

Live Nation Entertainment, Inc.
Form 10-Q
May 05, 2011
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011,

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-32601

LIVE NATION ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State of Incorporation)

20-3247759
(I.R.S. Employer Identification No.)

9348 Civic Center Drive

Beverly Hills, CA 90210

(Address of principal executive offices, including zip code)

(310) 867-7000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

On April 29, 2011, there were 181,859,183 outstanding shares of the registrant's common stock, \$0.01 par value per share, including 2,442,031 shares of unvested restricted stock awards and excluding 738,462 shares held in treasury.

Table of Contents

LIVE NATION ENTERTAINMENT, INC.

INDEX TO FORM 10-Q

| | Page |
|---|-------------|
| PART I FINANCIAL INFORMATION | |
| Item 1. <u>Financial Statements (unaudited)</u> | 2 |
| <u>Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010</u> | 2 |
| <u>Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010</u> | 3 |
| <u>Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2011 and 2010</u> | 4 |
| <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010</u> | 5 |
| <u>Notes to Consolidated Financial Statements</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 26 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 45 |
| Item 4. <u>Controls and Procedures</u> | 45 |
| PART II OTHER INFORMATION | |
| Item 1. <u>Legal Proceedings</u> | 45 |
| Item 1A. <u>Risk Factors</u> | 48 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 48 |
| Item 3. <u>Defaults Upon Senior Securities</u> | 48 |
| Item 5. <u>Other Information</u> | 48 |
| Item 6. <u>Exhibits</u> | 49 |

Table of Contents

LIVE NATION ENTERTAINMENT, INC.

GLOSSARY OF KEY TERMS

| | |
|------------------|--|
| AEG | Anschutz Entertainment Group |
| AMG | Academy Music Holdings Limited Group |
| AOI | Adjusted operating income (loss) |
| Azoff Trust | The Azoff Family Trust of 1997, of which Irving Azoff is co-Trustee |
| Clear Channel | Clear Channel Communications, Inc. |
| Comcast | Comcast-Spectacor, L.P. |
| Company | Live Nation Entertainment, Inc. and subsidiaries |
| CTS | CTS Eventim AG |
| DOJ | United States Department of Justice |
| FASB | Financial Accounting Standards Board |
| FLMG | FLMG Holdings Corp., a wholly-owned subsidiary of Live Nation |
| Front Line | Front Line Management Group, Inc. |
| GAAP | United States Generally Accepted Accounting Principles |
| Gellman | Gellman Management LLC |
| IAC | IAC/InterActiveCorp |
| IRS | United States Internal Revenue Service |
| Liberty Media | Liberty Media Corporation |
| Live Nation | Live Nation Entertainment, Inc., formerly known as Live Nation, Inc., and subsidiaries |
| Merger | Merger between Live Nation, Inc. and Ticketmaster Entertainment, Inc. announced in February 2009 and consummated in January 2010 |
| Merger Agreement | Agreement and Plan of Merger, dated February 10, 2009 and consummated on January 25, 2010, between Live Nation, Inc. and Ticketmaster Entertainment, Inc. |
| MSG | Madison Square Garden, L.P. |
| OCI | Other comprehensive income (loss) |
| Paciolan | Paciolan, Inc. |
| SEC | United States Securities and Exchange Commission |
| Separation | The contribution and transfer by Clear Channel of substantially all of its entertainment assets and liabilities to Live Nation |
| SME | Sports Marketing and Entertainment, Inc. |
| Spincos | Collective referral to Ticketmaster and other companies spun off from IAC on August 20, 2008 |
| TGLP | Ticketmaster Group Limited Partnership |
| Ticketmaster | For periods prior to May 6, 2010, Ticketmaster means Ticketmaster Entertainment LLC and its predecessor companies (including without limitation Ticketmaster Entertainment, Inc.); for periods on and after May 6, 2010, Ticketmaster means the Ticketmaster ticketing business of the Company |
| Ticketnet | Ticketnet S.A. |
| TicketsNow | TNow Entertainment Group, Inc. |

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)****CONSOLIDATED BALANCE SHEETS**

| | March 31, 2011 (unaudited) | December 31, 2010 (audited) |
|---|---|--|
| | <i>(in thousands)</i> | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 987,186 | \$ 892,758 |
| Accounts receivable, less allowance of \$11,773 as of March 31, 2011 and \$10,898 as of December 31, 2010 | 385,988 | 329,947 |
| Prepaid expenses | 432,645 | 348,309 |
| Other current assets | 41,775 | 32,483 |
| Total current assets | 1,847,594 | 1,603,497 |
| Property, plant and equipment | | |
| Land, buildings and improvements | 859,089 | 850,124 |
| Computer equipment and capitalized software | 228,465 | 218,294 |
| Furniture and other equipment | 169,155 | 168,508 |
| Construction in progress | 35,338 | 24,528 |
| | 1,292,047 | 1,261,454 |
| Less accumulated depreciation | 556,866 | 524,390 |
| | 735,181 | 737,064 |
| Intangible assets | | |
| Definite-lived intangible assets, net | 986,874 | 997,268 |
| Indefinite-lived intangible assets | 377,978 | 375,214 |
| Goodwill | 1,244,912 | 1,226,416 |
| Investments in nonconsolidated affiliates | 36,097 | 30,077 |
| Other long-term assets | 246,616 | 226,024 |
| Total assets | \$ 5,475,252 | \$ 5,195,560 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable, client accounts | \$ 532,621 | \$ 462,301 |
| Accounts payable | 96,566 | 76,876 |
| Accrued expenses | 458,234 | 498,864 |
| Deferred revenue | 646,110 | 335,539 |
| Current portion of long-term debt | 56,007 | 54,150 |
| Other current liabilities | 36,339 | 46,491 |
| Total current liabilities | 1,825,877 | 1,474,221 |
| Long-term debt, net | 1,676,215 | 1,677,714 |
| Long-term deferred income taxes | 187,193 | 219,143 |
| Other long-term liabilities | 162,668 | 215,273 |
| Commitments and contingent liabilities (Note 6) | | |

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| | | |
|---|---------------------|---------------------|
| Redeemable noncontrolling interests | 23,306 | 107,541 |
| Stockholders' equity | | |
| Common stock | 1,801 | 1,724 |
| Additional paid-in capital | 2,144,029 | 2,053,233 |
| Accumulated deficit | (710,635) | (662,175) |
| Cost of shares held in treasury | (3,626) | (6,122) |
| Accumulated other comprehensive income (loss) | 23,203 | (22,244) |
| Total Live Nation Entertainment, Inc. stockholders' equity | 1,454,772 | 1,364,416 |
| Noncontrolling interests | 145,221 | 137,252 |
| Total stockholders' equity | 1,599,993 | 1,501,668 |
| | | |
| Total liabilities and stockholders' equity | \$ 5,475,252 | \$ 5,195,560 |

See Notes to Consolidated Financial Statements

Table of Contents**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

| | Three Months Ended | |
|---|---|--------------|
| | March 31, | |
| | 2011 | 2010 |
| | <i>(in thousands except share and per share data)</i> | |
| Revenue | \$ 849,409 | \$ 723,361 |
| Operating expenses: | | |
| Direct operating expenses | 547,124 | 484,756 |
| Selling, general and administrative expenses | 272,969 | 231,596 |
| Depreciation and amortization | 77,481 | 62,633 |
| Loss on sale of operating assets | 1,295 | 4,571 |
| Corporate expenses | 21,036 | 37,124 |
| Acquisition transaction expenses | 1,665 | 9,017 |
| Operating loss | (72,161) | (106,336) |
| Interest expense | 29,317 | 26,561 |
| Interest income | (527) | (643) |
| Equity in earnings of nonconsolidated affiliates | (994) | (547) |
| Other income, net | (673) | (1,068) |
| Loss from continuing operations before income taxes | (99,284) | (130,639) |
| Income tax benefit | (44,942) | (7,991) |
| Loss from continuing operations | (54,342) | (122,648) |
| Loss from discontinued operations, net of tax | - | (303) |
| Net loss | (54,342) | (122,951) |
| Net loss attributable to noncontrolling interests | (5,882) | (738) |
| Net loss attributable to Live Nation Entertainment, Inc. | \$ (48,460) | \$ (122,213) |
| Basic and diluted net loss per common share attributable to common stockholders: | | |
| Loss from continuing operations attributable to Live Nation Entertainment, Inc. | \$ (0.27) | \$ (0.83) |
| Loss from discontinued operations attributable to Live Nation Entertainment, Inc. | - | - |
| Net loss attributable to Live Nation Entertainment, Inc. | \$ (0.27) | \$ (0.83) |
| Weighted average common shares outstanding: | | |
| Basic and diluted | 176,292,809 | 146,300,907 |

See Notes to Consolidated Financial Statements

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)**

| | Three Months Ended March 31, | |
|--|---|--------------|
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| Net loss | \$ (54,342) | \$ (122,951) |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized and realized holding gain (loss) cash flow hedges | (44) | 2,174 |
| Other | (24) | - |
| Foreign currency translation adjustments | 45,515 | (46,410) |
| Comprehensive loss | (8,895) | (167,187) |
| Comprehensive loss attributable to noncontrolling interests | (5,882) | (738) |
| Comprehensive loss attributable to Live Nation Entertainment, Inc. | \$ (3,013) | \$ (166,449) |

See Notes to Consolidated Financial Statements

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| | Three Months Ended March 31, | |
|---|---|-----------------|
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (54,342) | \$ (122,951) |
| Reconciling items: | | |
| Depreciation | 28,947 | 30,971 |
| Amortization | 48,534 | 31,662 |
| Impairment of operational assets | - | 13,373 |
| Deferred income tax benefit | (31,341) | (6,149) |
| Amortization of debt issuance costs | 1,449 | 783 |
| Amortization of debt discount/premium, net | 1,727 | 2,037 |
| Provision for uncollectible accounts receivable and advances | 315 | 244 |
| Non-cash compensation expense | 24,707 | 22,422 |
| Unrealized changes in fair value of contingent consideration | (4,581) | 19 |
| Loss on sale of operating assets | 1,295 | 4,874 |
| Equity in earnings of nonconsolidated affiliates | (994) | (547) |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: | | |
| Decrease (increase) in accounts receivable | (48,414) | 45,274 |
| Increase in prepaid expenses | (78,273) | (150,772) |
| Increase in other assets | (36,744) | (13,625) |
| Decrease in accounts payable, accrued expenses and other liabilities | (22,074) | (61,306) |
| Increase in deferred revenue | 297,557 | 293,192 |
| Net cash provided by operating activities | 127,768 | 89,501 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Collections and advances of notes receivable | (459) | 19 |
| Distributions from nonconsolidated affiliates | 340 | 836 |
| Investments made in nonconsolidated affiliates | (486) | - |
| Purchases of property, plant and equipment | (18,211) | (13,083) |
| Proceeds from disposal of operating assets, net of cash divested | 2,684 | 20,643 |
| Cash paid for acquisitions, net of cash acquired | (7,289) | 576,144 |
| Purchases of intangible assets | (107) | (7,201) |
| Decrease (increase) in other, net | (664) | 412 |
| Net cash provided by (used in) investing activities | (24,192) | 577,770 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term debt, net of debt issuance costs | (756) | 147,303 |
| Payments on long-term debt | (5,567) | (193,321) |
| Contributions from noncontrolling interests | - | 8 |
| Distributions to and purchases/sales of noncontrolling interests | (48,579) | (6,687) |
| Proceeds from exercise of stock options | 1,003 | 2,163 |
| Proceeds from sale of common stock | 18,836 | - |
| Equity issuance costs | - | (40) |
| Payments for purchases of common stock | - | (1,567) |
| Payments for deferred and contingent consideration | (10,307) | (6,934) |
| Net cash used in financing activities | (45,370) | (59,075) |
| Effect of exchange rate changes on cash and cash equivalents | 36,222 | (19,954) |

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| | | |
|--|------------|------------|
| Net increase in cash and cash equivalents | 94,428 | 588,242 |
| Cash and cash equivalents at beginning of period | 892,758 | 236,955 |
| Cash and cash equivalents at end of period | \$ 987,186 | \$ 825,197 |

See Notes to Consolidated Financial Statements

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Developments in the Business

On January 25, 2010, the Company merged with Ticketmaster and changed its name from Live Nation, Inc. to Live Nation Entertainment, Inc. Ticketmaster's results of operations are included in the Company's consolidated financial statements beginning January 26, 2010. See Note 3 Acquisitions for prior year pro forma information regarding the impacts of the Merger.

Seasonality

Due to the seasonal nature of shows at outdoor amphitheaters and festivals, which primarily occur May through September, the Company experiences higher revenue for the Concerts segment during the second and third quarters. The Artist Nation segment's revenue is impacted, to a large degree, by the touring schedules of the artists it represents. Generally, the Company experiences higher revenue in this segment during the second and third quarters as the period from May through September tends to be a popular time for touring events. The Ticketing segment's sales are impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by its clients. This seasonality also results in higher balances in cash and cash equivalents, accounts receivable, prepaid expenses, accrued expenses and deferred revenue at different times in the year. Therefore, the results to date are not necessarily indicative of the results expected for the full year.

Preparation of Interim Financial Statements

The interim consolidated financial statements included in this report are unaudited; however in the opinion of management, they include all normal and recurring accruals and adjustments necessary to present fairly the results of the interim periods shown. Certain financial presentations and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2010 Annual Report on Form 10-K filed with the SEC on February 28, 2011.

Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 presentation. The Company has reclassified \$6.9 million in the 2010 consolidated statement of cash flows as an increase to payments for deferred and contingent consideration and a decrease to cash paid for acquisitions, net of cash acquired to reflect deferred payments for the acquisition of a business as a financing activity.

Recent Accounting Pronouncements

In October 2009, the FASB issued guidance on multiple-deliverable revenue arrangements which requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. This guidance eliminates the use of the residual method of allocation and requires allocation using the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables. The Company adopted this guidance on January 1, 2011 and is applying it prospectively. The adoption of this guidance did not have a material effect on the Company's financial position or results of operations.

In December 2010, the FASB issued guidance on disclosure of supplementary pro forma information for business combinations which amends and requires additional pro forma disclosure requirements for material business combinations on an individual or aggregate basis including pro forma revenue and earnings of the combined entity as if the acquisition date(s) had occurred as of the beginning of the comparable prior annual reporting period. This guidance also expands the supplemental pro forma disclosure requirements to include a description of the nature and amount of any material non-recurring adjustments that are directly attributable to the business combination. The Company adopted this guidance and is applying it prospectively to business combinations with an acquisition date on or after January 1, 2011.

NOTE 2 LONG-LIVED ASSETS

Definite-lived Intangible Assets

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The Company has definite-lived intangible assets which are amortized over the shorter of either the respective lives of the agreements or the period of time the assets are expected to contribute to the Company's future cash flows. The amortization is recognized on either a straight-line or units of production basis. The following table presents the gross

Table of Contents

carrying amount and accumulated amortization of definite-lived intangible assets as of March 31, 2011 and December 31, 2010:

| | Balance as of December 31, 2010 | Acquisitions Amount | Weighted Average Life (years) | Divestitures | Adjustments | Amortization Expense | Foreign Currency | Balance as of March 31, 2011 |
|---|--|------------------------|--|--------------|-------------|-------------------------|---------------------|---------------------------------------|
| | | | | | | | | |
| <i>(in thousands except weighted average lives)</i> | | | | | | | | |
| Revenue-generating contracts: | | | | | | | | |
| Gross carrying amount | \$ 482,588 | \$ 19,398 | 11 | \$ - | \$ 16,539 | \$ - | \$ 5,480 | \$ 524,005 |
| Accumulated amortization | (112,575) | - | | - | 211 | (14,188) | (1,225) | (127,777) |
| Net | 370,013 | 19,398 | | - | 16,750 | (14,188) | 4,255 | 396,228 |
| Non-competes agreements: | | | | | | | | |
| Gross carrying amount | 175,740 | 251 | 2 | (106) | - | - | 272 | 176,157 |
| Accumulated amortization | (68,833) | - | | 67 | - | (6,543) | (141) | (75,450) |
| Net | 106,907 | 251 | | (39) | - | (6,543) | 131 | 100,707 |
| Venue management and leaseholds: | | | | | | | | |
| Gross carrying amount | 115,225 | 3,833 | 6 | - | - | - | 1,650 | 120,708 |
| Accumulated amortization | (30,878) | - | | - | - | (2,250) | (280) | (33,408) |
| Net | 84,347 | 3,833 | | - | - | (2,250) | 1,370 | 87,300 |
| Trademarks and naming rights: | | | | | | | | |
| Gross carrying amount | 23,998 | 91 | 5 | - | - | - | 393 | 24,482 |
| Accumulated amortization | (9,522) | - | | - | - | (1,996) | (219) | (11,737) |
| Net | 14,476 | 91 | | - | - | (1,996) | 174 | 12,745 |
| Client/vendor relationships: | | | | | | | | |
| Gross carrying amount | 365,344 | - | | (3,939) | (16,539) | - | 32 | 344,898 |
| Accumulated amortization | (30,314) | - | | - | 280 | (9,782) | (5) | (39,821) |
| Net | 335,030 | - | | (3,939) | (16,259) | (9,782) | 27 | 305,077 |
| Technology: | | | | | | | | |
| Gross carrying amount | 95,102 | 4,634 | 3 | - | - | - | 1,225 | 100,961 |
| Accumulated amortization | (11,797) | - | | - | - | (5,889) | (437) | (18,123) |
| Net | 83,305 | 4,634 | | - | - | (5,889) | 788 | 82,838 |
| Other: | | | | | | | | |
| Gross carrying amount | 6,429 | 11 | 1 | - | - | - | 32 | 6,472 |
| Accumulated amortization | (3,239) | - | | - | (901) | (341) | (12) | (4,493) |
| Net | 3,190 | 11 | | - | (901) | (341) | 20 | 1,979 |
| Total: | | | | | | | | |
| Gross carrying amount | 1,264,426 | 28,218 | 9 | (4,045) | - | - | 9,084 | 1,297,683 |
| Accumulated amortization | (267,158) | - | | 67 | (410) | (40,989) | (2,319) | (310,809) |

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Net \$ 997,268 \$ 28,218 \$ (3,978) \$ (410) \$ (40,989) \$ 6,765 \$ 986,874

During 2011, the Company recorded definite-lived intangible assets totaling \$28.2 million, primarily related to revenue-generating contracts, venue management and leaseholds and technology. Additions include \$23.0 million in revenue-generating contracts resulting from the January 2011 acquisition of TGLP, a primary ticketing business in the Washington D.C. metro area and \$3.8 million in venue management and leaseholds resulting from the January 2011 acquisition of a 50.1% interest in Crossroads Presents LLC, a clubs and theaters venue promotion business in Boston. Also included in acquisitions is a net addition of \$0.9 million in revenue-generating contracts, non-compete agreements and technology resulting from valuation adjustments for the November 2010 acquisition of Ticketnet, a ticket retailer in France.

