 2006).
4.15	Twenty-Second Supplemental Indenture, dated as of January 2, 2008, by and between Clear Channel and The Bank of New York Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to Clear Channel s Current Report on Form 8-K dated January 4, 2008).
4.16	Fourth Supplemental Indenture, dated as of January 2, 2008, by and among AMFM, The Bank of New York Trust Company, N.A., and the guarantors party thereto (incorporated by reference to Exhibit 4.2 to Clear Channel s Current Report on Form 8-K dated January 4, 2008).

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Exhibit Number	Description
4.17*	Indenture with respect to 9.25% Series A Senior Notes due 2017, dated as of December 23, 2009, by and among Clear Channel Worldwide Holdings, Inc., Clear Channel Outdoor Holdings, Inc., Clear Channel Outdoor, Inc., U.S. Bank National Association and the guarantors party thereto.
4.18*	Indenture with respect to 9.25% Series B Senior Notes due 2017, dated as of December 23, 2009, by and among Clear Channel Worldwide Holdings, Inc., Clear Channel Outdoor Holdings, Inc., Clear Channel Outdoor, Inc., U.S. Bank National Association and the guarantors party thereto.
10.1	First Amended and Restated Management Agreement, dated as of July 28, 2008, by and among CC Media Holdings, Inc., BT Triple Crown Merger Co., Inc., B Triple Crown Finco, LLC, T Triple Crown Finco, LLC, THL Managers VI, LLC and Bain Capital Partners, LLC (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.2**	Stockholders Agreement, dated as of July 29, 2008, by and among CC Media Holdings, Inc., Clear Channel Capital IV, LLC, Clear Channel Capital V, L.P., L. Lowry Mays, Randall T. Mays, Mark P. Mays, LLM Partners, Ltd., MPM Partners, Ltd. and RTM Partners, Ltd. (Incorporated by reference to Exhibit 4 to the Company s Form 8-A Registration Statement filed July 30, 2008).
10.3**	Side Letter Agreement, dated as of July 29, 2008, among CC Media Holdings, Inc., Clear Channel Capital IV, LLC, Clear Channel Capital V, L.P., L. Lowry Mays, Mark P. Mays, Randall T. Mays, LLM Partners, Ltd., MPM Partners Ltd. and RTM Partners, Ltd. (Incorporated by reference to Exhibit 5 to the Company s Form 8-A Registration Statement filed July 30, 2008).
10.4	Affiliate Transactions Agreement, dated as of July 30, 2008, by and among CC Media Holdings, Inc., Bain Capital Fund IX, L.P., Thomas H. Lee Equity Fund VI, L.P. and BT Triple Crown Merger Co., Inc. (Incorporated by reference to Exhibit 6 to the Company s Form 8-A Registration Statement filed July 30, 2008).
10.5§	Amended and Restated Employment Agreement, dated as of April 24, 2007, by and between L. Lowry Mays and Clear Channel Communications, Inc. (Incorporated by reference to Exhibit 10.1 to Clear Channel s Current Report on Form 8-K filed May 1, 2007).
10.6§	Amended and Restated Employment Agreement, dated as of April 24, 2007, by and between Mark P. Mays and Clear Channel Communications, Inc. (Incorporated by reference to Exhibit 10.2 to the Clear Channel s Current Report on Form 8-K filed May 1, 2007).
10.7§	Amended and Restated Employment Agreement, dated as of April 24, 2007, by and between Randall T. Mays and Clear Channel Communications, Inc. (Incorporated by reference to Exhibit 10.3 to the Clear Channel s Current Report on Form 8-K filed May 1, 2007).
10.8§	Amended and Restated Employment Agreement, dated as of July 28, 2008, by and among Randall T. Mays, CC Media Holdings, Inc. and BT Triple Crown Merger Co., Inc. (Incorporated by reference to Exhibit 10.5 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.9	Amended and Restated Employment Agreement, dated as of July 28, 2008, by and among Mark P. Mays, CC Media Holdings, Inc. and BT Triple Crown Merger Co., Inc. (Incorporated by reference to Exhibit 10.6 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.10§	Amended and Restated Employment Agreement, dated as of July 28, 2008, by and among L. Lowry Mays, CC Media Holdings, Inc. and BT Triple Crown Merger Co., Inc. (Incorporated by reference to Exhibit 10.7 to the Company s Current Report on Form 8-K filed July 30, 2008).

