Live Nation Entertainment, Inc.
Form 10-Q
November 03, 2011
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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 September 30, 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)

Delaware	**20-3247759**
(State of Incorporation)	**(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. x 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 x No ¨

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

Large accelerated filer	x	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 x No

On October 28, 2011, there were 189,477,803 outstanding shares of the registrant s common stock, $0.01 par value per share, including 3,331,901 shares of unvested restricted stock awards and excluding 585,570 shares held in treasury.

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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
IAC	IAC/InterActiveCorp
Liberty Media	Liberty Media Corporation
Live Nation	Live Nation Entertainment, Inc., formerly known as Live Nation, Inc., and subsidiaries
LN Haymon	LN Haymon Ventures, LLC
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
Serviticket	Serviticket, S.A.
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.
Vector	Vector Management LLC and Vector West LLC

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (unaudited)	December 31, 2010 (audited)
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 782,573	$ 892,758
Accounts receivable, less allowance of $12,480 as of September 30, 2011 and $10,898 as of December 31, 2010	489,236	329,947
Prepaid expenses	324,256	348,309
Other current assets	40,736	32,483
Total current assets	1,636,801	1,603,497
Property, plant and equipment		
Land, buildings and improvements	853,141	850,124
Computer equipment and capitalized software	240,279	218,294
Furniture and other equipment	170,280	168,508
Construction in progress	56,094	24,528
	1,319,794	1,261,454
Less accumulated depreciation	604,038	524,390
	715,756	737,064
Intangible assets		
Definite-lived intangible assets, net	896,837	997,268
Indefinite-lived intangible assets	377,508	375,214
Goodwill	1,247,752	1,226,416
Investments in nonconsolidated affiliates	51,187	30,077
Other long-term assets	242,860	226,024
Total assets	$ 5,168,701	$ 5,195,560
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable, client accounts	$ 413,347	$ 462,301
Accounts payable	108,272	76,876
Accrued expenses	561,925	498,864
Deferred revenue	273,950	335,539
Current portion of long-term debt	56,563	54,150
Other current liabilities	24,007	46,491
Total current liabilities	1,438,064	1,474,221
Long-term debt, net	1,667,939	1,677,714
Long-term deferred income taxes	177,419	219,143
Other long-term liabilities	162,502	215,273
Commitments and contingent liabilities (Note 6)		

Redeemable noncontrolling interests	-	107,541
Stockholders equity		
Common stock	1,867	1,724
Additional paid-in capital	2,233,479	2,053,233
Accumulated deficit	(645,666)	(662,175)
Cost of shares held in treasury	(5,313)	(6,122)
Accumulated other comprehensive loss	(5,072)	(22,244)
Total Live Nation Entertainment, Inc. stockholders equity	1,579,295	1,364,416
Noncontrolling interests	143,482	137,252
Total stockholders equity	1,722,777	1,501,668
Total liabilities and stockholders equity	$ 5,168,701	$ 5,195,560

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(in thousands except share and per share data)			
Revenue	$ 1,790,025	$ 1,835,806	$ 4,198,316	$ 3,825,902
Operating expenses:				
Direct operating expenses	1,286,304	1,388,295	2,971,579	2,769,334
Selling, general and administrative expenses	282,462	244,694	822,226	729,189
Depreciation and amortization	83,341	70,249	237,749	197,190
Loss (gain) on sale of operating assets	231	(779)	866	3,155
Corporate expenses	27,385	27,660	73,011	86,666
Acquisition transaction expenses	5,493	2,581	7,864	17,992
Operating income	104,809	103,106	85,021	22,376
Interest expense	30,388	29,280	90,462	85,773
Loss on extinguishment of debt	-	-	-	21,172
Interest income	(1,023)	(709)	(2,848)	(2,143)
Equity in earnings of nonconsolidated affiliates	(2,777)	(629)	(5,549)	(2,884)
Other expense (income), net	6,461	(212)	7,207	(1,845)
Income (loss) from continuing operations before income taxes	71,760	75,376	(4,251)	(77,697)
Income tax expense (benefit)	8,739	10,338	(29,544)	10,755
Income (loss) from continuing operations	63,021	65,038	25,293	(88,452)
Loss from discontinued operations, net of tax	-	(3,213)	-	(3,893)
Net income (loss)	63,021	61,825	25,293	(92,345)
Net income attributable to noncontrolling interests	11,309	10,818	8,784	11,648
Net income (loss) attributable to Live Nation Entertainment, Inc.	$ 51,712	$ 51,007	$ 16,509	$ (103,993)
Basic net income (loss) per common share attributable to common stockholders:				
Income (loss) from continuing operations attributable to Live Nation Entertainment, Inc.	$ 0.28	$ 0.32	$ 0.09	$ (0.62)
Loss from discontinued operations attributable to Live Nation Entertainment, Inc.	-	(0.02)	-	(0.02)
Net income (loss) attributable to Live Nation Entertainment, Inc.	$ 0.28	$ 0.30	$ 0.09	$ (0.64)
Diluted net income (loss) per common share attributable to common stockholders:				
Income (loss) from continuing operations attributable to Live Nation Entertainment, Inc.	$ 0.27	$ 0.32	$ 0.09	$ (0.62)
Loss from discontinued operations attributable to Live Nation Entertainment, Inc.	-	(0.02)	-	(0.02)
	$ 0.27	$ 0.30	$ 0.09	$ (0.64)

Net income (loss) attributable to Live Nation Entertainment, Inc.				
Weighted average common shares outstanding:				
Basic	186,127,846	170,285,159	181,115,853	162,285,785
Diluted	188,531,130	172,302,273	183,306,799	162,285,785

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Net income (loss)	$ 63,021	$ 61,825	$ 25,293	$ (92,345)
Other comprehensive income (loss), net of tax:				
Realized loss (gain) on cash flow hedges	-	(250)	-	6,724
Unrealized loss on cash flow hedges	(21)	(68)	(158)	(293)
Change in funded status of defined benefit pension plan	(1)	-	(33)	-
Foreign currency translation adjustments	(37,290)	57,985	17,363	(13,841)
Comprehensive income (loss)	25,709	119,492	42,465	(99,755)
Comprehensive income attributable to noncontrolling interests	11,309	10,818	8,784	11,648
Comprehensive income (loss) attributable to Live Nation Entertainment, Inc.	$ 14,400	$ 108,674	$ 33,681	$ (111,403)