During 2011, the Company recorded a divestiture of \$4.0 million relating to the sale of an artist management company.

Total amortization expense from definite-lived intangible assets for the three months ended March 31, 2011 and 2010 was \$41.0 million and \$30.5 million, respectively. The increase in amortization expense is primarily driven by the additional definite-lived intangible assets obtained in the Merger, the acquisition of the remaining 49% interest in, and control of Live Nation Haymon Ventures, LLC in April 2010 and the acquisition of Ticketnet. In addition, for the three months ended March 31, 2011 and 2010, the Company recorded amortization expense of \$7.5 million and \$1.2 million, respectively, related to nonrecoupable ticketing contract advances.

Table of Contents

As acquisitions and dispositions occur in the future and the valuation of intangible assets for recent acquisitions is completed, amortization expense may vary.

Goodwill

The following table presents the changes in the carrying amount of goodwill in each of the Company's segments for the three months ended March 31, 2011:

| | Concerts | Ticketing | Artist Nation | eCommerce | Sponsorship | Other | Total |
|----------------------------------|-----------------------|------------|------------------|------------|-------------|----------|--------------|
| | <i>(in thousands)</i> | | | | | | |
| Balance as of December 31, 2010: | | | | | | | |
| Goodwill | 375,487 | 557,856 | 267,992 | 214,927 | 80,056 | 13,037 | 1,509,355 |
| Accumulated impairment losses | (269,902) | - | - | - | - | (13,037) | (282,939) |
| | 105,585 | 557,856 | 267,992 | 214,927 | 80,056 | - | 1,226,416 |
| Acquisitions prior year | - | (1,743) | (3,534) | - | - | - | (5,277) |
| Dispositions | - | - | (147) | - | - | - | (147) |
| Foreign currency | 10,377 | 2,523 | - | - | 11,020 | - | 23,920 |
| Balance as of March 31, 2011: | | | | | | | |
| Goodwill | 385,864 | 558,636 | 264,311 | 214,927 | 91,076 | 13,037 | 1,527,851 |
| Accumulated impairment losses | (269,902) | - | - | - | - | (13,037) | (282,939) |
| | \$ 115,962 | \$ 558,636 | \$ 264,311 | \$ 214,927 | \$ 91,076 | \$ - | \$ 1,244,912 |

The Company is in the process of finalizing its acquisition accounting for recent acquisitions which could result in a change to the associated purchase price allocations, including goodwill.

Other Operating Assets

The Company makes investments in various operating assets, such as artist rights agreements. These assets are reviewed for impairment or collectability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During 2010, it was determined that certain artist advances may not be recoverable since the estimated future undiscounted operating cash flows associated with those advances were less than their carrying value. These operating cash flows were also used to approximate fair value. The operating cash flows used for these non-recurring fair value measurements are considered Level 3 inputs. See Note 5 Fair Value Measurements for further discussion of the fair value hierarchy levels. For the three months ended March 31, 2010, the Company recorded a write-down in direct operating expenses of \$13.4 million in its Concerts segment related to these advances. There were no impairment charges for the three months ended March 31, 2011.

Long-lived Asset Disposals

In January 2011, the Company sold an artist management company. In connection with the Merger, the Company reached an agreement with the DOJ that Ticketmaster would divest its Paciolan ticketing business and, in March 2010, the Company completed this sale to Comcast.

Table of Contents

The table below summarizes the asset and liability values at the time of disposal and the resulting loss or gain recorded.

| Divested Asset | Segment | Loss on Sale | Current Assets | Noncurrent Assets | Current Liabilities | Noncurrent Liabilities |
|---------------------------|---------------|--------------|----------------|-------------------|---------------------|------------------------|
| <i>(in thousands)</i> | | | | | | |
| 2011 Divestiture | | | | | | |
| Artist management company | Artist Nation | \$ (1,241) | \$ 3 | \$ 4,140 | \$ 128 | \$ - |
| 2010 Divestiture | | | | | | |
| Paciolan | Ticketing | \$ (5,218) | \$ 8,357 | \$ 33,492 | \$ 7,595 | \$ 6,364 |

NOTE 3 ACQUISITIONS

During 2011, the Company completed its acquisitions of TGLP and LN Ontario Concerts LP. These acquisitions were accounted for as business combinations under the acquisition method of accounting and were not considered significant on an individual basis or in the aggregate.

Ticketmaster

In January 2010, the Company completed the merger of Ticketmaster with and into a wholly-owned subsidiary of Live Nation pursuant to the Merger Agreement. The following unaudited pro forma information presents the consolidated results of Live Nation and Ticketmaster for the three months ended March 31, 2010, with adjustments to give effect to pro forma events that are directly attributable to the Merger and have a continuing impact, as well as to exclude the impact of pro forma events that are directly attributable to the Merger and are one-time in nature. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods or the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results that the combined company will experience after the Merger. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the Merger. The unaudited pro forma information also does not include any integration costs, dis-synergies or remaining future transaction costs that the companies may incur related to the Merger as part of combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2009, are as follows:

| | For the Three Months Ended March 31, 2010 |
|--|--|
| | <i>(in thousands)</i> |
| Unaudited pro forma consolidated results: | |
| Revenue | \$ 773,719 |
| Loss from continuing operations | \$ (90,340) |
| Net loss attributable to Live Nation Entertainment, Inc. | \$ (88,953) |

The Company has incurred a total of \$57.5 million of acquisition transaction expenses to date relating to the Merger, of which \$5.7 million and \$9.0 million, respectively, are included in the results of operations for the three months ended March 31, 2011 and 2010.

Table of Contents

In connection with the Merger, the Company has incurred a total of \$13.7 million of severance costs to date, of which \$0.2 million, \$3.7 million, \$0.3 million and \$0.2 million were recorded as a component of selling, general and administrative expenses in its Artist Nation, Ticketing, Sponsorship and eCommerce segments, respectively, and \$4.1 million is recorded as a component of corporate expenses for the three months ended March 31, 2010. The Company did not incur additional severance costs in the first quarter of 2011 and does not expect to incur additional significant severance costs in future periods in connection with the Merger.

Front Line

In the first quarter of 2011, the Company acquired all of the remaining equity interests of Front Line that it did not previously own. Through these transactions, the Company is able to further simplify its operating structure and it expects to achieve future savings through reduced cash taxes, noncontrolling interest distributions and other synergies.

Under the terms of the stock purchase agreement, the Company purchased all restricted and unrestricted shares of common stock of Front Line held by Irving Azoff and the Azoff Trust (collectively the Azoff Sellers), purchased all in-the-money options for common stock of Front Line held by the Azoff Sellers and purchased all shares of common stock of Front Line held by MSG. The Company also paid an amount equal to the 2010 dividend paid by Front Line to the Azoff Sellers and MSG, pro rated for the period from January 1, 2011 through the closing date, and paid Mr. Azoff a contractually-owed tax gross-up associated with his restricted Front Line common stock and dividend. In total, under the stock purchase agreement, the Company paid \$56.3 million in cash and \$18.6 million in newly-issued shares of Live Nation common stock to the Azoff Sellers and \$0.2 million in cash and \$41.0 million in newly issued shares of Live Nation common stock to MSG. Of the total shares of Live Nation stock issued, the Azoff Sellers received 1.8 million shares of common stock and MSG received 3.9 million shares of common stock.

As part of individual redemption agreements, the Company also purchased the remaining smaller holdings of outstanding Front Line restricted shares of common stock from other individuals for a total of \$12.8 million in cash.

The shares purchased under all of these agreements had redemption features and, previous to these repurchases, the Azoff Sellers and MSG's common shares and the Azoff Sellers' options were classified as redeemable noncontrolling interests and all of the remaining shares were classified as liabilities. All of these instruments were carried at their fair values and amounts paid as part of these agreements were recorded to the income statement to the extent they were in excess of the amount recorded on the balance sheet, with the exception of the unrestricted shares of common stock held by the Azoff Sellers and MSG which were accounted for as the acquisition of noncontrolling interests and any difference between the carrying value and settlement value was recorded in additional paid-in capital. Tax gross-up amounts paid were recorded to the income statement to the extent the amount paid exceeded the amount already accrued. As a result of the repurchases, the Company recorded \$24.4 million in selling, general and administrative expenses in the first quarter of 2011, which is classified as stock-based compensation. Further, cash flows from financing activities reflects a \$47.9 million use of cash as a result of these transactions and cash flows from operating activities reflects a \$21.4 million use of cash. Total non-cash consideration was \$59.6 million.

NOTE 4 DERIVATIVE INSTRUMENTS

The Company is required to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheets at fair value. See Note 5 Fair Value Measurements for further discussion of the fair values for derivative instruments. The Company accounts for its derivative instruments that are not designated as hedges at fair value with changes in fair value recorded in earnings to the same line item impacted by the exposure being hedged. The Company does not enter into derivative instruments for speculation or trading purposes.

In May 2010, the Company entered into an interest rate cap agreement which is designated as a cash flow hedge for accounting purposes. The interest payments being hedged are the LIBOR-based interest payments for the Company's term loan A. The purpose of the interest rate cap agreement is to limit the Company's cash flow exposure to the variable LIBOR to a maximum interest rate of 4% per annum. The Company expects minimal gain or loss to be reclassified into earnings within the next 12 months. Approximately 11% of the Company's outstanding term loans under the senior secured credit facility had their interest payments designated as the hedged forecasted transactions against the interest rate cap agreement at March 31, 2011.

Additionally, the Company has three interest rate swap agreements that have not been designated as hedging instruments. The Company has two interest rate swap agreements to convert a portion of AMG's long-term debt from floating-rate debt to a fixed-rate basis with a notional amount of \$31.4 million. Also, in connection with the financing of the redevelopment of the O₂ Dublin, the Company has an interest rate swap agreement to convert a portion of long-term debt from floating-rate debt to a fixed-rate basis with a notional amount of \$14.9 million. Any changes in fair value are recorded in earnings during the period of the change.

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The Company's 2.875% convertible senior notes issued in July 2007 include certain provisions which are bifurcated from the notes and accounted for as derivative instruments. At the date of issuance and as of March 31, 2011 and December 31, 2010, the fair value of these provisions was considered to be de minimis.

Table of Contents

The Company primarily uses forward currency contracts in addition to options to reduce its exposure to foreign currency risk associated with short-term artist fee commitments. The Company also enters into forward currency contracts to minimize the risks and/or costs associated with changes in foreign currency rates on forecasted operating income. At March 31, 2011 and December 31, 2010, the Company had forward currency contracts outstanding with notional amounts of \$163.5 million and \$85.7 million, respectively. These forward currency contracts have not been designated as hedging instruments. Any change in fair value is reported in earnings during the period of the change.

The Company's derivative instruments are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheets. The fair values of derivative instruments in the consolidated balance sheets as of March 31, 2011 and December 31, 2010 presented on a gross basis are as follows:

| | As of March 31, 2011 | | | |
|--|------------------------------------|----------------|--|---------------|
| | Asset Derivatives Balance Sheet | Fair Value | Liability Derivatives Balance Sheet | Fair Value |
| | Location | (in thousands) | Location | |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate cap | Other long-term assets | \$ 123 | Other current liabilities | \$ - |
| Total derivatives designated as hedging instruments | | 123 | | - |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate swaps | Other long-term assets | - | Other long-term liabilities | (1,809) |
| Forward currency contracts | Other current assets | 627 | Other current liabilities | (3,708) |
| Contingent interest provision on 2.875% convertible senior notes (1) | | - | | - |
| Total derivatives not designated as hedging instruments | | 627 | | (5,517) |
| Total derivatives | | \$ 750 | | \$ (5,517) |

| | As of December 31, 2010 | | | |
|--|------------------------------------|----------------|--|---------------|
| | Asset Derivatives Balance Sheet | Fair Value | Liability Derivatives Balance Sheet | Fair Value |
| | Location | (in thousands) | Location | |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate cap | Other long-term assets | \$ 167 | Other current liabilities | \$ - |
| Total derivatives designated as hedging instruments | | 167 | | - |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate swaps | Other long-term assets | - | Other long-term liabilities | (2,119) |
| Forward currency contracts | Other current assets | 197 | Other current liabilities | (2,960) |
| Contingent interest provision on 2.875% convertible senior notes (1) | | - | | - |
| | | 197 | | (5,079) |

**Total derivatives not designated as hedging
instruments**

| | | |
|--------------------------|--------|------------|
| Total derivatives | \$ 364 | \$ (5,079) |
|--------------------------|--------|------------|

(1) At the date of issuance and as of March 31, 2011 and December 31, 2010, the fair value was considered to be de minimis.

Table of Contents

The effect of derivative instruments on the consolidated statements of operations for the three months ended March 31, 2011 and 2010 was as follows:

| For the Three Months Ended March 31, 2011 | | | | | |
|---|--|--|--|--|---|
| Derivatives Designated as Cash Flow Hedging Instruments | Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) | Location of Gain | Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Location of Gain | Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) |
| | | (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) <i>(in thousands)</i> | | (Loss) Recognized in Income on Derivatives and Amount Excluded from Effectiveness Testing) | |
| Interest rate cap | \$ 44 | Interest expense | \$ - | Other expense (income), net | \$ - |

| Derivatives Not Designated as Hedging Instruments | Amount of Gain (Loss) Recognized in Income on Derivatives <i>(in thousands)</i> | Location of Gain (Loss) Recognized in Income on Derivatives |
|---|---|--|
| Interest rate swaps | \$ 310 | Interest expense |
| Forward currency contracts | \$ 320 | Revenue |
| Forward currency contracts | \$ (1,034) | Direct operating expenses |
| Forward currency contracts | \$ (144) | Other expense (income), net |
| Contingent interest provision on 2.875% convertible senior notes (1) | \$ - | Other expense (income), net |

Table of Contents

For the Three Months Ended March 31, 2010

| Derivatives Designated as Cash Flow Hedging Instruments | Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) | Location of Gain | | Location of Gain | |
|---|---|--|---|--|---|
| | | (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) <i>(in thousands)</i> | Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) | Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) |
| Interest rate swap (2) | \$ (1,112) | Interest expense | \$ (2,084) | Other expense (income), net | \$ - |
| Forward currency contract | \$ 118 | Direct operating expenses | \$ - | Other expense (income), net | \$ - |
| Derivatives Not Designated as Hedging Instruments | Amount of Gain (Loss) Recognized in Income on Derivatives <i>(in thousands)</i> | Location of Gain | | Location of Gain | |
| Interest rate swaps | \$ 1,647 | Interest expense | | | |
| Forward currency contracts | \$ (581) | Revenue | | | |
| Forward currency contracts | \$ (99) | Direct operating expenses | | | |
| Contingent interest provision on 2.875% convertible senior notes (1) | \$ - | Other expense (income), net | | | |

- (1) For the three months ended March 31, 2011 and 2010, the provision was considered to be de minimis and no gain (loss) was recognized.
- (2) Includes an interest rate swap that was de-designated in the third quarter of 2009. The de-designated instrument contributed a \$1.1 million loss from OCI that is included in the amount reported in this table. At March 31, 2010, a \$2.7 million loss remained in OCI to be amortized into earnings in future periods. The swap was settled in May 2010.

NOTE 5 FAIR VALUE MEASUREMENTS

The Company currently has various financial instruments carried at fair value, such as marketable securities, derivatives and contingent consideration, but does not currently have nonfinancial assets and nonfinancial liabilities that are required to be measured at fair value on a recurring basis. The Company's financial assets and liabilities are measured using inputs from all levels of the fair value hierarchy as defined in the FASB guidance for fair values. For this categorization, only inputs that are significant to the fair value are considered. The three levels are defined as follows:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (i.e., market corroborated inputs).

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Level 3 Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.

Table of Contents

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company's financial assets and liabilities that are required to be measured at fair value on a recurring basis, as of March 31, 2011 and December 31, 2010, which are classified as other current assets, other long-term assets, other current liabilities and other long-term liabilities:

| | Fair Value Measurements at March 31, 2011 | | | | Fair Value Measurements at December 31, 2010 | | | |
|-----------------------------|--|-----------------|------------------|------------------|---|-----------------|------------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | <i>(in thousands)</i> | | | | <i>(in thousands)</i> | | | |
| Assets: | | | | | | | | |
| Cash equivalents | \$ 30,000 | \$ - | \$ - | \$ 30,000 | \$ 5,000 | \$ - | \$ - | \$ 5,000 |
| Forward currency contracts | - | 332 | - | 332 | - | 6 | - | 6 |
| Interest rate cap | - | 123 | - | 123 | - | 167 | - | 167 |
| Investments in rabbi trusts | - | - | - | - | 3,576 | - | - | 3,576 |
| Total | \$ 30,000 | \$ 455 | \$ - | \$ 30,455 | \$ 8,576 | \$ 173 | \$ - | \$ 8,749 |
| Liabilities: | | | | | | | | |
| Interest rate swaps | \$ - | \$ 1,809 | \$ - | \$ 1,809 | \$ - | \$ 2,119 | \$ - | \$ 2,119 |
| Forward currency contracts | - | 3,413 | - | 3,413 | - | 2,769 | - | 2,769 |
| Contingent consideration | - | - | 13,809 | 13,809 | - | - | 17,894 | 17,894 |
| Other current liabilities | - | - | - | - | 3,576 | - | - | 3,576 |
| Total | \$ - | \$ 5,222 | \$ 13,809 | \$ 19,031 | \$ 3,576 | \$ 4,888 | \$ 17,894 | \$ 26,358 |

Cash equivalents consist of money market funds. Fair values for cash equivalents are based on quoted prices in an active market. Fair values for forward currency contracts are based on observable market transactions of spot and forward rates. Investments in rabbi trusts include exchange-traded equity securities and mutual funds. Fair values for these investments are based on quoted prices in active markets. Fair values for the interest rate swaps and the interest rate cap are based on inputs corroborated by observable market data with similar tenors. Other liabilities represents deferred compensation obligations to employees under a certain benefits plan. The liabilities related to this plan are adjusted based on changes in the fair value of the underlying employee-directed investments and therefore are classified consistent with the investments. In December 2010, the Company terminated this plan and all related assets were distributed to employees in 2011.

The Company has certain contingent consideration obligations for those acquisitions that occurred after December 31, 2008, which are measured at fair value using Level 3 inputs. The amounts due to the sellers are based on the achievement of agreed-upon financial performance metrics by the acquired companies. The Company records the liability at the time of the acquisition based on management's best estimates of the future results of the acquired companies compared to the agreed-upon metrics. The most significant estimate involved in the measurement process is the projection of future results of the acquired companies. By comparing these estimates to the agreed-upon metrics, the Company estimates the amount, if any, anticipated to be paid to the seller at a future date. For obligations payable at a date greater than twelve months from the acquisition date, the Company applies a discount rate to present value the estimated obligations. The discount rate is intended to reflect the risks of ownership, time-value of money and the associated risks of realizing the stream of projected cash flows. Subsequent to the date of acquisition, the Company updates the original valuation to reflect updated projections of future results of the acquired companies and the passage of time. Accretion and changes in the valuations of contingent consideration are reported in acquisition transaction expenses. See Note 6 Commitments and Contingent Liabilities for additional information related to the contingent payments.