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Exhibit Number	Description
10.11**§	Employment Agreement, dated as of June 29, 2008, by and between John E. Hogan and Clear Channel Broadcasting, Inc. (Incorporated by reference to Exhibit 10.8 to the Clear Channel s Current Report on Form 8-K filed July 30, 2008).
10.12§	Amendment, dated as of January 20, 2009, to the Amended and Restated Employment Agreement of Mark P. Mays, dated as of July 28, 2008, by and among Mark P. Mays, CC Media Holdings, Inc. and Clear Channel Communications, Inc. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed January 21, 2009).
10.13§	Amendment, dated as of January 20, 2009, to the Amended and Restated Employment Agreement of Randall T. Mays, dated as of July 28, 2008, by and among Randall T. Mays, CC Media Holdings, Inc. and Clear Channel Communications, Inc. (Incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed January 21, 2009).
10.14§	Employment Agreement, dated as of August 5, 2005, by and between Paul Meyer and Clear Channel Communications, Inc. (Incorporated by reference to Exhibit 10.1 to the Clear Channel s Current Report on Form 8-K filed August 10, 2005).
10.15**+	Credit Agreement, dated as of May 13, 2008, by and among Clear Channel Communications, Inc. (as the successor-in-interest to BT Triple Crown Merger Co., Inc. following the effectiveness of the Merger), the subsidiary co-borrowers of the Company party thereto, Clear Channel Capital I, LLC, the lenders party thereto, Citibank, N.A., as Administrative Agent, and the other agents party thereto (Incorporated by reference to Exhibit 10.2 to the Company s Registration Statement on Form S-4 (Registration No. 333-151345) declared effective by the Securities and Exchange Commission on June 17, 2008).
10.16	Amendment No. 1, dated as of July 9, 2008, to the Credit Agreement, dated as of May 13, 2008, by and among Clear Channel Communications, Inc., the subsidiary co-borrowers of the Company party thereto, Clear Channel Capital I, LLC, the lenders party thereto, Citibank, N.A., as Administrative Agent, and the other agents party thereto (Incorporated by reference to Exhibit 10.10 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.17	Amendment No. 2, dated as of July 28, 2008, to the Credit Agreement, dated as of May 13, 2008, by and among Clear Channel Communications, Inc., the subsidiary co-borrowers of the Company party thereto, Clear Channel Capital I, LLC, the lenders party thereto, Citibank, N.A., as Administrative Agent, and the other agents party thereto (Incorporated by reference to Exhibit 10.11 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.18**+	Credit Agreement, dated as of May 13, 2008, by and among Clear Channel Communications, Inc. (as the successor-in-interest to BT Triple Crown Merger Co., Inc. following the effectiveness of the Merger), the subsidiary borrowers of the Company party thereto, Clear Channel Capital I, LLC, the lenders party thereto, Citibank, N.A., as Administrative Agent, and the other agents party thereto (Incorporated by reference to Exhibit 10.3 to the Company s Registration Statement on Form S-4 (Registration No. 333-151345) declared effective by the Securities and Exchange Commission on June 17, 2008).
10.19	Amendment No. 1, dated as of July 9, 2008, to the Credit Agreement, dated as of May 13, 2008, by and among Clear Channel Communications, Inc., the subsidiary borrowers of the Company party thereto, Clear Channel Capital I, LLC, the lenders party thereto, Citibank, N.A., as Administrative Agent, and the other agents party thereto (Incorporated by reference to Exhibit 10.13 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.20	Amendment No. 2, dated as of July 28 2008, to the Credit Agreement, dated as of May 13, 2008, by and among Clear Channel Communications, Inc., the subsidiary borrowers of the Company party thereto, Clear Channel Capital I, LLC, the lenders party thereto, Citibank, N.A., as Administrative Agent, and the other agents party thereto (Incorporated by reference to Exhibit 10.14 to the Company s Current Report on Form 8-K filed July 30, 2008).

