CLEAR CHANNEL COMMUNICATIONS INC
Form 10-K
March 11, 2005

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**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

**FORM 10-K**

þ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the fiscal year ended December 31, 2004, or**

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the transition period from ___to ___.**

**Commission File Number**
1-9645

**CLEAR CHANNEL COMMUNICATIONS, INC.**

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Texas | 74-1787539 |
| (State of Incorporation) | (I.R.S. Employer Identification No.) |

200 East Basse Road
San Antonio, Texas 78209
Telephone (210) 822-2828
(Address, including zip code, and telephone number,
including area code, of registrant s principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, $.10 par value per share.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES þ NO o

On June 30, 2004, the last business day of the registrant s most recently completed second fiscal quarter, the aggregate market value of the Common Stock beneficially held by non-affiliates of the Company was approximately $17.3 billion. (For purposes hereof, directors, executive officers and 10% or greater shareholders have been deemed affiliates).

On February 28, 2005, there were 560,711,385 outstanding shares of Common Stock, excluding 224,568 shares held in treasury.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of our Definitive Proxy Statement for the 2005 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III.

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**CLEAR CHANNEL COMMUNICATIONS, INC.**
**INDEX TO FORM 10-K**

# PART I

## ITEM 1. Business

## The Company

Clear Channel Communications, Inc. is a diversified media company with three reportable business segments: radio broadcasting, outdoor advertising and live entertainment. We were incorporated in Texas in 1974. As of December 31, 2004, we owned 1,189 domestic radio stations and a leading national radio network. In addition, we had equity interests in various international radio broadcasting companies. For the year ended December 31, 2004, the radio broadcasting segment represented 40% of our total revenue. As of December 31, 2004, we also owned or operated 151,603 domestic outdoor advertising display faces and 671,977 international outdoor advertising display faces. For the year ended December 31, 2004, the outdoor advertising segment represented 26% of our total revenue. In addition, we operate as promoters, producers and venue operators for live entertainment events. As of December 31, 2004, we owned or operated 75 live entertainment venues domestically and 29 live entertainment venues internationally, which excludes 27 domestic venues and one international venue where we either own a non-controlling interest or have booking, promotions or consulting agreements. For the year ended December 31, 2004, the live entertainment segment represented 29% of our total revenue. We also own or program 40 television stations, own a media representation firm and represent professional athletes, all of which are within the category other . This segment represented 5% of our total revenue for the year ended December 31, 2004.

Our principal executive offices are located at 200 East Basse Road, San Antonio, Texas 78209 (telephone: 210-822-2828).

### *Radio Broadcasting*

<u>Radio Stations</u>

As of December 31, 2004, we owned 367 AM and 822 FM domestic radio stations, of which 498 stations were in the top 100 markets according to the Arbitron fall 2004 ranking of U.S. markets. In addition, we currently own equity interests in various international radio broadcasting companies, which we account for under the equity method of accounting. Our radio stations employ various formats for their programming. A station s format can be important in determining the size and characteristics of its listening audience. Advertisers often tailor their advertisements to appeal to selected population or demographic segments.

<u>Radio Networks</u>

As of December 31, 2004, we owned a national radio network with a total audience of over 180 million weekly listeners. The network syndicates talk programming including such talent as *Rush Limbaugh, Bob and Tom, John Boy and Billy, Glenn Beck* and *Jim Rome*, and music programming including such talent as *Delilah, Ryan Seacrest* and *Casey Kasem*. We also operated several news and agricultural radio networks serving Georgia, Ohio, Oklahoma, Texas, Iowa, Kentucky, Virginia, Alabama, Tennessee, Florida and Pennsylvania.

Most of our radio broadcasting revenue is generated from the sale of local and national advertising. Additional revenue is generated from network compensation and event payments, barter and other miscellaneous transactions. Advertising rates charged by a radio station are based primarily on the station s ability to attract audiences having certain demographic characteristics in the market area that advertisers want to reach, as well as the number of stations and other advertising media competing in the market and the relative demand for radio in any given market.

Advertising rates generally are the highest during morning and evening drive-time hours. Depending on the format of a particular station, there are certain numbers of advertisements that are broadcast each hour. We determine the number of advertisements broadcast hourly that can maximize available revenue dollars without jeopardizing listening levels.

### *Outdoor Advertising*

As of December 31, 2004, we owned or operated a total of 823,580 advertising display faces worldwide. We currently provide outdoor advertising services concentrated in over 49 domestic markets and over 63 foreign countries. Our display faces include billboards of various sizes, wallscapes, mall displays, transit displays and street furniture displays. Additionally, we currently own equity interests in various outdoor advertising companies, which we account for under the equity method of accounting.

Revenue is generated from both local and national sales. Local advertisers tend to have smaller advertising budgets and require greater assistance from our production and creative personnel to design and produce advertising copy. In local sales, we often expend more sales efforts on educating customers regarding the benefits of outdoor media and helping potential clients develop an advertising strategy using outdoor advertising. While price and availability are important competitive factors, service and customer relationships are also critical components of national and local sales.

Advertising rates are generally based on a particular display s exposure, or number of impressions delivered, in relation to the demographics of the particular market and its location within that market. The number of impressions delivered by a display is measured by the number of vehicles or pedestrians passing the site during a defined period and is weighted to give effect to such factors as its proximity to other displays, the speed and viewing angle of approaching traffic, the national average of adults riding in vehicles and whether the display is illuminated. Independent auditing companies verify the number of impressions delivered by a display.

Our billboards consist of various sized panels on which advertising copy is displayed. Bulletin and poster advertising copy is either printed with computer-generated graphics on a single sheet of vinyl that is wrapped around an outdoor advertising structure or placed on lithographed or silk-screened paper sheets supplied by the advertiser that are pasted and applied like wallpaper to the face of the display. Billboards are generally mounted on structures we own and are located on sites that are either owned or leased by us or on a site for which we have acquired a permanent easement. Lease contracts are negotiated with both public and private landlords. Wallscapes are essentially billboards painted on vinyl surfaces or directly on the sides of buildings. Because of their greater impact and higher cost, larger billboards are usually located on major highways and freeways. Some of our billboards are illuminated, and located at busy traffic interchanges to offer maximum visual impact to vehicular audiences. Wallscapes are located on major freeways, commuter and tourist routes and in downtown business districts. Smaller billboards are concentrated on city streets targeting pedestrian traffic.

Transit displays include all advertising on or in transit systems, including the interiors and exteriors of buses, trains, trams and taxis, and advertising at rail stations and airports. Transit display posters include vinyl sheets, which are applied directly to transit vehicles or to billboards and panels mounted in station or airport locations. Transit advertising contracts are negotiated with public transit authorities and private transit operators, typically on a revenue-share basis with a minimum fixed rental guarantee.

Street furniture displays are developed and marketed under our global Clear Channel Adshel brand. Street furniture panels include bus shelters, free standing units, pillars and columns. The most numerous are bus shelters, which are back illuminated and reach vehicular and pedestrian audiences. Street furniture is growing in popularity with local authorities, especially internationally and in the larger domestic markets. Bus shelters are usually constructed, owned and maintained by the outdoor service provider. Many of our bus shelter contracts include revenue-sharing arrangements with a municipality or transit authority. Large street furniture contracts are usually won in a competitive tender and last between 10 and 20 years. Tenders are won on the basis of revenues and community-related products offered to municipalities, including bus shelters, public toilets and information kiosks.

***Live Entertainment***

During 2004, we promoted or produced over 28,500 events, including music concerts, theatrical shows, museum exhibitions and specialized sporting events. We reached 61 million people through all of these activities during 2004. As of December 31, 2004, we owned or operated a total of 75 domestic venues and 29 international venues. Additionally, we currently own equity interests in various live entertainment companies, which we account for under the equity method of accounting.

As a promoter, we typically book talent or tours, sell tickets and advertise the event to attract ticket buyers. For the event, we either provide our venue or we rent a venue, arrange for production services and sell sponsorships. When we provide our owned venue, we generally receive a percentage of revenues from concessions, merchandising, parking and premium seats.

As a producer, we generally develop event content, hire artistic talent, schedule performances in select venues, promote tours and sell sponsorships. We do not have total control over the actual ticket price charged to the consumer as this is negotiated with the artist. We derive revenue from a percentage of the promoters ticket sales. We also derive revenues from guarantees and from profit sharing agreements related to co-promotion, merchandising, sponsorships and concessions.

We derive revenues from our venue operations primarily from ticket sales, rental income, corporate sponsorships, concessions, and merchandise. A venue operator typically receives, for each event it hosts, a fixed fee or all of the ticket sales for use of the venue, as well as fees representing a percentage of total concession sales from the vendors and total merchandise sales from the performer or tour producer. We generally receive 100% of sponsorship revenues and a portion of the ticket handling charges.

Corporate sponsorship includes the naming rights of venues. We also designate providers of concessions and official event or tour sponsors such as credit card companies, phone companies and beverage companies, among others. Sponsorship arrangements can provide significant additional revenues.

Our outdoor entertainment venues are primarily used in the summer months and do not generate substantial revenue in the late fall, winter and early spring. The theatrical presenting season generally runs from September through May. Our motor sports business operates primarily in the winter.

### *Other*

#### Television

As of December 31, 2004, we owned, programmed or sold airtime for 40 television stations. Our television stations are affiliated with various television networks, including ABC, CBS, NBC, FOX, UPN, WB, Telemundo and PAX. Television revenue is generated primarily from the sale of local and national advertising. Advertising rates depend primarily on the quantitative and qualitative characteristics of the audience we can deliver to the advertiser. Our sales personnel sell local advertising, while national advertising is primarily sold by national sales representatives.

The primary sources of programming for our ABC, NBC, CBS, FOX and Telemundo affiliated television stations are their respective networks, which produce and distribute programming in exchange for each station s commitment to air the programming at specified times and for commercial announcement time during the programming. We supply the majority of programming to our UPN, PAX and WB affiliates by selecting and purchasing syndicated television programs. We compete with other television stations within each market for these broadcast rights. We also provide local news programming for the majority of our television stations.

#### Media Representation

We own the Katz Media Group, a full-service media representation firm that sells national spot advertising time for clients in the radio and television industries throughout the United States. As of December 31, 2004, Katz Media represented over 2,800 radio stations and 390 television stations.

Katz Media generates revenues primarily through contractual commissions realized from the sale of national spot advertising airtime. National spot advertising is commercial airtime sold to advertisers on behalf of radio and television stations. Katz Media represents its media clients pursuant to media representation contracts, which typically have terms of up to ten years in length.