Table of Contents

The following table summarizes the changes in fair value of the Company's Level 3 liabilities for the three months ended March 31, 2011:

| | Contingent Consideration <i>(in thousands)</i> |
|---|--|
| Balance as of December 31, 2010 | \$ 17,894 |
| Total gains and losses (realized/unrealized) : | |
| Included in earnings (or changes in net assets) | (4,581) |
| Included in other comprehensive income (loss) | - |
| Purchases | 496 |
| Issuances | - |
| Settlements | - |
| Transfer in and/or out of Level 3 | - |
| Balance as of March 31, 2011 | \$ 13,809 |

| | |
|--|------------|
| The amount of total gains and losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2011 | \$ (4,581) |
|--|------------|

Due to the short maturity, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximated their fair values at March 31, 2011 and December 31, 2010.

The Company's outstanding debt held by third-party financial institutions is carried at cost, adjusted for premiums or discounts. The Company's debt is not publicly-traded and, for the Company's debt that accrues interest at a variable rate, the carrying amounts typically approximate their fair value. The estimated fair values of the 8.125% senior notes, the 10.75% senior notes and the 2.875% convertible senior notes were \$258.8 million, \$315.7 million and \$201.2 million at March 31, 2011, respectively. The estimated fair values of the 8.125% senior notes, the 10.75% senior notes and the 2.875% convertible senior notes were \$252.0 million, \$311.4 million and \$195.8 million at December 31, 2010, respectively. The estimated fair value of the Company's third-party fixed-rate debt is based on third-party quotes, which are considered to be Level 2 inputs. The Company has fixed rate debt with a noncontrolling interest partner of \$29.9 million and \$29.5 million at March 31, 2011 and December 31, 2010, respectively. The Company is unable to determine the fair value of this debt.

NOTE 6 COMMITMENTS AND CONTINGENT LIABILITIES

The Company has leases that contain contingent payment requirements for which payments vary depending on revenue, tickets sold or other variables.

Certain agreements relating to acquisitions that occurred prior to the adoption in January 2009 of the new FASB guidance for business combinations provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies. The Company will accrue additional amounts related to such contingent payments, with a corresponding adjustment to goodwill, if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if performance targets are met, would not significantly impact the financial position of the Company.

The Company has certain contingent obligations related to acquisitions made after the adoption in January 2009 of the FASB guidance for business combinations of various artist management companies and concert promotion companies. In accordance with the current guidance for business combinations, contingent consideration must be recorded at its fair value at the time of the acquisition. The contingent consideration is generally subject to payout following the achievement of future performance targets and some may be payable in 2011. As of March 31, 2011, the Company has accrued \$1.2 million in other current liabilities and \$12.6 million in other long-term liabilities and, as of December 31, 2010, the Company has accrued \$1.2 million in other current liabilities and \$16.7 million in other long-term liabilities representing the fair value of these estimated earn-out arrangements. See Note 5 Fair Value Measurements for further discussion related to the valuation of the earn-out payments.

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Certain agreements relating to acquisitions provide for deferred purchase consideration payments at future dates. A liability is established at the time of the acquisition for these fixed payments. As of March 31, 2011, the Company has accrued \$7.0 million in other current liabilities and \$14.8 million in other long-term liabilities and, as of December 31, 2010, the Company has accrued \$13.6 million in other current liabilities and \$18.1 million in other long-term liabilities related to these deferred purchase consideration payments.

CTS Arbitration

Live Nation Worldwide, Inc. (Live Nation Worldwide) and CTS were parties to an agreement (the CTS Agreement) pursuant to which CTS was to develop and Live Nation Worldwide licensed or agreed to use ticketing software

Table of Contents

or ticketing platforms. Under the agreement, CTS was to develop software to be licensed to Live Nation Worldwide to provide ticketing services in the United States and Canada. The CTS Agreement also generally required Live Nation Worldwide to use CTS's ticketing platforms in certain European countries so long as CTS's existing platforms were appropriately modified to meet local market conditions. As of June 13, 2010, Live Nation Worldwide terminated the CTS Agreement because CTS materially breached the agreement by failing to deliver a North American ticketing system that met the contractual requirements of being a world class ticketing system . . . that fits the needs of the North American market, and by failing to deliver a ticketing system for the United Kingdom and other European countries that fit the needs of those markets as required by the CTS Agreement.

For North America, had CTS performed on the CTS Agreement, it would have been generally entitled to receive, during the then 10-year term of the CTS Agreement, a per ticket license fee upon the sale of certain tickets that Live Nation Worldwide or any of certain of its subsidiaries (collectively, the Live Nation Worldwide entities) controlled and had the right to distribute by virtue of certain promotion and venue management relations. This per ticket fee for events in North America was payable to CTS regardless of whether the Live Nation Worldwide entities chose to use the CTS ticketing platform, Ticketmaster's ticketing platform or another ticketing platform for the sale of such controlled tickets. For events in certain European countries, not including the United Kingdom, Live Nation Worldwide generally was required, during a 10-year term, to exclusively book on the CTS ticketing platform all tickets that the Live Nation Worldwide entities had the right to distribute (or, to the extent other ticketing platforms were used, Live Nation Worldwide was generally required to pay to CTS the same fee that would have been payable had the CTS platform been used). For events in the United Kingdom, Live Nation Worldwide was required, for a 10-year term, to (i) book on the CTS ticketing platform all tickets controlled by Live Nation Worldwide entities that are not allocated by Live Nation Worldwide for sale through other sales channels and (ii) to offer for sale on the CTS UK website a portion of the tickets controlled by the Live Nation Worldwide entities. Finally, the CTS Agreement obligated Live Nation Worldwide and CTS to negotiate a set of noncompete agreements that, subject to legal restrictions, could have precluded Live Nation Worldwide from offering primary market ticketing services to third parties in certain European countries during the term of the CTS Agreement.

In April 2010, CTS filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce (ICC) pursuant to the CTS Agreement. In its request for arbitration, CTS asserts, among other things, that (i) the terms of the CTS Agreement, including the North America per ticket license fee, European exclusivity obligations and United Kingdom distribution obligations described above, apply to tickets sold and distributed by Ticketmaster, (ii) Ticketmaster's sales and distribution of tickets following the completion of the Merger have resulted in various breaches of Live Nation Worldwide's obligations under the CTS Agreement, (iii) the Company has failed to allocate the proper number of tickets to CTS's system in the United Kingdom and (iv) the Merger and the Company's subsequent actions have breached the implied covenant of good faith and fair dealing. In its request for arbitration, CTS seeks relief in the form of a declaration that the Company and Live Nation Worldwide are in breach of the CTS Agreement and the implied covenant of good faith and fair dealing, specific performance of Live Nation Worldwide's obligations under the CTS Agreement, and unspecified damages resulting from such breaches. In March 2011, CTS provided further specifications on its claims and purported damages, including a claim for royalties that would have been paid over the contemplated 10-year term of the CTS Agreement and Ticketmaster-controlled tickets (as well as tickets controlled by Live Nation Worldwide or any of certain of its subsidiaries).

In May 2010, the Company responded to CTS's request for arbitration and filed counterclaims asserting that CTS breached the CTS Agreement by failing to provide ticketing platforms that met the standard required by the CTS Agreement for the North American and European markets. The Company seeks relief primarily in the form of damages and a declaration that the Company validly terminated the CTS Agreement based on CTS's material breaches. The Company denies that CTS is entitled to collect damages for royalties that would have been paid over the full 10-year term of the CTS Agreement or on Ticketmaster-controlled tickets. The matter has been assigned to an arbitrator and a hearing has been scheduled to commence in July 2011. While it is reasonably possible that a loss related to this matter could be incurred by the Company in a future period, the Company does not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against the Company. As a result, the Company is currently unable to estimate the possible loss or range of loss for this matter. The Company intends to vigorously defend the action.

Live Concert Antitrust Litigation

The Company was a defendant in a lawsuit filed by Malinda Heerwagen in June 2002 in U.S. District Court. The plaintiff, on behalf of a putative class consisting of certain concert ticket purchasers, alleged that anti-competitive practices for concert promotion services by the Company nationwide caused artificially high ticket prices. In August 2003, the District Court ruled in the Company's favor, denying the plaintiff's class certification motion. The plaintiff appealed to the U.S. Court of Appeals. In January 2006, the Court of Appeals affirmed, and the plaintiff then dismissed her action that same month. Subsequently, twenty-two putative class actions were filed by different named plaintiffs in various U.S. District Courts throughout the country, making claims substantially similar to those made in the *Heerwagen* action, except that the geographic markets alleged are regional, statewide or more local in nature, and the members of the putative classes are

Table of Contents

limited to individuals who purchased tickets to concerts in the relevant geographic markets alleged. The plaintiffs seek unspecified compensatory, punitive and treble damages, declaratory and injunctive relief and costs of suit, including attorneys' fees. The Company has filed its answers in some of these actions and has denied liability. In April 2006, granting the Company's motion, the Judicial Panel on Multidistrict Litigation transferred these actions to the U.S. District Court for the Central District of California for coordinated pre-trial proceedings. In June 2007, the District Court conducted a hearing on the plaintiffs' motion for class certification, and also that month the Court entered an order to stay all proceedings pending the Court's ruling on class certification. In October 2007, the Court granted the plaintiffs' motion and certified classes in the Chicago, New England, New York/New Jersey, Colorado and Southern California regional markets. In November 2007, the Court extended its stay of all proceedings pending further developments in the U.S. Court of Appeals for the Ninth Circuit. In February 2008, the Company filed with the District Court a Motion for Reconsideration of its October 2007 class certification order. In October 2010, the District Court denied the Company's Motion for Reconsideration and lifted the stay of all proceedings. In February 2011, the Company filed with the District Court a Motion for Partial Summary Judgment Regarding Statute of Limitations. In April 2011, the District Court granted the Company's Motion for Partial Summary Judgment. While it is reasonably possible that a loss related to this matter could be incurred by the Company in a future period, the Company does not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against the Company. As a result, the Company is currently unable to estimate the possible loss or range of loss for this matter. The Company intends to vigorously defend all claims in all of the actions.

Ticketing Fees Consumer Class Action Litigation

In October 2003, a purported representative action was filed in the Superior Court of California challenging Ticketmaster's charges to online customers for shipping fees and alleging that its failure to disclose on its website that the charges contain a profit component is unlawful. The complaint asserted a claim for violation of California's Unfair Competition Law (UCL) and sought restitution or disgorgement of the difference between (i) the total shipping fees charged by Ticketmaster in connection with online ticket sales during the applicable period, and (ii) the amount that Ticketmaster actually paid to the shipper for delivery of those tickets. In August 2005, the plaintiff filed a first amended complaint, then pleading the case as a putative class action and adding the claim that Ticketmaster's website disclosures in respect of its ticket order-processing fees constitute false advertising in violation of California's False Advertising Law. On this new claim, the amended complaint seeks restitution or disgorgement of the entire amount of order-processing fees charged by Ticketmaster during the applicable period. In April 2009, the Court granted the plaintiff's motion for leave to file a second amended complaint adding new claims that (a) Ticketmaster's order processing fees are unconscionable under the UCL, and (b) Ticketmaster's alleged business practices further violate the California Consumer Legal Remedies Act. Plaintiff later filed a third amended complaint, to which Ticketmaster filed a demurrer in July 2009. The Court overruled Ticketmaster's demurrer in October 2009.

The plaintiff filed a class certification motion in August 2009, which Ticketmaster opposed. In February 2010, the Court granted certification of a class on the first two causes of action, which allege that Ticketmaster misrepresents/omits the fact of a profit component in shipping and order processing fees. The class would consist of California consumers who purchased tickets through Ticketmaster's website from 1999 to present. The Court denied certification of a class on the third and fourth causes of action, which allege that Ticketmaster's shipping and order processing fees are unconscionably high. In March 2010, Ticketmaster filed a Petition for Writ of Mandate with the California Court of Appeal, and plaintiffs also filed a motion for reconsideration of the Superior Court's class certification order. In April 2010, the Superior Court denied plaintiffs' Motion for Reconsideration of the Court's class certification order, and the Court of Appeal denied Ticketmaster's Petition for Writ of Mandate. In June 2010, the Court of Appeal granted the plaintiffs' Petition for Writ of Mandate and ordered the Superior Court to vacate its February 2010 order denying plaintiffs' motion to certify a national class and enter a new order granting plaintiffs' motion to certify a nationwide class on the first two claims. In September 2010, Ticketmaster filed its Motion for Summary Judgment on all causes of action in the Superior Court, and that same month plaintiffs filed their Motion for Summary Adjudication of various affirmative defenses asserted by Ticketmaster. In November 2010, Ticketmaster filed its Motion to Decertify Class.

In December 2010, the parties entered into a binding term sheet that provides for the settlement of the litigation and the resolution of all claims set forth therein. In April 2011, the parties entered into a long form agreement memorializing their settlement. The settlement remains subject to preliminary and final approval by the Court. The plaintiffs are currently expected to file a motion for preliminary settlement approval in May 2011. Ticketmaster and its parent, Live Nation have not acknowledged any violations of law or liability in connection with the matter, but have agreed to the settlement in order to eliminate the uncertainties and expense of further protracted litigation. Pursuant to the terms of the settlement, among other things, Ticketmaster will pay the fees of the claims administrator as well as the plaintiffs' attorneys' fees and certain costs that are approved by the Court and subject to a set maximum, and class members who meet certain conditions will be entitled to receive from Ticketmaster a cash payment and/or discounts off one or more future ticket purchases. The individual and aggregate values of each option are subject to set maximums. Ticketmaster will also make certain changes to disclosures on its website. As of March 31, 2011, the Company has accrued \$21.2 million, its best estimate of the probable costs associated with this settlement. This liability includes an estimated redemption rate. Any difference between the Company's estimated

Table of Contents

redemption rate and the actual redemption rate it experiences will impact the final settlement amount; however, the Company does not expect this difference to be material.

Canadian Consumer Class Action Litigation Relating to TicketsNow

In February 2009, five putative consumer class action complaints were filed in various provinces of Canada against TicketsNow, Ticketmaster, Ticketmaster Canada Ltd. and Premium Inventory, Inc. All of the cases allege essentially the same set of facts and causes of action. Each plaintiff purports to represent a class consisting of all persons who purchased a ticket from Ticketmaster, Ticketmaster Canada Ltd. or TicketsNow from February 2007 to present and alleges that Ticketmaster conspired to divert a large number of tickets for resale through the TicketsNow website at prices higher than face value. The plaintiffs characterize these actions as being in violation of Ontario's Ticket Speculation Act, the Amusement Act of Manitoba, the Amusement Act of Alberta or the Quebec Consumer Protection Act. The Ontario case contains the additional allegation that Ticketmaster and TicketsNow's service fees run afoul of anti-scalping laws. Each lawsuit seeks compensatory and punitive damages on behalf of the class. While it is reasonably possible that a loss related to this matter could be incurred by the Company in a future period, the Company does not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against the Company. As a result, the Company is currently unable to estimate the possible loss or range of loss for this matter. The Company intends to vigorously defend all claims in all of the actions.

United States Consumer Class Action Litigation Relating to TicketsNow

From February through June 2009, eleven purported class action lawsuits asserting causes of action under various state consumer protection laws were filed against Ticketmaster and TicketsNow in U.S. District Courts in California, New Jersey, Minnesota, Pennsylvania and North Carolina. The lawsuits allege that Ticketmaster and TicketsNow unlawfully deceived consumers by, among other things, selling large quantities of tickets to TicketsNow's ticket brokers, either prior to or at the time that tickets for an event go on sale, thereby forcing consumers to purchase tickets at significantly marked-up prices on TicketsNow.com instead of Ticketmaster.com. The plaintiffs further claim violation of the consumer protection laws by Ticketmaster's alleged redirecting of consumers from Ticketmaster.com to TicketsNow.com, thereby engaging in false advertising and an unfair business practice by deceiving consumers into inadvertently purchasing tickets from TicketsNow for amounts greater than face value. The plaintiffs claim that Ticketmaster has been unjustly enriched by this conduct and seek compensatory damages, a refund to every class member of the difference between tickets' face value and the amount paid to TicketsNow, an injunction preventing Ticketmaster from engaging in further unfair business practices with TicketsNow and attorney fees and costs. In July 2009, all of the cases were consolidated and transferred to the U.S. District Court for the Central District of California. The plaintiffs filed their consolidated class action complaint in September 2009, to which Ticketmaster filed its answer the following month. In July 2010, Ticketmaster filed its Motion for Summary Judgment. In April 2011, the parties filed a Stipulation wherein they stated that they have agreed on all material terms of a proposed settlement. As of March 31, 2011, the Company has accrued \$2.1 million, its best estimate of the probable costs associated with this settlement. This liability includes an estimated redemption rate. Any difference between the Company's estimated redemption rate and the actual redemption rate it experiences will impact the final settlement amount; however, the Company does not expect this difference to be material.

Other Litigation

From time to time, the Company is involved in other legal proceedings arising in the ordinary course of its business, including proceedings and claims based upon violations of antitrust laws and tortious interference, which could cause the Company to incur significant expenses. The Company also has been the subject of personal injury and wrongful death claims relating to accidents at its venues in connection with its operations. As required, the Company accrued its estimate of the probable settlement or other losses for the resolution of any outstanding claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. In addition, under the Company's agreements with Clear Channel, it has assumed and will indemnify Clear Channel for liabilities related to its business for which they are a party in the defense.

NOTE 7 CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

Transactions with Clear Channel

The Company has one non-employee director as of March 31, 2011 who is also a director and executive officer of Clear Channel. This director receives directors' fees, stock options and restricted stock awards as do other non-employee directors. As of March 31, 2011, the Company has an employee director who is also a director of Clear Channel.

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From time to time, the Company purchases advertising from Clear Channel and its subsidiaries in the ordinary course of business. For the three months ended March 31, 2011 and 2010, the Company recorded \$0.4 million and \$0.7 million, respectively, as components of direct operating expenses and selling, general and administrative expenses for these advertisements.

Table of Contents

Transactions with IAC

For purposes of governing certain of the ongoing relationships between IAC and Ticketmaster at and after the spin-off of the Spincos from IAC, and to provide for an orderly transition, IAC, Ticketmaster and the other Spincos entered into a separation agreement and a tax sharing agreement, among other agreements.

The tax sharing agreement governs the respective rights, responsibilities and obligations of IAC and Ticketmaster after the spin-off with respect to taxes for the periods ended on or before the spin-off. Generally, IAC agreed to pay taxes with respect to Ticketmaster's income included on its consolidated, unitary or combined federal or state tax returns, including audit adjustments with respect thereto, but other pre-distribution taxes that are attributable to Ticketmaster, including taxes reported on separately-filed returns and all foreign returns and audit adjustments with respect thereto were agreed to be borne solely by Ticketmaster. The tax sharing agreement contains certain customary restrictive covenants that generally prohibit Ticketmaster (absent a supplemental IRS ruling or an unqualified opinion of counsel to the contrary, in each case, in a form and substance satisfactory to IAC in its sole discretion) from taking actions that could jeopardize the tax free nature of the spin-off. Ticketmaster agreed to indemnify IAC for any taxes and related losses resulting from its non-compliance with these restrictive covenants, as well as for the breach of certain representations in the spin-off agreements and other documentation relating to the tax-free nature of the spin-off.

