

Clear Channel Outdoor Holdings, Inc.  
Form 10-Q  
April 24, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED March 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number

**1 32663**

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

Delaware  (State or other jurisdiction of  incorporation or organization)	86-0812139  (I.R.S. Employer Identification No.)
200 East Basse Road  San Antonio, Texas	78209

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(Address of principal executive offices)

(Zip Code)

(210) 832-3700

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 16, 2014
Class A Common Stock, \$.01 par value	44,323,893
Class B Common Stock, \$.01 par value	315,000,000



**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

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**PART I -- FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND  
SUBSIDIARIES**

# **CONSOLIDATED BALANCE SHEETS**

<i>(In thousands, except share data)</i>		March 31,		December 31,	
		2014		2013	
		(Unaudited)			
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		\$	270,227	\$	314,545
Accounts receivable, net of allowance of \$32,831 in 2014 and \$33,127 in 2013			660,723		712,135
Prepaid expenses			157,120		143,415
Other current assets			75,212		68,333
	<b>Total Current Assets</b>		1,163,282		1,238,428
<b>PROPERTY, PLANT AND EQUIPMENT</b>					
Structures, net			1,729,815		1,765,510
Other property, plant and equipment, net			306,879		315,588
<b>INTANGIBLE ASSETS AND GOODWILL</b>					
Indefinite-lived intangibles			1,067,318		1,067,783
Other intangibles, net			471,300		487,926
Goodwill			852,480		850,134
<b>OTHER ASSETS</b>					
Due from Clear Channel Communications			907,853		879,108
Other assets			154,079		154,915
	<b>Total Assets</b>	\$	6,653,006	\$	6,759,392
<b>CURRENT LIABILITIES</b>					
Accounts payable		\$	101,146	\$	85,882
Accrued expenses			531,980		563,766
Deferred income			151,932		107,943
Current portion of long-term debt			15,551		15,999
	<b>Total Current Liabilities</b>		800,609		773,590
Long-term debt			4,919,505		4,919,377
Deferred tax liability			633,906		656,150
Other long-term liabilities			240,232		250,167
Commitments and contingent liabilities (Note 5)					
<b>SHAREHOLDERS' EQUITY</b>					
Noncontrolling interest			195,696		202,046
Preferred stock, \$.01 par value, 150,000,000 shares authorized, no shares issued and outstanding					
Class A common stock, \$.01 par value, 750,000,000 shares authorized, 44,438,845 and 44,117,843 shares issued in 2014 and 2013, respectively			444		441
Class B common stock, \$.01 par value, 600,000,000 shares authorized, 315,000,000 shares issued and outstanding			3,150		3,150

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Additional paid-in capital		4,334,464		4,332,045
Accumulated deficit		(4,259,845)		(4,162,975)
Accumulated other comprehensive loss		(214,128)		(213,572)
Cost of shares (116,264 in 2014 and 2013) held in treasury		(1,027)		(1,027)
	<b>Total Shareholders' Equity</b>	58,754		160,108
	<b>Total Liabilities and Shareholders' Equity</b>	\$ 6,653,006		\$ 6,759,392

See Notes to Consolidated Financial Statements



## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

<i>(In thousands, except per share data)</i>				Three Months Ended March 31,			
				2014		2013	
Revenue				\$	635,251	\$	650,210
Operating expenses:							
Direct operating expenses (excludes depreciation and amortization)					381,513		386,191
Selling, general and administrative expenses (excludes depreciation and amortization)					132,949		139,561
Corporate expenses (excludes depreciation and amortization)					30,697		27,824
Depreciation and amortization					98,742		100,327
Other operating income, net					2,654		2,103
Operating loss					(5,996)		(1,590)
Interest expense					89,262		88,093
Interest income on Due from Clear Channel Communications					14,673		11,920
Equity in loss of nonconsolidated affiliates					(736)		(485)
Other income (expense), net					1,898		(907)
Loss before income taxes					(79,423)		(79,155)
Income tax benefit (expense)					(16,946)		5,006
Consolidated net loss					(96,369)		(74,149)
Less amount attributable to noncontrolling interest					501		129
Net loss attributable to the Company				\$	(96,870)	\$	(74,278)
Other comprehensive income (loss), net of tax:							
Foreign currency translation adjustments					(4,537)		(24,025)
Unrealized gain (loss) on marketable securities					1,084		(25)
Other adjustments to comprehensive loss					-		(998)
Other comprehensive loss					(3,453)		(25,048)
Comprehensive loss					(100,323)		(99,326)
Less amount attributable to noncontrolling interest					(2,897)		(93)
Comprehensive loss attributable to the Company				\$	(97,426)	\$	(99,233)
Net loss attributable to the Company per common share:							
Basic				\$	(0.27)	\$	(0.22)
Weighted average common shares outstanding – Basic					358,397		357,352
Diluted				\$	(0.27)	\$	(0.22)
Weighted average common shares outstanding – Diluted					358,397		357,352

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Dividends declared per share				\$	-	\$	-	

See Notes to Consolidated Financial Statements

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<i>(In thousands)</i>		Three Months Ended March 31,		
		2014		2013
<b>Cash flows from operating activities:</b>				
Consolidated net loss		\$ (96,369)		\$ (74,149)
<b>Reconciling items:</b>				
	Depreciation and amortization	98,742		100,327
	Deferred taxes	(22,465)		(23,035)
	Provision for doubtful accounts	1,521		1,712
	Share-based compensation	2,010		1,661
	Gain on sale of operating assets	(2,654)		(2,103)
	Amortization of deferred financing charges and note discounts, net	2,162		2,131
	Other reconciling items, net	(1,495)		1,159
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:				
	Decrease in accounts receivable	50,647		63,516
	Increase in deferred income	43,288		16,036
	Decrease in accrued expenses	(31,557)		(36,001)
	Increase (decrease) in accounts payable	12,911		(15,968)
	Changes in other operating assets and liabilities	(28,696)		(2,012)
Net cash provided by operating activities		28,045		33,274
<b>Cash flows from investing activities:</b>				
	Purchases of property, plant and equipment	(38,628)		(39,441)
	Purchases of other operating assets	(272)		(3)
	Proceeds from disposal of assets	2,422		3,300
	Change in other, net	(1,315)		(665)
Net cash used for investing activities		(37,793)		(36,809)
<b>Cash flows from financing activities:</b>				
	Draws on credit facilities	820		637
	Payments on credit facilities	(675)		-
	Payments on long-term debt	(11)		(4,437)
		(28,744)		1,507

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	Net transfers (to) from Clear Channel Communications				
	Deferred financing charges		(4)		152
	Dividends and other payments to noncontrolling interests		(3,955)		(4,353)
	Change in other, net		413		548
	Net cash used for financing activities		(32,156)		(5,946)
	Effect of exchange rate changes on cash		(2,414)		(5,238)
	Net decrease in cash and cash equivalents		(44,318)		(14,719)
	Cash and cash equivalents at beginning of period		314,545		561,979
	Cash and cash equivalents at end of period	\$	270,227	\$	547,260

See Notes to Consolidated Financial Statements

## **CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

#### **NOTE 1 – BASIS OF PRESENTATION**

##### **Preparation of Interim Financial Statements**

The accompanying consolidated financial statements were prepared by Clear Channel Outdoor Holdings, Inc. (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2013 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries and give effect to allocations of expenses from the Company’s indirect parent entity, Clear Channel Communications, Inc. (“Clear Channel Communications”). These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20 percent to 50 percent of the voting common stock or otherwise exercises significant influence over operating and financial policies of the Company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2014 presentation.

##### **Adoption of New Accounting Standards**

During the first quarter of 2014, the Company adopted the Financial Accounting Standards Board's (“FASB”) ASU No. 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This update provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. The amendments are effective for fiscal years (and interim periods within) beginning after December 15, 2013 and are to be applied retrospectively to all prior periods presented for such obligations that exist at the beginning of an entity’s fiscal year of adoption. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

During the first quarter of 2014, the Company adopted the FASB's ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity of an Investment in a Foreign Entity*. The amendments are effective prospectively for the fiscal years (and interim periods within) beginning after December 15, 2013 and provide clarification guidance for the release of the cumulative translation adjustment under current GAAP. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

During the first quarter of 2014, the Company adopted the FASB's ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This update requires unrecognized tax benefits to be offset against a deferred tax asset for a net operating loss carryforward, similar tax loss or tax credit carryforward in certain situations. The amendments are effective prospectively for the fiscal years (and interim periods within) beginning after December 15, 2013. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 2 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL****Property, Plant and Equipment**

The Company's property, plant and equipment consisted of the following classes of assets at March 31, 2014 and December 31, 2013, respectively:

<i>(In thousands)</i>	March 31, 2014		December 31, 2013	
Structures		3,028,086		3,021,152
Less: accumulated depreciation		1,298,271		1,255,642
Structures, net	\$	1,729,815	\$	1,765,510
Land, buildings and improvements	\$	215,421	\$	213,670
Furniture and other equipment		154,236		147,768
Construction in progress		75,146		83,891
		444,803		445,329
Less: accumulated depreciation		137,924		129,741
Other property, plant and equipment, net	\$	306,879	\$	315,588

**Indefinite-lived Intangible Assets**

The Company's indefinite-lived intangible assets consist primarily of billboard permits in its Americas segment. Due to significant differences in both business practices and regulations, billboards in the International segment are subject to long-term, finite contracts unlike the Company's permits in the United States and Canada. Accordingly, there are no indefinite-lived intangible assets in the International segment.

**Other Intangible Assets**

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets consist primarily of transit and street furniture contracts, site-leases and other contractual rights, all of which are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. Permanent easements are indefinite-lived intangible assets which include certain rights to use real property not owned by the Company. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived intangible assets. These assets are recorded at cost.