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 2011	2010
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 25,293	$ (92,345)
Reconciling items:		
Depreciation	94,184	90,239
Amortization	143,565	106,951
Deferred income tax benefit	(40,679)	(7,089)
Amortization of debt issuance costs	4,365	3,265
Amortization of debt discount/premium, net	5,342	5,109
Provision for uncollectible accounts receivable and advances	1,955	16,661
Non-cash loss on extinguishment of debt	-	8,272
Non-cash compensation expense	40,556	45,532
Unrealized changes in fair value of contingent consideration	(8,828)	2,965
Loss on sale of operating assets	866	7,048
Equity in earnings of nonconsolidated affiliates	(5,549)	(2,884)
Other, net	2,136	-
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(164,392)	(153,403)
Decrease (increase) in prepaid expenses	25,704	(110,428)
Increase in other assets	(56,645)	(27,083)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(27,682)	86,200
Increase (decrease) in deferred revenue	(67,732)	34,696
Net cash provided by (used in) operating activities	(27,541)	13,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections and advances of notes receivable	(1,091)	485
Distributions from nonconsolidated affiliates	8,804	6,019
Investments made in nonconsolidated affiliates	(6,437)	(775)
Purchases of property, plant and equipment	(69,573)	(49,165)
Proceeds from disposal of operating assets, net of cash divested	7,361	22,119
Cash paid for acquisitions, net of cash acquired	(25,499)	560,732
Purchases of intangible assets	(118)	(1,371)
Other, net	(842)	(246)
Net cash provided by (used in) investing activities	(87,395)	537,798
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of debt issuance costs	(596)	1,318,132
Payments on long-term debt	(22,699)	(1,191,712)
Redemption of preferred stock	-	(40,000)
Contributions from noncontrolling interests	-	14
Distributions to and purchases/sales of noncontrolling interests	(61,808)	(10,538)
Proceeds from exercise of stock options	3,210	4,526
Proceeds from sale of common stock	76,492	-
Equity issuance costs	-	(357)
Payments for purchases of common stock	-	(1,567)
Payments for deferred and contingent consideration	(13,807)	(11,109)
Net cash provided by (used in) financing activities	(19,208)	67,389

Effect of exchange rate changes on cash and cash equivalents	23,959	(232)
Net increase (decrease) in cash and cash equivalents	(110,185)	618,661
Cash and cash equivalents at beginning of period	892,758	236,955
Cash and cash equivalents at end of period	$ 782,573	$ 855,616

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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. The Company s 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 Company has reclassified all periods presented to conform to the current period presentation. Certain of the line items for the three and nine months ended September 30, 2010 have been recast from the amounts that were previously reported in the Company s Form 10-Q for the period ending September 30, 2010. These recast amounts relate to purchase accounting adjustments for the Merger, which occurred in the first quarter of 2010, that were identified in the subsequent quarters of 2010 and, pursuant to the FASB guidance, are required to be reflected in the period of the respective business combinations.

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.

Recent Accounting Pronouncements

Recently Adopted 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.

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Recently Issued Pronouncements

In May 2011, the FASB issued guidance that improves comparability of fair value measurements presented and disclosed in financial statements. This guidance clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity s stockholders equity, and (3) quantitative information required for fair value measurements categorized within Level 3. It also requires additional disclosure for Level 3 measurements regarding the sensitivity of the fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively, and are effective for interim and annual periods beginning after December 15, 2011. The Company will adopt this guidance on January 1, 2012 and does not expect the adoption of this standard to have a material effect on its financial position or results of operations.

In June 2011, the FASB issued guidance which revises the manner in which entities present comprehensive income in their financial statements. The new guidance eliminates the presentation option to report other comprehensive income and its components in the statement of changes in stockholders equity and requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or in two separate, but consecutive, statements. This guidance is effective for interim and annual periods beginning after December 15, 2011. Early adoption of the new guidance is permitted and full retrospective application is required.

In September 2011, the FASB issued guidance which gives companies the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount and, in some cases, bypass the two-step impairment test. This guidance is effective for goodwill impairment tests performed in interim and annual periods beginning after December 15, 2011. Early adoption of the new guidance is permitted. The Company adopted this guidance on October 1, 2011.

NOTE 2 LONG-LIVED ASSETS

Property, Plant and Equipment

During the third quarter of 2011, the Company recorded an impairment charge of $5.7 million related to an amphitheater that was no longer in operation in the Concerts segment. It was determined that this asset was impaired since the estimated undiscounted cash flows associated with this asset was less than its carrying value. See Note 5 Fair Value Measurements for further discussion of the inputs used to determine the fair value. The impairment charge was recorded as a component of depreciation and amortization. During 2010, the Company recorded no significant impairment charges.

Definite-lived Intangible Assets

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 changes in the gross carrying amount and accumulated amortization of definite-lived intangible assets for the nine months ended September 30, 2011:

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	Balance as of December 31, 2010	Acquisitions	Divestitures	Amortization Expense	Foreign Currency and Other (1)	Balance as of September 30, 2011
			(in thousands)			
Revenue-generating contracts:						
Gross carrying amount	$ 482,588	$ 31,190	$ -	$ -	$ 17,182	$ 530,960
Accumulated amortization	(112,575)	-	-	(44,280)	787	(156,068)
Net	370,013	31,190	-	(44,280)	17,969	374,892
Client/vendor relationships:						
Gross carrying amount	365,344	(10,174)	(4,299)	-	(16,531)	334,340
Accumulated amortization	(30,314)	-	361	(27,464)	279	(57,138)
Net	335,030	(10,174)	(3,938)	(27,464)	(16,252)	277,202
Non-compete agreements:						
Gross carrying amount	175,740	(5,178)	(100)	-	101	170,563
Accumulated amortization	(68,833)	-	61	(19,021)	487	(87,306)
Net	106,907	(5,178)	(39)	(19,021)	588	83,257
Venue management and leaseholds:						
Gross carrying amount	115,225	3,828	-	-	(1,810)	117,243
Accumulated amortization	(30,878)	-	-	(8,000)	2,030	(36,848)
Net	84,347	3,828	-	(8,000)	220	80,395
Technology:						
Gross carrying amount	95,102	1,614	-	-	386	97,102
Accumulated amortization	(11,797)	-	-	(14,880)	(126)	(26,803)
Net	83,305	1,614	-	(14,880)	260	70,299
Trademarks and naming rights:						
Gross carrying amount	23,998	105	-	-	(1,596)	22,507
Accumulated amortization	(9,522)	-	-	(6,246)	1,685	(14,083)
Net	14,476	105	-	(6,246)	89	8,424
Other:						
Gross carrying amount	6,429	12	-	-	(17)	6,424
Accumulated amortization	(3,239)	-	-	(841)	24	(4,056)
Net	3,190	12	-	(841)	7	2,368
Total:						
Gross carrying amount	1,264,426	21,397	(4,399)	-	(2,285)	1,279,139
Accumulated amortization	(267,158)	-	422	(120,732)	5,166	(382,302)
Net	$ 997,268	$ 21,397	$ (3,977)	$ (120,732)	$ 2,881	$ 896,837

(1) Other includes reclassifications between categories of definite-lived intangible assets resulting from the finalization of valuations and netdowns of fully amortized or impaired assets.

During 2011, the Company recorded definite-lived intangible assets totaling $21.4 million, primarily related to revenue-generating contracts. Additions primarily related to the January 2011 acquisition of TGLP, a primary ticketing business in the Washington D.C. metro area and the April 2011 acquisition of Serviticket, a Spanish ticketing company.

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The 2011 additions to definite-lived intangible assets have weighted average lives as follows:

	Weighted Average Life (years)
Revenue-generating contracts	10
Non-compete agreements	2
Venue management and leaseholds	6
Technology	7
Trademarks and naming rights	4
Other	1
All categories	9

During 2011, the Company recorded a divestiture of $4.4 million relating to the sale of an artist management company.

Amortization expense from definite-lived intangible assets for the three months ended September 30, 2011 and 2010 was $38.8 million and $32.9 million, respectively, and amortization expense for the nine months ended September 30, 2011 and 2010 was $120.7 million and $83.7 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, LN Haymon in April 2010 and the acquisitions of Ticketnet in November 2010 and Serviticket. Also adding to the increase in amortization expense for the nine months ended September 30, 2011 as compared to the same period of the prior year was a $6.1 million reduction to amortization expense in 2010 related to a non-cash gain on the settlement of a pre-existing relationship with LN Haymon.

For the three months ended September 30, 2011 and 2010, the Company recorded amortization expense related to nonrecoupable ticketing contract advances of $9.3 million and $2.9 million, respectively, and for the nine months ended September 30, 2011 and 2010, recorded $22.8 million and $7.6 million, respectively.

As acquisitions and dispositions occur in the future and the valuation of intangible assets for recent acquisitions are 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 nine months ended September 30, 2011:

	Concerts	Ticketing	Artist Nation	eCommerce	Sponsorship	Other	Total
				(in thousands)			
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)
Net	105,585	557,856	267,992	214,927	80,056	-	1,226,416
Acquisitions current year	1,769	17,955	-	-	-	-	19,724
Acquisitions prior year	(1)	2,956	(7,592)	-	-	-	(4,637)
Dispositions	-	-	(147)	-	-	-	(147)
Foreign currency	2,807	609	-	-	2,980	-	6,396
Balance as of September 30, 2011:							
Goodwill	380,062	579,376	260,253	214,927	83,036	13,037	1,530,691
Accumulated impairment losses	(269,902)	-	-	-	-	(13,037)	(282,939)

Net	$ 110,160	$ 579,376	$ 260,253	$ 214,927	$ 83,036	$ -	$ 1,247,752

Included in the current year acquisitions above is $17.9 million related to the acquisition of Serviticket.

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Included in the prior year acquisitions above are reductions primarily due to a tax valuation adjustment relating to the Merger offset by the addition of $3.0 million related to the finalization of the valuation for the Ticketnet acquisition.

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.

Investments in nonconsolidated affiliates

The Company has investments in various nonconsolidated affiliates that are accounted for under the equity method of accounting whereby the Company records its investments in these entities in the balance sheet as investments in nonconsolidated affiliates. The Company s interests in their operations are recorded in the statement of operations as equity in earnings of nonconsolidated affiliates. For the nine months ended September 30, 2011, one of the Company s investments, which is in a ticketing distribution services company, is considered significant. The Company owns a 33% interest in this company.

Summarized unaudited income statement information for the Company s significant nonconsolidated affiliate is as follows (at 100 percent):

	Nine Months Ended September 30, 2011	2010
	(in thousands)	
Revenue	$ 34,217	$ 27,668
Operating income	$ 19,515	$ 16,049
Net income	$ 14,075	$ 10,580

Long-lived Asset Disposals

In January 2011, the Company sold its 50% controlling interest in an artist management company. In May 2011, the Company completed the sale of the Selma amphitheater in San Antonio. 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.

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

Divested Asset	Segment	Gain (Loss) on Sale	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities
			(in thousands)			
2011 Divestiture						
Selma amphitheater	Concerts	$ 798	$ -	$ 3,206	$ -	$ -
Artist management company	Artist Nation	$ (1,256)	$ 3	$ 4,145	$ 119	$ -
2010 Divestiture						
Paciolan	Ticketing	$ (5,218)	$ 8,357	$ 33,492	$ 7,595	$ 6,364

Certain agreements relating to disposals of businesses provide for future contingent consideration based on the financial performance of the businesses sold. The Company will record additional amounts related to such contingent consideration, with a corresponding adjustment to gain (loss) on sale of operating assets, if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent considerations, if all existing performance targets are met, would not significantly impact the results of operations of the Company. The last contingency period for which the Company has an outstanding contingent consideration is for the year ended December 31, 2013.

NOTE 3 ACQUISITIONS

During 2011, the Company completed its acquisitions of Full Circle Live Limited, Serviticket, 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.