The Company currently occupies office space in a building in Los Angeles that is owned by IAC. Related rental expense charged to the Company by IAC was \$0.5 million and \$0.4 million for the three months ended March 31, 2011 and from the Merger date through March 31, 2010, respectively. These charges are recorded as selling, general and administrative expenses.

Agreements with Liberty Media

In connection with the Merger Agreement, in February 2009 the Company entered into a stockholder agreement with Liberty Media and Liberty USA Holdings, LLC (the Liberty Stockholder Agreement) regarding certain corporate governance rights, designation rights and registration rights with respect to the Company's common stock to be received by Liberty Media in the Merger. The Liberty Stockholder Agreement became effective upon consummation of the Merger. Among other things, subject to certain restrictions and limitations set forth in the Liberty Stockholder Agreement, Liberty Media has exercised its right to nominate two directors to serve on the Company's board of directors. The Liberty Stockholder Agreement also contains provisions relating to limitations on the ownership of the Company's equity securities by Liberty Media and its affiliates following the Merger and on transfers of the Company's equity securities and rights and obligations under the Liberty Stockholder Agreement following the Merger.

In February 2011, the Company entered into a subscription agreement with Liberty Media. Pursuant to the subscription agreement, in February 2011 the Company sold to Liberty Media 1.8 million shares of the Company's common stock for aggregate consideration of \$18.8 million in cash. Also pursuant to the subscription agreement, the Company agreed to sell Liberty Media an additional 5.5 million shares of the Company's common stock, for aggregate consideration of \$57.7 million in cash. The number of additional shares to be issued, and the corresponding aggregate consideration to be received from their issuance, may be reduced in the event that the parties determine that certain antitrust regulatory approvals are required, in which case those additional shares which the Company is restricted from issuing will be issued only after such antitrust regulatory approvals have been obtained. The sale and issuance of the additional shares to Liberty Media is subject to receipt of the approval of the Company's stockholders as well as other customary closing conditions.

Transactions Involving Executives

ATC Aviation, Inc. (ATC), which is owned by Irving Azoff, the Company's Executive Chairman and Chairman of the board of directors, owns an aircraft. An aircraft management and charter company, unrelated to either the Company or ATC, manages and operates the aircraft on ATC's behalf and charges market rates for the use of the aircraft when used by Mr. Azoff or other executives on Company business, a portion of which is paid to ATC. For the three months ended March 31, 2011 and from the Merger date through March 31, 2010, the Company made payments to ATC totaling \$0.1 million and \$0.1 million, respectively.

The Azoff Trust was a party to the Second Amended and Restated Stockholders' Agreement of Front Line dated as of June 9, 2008, as amended (the Front Line Stockholders' Agreement). The Front Line Stockholders' Agreement governed certain matters related to Front Line and the ownership of securities of Front Line, including board designation rights, transaction approval requirements, share transfer provisions, and put and call rights. The Front Line Stockholders' Agreement also provided for the annual pro rata dividend to be paid to the stockholders as soon as reasonably practicable after the end of each fiscal year. The Front Line Stockholders' Agreement was terminated in connection with the first quarter 2011

Table of Contents

acquisition of the remaining equity interests in Front Line. See Note 3 Acquisitions for further discussion of this 2011 transaction.

In March 2010, the board of directors of Front Line declared a dividend payable in cash to the holders of record of Front Line common stock. This dividend was paid in March 2010 and totaled \$20.6 million of which the Company received \$15.0 million. The Azoff Trust received a pro rata portion of this dividend totaling \$3.0 million with respect to the 25,918,276 shares of Front Line common stock held by the trust. Mr. Azoff received a gross-up payment of \$0.7 million related to the difference between ordinary income and capital gains tax treatment for the portion of the dividend relating to his unvested shares, which gross-up was pursuant to his restricted stock grant agreement. Prior to the payment of the dividend, FLMG made a loan to Front Line in the amount of \$21.3 million principally to fund the dividend, evidenced by a promissory note from Front Line to FLMG with a principal amount of \$21.3 million and bearing interest at a rate of 4.5%, payable no later than November 30, 2010. This loan was paid off in the fourth quarter of 2010.

In January 2011, the board of directors of Front Line declared a dividend payable in cash to the holders of record of Front Line common stock. This dividend was paid in January 2011 and totaled \$20.1 million of which the Company received \$15.0 million. The Azoff Trust received a pro rata portion of this dividend totaling \$3.0 million. In connection with the January 2011 dividend, Mr. Azoff received a gross-up payment of \$0.6 million. Prior to the payment of the dividend, FLMG made a loan to Front Line in the amount of \$20.7 million, evidenced by a promissory note from Front Line to FLMG with a principal amount of \$20.7 million and bearing interest at a rate of 4.5%, payable no later than December 31, 2011. A portion of the proceeds from the note was used, together with cash on hand at Front Line, to pay the dividend.

Other Related Parties

During the three months ended March 31, 2011 and 2010, the Company paid \$6.8 million and \$6.9 million, respectively, for deferred consideration due in connection with an acquisition of a company owned by various members of management of one of the Company's subsidiaries. The acquired company held the lease of a venue.

In January 2011, the Company sold a 49.9% noncontrolling interest in its clubs and theaters venue promotion business in Boston to an employee of one of the Company's subsidiaries in exchange for assets and cash valued at \$12.6 million.

The Company conducts certain transactions in the ordinary course of business with companies that are owned, in part or in total, by various members of management of the Company's subsidiaries or companies over which it has significant influence. These transactions primarily relate to venue rentals, concession services, equipment rentals, ticketing, marketing and other services and reimbursement of certain costs. As of March 31, 2011 and December 31, 2010, the Company had a combined receivable balance of \$16.9 million and \$22.4 million, respectively, from certain of these companies. The following table sets forth expenses incurred and revenue earned from these companies for services rendered or provided in relation to these business ventures.

| | Three Months Ended | |
|--------------------------------|---------------------------|-------------|
| | March 31, | |
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| Other related parties revenue | \$ 566 | \$ 363 |
| Other related parties expenses | \$ 3,578 | \$ 6,397 |

None of these transactions were with directors or executive officers of the Company.

NOTE 8 INCOME TAXES

The Company calculates interim effective tax rates in accordance with the FASB guidance for income taxes and applies the estimated annual effective tax rate to year-to-date pretax income (loss) at the end of each interim period to compute a year-to-date tax expense (or benefit). This guidance requires departure from effective tax rate computations when losses incurred within tax jurisdictions cannot be carried back and future profits associated with operations in those tax jurisdictions cannot be assured beyond any reasonable doubt. Accordingly, the Company has calculated an expected annual effective tax rate of approximately 22% (as compared to 20% in the prior year), excluding significant, unusual or extraordinary items, for ordinary income associated with operations, which are principally outside of the United States, for which the Company currently expects to have annual taxable income. The increase in the expected annual effective tax rate is driven by an increase in non-deductible expenses in taxable foreign jurisdictions and the change in the composition of

Table of Contents

earnings in lower-taxed foreign jurisdictions. The effective tax rate has been applied to year-to-date earnings for those operations for which the Company currently expects to have taxable income. The Company has not recorded tax benefits associated with losses from operations for which future taxable income cannot be reasonably assured. As required by this guidance, the Company also includes tax effects of significant, unusual or extraordinary items in income tax expense in the interim period in which they occur.

Net income tax benefit from continuing operations is \$44.9 million for the three months ended March 31, 2011. The components of tax expense that contributed to the net income tax benefit for the three months ended March 31, 2011 included income tax expense of \$4.1 million based on the expected annual rate pertaining to income for the three month period ending on March 31, 2011, state and local taxes of \$1.3 million, withholding taxes of \$0.8 million, tax reserve accruals and settlements of uncertain tax positions of \$0.2 million, federal tax benefit of \$11.8 million attributable to the carryback of net operating losses related to Front Line and a discrete tax benefit of \$39.5 million for reversal of valuation allowances recorded against U.S. federal and state deferred tax assets driven by deferred tax attributes relating to the acquisition of the remaining interest in Front Line. See Note 3 Acquisitions for further discussion regarding the 2011 acquisition of the remaining equity interests in Front Line.

As of March 31, 2011 and December 31, 2010, the Company had unrecognized tax benefits of approximately \$11.1 million and \$10.9 million, respectively. During the three months ended March 31, 2011, unrecognized tax benefits increased by approximately \$0.2 million for tax reserve accruals. All of these unrecognized tax benefits would favorably impact the effective tax rate if recognized at some point in the future. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Company has U.S. federal and state net operating loss carry forwards that, if not used, will expire on various dates between the years 2016 and 2031. The amount of U.S. net operating loss carryforwards that will expire if not utilized in 2016 is \$18.3 million. The Company's federal net operating loss carry forwards are subject to statutory limitations on the amount that can be utilized in any given year.

Historically, the Company has reinvested all foreign earnings in its foreign operations. The Company currently believes all undistributed foreign earnings will be indefinitely reinvested in its foreign operations.

The tax years 2001 through 2010 remain open to examination by the major tax jurisdictions to which the Company is subject.

NOTE 9 STOCKHOLDERS' EQUITY

Common Stock

In February 2011, the Company issued 5.7 million shares of common stock in connection with the acquisition of the remaining interests in Front Line. See Note 3 Acquisitions for further discussion regarding this 2011 transaction. Also in February 2011, the Company issued 1.8 million shares of common stock pursuant to a subscription agreement with Liberty Media.

Redeemable Noncontrolling Interests

As a result of the Merger, the Company is subject to fair value put arrangements, some of which are currently redeemable and some of which are not currently redeemable, with respect to the common securities that represent the noncontrolling interests of certain non-wholly-owned Ticketmaster subsidiaries. Certain of these put arrangements are exercisable at fair value by the counterparty outside of the control of the Company, but are settled either in cash or stock at the discretion of the Company and are therefore classified as mezzanine equity. Accordingly, to the extent the fair value of these redeemable interests exceeds the value determined by normal noncontrolling interests accounting, the value of such interests is adjusted to fair value with a corresponding adjustment to additional paid-in capital. In instances where the put arrangements held by the noncontrolling interests are not currently redeemable, for increases in fair value, or reductions in fair value to the extent increases have been recognized previously, the Company accretes changes in fair value over the period from the date of issuance to the earliest redemption date of the individual securities. Accounting guidance prohibits the recognition of reductions in value below issuance date value, in this case the date of the Merger. In accordance with the FASB guidance for business combinations, the redeemable noncontrolling interests were recorded at their fair value as of the consummation of the Merger on January 25, 2010. The currently redeemable put arrangements held by the noncontrolling interests of certain subsidiaries of Ticketmaster had an estimated redemption fair value, and carrying value, of \$0.8 million and \$2.6 million as of March 31, 2011 and December 31, 2010, respectively.

In the first quarter of 2011, the Company acquired all of the noncontrolling interests in Front Line, a Ticketmaster subsidiary, all of which were not currently redeemable. Specifically, the Company repurchased 27,821 shares of Front Line

Table of Contents

common stock and 3,402 vested options. These instruments had a combined carrying value of \$82.4 million at December 31, 2010. As part of the same transaction, although classified in other long-term liabilities on the consolidated balance sheet, the Company also acquired 15,376 shares of participating restricted Front Line common shares not currently redeemable that had a carrying value of \$24.0 million at December 31, 2010. See Note 3 Acquisitions for further discussion of this 2011 transaction.

The common stock of two subsidiaries of Front Line held by noncontrolling interests also includes put arrangements. The put arrangements do not have a determinable redemption date, but are considered to be currently redeemable based on the terms of redemption. The stock held by the noncontrolling interests had an estimated redemption fair value and carrying value of \$22.5 million as of both March 31, 2011 and December 31, 2010.

Noncontrolling Interests

For certain non-wholly-owned subsidiaries of the Company, the common securities held by the noncontrolling interests do not include put arrangements exercisable outside of the control of the Company. The noncontrolling interests that do not include such put arrangements are recorded in stockholders' equity, separate from the Company's own equity.

The following table shows the reconciliation of the carrying amount of redeemable noncontrolling interests, total stockholders' equity, stockholders' equity attributable to Live Nation Entertainment, Inc. and stockholders' equity attributable to noncontrolling interests:

| | Redeemable Noncontrolling Interests | Live Nation Entertainment, Inc. | | Comprehensive Income (Loss) | Total Stockholders Equity |
|---|---|------------------------------------|-----------------------------|-----------------------------------|---------------------------------|
| | (in thousands) | Stockholders Equity | Noncontrolling Interests | | |
| Balances at December 31, 2010 | \$ 107,541 | \$ 1,364,416 | \$ 137,252 | \$ - | \$ 1,501,668 |
| Non-cash compensation | - | 6,480 | - | | 6,480 |
| Common shares issued for business acquisitions | - | 57 | - | | 57 |
| Exercise of stock options | - | 1,003 | - | | 1,003 |
| Sale of common shares | - | 18,836 | - | | 18,836 |
| Acquisitions of noncontrolling interests | (75,946) | 68,684 | 12,608 | | 81,292 |
| Sales of noncontrolling interests | - | - | (2,699) | | (2,699) |
| Fair value of redeemable noncontrolling interests adjustments | 1,574 | (1,574) | - | | (1,574) |
| Cash dividends | (4,554) | - | (1,366) | | (1,366) |
| Other | 2 | (117) | (3) | | (120) |
| Comprehensive income (loss): | | | | | |
| Net loss | (5,311) | (48,460) | (571) | (49,031) | (49,031) |
| Unrealized loss on cash flow hedges | - | (44) | - | (44) | (44) |
| Other | - | (24) | - | (24) | (24) |
| Currency translation adjustment | - | 45,515 | - | 45,515 | 45,515 |
| Total comprehensive income | | | | \$ (3,584) | (3,584) |
| Balances at March 31, 2011 | \$ 23,306 | \$ 1,454,772 | \$ 145,221 | | \$ 1,599,993 |

Table of Contents

The purchase of additional ownership in an already controlled subsidiary is recorded as an equity transaction with no gain or loss recognized in consolidated net income or comprehensive income. In the first quarter of 2011, we acquired the remaining equity interests in Front Line and Echo Music LLC. See Note 3 Acquisitions for further discussion regarding the Front Line acquisition. The following schedule reflects the change in ownership interest for these transactions.

| | Three Months Ended March 31, | |
|---|---|--------------|
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| Net loss attributable to Live Nation Entertainment, Inc. | \$ (48,460) | \$ (122,213) |
| Transfers (to) from noncontrolling interests | | |
| Increase in Live Nation Entertainment, Inc. s paid in capital for purchase of noncontrolling interests, net | 68,684 | - |
| Net transfers (to) from noncontrolling interests | 68,684 | - |
| Change from net loss attributable to Live Nation Entertainment, Inc. and transfers (to) from noncontrolling interests | \$ 20,224 | \$ (122,213) |

Earnings per Share

The following table sets forth the computation of basic and diluted net income (loss) per common share:

| | Three Months Ended March 31, | |
|---|--|--------------|
| | 2011 | 2010 |
| | <i>(in thousands, except for per share data)</i> | |
| Net loss attributable to Live Nation Entertainment, Inc. | \$ (48,460) | \$ (122,213) |
| Less loss from discontinued operations, net of tax | - | (303) |
| Net loss from continuing operations attributable to common stockholders | \$ (48,460) | \$ (121,910) |
| Weighted average common shares basic | 176,293 | 146,301 |
| Effect of dilutive securities: | | |
| Stock options, restricted stock and warrants | - | - |
| 2.875% convertible senior notes | - | - |
| Diluted weighted average common shares | 176,293 | 146,301 |
| Diluted loss from continuing operations per common share | \$ (0.27) | \$ (0.83) |

The calculation of diluted net loss per common share includes the effects of the assumed exercise of any outstanding stock options and warrants, the assumed vesting of shares of restricted stock awards and units and the assumed conversion of the 2.875% convertible senior notes where dilutive. The following table shows all potentially dilutive securities excluded from the calculation of diluted net loss per common share because such securities are anti-dilutive:

**Three Months Ended
March 31,**

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| | 2011 | 2010 |
|---|-----------------------|-------------|
| | <i>(in thousands)</i> | |
| Options to purchase shares of common stock | 20,085 | 21,317 |
| Restricted stock awards and units - unvested | 3,284 | 4,217 |
| Warrants | 500 | 500 |
| Conversion shares related to 2.875% convertible senior notes | 8,105 | 8,105 |
| Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding | 31,974 | 34,139 |

Table of Contents**NOTE 10 STOCK-BASED COMPENSATION**

The following is a summary of stock-based compensation expense recorded by the Company during the respective periods:

| | Three Months Ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| Selling, general and administrative expenses | \$ 30,472 | \$ 9,612 |
| Corporate expenses | 4,835 | 13,111 |
| Total stock-based compensation expense from continuing operations | \$ 35,307 | \$ 22,723 |

In the first quarter of 2011, the Company acquired the remaining equity interests of Front Line. As a result of this acquisition, the Company recorded \$24.4 million of stock-based compensation in selling, general and administrative expenses. See Note 3 Acquisitions for further discussion regarding the 2011 acquisition of the remaining equity interests in Front Line.

In the first quarter of 2010, the Company accelerated and modified the vesting of 1.0 million shares of unvested outstanding stock-based equity awards granted to certain employees of Ticketmaster effective upon termination, all of which had been converted to Live Nation equity awards in the Merger. The Company also accelerated 1.1 million shares of unvested outstanding stock-based equity awards as a result of the Merger based on employment contract change of control provisions for certain employees. As a result of these accelerations, the Company recognized \$13.5 million of stock-based compensation expense for the three months ended March 31, 2010. Of this amount, \$8.3 million was recorded in corporate expenses and \$5.2 million was recorded in selling, general and administrative expenses. There were no accelerations or other modifications of outstanding Live Nation stock-based equity awards in the first quarter of 2011.

As of March 31, 2011, there was \$63.9 million of total unrecognized compensation cost related to unvested stock-based compensation arrangements for stock options, restricted stock awards and restricted stock units. This cost is expected to be recognized over the next four years.

Azoff Trust Note

As part of the Merger, a note was issued to the Azoff Trust in exchange for shares of Ticketmaster's series A convertible redeemable preferred stock held by the Azoff Trust. The note accrues interest equal to 3.0% of the outstanding principal balance and is payable in monthly installments of \$0.8 million through October 1, 2013, subject to Mr. Azoff's continued employment with the Company. For the three months ended March 31, 2011 and from the date of the Merger through March 31, 2010, the Company recorded \$1.6 million and \$1.1 million, respectively, related to this note as a component of corporate expenses.