Sports Representation

We operate in the sports representation business. Our full-service sports marketing and management operations specialize in the representation of professional athletes, integrated event management and marketing consulting services. Among our clients are many professional athletes, including Tracy McGrady (basketball), Pedro

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Martinez (baseball), Tom Lehman (golf), Andy Roddick (tennis), and Roy Williams (football).

Our sports representation business generates revenue primarily through the negotiation of professional sports contracts and endorsement contracts for clients. The amount of endorsement and other revenues that our clients generate is a function of, among other things, the clients professional performances and public appeal. The sports marketing businesses primarily earn revenue ratably over the year.

### Company Strategy

Our strategy is to serve the needs of local communities by utilizing our media assets to provide products and services on a local, regional and national level and being a contributing member of the communities in which we operate. We believe that by serving the needs of local communities we will be able to grow revenues and earnings, creating economic value that will ultimately be translated into value for shareholders.

We are trusted with the public radio and television airwaves. This trust requires constant focus and determination to deliver the best product in order to attract listeners and viewers. We attract listeners and viewers by providing musical, news and information content on our stations. We conduct research to determine what listeners and viewers want and deliver it to them on a continuous basis. We strive to maintain compelling programming to create listener and viewer loyalty. In addition, we bring content to our outdoor business to make our displays interesting and informative for consumers. In our live entertainment segment, we bring diverse entertainment to the communities in which we operate by delivering musical tours, Broadway shows, family entertainment, motor sports, museum exhibits and sporting events. Our ability to deliver entertainment events across our markets contributes to the arts, culture and the quality of lifestyle in many of our communities.

We help our clients distribute their marketing messages in the most efficient ways possible. We believe one measure of our success is how well we assist our clients in selling their products and services. To this end, we offer advertisers a geographically diverse platform of media assets designed to provide the most efficient and cost-effective ways for our clients to reach consumers. Our entrepreneurial managers work creatively and expertly to help our clients, at all levels, market their goods and services. If we are successful helping advertisers and sponsors reach their consumers, we will gain their continued business and long-term commitments. Those commitments build our revenue and ultimately build value for our shareholders.

A portion of our success has been achieved by mobilizing the radio and television broadcasting, outdoor advertising and live entertainment segments for the advertisers benefit. Additionally, we seek to create situations in which we own more than one type of media in the same market. We have found that access to multiple media assets gives our clients more flexibility in the distribution of their messages. Aside from the added flexibility to our clients, this allows us ancillary benefits, such as the use of otherwise vacant advertising space to cross promote our other media assets, or the sharing of on-air talent and news and information across our radio and televisions stations.

To support our strategy, we have assembled a highly experienced corporate and local management and have decentralized our operating structure in order to place authority, autonomy and accountability at the market level. We believe that local management is best able to respond to local customers needs. We provide local managers with significant resources and tools that allow them to better serve their clients and their local communities.

We evaluate strategic opportunities both within and outside our existing lines of business and may from time to time purchase or sell assets or businesses. Although we have no definitive agreements with respect to significant acquisitions or dispositions not set forth in this report, we expect from time to time to pursue additional acquisitions and may decide to dispose of certain businesses. Such acquisitions or dispositions could be material.

***Radio Broadcasting***

Our radio strategy centers on providing programming and services to our local communities. By providing listeners with programming that is compelling, we are able to provide advertisers with an effective platform to reach them. To that end, beginning December 2004, in an effort to improve the value of radio to our listeners as well as our advertisers, we began a new initiative called *Less is More*. Specifically, we placed a lower ceiling on the amount of commercial minutes played per hour, as well as limiting the length and number of units in any given commercial break. In addition to reducing commercial capacity, we also reduced and limited the amount of promotional interruption on all of our radio stations. The specific ceilings will apply to every radio station and will vary by format and time of day. We believe this new strategy will improve the listening experience for consumers while providing advertisers more effective opportunities and value for their advertising dollar.

We compete in our markets with all advertising media including television, newspaper, outdoor advertising, direct mail, cable, yellow pages, Internet, satellite radio and other forms of advertisement. Therefore, our radio strategy also entails improving the ongoing operations of our stations through effective programming, reduction of costs and aggressive promotion, marketing and sales. Our broad programming and content across our geographically diverse portfolio of radio stations allows us to deliver targeted messages for specific audiences to advertisers on a local, regional and national basis. We believe owning multiple radio stations in a market allows us to provide our listeners with a more diverse programming selection and a more efficient means for our advertisers to reach those listeners. By owning multiple stations in a market, we are also able to operate our stations with more highly skilled local management teams and eliminate duplicative operating and overhead expenses.

***Outdoor Advertising***

Our outdoor advertising strategy is to expand our market presence and improve the results of our existing operations to help us compete across all advertising media including radio, television, newspaper, direct mail, cable, yellow pages, Internet, satellite radio and other forms of advertisement. We implement this strategy by acquiring additional displays in our existing markets, expanding into new domestic and international markets and helping our outdoor advertisers creatively use our outdoor advertising inventory. We focus on attracting new categories of advertisers to the outdoor medium through significant investments in sales, marketing, creative and research services. We take advantage of technological advances and the growing and dynamic possibilities advertisers have to display unique, engaging, creative advertisements. Our talented management team is committed to sales force productivity, improved production department efficiency and further developing the quality of our product.

***Live Entertainment***

Our strategy is to deliver quality entertainment products and enhanced fan experiences from music concerts, Broadway and touring shows, specialized motor sports events, museum exhibitions, family shows and venue operations. We attempt to increase revenues by increasing the utilization of our entertainment venues, the number of tickets sold per event and by effectively marketing the variety of sponsorship opportunities we offer. We strive to form strategic alliances with top brands for marketing opportunities. This connection builds brand loyalty and consumer affinities, thus helping our advertisers succeed with their marketing efforts and helping us compete with all advertising media including radio, television, newspaper, outdoor advertising, direct mail, cable, yellow pages, Internet, satellite radio and other forms of advertisement.

**Recent Developments**

On March 10, 2005, we entered into amended and restated employment agreements with our three senior executives, L. Lowry Mays (as Chairman), Mark P. Mays (as President and Chief Executive Officer) and Randall T. Mays (as Executive Vice President and Chief Financial Officer). These employment agreements amended and restated the existing employment agreements dated October 1, 1999 between us and these three executives. The changes to the original employment agreements reflect the fact that Mark Mays now serves as our President and Chief Executive Officer, L. Lowry Mays now serves as our Chairman of the Board of Directors and that the offices of Chairman and Chief Executive Officer are no longer combined. The amended and restated employment agreement for L. Lowry Mays also reduced the minimum annual salary and stock option grant to which he was entitled. The amended and restated employment agreements for Mark Mays and Randall Mays also reduced severance payments significantly by eliminating certain severance payments to be paid in the event that their employment was terminated under certain circumstances. In addition, changes to all three agreements provide each executive with the choice of receiving a number of shares of our common stock based on a formula which attempts to be economically neutral to Clear Channel as part of a severance package in lieu of a stock option grant in cases where the executive is terminated without cause or resigns for good reason.

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## Employees

At February 28, 2005, we had approximately 29,100 domestic employees and 6,100 international employees of which approximately 34,350 were in operations and approximately 850 were in corporate related activities. In addition, our live entertainment operations hire approximately 28,000 seasonal employees during peak time periods.

## Operating Segments

Our business consists of three reportable operating segments: radio broadcasting, outdoor advertising and live entertainment. The radio broadcasting segment includes radio stations for which we are the licensee and for which we program and/or sell air time under local marketing agreements or joint sales agreements. The radio broadcasting segment also operates radio networks. The outdoor advertising segment includes advertising display faces for which we own or operate under lease management agreements. The live entertainment segment includes venues that we own or operate as well as the production of Broadway shows and theater operations.

Information relating to the operating segments of our radio broadcasting, outdoor advertising and live entertainment operations for 2004, 2003 and 2002 is included in Note N - Segment Data in the Notes to Consolidated Financial Statements in Item 8 included elsewhere in this Report.

The following table sets forth certain selected information with regard to our radio broadcasting stations, outdoor advertising display faces and live entertainment venues that we own or operate. At December 31, 2004, we owned 367 AM and 822 FM radio stations. At December 31, 2004, we owned or operated 151,603 domestic display faces and 671,977 international display faces. We also owned or operated 104 live entertainment venues at December 31, 2004.

| Market | Market Rank* | Radio Broadcasting Stations | Outdoor Advertising Display Faces | Live Entertainment Venues |
|---|---|---|---|---|
| New York, NY | 1 | 5 | 17,041 | 2 |
| Los Angeles, CA | 2 | 7 | 11,272 | 2 |
| Chicago, IL | 3 | 6 | 12,157 | 2 |
| San Francisco, CA | 4 | 7 | 5,916 | 4 |
| Dallas, TX | 5 | 6 | 7,038 | |
| Philadelphia, PA | 6 | 6 | 4,592 | 4 |
| Houston, TX | 7 | 8 | 5,438 | 2 |
| Washington, DC | 8 | 8 | 2,102 | 2 |
| Boston, MA | 9 | 4 | 6,269 | 7 |
| Detroit, MI | 10 | 7 | 363 | 3 |
| Atlanta, GA | 11 | 6 | 3,278 | 3 |
| Miami, FL | 12 | 7 | 4,150 | |
| Seattle, WA | 14 | 5 | 3,168 | 1 |
| Phoenix, AZ | 15 | 8 | 1,360 | 1 |
| Minneapolis, MN | 16 | 7 | 1,161 | |
| San Diego, CA | 17 | 8 | 1,118 | |
| Nassau/Suffolk, NY | 18 | 2 | | 2 |
| St. Louis, MO | 19 | 6 | 295 | 1 |
| Baltimore, MD | 20 | 3 | 1,690 | 2 |

| | | | | |
|---|---|---|---|---|
| Tampa, FL | 21 | 8 | 2,025 | 1 |
| Denver, CO | 22 | 8 | 752 | 1 |
| Pittsburgh, PA | 23 | 6 | 474 | 1 |
| Portland, OR | 24 | 5 | 1,280 | |
| Cleveland, OH | 25 | 6 | 1,747 | 2 |