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets at March 31, 2014 and December 31, 2013, respectively:

<i>(In thousands)</i>	March 31, 2014				December 31, 2013			
	Gross Carrying Amount		Accumulated Amortization		Gross Carrying Amount		Accumulated Amortization	
Transit, street furniture and other contractual rights	\$	778,815	\$	(482,518)	\$	777,521	\$	(464,548)
Permanent easements		173,882		-		173,753		-
Other		2,836		(1,715)		2,832		(1,632)
Total	\$	955,533	\$	(484,233)	\$	954,106	\$	(466,180)

Total amortization expense related to definite-lived intangible assets for the three months ended March 31, 2014 and 2013 was \$17.1 million and \$18.6 million, respectively.



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

The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets.

<i>(In thousands)</i>		
2015	\$	53,118
2016		44,948
2017		35,477
2018		26,938
2019		18,345

**Goodwill**

The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments.

<i>(In thousands)</i>	Americas	International	Total
Balance as of December 31, 2012	\$ 571,932	\$ 290,316	\$ 862,248
Impairment	-	(10,684)	(10,684)
Foreign currency	-	(974)	(974)
Dispositions	-	(456)	(456)
Balance as of December 31, 2013	\$ 571,932	\$ 278,202	\$ 850,134
Foreign currency	-	2,346	2,346
Balance as of March 31, 2014	\$ 571,932	\$ 280,548	\$ 852,480

**NOTE 3 – LONG-TERM DEBT**

Long-term debt at March 31, 2014 and December 31, 2013, respectively, consisted of the following:

<i>(In thousands)</i>	March 31, 2014	December 31, 2013
Clear Channel Worldwide Holdings Senior Notes:		
6.5% Series A Senior Notes Due 2022	\$ 735,750	\$ 735,750
6.5% Series B Senior Notes Due 2022	1,989,250	1,989,250

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Clear Channel Worldwide Holdings Senior Subordinated Notes:				
	7.625% Series A Senior Subordinated Notes Due 2020		275,000	275,000
	7.625% Series B Senior Subordinated Notes Due 2020		1,925,000	1,925,000
Senior revolving credit facility due 2018			-	-
Other debt			16,672	17,133
Original issue discount			(6,616)	(6,757)
Total debt			4,935,056	4,935,376
Less: current portion			15,551	15,999
Total long-term debt		\$	4,919,505	\$ 4,919,377

The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$5.3 billion and \$5.1 billion at March 31, 2014 and December 31, 2013, respectively. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company's debt is classified as Level 1.

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 4 – SUPPLEMENTAL DISCLOSURES****Income Tax Benefit (Expense)**

The Company's income tax benefit (expenses) for the three months ended March 31, 2014 and 2013, respectively, consisted of the following components:

<i>(In thousands)</i>					Three Months Ended March 31,			
					2014		2013	
Current tax expense					\$	(39,411)	\$	(18,029)
Deferred tax benefit						22,465		23,035
Income tax benefit (expense)					\$	(16,946)	\$	5,006

The effective tax rate for the three months ended March 31, 2014 was (21.3)%. The 2014 effective rate was primarily impacted by the Company's inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

The effective tax rate for the three months ended March 31, 2013 was 6.3%. The effective rate for the three months ended March 31, 2013 was primarily impacted by the Company's inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

**Supplemental Cash Flow Information**

During the three months ended March 31, 2014 and 2013, cash paid for interest and income taxes, net of income tax refunds of \$3.0 million and \$0.4 million, respectively, was as follows:

<i>(In thousands)</i>					Three Months Ended March 31,			
					2014		2013	
Interest					\$	89,409	\$	88,237
Income taxes						11,446		12,590

**NOTE 5 – COMMITMENTS, CONTINGENCIES AND GUARANTEES**

The Company and its subsidiaries are involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued an estimate of the probable costs for the resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. Additionally, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's financial condition or results of operations.

Although the Company is involved in a variety of legal proceedings in the ordinary course of business, a large portion of the Company's litigation arises in the following contexts: commercial disputes; employment and benefits related claims; governmental fines; and tax disputes.

**Los Angeles Litigation**

In 2008, Summit Media, LLC, one of the Company's competitors, sued the City of Los Angeles (the "City"), Clear Channel Outdoor, Inc. and CBS Outdoor in Los Angeles Superior Court (Case No. BS116611) challenging the validity of a settlement agreement that had been entered into in November 2006 among the parties. Pursuant to the settlement agreement, Clear Channel Outdoor, Inc. had taken down existing billboards and converted 83 existing signs from static displays to digital displays pursuant to modernization permits issued through an administrative process of the City. The Los Angeles Superior Court ruled in January 2010 that the settlement agreement constituted an ultra vires act of the City and nullified its existence, but did not invalidate the modernization permits issued to Clear Channel Outdoor, Inc. and CBS. All parties appealed the ruling by the Los Angeles Superior Court to the Court of Appeal for the State of California, Second Appellate District, Division 8. On December 10, 2012, the Court of Appeal issued

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

an order upholding the Superior Court's finding that the settlement agreement was ultra vires and remanding the case to the Superior Court for the purpose of invalidating the modernization permits issued to Clear Channel Outdoor, Inc. and CBS for the digital displays that were the subject of the settlement agreement. On January 22, 2013, Clear Channel Outdoor, Inc. filed a petition with the California Supreme Court requesting its review of the matter, and the Supreme Court denied that petition on February 27, 2013. On April 12, 2013, the Los Angeles Superior Court invalidated 82 digital modernization permits issued to Clear Channel Outdoor, Inc. (77 of which displays were operating at the time of the ruling) and 13 issued to CBS and ordered that the companies turn off the electrical power to affected digital displays by the close of business on April 15, 2013. Clear Channel Outdoor, Inc. has complied with the order. On April 16, 2013, the Court conducted further proceedings during which it held that it was not invalidating two additional digital modernization permits that Clear Channel Outdoor, Inc. had secured through a special zoning plan and confirmed that its April 12 order invalidated only digital modernization permits – no other types of permits the companies may have secured for the signs at issue. Summit Media, LLC filed a further motion requesting that the Court order the demolition of the 82 sign structures on which the now-invalidated digital signs operated, as well as the invalidation of several other permits for traditional signs allegedly issued under the settlement agreement. At a hearing held on November 22, 2013, the Court denied Summit Media, LLC's demolition motion by allowing the 82 sign structures and their LED faces to remain intact, thus allowing Clear Channel Outdoor, Inc. to seek permits under the existing City sign code to either wrap the LED faces with vinyl or convert the LED faces to traditional static signs. The Court further confirmed the invalidation of all permits issued under the settlement agreement. In anticipation of this order, Clear Channel Outdoor, Inc. had removed six static billboard facings solely permitted under the settlement agreement. At a hearing held on January 21, 2014, the Court denied Summit Media, LLC's motion for attorney's fees on the basis that Summit Media, LLC had a substantial financial interest in the outcome of the litigation and, therefore, was not entitled to fees under California's private attorney general statute. On March 12, 2014, Summit Media, LLC filed Notices of Appeal of the orders denying Summit Media, LLC's fee petition and denying in part Summit Media, LLC's demolition motion.

**Guarantees**

As of March 31, 2014, the Company had \$65.1 million in letters of credit outstanding, of which \$0.4 million of letters of credit were cash secured. Additionally, as of March 31, 2014, Clear Channel Communications had outstanding commercial standby letters of credit and surety bonds of \$1.5 million and \$42.1 million, respectively, held on behalf of the Company. These letters of credit and surety bonds relate to various operational matters, including insurance, bid and performance bonds, as well as other items. Letters of credit in the amount of \$2.0 million are collateral in support of surety bonds and these amounts would only be drawn under the letter of credit in the event the associated surety bonds were funded and the Company did not honor its reimbursement obligation to the issuers.

In addition, as of March 31, 2014, the Company had outstanding bank guarantees of \$58.7 million related to international subsidiaries, of which \$13.2 million were backed by cash collateral.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

The Company records net amounts due to or from Clear Channel Communications as “Due from/to Clear Channel Communications” on the consolidated balance sheets. The accounts represent the revolving promissory note issued by the Company to Clear Channel Communications and the Due from Clear Channel Communications Note, in the face amount of \$1.0 billion, or if more or less than such amount, the aggregate unpaid principal amount of all advances. The accounts accrue interest pursuant to the terms of the promissory notes and are generally payable on demand or when they mature on December 15, 2017.

Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, the Company maintains collection bank accounts swept daily into accounts of Clear Channel Communications (after satisfying the funding requirements of the Trustee Accounts under the Clear Channel Worldwide Holdings, Inc. (“CCWH”) senior notes and the CCWH subordinated notes). In return, Clear Channel Communications funds the Company’s controlled disbursement accounts as checks or electronic payments are presented for payment. The Company’s claim in relation to cash transferred from its concentration account is on an unsecured basis and is limited to the balance of the “Due from Clear Channel Communications” account. At March 31, 2014 and December 31, 2013, the asset recorded in “Due from Clear Channel Communications” on the consolidated balance sheets was \$907.9 million and \$879.1 million, respectively.

The net interest income for the three months ended March 31, 2014 and 2013 was \$14.7 million and \$11.9 million, respectively. At March 31, 2014 and December 31, 2013, the fixed interest rate on the “Due from Clear Channel Communications” account was 6.5%, which is equal to the fixed interest rate on the CCWH senior notes.

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

The Company provides advertising space on its billboards for radio stations owned by Clear Channel Communications. For the three months ended March 31, 2014 and 2013, the Company recorded \$1.0 million and \$0.1 million, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between Clear Channel Communications and the Company, Clear Channel Communications provides management services to the Company, which include, among other things: (i) treasury, payroll and other financial related services; (ii) certain executive officer services; (iii) human resources and employee benefits services; (iv) legal and related services; (v) information systems, network and related services; (vi) investment services; (vii) procurement and sourcing support services; and (viii) other general corporate services. These services are charged to the Company based on actual direct costs incurred or allocated by Clear Channel Communications based on headcount, revenue or other factors on a pro rata basis. For the three months ended March 31, 2014 and 2013, the Company recorded \$9.1 million and \$9.4 million, respectively, as a component of corporate expenses for these services.