NOTE 11 SEGMENT DATA

The Company's reportable segments are Concerts, Ticketing, Artist Nation, eCommerce and Sponsorship.

The Concerts segment involves the promotion of live music events globally in the Company's owned and/or operated venues and in rented third-party venues, the production of music festivals and the operation and management of music venues and is the aggregation of the Company's North American Concerts and International Concerts operating segments. The Ticketing segment involves the management of the Company's global ticketing operations including providing ticketing software and services to clients and is the aggregation of the Company's North American Ticketing and International Ticketing operating segments. The Artist Nation segment provides management services to artists and other services including merchandise, artist fan sites and VIP tickets and is the aggregation of the Company's Artist Management and Artist Services operating segments. The eCommerce segment provides online access for customers relating to ticket and event information and is responsible for the Company's primary websites, www.livenation.com and www.ticketmaster.com. The Sponsorship segment manages the development of strategic sponsorship programs in addition to the sale of international, national and local sponsorships and placement of advertising including signage and promotional programs.

The Company has reclassified all periods presented to conform to the current period presentation. Revenue and expenses earned and charged between segments are eliminated in consolidation. Corporate expenses and all line items below operating income (loss) are managed on a total company basis.

Table of Contents

The Company manages its working capital on a consolidated basis. Accordingly, segment assets are not reported to, or used by, the Company's management to allocate resources to or assess performance of the segments, and therefore, total segment assets have not been disclosed.

| | Concerts | Ticketing | Artist Nation | eCommerce | Sponsorship | Other | Corporate | Eliminations | Consolidated |
|--|-----------------------|------------|------------------|-----------|-------------|--------|-------------|--------------|--------------|
| | <i>(in thousands)</i> | | | | | | | | |
| Three Months Ended March 31, 2011 | | | | | | | | | |
| Revenue | \$ 449,270 | \$ 296,337 | \$ 54,136 | \$ 29,447 | \$ 24,796 | \$ 799 | \$ 332 | \$ (5,708) | \$ 849,409 |
| Direct operating expenses | 366,154 | 139,884 | 34,881 | 4,807 | 6,195 | - | 711 | (5,508) | 547,124 |
| Selling, general and administrative expenses | 126,301 | 77,110 | 47,306 | 13,999 | 7,696 | 557 | - | - | 272,969 |
| Depreciation and amortization | 26,413 | 34,964 | 13,481 | 2,288 | 99 | 14 | 422 | (200) | 77,481 |
| Loss (gain) on sale of operating assets | (12) | (15) | 1,241 | 5 | - | 76 | - | - | 1,295 |
| Corporate expenses | - | - | - | - | - | - | 21,036 | - | 21,036 |
| Acquisition transaction expenses | (4,854) | 269 | 592 | - | - | - | 5,658 | - | 1,665 |
| Operating income (loss) | \$ (64,732) | \$ 44,125 | \$ (43,365) | \$ 8,348 | \$ 10,806 | \$ 152 | \$ (27,495) | \$ - | \$ (72,161) |
| Intersegment revenue | \$ 460 | \$ 3,703 | \$ 1,255 | \$ 290 | \$ - | \$ - | \$ - | \$ - | \$ 5,708 |
| Capital expenditures | \$ 3,675 | \$ 9,864 | \$ 481 | \$ 1,281 | \$ 12 | \$ - | \$ 2,927 | \$ - | \$ 18,240 |
| Three Months Ended March 31, 2010 | | | | | | | | | |
| Revenue | \$ 408,109 | \$ 209,126 | \$ 69,596 | \$ 18,084 | \$ 21,237 | \$ 940 | \$ - | \$ (3,731) | \$ 723,361 |
| Direct operating expenses | 327,776 | 102,657 | 49,324 | 2,250 | 6,134 | - | 346 | (3,731) | 484,756 |
| Selling, general and administrative expenses | 124,847 | 69,561 | 21,127 | 8,390 | 6,919 | 752 | - | - | 231,596 |
| Depreciation and amortization | 28,403 | 23,550 | 7,236 | 2,653 | 59 | 5 | 727 | - | 62,633 |
| Loss (gain) on sale of operating assets | 13 | 4,559 | - | - | 6 | (7) | - | - | 4,571 |
| Corporate expenses | - | - | - | - | - | - | 37,124 | - | 37,124 |
| Acquisition transaction expenses | (16) | - | - | - | - | - | 9,033 | - | 9,017 |
| Operating income (loss) | \$ (72,914) | \$ 8,799 | \$ (8,091) | \$ 4,791 | \$ 8,119 | \$ 190 | \$ (47,230) | \$ - | \$ (106,336) |
| Intersegment revenue | \$ 2,498 | \$ - | \$ 1,223 | \$ - | \$ 10 | \$ - | \$ - | \$ - | \$ 3,731 |
| Capital expenditures | \$ 3,799 | \$ 6,410 | \$ 4 | \$ 240 | \$ 2 | \$ 12 | \$ 1,496 | \$ - | \$ 11,963 |

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Live Nation (which may be referred to as the Company, we, us or our) means Live Nation Entertainment, Inc. and its subsidiaries, or one of our segments or subsidiaries, as the context requires. You should read the following discussion of our financial condition and results of operations together with the unaudited consolidated financial statements and notes to the financial statements included elsewhere in this quarterly report.

Special Note About Forward-Looking Statements

Certain statements contained in this quarterly report (or otherwise made by us or on our behalf from time to time in other reports, filings with the SEC, news releases, conferences, internet postings or otherwise) that are not statements of historical fact constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, notwithstanding that such statements are not specifically identified. Forward-looking statements include, but are not limited to, statements about our financial position, business strategy, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition, the effects of future legislation or regulations and plans and objectives of our management for future operations. We have based our forward-looking statements on our beliefs and assumptions based on information available to us at the time the statements are made. Use of the words may, should, continue, plan, potential, anticipate, believe, estimate, expect, intend, outlook, could, predict, or variations of such words and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those set forth below under Part II Item 1A. Risk Factors, as well as other factors described herein or in our annual, quarterly and other reports we file with the SEC (collectively, cautionary statements). Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We do not intend to update these forward-looking statements, except as required by applicable law.

Executive Overview

With the completion of our merger with Ticketmaster in January of 2010, we believe that the combined company is well-positioned to better serve artists, teams, fans and venues as we drive innovation across our platform and strive to improve the ticket purchase experience. Our strategy is centered on expanding our presence in the world's largest markets, leveraging our leadership position in live entertainment and eCommerce to sell more tickets and grow our revenue streams surrounding the ticket purchase and live event, while continuing to optimize our cost structure.

Our overall attendance in our Concerts segment was flat in the first quarter compared to last year. Concerts revenue grew compared to the prior year driven primarily by touring activity of key acts including Lady Gaga and U2; although overall arena touring activity was lower year-over-year causing AOI to be essentially flat. It is still early in the season for Concerts with the majority of the activity for the year coming in the summer months.

Increased ticket sales impacted our Ticketing segment primarily due to ticket volume increases from the Merger as the first quarter of 2010 excluded Ticketmaster sales that occurred prior to our merger date. Additional improvement came from other volume increases along with higher resell activity in 2011. We continue to execute on a variety of initiatives aimed at improving the ticket buying process and overall fan experience including increased conversion through interactive seat maps and expanding our digital distribution capabilities such as mobile and social media channels.

Our eCommerce segment generated growth primarily due to a higher percentage of tickets sold online and expansion of our eCommerce operations internationally. During the quarter, we continued to strategically enhance our online storefront and improve the functionality of our site. Our goal for this segment is to capture incremental upsell opportunities and strengthen our advertising capabilities in order to drive future growth.

Our Sponsorship segment continued to generate growth during the quarter due to new strategic sponsors along with the renewal and expansion of existing brands. We continued to leverage our extensive on-site and online reach, global venue distribution network, artist relationships and ticketing operations to secure long-term sponsorship agreements with major brands and continue to look for ways to expand these assets further.

Table of Contents

Our Artist Nation segment's AOI was essentially flat in the quarter due to timing of touring activity. We believe that many of our key artists will be on tour in 2011, but that the majority of the activity will be later in the year. Our artist management strategy centers on adding new artists to our roster, strengthening our management team by securing additional artist managers and actively pursuing strategic acquisitions to grow our international footprint.

We remain optimistic about the long-term future of the Company as we look to build on the value of our four main levers surrounding the live event ticketing/eCommerce, artist management, sponsorship and onsite ancillary spend. We are also focused on expanding our presence in the world's largest entertainment markets, while reducing our exposure to smaller, less profitable markets. We intend to leverage our fan database and use it to drive increased ticket sales through better marketing, increase our value to advertisers through better ad targeting and drive new revenue by providing insights on fan purchasing behaviors to our ticketing clients. We also intend to increase ticket sales by helping our clients more efficiently price and market live events and by expanding our digital distribution presence.

Our History

We were incorporated in Delaware on August 2, 2005 in preparation for the spin-off of substantially all of Clear Channel's entertainment assets and liabilities. The Separation was completed on December 21, 2005, at which point we became a publicly traded company on the New York Stock Exchange trading under the symbol LYV.

Our Merger with Ticketmaster

On January 25, 2010, we completed our Merger with Ticketmaster. As part of the Merger, Ticketmaster stockholders received 1.4743728 shares of Live Nation common stock for each share of Ticketmaster common stock they owned. Effective on the date of the Merger, Ticketmaster became a wholly-owned subsidiary of Live Nation named Ticketmaster Entertainment LLC and Live Nation, Inc. changed its name to Live Nation Entertainment, Inc.; subsequently, in connection with certain financing transactions completed on May 6, 2010, Ticketmaster was merged into the Company and the separate corporate existence of Ticketmaster ceased.

Under the terms of the agreement reached with the DOJ in connection with obtaining regulatory clearance for the Merger, we agreed to divest our ticketing subsidiary, Paciolan, and to license the Ticketmaster ticketing system to AEG, for a period of up to five years, in addition to other terms intended to protect competitive conditions in ticketing and promotions. In March 2010, we sold Paciolan to Comcast.

Segment Overview

Our reportable segments are Concerts, Ticketing, Artist Nation, eCommerce and Sponsorship.

Concerts

Our Concerts segment principally involves the global promotion of live music events in our owned and/or operated venues and in rented third-party venues, the operation and management of music venues and the production of music festivals across the world. While our Concerts segment operates year-round, we experience higher revenue during the second and third quarters due to the seasonal nature of shows at our outdoor amphitheaters and festivals, which primarily occur May through September.

To judge the health of our Concerts segment, we primarily monitor the number of confirmed events in our network of owned and/or operated and third-party venues, talent fees, average paid attendance and advance ticket sales. In addition, at our owned and/or operated venues, we monitor attendance, ancillary revenue per fan and premium seat sales. For business that is conducted in foreign markets, we compare the operating results from our foreign operations to prior periods on a constant dollar basis.

Ticketing

The Ticketing segment is primarily an agency business that sells tickets for events on behalf of our clients and retains a convenience charge and order processing fee for our services. We sell tickets through a combination of websites, telephone services and ticket outlets. Our ticketing sales are impacted by fluctuations in the availability of events for sale to the public, which may vary depending upon scheduling by our clients.

Table of Contents

To judge the health of our Ticketing segment, we primarily review the number of tickets sold through our ticketing operations, the percentage of visitors to our websites that buy tickets, the number of clients and the average royalty rate paid to clients who use our ticketing services.

Artist Nation

The Artist Nation segment primarily provides management services to music recording artists in exchange for a commission on the earnings of these artists. Our Artist Nation segment also sells merchandise associated with musical artists at live musical performances, to retailers, and directly to consumers via the internet and also provides other services to artists. Revenue earned from our Artist Nation segment is impacted to a large degree by the touring schedules of the artists we represent. Generally, we experience higher revenue during the second and third quarters as the period from May through September tends to be a popular time for touring events.

To judge the health of our Artist Nation segment, we primarily review the average annual earnings of each artist represented, commissions earned by individual managers, planned album releases and future touring schedules.

eCommerce

Our eCommerce segment manages our online, or eCommerce, activities including enhancements to our websites, bundling product offerings and online advertising at our websites. Through our websites, we sell tickets to our own events as well as tickets for our ticketing services clients and disseminate event and related merchandise information online. This segment records a fee per ticket that is paid to it by the Ticketing segment on every ticket sold online via www.livenation.com and www.ticketmaster.com both domestically and internationally.

To judge the health of our eCommerce segment, we primarily review the number of unique visitors to our websites, the overall number of customers in our database and the online revenue received from sponsors advertising on our websites.

Sponsorship

Our Sponsorship segment employs a sales force that creates and maintains relationships with sponsors, through a combination of strategic, international, national and local opportunities for businesses to reach customers through our concert, venue, artist relationship and ticketing assets.

To judge the health of our Sponsorship segment, we primarily review the average revenue per sponsor and the total revenue generated through sponsorship arrangements.

Table of Contents**Consolidated Results of Operations**

| | Three Months Ended March 31, | | % |
|---|------------------------------|--------------|--------|
| | 2011 | 2010 | Change |
| | <i>(in thousands)</i> | | |
| Revenue | \$ 849,409 | \$ 723,361 | 17% |
| Operating expenses: | | | |
| Direct operating expenses | 547,124 | 484,756 | 13% |
| Selling, general and administrative expenses | 272,969 | 231,596 | 18% |
| Depreciation and amortization | 77,481 | 62,633 | 24% |
| Loss on sale of operating assets | 1,295 | 4,571 | (72)% |
| Corporate expenses | 21,036 | 37,124 | (43)% |
| Acquisition transaction expenses | 1,665 | 9,017 | (82)% |
| Operating loss | (72,161) | (106,336) | (32)% |
| Operating margin | (8.5)% | (14.7)% | |
| Interest expense | 29,317 | 26,561 | |
| Interest income | (527) | (643) | |
| Equity in earnings of nonconsolidated affiliates | (994) | (547) | |
| Other income, net | (673) | (1,068) | |
| Loss from continuing operations before income taxes | (99,284) | (130,639) | |
| Income tax benefit | (44,942) | (7,991) | |
| Loss from continuing operations | (54,342) | (122,648) | |
| Loss from discontinued operations, net of tax | - | (303) | |
| Net loss | (54,342) | (122,951) | |
| Net loss attributable to noncontrolling interests | (5,882) | (738) | |
| Net loss attributable to Live | | | |
| Nation Entertainment, Inc. | \$ (48,460) | \$ (122,213) | |

Table of Contents**Key Operating Metrics**

| | Three Months Ended March 31, | | | |
|--|-------------------------------------|--------------|--------|------|
| | 2011 | 2010 | | |
| Concerts (1) | | | | |
| Estimated Events: | | | | |
| North America: | | | | |
| Owned and/or operated amphitheaters | 19 | 22 | | |
| Owned and/or operated all other | 2,557 | 2,407 | | |
| Other events (2) | 491 | 610 | | |
| International: | | | | |
| Owned and/or operated all other | 1,008 | 1,108 | | |
| Other events (2) | 513 | 483 | | |
| Total estimated events | 4,588 | 4,630 | | |
| Estimated Attendance (<i>rounded</i>): | | | | |
| North America: | | | | |
| Owned and/or operated amphitheaters | 38,000 | 51,000 | | |
| Owned and/or operated all other | 1,558,000 | 1,473,000 | | |
| Other events (2) | 2,413,000 | 2,490,000 | | |
| International: | | | | |
| Owned and/or operated all other | 1,506,000 | 1,639,000 | | |
| Other events (2) | 1,447,000 | 1,322,000 | | |
| Total estimated attendance | 6,962,000 | 6,975,000 | | |
| Ticketing (3) | | | | |
| Number of tickets sold (<i>in thousands</i>) : | | | | |
| Concerts | 17,033 | 49% | 12,090 | 50% |
| Sports | 7,491 | 22% | 4,744 | 20% |
| Arts & theater | 4,746 | 14% | 3,561 | 15% |
| Family | 4,315 | 12% | 2,764 | 11% |
| Other | 1,060 | 3% | 897 | 4% |
| | 34,645 | 100% | 24,056 | 100% |
| Gross value of tickets sold (<i>in thousands</i>): | | | | |
| Concerts | \$ 1,118,419 | \$ 761,983 | | |
| Sports | 339,786 | 226,374 | | |
| Arts & theater | 330,238 | 238,710 | | |
| Family | 159,398 | 103,699 | | |
| Other | 42,611 | 21,456 | | |
| | \$ 1,990,452 | \$ 1,352,222 | | |
| Sponsorship | | | | |
| Sponsorship revenue recognized (<i>in thousands</i>) | \$ 24,796 | \$ 21,237 | | |
| Estimated average sponsorship dollars per sponsor (<i>rounded</i>) | \$ 81,000 | \$ 64,000 | | |

(1) Events generally represent a single performance by an artist. Attendance generally represents the number of fans who were present at an event. Festivals are counted as one event in the quarter in which the festival begins but attendance is split over the days of the festival and

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can be split between quarters. Events and attendance metrics are estimated each quarter.

- (2) Other events listed above include events we promote in third-party venues.
- (3) The number and gross value of tickets sold includes primary tickets only. The tickets sold listed above for 2010 do not include 7.1 million tickets with a gross value of \$405.0 million for the pre-Merger period.

Table of Contents

Revenue

Our revenue increased \$126.0 million, or 17%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of approximately \$13.0 million related to the impact of changes in foreign exchange rates, revenue increased \$113.0 million, or 16%. Overall increases in revenue were primarily due to increases in our Concerts and Ticketing segments of \$41.2 million and \$87.2 million, respectively, driven by incremental revenue of \$77.3 million resulting from the Merger.

More detailed explanations of these changes are included in the applicable segment discussions below.

Direct operating expenses

Our direct operating expenses increased \$62.4 million, or 13%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of approximately \$8.6 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$53.8 million, or 11%. The overall increase in direct operating expenses was primarily due to increases in our Concerts and Ticketing segments of \$38.4 million and \$37.2 million, respectively, driven by incremental direct operating expenses of \$34.1 million resulting from the Merger partially offset by a decrease in our Artist Nation segment of \$14.4 million.

Direct operating expenses include artist fees, ticketing client royalties, show-related marketing and advertising expenses along with other costs.

More detailed explanations of these changes are included in the applicable segment discussions below.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased \$41.4 million, or 18%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of approximately \$2.7 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased \$38.7 million, or 17%. Overall increases in selling, general and administrative expenses were primarily due to increases in our Ticketing, Artist Nation and eCommerce segments of \$7.5 million, \$26.2 million and \$5.6 million, respectively, driven by incremental selling, general and administrative expenses of \$26.8 million resulting from the Merger and \$24.4 million related to the 2011 acquisition of the remaining interests in Front Line.

Selling, general and administrative expenses for the three months ended March 31, 2010 include \$4.4 million of severance costs associated with the reorganization of our business units subsequent to the Merger and other acquisitions, primarily in the Ticketing segment.

More detailed explanations of these changes are included in the applicable segment discussions below.