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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 and nine months ended September 30, 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 entirety of the periods presented or the results of the combined company after the Merger. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any synergies, operating efficiencies or cost savings that resulted from the Merger. The unaudited pro forma information also does not include any integration costs, dis-synergies or transaction costs that the companies may have incurred 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 September 30, 2010	For the Nine Months Ended September 30, 2010
	(in thousands)	
Unaudited pro forma consolidated results:		
Revenue	$ 1,829,768	$ 3,851,264
Income (loss) from continuing operations	$ 71,994	$ (42,880)
Net income (loss) attributable to Live Nation Entertainment, Inc.	$ 57,963	$ (57,469)

The Company has incurred a total of $65.8 million of acquisition transaction expenses to date relating to the Merger, of which $4.2 million and $3.7 million are included in the results of operations for the three months ended September 30, 2011 and 2010, respectively, and $13.9 million and $14.2 million are included in the results of operations for the nine months ended September 30, 2011 and 2010, respectively.

In connection with the Merger, the Company has incurred a total of $13.6 million of severance costs, of which $0.5 million was recorded as a component of selling, general and administrative expenses for the three months ended September 30, 2010 in its Ticketing segment. For the nine months ended September 30, 2010, the Company recorded $1.1 million, $7.0 million, $0.1 million and $0.7 million as a component of selling, general and administrative expenses in its Artist Nation, Ticketing, Sponsorship and eCommerce segments, respectively, and $4.7 million as a component of corporate expenses. The Company did not incur additional severance costs in the first nine months of 2011, and does not expect to incur additional significant severance costs in future periods directly as a result of 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 in a series of transactions. As a result of 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, the Company s Executive Chairman and Chairman of the board of directors, 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. These shares were valued using the closing price of the Company s stock on the date of the transaction. 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.

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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 in 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 in 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 and is not included in the statement of cash flows.

NOTE 4 DERIVATIVE INSTRUMENTS

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 September 30, 2011 and December 31, 2010, the Company had forward currency contracts outstanding with notional amounts of $40.8 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 foreign currency derivative activity, including the related fair values, are not material to any period presented.

Additionally, the Company has entered into certain interest rate swaps and cap agreements to limit its exposure to variable interest rates, related to portions of the Company s outstanding debt, some of which have been designated as cash flow hedges. At September 30, 2011 and December 31, 2010, the Company had interest rate swaps and cap agreements outstanding with notional amounts of $137.2 million and $141.4 million, respectively. In May 2010, in conjunction with the refinancing of certain of its debt arrangements, the Company settled three interest rate swap agreements, one of which was designated as a cash flow hedge, that were associated with the term loans under the Company s December 2005 senior secured credit facility. The Company recognized expense of $4.5 million for the settlement of the interest rate swap agreements as a component of loss on extinguishment of debt. Excluding the debt extinguishment settlements, the Company s interest rate swaps and caps activity, including the related fair values, are not material to any period presented.

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 September 30, 2011 and December 31, 2010, the fair value of these provisions was considered to be de minimis.

The Company does not enter into derivative instruments for speculation or trading purposes and does not anticipate any significant recognition of derivative activity through the income statement in the future related to the instruments currently held. See Note 5 Fair Value Measurements for further discussion and disclosure of the fair values for the Company s derivative instruments.

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.

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 September 30, 2011 and December 31, 2010, which are classified as cash and cash equivalents, other current assets, other long-term assets, other current liabilities and other long-term liabilities:

	Fair Value Measurements at September 30, 2011				Fair Value Measurements at December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		(in thousands)				*(in thousands)*		
Assets:								
Cash equivalents	$ 220,604	$ -	$ -	$ 220,604	$ 96,293	$ -	$ -	$ 96,293
Forward currency contracts	-	1,475	-	1,475	-	6	-	6
Interest rate cap	-	9	-	9	-	167	-	167
Investments in rabbi trusts	-	-	-	-	3,576	-	-	3,576
Stock options	-	-	1,126	1,126	-	-	278	278
Total	$ 220,604	$ 1,484	$ 1,126	$ 223,214	$ 99,869	$ 173	$ 278	$ 100,320
Liabilities:								
Interest rate swaps	$ -	$ 2,968	$ -	$ 2,968	$ -	$ 2,119	$ -	$ 2,119
Forward currency contracts	-	-	-	-	-	2,769	-	2,769
Contingent consideration	-	-	7,806	7,806	-	-	17,894	17,894
Other current liabilities	-	-	-	-	3,576	-	-	3,576
Total	$ -	$ 2,968	$ 7,806	$ 10,774	$ 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 current liabilities represent deferred compensation obligations to employees under a certain benefit plan. The liabilities related to this plan were adjusted based on changes in the fair value of the underlying employee-directed investments and therefore were 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 where the contingent obligation is either earned or not earned. 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. The Company uses an implied probability method, which is based on one set of projections as its best estimate of future results of the acquired companies and, as a result, the Company does not develop a range of outcomes. 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 current projections of future results of the acquired companies and the passage of time. Accretion of, and changes in the valuations of contingent consideration are reported in acquisition transaction expenses. During the three and nine months ended September 30, 2011, the Company recognized an increase of $0.2 million and a decline of $8.7 million, respectively, for its contingent consideration obligations. The decrease for the nine months ended September 30, 2011 was primarily driven by a reduction in earnings from certain artist relationships and the timing of a key artist tour. See Note 6 Commitments and Contingent Liabilities for additional information related to the contingent payments.

The Company has stock options in a company that became publicly-traded in the third quarter of 2011 which are measured at fair value using Level 3 inputs. The stock options were received as consideration in connection with a licensing agreement entered into by a subsidiary of the Company and became fully-vested in the second quarter of 2011. The Company has recorded an asset for these options which was valued using the Black-Scholes option pricing model. The Company

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utilized information from the most recently available public filing and stock price of the company at the valuation date for assumptions with respect to share price, volatility and dividend yield inputs and utilized the remaining contractual period of the options as the expected term input and a risk-free rate consistent with that expected term. The Company has recorded revenue based on the valuation of the options as of the measurement date, which was the vesting date. The changes in the valuation after the measurement date are recorded in other expense (income), net.