Pursuant to the Tax Matters Agreement between Clear Channel Communications and the Company, the operations of the Company are included in a consolidated federal income tax return filed by Clear Channel Communications. The Company's provision for income taxes has been computed on the basis that the Company files separate consolidated federal income tax returns with its subsidiaries. Tax payments are made to Clear Channel Communications on the basis of the Company's separate taxable income. Tax benefits recognized on the Company's employee stock option exercises are retained by the Company.

The Company computes its deferred income tax provision using the liability method in accordance with the provisions of ASC 740-10, as if the Company was a separate taxpayer. Deferred tax assets and liabilities are determined based on differences between financial reporting bases and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if the Company believes it is more likely than not some portion or all of the asset will not be realized.

Pursuant to the Employee Matters Agreement, the Company's employees participate in Clear Channel Communications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. These costs are recorded as a component of selling, general and administrative expenses and were approximately \$2.7 million and \$2.7 million for the three months ended March 31, 2014 and 2013, respectively.





**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 7 – SHARHOLDERS’ EQUITY AND COMPREHENSIVE LOSS**

The Company reports its noncontrolling interests in consolidated subsidiaries as a component of equity separate from the Company’s equity. The following table shows the changes in shareholders’ equity attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total ownership interest:

<i>(In thousands)</i>	The Company		Noncontrolling		Consolidated	
	\$		\$		\$	
Balances at January 1, 2014	\$	(41,938)	\$	202,046	\$	160,108
Net income (loss)		(96,870)		501		(96,369)
Dividends and other payments to noncontrolling interests		-		(3,954)		(3,954)
Foreign currency translation adjustments		(1,640)		(2,897)		(4,537)
Unrealized holding gain on marketable securities		1,084		-		1,084
Other, net		2,422		-		2,422
Balances at March 31, 2014	\$	(136,942)	\$	195,696	\$	58,754
Balances at January 1, 2013	\$	198,155	\$	247,934	\$	446,089
Net income (loss)		(74,278)		129		(74,149)
Dividends and other payments to noncontrolling interests		-		(4,353)		(4,353)
Foreign currency translation adjustments		(23,932)		(93)		(24,025)
Unrealized holding loss on marketable securities		(25)		-		(25)
Other adjustments to comprehensive loss		(998)		-		(998)
Other, net		(357)		614		257
Balances at March 31, 2013	\$	98,565	\$	244,231	\$	342,796

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**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 8 – SEGMENT DATA**

The Company has two reportable segments, which it believes best reflect how the Company is currently managed – Americas and International. The Americas segment consists of operations primarily in the United States and Canada, and the International segment primarily includes operations in Europe, Asia, Australia and Latin America. The Americas and International display inventory consists primarily of billboards, street furniture displays and transit displays. Corporate includes infrastructure and support including information technology, human resources, legal, finance and administrative functions of each of the Company's reportable segments, as well as overall executive, administrative and support functions. Share-based payments are recorded in corporate expenses.

The following table presents the Company's reportable segment results for the three months ended March 31, 2014 and 2013:

<i>(In thousands)</i>						Corporate and other			
	Americas		International		reconciling items		Consolidated		
<b>Three months ended March 31, 2014</b>									
Revenue	\$	268,756	\$	366,495	\$	-	\$	635,251	
Direct operating expenses		133,288		248,225		-		381,513	
Selling, general and administrative expenses		51,111		81,838		-		132,949	
Depreciation and amortization		47,599		50,444		699		98,742	
Corporate expenses		-		-		30,697		30,697	
Other operating income, net		-		-		2,654		2,654	
Operating income (loss)	\$	36,758	\$	(14,012)	\$	(28,742)	\$	(5,996)	
Capital expenditures	\$	12,220	\$	25,086	\$	1,322	\$	38,628	
Share-based compensation expense	\$	-	\$	-	\$	2,010	\$	2,010	
<b>Three months ended March 31, 2013</b>									
Revenue	\$	286,461	\$	363,749	\$	-	\$	650,210	
Direct operating expenses		136,891		249,300		-		386,191	

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Selling, general and administrative expenses		54,372			85,189			-			139,561
Depreciation and amortization		48,685			50,993			649			100,327
Corporate expenses		-			-			27,824			27,824
Other operating income, net		-			-			2,103			2,103
Operating income	\$	46,513			\$ (21,733)			\$ (26,370)			\$ (1,590)
Capital expenditures	\$	12,895			\$ 25,908			\$ 638			\$ 39,441
Share-based compensation expense	\$	-			\$ -			\$ 1,661			\$ 1,661

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**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 9 – GUARANTOR SUBSIDIARIES**

The Company and certain of the Company’s direct and indirect wholly-owned domestic subsidiaries (the “Guarantor Subsidiaries”) fully and unconditionally guarantee on a joint and several basis certain of the outstanding indebtedness of CCWH (the “Subsidiary Issuer”). The following consolidating schedules present financial information on a combined basis in conformity with the SEC’s Regulation S-X Rule 3-10(d):

<i>(In thousands)</i>	As of March 31, 2014						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Cash and cash equivalents	\$ 59,880	\$ -	\$ 2,712	\$ 207,635	\$ -	\$ 270,227	
Accounts receivable, net of allowance	-	-	195,469	465,254	-	660,723	
Intercompany receivables	-	191,533	1,595,349	-	(1,786,882)	-	
Prepaid expenses	2,933	-	71,285	82,902	-	157,120	
Other current assets	1,593	6,850	21,836	44,933	-	75,212	
<b>Total Current Assets</b>	<b>64,406</b>	<b>198,383</b>	<b>1,886,651</b>	<b>800,724</b>	<b>(1,786,882)</b>	<b>1,163,282</b>	
Structures, net	-	-	1,125,222	604,593	-	1,729,815	
Other property, plant and equipment, net	-	-	165,983	140,896	-	306,879	
Indefinite-lived intangibles	-	-	1,055,729	11,589	-	1,067,318	
Other intangibles, net	-	-	339,568	131,732	-	471,300	
Goodwill	-	-	571,932	280,548	-	852,480	
Due from Clear Channel Communications	907,853	-	-	-	-	907,853	
Intercompany notes receivable	182,026	4,995,940	-	-	(5,177,966)	-	
Other assets	310,374	840,930	1,342,901	63,119	(2,403,245)	154,079	
<b>Total Assets</b>	<b>\$ 1,464,659</b>	<b>\$ 6,035,253</b>	<b>\$ 6,487,986</b>	<b>\$ 2,033,201</b>	<b>\$ (9,368,093)</b>	<b>\$ 6,653,006</b>	

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Accounts payable	\$ -	\$ -	\$ 8,349	\$ 92,797	\$ -	\$ 101,146
Intercompany payable	1,592,800	-	191,533	2,549	(1,786,882)	-
Accrued expenses	163	(298)	122,837	409,278	-	531,980
Deferred income	-	-	57,397	94,535	-	151,932
Current portion of long-term debt	-	-	50	15,501	-	15,551
<b>Total Current Liabilities</b>	1,592,963	(298)	380,166	614,660	(1,786,882)	800,609
Long-term debt	-	4,918,384	1,121	-	-	4,919,505
Intercompany notes payable	-	-	5,034,577	143,389	(5,177,966)	-
Deferred tax liability	175	85	617,365	16,281	-	633,906
Other long-term liabilities	-	-	144,321	95,911	-	240,232
Total shareholders' equity	(128,479)	1,117,082	310,436	1,162,960	(2,403,245)	58,754
<b>Total Liabilities and Shareholders' Equity</b>	\$ 1,464,659	\$ 6,035,253	\$ 6,487,986	\$ 2,033,201	\$ (9,368,093)	\$ 6,653,006

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

<i>(In thousands)</i>		As of December 31, 2013										
		Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated					
Cash and cash equivalents	\$	83,185	\$	-	\$	5,885	\$	225,475	\$	-	\$	314,545
Accounts receivable, net of allowance		-		-		208,029		504,106		-		712,135
Intercompany receivables		-		186,659		1,592,228		-		(1,778,887)		-
Prepaid expenses		1,390		-		71,730		70,295		-		143,415
Other current assets		3		6,850		20,333		41,147		-		68,333
<b>Total Current Assets</b>		<b>84,578</b>		<b>193,509</b>		<b>1,898,205</b>		<b>841,023</b>		<b>(1,778,887)</b>		<b>1,238,428</b>
Structures, net		-		-		1,142,094		623,416		-		1,765,510
Other property, plant and equipment, net		-		-		178,149		137,439		-		315,588
Indefinite-lived intangibles		-		-		1,055,728		12,055		-		1,067,783
Other intangibles, net		-		-		344,178		143,748		-		487,926
Goodwill		-		-		571,932		278,202		-		850,134
Due from Clear Channel Communications		879,108		-		-		-		-		879,108
Intercompany notes receivable		182,026		5,002,517		-		-		(5,184,543)		-
Other assets		408,083		871,363		1,373,504		61,626		(2,559,661)		154,915
<b>Total Assets</b>	\$	<b>1,553,795</b>	\$	<b>6,067,389</b>	\$	<b>6,563,790</b>	\$	<b>2,097,509</b>	\$	<b>(9,523,091)</b>	\$	<b>6,759,392</b>
Accounts payable	\$	-	\$	-	\$	11,742	\$	74,140	\$	-	\$	85,882
Intercompany payable		1,586,370		-		186,659		5,858		(1,778,887)		-
Accrued expenses		725		1,342		105,909		455,790		-		563,766
Deferred income		-		-		42,591		65,352		-		107,943
		-		-		47		15,952		-		15,999

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Current portion of long-term debt									
<b>Total Current Liabilities</b>	1,587,095	1,342	346,948	617,092	(1,778,887)	773,590			
Long-term debt	-	4,918,243	1,134	-	-	4,919,377			
Intercompany notes payable	-	-	5,025,497	159,046	(5,184,543)	-			
Deferred tax liability	175	85	638,141	17,749	-	656,150			
Other long-term liabilities	-	-	143,925	106,242	-	250,167			
Total shareholders' equity	(33,475)	1,147,719	408,145	1,197,380	(2,559,661)	160,108			
<b>Total Liabilities and Shareholders' Equity</b>	\$ 1,553,795	\$ 6,067,389	\$ 6,563,790	\$ 2,097,509	\$ (9,523,091)	\$ 6,759,392			