Depreciation and amortization

Depreciation and amortization increased \$14.8 million, or 24%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of approximately \$0.4 million related to the impact of changes in foreign exchange rates, depreciation and amortization increased \$14.4 million, or 23%. The overall increase in depreciation and amortization was primarily due to an increase in our Ticketing segment of \$11.4 million.

More detailed explanations of these changes are included in the applicable segment discussions below.

Loss on sale of operating assets

The loss on sale of operating assets for the three months ended March 31, 2011 was \$1.3 million primarily due to the \$1.2 million loss resulting from the sale of an artist management company in the first quarter of 2011. The \$4.6 million loss on sale of operating assets for the three months ended March 31, 2010 was primarily due to the \$4.5 million loss resulting from our sale of Paciolan in the first quarter of 2010.

Corporate expenses

Corporate expenses decreased \$16.1 million, or 43%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to \$11.2 million in incremental non-cash compensation expense recorded in 2010 associated with equity awards exchanged or accelerated in connection with the Merger and \$4.1 million of severance associated with the reorganization of our business units subsequent to

the Merger in the first quarter of 2010.

Table of Contents

Acquisition transaction expenses

Acquisition transaction expenses for the three months ended March 31, 2011 were \$1.7 million primarily due to ongoing litigation costs relating to the Merger partially offset by changes in the fair value of acquisition-related contingent consideration. Acquisition transaction expenses for the three months ended March 31, 2010 were \$9.0 million primarily due to the Merger.

Interest expense

Interest expense increased \$2.8 million, or 10%, during the three months ended March 31, 2011, as compared to the same period of the prior year primarily due to higher debt balances from the debt obtained in the Merger.

Our debt balances and weighted average cost of debt, excluding unamortized debt discounts and premiums, were \$1.754 billion and 6.0%, respectively, at March 31, 2011, and \$1.552 billion and 6.8%, respectively, at March 31, 2010.

Income Taxes

We calculate interim effective tax rates in accordance with the FASB guidance for income taxes and apply the estimated annual effective tax rate to year-to-date pretax income (loss) at the end of each interim period to compute a year-to-date tax expense (or benefit). This guidance requires departure from the effective tax rate computations when losses incurred within tax jurisdictions cannot be carried back and future profits associated with operations in those tax jurisdictions cannot be assured beyond any reasonable doubt. Accordingly, we have calculated an expected annual effective tax rate of approximately 22% (as compared to 20% in the prior year), excluding significant, unusual or extraordinary items, for ordinary income associated with operations, which are principally outside of the United States, for which we currently expect to have annual taxable income. The increase in the expected annual effective tax rate is driven by an increase in non-deductible expenses in taxable foreign jurisdictions and the change in the composition of earnings in lower-taxed foreign jurisdictions. The effective tax rate has been applied to year-to-date earnings for those operations for which we currently expect to have taxable income. We have not recorded tax benefits associated with losses from operations for which future taxable income cannot be reasonably assured. As required by this guidance, we also include tax effects of significant, unusual or extraordinary items in income tax expense in the interim period in which they occur.

Net income tax benefit from continuing operations is \$44.9 million for the three months ended March 31, 2011. The components of tax expense that contributed to the net tax benefit for the three months ended March 31, 2011 included income tax expense of \$4.1 million based on the expected annual rate pertaining to income for the three months ended March 31, 2011, state and local taxes of \$1.3 million, withholding taxes of \$0.8 million, tax reserve accruals and settlements of uncertain tax positions of \$0.2 million, federal tax benefit of \$11.8 million attributable to the carryback of net operating losses related to Front Line and a discrete tax benefit of \$39.5 million for reversal of valuation allowances recorded against U.S. federal and state deferred tax assets driven by deferred tax attributes relating to the acquisition of the remaining interest in Front Line.

Table of Contents**Concerts Results of Operations**

Our Concerts segment operating results were, and discussions of significant variances are, as follows:

| | Three Months Ended March 31, | | % Change |
|--|---------------------------------|--------------------|-------------|
| | 2011 | 2010 | |
| | <i>(in thousands)</i> | | |
| Revenue | \$ 449,270 | \$ 408,109 | 10% |
| Direct operating expenses | 366,154 | 327,776 | 12% |
| Selling, general and administrative expenses | 126,301 | 124,847 | 1% |
| Depreciation and amortization | 26,413 | 28,403 | (7)% |
| Loss (gain) on sale of operating assets | (12) | 13 | * |
| Acquisition transaction expenses | (4,854) | (16) | * |
| Operating loss | \$ (64,732) | \$ (72,914) | 11% |
| Operating margin | (14.4)% | (17.9)% | |
| Adjusted operating loss ** | \$ (41,250) | \$ (42,504) | 3% |

* Percentages are not meaningful.

** Adjusted operating income (loss) is discussed in more detail and reconciled to operating income (loss) below.

Three Months

Concerts revenue increased \$41.2 million, or 10%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of \$6.6 million related to the impact of changes in foreign exchange rates, revenue increased \$34.6 million, or 8%, primarily due to touring activity in the first quarter of 2011 from artists such as U2 and Lady Gaga. Partially offsetting these increases was an overall decrease in events and attendance for arenas due to timing of shows primarily in Canada and Italy and theaters and clubs in the U.S., U.K. and Australia due to more selective booking.

Concerts direct operating expenses increased \$38.4 million, or 12%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of \$5.7 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$32.7 million, or 10%, primarily due to higher expenses associated with arena touring activity partially offset by lower expenses associated with the decreased number of events for arenas, theaters and clubs.

Concerts acquisition transaction expenses decreased by \$4.8 million during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to changes in the fair value of acquisition-related contingent consideration.

The decreased operating loss for Concerts was primarily related to some improvement in operating results and due to changes in the fair value of acquisition-related contingent consideration.

Table of Contents**Ticketing Results of Operations**

Our Ticketing segment operating results were, and discussions of significant variances are, as follows:

| | Three Months Ended March 31, | | % Change |
|--|---------------------------------|-----------------|-------------|
| | 2011 | 2010 | |
| | <i>(in thousands)</i> | | |
| Revenue | \$ 296,337 | \$ 209,126 | 42% |
| Direct operating expenses | 139,884 | 102,657 | 36% |
| Selling, general and administrative expenses | 77,110 | 69,561 | 11% |
| Depreciation and amortization | 34,964 | 23,550 | 48% |
| Loss (gain) on sale of operating assets | (15) | 4,559 | * |
| Acquisition transaction expenses | 269 | - | * |
| Operating income | \$ 44,125 | \$ 8,799 | * |
| Operating margin | 14.9% | 4.2% | |
| Adjusted operating income ** | \$ 80,573 | 46,421 | 74% |

* Percentages are not meaningful.

** Adjusted operating income (loss) is discussed in more detail and reconciled to operating income (loss) below.

Three Months

Ticketing revenue increased \$87.2 million, or 42%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of \$5.6 million related to the impact of changes in foreign exchange rates, revenue increased \$81.6 million, or 39%, primarily due to incremental revenue of \$80.1 million resulting from the Merger and the acquisitions of Ticketnet in November 2010 and TGLP in January 2011 along with increased ticket sales in Turkey, Australia and New Zealand, improved North America resale results driven by strong NFL sales and activity for the Olympics in London partially offset by a reduction of \$3.7 million relating to our divestiture of Paciolan in March 2010. Revenue related to ticketing service charges for our events where we control ticketing is deferred and recognized as the event occurs.

Ticketing direct operating expenses increased \$37.2 million, or 36%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of \$2.3 million related to the impact of changes in foreign exchange rates, direct operating expenses increased \$34.9 million, or 34%, primarily due to incremental direct operating expenses of \$36.2 million resulting from the Merger and the acquisitions noted above partially offset by a reduction of \$1.7 million relating to our Paciolan divestiture.

Ticketing selling, general and administrative expenses increased \$7.5 million, or 11%, during the three months ended March 31, 2011 as compared to the same period of the prior year. Excluding the increase of \$1.8 million related to the impact of changes in foreign exchange rates, selling, general and administrative expenses increased \$5.7 million, or 8%, primarily due to incremental selling, general and administrative expenses of \$23.2 million resulting from the Merger and our acquisitions noted above partially offset by severance costs and non-cash compensation expense associated with the reorganization of our business units in the first quarter of 2010 subsequent to the Merger and a reduction of \$1.1 million relating to our Paciolan divestiture.

Ticketing depreciation and amortization increased \$11.4 million, or 48%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to incremental depreciation and amortization of \$7.3 million resulting from the Merger and the acquisitions noted above along with increased amortization resulting from the addition of definite-lived intangible assets from the Merger partially offset by a reduction of \$0.9 million relating to our Paciolan divestiture.

Ticketing loss on sale of operating assets of \$4.6 million during the three months ended March 31, 2010 is primarily due to the sale of Paciolan in March 2010.

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The increase in operating income for Ticketing was primarily due to the addition of the Ticketmaster ticketing operations for the full period (2010 only includes these operations after the January 25 Merger date), increased ticket sales for both primary and resale along with earnings from the Olympics in London, partially offset by the 2010 divestiture of Paciolan.

Table of Contents**Artist Nation Results of Operations**

Our Artist Nation segment operating results were, and discussions of significant variances are, as follows:

| | Three Months Ended March 31, | | % Change |
|--|---------------------------------|-------------------|-------------|
| | 2011 | 2010 | |
| | <i>(in thousands)</i> | | |
| Revenue | \$ 54,136 | \$ 69,596 | (22)% |
| Direct operating expenses | 34,881 | 49,324 | (29)% |
| Selling, general and administrative expenses | 47,306 | 21,127 | * |
| Depreciation and amortization | 13,481 | 7,236 | 86% |
| Loss on sale of operating assets | 1,241 | - | * |
| Acquisition transaction expenses | 592 | - | * |
| Operating loss | \$ (43,365) | \$ (8,091) | * |
| Operating margin | (80.1)% | (11.6)% | |
| Adjusted operating income (loss) ** | \$ (827) | 927 | * |

* Percentages are not meaningful.

** Adjusted operating income (loss) is discussed in more detail and reconciled to operating income (loss) below.

Three Months

Artist Nation revenue decreased \$15.5 million, or 22%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to a decline in sales of tour merchandise primarily driven by the timing of large tours along with reduced retail merchandise sales, partially offset by incremental revenue of \$6.5 million resulting from our Merger and the acquisitions of SME in September 2010 and Gellman in October 2010.

Artist Nation direct operating expenses decreased \$14.4 million, or 29%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to a decline in merchandise expense driven by reduced artist tours and retail sales partially offset by incremental direct operating expenses of \$4.0 million resulting from our Merger and the acquisitions noted above.

Artist Nation selling, general and administrative expenses increased \$26.2 million during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to incremental costs of \$24.4 million related to the first quarter 2011 acquisition of the remaining interest in Front Line.

Artist Nation depreciation and amortization increased \$6.2 million, or 86%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to incremental depreciation and amortization expense of \$2.8 million resulting from our Merger and additional expense from subsequent acquisitions.

Artist Nation loss on sale of operating assets of \$1.2 million during the three months ended March 31, 2011 is primarily due to the sale of an artist management company in January 2011.

The increased operating loss for Artist Nation was driven by costs incurred for the acquisition of the remaining interest in Front Line along with the decline in merchandise sales.

Table of Contents**eCommerce Results of Operations**

Our eCommerce segment operating results were, and discussions of significant variances are, as follows:

| | Three Months Ended March 31, | | % Change |
|--|---------------------------------|-----------|-------------|
| | 2011 | 2010 | |
| | <i>(in thousands)</i> | | |
| Revenue | \$ 29,447 | \$ 18,084 | 63% |
| Direct operating expenses | 4,807 | 2,250 | * |
| Selling, general and administrative expenses | 13,999 | 8,390 | 67% |
| Depreciation and amortization | 2,288 | 2,653 | (14)% |
| Loss on sale of operating assets | 5 | - | * |
| Operating income | \$ 8,348 | \$ 4,791 | 74% |
| Operating margin | 28.3% | 26.5% | |
| Adjusted operating income ** | \$ 10,694 | 7,736 | 38% |

* Percentages are not meaningful.

** Adjusted operating income (loss) is discussed in more detail and reconciled to operating income (loss) below.

Three Months

eCommerce revenue increased \$11.4 million, or 63%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to strong domestic online ticket sales resulting in higher license fees along with an expansion of our eCommerce operations internationally, whereby eCommerce is now paid a fee for international online ticket sales in 2011, and incremental revenue of \$5.4 million resulting from our Merger.

eCommerce direct operating expenses increased \$2.6 million during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to an expansion of our eCommerce operations internationally.

eCommerce selling, general and administrative expenses increased \$5.6 million, or 67%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to an expansion of our eCommerce operations internationally along with incremental selling, general and administrative expenses of \$3.0 million due to our Merger.

The increased operating income for eCommerce was primarily a result of the expansion of our eCommerce operations internationally, higher license fees driven by strong domestic online ticket sales and a full quarter of results related to our Merger.

Table of Contents**Sponsorship Results of Operations**

Our Sponsorship segment operating results were, and discussions of significant variances are, as follows:

| | Three Months Ended March 31, | | % Change |
|--|---|-------------|---------------------|
| | 2011 | 2010 | |
| | <i>(in thousands)</i> | | |
| Revenue | \$ 24,796 | \$ 21,237 | 17% |
| Direct operating expenses | 6,195 | 6,134 | 1% |
| Selling, general and administrative expenses | 7,696 | 6,919 | 11% |
| Depreciation and amortization | 99 | 59 | 68% |
| Loss on sale of operating assets | - | 6 | * |
| Operating income | \$ 10,806 | \$ 8,119 | 33% |
| Operating margin | 43.6% | 38.2% | |
| Adjusted operating income ** | \$ 11,053 | 8,625 | 28% |

* Percentages are not meaningful.

** Adjusted operating income (loss) is discussed in more detail and reconciled to operating income (loss) below.

Three Months

Sponsorship revenue increased \$3.6 million, or 17%, and operating income increased \$2.7 million, or 33%, during the three months ended March 31, 2011 as compared to the same period of the prior year primarily due to higher average dollars per sponsor driven by new sponsorship relationships and renewal or expansion of prior arrangements.

Reconciliation of Segment Operating Income (Loss)

| | Three Months Ended March 31, | |
|-----------------------------|---|--------------|
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| Concerts | \$ (64,732) | \$ (72,914) |
| Ticketing | 44,125 | 8,799 |
| Artist Nation | (43,365) | (8,091) |
| eCommerce | 8,348 | 4,791 |
| Sponsorship | 10,806 | 8,119 |
| Other | 152 | 190 |
| Corporate | (27,495) | (47,230) |
| Consolidated operating loss | \$ (72,161) | \$ (106,336) |

Table of Contents**Reconciliation of Segment Adjusted Operating Income (Loss)**

AOI is a non-GAAP financial measure that we define as operating income (loss) before acquisition expenses (including transaction costs, changes in the fair value of accrued acquisition-related contingent consideration arrangements, Merger bonuses, payments under the Azoff Trust note and Merger-related severance), depreciation and amortization (including goodwill impairment), loss (gain) on sale of operating assets and non-cash and certain stock-based compensation expense (including expense associated with grants of certain stock-based awards which are classified as liabilities). We use AOI to evaluate the performance of our operating segments. We believe that information about AOI assists investors by allowing them to evaluate changes in the operating results of our portfolio of businesses separate from non-operational factors that affect net income, thus providing insights into both operations and the other factors that affect reported results. AOI is not calculated or presented in accordance with GAAP. A limitation of the use of AOI as a performance measure is that it does not reflect the periodic costs of certain amortizing assets used in generating revenue in our business. Accordingly, AOI should be considered in addition to, and not as a substitute for, operating income (loss), net income (loss), and other measures of financial performance reported in accordance with GAAP. Furthermore, this measure may vary among other companies; thus, AOI as presented herein may not be comparable to similarly titled measures of other companies.

The following table sets forth the computation of adjusted operating income (loss):

| | Adjusted operating income (loss) | Non-cash and stock- based compensation expense | Loss (gain) on sale of operating assets <i>(in thousands)</i> | Depreciation and amortization | Acquisition expenses | Operating income (loss) |
|--|---|--|---|-------------------------------------|-------------------------|-------------------------------|
| Three Months Ended March 31, 2011 | | | | | | |
| Concerts | \$ (41,250) | \$ 1,661 | \$ (12) | \$ 26,413 | \$ (4,580) | \$ (64,732) |
| Ticketing | 80,573 | 1,386 | (15) | 34,964 | 113 | 44,125 |
| Artist Nation | (827) | 27,224 | 1,241 | 13,481 | 592 | (43,365) |
| eCommerce | 10,694 | 53 | 5 | 2,288 | - | 8,348 |
| Sponsorship | 11,053 | 148 | - | 99 | - | 10,806 |
| Other and eliminations | 42 | - | 76 | (186) | - | 152 |
| Corporate | (15,229) | 4,835 | - | 422 | 7,009 | (27,495) |
| Total | \$ 45,056 | \$ 35,307 | \$ 1,295 | \$ 77,481 | \$ 3,134 | \$ (72,161) |
| Three Months Ended March 31, 2010 | | | | | | |
| Concerts | \$ (42,504) | \$ 1,999 | \$ 13 | \$ 28,403 | \$ (5) | \$ (72,914) |
| Ticketing | 46,421 | 5,854 | 4,559 | 23,550 | 3,659 | 8,799 |
| Artist Nation | 927 | 1,595 | - | 7,236 | 187 | (8,091) |
| eCommerce | 7,736 | 48 | - | 2,653 | 244 | 4,791 |
| Sponsorship | 8,625 | 116 | 6 | 59 | 325 | 8,119 |
| Other and eliminations | 188 | - | (7) | 5 | - | 190 |
| Corporate | (19,188) | 13,111 | - | 727 | 14,204 | (47,230) |
| Total | \$ 2,205 | \$ 22,723 | \$ 4,571 | \$ 62,633 | \$ 18,614 | \$ (106,336) |

Table of Contents

Liquidity and Capital Resources

Our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, are funded from operations or from borrowings under our senior secured credit facility described below. Our cash is currently centrally managed on a worldwide basis. Our primary short-term liquidity needs are to fund general working capital requirements and capital expenditures while our long-term liquidity needs are primarily related to acquisitions and debt repayment. Our primary sources of funds for our short-term liquidity needs will be cash flows from operations and borrowings under our senior secured credit facility, while our long-term sources of funds will be from cash from operations, long-term bank borrowings and other debt or equity financing.

Our balance sheet reflects cash and cash equivalents of \$987.2 million at March 31, 2011 and \$892.8 million at December 31, 2010. Included in the March 31, 2011 and December 31, 2010 cash and cash equivalents balance is \$441.1 million and \$384.5 million, respectively, of funds representing amounts equal to the face value of tickets sold on behalf of clients and the clients' share of convenience and order processing charges, or client funds. The Company does not utilize client funds for its own financing or investing activities as the amounts are payable to clients. Our balance sheet reflects current and long-term debt of \$1.732 billion at March 31, 2011 and December 31, 2010. Our weighted-average cost of debt, excluding the debt discounts on our term loan and convertible notes and the debt premium on our 10.75% senior notes, was 6.0% at March 31, 2011.