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| Market | Market Rank* | Radio Broadcasting Stations | Outdoor Advertising Display Faces | Live Entertainment Venues |
|---|---|---|---|---|
| Sacramento, CA | 26 | 4 | 1,006 | 2 |
| Cincinnati, OH | 27 | 8 | 22 | 3 |
| Riverside, CA | 28 | 5 | 365 | 1 |
| Kansas City, KS/MO | 29 | | 22 | 2 |
| San Antonio, TX | 30 | 6 | 3,133 | 1 |
| Salt Lake City, UT | 31 | 7 | 118 | |
| Milwaukee, WI | 32 | 6 | 1,932 | 1 |
| San Jose, CA | 33 | 3 | 921 | 2 |
| Providence, RI | 34 | 4 | | |
| Columbus, OH | 35 | 5 | 1,105 | 1 |
| Charlotte, NC | 36 | 5 | | 1 |
| Middlesex-Somerset-Union | 37 | | | |
| Las Vegas, NV | 38 | 4 | 12,156 | |
| Orlando, FL | 39 | 7 | 2,464 | |
| Norfolk, VA | 40 | 4 | 11 | 1 |
| Indianapolis, IN | 41 | 3 | 1,534 | 2 |
| Austin, TX | 42 | 6 | 20 | |
| Raleigh, NC | 43 | 5 | | 1 |
| Nashville, TN | 44 | 5 | | 1 |
| Greensboro, NC | 45 | 4 | | |
| New Orleans, LA | 46 | 7 | 2,757 | 1 |
| West Palm Beach, FL | 47 | 7 | 193 | 1 |
| Memphis, TN | 48 | 6 | 2,052 | |
| Jacksonville, FL | 49 | 7 | 917 | |
| Hartford, CT | 50 | 5 | | 1 |
| Monmouth-Ocean, NJ | 51 | | | 1 |
| Buffalo, NY | 52 | | 240 | 1 |
| Oklahoma City, OK | 53 | 6 | 16 | |
| Rochester, NY | 54 | 7 | | |
| Louisville, KY | 55 | 8 | 8 | 1 |
| Richmond, VA | 56 | 6 | 12 | |
| Birmingham, AL | 57 | 4 | | 1 |
| Dayton, OH | 58 | 8 | 1 | |
| Greenville, SC | 59 | 6 | | |
| McAllen- Brownsville, TX | 60 | 6 | 11 | |
| Honolulu, HI | 61 | 7 | | |
| Tucson, AZ | 62 | 7 | 1,673 | |
| Albany, NY | 63 | 7 | | 1 |
| Tulsa, OK | 64 | 6 | 37 | |
| Ft. Myers, FL | 65 | 4 | 2 | |
| Grand Rapids, MI | 66 | 7 | | 1 |
| Fresno, CA | 67 | 9 | 86 | |
| Wilkes Barre Scranton, PA | 68 | | 6 | 1 |
| Allentown-Bethlehem, PA | 69 | 4 | 6 | |
| Albuquerque, NM | 70 | 7 | 1,148 | 1 |

| | | | |
|---|---|---|---|
| Knoxville, TN | 71 | | |
| Omaha, NE | 72 | 5 | 62 |

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| Market | Market Rank* | Radio Broadcasting Stations | Outdoor Advertising Display Faces | Live Entertainment Venues |
|---|---|---|---|---|
| Akron, OH | 73 | 5 | 739 | |
| Wilmington, DE | 74 | 2 | 1,019 | |
| Sarasota, FL | 75 | 6 | 4 | |
| El Paso, TX | 76 | 5 | 1,335 | |
| Monterey, CA | 77 | 6 | 30 | |
| Syracuse, NY | 78 | 7 | | |
| Harrisburg, PA | 79 | 6 | 8 | |
| Springfield, MA | 80 | 4 | | |
| Stockton, CA | 81 | | 20 | |
| Bakersfield, CA | 82 | 6 | 73 | |
| Baton Rouge, LA | 83 | 6 | | |
| Toledo, OH | 84 | 5 | | |
| Little Rock, AR | 85 | 5 | 16 | |
| Gainesville-Ocala, FL | 86 | | 1,346 | |
| Charleston, SC | 87 | 6 | | |
| Greenville, NC | 88 | | 11 | |
| Columbia, SC | 89 | 6 | | |
| Daytona Beach, FL | 90 | | 459 | |
| Des Moines, IA | 91 | 5 | 385 | |
| Spokane, WA | 92 | 6 | 24 | |
| Mobile, AL | 93 | 4 | | |
| Wichita, KS | 94 | 4 | 656 | |
| Madison, WI | 95 | 6 | 12 | |
| Colorado Springs, CO | 96 | 4 | 15 | |
| Melbourne-Titusville-Cocoa, FL | 97 | 4 | 129 | |
| Johnson City-Kingsport-Bristol, TN-VA | 98 | | | |
| Lakeland-Winter Haven, FL | 99 | | | |
| Lexington-Fayette, KY | 100 | 7 | | |
| Various U.S. Cities | 101-150 | 151 | 4,208 | 1 |
| Various U.S. Cities | 151-200 | 136 | 1,128 | |
| Various U.S. Cities | 201-250 | 132 | 159 | 1 |
| Various U.S. Cities | 251+ | 106 | 121 | |
| Various U.S. Cities | unranked | 163 | 10,984 | |
| **International:** | | | | |
| Australia New Zealand (a) | n/a | | 13,419 | |
| Baltics and Russia | n/a | | 12,232 | |
| Belgium | n/a | | 14,727 | |
| Brazil | n/a | | 7,098 | |
| Canada | n/a | | 2,532 | 2 |
| Chile | n/a | | 1,267 | |
| China (b) | n/a | | | |

| | | |
|---|---|---|
| Denmark | n/a | 10,766 |
| Finland | n/a | 9,613 |
| France | n/a | 147,350 |
| Greece | n/a | 794 |
| Holland | n/a | 2,586 |

| Market | Market Rank* | Radio Broadcasting Stations | Outdoor Advertising Display Faces | Live Entertainment Venues |
|---|---|---|---|---|
| Hong Kong (b) | n/a | | | |
| India | n/a | | 400 | |
| Ireland | n/a | | 6,058 | 1 |
| Italy (b) | n/a | | 18,295 | |
| Korea (b) | n/a | | | |
| Mexico (a) | n/a | | 4,298 | |
| Norway (b) | n/a | | 10,187 | |
| Peru | n/a | | 2,586 | |
| Poland | n/a | | 12,547 | |
| Singapore | n/a | | 3,419 | |
| South Africa (b) | n/a | | | |
| Spain | n/a | | 28,805 | |
| Sweden | n/a | | 26,352 | 1 |
| Switzerland | n/a | | 14,212 | |
| Thailand (b) | n/a | | | |
| Turkey | n/a | | 4,268 | |
| United Kingdom | n/a | | 62,879 | 25 |
| Small transit displays (d) | n/a | | 255,287 | |
| Total | | 1,189(a) | 823,580(b) | 104(c) |

* Per Arbitron Rankings for Fall 2004 as of January 6, 2005

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(a) Excluded from the 1,189 radio stations owned or operated by us are 19 radio stations programmed pursuant to a local marketing agreement or a joint sales agreement (FCC licenses not owned by us), 11 radio stations programmed by another party pursuant to a local marketing agreement or a joint sales agreement (FCC licenses owned by us) and six Mexican radio stations that we provide programming to and sell airtime under exclusive sales agency arrangements. Also excluded are radio stations in Australia, New Zealand and Mexico. We own a 50%, 50% and 40% equity interest in companies that have radio broadcasting operations in these markets, respectively. (b) Excluded from the 823,580 outdoor display faces owned or operated by us are display faces in China, Hong Kong, Italy, Korea, Norway, South Africa and Thailand. We own a 48%, 50%, 35%, 30%, 50%, 50% and 32.5% equity interest in companies that have outdoor advertising operations in these markets, respectively. (c) Venues include 53 theaters, 39 amphitheaters, nine clubs and three arenas. Of these 104 venues, we own 37, lease 46 with lease expiration dates from June 2005 to November 2058, lease four with lease terms in excess of 100 years and operate 17 under various operating agreements. Excluded from the 104 live entertainment venues owned or operated by us are eight venues in which we own a non-controlling interest and 20 venues with which we have a booking, promotions or consulting agreement. (d) Small transit displays are small display faces on the interior and exterior of various public transportation vehicles. Below is a discussion of our operations within each segment that are not presented in the above table.

***Radio Broadcasting***

In addition to the radio stations listed above, our radio broadcasting segment includes a national radio network that produces or distributes more than 100 syndicated radio programs and services for more than 5,000 radio stations including *Rush Limbaugh, Fox Sports Radio* and *American Top-40 Countdown with Casey Kasem,* which are three popular radio programs in the United States. We also own various sports, news and agriculture networks.

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***Live Entertainment***

In addition to the live entertainment venues listed above, our live entertainment segment produces and presents touring and original Broadway & Family shows. Touring Broadway shows are typically revivals of previous commercial successes or new productions of theatrical shows currently playing on Broadway in New York City. We invest in original Broadway productions as a lead producer or as a limited partner in productions produced by others. The investments frequently allow us to obtain favorable touring and scheduling rights for the production that enable distribution across the presenter s network.

***Other***

Television

As of December 31, 2004, we owned, programmed or sold airtime for 40 television stations. Our television stations are affiliated with various television networks, including ABC, CBS, NBC, FOX, UPN, WB, Telemundo and PAX.

Media Representation

We own the Katz Media Group, a full-service media representation firm that sells national spot advertising time for clients in the radio and television industries throughout the United States. As of December 31, 2004, Katz Media represented over 2,800 radio stations, 390 television stations and growing interests in the representation of cable television system operators.

Sports Representation

We operate in the sports representation business. Our full-service sports marketing and management operations specialize in the representation of professional athletes, integrated event management and marketing consulting services. Among our clients are many professional athletes, including Tracy McGrady (basketball), Pedro Martinez (baseball), Tom Lehman (golf), Andy Roddick (tennis), and Roy Williams (football).

**Regulation of Our Business**

***Existing Regulation and 1996 Legislation***

Radio and television broadcasting are subject to the jurisdiction of the Federal Communications Commission under the Communications Act of 1934. The Communications Act prohibits the operation of a radio or television broadcasting station except under a license issued by the FCC and empowers the FCC, among other things, to:

- issue, renew, revoke and modify broadcasting licenses;
- assign frequency bands;
- determine stations frequencies, locations, and power;
- regulate the equipment used by stations;
- adopt other regulations to carry out the provisions of the Communications Act;
- impose penalties for violation of such regulations; and

impose fees for processing applications and other administrative functions.