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Three Months Ended March 31, 2014						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Revenue	\$ -	\$ -	\$ 248,497	\$ 386,754	\$ -	\$ 635,251	
Operating expenses:							
Direct operating expenses	-	-	119,760	261,753	-	381,513	
Selling, general and administrative expenses	-	-	47,637	85,312	-	132,949	
Corporate expenses	3,285	-	16,713	10,699	-	30,697	
Depreciation and amortization	-	-	47,078	51,664	-	98,742	
Other operating income (expense), net	(128)	-	2,489	293	-	2,654	
Operating income (loss)	(3,413)	-	19,798	(22,381)	-	(5,996)	
Interest (income) expense, net	(5)	88,061	527	679	-	89,262	
Interest income on Due from Clear Channel Communications	14,673	-	-	-	-	14,673	
Intercompany interest income	3,860	85,215	14,900	-	(103,975)	-	
Intercompany interest expense	14,673	-	89,075	227	(103,975)	-	
Equity in loss of nonconsolidated affiliates	(97,153)	(27,729)	(27,980)	(1,259)	153,385	(736)	
Other income (expense), net	-	-	4,181	(2,283)	-	1,898	
Loss before income taxes	(96,701)	(30,575)	(78,703)	(26,829)	153,385	(79,423)	



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Income tax benefit (expense)	(169)	908	(18,450)	765	-	(16,946)
Consolidated net loss	(96,870)	(29,667)	(97,153)	(26,064)	153,385	(96,369)
Less amount attributable to noncontrolling interest	-	-	-	501	-	501
Net loss attributable to the Company	\$ (96,870)	\$ (29,667)	\$ (97,153)	\$ (26,565)	\$ 153,385	\$ (96,870)
Other comprehensive income, net of tax:						
Foreign currency translation adjustments	-	21	928	(5,486)	-	(4,537)
Unrealized gain on marketable securities	-	-	-	1,084	-	1,084
Equity in subsidiary comprehensive loss	(556)	(991)	(1,484)	-	3,031	-
Other comprehensive loss	(556)	(970)	(556)	(4,402)	3,031	(3,453)
Comprehensive loss	(97,426)	(30,637)	(97,709)	(30,967)	156,416	(100,323)
Less amount attributable to noncontrolling interest	-	-	-	(2,897)	-	(2,897)
Comprehensive loss attributable to the Company	\$ (97,426)	\$ (30,637)	\$ (97,709)	\$ (28,070)	\$ 156,416	\$ (97,426)

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Three Months Ended March 31, 2013						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Revenue	\$ -	\$ -	\$ 265,162	\$ 385,048	\$ -	\$ 650,210	
Operating expenses:							
Direct operating expenses	-	-	122,496	263,695	-	386,191	
Selling, general and administrative expenses	-	-	50,621	88,940	-	139,561	
Corporate expenses	3,224	3	15,595	9,002	-	27,824	
Depreciation and amortization	-	-	48,240	52,087	-	100,327	
Other operating income (expense), net	(120)	-	2,246	(23)	-	2,103	
Operating income (loss)	(3,344)	(3)	30,456	(28,699)	-	(1,590)	
Interest (income) expense, net	(64)	88,042	268	(153)	-	88,093	
Interest income on Due from Clear Channel Communications	11,920	-	-	-	-	11,920	
Intercompany interest income	3,674	85,175	11,920	38	(100,807)	-	
Intercompany interest expense	12,041	-	88,701	65	(100,807)	-	
Equity in loss of nonconsolidated affiliates	(74,451)	(30,920)	(30,876)	(985)	136,747	(485)	
Other income (expense), net	-	-	(3,061)	2,154	-	(907)	
Income (loss) before income taxes	(74,178)	(33,790)	(80,530)	(27,404)	136,747	(79,155)	

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Income tax benefit (expense)		(100)		1,077		6,079		(2,050)		-		5,006
Consolidated net loss		(74,278)		(32,713)		(74,451)		(29,454)		136,747		(74,149)
Less amount attributable to noncontrolling interest		-		-		-		129		-		129
Net loss attributable to the Company	\$	(74,278)	\$	(32,713)	\$	(74,451)	\$	(29,583)	\$	136,747	\$	(74,278)
Other comprehensive income, net of tax:												
Foreign currency translation adjustments		(314)		(11)		1,938		(25,638)		-		(24,025)
Unrealized loss on marketable securities		-		-		-		(25)		-		(25)
Other adjustments to comprehensive income (loss)		-		-		-		(998)		-		(998)
Equity in subsidiary comprehensive loss		(24,641)		(25,991)		(26,434)		-		77,066		-
Other comprehensive income (loss)		(24,955)		(26,002)		(24,496)		(26,661)		77,066		(25,048)
Comprehensive loss		(99,233)		(58,715)		(98,947)		(56,244)		213,813		(99,326)
Less amount attributable to noncontrolling interest		-		-		145		(238)		-		(93)
Comprehensive loss attributable to the Company	\$	(99,233)	\$	(58,715)	\$	(99,092)	\$	(56,006)	\$	213,813	\$	(99,233)

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Three Months Ended March 31, 2014						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
<b>Cash flows from operating activities:</b>							
Consolidated net loss	\$ (96,870)	\$ (29,667)	\$ (97,153)	\$ (26,064)	\$ 153,385	\$ (96,369)	
Reconciling items:							
Depreciation and amortization	-	-	47,078	51,664	-	98,742	
Deferred taxes	-	-	(20,806)	(1,659)	-	(22,465)	
Provision for doubtful accounts	-	-	722	799	-	1,521	
Share-based compensation	-	-	2,010	-	-	2,010	
(Gain) loss on sale of operating assets	128	-	(2,489)	(293)	-	(2,654)	
Amortization of deferred financing charges and note discounts, net	-	1,854	308	-	-	2,162	
Other reconciling items, net	97,153	27,729	27,973	(965)	(153,385)	(1,495)	
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:							
Decrease in accounts receivable	-	-	11,839	38,808	-	50,647	
Increase in deferred income	-	-	14,806	28,482	-	43,288	
Increase (decrease) in accrued expenses	(561)	(1,640)	16,926	(46,282)	-	(31,557)	
Increase (decrease) in accounts payable	-	21	(3,412)	16,302	-	12,911	

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Changes in other operating assets and liabilities	(3,263)	-	667	(26,100)	-	(28,696)
Net cash provided by (used for) operating activities	(3,413)	(1,703)	(1,531)	34,692	-	28,045
<b>Cash flows from investing activities:</b>						
Purchases of property, plant and equipment	-	-	(12,891)	(25,737)	-	(38,628)
Purchases of other operating assets	-	-	(137)	(135)	-	(272)
Proceeds from disposal of assets	-	-	2,136	286	-	2,422
Decrease in Intercompany notes receivable, net	-	15,841	-	-	(15,841)	-
Change in other, net	-	-	-	(1,315)	-	(1,315)
Net cash provided by (used for) investing activities	-	15,841	(10,892)	(26,901)	(15,841)	(37,793)
<b>Cash flows from financing activities:</b>						
Draws on credit facilities	-	-	-	820	-	820
Payments on credit facilities	-	-	-	(675)	-	(675)
Proceeds from long-term debt	-	-	-	-	-	-
Payments on long-term debt	-	-	(11)	-	-	(11)
Decrease in intercompany notes payable, net	-	-	-	(15,841)	15,841	-
Net transfers to Clear Channel Communications	(28,744)	-	-	-	-	(28,744)
Intercompany funding	8,439	(14,138)	9,265	(3,566)	-	-
Deferred financing charges	-	-	(4)	-	-	(4)
Dividends and other payments to noncontrolling interests	-	-	-	(3,955)	-	(3,955)
Change in other, net	413	-	-	-	-	413

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Net cash provided by (used for) financing activities	(19,892)	(14,138)	9,250	(23,217)	15,841	(32,156)
Effect of exchange rate changes on cash	-	-	-	(2,414)	-	(2,414)
Net increase (decrease) in cash and cash equivalents	(23,305)	-	(3,173)	(17,840)	-	(44,318)
Cash and cash equivalents at beginning of period	83,185	-	5,885	225,475	-	314,545
Cash and cash equivalents at end of period	\$ 59,880	\$ -	\$ 2,712	\$ 207,635	\$ -	\$ 270,227

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Three Months Ended March 31, 2013						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
<b>Cash flows from operating activities:</b>							
Consolidated net loss	\$ (74,278)	\$ (32,713)	\$ (74,451)	\$ (29,454)	\$ 136,747	\$ (74,149)	
Reconciling items:							
Depreciation and amortization	-	-	48,240	52,087	-	100,327	
Deferred taxes	(2)	-	(19,677)	(3,356)	-	(23,035)	
Provision for doubtful accounts	-	-	904	808	-	1,712	
Share-based compensation	-	-	926	735	-	1,661	
(Gain) loss on sale of operating assets	120	-	(2,246)	23	-	(2,103)	
Amortization of deferred financing charges and note discounts, net	-	1,845	286	-	-	2,131	
Other reconciling items, net	74,451	30,920	31,550	985	(136,747)	1,159	
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:							
Decrease in accounts receivable	-	-	48,737	14,779	-	63,516	
Increase (decrease) in deferred income	-	-	(9,199)	25,235	-	16,036	
Increase (decrease) in accrued expenses	(292)	71,869	(72,296)	(35,282)	-	(36,001)	
Decrease in accounts payable	-	(11)	(10,280)	(10,470)	4,793	(15,968)	