Our available cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of cash in our operating accounts and invested cash. Cash held in operating accounts in many cases exceeds the Federal Deposit Insurance Corporation insurance limits. The invested cash is invested in interest-bearing funds invested in bank deposits. While we monitor cash and cash equivalent balances in our operating accounts on a regular basis and adjust the balances as appropriate, these balances could be impacted if the underlying financial institutions fail. To date, we have experienced no loss or lack of access to our cash or cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

We may need to incur additional debt or issue equity to make other strategic acquisitions or investments. There can be no assurance that such financing will be available to us on acceptable terms or at all. We may make significant acquisitions in the near term, subject to limitations imposed by our financing documents and market conditions.

The lenders under our revolving loans and counterparties to our interest rate hedge agreements consist of banks and other third-party financial institutions. While we currently have no indications or expectations that such lenders and counterparties will be unable to fund their commitments as required, we can provide no assurances that future funding availability will not be impacted by adverse conditions in the financial markets. Should an individual lender default on its obligations, the remaining lenders would not be required to fund the shortfall, resulting in a reduction in the total amount available to us for future borrowings, but would remain obligated to fund their own commitments. Should any counterparty to our interest rate hedge agreements default on its obligations, we could experience higher interest rate volatility during the period of any such default.

For our Concerts segment, we generally receive cash related to ticket revenue at our owned and/or operated venues in advance of the event, which is recorded in deferred revenue until the event occurs. With the exception of some upfront costs and artist deposits, which are recorded in prepaid expenses until the event occurs, we pay the majority of event-related expenses at or after the event.

We view our available cash as cash and cash equivalents, less ticketing-related client funds, less event-related deferred revenue, less accrued expenses due to artists and for cash collected on behalf of others for ticket sales, plus event-related prepaids. This is essentially our cash available to, among other things, repay debt balances, make acquisitions and finance capital expenditures.

Our intra-year cash fluctuations are impacted by the seasonality of our various businesses. Examples of seasonal effects include our Concerts and Artist Nation segments, which report the majority of their revenue in the second and third quarters, whereas our Ticketing segment generally reports higher domestic ticketing revenue in the first and second quarters. Cash inflows and outflows depend on the timing of event-related payments but the majority of the inflows generally occur prior to the event. See Seasonality below. We believe that we have sufficient financial flexibility to fund these fluctuations and to access the global capital markets on satisfactory terms and in adequate amounts, although there can be no assurance that this will be the case, and capital could be less accessible and/or more costly given current economic conditions. We expect cash flow from operations and borrowings under our senior secured credit facility, along with other financing alternatives, to satisfy working capital, capital expenditures and debt service requirements for at least the succeeding year.

Table of Contents

Sources of Cash

Liberty Media Subscription Agreement

In February 2011, we entered into a subscription agreement with Liberty Media and sold 1.8 million shares of our common stock to Liberty Media for \$18.8 million. We also agreed to sell an additional 5.5 million shares of our common stock to Liberty Media for \$57.7 million, subject to receipt of approval of our stockholders and other customary closing conditions.

May 2010 Senior Secured Credit Facility

In May 2010, we replaced our existing senior secured credit facilities, including the Ticketmaster senior secured credit facility, by entering into a credit agreement dated as of May 6, 2010 that provides for \$1.2 billion in credit facilities. This senior secured credit facility consists of (i) a \$100 million term loan A with a maturity of five and one-half years, (ii) an \$800 million term loan B with a maturity of six and one-half years and (iii) a \$300 million revolving credit facility with a maturity of five years. In addition, subject to certain conditions, we have the right to increase such term loan facilities by up to \$300 million in the aggregate. The five-year revolving credit facility provides for borrowings up to the amount of the facility with sublimits of up to (i) \$150 million to be available for the issuance of letters of credit, (ii) \$50 million to be available for swingline loans and (iii) \$100 million to be available for borrowings in foreign currencies. The senior secured credit facility is secured by a first priority lien on substantially all of our domestic wholly-owned subsidiaries and on 65% of the capital stock of our wholly-owned foreign subsidiaries.

The interest rates per annum applicable to loans under the senior secured credit facility are, at our option, equal to either LIBOR plus 3.0% or a base rate plus 2.0%, subject to stepdowns based on our leverage ratio. The interest rate for the term loan B is subject to a LIBOR floor of 1.5% and a base rate floor of 2.5%. We are required to pay a commitment fee of 0.5% per year on the undrawn portion available under the revolving credit facility and variable fees on outstanding letters of credit.

During the first five and one-quarter years after the closing date, we are required to make quarterly payments on the term loan A at a rate ranging from 5% of the original principal amount in the first year of the facility to 40% in the last half-year of the facility. During the first six and one-quarter years after the closing date, we are required to make quarterly amortization payments on the term loan B at a rate of 0.25% of the original principal amount thereof. We are also required to make mandatory prepayments of the loans under the credit agreement, subject to specified exceptions, from excess cash flow, and with the proceeds of asset sales, debt issuances and specified other events.

Borrowings on the May 2010 senior secured credit facility were primarily used to repay the borrowings under ours and Ticketmaster's then existing credit facilities, convert existing preferred stock of one of our subsidiaries into the right to receive a cash payment and settle this obligation, pay related fees and expenses and for general corporate purposes. During the three months ended March 31, 2011, we made principal payments totaling \$3.3 million on these term loans. At March 31, 2011, the outstanding balances on the term loans, net of discount was \$883.6 million. There were no borrowings under the revolving credit facility as of March 31, 2011. Based on our letters of credit of \$48.9 million, \$251.1 million was available for future borrowings.

8.125% Senior Notes

In May 2010, we issued \$250 million of 8.125% senior notes due 2018. Interest on the notes is payable semi-annually in cash in arrears on May 15 and November 15 of each year, beginning on November 15, 2010, and the notes will mature on May 15, 2018. We may redeem some or all of the notes at any time prior to May 15, 2014 at a price equal to 100% of the principal amount, plus any accrued and unpaid interest to the date of redemption, plus a make-whole premium using a discount rate equal to the Treasury Rate plus 50 basis points. We may also redeem up to 35% of the notes from the proceeds of certain equity offerings prior to May 15, 2013, at a price equal to 108.125% of their principal amount, plus any accrued and unpaid interest. In addition, on or after May 15, 2014, we may redeem some or all of the notes at any time at redemption prices that start at 104.063% of their principal amount. We must also offer to redeem the notes at 101% of their aggregate principal amount, plus accrued and unpaid interest to the repurchase date, if we experience certain kinds of changes of control. Borrowings on the 8.125% senior notes were primarily used to partially repay the borrowings under ours and Ticketmaster's then existing credit facilities.

Debt Covenants

Our senior secured credit facility, which was entered into in May 2010, contains a number of covenants and restrictions that, among other things, requires us to satisfy certain financial covenants and restricts our and our subsidiaries' ability to incur additional debt, make certain investments and acquisitions, repurchase our stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of our business, enter into sale-leaseback transactions, transfer and sell material assets, merge or consolidate, and pay dividends and make

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distributions (with the exception of subsidiary dividends or distributions to the parent company or other subsidiaries on at least a pro-rata basis with any noncontrolling

Table of Contents

interest partners). Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the credit facility becoming immediately due and payable. The senior secured credit facility agreement has two covenants measured quarterly starting June 30, 2010 that relate to total leverage and interest coverage. The consolidated total leverage covenant requires us to maintain a ratio of consolidated total debt to consolidated EBITDA (both as defined in the credit agreement) of less than 4.9x over the trailing four consecutive quarters. The total leverage ratio will reduce to 4.5x on September 30, 2011, 4.0x on September 30, 2012, 3.75x on September 30, 2013 and 3.5x on March 31, 2015. The consolidated interest coverage covenant requires us to maintain a minimum ratio of consolidated EBITDA to consolidated interest expense (both as defined in the credit agreement) of 2.5x over the trailing four consecutive quarters. The interest coverage will increase to 2.75x on September 30, 2011, and 3.0x on September 30, 2012.

The indentures governing the 10.75% senior notes and the 8.125% senior notes contain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries to incur certain additional indebtedness and issue preferred stock; make certain distributions, investments and other restricted payments; sell certain assets; agree to any restrictions on the ability of restricted subsidiaries to make payments to us; merge, consolidate or sell all of our assets; create certain liens; and engage in transactions with affiliates on terms that are not arm's length. Certain covenants, including those pertaining to incurrence of indebtedness, restricted payments, asset sales, mergers and transactions with affiliates will be suspended during any period in which the notes are rated investment grade by both rating agencies and no default or event of default under the indentures has occurred and is continuing. The 10.75% senior notes and the 8.125% senior notes each contain two incurrence-based financial covenants, as defined, requiring a minimum fixed charge coverage ratio of 2.0 to 1.0 and a maximum secured indebtedness leverage ratio of 2.75 to 1.0.

Some of our other subsidiary indebtedness includes restrictions on acquisitions and prohibits payment of ordinary dividends. They also have financial covenants including minimum consolidated EBITDA to consolidated net interest payable, minimum consolidated cash flow to consolidated debt service, and maximum consolidated debt to consolidated EBITDA, all as defined in the applicable debt agreements.

As of March 31, 2011, we believe we were in compliance with all of our debt covenants. We expect to remain in compliance with all of our debt covenants throughout 2011.

Guarantees of Third-Party Obligations

As of March 31, 2011 and December 31, 2010, we guaranteed the debt of third parties of approximately \$3.3 million and \$3.2 million, respectively, primarily related to maximum credit limits on employee and tour-related credit cards and guarantees of bank lines of credit of a nonconsolidated affiliate and a third-party promoter.

Uses of Cash

Acquisitions

When we make acquisitions, the acquired entity may have cash on its balance sheet at the time of acquisition. All amounts discussed in this section are presented net of any cash acquired. During the three months ended March 31, 2011, we used \$7.3 million in cash primarily for the January 2011 acquisition in our Ticketing segment of TGLP and the March 2011 acquisitions in our Artist Nation segment of 50% interests in two artist management companies in the U.K.

Capital Expenditures

Venue operations and ticketing services operations are capital intensive businesses, requiring continual investment in our existing venues and ticketing system in order to address audience and artist expectations, technological industry advances and various federal, state and/or local regulations.

We categorize capital outlays between maintenance capital expenditures and revenue generating capital expenditures. Maintenance capital expenditures are associated with the renewal and improvement of existing venues and information systems, web development and administrative offices. Revenue generating capital expenditures generally relate to the construction of new venues or major renovations to existing buildings or buildings that are being added to our venue network or the development of new online or ticketing tools or technology enhancements. Revenue generating capital expenditures can also include smaller projects whose purpose is to add revenue and/or improve operating income. Capital expenditures typically increase during periods when venues are not in operation since that is the time that such improvements can be completed.

Table of Contents

Our capital expenditures, including accruals but excluding expenditures funded by outside parties such as insurance companies and landlords, consisted of the following:

| | Three Months Ended March 31, | |
|---|---|------------------|
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| Maintenance capital expenditures | \$ 11,034 | \$ 7,297 |
| Revenue generating capital expenditures | 7,206 | 4,666 |
| Total capital expenditures | \$ 18,240 | \$ 11,963 |

Maintenance capital expenditures during the first three months of 2011 increased from the same period of the prior year primarily due to expenditures relating to the integration of our financial systems and offices as a result of the Merger.

Revenue generating capital expenditures during the first three months of 2011 increased from the same period of the prior year primarily related to the rearchitecture of our ticketing system and website enhancements.

We currently expect capital expenditures to be approximately \$115 million for the full year 2011.

Cash Flows

| | Three Months Ended March 31, | |
|-----------------------------|---|-------------|
| | 2011 | 2010 |
| | <i>(in thousands)</i> | |
| Cash provided by (used in): | | |
| Operating activities | \$ 127,768 | \$ 89,501 |
| Investing activities | \$ (24,192) | \$ 577,770 |
| Financing activities | \$ (45,370) | \$ (59,075) |

Operating Activities

Cash provided by operations was \$127.8 million for the three months ended March 31, 2011, compared to \$89.5 million for the three months ended March 31, 2010. The \$38.3 million increase resulted primarily from the increase in the cash-related portion of net income partially offset by net changes in the event-related operating accounts which are dependent on the timing of ticket sales along with the size and number of events for upcoming periods. During the first three months of 2011, we collected less accounts receivable partially offset by lower payments of prepaid event-related expenses and higher accrued event-related expenses as compared to the same period in the prior year. Also offsetting the increase in cash provided by operations was \$22.2 million in payments related to the 2011 acquisition of certain of the remaining equity interests in Front Line classified as liabilities.

Investing Activities

Cash used in investing activities was \$24.2 million for the three months ended March 31, 2011, compared to cash provided by investing activities of \$577.8 million for the three months ended March 31, 2010. The \$602.0 million decrease is primarily due to \$576.5 million of cash acquired in the Merger in 2010 along with a reduction in proceeds from the disposal of operating assets thereby reducing proceeds received from such sales.

Financing Activities

Cash used in financing activities was \$45.4 million for the three months ended March 31, 2011, compared to \$59.1 million for the three months ended March 31, 2010. The \$13.7 million decrease was primarily a result of higher net paydowns in 2010 on the outstanding revolver and term

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loan debt acquired in the Merger as compared to the paydowns in 2011 on the new term loans as well as proceeds received in 2011 from the sale of common stock in connection with the subscription agreement with Liberty Media. These decreases were partially offset by the change in net cash used for purchases of noncontrolling interests which was primarily related to the 2011 acquisition of the remaining equity interests in Front Line.

Table of Contents

Seasonality

Our Concerts and Artist Nation segments typically experience higher operating income in the second and third quarters as our outdoor venues and international festivals are primarily used or occur during May through September, and our artists touring activity is higher. In addition, the timing of the on-sale of tickets and the tours of top-grossing acts can impact comparability of quarterly results year over year, although annual results may not be impacted. Our Ticketing segment sales are impacted by fluctuations in the availability of events for sale to the public, which vary depending upon scheduling by our clients.

Cash flows from our Concerts segment typically have a slightly different seasonality as payments are often made for artist performance fees and production costs in advance of the date the related event tickets go on sale. These artist fees and production costs are expensed when the event occurs. Once tickets for an event go on sale, we generally begin to receive payments from ticket sales in advance of when the event occurs. We record these ticket sales as revenue when the event occurs.

Market Risk

We are exposed to market risks arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates.

Foreign Currency Risk

We have operations in countries throughout the world. The financial results of our foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we operate. Currently, we do not operate in any hyper-inflationary countries. Our foreign operations reported operating income of \$22.9 million for the three months ended March 31, 2011. We estimate that a 10% change in the value of the United States dollar relative to foreign currencies would change our operating income for the three months ended March 31, 2011 by \$2.3 million. As of March 31, 2011, our primary foreign exchange exposure included the Euro, British Pound and Canadian Dollar. This analysis does not consider the implication such currency fluctuations could have on the overall economic conditions of the United States or other foreign countries in which we operate or on the results of operations of our foreign entities.

We primarily use forward currency contracts in addition to options to reduce our exposure to foreign currency risk associated with short-term artist fee commitments. In certain limited instances, we also enter into forward currency contracts to minimize the risks and/or costs associated with changes in foreign currency rates on short-term intercompany loans payable to certain international subsidiaries and on forecasted operating income. At March 31, 2011, we had forward currency contracts outstanding with a notional amount of \$163.5 million.

Interest Rate Risk

Our market risk is also affected by changes in interest rates. We had \$1.732 billion total debt, net of unamortized discounts and premiums, outstanding as of March 31, 2011. Of the total amount, taking into consideration existing interest rate hedges, we have \$934.3 million of fixed-rate debt and \$797.9 million of floating-rate debt.

Based on the amount of our floating-rate debt as of March 31, 2011, each 25 basis point increase or decrease in interest rates would increase or decrease our annual interest expense and cash outlay by approximately \$2.0 million when the floor rate is not applicable. This potential increase or decrease is based on the simplified assumption that the level of floating-rate debt remains constant with an immediate across-the-board increase or decrease as of March 31, 2011 with no subsequent change in rates for the remainder of the period.

At March 31, 2011, we have one interest rate cap agreement that is designated as a cash flow hedge for accounting purposes. The interest rate cap had a notional amount of \$95.0 million at March 31, 2011, to limit our cash flow exposure to an interest rate of 4% per annum. This agreement expires on June 30, 2013. The fair value of this agreement at March 31, 2011 was an asset of \$0.1 million. This agreement was put in place to reduce the variability of a portion of the cash flows from the interest payments related to the May 2010 senior secured credit facility. The terms of the May 2010 senior secured credit facility require one or more interest rate protection agreements, with an effect of fixing or limiting the interest costs, for at least 50% of the consolidated total funded debt at the closing date for at least three years. Upon the execution of this interest rate cap agreement, the existing interest rate protection agreements fully met this requirement.

Through our AMG subsidiary, we have two interest rate swap agreements with a \$31.4 million aggregate notional amount that effectively convert a portion of our floating-rate debt to a fixed-rate basis. Both agreements expire in December 2015. Also, in connection with the financing of the redevelopment of the O₂ Dublin, we have an interest rate swap agreement

Table of Contents

with a notional amount of \$14.9 million that expires in December 2013 effectively converting a portion of our floating-rate debt to a fixed-rate basis. These interest rate swap agreements have not been designated as hedging instruments. Therefore, any change in fair value is recorded in earnings during the period of the change.

We currently have 2.875% convertible senior notes due 2027 with a principal amount of \$220.0 million. Beginning with the period commencing on July 20, 2014 and ending on January 14, 2015, and for each of the interest periods commencing thereafter, we will pay contingent interest on the notes if the average trading price of the notes during the five consecutive trading days ending on the second trading day immediately preceding the first day of the applicable interest period equals or exceeds 120% of the principal amount of the notes. The contingent interest payable per note will equal 0.25% per year of the average trading price of such note during the applicable five trading-day reference period, payable in arrears.

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges is as follows:

| Three Months Ended March 31, | | Year Ended December 31, | | | |
|------------------------------|------|-------------------------|------|------|------|
| 2011 | 2010 | 2010 | 2009 | 2008 | 2007 |
| * | * | * | * | * | * |

* For the three months ended March 31, 2011 and 2010, fixed charges exceeded earnings from continuing operations before income taxes and fixed charges by \$100.3 million and \$131.2 million, respectively. For the years ended December 31, 2010, 2009, 2008 and 2007, fixed charges exceeded earnings from continuing operations before income taxes and fixed charges by \$193.6 million, \$116.5 million, \$358.6 million and \$45.8 million, respectively.

The ratio of earnings to fixed charges was computed on a total company basis. Earnings represent income from continuing operations before income taxes less equity in undistributed net income (loss) of nonconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discount and expense and the estimated interest portion of rental charges. Rental charges exclude variable rent expense for events in third-party venues. Prior period calculations have been revised to conform to the current period presentation.