The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC.

The Telecommunications Act of 1996 represented a comprehensive overhaul of the country s telecommunications laws. The 1996 Act changed both the process for renewal of broadcast station licenses and the broadcast ownership rules. The 1996 Act established a two-step renewal process that limited the FCC s discretion to consider applications filed in competition with an incumbent s renewal application. The 1996 Act also liberalized the national broadcast ownership rules, eliminating the national radio limits and easing the national restrictions on TV ownership. The 1996 Act also relaxed local radio ownership restrictions, but left local TV ownership restrictions in place pending further FCC review.

*License Grant and Renewal*

Under the 1996 Act, the FCC grants broadcast licenses to both radio and television stations for terms of up to eight years. The 1996 Act requires the FCC to renew a broadcast license if it finds that:

- the station has served the public interest, convenience and necessity;
- there have been no serious violations of either the Communications Act or the FCC s rules and regulations by the licensee; and
- there have been no other violations which taken together constitute a pattern of abuse.

In making its determination, the FCC may consider petitions to deny and informal objections, and may order a hearing if such petitions or objections raise sufficiently serious issues. The FCC, however, may not consider whether the public interest would be better served by a person or entity other than the renewal applicant. Instead, under the 1996 Act, competing applications for the incumbent s spectrum may be accepted only after the FCC has denied the incumbent s application for renewal of its license.

Although in the vast majority of cases broadcast licenses are renewed by the FCC, even when petitions to deny or informal objections are filed, there can be no assurance that any of our stations licenses will be renewed at the expiration of their terms.

*Current Multiple Ownership Restrictions*

The FCC has promulgated rules that, among other things, limit the ability of individuals and entities to own or have an attributable interest in broadcast stations and other specified mass media entities.

The 1996 Act mandated significant revisions to the radio and television ownership rules. With respect to radio licensees, the 1996 Act directed the FCC to eliminate the national ownership restriction, allowing one entity to own nationally any number of AM or FM broadcast stations. Other FCC rules mandated by the 1996 Act greatly eased local radio ownership restrictions. The maximum allowable number of radio stations that may be commonly owned in a market varies depending on the total number of radio stations in that market, as determined using a method prescribed by the FCC. In markets with 45 or more stations, one company may own, operate or control eight stations, with no more than five in any one service (AM or FM). In markets with 30-44 stations, one company may own seven stations, with no more than four in any one service. In markets with 15-29 stations, one entity may own six stations, with no more than four in any one service. In markets with 14 stations or less, one company may own up to five stations or 50% of all of the stations, whichever is less, with no more than three in any one service. These new rules permit common ownership of more stations in the same market than did the FCC s prior rules, which at most allowed ownership of no more than two AM stations and two FM stations even in the largest markets.

Irrespective of FCC rules governing radio ownership, however, the Antitrust Division of the United States Department of Justice and the Federal Trade Commission have the authority to determine that a particular transaction presents antitrust concerns. Following the passage of the 1996 Act, the Antitrust Division became more aggressive in reviewing proposed acquisitions of radio stations, particularly in instances where the proposed purchaser already owned one or more radio stations in a particular market and sought to acquire additional radio stations in the same market. The Antitrust Division has, in some cases, obtained consent decrees requiring radio station divestitures in a particular market based on allegations that acquisitions would lead to unacceptable concentration levels. The FCC generally will not approve radio acquisitions when antitrust authorities have expressed concentration concerns, even if the acquisition complies with the FCC s numerical station limits.

With respect to television, the 1996 Act directed the FCC to eliminate the then-existing 12-station national limit for station ownership and increase the national audience reach limitation from 25% to 35%. The 1996 Act left local TV ownership restrictions in place pending further FCC review, and in August 1999 the FCC modified its local television ownership rule. Under the current rule, permissible common ownership of television stations is dictated by Nielsen Designated Market Areas, or DMAs. A company may own two television stations in a DMA if the stations Grade B contours do not overlap. Conversely, a company may own television stations in separate DMAs even if the stations service contours do overlap. Furthermore, a company may own two television stations in a DMA with overlapping Grade B contours if (i) at least eight independently owned and operating full-power television stations, the Grade B contours of which overlap with that of at least one of the commonly owned stations, will

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remain in the DMA after the combination; and (ii) at least one of the commonly owned stations is not among the top four stations in the market in terms of audience share. The FCC will presumptively waive these criteria and allow the acquisition of a second same-market television station where the station being acquired is shown to be failed or failing (under specific FCC definitions of those terms), or authorized but unbuilt. A buyer seeking such a waiver must also demonstrate, in most cases, that it is the only buyer ready, willing, and able to operate the station, and that sale to an out-of-market buyer would result in an artificially depressed price. Since the revision of the local television ownership rule, we have acquired a second television station in each of five DMAs where we previously owned a television station.

The FCC has adopted rules with respect to so-called local marketing agreements, or LMAs, by which the licensee of one radio or television station provides substantially all of the programming for another licensee s station in the same market and sells all of the advertising within that programming. Under these rules, an entity that owns one or more radio or television stations in a market and programs more than 15% of the broadcast time on another station in the same service (radio or television) in the same market pursuant to an LMA is generally required to count the LMA station toward its media ownership limits even though it does not own the station. As a result, in a market where we own one or more radio or television stations, we generally cannot provide programming under an LMA to another station in the same service (radio or television) if we cannot acquire that station under the various rules governing media ownership.

In adopting its rules concerning television LMAs, however, the FCC provided grandfathering relief for LMAs that were in effect at the time of the rule change in August 1999. Television LMAs that were in place at the time of the new rules and were entered into before November 5, 1996, were allowed to continue at least through 2004, at which time the FCC planned to consider the future treatment of such LMAs in a biennial review proceeding. Such LMAs entered into after November 5, 1996 were allowed to continue until August 5, 2001, at which point they were required to be terminated unless they complied with the revised local television ownership rule.

We provide substantially all of the programming under LMAs to television stations in two markets where we also own a television station. Both of these television LMAs were entered into before November 5, 1996. Therefore, both of these television LMAs are permitted to continue at least through the FCC s next periodic (now quadrennial) ownership rule review, which has not yet commenced. Moreover, we may seek permanent grandfathering of these television LMAs by demonstrating to the FCC, among other things, the public interest benefits the LMAs have produced and the extent to which the LMAs have enabled the stations involved to convert to digital operation.

A number of cross-ownership rules pertain to licensees of television and radio stations. FCC rules have generally prohibited an individual or entity from having an attributable interest in a radio or television station and a daily newspaper located in the same market.

Prior to August 1999, FCC rules also generally prohibited common ownership of a television station and one or more radio stations in the same market, although the FCC in many cases allowed such combinations under waivers of the rule. In August 1999, however, the FCC comprehensively revised its radio/television cross-ownership rule. The revised rule permits the common ownership of one television and up to seven same-market radio stations, or up to two television and six same-market radio stations, if the market will have at least twenty separately owned broadcast, newspaper and cable voices after the combination. Common ownership of up to two television and four radio stations is permissible when at least ten voices will remain, and common ownership of up to two television stations and one radio station is permissible in all markets regardless of voice count. The radio/television limits, moreover, are subject to the compliance of the television and radio components of the combination with the television duopoly rule and the local radio ownership limits, respectively. Waivers of the radio/television cross-ownership rule are available only where the station being acquired is failed (i.e., off the air for at least four months or involved in court-supervised involuntary bankruptcy or insolvency proceedings). A buyer seeking such a waiver must also demonstrate, in most cases, that it is the only buyer ready, willing, and able to operate the station, and that sale to an out-of-market buyer would result in an artificially depressed price.

There are more than 20 markets where we own both radio and television stations. In the majority of these markets, the number of radio stations we own complies with the limit imposed by the current rule. Our acquisition of television stations in five markets in our 2002 merger with The Ackerley Group resulted in our owning more radio stations in these markets than is permitted by the current rule. The FCC has given us a temporary period of time to divest the necessary radio or television stations to come into compliance with the rule. We have completed such divestiture with respect to one such market. In the other markets where our number of radio stations exceeds the limit under the current rule, we are nonetheless authorized to retain our present television/radio combinations at least until the FCC s next periodic ownership rule review. As with grandfathered television LMAs, we may seek permanent authorization for our non-compliant radio/television combinations by demonstrating to the FCC, among other things, the public interest benefits the combinations have produced and the extent to which the combinations have enabled the television stations involved to convert to digital operation.

Under the FCC s ownership rules, an officer or director of our company or a direct or indirect purchaser of certain types of our securities could cause us to violate FCC regulations or policies if that purchaser owned or acquired an attributable interest in other media properties in the same areas as our stations or in a manner otherwise prohibited by the FCC. All officers and directors of a licensee and any direct or indirect parent, general partners, limited partners and limited liability company members who are not properly insulated from management activities, and stockholders who own five percent or more of the outstanding voting stock of a licensee or its parent, either directly or indirectly, generally will be deemed to have an attributable interest in the licensee. Certain institutional investors who exert no control or influence over a licensee may own up to twenty percent of a licensee s or its parent s outstanding voting stock before attribution occurs. Under current FCC regulations, debt instruments, non-voting stock, minority voting stock interests in corporations having a single majority shareholder, and properly insulated limited partnership and limited liability company interests as to which the licensee certifies that the interest holders are not materially involved in the management and operation of the subject media property generally are not subject to attribution unless such interests implicate the FCC s equity/debt plus, or EDP, rule. Under the EDP rule, an aggregate debt and/or equity interest in excess of 33% of a licensee s total asset value (equity plus debt) is attributable if the interest holder is either a major program supplier (providing over 15% of the licensee s station s total weekly broadcast programming hours) or a same-market media owner (including broadcasters, cable operators, and newspapers). To the best of our knowledge at present, none of our officers, directors or five percent or greater stockholders holds an interest in another television station, radio station, cable television system or daily newspaper that is inconsistent with the FCC s ownership rules and policies.

***Recent Developments and Future Actions Regarding Multiple Ownership Rules***

Expansion of our broadcast operations in particular areas and nationwide will continue to be subject to the FCC s ownership rules and any further changes the FCC or Congress may adopt. Recent actions by and pending proceedings before the FCC, Congress and the courts may significantly affect our business.

The 1996 Act requires the FCC to review its remaining ownership rules biennially as part of its regulatory reform obligations (although, under recently enacted appropriations legislation, the FCC will be obligated to review the rules every four years rather than biennially). The first two biennial reviews did not result in any significant changes to the FCC s media ownership rules, although the first such review led to the commencement of several separate proceedings concerning specific rules.