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Changes in other operating assets and liabilities	(1,354)	-	1,254	(1,912)	-	(2,012)
Net cash provided by (used for) operating activities	(1,355)	71,910	(56,252)	14,178	4,793	33,274
<b>Cash flows from investing activities:</b>						
Purchases of property, plant and equipment	-	-	(13,489)	(25,952)	-	(39,441)
Purchases of businesses and other operating assets	-	-	(3)	-	-	(3)
Proceeds from disposal of assets	-	-	2,056	1,244	-	3,300
Change in other, net	-	-	-	(665)	-	(665)
Net cash used for investing activities	-	-	(11,436)	(25,373)	-	(36,809)
<b>Cash flows from financing activities:</b>						
Draws on credit facilities	-	-	-	637	-	637
Payments on long-term debt	-	-	(9)	(4,428)	-	(4,437)
Net transfers to Clear Channel Communications	1,507	-	-	-	-	1,507
Intercompany funding	(2,809)	(71,879)	74,080	608	-	-
Deferred financing charges	-	-	152	-	-	152
Dividends and other payments to noncontrolling interests	-	-	-	(4,353)	-	(4,353)
Change in other, net	548	-	-	-	-	548
Net cash provided by (used for) financing activities	(754)	(71,879)	74,223	(7,536)	-	(5,946)
Effect of exchange rate changes on cash	-	-	-	(5,238)	-	(5,238)
Net increase (decrease) in cash and cash equivalents	(2,109)	31	6,535	(23,969)	4,793	(14,719)
Cash and cash equivalents at beginning of period	207,411	-	-	359,361	(4,793)	561,979



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Cash and cash equivalents at end of period	\$	205,302	\$	31	\$	6,535	\$	335,392	\$	-	\$	547,260
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## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Format of Presentation**

Management's discussion and analysis of our financial condition and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements and related footnotes. Our discussion is presented on both a consolidated and segment basis. All references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to Clear Channel Outdoor Holdings, Inc. and its consolidated subsidiaries. Our reportable segments are Americas outdoor advertising ("Americas") and International outdoor advertising ("International"). Our Americas and International segments provide outdoor advertising services in their respective geographic regions using various digital and traditional display types. Certain prior period amounts have been reclassified to conform to the 2014 presentation.

We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Other operating income (expense), net, Interest expense, Interest income on Due from Clear Channel Communications, Equity in loss of nonconsolidated affiliates, Other income (expense), net and Income tax benefit (expense) are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

Management typically monitors our businesses by reviewing the average rates, average revenue per display, occupancy and inventory levels of each of our display types by market. Our advertising revenue is derived from selling advertising space on the displays we own or operate in key markets worldwide, consisting primarily of billboards, street furniture and transit displays. Part of our long-term strategy is to pursue the technology of digital displays, including flat screens, LCDs and LEDs, as additions to traditional methods of displaying our clients' advertisements. We are currently installing these technologies in certain markets, both domestically and internationally.

Advertising revenue for our segments is highly correlated to changes in gross domestic product ("GDP") as advertising spending has historically trended in line with GDP, both domestically and internationally. Internationally, our results are impacted by fluctuations in foreign currency exchange rates and economic conditions in the foreign markets in which we have operations.

### **Executive Summary**

The key developments in our business for the three and three months ended March 31, 2014 are summarized below:

- Consolidated revenue decreased \$15.0 million including an increase of \$0.5 million from movements in foreign exchange during the three months ended March 31, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, consolidated revenue decreased \$15.5 million over the comparable three-month period of 2013.

- Americas revenue decreased \$17.7 million including a decrease of \$0.9 million from movements in foreign exchange during the three months ended March 31, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, revenue decreased \$16.8 million over the comparable three-month period of 2013 primarily driven primarily by lower revenues in our Los Angeles market as a result of the impact of litigation as well as lower airport revenues as a result of the loss of certain national accounts and the nonrenewal of certain airport contracts.
- International revenue increased \$2.7 million including an increase of \$1.4 million from movements in foreign exchange during the three months ended March 31, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, revenue increased \$1.3 million over the comparable three-month period of 2013 primarily driven by growth in emerging markets and certain developed markets, partially offset by declines in other countries.
- During the first quarter of 2014, we spent \$4.2 million on strategic revenue and cost-saving initiatives to realign and improve our on-going business operations—a decrease of \$2.5 million compared to the first quarter of 2013.

**RESULTS OF OPERATIONS****Consolidated Results of Operations**

The comparison of our results of operations for the three months ended March 31, 2014 to the three months ended March 31, 2013 is as follows:

<i>(In thousands)</i>								Three Months Ended			%
								March 31,			
								2014	2013	Change	
Revenue							\$ 635,251	\$ 650,210	(2%)		
Operating expenses:											
	Direct operating expenses (excludes depreciation and amortization)						381,513	386,191	(1%)		
	Selling, general and administrative expenses (excludes depreciation and amortization)						132,949	139,561	(5%)		
	Corporate expenses (excludes depreciation and amortization)						30,697	27,824	10%		
	Depreciation and amortization						98,742	100,327	(2%)		
	Other operating income, net						2,654	2,103	26%		
Operating loss							(5,996)	(1,590)	277%		
Interest expense							89,262	88,093			
Interest income on Due from Clear Channel Communications							14,673	11,920			
Equity in loss of nonconsolidated affiliates							(736)	(485)			
Other income (expense), net							1,898	(907)			
Loss before income taxes							(79,423)	(79,155)			
Income tax expense (benefit)							(16,946)	5,006			
Consolidated net loss							(96,369)	(74,149)			
	Less amount attributable to noncontrolling interest						501	129			
Net loss attributable to the Company							\$ (96,870)	\$ (74,278)			

**Consolidated Revenue**

Our consolidated revenue during the first quarter of 2014 decreased \$15.0 million including an increase of \$0.5 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated revenue decreased \$15.5 million. Americas revenue decreased \$17.7 million including negative movements in foreign exchange of \$0.9 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas revenue decreased \$16.8 million driven primarily by lower revenues in our Los Angeles market as a result of the impact of litigation, as well as the loss of certain national accounts and the nonrenewal of certain airport contracts. Our International revenue increased \$2.7 million including positive movements in foreign exchange of \$1.4 million compared to the same period of 2013.

Excluding the impact of foreign exchange movements, International revenue increased \$1.3 million. Revenue growth in street furniture in emerging markets and certain developed markets was partially offset by declines in other countries.

***Consolidated Direct Operating Expenses***

Direct operating expenses decreased \$4.7 million including an increase of \$0.5 million from movements in foreign exchange during the first quarter of 2014 compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated direct operating expenses decreased \$5.2 million. Direct operating expenses in our Americas segment decreased \$3.6 million including a decrease of \$0.7 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas segment decreased \$2.9 million, primarily due to reduced site lease expenses related to our airports business resulting from the nonrenewal of certain airport contracts as well as cost reduction efforts from previous strategic efficiency initiatives. Direct operating expenses in our International segment decreased \$1.1 million including an increase of \$1.2 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our International segment decreased \$2.3 million, primarily as a result of previous strategic efficiency initiatives.

***Consolidated Selling, General and Administrative (“SG&A”) Expenses***

SG&A expenses decreased \$6.6 million on a reported basis and excluding offsetting impacts from movements in foreign exchange during the first quarter of 2014 compared to the same period of 2013. SG&A expenses decreased \$3.3 million in our Americas segment primarily due to lower commission expenses payments in connection with lower revenues. Our International SG&A expenses decreased \$3.4 million compared to the same period in the prior year, primarily due to benefits resulting from our previous strategic efficiency initiatives.

***Corporate Expenses***

Corporate expenses increased \$2.9 million during the three months ended March 31, 2014 compared to the same period of 2013. The increase primarily related to expenditures in connection with strategic revenue and efficiency initiatives.

***Revenue and Efficiency Initiatives***

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses of \$4.2 million incurred in connection with our strategic revenue and efficiency initiatives during the three months ended March 31, 2014. The costs were incurred to improve revenue growth, enhance yield, reduce costs, and organize each business to maximize performance and profitability. These costs consist primarily of consolidation of locations and positions, severance related to workforce initiatives, consulting expenses, and other costs incurred in connection with improving our businesses. These costs are expected to provide benefits in future periods as the initiative results are realized. Of these costs during the first quarter of 2014, \$1.2 million are reported within direct operating expenses, \$1.2 million are reported within SG&A and \$1.8 million are reported within corporate expense. In the first quarter of 2013, such costs totaled \$2.5 million, \$4.1 million, and \$0.1 million, respectively.

***Depreciation and Amortization***

Depreciation and amortization decreased \$1.6 million during the three months ended March 31, 2014 compared to the same period of 2013. The decrease during the three months ended March 31, 2014 was primarily due to higher accelerated depreciation in the first quarter of 2013 as a result of disposals made in that period.

***Other Operating Income, Net***

Other operating income of \$2.7 million for the first quarter of 2014 and primarily related to proceeds received from condemnations.

Other operating income of \$2.1 million for the first quarter of 2013 primarily related to proceeds from the disposal of operating and fixed assets.

***Interest Income on Due From Clear Channel Communications***

Interest income increased \$2.8 million during the three months ended March 31, 2014 compared to the same period of 2013 due to the higher outstanding balance of the Due from Clear Channel Communications account.

***Income Tax Benefit (Expense)***

Our operations are included in a consolidated income tax return filed by CC Media Holdings, Inc. (“CC Media Holdings”). However, for our financial statements, our provision for income taxes was computed as if we file separate consolidated Federal income tax returns with our subsidiaries.

The effective tax rate for the three months ended March 31, 2014 was (21.3)%. The 2014 effective rate was primarily impacted by our inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

Our effective tax rate for the three months ended March 31, 2013 was 6.3%. The effective rate for the three months ended March 31, 2013 was primarily impacted by our inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

**Americas Results of Operations**

Our Americas operating results were as follows:

<i>(In thousands)</i>							Three Months Ended March 31,		%
							2014	2013	Change
Revenue						\$ 268,756	\$ 286,461	(6%)	
Direct operating expenses						133,288	136,891	(3%)	
SG&A expenses						51,111	54,372	(6%)	
Depreciation and amortization						47,599	48,685	(2%)	
Operating income						\$ 36,758	\$ 46,513	(21%)	





Our Americas revenue decreased \$17.7 million including negative movements in foreign exchange of \$0.9 million during the first quarter of 2014 compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas revenue decreased \$16.8 million driven primarily by lower revenues in our Los Angeles market as a result of the impact of litigation as discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q, as well as the loss of certain national accounts and the nonrenewal of certain airport contracts. Increased capacity and occupancy for our digital displays outside Los Angeles partially offset these declines.