The following table summarizes the changes in fair value of the Company s Level 3 assets and liabilities for the nine months ended September 30, 2011:

	Stock Options	Contingent Consideration
	(in thousands)	
Balance as of December 31, 2010	$ 278	$ (17,894)
Total gains and losses (realized/unrealized)		
included in earnings	848	8,828
Purchases	-	1,260
Balance as of September 30, 2011	$ 1,126	$ (7,806)
The amount of total gains and losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets and liabilities still held at September 30, 2011	$ 848	$ 8,741

Due to the short maturity, the carrying amounts of accounts receivable, accounts payable and accrued expenses approximated their fair values at September 30, 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, as it relates to 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 $241.3 million, $300.2 million and $197.3 million at September 30, 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 held by noncontrolling interest partners with a face value of $26.0 million and $29.5 million at September 30, 2011 and December 31, 2010, respectively. The Company is unable to determine the fair value of this debt.

The following table shows the fair value of the Company s financial assets that have been adjusted to fair value on a non-recurring basis which had a significant impact on the Company s results of operations for the nine months ended September 30, 2011:

Description	Fair Value Measurements at September 30, 2011	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Losses
			(in thousands)		
Property, plant and equipment	$ 5,400		$ 5,400		$ 5,727
					$ 5,727

During the third quarter of 2011, the Company recorded an impairment charge of $5.7 million related to an amphitheater that was no longer in operation in the Concerts segment. It was determined that this asset was impaired since the estimated undiscounted cash flows associated with this asset was less than its carrying value. These cash flows were calculated using the estimated sales value for the asset being sold which was also used to approximate fair value. The estimated sales value used for this non-recurring fair value measurement is considered a Level 2 input.

The impairment charge was recorded as a component of depreciation and amortization. There were no significant non-recurring fair value measurements recorded for the three and nine months ended September 30, 2010.

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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 all performance targets are met, would not significantly impact the financial position of the Company. The last contingency period for which the Company has an outstanding contingent earn-out payment is for the period ending December 2017**.**

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 September 30, 2011, the Company has accrued $0.8 million in other current liabilities and $7.0 million in other long-term liabilities and, as of December 31, 2010, the Company had 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. The last contingency period for which the Company has an outstanding contingent earn-out payment is for the period ending December 2015. See Note 5 Fair Value Measurements for further discussion related to the valuation of the earn-out payments.

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. For obligations payable at a date greater than twelve months from the acquisition date, the Company applies a discount rate to present value the obligations. As of September 30, 2011, the Company has accrued $7.0 million in other current liabilities and $12.3 million in other long-term liabilities and, as of December 31, 2010, the Company had accrued $13.6 million in other current liabilities and $18.1 million in other long-term liabilities related to these deferred purchase consideration payments. These deferred purchase consideration liabilities will be paid out through April 2014.

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 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) Live Nation 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 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, 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 is seeking 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 was conducted in late July and early August 2011, with post-hearing proceedings underway and continuing for the coming months. 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 United States 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 United States 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 United States 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. 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 United States 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 United States 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. A hearing is set for January 2012 on the Company s forthcoming Motion for Summary Judgment and trial of the action involving the Southern California regional market is scheduled for April 2012. 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.

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Ticketing Fees Consumer Class Action Litigation

In October 2003, a putative 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 and second causes of action, which allege that Ticketmaster misrepresents/omits the fact of a profit component in Ticketmaster s 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 and second 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 provided for the settlement of the litigation and the resolution of all claims therein. The settlement was memorialized in a long-form agreement in April 2011. On June 3, 2011, after a hearing on the plaintiffs Motion for Preliminary Approval of the settlement, the Court declined to approve the settlement reached by the parties in its then-current form. Litigation continued, and on September 2, 2011, the Court granted in part and denied in part Ticketmaster s Motion for Summary Judgment. The parties reached a new settlement on September 2, 2011 and subsequently entered into a long-form agreement. The plaintiffs filed a Motion for Preliminary Approval of the new settlement on September 27, 2011. On October 19, 2011, the Court preliminarily approved the new settlement. Ticketmaster and its parent, Live Nation, have not acknowledged any violations of law or liability in connection with the matter, but agreed to the settlement in order to eliminate the uncertainties and expense of further protracted litigation.

As of September 30, 2011, the Company has accrued $35.8 million, its best estimate of the probable costs associated with the settlement referred to above.

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 s and TicketsNow s service fees run afoul of anti-scalping laws. Each lawsuit seeks compensatory and punitive damages on behalf of the class.

As of September 30, 2011, the Company has accrued $6.2 million, its best estimate of the probable costs associated with the resale market claims of this matter, the full amount of which is anticipated to be funded by an escrow established in connection with Ticketmaster s 2008 acquisition of TicketsNow.

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While it is reasonably possible that a loss related to the primary market claims of 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 the primary market claims of 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 putative class action lawsuits asserting causes of action under various state consumer protection laws were filed against Ticketmaster and TicketsNow in United States 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 attorneys fees and costs. In July 2009, all of the cases were consolidated and transferred to the United States 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. On October 17, 2011, the plaintiffs filed a Motion for Preliminary Approval of Settlement in accordance with the terms to which the parties had previously agreed. As of September 30, 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 has 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, 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 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 a non-employee director as of September 30, 2011 who is also a director and executive officer of Clear Channel. This director receives directors fees, stock options and restricted stock awards on the same basis as other non-employee directors. As of September 30, 2011, the Company also has an employee director who is a director of Clear Channel.

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 September 30, 2011 and 2010, the Company recorded $1.8 million and $1.9 million, respectively, and for the nine months ended September 30, 2011 and 2010, the Company recorded $3.2 million and $3.6 million, respectively, in total as either components of direct operating expenses or selling, general and administrative expenses for these advertisements.

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 including 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 United States Internal Revenue Service 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. Since the Company had a non-employee director until January 2011 who was also a director and executive officer of IAC, this rental arrangement was considered a related party transaction for 2010. Rental expense for this office space charged to the Company by IAC for the three months ended September 30, 2010 was $0.5 million and from the Merger date through September 30, 2010 was $1.5 million. These charges were 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 and June 2011, the Company sold to Liberty Media 1.8 million and 5.5 million shares, respectively, of the Company s common stock for aggregate cash consideration of $18.8 million and $57.7 million, respectively.