In its third biennial review, which commenced in September 2002, the FCC undertook a comprehensive review and reevaluation of all of its media ownership rules, including incorporation of a previously commenced separate rulemaking on the radio ownership rules. This biennial review culminated in a decision adopted by the FCC in June 2003, in which the agency made significant changes to virtually all aspects of the existing media ownership rules. Among other things:

The FCC relaxed the local television ownership rule, allowing common ownership of two television stations in any DMA with at least five operating commercial and non-commercial television stations. Under the modified rule, a company may own three television stations in a DMA with at least 18 television stations. In either case, no single entity may own more than one television station that is among the top four stations in a DMA based on audience ratings. In markets with eleven or fewer television stations, however, the modified rule would allow parties to seek waivers of the top four restriction and permit a case-by-case evaluation of whether joint ownership would serve the public interest, based on a liberalized set of waiver criteria.

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The FCC eliminated its rules prohibiting ownership of a daily newspaper and a broadcast station, and limiting ownership of television and radio stations, in the same market. In place of those rules, the FCC adopted new cross-media limits that would apply to certain markets depending on the number of television stations in the relevant television DMA. These limits would prohibit any cross-media ownership in markets with three or fewer television stations. In markets with between four and eight television stations, the cross-media limits would allow common ownership of one of the following three combinations: (1) one or more daily newspapers, one television station, and up to half of the radio stations that would be permissible under the local radio ownership limits; (2) one or more daily newspapers and as many radio stations as can be owned under the local radio ownership limits (but no television stations); and (3) two television stations (provided that such ownership would be permissible under the local television ownership rule) and as many radio stations as can be owned under the local radio ownership limits (but no daily newspapers). No cross-media ownership limits would exist in markets with nine or more television stations.

The FCC relaxed the limitation on the nationwide percentage of television households a single entity is permitted to reach, raising the cap from 35% to 45%.

With respect to local radio ownership, the FCC s June 2003 decision left in place the existing tiered numerical limits on station ownership in a single market. The FCC, however, completely revised the manner of defining local radio markets, abandoning the existing definition based on station signal contours in favor of a definition based on metro markets as defined by Arbitron. Under the modified approach, commercial and non-commercial radio stations licensed to communities within an Arbitron metro market, as well as stations licensed to communities outside the metro market but considered home to that market, are counted as stations in the local radio market for the purposes of applying the ownership limits. For geographic areas outside defined Arbitron metro markets, the FCC adopted an interim market definition methodology based on a modified signal contour overlap approach and initiated a further rulemaking proceeding to determine a permanent market definition methodology for such areas. The further proceeding is still pending. The FCC grandfathered existing combinations of owned stations that would not comply with the modified rules. However, the FCC ruled that such noncompliant combinations could not be sold intact except to certain eligible entities, which the agency defined as entities qualifying as a small business consistent with Small Business Administration standards.

In addition, the FCC s June 2003 decision ruled for the first time that radio joint sales agreements, or JSAs , by which the licensee of one radio station sells substantially all of the advertising for another licensee s station in the same market (but does not provide programming to that station), would be considered attributable to the selling party. Furthermore, the FCC stated that where the newly attributable status of existing JSAs and LMAs resulted in combinations of stations that would not comply with the modified rules, termination of such JSAs and LMAs would be required within two years of the modified rules effectiveness.

Numerous parties, including us, appealed the modified ownership rules adopted by the FCC in June 2003. These appeals were consolidated before the United States Court of Appeals for the Third Circuit. In September 2003, shortly before the modified rules were scheduled to take effect, that court issued a stay preventing the rules implementation pending the court s decision on appeal. In June 2004, the court issued a decision that upheld the modified ownership rules in certain respects and remanded them to the FCC for further justification in other respects. Among other things:

The court upheld the provision of the modified rules prohibiting common ownership of more than one top-four ranked television station in a market, but remanded the FCC s modified numerical limits applicable to same-market combinations of television stations. It also remanded the FCC s elimination of the requirement that, in a transaction that seeks a failing or failed station waiver of the television duopoly rule, the parties demonstrate that no out-of-market buyer is willing to purchase the station.

The court affirmed the FCC s repeal of the newspaper/broadcast cross-ownership rule, while also upholding the FCC s determination to retain some limits on cross-media ownership. However, the court remanded the FCC s cross-media limits for further explanation, finding that the FCC had failed to provide a reasoned analysis for the specific limitations it adopted.

With respect to the modified radio ownership rules, the court affirmed the FCC s switch to an Arbitron-based methodology for defining radio markets, its decision to include noncommercial stations when counting stations in a market, its limitations on transfer of existing combinations of stations that would not comply with the modified rules, its decision to make JSAs attributable to the selling party, and its decision to require termination within two years of the rules effectiveness of existing JSAs and LMAs that resulted in non-compliance with the modified radio rules. However, the court determined that the FCC had insufficiently justified its retention of the existing numerical station caps and remanded the numerical limits to the FCC for further explanation.

In its June 2004 decision, the court left in place the stay on the FCC s implementation of the modified media ownership rules. As a result, the FCC s rules governing local television ownership and radio/television cross-ownership, as modified in 1999, remained in effect. However, in September 2004 the court partially lifted its stay on the modified radio ownership rules, putting into effect the aspects of those rules that establish a new methodology for defining local radio markets and counting stations within those markets, limit our ability to transfer intact combinations of stations that do not comply with the new rules, make JSAs attributable, and require us to terminate within two years those of our existing JSAs and LMAs which, because of their newly attributable status, cause our station combinations in the relevant markets to be non-compliant with the new radio ownership rules. Moreover, in a market where we own one or more radio stations, we generally cannot enter into a JSA with another radio station if we could not acquire that station under the modified rules.

In addition, the FCC has commenced a separate proceeding to consider whether television JSAs, like radio JSAs, should be attributed to the selling party. Such a rule, if adopted, could prevent us from entering into a JSA with another television station that we could not acquire under the local television ownership rules.

The modified media ownership rules are also subject to further court appeals, various petitions for reconsideration before the FCC and possible actions by Congress. In the 2004 Consolidated Appropriations Act, Congress effectively overrode the FCC s modified national television ownership reach cap of 45% and set it at 39%. The legislation also changed the FCC s obligation to periodically review the media ownership rules from every two years to every four years.

We cannot predict the impact of any of these developments on our business. In particular, we cannot predict the ultimate outcome of the FCC s most recent media ownership proceeding or its effect on our ability to acquire broadcast stations in the future, to complete acquisitions that we have agreed to make, to continue to own and freely transfer groups of stations that we have already acquired, or to continue our existing agreements to provide programming to or sell advertising on stations we do not own. Moreover, we cannot predict the impact of future reviews or any other agency or legislative initiatives upon the FCC s broadcast rules. Further, the 1996 Act s relaxation of the FCC s ownership rules has increased the level of competition in many markets in which our stations are located.

***Alien Ownership Restrictions***

The Communications Act restricts the ability of foreign entities or individuals to own or hold certain interests in broadcast licenses. Foreign governments, representatives of foreign governments, non-U.S. citizens, representatives of non-U.S. citizens, and corporations or partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Non-U.S. citizens, collectively, may own or vote up to twenty percent of the capital stock of a corporate licensee. A broadcast license may not be granted to or held by any entity that is controlled, directly or indirectly, by a corporation more than one-fourth of whose capital stock is owned or voted by non-U.S. citizens or their representatives, by foreign governments or their representatives or by non-U.S. corporations, if the FCC finds that the public interest will be served by the refusal or revocation of such license. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such corporation, and the FCC has made such an affirmative finding only in limited circumstances. Since we serve as a holding company for subsidiaries that serve as licensees for our stations, we are effectively restricted from having more than one-fourth of our stock owned or voted directly or indirectly by non-U.S. citizens or their representatives, foreign governments, representatives of foreign governments or foreign corporations.

***Other Regulations Affecting Broadcast Stations***

*General*. The FCC has significantly reduced its past regulation of broadcast stations, including elimination of formal ascertainment requirements and guidelines concerning amounts of certain types of programming and commercial matter that may be broadcast. There are, however, statutes and rules and policies of the FCC and other federal agencies that regulate matters such as network-affiliate relations, the ability of stations to obtain exclusive rights to air syndicated programming, cable and satellite systems carriage of syndicated and network programming on distant stations, political advertising practices, obscenity and indecency in broadcast programming, application procedures and other areas affecting the business or operations of broadcast stations.

*Indecency*. Provisions of federal law regulate the broadcast of obscene, indecent or profane material. The FCC has substantially increased its monetary penalties for violations of these regulations. Congress currently has under consideration legislation that addresses the FCC s enforcement of its rules in this area. Potential changes to enhance the FCC s authority in this area include the ability to impose substantially higher monetary penalties, consider violations to be serious offenses in the context of license renewal applications, and, under certain circumstances, designate a license for hearing to determine whether such license should be revoked. We cannot predict the likelihood that this, or similar legislation, will ultimately be enacted into law.

*Public Interest Programming*. Broadcasters are required to air programming addressing the needs and interests of their communities of license, and to place issues/programs lists in their public inspection files to provide their communities with information on the level of public interest programming they air. In October 2000, the FCC commenced a proceeding seeking comment on whether it should adopt a standardized form for reporting information on a station s public interest programming and whether it should require television broadcasters to post the new form - as well as all other documents in their public inspection files - either on station websites or the websites of state broadcasters associations. Moreover, in August 2003 the FCC introduced a Localism in Broadcasting initiative that, among other things, has resulted in the creation of an FCC Localism Task Force, localism hearings at various locations throughout the country, and the July 2004 initiation of a proceeding to consider whether additional FCC rules and procedures are necessary to promote localism in broadcasting.

*Equal Employment Opportunity*. The FCC s equal employment opportunity rules generally require broadcasters to engage in broad and inclusive recruitment efforts to fill job vacancies, keep a considerable amount of recruitment data and report much of this data to the FCC and to the public via stations public files and websites. The FCC is still considering whether to apply these rules to part-time employment positions. Broadcasters are also obligated not to engage in employment discrimination based on race, color, religion, national origin or sex.