Direct operating expenses decreased \$3.6 million including a decrease of \$0.7 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas segment decreased \$2.9 million primarily due to reduced site lease expenses related to our airports business resulting from the nonrenewal of certain airport contracts as well as cost reduction efforts from previous strategic efficiency initiatives. SG&A expenses decreased \$3.3 million primarily due to reduced compensation expenses, which were lower in connection with our reduced revenues.

### International Results of Operations

Our International operating results were as follows:

<i>(In thousands)</i>							Three Months Ended March 31,			%
							2014	2013	Change	
Revenue							\$ 366,495	\$ 363,749	1%	
Direct operating expenses							248,225	249,300	(0%)	
SG&A expenses							81,838	85,189	(4%)	
Depreciation and amortization							50,444	50,993	(1%)	
Operating income							\$ (14,012)	\$ (21,733)	(36%)	

International revenue increased \$2.7 million during the first quarter of 2014 compared to the same period of 2013, including an increase of \$1.4 million from movements in foreign exchange. Excluding the impact of foreign exchange, revenues increased \$1.3 million. The increase was driven by revenue growth in emerging markets, including China, and certain developed markets including the UK and France, primarily in street furniture and digital advertising revenue, partially offset by declines in other countries, including those in Northern and Eastern Europe, primarily due to challenging macroeconomic conditions.

Direct operating expenses decreased \$1.1 million including an increase of \$1.2 million from movements in foreign exchange during the first quarter of 2014. Excluding the impact of movements in foreign exchange, direct operating expenses decreased \$2.3 million, resulting from various decreases across multiple countries as a result of previous strategic efficiency initiatives. The \$3.4 million reduction in SG&A expenses was primarily due to benefits resulting from previous strategic efficiency initiatives.

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

<i>(In thousands)</i>					Three Months Ended March 31,				
					2014		2013		
Americas					\$	36,758		\$	46,513
International						(14,012)			(21,733)
Corporate expenses <sup>(1)</sup>						(31,396)			(28,473)
Other operating income, net						2,654			2,103
Consolidated operating loss					\$	(5,996)		\$	(1,590)

<sup>(1)</sup> Corporate expenses include expenses related to Americas and International as well as overall executive, administrative and support functions.

**Share-Based Compensation Expense**

Share-based compensation payments are recorded in corporate expenses and were \$2.0 million and \$1.7 million for the three months ended March 31, 2014 and 2013, respectively.

As of March 31, 2014, there was \$17.6 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over a weighted average period of approximately three years. In addition, as of March 31, 2014, there was \$0.6 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on market, performance and service conditions. This cost will be recognized when it becomes probable that the performance condition will be satisfied.

**LIQUIDITY AND CAPITAL RESOURCES****Cash Flows**

The following discussion highlights our cash flow activities during the three months ended March 31, 2014 and 2013.

<i>(In thousands)</i>					Three Months Ended March 31,				
					2014		2013		
Cash provided by (used for):									
Operating activities					\$	28,045		\$	33,274

	Investing activities		(37,793)			(36,809)
	Financing activities		(32,156)			(5,946)

### *Operating Activities*

Our consolidated net loss, adjusted for \$77.8 million of non-cash items, resulted in negative cash flows of \$18.5 million during the three months ended March 31, 2014. Our consolidated net loss, adjusted for \$81.9 million of non-cash items, provided positive cash flows of \$7.7 million during the three months ended March 31, 2013. Cash provided by operating activities during the three months ended March 31, 2014 was \$28.0 million compared to \$33.3 million during the three months ended March 31, 2013.

Non-cash items affecting our net loss include depreciation and amortization, deferred taxes, provision for doubtful accounts, share-based compensation, gain on disposal of operating assets, amortization of deferred financing charges and note discounts, net and other reconciling items, net as presented on the face of the consolidated statement of cash flows.

### *Investing Activities*

Cash used for investing activities of \$37.8 million during the three months ended March 31, 2014 primarily reflected capital expenditures of \$38.6 million. We spent \$12.2 million in our Americas segment primarily related to the construction of new advertising structures such as digital displays, \$25.1 million in our International segment primarily related to billboard and street furniture advertising structures, and \$1.3 million by Corporate. Partially offsetting cash used for investing activities were proceeds from sales of operating and fixed assets.

Cash used for investing activities of \$36.8 million during the three months ended March 31, 2013 primarily reflected capital expenditures of \$39.4 million. We spent \$12.9 million in our Americas segment primarily related to the construction of new advertising structures such as digital displays, \$25.9 million in our International segment primarily related to new advertising structures such as billboards and street furniture contracts and renewals of existing contracts, and \$0.6 million by Corporate. Partially offsetting cash used for investing activities were proceeds from sales of operating and fixed assets.

### ***Financing Activities***

Cash used for financing activities of \$32.2 million for the three months ended March 31, 2014 primarily reflected net transfers of \$28.7 million in cash to Clear Channel Communications, which represents the activity in the “Due from/to Clear Channel Communications” account. Other cash used for financing activities included payments to noncontrolling interests of \$4.0 million.

Cash used for financing activities of \$5.9 million for the three months ended March 31, 2013 reflected a \$4.4 million payment on long-term debt, partially offset by net transfers of \$1.5 million in cash from Clear Channel Communications, which represents the activity in the “Due from/to Clear Channel Communications” account.

### **Anticipated Cash Requirements**

Our primary source of liquidity is cash on hand, cash flow from operations, senior revolving credit facility and the revolving promissory note with Clear Channel Communications. Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand, cash flows from operations, any available borrowing capacity under the senior revolving credit facility and borrowing capacity under or repayment of amounts outstanding under the revolving promissory note with Clear Channel Communications will enable us to meet our working capital, capital expenditure, debt service and other funding requirements, including the debt service on the CCWH Senior Notes and the CCWH Subordinated Notes and dividends, for at least the next 12 months. In addition, we were in compliance with the covenants contained in our material financing agreements as of March 31, 2014. We believe our long-term plans, which include promoting outdoor media spending and capitalizing on our diverse geographic and product opportunities, including the continued deployment of digital displays, will enable us to continue generating cash flows from operations sufficient to meet our liquidity and funding requirements long term. However, our anticipated results are subject to significant uncertainty and there can be no assurance that we will be able to maintain compliance with these covenants. In addition, our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. At March 31, 2014, we had \$270.2 million of cash on our balance sheet, with \$207.6 million in consolidated cash balances held outside the U.S. by our subsidiaries, all of which is readily convertible into other foreign currencies including the U.S. dollar. We disclose in Item 8 of our Form 10-K within Note 1, Summary of Significant Accounting Policies, that our policy is to permanently reinvest the earnings of our non-U.S. subsidiaries as these earnings are generally redeployed in those jurisdictions for operating needs and continued functioning of their businesses. We have the ability and intent to indefinitely reinvest the undistributed earnings of consolidated subsidiaries based outside of the United States. If any excess cash held by our foreign subsidiaries were needed to fund operations in the United States, we could presently repatriate available funds without a requirement to accrue or pay U.S. taxes. This is a result of significant

current and historic deficits in our foreign earnings and profits, which gives us flexibility to make future cash distributions as non-taxable returns of capital.

Furthermore, in its Quarterly Report on Form 10-Q filed with the SEC on April 24, 2014, Clear Channel Communications stated that it was in compliance with the covenants contained in its material financing agreements as of March 31, 2014. Clear Channel Communications similarly stated in such Quarterly Report that its anticipated results are also subject to significant uncertainty and there can be no assurance that actual results will be in compliance with the covenants. Moreover, Clear Channel Communications stated in such Quarterly Report that its ability to comply with the covenants in its material financing agreements may be affected by events beyond its control, including prevailing economic, financial and industry conditions. As discussed therein, the breach of any covenants set forth in Clear Channel Communications' financing agreements would result in a default thereunder, and an event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, as discussed therein, the lenders under the receivables-based credit facility under Clear Channel Communications' senior secured credit facilities would have the option to terminate their commitments to make further extensions of credit thereunder. In addition, Clear Channel Communications stated in such Quarterly Report that if Clear Channel Communications is unable to repay its obligations under any secured credit facility, the lenders could proceed against any assets that were pledged to secure such facility. Finally, Clear Channel Communications stated in such Quarterly Report that a default or acceleration under any of its material financing agreements could cause a default under other obligations that are subject to cross-default and cross-acceleration provisions. If Clear Channel Communications were to become insolvent, we would be an unsecured creditor of Clear Channel Communications. In such event, we would be treated the same as other unsecured creditors of Clear Channel Communications and, if we were not entitled to the cash previously transferred to Clear Channel Communications, or could not obtain such cash on a timely basis, we could experience a liquidity shortfall.

For so long as Clear Channel Communications maintains significant control over us, a deterioration in the financial condition of Clear Channel Communications could have the effect of increasing our borrowing costs or impairing our access to capital markets. As of March 31, 2014, Clear Channel Communications had \$660.7 million recorded as “Cash and cash equivalents” on its consolidated balance sheets, of which \$270.2 million was held by us and our subsidiaries.

Our ability to fund our working capital, capital expenditures, debt service and other obligations depends on our future operating performance and cash from operations and other liquidity-generating transactions. If our future operating performance does not meet our expectations or our plans materially change in an adverse manner or prove to be materially inaccurate, we may need additional financing. We may not be able to secure any such additional financing on terms favorable to us or at all.