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Transactions Involving Executives

ATC Aviation, Inc. (ATC), which is owned by Irving Azoff 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 September 30, 2011 and 2010, the Company made payments totaling $0.6 million and $0.2 million, respectively, and for the nine months ended September 30, 2011 and from the Merger date through September 30, 2010, the Company made payments totaling $1.2 million and $0.5 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 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. The proceeds from the note were used to pay the dividend.

Other Related Parties

During the nine months ended September 30, 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 holds 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 a company partially owned by two employees 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 September 30, 2011 and December 31, 2010, the Company had a combined receivable balance of $15.2 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.

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	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(in thousands)			
Other related parties revenue	$ 733	$ 908	$ 1,542	$ 1,329
Other related parties expenses	$ 1,644	$ 3,383	$ 7,163	$ 11,938

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 and applied an expected annual effective tax rate of approximately 19% (as compared to 16% 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 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 $29.5 million for the nine months ended September 30, 2011. The components of tax expense that contributed to the net income tax benefit for the nine months ended September 30, 2011 primarily consisted of income tax expense of $16.7 million based on the expected annual rate pertaining to income for the nine month period ending on September 30, 2011, state and local taxes of $4.1 million, withholding taxes of $3.5 million, federal tax benefits of $14.9 million attributable to the carryback of net operating losses and a discrete tax benefit of $39.5 million for the reversal of valuation allowances recorded against United States federal and state deferred tax assets driven by deferred tax attributes relating to the acquisition of the remaining interests in Front Line. See Note 3 Acquisitions for further discussion regarding the 2011 acquisition of the remaining equity interests in Front Line.

As of September 30, 2011 and December 31, 2010, the Company had unrecognized tax benefits of approximately $11.4 million and $10.9 million, respectively. During the nine months ended September 30, 2011, unrecognized tax benefits increased by approximately $0.5 million for interest and penalty accruals. All of these unrecognized tax benefits would favorably impact the effective tax rate if recognized in the future.

Historically, the Company has reinvested all foreign earnings in its continuing 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.

In February and June 2011, the Company issued 1.8 million and 5.5 million shares, respectively, of common stock pursuant to a subscription agreement with Liberty Media.

In May 2011, the Company issued 0.7 million shares of common stock in connection with the acquisition of the remaining interests in Vector.

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Redeemable Noncontrolling Interests

Due to pre-existing obligations acquired pursuant to the Merger, the Company was subject to fair value put arrangements, some of which were currently redeemable and some of which were 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 were exercisable at fair value by the counterparty outside of the control of the Company, but were settled either in cash or stock at the discretion of the Company and were therefore classified as mezzanine equity. Accordingly, to the extent the fair value of these redeemable interests exceeded the value determined by normal noncontrolling interests accounting, the value of such interests was adjusted to fair value with a corresponding adjustment to additional paid-in capital. For these redeemable interests, the redemption value was their estimated fair value which was based upon a discounted cash flow analysis using estimated cash flows. Changes to the estimated fair value were computed based upon the impact of changes in the projected cash flows each reporting period which took into account the current expectations regarding profitability and the timing of revenue-generating events and were discounted to a present day fair value. In instances where the put arrangements held by the noncontrolling interests were not currently redeemable, for increases in fair value, or reductions in fair value to the extent increases had been recognized previously, the Company accreted 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.

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 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 included put arrangements. The put arrangements did not have a determinable redemption date, but were 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 December 31, 2010. In the second quarter of 2011, the Company acquired all of these remaining noncontrolling interests for $14.7 million in cash and newly issued shares of Live Nation s common stock. Amounts paid as part of this transaction were recorded to additional paid-in capital to the extent they were in excess of the amount on the consolidated balance sheets.

Noncontrolling Interests

As of September 30, 2011, for the 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. Such noncontrolling interests are recorded in stockholders equity, separate from the Company s own equity.

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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. Stockholders Equity	Noncontrolling Interests	Comprehensive Income (Loss)	Total Stockholders Equity
	(in thousands)		*(in thousands)*		
Balances at December 31, 2010	$ 107,541	$ 1,364,416	$ 137,252	$ -	$ 1,501,668
Non-cash compensation	-	18,472	-		18,472
Common shares issued for business acquisitions	-	64	-		64
Exercise of stock options	-	3,210	-		3,210
Sale of common shares	-	76,492	-		76,492
Acquisitions of noncontrolling interests	(98,027)	84,711	2,084		86,795
Sales of noncontrolling interests	-	-	(2,699)		(2,699)
Fair value of redeemable noncontrolling interests adjustments	1,722	(1,722)	-		(1,722)
Cash dividends	(5,570)	-	(6,733)		(6,733)
Other	(861)	(29)	(11)		(40)
Comprehensive income (loss):					
Net income (loss)	(4,805)	16,509	13,589	30,098	30,098
Unrealized loss on cash flow hedges	-	(158)	-	(158)	(158)
Other	-	(33)	-	(33)	(33)
Currency translation adjustment	-	17,363	-	17,363	17,363
Total comprehensive income				$ 47,270	47,270
Balances at September 30, 2011	$ -	$ 1,579,295	$ 143,482		$ 1,722,777

The purchase or sale 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 nine months of 2011, the Company acquired the remaining equity interests in Front Line, Vector and other smaller companies. See Note 3 Acquisitions for further discussion regarding the Front Line acquisition. The following schedule reflects the change in ownership interests for these transactions.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
		(in thousands)		
Net income (loss) attributable to Live Nation Entertainment, Inc.	$ 51,712	$ 51,007	$ 16,509	$ (103,993)
Transfers (to) from noncontrolling interest:				
Increase in Live Nation Entertainment, Inc. s paid in capital for purchase of noncontrolling interests, net of transaction costs	274	1,181	84,711	1,181
Net transfers from noncontrolling interest	274	1,181	84,711	1,181
Change from net income (loss) attributable to Live Nation Entertainment, Inc. and transfers (to) from noncontrolling interest	$ 51,986	$ 52,188	$ 101,220	$ (102,812)