*Digital Audio Radio Service*. The FCC has adopted spectrum allocation and service rules for satellite digital audio radio service. Satellite digital audio radio service systems can provide regional or nationwide distribution of radio programming with fidelity comparable to compact discs. Two companies Sirius Satellite Radio Inc. and XM Radio have launched satellite digital audio radio service systems and are currently providing nationwide service. The FCC is currently considering what rules to impose on both licensees operation of terrestrial repeaters that support their satellite services. The FCC also has approved a technical standard for the provision of in band, on channel terrestrial digital radio broadcasting by existing radio broadcasters (except for nighttime broadcasting by AM stations, which is undergoing further testing), and has allowed radio broadcasters to convert to a hybrid mode of digital/analog operation on their existing frequencies. The FCC has commenced a rulemaking to address formal standards and related licensing and service rule changes for terrestrial digital audio broadcasting. We cannot predict the impact of either satellite or terrestrial digital audio radio service on our business.

*Low Power FM Radio Service*. In January 2000, the FCC created two new classes of noncommercial low power FM radio stations ( LPFM ). One class (LP100) is authorized to operate with a maximum power of 100 watts and a service radius of about 3.5 miles. The other class (LP10) is authorized to operate with a maximum power of 10 watts and a service radius of about 1 to 2 miles. In establishing the new LPFM service, the FCC said that its goal is to create a class of radio stations designed to serve very localized communities or underrepresented groups within communities. The FCC has accepted applications for LPFM stations and has granted some of these applications. In December 2000, Congress passed the Radio Broadcasting Preservation Act of 2000. This legislation requires the FCC to maintain interference protection requirements between LPFM stations and full-power radio stations on third-adjacent channels. It also requires the FCC to conduct field tests to determine the impact of eliminating such

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requirements. The FCC has commissioned a preliminary report on such impact and on the basis of that report, has recommended to Congress that such requirements be eliminated. We cannot predict the number of LPFM stations that eventually will be authorized to operate or the impact of such stations on our business.

*Other*. The FCC has adopted rules on children s television programming pursuant to the Children s Television Act of 1990 and rules requiring closed captioning of television programming. The FCC has also taken steps to implement digital television broadcasting in the U.S. Furthermore, the 1996 Act contains a number of provisions related to television violence. We cannot predict the effect of the FCC s present rules or future actions on our television broadcasting operations.

Finally, Congress and the FCC from time to time consider, and may in the future adopt, new laws, regulations and policies regarding a wide variety of other matters that could affect, directly or indirectly, the operation and ownership of our broadcast properties. In addition to the changes and proposed changes noted above, such matters have included, for example, spectrum use fees, political advertising rates, and potential restrictions on the advertising of certain products such as beer and wine. Other matters that could affect our broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry, such as direct broadcast satellite service, the continued establishment of wireless cable systems and low power television stations, streaming of audio and video programming via the Internet, digital television and radio technologies, the establishment of a low power FM radio service, and possible telephone company participation in the provision of video programming service.

The foregoing is a brief summary of certain provisions of the Communications Act, the 1996 Act, and specific regulations and policies of the FCC thereunder. This description does not purport to be comprehensive and reference should be made to the Communications Act, the 1996 Act, the FCC s rules and the public notices and rulings of the FCC for further information concerning the nature and extent of federal regulation of broadcast stations. Proposals for additional or revised regulations and requirements are pending before and are being considered by Congress and federal regulatory agencies from time to time. Also, various of the foregoing matters are now, or may become, the subject of court litigation, and we cannot predict the outcome of any such litigation or its impact on our broadcasting business.

## Risk Factors

### *We Have a Large Amount of Indebtedness*

We currently use a portion of our operating income for debt service. Our leverage could make us vulnerable to an increase in interest rates or a downturn in the operating performance of our businesses or a decline in general economic conditions. At December 31, 2004, we had debt outstanding of $7.4 billion and shareholders equity of $9.5 billion. We may continue to borrow funds to finance capital expenditures, share repurchases, acquisitions or to refinance debt, as well as for other purposes. Our debt obligations could increase substantially because of additional share repurchase programs that may be approved by our Board as well as the debt levels of companies that we may acquire in the future.

Such a large amount of indebtedness could have negative consequences for us, including without limitation:

- limitations on our ability to obtain financing in the future;

- much of our cash flow will be dedicated to interest obligations and unavailable for other purposes;

- the high level of indebtedness limits our flexibility to deal with changing economic, business and competitive conditions; and

- the high level of indebtedness could make us more vulnerable to an increase in interest rates, a downturn in our operating performance or a decline in general economic conditions.

The failure to comply with the covenants in the agreements governing the terms of our or our subsidiaries indebtedness could be an event of default and could accelerate the payment obligations and, in some cases, could affect other obligations with cross-default and cross-acceleration provisions.

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***Our Business is Dependent Upon the Performance of Key Employees, On-Air Talent and Program Hosts***

Our business is dependent upon the performance of certain key employees. We employ or independently contract with several on-air personalities and hosts of syndicated radio programs with significant loyal audiences in their respective markets. Although we have entered into long-term agreements with some of our executive officers, key on-air talent and program hosts to protect our interests in those relationships, we can give no assurance that all or any of these key employees will remain with us or will retain their audiences. Competition for these individuals is intense and many of our key employees are at-will employees who are under no legal obligation to remain with us. Our competitors may choose to extend offers to any of these individuals on terms, which we may be unwilling to meet. In addition, any or all of our key employees may decide to leave for a variety of personal or other reasons beyond our control. Furthermore, the popularity and audience loyalty of our key on-air talent and program hosts is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could limit our ability to generate revenues.

***Doing Business in Foreign Countries Creates Certain Risks Not Found in Doing Business in the United States***

Doing business in foreign countries carries with it certain risks that are not found in doing business in the United States. We currently derive a portion of our revenues from international radio broadcasting, outdoor advertising and live entertainment operations in countries around the world and a key element of our business strategy is to expand our international operations. The risks of doing business in foreign countries that could result in losses against which we are not insured include:

- exposure to local economic conditions;
- potential adverse changes in the diplomatic relations of foreign countries with the United States;
- hostility from local populations;
- the adverse effect of currency exchange controls;
- restrictions on the withdrawal of foreign investment and earnings;
- government policies against businesses owned by foreigners;
- investment restrictions or requirements;
- expropriations of property;
- the potential instability of foreign governments;
- the risk of insurrections;
- risks of renegotiation or modification of existing agreements with governmental authorities;
- foreign exchange restrictions;
- withholding and other taxes on remittances and other payments by subsidiaries; and
- changes in taxation structure.

***Exchange Rates May Cause Future Losses in Our International Operations***

Because we own assets overseas and derive revenues from our international operations, we may incur currency translation losses due to changes in the values of foreign currencies and in the value of the U.S. dollar. We cannot predict the effect of exchange rate fluctuations upon future operating results.

***Extensive Government Regulation May Limit Our Broadcasting Operations***

The federal government extensively regulates the domestic broadcasting industry, and any changes in the current regulatory scheme could significantly affect us. Our broadcasting businesses depend upon maintaining broadcasting licenses issued by the FCC for maximum terms of eight years. Renewals of broadcasting licenses can be attained only through the FCC s grant of appropriate applications. Although the FCC rarely denies a renewal application, the FCC could deny future renewal applications resulting in the loss of one or more of our broadcasting licenses.

The federal communications laws limit the number of broadcasting properties we may own in a particular area. While the Telecommunications Act of 1996 relaxed the FCC s multiple ownership limits, any subsequent modifications that tighten those limits could make it impossible for us to complete potential acquisitions or require us to divest stations we have already acquired. Most significantly, in June 2003 the FCC adopted a decision comprehensively modifying its media ownership rules. The modified rules significantly changed the FCC s regulations governing radio ownership, allowed increased ownership of TV stations at the local and national level, and permitted additional cross-ownership of daily newspapers, television stations and radio stations. Soon after their adoption, however, a federal court issued a stay preventing the implementation of the modified media ownership rules while it considered appeals of the rules by numerous parties (including us). In a June 2004 decision, the court upheld the modified rules in certain respects, remanded them to the FCC for further justification in other respects, and left in place the stay on their implementation. In September 2004, the court partially lifted its stay on the modified radio ownership rules, putting into effect aspects of those rules that established a new methodology for defining local radio markets and counting stations within those markets, limit our ability to transfer intact combinations of stations that do not comply with the new rules, and require us to terminate within two years certain of our agreements whereby we provide programming to or sell advertising on radio stations we do not own. The modified media ownership rules are subject to various further FCC and court proceedings and recent and possible future actions by Congress. We cannot predict the ultimate outcome of the media ownership proceeding or its effect on our ability to acquire broadcast stations in the future, to complete acquisitions that we have agreed to make, to continue to own and freely transfer groups of stations that we have already acquired, or to continue our existing agreements to provide programming to or sell advertising on stations we do not own.

Moreover, the FCC s existing rules in some cases permit a company to own fewer radio stations than allowed by the Telecommunications Act of 1996 in markets or geographical areas where the company also owns television stations. These rules could require us to divest radio stations we currently own in markets or areas where we also own television stations. Our acquisition of television stations in five local markets or areas in our merger with The Ackerley Group resulted in our owning more radio stations in these markets or areas than is permitted by these rules. The FCC has given us a temporary period of time to divest the necessary radio and/or television stations to come into compliance with the rules. We have completed such divestiture with respect to one such market.

Other changes in governmental regulations and policies may have a material impact on us. For example, we currently provide programming to several television stations we do not own. These programming arrangements are made through contracts known as local marketing agreements. The FCC s rules and policies regarding television local marketing agreements will restrict our ability to enter into television local marketing agreements in the future, and may eventually require us to terminate our programming arrangements under existing local marketing agreements. Moreover, the FCC has begun a proceeding to adopt rules that will restrict our ability to enter into television joint sales agreements, by which we sell advertising on television stations we do not own, and may eventually require us to terminate our existing agreements of this nature. Additionally, the FCC has adopted rules which under certain circumstances subject previously nonattributable debt and equity interests in communications media to the FCC s multiple ownership restrictions. These rules may limit our ability to expand our media holdings.

***We May Be Adversely Affected By New Statutes Dealing With Indecency***

Congress currently has under consideration legislation that addresses the FCC s enforcement of its rules concerning the broadcast of obscene, indecent, or profane material. Potential changes to enhance the FCC s authority in this area include the ability to impose substantially higher monetary penalties, consider violations to be serious offenses in the context of license renewal applications, and, under certain circumstances, designate a license for hearing to determine whether such license should be revoked. In the event that this or similar legislation is ultimately enacted into law, we could face increased costs in the form of fines and a greater risk that we could lose one or more of our broadcasting licenses.