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Exhibit Number	Description
10.21**	Purchase Agreement, dated May 13, 2008, by and among BT Triple Crown Merger Co., Inc., Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Greenwich Capital Markets, Inc. and Wachovia Capital Markets, LLC (Incorporated by reference to Exhibit 10.4 to the Company s Registration Statement on Form S-4 (Registration No. 333-151345) declared effective by the Securities and Exchange Commission on June 17, 2008).
10.22**	Indenture, dated July 30, 2008, by and among BT Triple Crown Merger Co., Inc., Law Debenture Trust Company of New York, Deutsche Bank Trust Company Americas and Clear Channel Communications, Inc. (as the successor-in-interest to BT Triple Crown Merger Co., Inc. following the effectiveness of the Merger) (Incorporated by reference to Exhibit 10.16 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.23	Supplemental Indenture, dated July 30, 2008, by and among Clear Channel Capital I, LLC, certain subsidiaries of Clear Channel party thereto and Law Debenture Trust Company of New York (incorporated by reference to Exhibit 10.17 to the Company s Current Report on Form 8-K filed on July 30, 2008).
10.24*	Supplemental Indenture, dated December 9, 2008, by and among CC Finco Holdings, LLC, a subsidiary of Clear Channel Communications, Inc. and Law Debenture Trust Company of New York.
10.25**	Registration Rights Agreement, dated July 30, 2008, by and among Clear Channel Communications, Inc., certain subsidiaries of Clear Channel Communications, Inc. party thereto, Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Greenwich Capital Markets, Inc. and Wachovia Capital Markets, LLC (Incorporated by reference to Exhibit 10.18 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.26**§	Clear Channel 2008 Incentive Plan (Incorporated by reference to Exhibit 10.19 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.27§	Form of Senior Executive Option Agreement (Incorporated by reference to Exhibit 10.20 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.28§	Form of Senior Executive Restricted Stock Award Agreement (Incorporated by reference to Exhibit 10.21 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.29§	Form of Senior Management Option Agreement (Incorporated by reference to Exhibit 10.22 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.30§	Form of Executive Option Agreement (Incorporated by reference to Exhibit 10.23 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.31§	Clear Channel 2008 Investment Program (Incorporated by reference to Exhibit 10.24 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.32**§	Clear Channel 2008 Annual Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.33	Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.26 to the Company s Current Report on Form 8-K filed July 30, 2008).
10.34	Amended and Restated Voting Agreement dated as of May 13, 2008 by and among BT Triple Crown Merger Co., Inc., B Triple Crown Finco, LLC, T Triple Crown Finco, LLC, CC Media Holdings, Inc., Highfields Capital I LP, Highfields Capital II LP, Highfields Capital III LP and Highfields Capital Management LP (Incorporated by reference to Annex E to the Company s Registration Statement on Form S-4 (Registration No. 333-151345) declared effective by the Securities and Exchange Commission on June 17, 2008).