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Earnings per Share

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(in thousands, except for per share data)			
Net income (loss) attributable to Live Nation Entertainment, Inc.	$ 51,712	$ 51,007	$ 16,509	$ (103,993)
Less loss from discontinued operations, net of tax	-	(3,213)	-	(3,893)
Net income (loss) from continuing operations attributable to common stockholders basic and diluted	$ 51,712	$ 54,220	$ 16,509	$ (100,100)
Weighted average common shares basic	186,128	170,285	181,116	162,286
Effect of dilutive securities:				
Stock options, restricted stock and warrants	2,403	2,017	2,191	-
2.875% convertible senior notes	-	-	-	-
Diluted weighted average common shares diluted	188,531	172,302	183,307	162,286
Basic income (loss) from continuing operations per common share	$ 0.28	$ 0.32	$ 0.09	$ (0.62)
Diluted income (loss) from continuing operations per common share	$ 0.27	$ 0.32	$ 0.09	$ (0.62)

The calculation of diluted net income (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 securities excluded from the calculation of diluted net income (loss) per common share because such securities are anti-dilutive:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(in thousands)			
Options to purchase shares of common stock	16,234	17,143	16,234	21,257
Restricted stock awards and units - unvested	2,582	3,236	2,582	3,649
Warrants	500	500	500	500
Conversion shares related to 2.875% convertible senior notes	8,105	8,105	8,105	8,105
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	27,421	28,984	27,421	33,511

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 September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(in thousands)			
Selling, general and administrative expenses	$ 3,045	$ 7,899	$ 36,616	$ 24,208

Corporate expenses	5,153	4,996	14,539	21,969
Total stock-based compensation expense from continuing operations	$ 8,198	$ 12,895	$ 51,155	$ 46,177

In the third quarter of 2011, the Company granted 0.7 million shares of restricted stock with a total fair market value of $6.7 million, 0.3 million shares of market-based or performance-based awards with a total fair market value of $2.7 million

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and 2.5 million stock options with a total fair market value of $13.0 million to certain employees under the Company s stock incentive plans. These awards will all vest over four years with the exception of the market-based awards which will vest over four years if a specified stock price is achieved over a specified number of consecutive days during the four years.

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 nine months of 2010, the Company accelerated and modified the vesting of 1.4 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 $14.7 million of stock-based compensation expense for the nine months ended September 30, 2010. Of this amount, $8.3 million was recorded in corporate expenses and $6.4 million was recorded in selling, general and administrative expenses. There was no stock-based compensation expense related to these accelerations and modifications for the three months ended September 30, 2010. There were no accelerations or other modifications of outstanding Live Nation stock-based equity awards in the first nine months of 2011.

As of September 30, 2011, there was $69.4 million of total unrecognized compensation cost related to unvested stock-based compensation arrangements for stock options, restricted stock awards and restricted stock units.

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 September 30, 2011 and 2010, the Company recorded $1.6 million in each of the respective periods and for the nine months ended September 30, 2011 and from the date of the Merger through September 30, 2010, the Company recorded $4.8 million and $4.3 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. Certain of the line items for the three and nine months ended September 30, 2010 have been recast from the amounts that were previously reported in the Company s Form 10-Q for the period ending September 30, 2010. These recast amounts relate to purchase accounting adjustments for the Merger, which occurred in the first quarter of 2010, that were identified in the subsequent quarters of 2010 and, pursuant to the FASB guidance, are required to be reflected in the period of the respective business combinations.

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.

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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
					(in thousands)				
Three Months Ended September 30, 2011									
Revenue	$ 1,280,297	$ 287,073	$ 121,375	$ 36,598	$ 72,722	$ 779	$ -	$ (8,819)	$ 1,790,025
Direct operating expenses	1,066,140	130,645	80,994	5,736	12,300	-	(893)	(8,618)	1,286,304
Selling, general and administrative expenses	131,805	105,923	20,551	16,797	6,263	1,123	-	-	282,462
Depreciation and amortization	33,103	36,246	10,693	2,708	88	13	691	(201)	83,341
Loss (gain) on sale of operating assets	13	(2)	15	-	-	204	1	-	231
Corporate expenses	-	-	-	-	-	-	27,385	-	27,385
Acquisition transaction expenses	826	216	276	-	-	-	4,175	-	5,493
Operating income (loss)	$ 48,410	$ 14,045	$ 8,846	$ 11,357	$ 54,071	$ (561)	$ (31,359)	$ -	$ 104,809
Intersegment revenue	$ 1,978	$ 4,333	$ 2,166	$ 342	$ -	$ -	$ -	$ (8,819)	$ -
Three Months Ended September 30, 2010									
Revenue	$ 1,380,527	$ 261,175	$ 110,960	$ 25,822	$ 69,534	$ 1,569	$ -	$ (13,781)	$ 1,835,806
Direct operating expenses	1,192,486	123,629	70,212	2,377	10,324	-	2,417	(13,150)	1,388,295
Selling, general and administrative expenses	128,680	75,638	22,984	10,202	6,230	960	-	-	244,694
Depreciation and amortization	29,741	25,920	12,285	2,239	66	6	623	(631)	70,249
Loss (gain) on sale of operating assets	(776)	(13)	7	-	-	(1)	4	-	(779)
Corporate expenses	-	-	-	-	-	-	27,660	-	27,660
Acquisition transaction expenses	(2,863)	373	1,290	-	-	-	3,781	-	2,581
Operating income (loss)	$ 33,259	$ 35,628	$ 4,182	$ 11,004	$ 52,914	$ 604	$ (34,485)	$ -	$ 103,106
Intersegment revenue	$ 6,563	$ -	$ 7,218	$ -	$ -	$ -	$ -	$ (13,781)	$ -
Nine Months Ended September 30, 2011									
Revenue	$ 2,811,796	$ 867,238	$ 293,941	$ 103,414	$ 147,145	$ 2,385	$ 333	$ (27,936)	$ 4,198,316
Direct operating expenses	2,353,774	404,820	197,261	16,785	28,164	-	(1,895)	(27,330)	2,971,579
Selling, general and administrative expenses	400,421	261,888	89,466	46,828	21,440	2,183	-	-	822,226
Depreciation and amortization	87,818	103,186	37,305	8,173	276	40	1,557	(606)	237,749
Loss (gain) on sale of operating assets	(677)	(93)	1,256	5	-	374	1	-	866
Corporate expenses	-	-	-	-	-	-	73,011	-	73,011
Acquisition transaction expenses	(5,289)	1,167	(1,906)	-	-	-	13,892	-	7,864