***Antitrust Regulations May Limit Future Acquisitions***

Additional acquisitions by us of radio and television stations, outdoor advertising properties and live entertainment operations or entities may require antitrust review by federal antitrust agencies and may require review by foreign antitrust agencies under the antitrust laws of foreign jurisdictions. We can give no assurances that the Department of Justice ( DOJ ) or the Federal Trade Commission or foreign antitrust agencies will not seek to bar us from acquiring additional radio or television stations or outdoor advertising or entertainment properties in any market where we already have a significant position. Following passage of the Telecommunications Act of 1996, the DOJ has become more aggressive in reviewing proposed acquisitions of radio stations, particularly in instances where the proposed acquiror already owns one or more radio station properties in a particular market and seeks to acquire another radio station in the same market. The DOJ has, in some cases, obtained consent decrees requiring radio station divestitures in a particular market based on allegations that acquisitions would lead to unacceptable concentration levels. The DOJ also actively reviews proposed acquisitions of outdoor advertising properties. In addition, the antitrust laws of foreign jurisdictions will apply if we acquire international broadcasting properties.

***Environmental, Health, Safety and Land Use Laws and Regulations May Limit or Restrict Some of Our Operations***

As the owner or operator of various real properties and facilities, especially in our outdoor advertising and live entertainment venue operations, we must comply with various foreign, federal, state and local environmental, health, safety and land use laws and regulations. We and our properties are subject to such laws and regulations relating to the use, storage, disposal, emission and release of hazardous and non-hazardous substances and employee health and safety, as well as zoning and noise level restrictions which may affect, among other things, the hours of operations of our live entertainment venues. Historically, we have not incurred significant expenditures to comply with these laws. However, additional laws, which may be passed in the future, or a finding of a violation of or liability under existing laws, could require us to make significant expenditures and otherwise limit or restrict some of our operations.

***Government Regulation of Outdoor Advertising May Restrict Our Outdoor Advertising Operations***

The outdoor advertising industry that operates domestically is subject to extensive governmental regulation at the federal, state and local level. These regulations include restrictions on the construction, repair, upgrading, height, size and location of and, in some instances, content of advertising copy being displayed on outdoor advertising structures. In addition, the outdoor advertising industry that operates in foreign countries is subject to certain foreign governmental regulation. Compliance with existing and future regulations could have a significant financial impact.

Federal law, principally the Highway Beautification Act of 1965, requires, as a condition to federal highway assistance, states to implement legislation to restrict billboards located within 660 feet of, or visible from, highways except in commercial or industrial areas and requires certain additional size, spacing and other limitations. Every state has implemented laws and regulations in compliance with the Highway Beautification Act, including the removal of any illegal signs on these highways at the owner s expense and without any compensation. Federal law does not require removal of existing lawful billboards, but does require the payment of just compensation if a state or political subdivision compels the removal of a lawful billboard along a federally aided primary or interstate highway. State governments have purchased and removed legal nonconforming billboards in the past, using a portion of federal funding and may do so in the future.

States and local jurisdictions have, in some cases, passed additional regulations on the construction, size, location and, in some instances, advertising content of outdoor advertising structures adjacent to federally-aided highways and other thoroughfares. From time to time governmental authorities order the removal of billboards by the exercise of eminent domain and certain jurisdictions have also adopted amortization of billboards in varying forms. Amortization permits the billboard owner to operate its billboard only as a non-conforming use for a specified period of time, after which it must remove or otherwise conform its billboard to the applicable regulations at its own cost without any compensation. Several municipalities within our existing markets have adopted amortization ordinances. Restrictive regulations also limit our ability to rebuild or replace nonconforming billboards. We can give no assurance that we will be successful in negotiating acceptable arrangements in circumstances in which our billboards are subject to removal or amortization, and what effect, if any, such regulations may have on our operations.

In addition, we are unable to predict what additional regulations may be imposed on outdoor advertising in the future. The outdoor advertising industry is heavily regulated and at various times and in various markets can be expected to be subject to varying degrees of regulatory pressure affecting the operation of advertising displays. Legislation regulating the content of billboard advertisements and additional billboard restrictions has been introduced in Congress from time to time in the past. Changes in laws and regulations affecting outdoor advertising at any level of government, including laws of the foreign jurisdictions in which we operate, could have a significant financial impact on us by requiring us to make significant expenditures or otherwise limiting or restricting some of our operations.

***Changes in Restrictions on Outdoor Tobacco and Alcohol Advertising May Pose Risks***

Out-of-court settlements between the major U.S. tobacco companies and all 50 states include a ban on the outdoor advertising of tobacco products. State and local governments continue to initiate proposals designed to limit outdoor advertising of alcohol. Other products and services may be targeted in the future. Legislation regulating tobacco and alcohol advertising has also been introduced in a number of European countries in which we conduct business, and could have a similar impact. Any significant reduction in alcohol related advertising due to content-related restrictions could cause a reduction in our direct revenue from such advertisements and a simultaneous increase in the available space on the existing inventory of billboards in the outdoor advertising industry.

***Future Acquisitions Could Pose Risks***

We may acquire media-related assets and other assets or businesses that we believe will assist our customers in marketing their products and services. Our acquisition strategy involves numerous risks, including:

certain of our acquisitions may prove unprofitable and fail to generate anticipated cash flows;

to successfully manage our large portfolio of broadcasting, outdoor advertising, entertainment and other properties, we may need to:

Ø recruit additional senior management as we cannot be assured that senior management of acquired companies will continue to work for us and, in this highly competitive labor market, we cannot be certain that any of our recruiting efforts will succeed, and

Ø expand corporate infrastructure to facilitate the integration of our operations with those of acquired properties, because failure to do so may cause us to lose the benefits of any expansion that we decide to undertake by leading to disruptions in our ongoing businesses or by distracting our management;

entry into markets and geographic areas where we have limited or no experience;

we may encounter difficulties in the integration of operations and systems;

our management s attention may be diverted from other business concerns; and

we may lose key employees of acquired companies or stations.

We frequently evaluate strategic opportunities both within and outside our existing lines of business. We expect from time to time to pursue additional acquisitions and may decide to dispose of certain businesses. These acquisitions or dispositions could be material.

***Capital Requirements Necessary to Implement Acquisitions Could Pose Risks***

We face stiff competition from other broadcasting, outdoor advertising and live entertainment companies for acquisition opportunities. If the prices sought by sellers of these companies continue to rise, we may find fewer acceptable acquisition opportunities. In addition, the purchase price of possible acquisitions could require additional debt or equity financing on our part. Since the terms and availability of this financing depend to a large degree upon general economic conditions and third parties over which we have no control, we can give no assurance that we will obtain the needed financing or that we will obtain such financing on attractive terms. In addition, our ability to obtain financing depends on a number of other factors, many of which are also beyond our control, such as interest rates and national and local business conditions. If the cost of obtaining needed financing is too high or the terms of such financing are otherwise unacceptable in relation to the acquisition opportunity we are presented with, we may decide to forego that opportunity. Additional indebtedness could increase our leverage and make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures. Additional equity financing could result in dilution to our shareholders.

***We Face Intense Competition in the Broadcasting, Outdoor Advertising and Live Entertainment Industries***

Our business segments are in highly competitive industries, and we may not be able to maintain or increase our current audience ratings and advertising and sales revenues. Our radio stations and outdoor advertising properties compete for audiences and advertising revenues with other radio stations and outdoor advertising companies, as well as with other media, such as newspapers, magazines, television, direct mail, satellite radio and

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Internet based media, within their respective markets. Audience ratings and market shares are subject to change, which could have the effect of reducing our revenues in that market. Our live entertainment operations compete with other venues to serve artists likely to perform in that general region and, in the markets in which we promote musical concerts, we face competition from promoters, as well as from certain artists who promote their own concerts. These competitors may engage in more extensive development efforts, undertake more far reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to existing and potential customers or artists. Our competitors may develop services, advertising media or entertainment venues that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. It is possible that new competitors may emerge and rapidly acquire significant market share in any of our business segments. Other variables that could adversely affect our financial performance by, among other things, leading to decreases in overall revenues, the numbers of advertising customers, advertising fees, event attendance, ticket prices or profit margins include:

- unfavorable economic conditions, both general and relative to the radio broadcasting, outdoor advertising, live entertainment and all related media industries, which may cause companies to reduce their expenditures on advertising or corporate sponsorship or reduce the number of persons willing to attend live entertainment events;

- unfavorable shifts in population and other demographics which may cause us to lose advertising customers and audience as people migrate to markets where we have a smaller presence, or which may cause advertisers to be willing to pay less in advertising fees if the general population shifts into a less desirable age or geographical demographic from an advertising perspective;

- an increased level of competition for advertising dollars, which may lead to lower advertising rates as we attempt to retain customers or which may cause us to lose customers to our competitors who offer lower rates that we are unable or unwilling to match;

- unfavorable fluctuations in operating costs which we may be unwilling or unable to pass through to our customers;

- technological changes and innovations that we are unable to adopt or are late in adopting that offer more attractive advertising or entertainment alternatives than what we currently offer, which may lead to a loss of advertising customers or ticket sales, or to lower advertising rates or ticket prices;

- unfavorable changes in labor conditions which may require us to spend more to retain and attract key employees; and

- changes in governmental regulations and policies and actions of federal regulatory bodies which could restrict the advertising media which we employ or restrict some or all of our customers that operate in regulated areas from using certain advertising media, or from advertising at all, or which may restrict the operation of live entertainment events.

***New Technologies May Affect Our Broadcasting Operations***

Our broadcasting businesses face increasing competition from new broadcast technologies, such as broadband wireless and satellite television and radio, and new consumer products, such as portable digital audio players and personal digital video recorders. These new technologies and alternative media platforms compete with our radio and television stations for audience share and advertising revenue, and in the case of some products, allow listeners and viewers to avoid traditional commercial advertisements. The FCC has also approved new technologies for use in the radio broadcasting industry, including the terrestrial delivery of digital audio broadcasting, which significantly enhance the sound quality of radio broadcasts. In the television broadcasting industry, the FCC has established standards and a timetable for the implementation of digital television broadcasting in the U.S. We are unable to predict the effect such technologies and related services and products will have on our broadcasting operations, but the capital expenditures necessary to implement such technologies could be substantial and other companies employing such technologies could compete with our businesses.