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Exhibit Number	Description
10.35	Voting Agreement dated as of May 13, 2008 by and among BT Triple Crown Merger Co., Inc., B Triple Crown Finco, LLC, T Triple Crown Finco, LLC, CC Media Holdings, Inc., Abrams Capital Partners I, LP, Abrams Capital Partners II, LP, Whitecrest Partners, LP, Abrams Capital International, Ltd. and Riva Capital Partners, LP (Incorporated by reference to Annex F to the Company s Registration Statement on Form S-4 (Registration No. 333-151345) declared effective by the Securities and Exchange Commission on June 17, 2008).
10.36*	Purchase Agreement, dated December 18, 2009, by and among Clear Channel Worldwide Holdings, Inc., Goldman, Sachs & Co., Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Moelis & Company LLC, Banc of America Securities LLC and Barclays Capital Inc.
10.37*	Registration Rights Agreement with respect to 9.25% Series A Senior Notes due 2017, dated December 23, 2009, by and among Clear Channel Worldwide Holdings, Inc., certain subsidiaries of Clear Channel Worldwide Holdings, Inc. party thereto, Goldman, Sachs & Co., Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Moelis & Company LLC, Banc of America Securities LLC and Barclays Capital Inc.
10.38*	Registration Rights Agreement with respect to 9.25% Series B Senior Notes due 2017, dated December 23, 2009, by and among Clear Channel Worldwide Holdings, Inc., certain subsidiaries of Clear Channel Worldwide Holdings, Inc. party thereto, Goldman, Sachs & Co., Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Moelis & Company LLC, Banc of America Securities LLC and Barclays Capital Inc.
10.39**§	Amended and Restated Employment Agreement, dated as of December 22, 2009, by and among Randall T. Mays, Clear Channel Communications, Inc. and CC Media Holdings, Inc. (Incorporated by reference to Exhibit 99.1 to the Company s Current Report on Form 8-K dated December 29, 2009).
10.40*	First Amendment, dated as of December 23, 2009, to the Revolving Promissory Note, dated as of November 10, 2005, by Clear Channel Communications, Inc., as Maker, to Clear Channel Outdoor Holdings, Inc.
10.41*	First Amendment, dated as of December 23, 2009, to the Revolving Promissory Note, dated as of November 10, 2005, by Clear Channel Outdoor Holdings, Inc., as Maker, to Clear Channel Communications, Inc.
10.42*	Series A Senior Notes Proceeds Loan Agreement, dated as of December 23, 2009, by and between Clear Channel Worldwide Holdings, Inc. and Clear Channel Outdoor, Inc.
10.43*	Series B Senior Notes Proceeds Loan Agreement, dated as of December 23, 2009, by and between Clear Channel Worldwide Holdings, Inc. and Clear Channel Outdoor, Inc.
10.44§	Employment Separation Agreement, dated as of October 19, 2009, by and between Clear Channel Communications, Inc. and Herbert W. Hill (Incorporated by reference to Exhibit 10.2 to the Company s Amendment to Form 10-Q filed November 13, 2009).
10.45*§	Amendment, dated as of January 20, 2009, to the Amended and Restated Employment Agreement, dated as of July 28, 2008, by and among Mark P. Mays, CC Media Holdings, Inc. and Clear Channel Communications, Inc., as successor to BT Triple Crown Merger Co., Inc.
10.46§	Letter Agreement, dated as of December 22, 2009, by and among Randall T. Mays, CC Media Holdings, Inc., BT Triple Crown Merger Co., Inc., Clear Channel Capital IV, LLC, Clear Channel Capital V, L.P., Lowry Mays, Mark P. Mays and other parties thereto (Incorporated by reference to Exhibit 99.3 to the Company s Current Report on Form 8-K dated December 29, 2009).
11*	Statement re: Computation of Per Share Earnings.

21	Subsidiaries (Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K).
23*	Consent of Ernst and Young LLP.
24*	Power of Attorney (included on signature page).
31.1*	Certification 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 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.

* Filed herewith.

** Previously filed and being re-filed herewith solely for the purpose of including certain exhibits and schedules previously omitted.

*** This exhibit is furnished herewith and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

§ A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

+ This Exhibit was filed separately with the Commission pursuant to an application for confidential treatment. The confidential portions of the Exhibit have been omitted and have been marked by the following symbol: [**].

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on March 16, 2010.

CLEAR CHANNEL COMMUNICATIONS, INC.

By: /s/ Mark P. Mays
Mark P. Mays
President and Chief Executive Officer

Power of Attorney

Each person whose signature appears below authorizes Mark P. Mays, Thomas W. Casey and Herbert W. Hill, Jr., or any one of them, each of whom may act without joinder of the others, to execute in the name of each such person who is then an officer or director of the Registrant and to file any amendments to this annual report on Form 10-K necessary or advisable to enable the Registrant to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, which amendments may make such changes in such report as such attorney-in-fact may deem appropriate.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Mark P. Mays Mark P. Mays	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 2010
/s/ Randall T. Mays Randall T. Mays	Vice Chairman and Director	March 16, 2010
/s/ Thomas W. Casey Thomas W. Casey	Chief Financial Officer (Principal Financial Officer)	March 16, 2010
/s/ Herbert W. Hill, Jr. Herbert W. Hill, Jr.	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)	March 16, 2010
/s/ David Abrams David Abrams	Director	March 16, 2010

/s/ Steve Barnes	Director	March 16, 2010
Steve Barnes		

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Name	Title	Date
/s/ Richard J. Bressler Richard J. Bressler	Director	March 16, 2010
/s/ Charles A. Brizius Charles A. Brizius	Director	March 16, 2010
/s/ John Connaughton John Connaughton	Director	March 16, 2010
/s/ Blair Hendrix Blair Hendrix	Director	March 16, 2010
/s/ Jonathan S. Jacobson Jonathan S. Jacobson	Director	March 16, 2010
/s/ Ian K. Loring Ian K. Loring	Director	March 16, 2010
/s/ Scott M. Sperling Scott M. Sperling	Director	March 16, 2010
/s/ Kent R. Weldon Kent R. Weldon	Director	March 16, 2010