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

### Sources of Capital

As of March 31, 2014 and December 31, 2013, we had the following debt outstanding, cash and cash equivalents and amounts due from Clear Channel Communications:

<i>(In millions)</i>		March 31, 2014		December 31, 2013	
Clear Channel Worldwide Holdings Senior Notes due 2022		\$	2,725.0	\$	2,725.0
Clear Channel Worldwide Holdings Senior Subordinated Notes due 2020			2,200.0		2,200.0
Other debt			16.7		17.1
Original issue discount			(6.6)		(6.7)
Total debt			4,935.1		4,935.4
	Less: Cash and cash equivalents		270.2		314.5
	Less: Due from Clear Channel Communications		907.9		879.1
		\$	3,757.0	\$	3,741.8

We may from time to time repay our outstanding debt or seek to purchase our outstanding equity securities. Such transactions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

### *Promissory Notes with Clear Channel Communications*

We maintain accounts that represent net amounts due to or from Clear Channel Communications, which is recorded as “Due from/to Clear Channel Communications” on our consolidated balance sheets. The accounts represent our revolving promissory note issued by us to Clear Channel Communications and the revolving promissory note issued by Clear Channel Communications to us (the “Due from CCU Note”), in each case in the face amount of \$1.0 billion, or if more or less than such amount, the aggregate unpaid principal amount of all advances. The accounts accrue interest pursuant to the terms of the promissory notes and are generally payable on demand or when they mature on December 15, 2017. Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. Such day-to-day cash management services relate only to our cash activities and balances in the U.S. and exclude any cash activities and balances of our non-U.S. subsidiaries. At March 31, 2014 and December 31, 2013, the asset recorded in “Due from Clear Channel Communications” on our consolidated balance sheet was \$907.9 million and \$879.1 million, respectively. At March 31, 2014, we had no borrowings under the cash management note to Clear Channel Communications.

The net interest income for the three months ended March 31, 2014 and 2013 was \$14.7 million and \$11.9 million, respectively. At March 31, 2014 and December 31, 2013, the fixed interest rate on the Due from CCU Note was 6.5%, which is equal to the fixed interest rate on the CCWH senior notes. On October 23, 2013, in accordance with the terms of the settlement of derivative litigation previously filed by our stockholders, the interest rate on the Due from CCU Note was amended such that if the outstanding balance on the Due from CCU Note exceeds \$1.0 billion and under certain other circumstances tied to Clear Channel Communications’ liquidity, the rate will be variable but will in no event be less than 6.5% nor greater than 20%.

Our working capital requirements and capital for general corporate purposes, including acquisitions and capital expenditures, may be provided to us by Clear Channel Communications, in its sole discretion, pursuant to a revolving promissory note issued by us to Clear Channel Communications or pursuant to repayment of the Due from CCU Note. If we are unable to obtain financing from Clear Channel Communications, we may need to obtain additional financing from banks or other lenders, or through public offerings



or private placements of debt or equity, strategic relationships or other arrangements at some future date. As stated above, we may be unable to successfully obtain additional debt or equity financing on satisfactory terms or at all.

As long as Clear Channel Communications maintains a significant interest in us, pursuant to the Master Agreement between Clear Channel Communications and us, Clear Channel Communications will have the option to limit our ability to incur debt or issue equity securities, among other limitations, which could adversely affect our ability to meet our liquidity needs. Under the Master Agreement with Clear Channel Communications, we are limited in our borrowings from third parties to no more than \$400.0 million at any one time outstanding, without the prior written consent of Clear Channel Communications.

### ***Clear Channel Worldwide Holdings Senior Notes***

As of March 31, 2014, CCWH senior notes represented \$2.7 billion aggregate principal amount of indebtedness outstanding, which consisted of \$735.75 million aggregate principal amount of 6.5% Series A Senior Notes due 2022 (the "Series A CCWH Senior Notes") and \$1,989.25 million aggregate principal amount of 6.5% Series B CCWH Senior Notes due 2022 (the "Series B CCWH Senior Notes" and, together with the Series A CCWH Senior Notes, the "CCWH Senior Notes"). The CCWH Senior Notes are guaranteed by us, Clear Channel Outdoor, Inc. ("CCOI") and certain of our direct and indirect subsidiaries.

The Series A CCWH Senior Notes indenture and Series B CCWH Senior Notes indenture restrict our ability to incur additional indebtedness but permit us to incur additional indebtedness based on an incurrence test. In order to incur (i) additional indebtedness under this test, our debt to adjusted EBITDA ratios (as defined by the indentures) must be lower than 7.0:1 and 5.0:1 for total debt and senior debt, respectively, and (ii) additional indebtedness that is subordinated to the CCWH Senior Notes under this test, our debt to adjusted EBITDA ratios (as defined by the indentures) must not be lower than 7.0:1 for total debt. The indentures contain certain other exceptions that allow us to incur additional indebtedness. The Series B CCWH Senior Notes indenture also permits us to pay dividends from the proceeds of indebtedness or the proceeds from asset sales if our debt to adjusted EBITDA ratios (as defined by the indentures) are lower than 7.0:1 and 5.0:1 for total debt and senior debt, respectively. The Series A CCWH Senior Notes indenture does not limit our ability to pay dividends. The Series B CCWH Senior Notes indenture contains certain exceptions that allow us to pay dividends, including (i) \$525.0 million of dividends made pursuant to general restricted payment baskets and (ii) dividends made using proceeds received upon a demand by us of amounts outstanding under the revolving promissory note issued by Clear Channel Communications to us.

Consolidated leverage ratio, defined as total debt divided by EBITDA (as defined by the CCWH Senior Notes indentures) for the preceding four quarters was 6.5:1 at March 31, 2014, and senior leverage ratio, defined as senior debt divided by EBITDA (as defined by the CCWH Senior Notes indentures) for the preceding four quarters was 3.6:1 at March 31, 2014. As required by the definition of EBITDA in the CCWH Senior Notes indentures, our EBITDA for the preceding four quarters of \$766.2 million is calculated as operating income (loss) before depreciation, amortization, impairment charges and other operating income (expense), net, plus share-based compensation, and is further adjusted for the following: (i) costs incurred in connection with severance, the closure and/or consolidation of

facilities, retention charges, consulting fees and other permitted activities; (ii) extraordinary, non-recurring or unusual gains or losses or expenses; (iii) non-cash charges; and (iv) various other items.

The following table reflects a reconciliation of EBITDA (as defined by the CCWH Senior Notes indentures) to operating income and net cash provided by operating activities for the four quarters ended March 31, 2014:

		Four Quarters Ended	
<i>(In Millions)</i>		March 31, 2014	
<b>EBITDA</b> (as defined by the CCWH Senior Notes indentures)		\$	766.2
Less adjustments to EBITDA (as defined by the CCWH Senior Notes indentures):			
	Cost incurred in connection with severance, the closure and/or consolidation of facilities, retention charges, consulting fees, and other permitted activities		(36.4)
	Extraordinary, non-recurring or unusual gains or losses or expenses (as referenced in the definition of EBITDA in the CCWH Senior Notes indentures)		(16.9)
	Non-cash charges		(20.3)
	Other items		(7.5)
Less: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and Share-based compensation expense			(399.3)
<b>Operating income</b>			285.8
Plus: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and Share-based compensation expense			399.3
Less: Interest expense			(354.0)
Plus: Interest income on Due from Clear Channel Communications			57.0
Less: Current income tax benefit			(67.4)
Plus: Other income, net			3.8
Adjustments to reconcile consolidated net loss to net cash provided by operating activities (including Provision for doubtful accounts, Amortization of deferred financing charges and note discounts, net and Other reconciling items, net)			10.7
Change in assets and liabilities, net of assets acquired and liabilities assumed			74.2
<b>Net cash provided by operating activities</b>		\$	409.4

*Clear Channel Worldwide Holdings Senior Subordinated Notes*

As of March 31, 2014, CCWH Subordinated Notes represented \$2.2 billion of aggregate principal amount of indebtedness outstanding, which consist of \$275.0 million aggregate principal amount of 7.625% Series A Senior Subordinated Notes due 2020 (the "Series A CCWH Subordinated Notes") and \$1,925.0 million aggregate principal amount of 7.625% Series B Senior Subordinated Notes due 2020 (the "Series B CCWH Subordinated Notes").

The Series A CCWH Subordinated Notes indenture and Series B CCWH Subordinated Notes indenture restrict our ability to incur additional indebtedness but permit us to incur additional indebtedness based on an incurrence test. In order to incur additional indebtedness under this test, our debt to adjusted EBITDA ratio (as defined by the indentures) must be lower than 7.0:1. The indentures contain certain other exceptions that allow us to incur additional indebtedness. The Series B CCWH Subordinated Notes indenture also permits us to pay dividends from the proceeds of indebtedness or the proceeds from asset sales if our debt to adjusted EBITDA ratios (as defined by the indentures) is lower than 7.0:1. The Series A CCWH Senior Subordinated Notes indenture does not limit our ability to pay dividends. The Series B CCWH Subordinated Notes indenture contains certain exceptions that allow us to pay dividends, including (i) \$525.0 million of dividends made pursuant to general restricted payment baskets and (ii) dividends made using proceeds received upon a demand by us of amounts outstanding under the revolving promissory note issued by Clear Channel Communications to us.

#### ***Senior Revolving Credit Facility Due 2018***

We have a five-year senior secured revolving credit facility with an aggregate principal amount of \$75.0 million. The revolving credit facility may be used for working capital, to issue letters of credit and for other general corporate purposes. At March 31, 2014, there were no amounts outstanding under the revolving credit facility, and \$62.5 million of letters of credit under the revolving credit facility, which reduce availability under the facility.

## ***Other Debt***

Other debt consists primarily of loans with international banks. At March 31, 2014, approximately \$16.7 million was outstanding as other debt.

### ***Clear Channel Communications' Debt Covenants***

The Clear Channel Communications' senior secured credit facility contains a significant financial covenant which requires Clear Channel Communications to comply on a quarterly basis with a financial covenant limiting the ratio of its consolidated secured debt, net of cash and cash equivalents, to consolidated EBITDA (as defined by Clear Channel Communications' senior secured credit facility) for the preceding four quarters. The maximum ratio under this financial covenant is currently set at 9.00:1 and reduces to 8.75:1 for the four quarters ended December 31, 2014. In its Quarterly Report on Form 10-Q filed with the SEC on April 24, 2014, Clear Channel Communications stated that it was in compliance with this covenant as of March 31, 2014.

### **Commitments, Contingencies and Guarantees**

We are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued our estimate of the probable costs for resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. Please refer to "Legal Proceedings" within Part II of this Quarterly Report on Form 10-Q.