***Our Live Entertainment Business is Highly Sensitive to Public Tastes and Dependent on Our Ability to Secure Popular Artists, Live Entertainment Events and Venues***

Our ability to generate revenues through our live entertainment operations is highly sensitive to rapidly changing public tastes and dependent on the availability of popular performers and events. Since we rely on unrelated parties to create and perform live entertainment content, any lack of availability of popular musical artists, touring Broadway shows, specialized motor sports talent and other performers could limit our ability to generate revenues. In addition, we require access to venues to generate revenues from live entertainment events. We operate a number of our live entertainment venues under leasing or booking agreements. Our long-term success in the live entertainment business will depend in part on our ability to renew these agreements when they expire or end. As many of these agreements are with third parties over which we have little or no control, we may be unable to renew these agreements on acceptable terms or at all, and may be unable to obtain favorable agreements with new venues. Our ability to renew these agreements or obtain new agreements on favorable terms depends on a number of other factors, many of which are also beyond our control, such as national and local business conditions. If the cost of renewing these agreements is too high or the terms of any new agreement with a new venue are unacceptable or incompatible with our existing operations, we may decide to forego these opportunities. In addition, our competitors may offer more favorable terms than we do in order to obtain agreements for new venues.

***We May be Adversely Affected by a General Deterioration in Economic Conditions***

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 and in attendance at live entertainment events. A decline in the level of business activity of our advertisers or a decline in attendance at live entertainment events could have an adverse effect on our revenues and profit margins. During the most recent economic slowdown in the United States, many advertisers reduced their advertising expenditures. The impact of slowdowns on our business is difficult to predict, but they may result in reductions in purchases of advertising and attendance at live entertainment events. If the current economic slowdown continues or worsens, our results of operations may be adversely affected.

***We May Be Adversely Affected by the Occurrence of Extraordinary Events, Such as Terrorist Attacks***

The occurrence of extraordinary events, such as terrorist attacks, intentional or unintentional mass casualty incidents or similar events may substantially decrease the use of and demand for advertising and the attendance at live entertainment events, which may decrease our revenues or expose us to substantial liability. The September 11, 2001 terrorist attacks, for example, caused a nationwide disruption of commercial and leisure activities. As a result of the expanded news coverage following the attacks and subsequent military actions, we experienced a loss in advertising revenues and increased incremental operating expenses. We also experienced lower attendance levels at live entertainment events. The occurrence of future terrorist attacks, military actions by the United States, contagious disease outbreaks, or similar events cannot be predicted, and their occurrence can be expected to further negatively affect the economies of the United States and other foreign countries where we do business generally, specifically the market for advertising and live entertainment.

***Caution Concerning Forward Looking Statements***

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including the future levels of cash flow from operations. Management believes that all statements that express expectations and projections with respect to future matters, including the success of our *Less is More* initiative; the strategic fit of radio assets; expansion of market share; our ability to capitalize on synergies between the live entertainment and radio broadcasting businesses; our ability to negotiate contracts having more favorable terms; and the availability of capital resources; are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our financial performance. These statements are made on the basis of management s views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management s expectations will necessarily come to pass.

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

- the impact of general economic and political conditions in the U.S. and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;
- the impact of the geopolitical environment;
- our ability to integrate the operations of recently acquired companies;
- shifts in population and other demographics;

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industry conditions, including competition;

fluctuations in operating costs;

technological changes and innovations;

changes in labor conditions;

fluctuations in exchange rates and currency values;

capital expenditure requirements;

the outcome of pending and future litigation settlements;

legislative or regulatory requirements;

interest rates;

the effect of leverage on our financial position and earnings;

taxes;

access to capital markets; and

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

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

**Available Information**

You can find more information about us at our Internet website located at www.clearchannel.com. Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge on our Internet website as soon as reasonably practicable after we electronically file such material with the SEC.

## ITEM 2. Properties

### Corporate

Our corporate headquarters is in San Antonio, Texas, where we own a 55,000 square foot executive office building and a 120,000 square foot data and administrative service center.

### Operations

***Radio Broadcasting***

Certain radio executive corporate operations moved to our executive corporate headquarters in San Antonio, Texas during 2002. Previously, our radio operations were headquartered in 21,201 square feet of leased office space in Covington, Kentucky. The lease on this premises expires in November 2008. Although the executives of our radio operations and their support functions are in San Antonio, we still occupy the leased space in Covington, Kentucky to house other support functions for our radio operations. The types of properties required to support each of our radio stations include offices, studios, transmitter sites and antenna sites. A radio station s studios are generally housed with its offices in downtown or business districts. A radio station s transmitter sites and antenna sites are generally located in a manner that provides maximum market coverage.

***Outdoor Advertising***

The headquarters of our domestic outdoor advertising operations is in 7,750 square feet of leased office space in Phoenix, Arizona. The lease on this premises expires in April 2006. The headquarters of our international outdoor advertising operations is in 12,305 square feet of company owned office space in London, England. The types of properties required to support each of our outdoor advertising branches include offices, production facilities and structure sites. An outdoor branch and production facility is generally located in an industrial/warehouse district.

We own or have permanent easements on relatively few parcels of real property that serve as the sites for our outdoor displays. Our remaining outdoor display sites are leased. Our leases are for varying terms ranging from month-to-month to year-to-year and can be for terms of ten years or longer, and many provide for renewal options. There is no significant concentration of displays under any one lease or subject to negotiation with any one landlord. We believe that an important part of our management activity is to negotiate suitable lease renewals and extensions.

***Live Entertainment***

The international headquarters of our live entertainment operations is in 227,685 square feet of leased office space in New York City, New York. The lease on this premises expires in September 2020. Several members of the live entertainment senior management team as well as other live entertainment operations are located in 91,965 square feet of leased office space in Houston, Texas. The lease on this premises expires in March 2009. The types of properties required to support each of our live entertainment operations include offices and venues. Our live entertainment venues generally include offices and are located in major metropolitan areas.

The studios and offices of our radio stations, outdoor advertising branches and live entertainment venues are located in leased or owned facilities. These leases generally have expiration dates that range from one to forty years. We either own or lease our transmitter and antenna sites. These leases generally have expiration dates that range from five to fifteen years. We do not anticipate any difficulties in renewing those leases that expire within the next several years or in leasing other space, if required. We own substantially all of the equipment used in our radio broadcasting, outdoor advertising and live entertainment businesses.

As noted in Item 1 above, as of December 31, 2004, we owned 1,189 radio stations, owned or leased 823,580 outdoor advertising display faces and owned or operated 104 entertainment venues in various markets throughout the world. See Business Operating Segments. Therefore, no one property is material to our overall operations. We believe that our properties are in good condition and suitable for our operations.

**ITEM 3. Legal Proceedings**

At the Senate Judiciary Committee hearing on July 24, 2003, an Assistant United States Attorney General announced that the DOJ, is pursuing two separate antitrust inquiries concerning us. One inquiry is whether we have violated antitrust laws in one of our radio markets. The other is whether we have limited airplay of artists who do not use our concert services in violation of antitrust laws. We are cooperating fully with all DOJ requests.

On September 9, 2003, the Assistant United States Attorney for the Eastern District of Missouri caused a Subpoena to Testify before Grand Jury to be issued to us. The Subpoena requires us to produce certain information regarding commercial advertising run by us on behalf of offshore and/or online (Internet) gambling businesses, including sports bookmaking and casino-style gambling. We are cooperating with such requirements.

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

We are among the defendants in a lawsuit filed September 3, 2002 by JamSports and Entertainment in the United States Federal District Court for the Northern District of Illinois. The plaintiff alleges that the Company violated Section One and Section Two of the Sherman Antitrust Act and wrongfully interfered in the plaintiff s contractual rights. The plaintiff is seeking monetary damages. We believe that the plaintiff s position in this litigation is without merit and intend to defend ourselves vigorously in the litigation.

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

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**ITEM 4. Submission of Matters to a Vote of Security Holders.**

There were no matters submitted to a vote of security holders in the fourth quarter of fiscal year 2004.

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## PART II

### ITEM 5. Market for Registrant s Common Equity and Related Stockholder Matters

Our common stock trades on the New York Stock Exchange under the symbol CCU. There were 3,530 shareholders of record as of February 28, 2005. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. The following table sets forth, for the calendar quarters indicated, the reported high and low sales prices of the common stock as reported on the NYSE.

| | Common Stock Market Price | | Dividends |
|---|---|---|---|
| | **High** | **Low** | **Dividends Declared** |
| **2003** | | | |
| First Quarter | $ 43.98 | $ 31.00 | $ .00 |
| Second Quarter | 43.85 | 33.35 | .00 |
| Third Quarter | 46.18 | 36.36 | .10 |
| Fourth Quarter | 47.48 | 38.50 | .10 |
| **2004** | | | |
| First Quarter | 47.76 | 38.90 | .10 |
| Second Quarter | 44.50 | 35.35 | .10 |
| Third Quarter | 37.24 | 30.62 | .125 |
| Fourth Quarter | 35.07 | 29.96 | .125 |

### Dividend Policy

Our Board of Directors declared a quarterly cash dividend of 12.5 cents per share at its February 2005 meetings. We expect to continue to declare and pay quarterly cash dividends in 2005. The terms of our current credit facilities do not prohibit us from paying cash dividends unless we are in default under our credit facilities either prior to or after giving effect to any proposed dividend. However, any future decision by our Board of Directors to pay cash dividends will depend on, among other factors, our earnings, financial position, capital requirements and regulatory changes.

### Purchases of Equity Securities by the Issuer and Affiliated Purchases

On March 30, 2004, and then again on July 21, 2004, we publicly announced that our Board of Directors authorized share repurchase programs each up to $1.0 billion effective immediately. The March 30, 2004 program was completed at August 2, 2004 upon the repurchase of $1.0 billion of our shares. The second share repurchase program will expire one year from the date of authorization, although prior to such time the program may be discontinued or suspended at any time. During the three months ended December 31, 2004, we repurchased the following shares:

| | Total Number of Shares Purchased as | Maximum Dollar Value of Shares that May Yet Be |
|---|---|---|

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Part of Publicly Announced Programs | Purchased Under the Programs |
|---|---|---|---|---|
| October 1 through October 31 | 6,180,200 | $ 30.9682 | 6,180,200 | $ 380,507,475 |
| November 1 through November 30 | 2,723,300 | $ 34.3480 | 2,723,300 | $ 286,967,671 |
| December 1 through December 31 | 3,801,700 | $ 33.7874 | 3,801,700 | $ 158,517,960 |
| Total | 12,705,200 | | | |