Recent Accounting Pronouncements

In October 2009, the FASB issued guidance on multiple-deliverable revenue arrangements which requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. This guidance eliminates the use of the residual method of allocation and requires allocation using the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables. We adopted this guidance on January 1, 2011 and are applying it prospectively. The adoption of this guidance did not have a material effect on our financial position or results of operations.

In December 2010, the FASB issued guidance on disclosure of supplementary pro forma information for business combinations which amends and requires additional pro forma disclosure requirements for material business combinations on an individual or aggregate basis including pro forma revenue and earnings of the combined entity as if the acquisition date(s) had occurred as of the beginning of the comparable prior annual reporting period. This guidance also expands the supplemental pro forma disclosure requirements to include a description of the nature and amount of any material non-recurring adjustments that are directly attributable to the business combination. We adopted this guidance and are applying it prospectively to business combinations with an acquisition date on or after January 1, 2011.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenue and expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material.

Table of Contents

Management believes that the accounting estimates involved in the allowance for doubtful accounts, impairment of long-lived assets and goodwill, revenue recognition, litigation accruals, stock-based compensation and accounting for income taxes are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. These critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions are described in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K filed with the SEC on February 28, 2011.

There have been no changes to our critical accounting policies during the three months ended March 31, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Required information is within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to our company, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and our board of directors.

Based on their evaluation as of March 31, 2011, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective to ensure that (1) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) the information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal controls will prevent all possible errors and fraud. Our disclosure controls and procedures are, however, designed to provide reasonable assurance of achieving their objectives, and our Chief Executive Officer and Chief Financial Officer have concluded that our financial controls and procedures are effective at that reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

CTS Arbitration

Live Nation Worldwide, Inc., or Live Nation Worldwide, and CTS were parties to an agreement, or the CTS Agreement, pursuant to which CTS was to develop and Live Nation Worldwide licensed or agreed to use ticketing software or ticketing platforms. Under the agreement, CTS was to develop software to be licensed to Live Nation Worldwide to provide ticketing services in the United States and Canada. The CTS Agreement also generally required Live Nation Worldwide to use CTS's ticketing platforms in certain European countries so long as CTS's existing platforms were appropriately modified to meet local market conditions. As of June 13, 2010, Live Nation Worldwide terminated the CTS Agreement because CTS materially breached the agreement by failing to deliver a North American ticketing system that met the contractual requirements of being a world class ticketing system . . . that fits the needs of the North American market,

Table of Contents

and by failing to deliver a ticketing system for the United Kingdom and other European countries that fit the needs of those markets as required by the CTS Agreement.

For North America, had CTS performed on the CTS Agreement, it would have been generally entitled to receive, during the then 10-year term of the CTS Agreement, a per ticket license fee upon the sale of certain tickets that Live Nation Worldwide or any of certain of its subsidiaries, which are collectively referred to as the Live Nation Worldwide entities, controlled and had the right to distribute by virtue of certain promotion and venue management relations. This per ticket fee for events in North America was payable to CTS regardless of whether the Live Nation Worldwide entities chose to use the CTS ticketing platform, Ticketmaster's ticketing platform or another ticketing platform for the sale of such controlled tickets. For events in certain European countries, not including the United Kingdom, Live Nation Worldwide generally was required, during a 10-year term, to exclusively book on the CTS ticketing platform all tickets that the Live Nation Worldwide entities had the right to distribute (or, to the extent other ticketing platforms were used, Live Nation Worldwide was generally required to pay to CTS the same fee that would have been payable had the CTS platform been used). For events in the United Kingdom, Live Nation Worldwide was required, for a 10-year term, to (i) book on the CTS ticketing platform all tickets controlled by Live Nation Worldwide entities that are not allocated by Live Nation Worldwide for sale through other sales channels and (ii) to offer for sale on the CTS UK website a portion of the tickets controlled by the Live Nation Worldwide entities. Finally, the CTS Agreement obligated Live Nation Worldwide and CTS to negotiate a set of noncompete agreements that, subject to legal restrictions, could have precluded Live Nation Worldwide from offering primary market ticketing services to third parties in certain European countries during the term of the CTS Agreement.

In April 2010, CTS filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce, or ICC, pursuant to the CTS Agreement. In its request for arbitration, CTS asserts, among other things, that (i) the terms of the CTS Agreement, including the North America per ticket license fee, European exclusivity obligations and United Kingdom distribution obligations described above, apply to tickets sold and distributed by Ticketmaster, (ii) Ticketmaster's sales and distribution of tickets following the completion of the Merger have resulted in various breaches of Live Nation Worldwide's obligations under the CTS Agreement, (iii) Live Nation has failed to allocate the proper number of tickets to CTS's system in the United Kingdom and (iv) the Merger and our subsequent actions have breached the implied covenant of good faith and fair dealing. In its request for arbitration, CTS seeks relief in the form of a declaration that Live Nation and Live Nation Worldwide are in breach of the CTS Agreement and the implied covenant of good faith and fair dealing, specific performance of Live Nation Worldwide's obligations under the CTS Agreement, and unspecified damages resulting from such breaches. In March 2011, CTS provided further specifications on its claims and purported damages, including a claim for royalties that would have been paid over the contemplated 10-year term of the CTS Agreement and on Ticketmaster-controlled tickets (as well as tickets controlled by Live Nation Worldwide or any of certain of its subsidiaries).

In May 2010, we responded to CTS's request for arbitration and filed counterclaims asserting that CTS breached the CTS Agreement by failing to provide ticketing platforms that met the standard required by the CTS Agreement for the North American and European markets. We are seeking relief primarily in the form of damages and a declaration that we validly terminated the CTS Agreement based on CTS's material breaches. We deny that CTS is entitled to collect damages for royalties that would have been paid over the full 10-year term of the CTS Agreement or on Ticketmaster-controlled tickets. The matter has been assigned to an arbitrator and a hearing has been scheduled to commence in July 2011. While it is reasonably possible that a loss related to this matter could be incurred by us in a future period, we do not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against us. As a result, we are currently unable to estimate the possible loss or range of loss for this matter. We intend to vigorously defend the action.

Live Concert Antitrust Litigation

We were a defendant in a lawsuit filed by Malinda Heerwagen in June 2002 in U.S. District Court. The plaintiff, on behalf of a putative class consisting of certain concert ticket purchasers, alleged that anti-competitive practices for concert promotion services by us nationwide caused artificially high ticket prices. In August 2003, the District Court ruled in our favor, denying the plaintiff's class certification motion. The plaintiff appealed to the U.S. Court of Appeals. In January 2006, the Court of Appeals affirmed, and the plaintiff then dismissed her action that same month. Subsequently, twenty-two putative class actions were filed by different named plaintiffs in various U.S. District Courts throughout the country, making claims substantially similar to those made in the *Heerwagen* action, except that the geographic markets alleged are regional, statewide or more local in nature, and the members of the putative classes are limited to individuals who purchased tickets to concerts in the relevant geographic markets alleged. The plaintiffs seek unspecified compensatory, punitive and treble damages, declaratory and injunctive relief and costs of suit, including attorneys' fees. We have filed our answers in some of these actions and have denied liability. In April 2006, granting our motion, the Judicial Panel on Multidistrict Litigation transferred these actions to the U.S. District Court for the Central District of California for coordinated pre-trial proceedings. In June 2007, the District Court conducted a hearing on the plaintiffs' motion for class certification, and also that month the Court entered an order to stay all proceedings pending the Court's ruling on class certification. In October 2007, the Court granted the plaintiffs' motion and certified classes in the Chicago, New England, New York/New Jersey, Colorado and

Table of Contents

Southern California regional markets. In November 2007, the Court extended its stay of all proceedings pending further developments in the U.S. Court of Appeals for the Ninth Circuit. In February 2008, we filed with the District Court a Motion for Reconsideration of its October 2007 class certification order. In October 2010, the District Court denied our Motion for Reconsideration and lifted the stay of all proceedings. In February 2011, we filed with the District Court a Motion for Partial Summary Judgment Regarding Statute of Limitations. In April 2011, the District Court granted our Motion for Partial Summary Judgment. While it is reasonably possible that a loss related to this matter could be incurred by us in a future period, we do not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against us. As a result, we are currently unable to estimate the possible loss or range of loss for this matter. We intend to vigorously defend all claims in all of the actions.

Ticketing Fees Consumer Class Action Litigation

In October 2003, a purported representative action was filed in the Superior Court of California challenging Ticketmaster's charges to online customers for shipping fees and alleging that its failure to disclose on its website that the charges contain a profit component is unlawful. The complaint asserted a claim for violation of California's Unfair Competition Law, or UCL, and sought restitution or disgorgement of the difference between (i) the total shipping fees charged by Ticketmaster in connection with online ticket sales during the applicable period, and (ii) the amount that Ticketmaster actually paid to the shipper for delivery of those tickets. In August 2005, the plaintiff filed a first amended complaint, then pleading the case as a putative class action and adding the claim that Ticketmaster's website disclosures in respect of its ticket order-processing fees constitute false advertising in violation of California's False Advertising Law. On this new claim, the amended complaint seeks restitution or disgorgement of the entire amount of order-processing fees charged by Ticketmaster during the applicable period. In April 2009, the Court granted the plaintiff's motion for leave to file a second amended complaint adding new claims that (a) Ticketmaster's order processing fees are unconscionable under the UCL, and (b) Ticketmaster's alleged business practices further violate the California Consumer Legal Remedies Act. Plaintiff later filed a third amended complaint, to which Ticketmaster filed a demurrer in July 2009. The Court overruled Ticketmaster's demurrer in October 2009.

The plaintiff filed a class certification motion in August 2009, which Ticketmaster opposed. In February 2010, the Court granted certification of a class on the first two causes of action, which allege that Ticketmaster misrepresents/omits the fact of a profit component in its shipping and order processing fees. The class would consist of California consumers who purchased tickets through Ticketmaster's website from 1999 to present. The Court denied certification of a class on the third and fourth causes of action, which allege that Ticketmaster's shipping and order processing fees are unconscionably high. In March 2010, Ticketmaster filed a Petition for Writ of Mandate with the California Court of Appeal, and plaintiffs also filed a motion for reconsideration of the Superior Court's class certification order. In April 2010, the Superior Court denied plaintiffs' Motion for Reconsideration of the Court's class certification order, and the Court of Appeal denied Ticketmaster's Petition for Writ of Mandate. In June 2010, the Court of Appeal granted the plaintiffs' Petition for Writ of Mandate and ordered the Superior Court to vacate its February 2010 order denying plaintiffs' motion to certify a national class and enter a new order granting plaintiffs' motion to certify a nationwide class on the first two claims. In September 2010, Ticketmaster filed its Motion for Summary Judgment on all causes of action in the Superior Court, and that same month plaintiffs filed their Motion for Summary Adjudication of various affirmative defenses asserted by Ticketmaster. In November 2010, Ticketmaster filed their Motion to Decertify Class.

In December 2010, the parties entered into a binding term sheet that provides for the settlement of the litigation and the resolution of all claims set forth therein. In April 2011, the parties entered into a long form agreement memorializing their settlement. The settlement remains subject to preliminary and final approval by the Court. The plaintiffs are currently expected to file a motion for preliminary settlement approval in May 2011. Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter, but have agreed to the settlement in order to eliminate the uncertainties and expense of further protracted litigation. Pursuant to the terms of the settlement, among other things, Ticketmaster will pay the fees of the claims administrator as well as the plaintiffs' attorneys' fees and certain costs that are approved by the Court and subject to a set maximum, and class members who meet certain conditions will be entitled to receive from Ticketmaster a cash payment and/or discounts off one or more future ticket purchases. The individual and aggregate values of each option are subject to set maximums. Ticketmaster will also make certain changes to disclosures on our website. As of March 31, 2011, we have accrued \$21.2 million, our best estimate of the probable costs associated with this settlement. This liability includes an estimated redemption rate. Any difference between our estimated redemption rate and the actual redemption rate we experience will impact the final settlement amount; however, we do not expect this difference to be material.

Canadian Consumer Class Action Litigation Relating to TicketsNow

In February 2009, five putative consumer class action complaints were filed in various provinces of Canada against TicketsNow, Ticketmaster, Ticketmaster Canada Ltd. and Premium Inventory, Inc. All of the cases allege essentially the same set of facts and causes of action. Each plaintiff purports to represent a class consisting of all persons who purchased a ticket from Ticketmaster, Ticketmaster Canada Ltd. or TicketsNow from February 2007 to present and alleges that

Table of Contents

Ticketmaster conspired to divert a large number of tickets for resale through the TicketsNow website at prices higher than face value. The plaintiffs characterize these actions as being in violation of Ontario's Ticket Speculation Act, the Amusement Act of Manitoba, the Amusement Act of Alberta or the Quebec Consumer Protection Act. The Ontario case contains the additional allegation that Ticketmaster and TicketsNow's service fees run afoul of anti-scalping laws. Each lawsuit seeks compensatory and punitive damages on behalf of the class. While it is reasonably possible that a loss related to this matter could be incurred by us in a future period, we do not believe that a loss is probable of occurring at this time. Considerable uncertainty remains regarding the validity of the claims and damages asserted against us. As a result, we are currently unable to estimate the possible loss or range of loss for this matter. We intend to vigorously defend all claims in all of the actions.

United States Consumer Class Action Litigation Relating to TicketsNow

From February through June 2009, eleven purported class action lawsuits asserting causes of action under various state consumer protection laws were filed against Ticketmaster and TicketsNow in U.S. District Courts in California, New Jersey, Minnesota, Pennsylvania and North Carolina. The lawsuits allege that Ticketmaster and TicketsNow unlawfully deceived consumers by, among other things, selling large quantities of tickets to TicketsNow's ticket brokers, either prior to or at the time that tickets for an event go on sale, thereby forcing consumers to purchase tickets at significantly marked-up prices on TicketsNow.com instead of Ticketmaster.com. The plaintiffs further claim violation of the consumer protection laws by Ticketmaster's alleged redirecting of consumers from Ticketmaster.com to TicketsNow.com, thereby engaging in false advertising and an unfair business practice by deceiving consumers into inadvertently purchasing tickets from TicketsNow for amounts greater than face value. The plaintiffs claim that Ticketmaster has been unjustly enriched by this conduct and seek compensatory damages, a refund to every class member of the difference between tickets' face value and the amount paid to TicketsNow, an injunction preventing Ticketmaster from engaging in further unfair business practices with TicketsNow and attorney fees and costs. In July 2009, all of the cases were consolidated and transferred to the U.S. District Court for the Central District of California. The plaintiffs filed their consolidated class action complaint in September 2009, to which Ticketmaster filed its answer the following month. In July 2010, Ticketmaster filed its Motion for Summary Judgment. In April 2011, the parties filed a Stipulation wherein they stated that they have agreed on all material terms of a proposed settlement. As of March 31, 2011, we have accrued \$2.1 million, our best estimate of the probable costs associated with this settlement. This liability includes an estimated redemption rate. Any difference between our estimated redemption rate and the actual redemption rate we experience will impact the final settlement amount; however, we do not expect this difference to be material.

Other Litigation

From time to time, we are involved in other legal proceedings arising in the ordinary course of our business, including proceedings and claims based upon violations of antitrust laws and tortious interference, which could cause us to incur significant expenses. We have also been the subject of personal injury and wrongful death claims relating to accidents at our venues in connection with our operations. As required, we accrued our estimate of the probable settlement or other losses for the resolution of any outstanding claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, including, in some cases, estimated redemption rates for the settlement offered, 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. In addition, under our agreements with Clear Channel, we have assumed and will indemnify Clear Channel for liabilities related to our business for which they are a party in the defense.

Item 1A. Risk Factors

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Item 1A of our 2010 Annual Report on Form 10-K filed with the SEC on February 28, 2011, describes some of the risks and uncertainties associated with our business which have the potential to materially affect our business, financial condition or results of operations. We do not believe that there have been any material changes to the risk factors previously disclosed in our 2010 Annual Report on Form 10-K.

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

All disclosures required by this Item for the quarter have been previously reported on a Current Report on Form 8-K filed on February 7, 2011.

Item 3. Defaults Upon Senior Securities
None.

Item 5. Other Information
None.

Table of Contents**Item 6. Exhibits**

| Exhibit No. | Exhibit Description | Form | Incorporated by Reference | | | Filed By | Filed Here with |
|-------------|--|------|---------------------------|-------------|-------------|---------------------------------|-----------------|
| | | | File No. | Exhibit No. | Filing Date | | |
| 2.1 | Agreement and Plan of Merger, dated February 10, 2009, between Ticketmaster Entertainment, Inc. and Live Nation, Inc. | 8-K | 001-32601 | 2.1 | 2/13/2009 | Live Nation Entertainment, Inc. | |
| 10.1 | § Stock Purchase Agreement, dated as of February 4, 2011, by and among Live Nation Entertainment, Inc., FLMG Holdings Corp., Irving Azoff, the Azoff Family Trust of 1997, dated May 27, 1997, as amended, Madison Square Garden, L.P., LNE Holdings, LLC, and Front Line Management Group, Inc. | 8-K | 001-32601 | 10.1 | 2/7/2011 | Live Nation Entertainment, Inc. | |
| 10.2 | Subscription Agreement, dated as of February 4, 2011, by and between Liberty Media Corporation and Live Nation Entertainment, Inc. | 8-K | 001-32601 | 10.2 | 2/7/2011 | Live Nation Entertainment, Inc. | |
| 10.3 | First Supplemental Indenture, entered into as of February 14, 2011, among Live Nation Entertainment, Inc., the guarantors listed in Appendix I attached thereto, Career Artist Management LLC, and The Bank of New York Mellon Trust Company, N.A., as trustee. | | | | | | X |
| 10.4 | Seventh Supplemental Indenture, entered into as of February 14, 2011, among Live Nation Entertainment, Inc., the guarantors listed in Appendix I attached thereto, Career Artist Management LLC, and The Bank of New York Mellon Trust Company, N.A., as trustee. | | | | | | X |
| 31.1 | Certification of Chief Executive Officer. | | | | | | X |
| 31.2 | Certification of Chief Financial Officer. | | | | | | X |
| 32.1 | Section 1350 Certification of Chief Executive Officer. | | | | | | X |
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| 101.INS | * XBRL Instance Document | | | | | | X |
| 101.SCH | * XBRL Taxonomy Schema Document | | | | | | X |
| 101.CAL | * XBRL Taxonomy Calculation Linkbase Document | | | | | | X |
| 101.LAB | * XBRL Taxonomy Label Linkbase Document | | | | | | X |
| 101.PRE | * XBRL Taxonomy Presentation Linkbase Document | | | | | | X |

§ Management contract or compensatory plan or arrangement.

* In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 5, 2011.

LIVE NATION ENTERTAINMENT, INC.

By: */s/ BRIAN CAPO*
Brian Capo
Chief Accounting Officer

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