### **Seasonality**

Typically, both our Americas and International segments experience their lowest financial performance in the first quarter of the calendar year, with International historically experiencing a loss from operations in that period. Our International segment typically experiences its strongest performance in the second and fourth quarters of the calendar year. We expect this trend to continue in the future.

### **Market Risk**

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

### **Foreign Currency Exchange Rate Risk**

We have operations in countries throughout the world. Foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. We believe we mitigate a small portion of our exposure to foreign currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. Our foreign operations reported net income of \$26.8 million for the three months ended March 31, 2014. We estimate a 10% increase in the value of the U.S. dollar relative to foreign currencies would have decreased our net income for the three months ended March 31, 2014 by \$2.7 million. A 10% decrease in the value of the U.S. dollar relative to foreign currencies during the three months ended March 31, 2014 would have increased our net income for the three months ended March 31, 2014 by a corresponding amount.

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

### **Inflation**

Inflation is a factor in the economies in which we do business and we continue to seek ways to mitigate its effect. Inflation has affected our performance in terms of higher costs for wages, salaries and equipment. Although the exact impact of inflation is indeterminable, we believe we have offset these higher costs by increasing the effective advertising rates of most of our outdoor display faces.

### **Cautionary Statement Concerning Forward-Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including, without limitation, our future operating and financial performance, our ability to comply with the covenants in the agreements governing our indebtedness and the availability of capital and the terms

thereof. Statements expressing expectations and projections with respect to future matters are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our future performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and performance. There can be no assurance, however, that management's expectations will necessarily come to pass. Actual future events and performance may differ materially from the expectations reflected in our forward-looking statements. We do not intend, nor do we undertake any duty, to update any forward-looking statements.

A wide range of factors could materially affect future developments and performance, including but not limited to:

- risks associated with weak or uncertain global economic conditions and their impact on the capital markets;
- other general economic and political conditions in the United States and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;
- industry conditions, including competition;
- the level of expenditures on advertising;
- legislative or regulatory requirements;
- fluctuations in operating costs;
- technological changes and innovations;
- changes in labor conditions and management;
- capital expenditure requirements;
- risks of doing business in foreign countries;
- fluctuations in exchange rates and currency values;
- the outcome of pending and future litigation;
- taxes and tax disputes;
- changes in interest rates;
- shifts in population and other demographics;

- access to capital markets and borrowed indebtedness;
- our ability to implement our business strategies;
- the risk that we may not be able to integrate the operations of acquired businesses successfully;
- the risk that our cost savings initiatives may not be entirely successful or that any cost savings achieved from those initiatives may not persist;
- the impact of our substantial indebtedness, including the effect of our leverage on our financial position and earnings;
- our ability to generate sufficient cash from operations or other liquidity-generating transactions and our need to allocate significant amounts of our cash to make payments on our indebtedness, which in turn could reduce our financial flexibility and ability to fund other activities;
- our relationship with Clear Channel Communications, including its ability to elect all of the members of our board of directors and its ability as our controlling stockholder to determine the outcome of matters submitted to our stockholders and certain additional matters governed by intercompany agreements between us;
- the impact of the above and similar factors on Clear Channel Communications, our primary direct or indirect external source of capital, which could have a significant need for capital in the future; and
- certain other factors set forth in our other filings with the Securities and Exchange Commission.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative and is not intended to be exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Required information is presented under “Market Risk” within Item 2 of this Part I.

### **ITEM 4. CONTROLS AND PROCEDURES**

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we have carried out an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2014 to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded,



processed, summarized and reported within the time periods specified by the

SEC and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

## PART II -- OTHER INFORMATION

### Item 1. Legal Proceedings

We currently are involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued an estimate of the probable costs for the resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. Additionally, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our financial condition or results of operations.

Although we are involved in a variety of legal proceedings in the ordinary course of business, a large portion of our litigation arises in the following contexts: commercial disputes; employment and benefits related claims; governmental fines; and tax disputes.

### Los Angeles Litigation

In 2008, Summit Media, LLC, one of our competitors, sued the City of Los Angeles (the “City”), Clear Channel Outdoor, Inc. and CBS Outdoor in Los Angeles Superior Court (Case No. BS116611) challenging the validity of a settlement agreement that had been entered into in November 2006 among the parties. Pursuant to the settlement agreement, Clear Channel Outdoor, Inc. had taken down existing billboards and converted 83 existing signs from static displays to digital displays pursuant to modernization permits issued through an administrative process of the City. The Los Angeles Superior Court ruled in January 2010 that the settlement agreement constituted an ultra vires act of the City and nullified its existence, but did not invalidate the modernization permits issued to Clear Channel Outdoor, Inc. and CBS. All parties appealed the ruling by the Los Angeles Superior Court to the Court of Appeal for the State of California, Second Appellate District, Division 8. On December 10, 2012, the Court of Appeal issued an order upholding the Superior Court’s finding that the settlement agreement was ultra vires and remanding the case to the Superior Court for the purpose of invalidating the modernization permits issued to Clear Channel Outdoor, Inc. and CBS for the digital displays that were the subject of the settlement agreement. On January 22, 2013, Clear Channel Outdoor, Inc. filed a petition with the California Supreme Court requesting its review of the matter, and the Supreme Court denied that petition on February 27, 2013. On April 12, 2013, the Los Angeles Superior Court invalidated 82 digital modernization permits issued to Clear Channel Outdoor, Inc. (77 of which displays were operating at the time of the ruling) and 13 issued to CBS and ordered that the companies turn off the electrical power to affected digital displays by the close of business on April 15, 2013. Clear Channel Outdoor, Inc. has complied with the order. On April 16, 2013, the Court conducted further proceedings during which it held that it was not invalidating two additional digital modernization permits that Clear Channel Outdoor, Inc. had secured through a special zoning plan and confirmed that its April 12 order invalidated only digital modernization permits – no other types of permits the companies may have secured for the signs at issue. Summit Media, LLC filed a further motion requesting that the Court order the demolition of the 82 sign structures on which the now-invalidated digital signs operated, as well as the

invalidation of several other permits for traditional signs allegedly issued under the settlement agreement. At a hearing held on November 22, 2013, the Court denied Summit Media, LLC's demolition motion by allowing the 82 sign structures and their LED faces to remain intact, thus allowing Clear Channel Outdoor, Inc. to seek permits under the existing City sign code to either wrap the LED faces with vinyl or convert the LED faces to traditional static signs. The Court further confirmed the invalidation of all permits issued under the settlement agreement. In anticipation of this order, Clear Channel Outdoor, Inc. had removed six static billboard facings solely permitted under the settlement agreement. At a hearing held on January 21, 2014, the Court denied Summit Media, LLC's motion for attorney's fees on the basis that Summit Media, LLC had a substantial financial interest in the outcome of the litigation and, therefore, was not entitled to fees under California's private attorney general statute. On March 12, 2014, Summit Media, LLC filed Notices of Appeal of the orders denying Summit Media, LLC's fee petition and denying in part Summit Media, LLC's demolition motion.

### **Item 1A. Risk Factors**

For information regarding our risk factors, please refer to Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2013. There have not been any material changes in the risk factors disclosed in the Form 10-K.

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

The following table sets forth the purchases made during the quarter ended March 31, 2014 by or on behalf of us or an affiliated purchaser of shares of our Class A common stock registered pursuant to Section 12 of the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs		
		\$	-			-	(1)
January 1 through January 31	-	\$	-	-		-	(1)
February 1 through February 28	-		-	-		-	(1)
March 1 through March 31	-		-	-		-	(1)
Total	-		-	-	\$	82,934,423	(1)

(1) On August 9, 2010, Clear Channel Communications announced that its board of directors approved a stock purchase program under which Clear Channel Communications or its subsidiaries may purchase up to an aggregate of \$100 million of our Class A common stock and/or the Class A common stock of CC Media Holdings. No shares of our Class A common stock or CC Media Holdings' Class A common stock were purchased under the stock purchase program during the quarter ended March 31, 2014. During 2011, a subsidiary of Clear Channel Communications purchased \$16,372,690 of our Class A common stock (1,553,971 shares) in open market purchases. During 2012, a subsidiary of Clear Channel Communications purchased \$692,887 of the Class A common stock of CC Media Holdings (111,291 shares) under the stock purchase program. As a result of these purchases of shares of the Class A common stock of CC Media Holdings and our Class A common stock, an aggregate of \$82,934,423 remains available under the stock purchase program to purchase the Class A common stock of CC Media Holdings and/or our Class A common stock. The stock purchase program does not have a fixed expiration date and may be modified, suspended or terminated at any time at Clear Channel Communications' discretion.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

Other Debt

**Item 5. Other Information**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit</b>	
<b>Number</b>	<b>Description</b>
10.1	First Amendment to Amended and Restated License Agreement dated January 14, 2014 between Clear Channel Identity, Inc. and Outdoor Management Services, Inc. (Incorporated by reference to Exhibit 10.17 to the Clear Channel Outdoor Holdings, Inc. Annual Report on Form 10-K for the year ended December 31, 2013).
10.2	Amended and Restated Employment Agreement, dated as of January 13, 2014 between Robert Pittman and CC Media Holdings, Inc. (Incorporated by reference to Exhibit 10.1 to the CC Media Holdings, Inc. Current Report on Form 8-K filed on January 13, 2014).
10.3	Restricted Stock Award Agreement under the Clear Channel Outdoor Holdings, Inc. 2012 Stock Incentive Plan, dated January 13, 2014, between Robert W. Pittman and Clear Channel Outdoor Holdings, Inc. (Incorporated by reference to Exhibit D of Exhibit 10.1 to the CC Media Holdings, Inc. Current Report on Form 8-K filed on January 13, 2014).
11*	Statement re: Computation of Income (Loss) Per Share.
31.1*	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive Data Files.

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\* Filed herewith.

\*\* Furnished herewith.



**Signatures**

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

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

April 24, 2014

/s/ SCOTT D. HAMILTON

Scott D. Hamilton

Senior Vice President, Chief Accounting Officer and

Assistant Secretary