Operating income (loss)	$ (24,251)	$ 96,270	$ (29,441)	$ 31,623	$ 97,265	$ (212)	$ (86,233)	$ -	$ 85,021
Intersegment revenue	$ 9,790	$ 8,036	$ 9,138	$ 972	$ -	$ -	$ -	$ (27,936)	$ -
Capital expenditures	$ 15,825	$ 41,833	$ 5,318	$ 3,879	$ 892	$ -	$ 4,606	$ -	$ 72,353
Nine Months Ended September 30, 2010									
Revenue	$ 2,648,147	$ 734,722	$ 269,228	$ 62,801	$ 129,596	$ 3,483	$ -	$ (22,075)	$ 3,825,902
Direct operating expenses	2,226,341	355,196	175,443	8,755	22,360	-	1,639	(20,400)	2,769,334
Selling, general and administrative expenses	384,784	222,215	69,587	30,782	19,594	2,227	-	-	729,189
Depreciation and amortization	79,897	80,788	30,754	5,323	187	19	1,897	(1,675)	197,190
Loss (gain) on sale of operating assets	(2,045)	5,192	6	-	6	(8)	4	-	3,155
Corporate expenses	-	-	-	-	-	-	86,666	-	86,666
Acquisition transaction expenses	(2,718)	373	6,024	-	-	-	14,313	-	17,992
Operating income (loss)	$ (38,112)	$ 70,958	$ (12,586)	$ 17,941	$ 87,449	$ 1,245	$ (104,519)	$ -	$ 22,376
Intersegment revenue	$ 10,895	$ -	$ 11,180	$ -	$ -	$ -	$ -	$ (22,075)	$ -
Capital expenditures	$ 14,856	$ 25,372	$ 647	$ 1,568	$ 60	$ 297	$ 5,787	$ -	$ 48,587

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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, coul 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

We continue to progress our vision of being the leading live event company, which began with our merger with Ticketmaster in January 2010, and continues with the delivery of strong results for the nine months to date in 2011, as reflected in our improved revenue and operating results growth over the prior year. We are focused on the value drivers of acquiring content, selling tickets and creating an advertising network and we believe that we are well-positioned to better serve artists, teams, fans and venues. Our strategy remains centered on expanding our presence in the world s largest markets, leveraging our leadership position in the live entertainment industry to sell more tickets and growing our revenue streams surrounding the ticket purchase and live event, while continuing to optimize our cost structure.

In Concerts, we have improved our operating results for the third quarter compared to last year through higher per show profitability. We reduced our number of amphitheater events, as we had planned, which resulted in less overall attendance but this concerted effort to reduce the higher risk shows helped to drive overall improvement in profitability per show in these venues. Arena and stadium events increased during the period as we focused on driving better economics with the venues and the events we were booking thereby improving the profitability. In addition, we continued to grow our festival base by investing in several new festivals, internationally and in North America.

Our Ticketing segment showed an increase in ticket sales in the quarter driven primarily by ticket volume increases due to acquisitions; organically there was a slight decline primarily due to the impact of our Concerts strategy to reduce our number of amphitheater shows as noted above and challenging year-over-year comparisons in the arts and theater category based on the available touring product. Overall our operations improved, as reflected in higher revenue and operating results, driven by fees earned on ticket sales for the 2012 London Olympics, growth from our recent acquisitions and overall fixed cost savings. These operational improvements were negatively impacted by costs related to a legal settlement in the quarter. Improvement of our ticketing platform continues on plan, which drives some increase in costs but will allow our clients to start realizing the benefits of changes this year. We continue to execute on a variety of initiatives aimed at improving the ticket buying process and overall fan and venue experience, including additional interactive seat maps, added functionality to social media platforms, additional tiered pricing and expansion of other sales channels.

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For our Artist Nation segment, we saw improvements in fees earned through our artist management business during the third quarter offset by lower results in some of our artist services businesses driven by the timing of certain tours and higher costs. Our artist management business continues to focus on adding new artists, strengthening our management team by securing additional artist managers and pursuing strategic acquisitions to grow our international footprint.

Our eCommerce segment continued to show growth in online advertising this quarter as compared to last year. We also saw higher fees from online tickets sold internationally, as the eCommerce segment now manages all of our ticketing sites globally. We continue to focus on enhancing our online storefront, improving the functionality of our site in order to drive increased sales of tickets and upsell of other products. Through these efforts, we have seen an increase in the gross value of tickets sold online as well as an increased number of customers in our database. We have integrated our customer data sets into one unified data warehouse which allows us to provide data services to our clients, and to better target our marketing communications with our fans. We have launched Live Analytics in North America which provides our clients with insights, services and products to help them sell more tickets.

In Sponsorship, we delivered continued growth in revenue and operating results driven by our recent expansion of new strategic sponsors along with the renewal and growth of existing brand relationships. Our extensive on-site and online reach, global venue distribution network, artist relationships and ticketing operations are the key to securing long-term sponsorship agreements with major brands and we continue to look for ways to expand these assets further and to extend further internationally in new markets.

We remain excited about the long-term potential of our company as we continue to focus on the key elements of our business model obtaining content, selling tickets and creating an advertising network. Our focus for the remainder of 2011, and as we look ahead, continues around four main areas surrounding the live event: growing content by adding new tours, venue clients and artists and expanding in key markets; growing ticket sales by delivering the highest quality ticketing platform, adding distribution channels, leveraging social media, improving pricing effectiveness and extending our reach into new markets; growing our global advertising business, both online and around our other assets; and continuing to drive operational efficiencies.

Our History