

CLEAR CHANNEL COMMUNICATIONS INC  
Form 10-Q  
April 24, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

- 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**

**001-09645**

**CLEAR CHANNEL COMMUNICATIONS, INC.**

(Exact name of registrant as specified in its charter)

<b>Texas</b>	<b>74-1787539</b>
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(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
<b>200 East Basse Road</b>	

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San Antonio, Texas	78209
(Address of principal executive offices)	(Zip Code)

(210) 822-2828

(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.

2014	Class	Outstanding at April 16,
	~~~~~	~~~~~

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Common Stock, \$.001 par value

500,000,000

The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this form in a reduced disclosure format permitted by General Instruction H(2).

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**CLEAR CHANNEL COMMUNICATIONS, INC.**

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

# **CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**

# **CONSOLIDATED BALANCE SHEETS**



	March 31, 2014		December 31, 2013	
(In thousands, except share data)	(Unaudited)			
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$	660,742	\$	708,151
Accounts receivable, net of allowance of \$47,042 in 2014 and \$48,401 in 2013		1,302,243		1,454,346
Prepaid expenses		217,453		189,640
Other current assets		169,952		161,157
<b>Total Current Assets</b>		<b>2,350,390</b>		<b>2,513,294</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Structures, net		1,729,815		1,765,510
Other property, plant and equipment, net		1,125,571		1,132,120
<b>INTANGIBLE ASSETS AND GOODWILL</b>				
Indefinite-lived intangibles - licenses		2,415,919		2,416,406
Indefinite-lived intangibles - permits		1,067,318		1,067,783
Other intangibles, net		1,400,323		1,466,546
Goodwill		4,204,897		4,202,187
<b>OTHER ASSETS</b>				
Other assets		302,893		533,456
<b>Total Assets</b>	\$	<b>14,597,126</b>	\$	<b>15,097,302</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$	141,731	\$	131,370
Accrued expenses		767,489		807,210
Accrued interest		141,048		194,844
Deferred income		242,390		176,460
Current portion of long-term debt		413,882		453,734
<b>Total Current Liabilities</b>		<b>1,706,540</b>		<b>1,763,618</b>
Long-term debt		20,010,504		20,030,479
Deferred income taxes		1,571,047		1,537,820
Other long-term liabilities		436,987		462,020
Commitments and contingent liabilities (Note 5)				
<b>SHAREHOLDER'S DEFICIT</b>				
Noncontrolling interest		232,835		245,531
Common Stock, par value \$.001 per share, authorized and issued 500,000,000 shares in				
2014 and 2013, respectively		500		500
Additional paid-in-capital		2,142,466		2,142,036
Accumulated deficit		(11,312,819)		(10,888,629)
Accumulated other comprehensive loss		(190,934)		(196,073)
<b>Total Shareholder's Deficit</b>		<b>(9,127,952)</b>		<b>(8,696,635)</b>
<b>Total Liabilities and Shareholder's Deficit</b>	\$	<b>14,597,126</b>	\$	<b>15,097,302</b>



See Notes to Consolidated Financial Statements



## CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

		Three Months Ended March 31,			
		2014		2013	
<i>(In thousands)</i>					
Revenue		\$	1,342,548	\$	1,343,058
Operating expenses:					
	Direct operating expenses (excludes depreciation and amortization)		596,496		594,817
	Selling, general and administrative expenses (excludes depreciation and amortization)		415,828		403,363
	Corporate expenses (excludes depreciation and amortization)		72,705		83,763
	Depreciation and amortization		174,871		182,182
	Other operating income, net		165		2,395
Operating income			82,813		81,328
Interest expense			431,114		385,525
Equity in earnings (loss) of nonconsolidated affiliates			(13,326)		3,641
Loss on extinguishment of debt			(3,916)		(3,888)
Other income (expense), net			1,541		(1,000)
Loss before income taxes			(364,002)		(305,444)
Income tax benefit (expense)			(68,388)		96,325
Consolidated net loss			(432,390)		(209,119)
	Less amount attributable to noncontrolling interest		(8,200)		(6,116)
Net loss attributable to the Company		\$	(424,190)	\$	(203,003)
Other comprehensive income (loss), net of tax:					
	Foreign currency translation adjustments		(2,217)		(23,413)
Unrealized gain on securities and derivatives:					
	Unrealized holding gain on marketable securities		1,084		4,435
	Unrealized holding gain on cash flow derivatives		-		14,823
	Other adjustments to comprehensive income (loss)		3,309		(998)
Other comprehensive income (loss)			2,176		(5,153)
Comprehensive loss			(422,014)		(208,156)
	Less amount attributable to noncontrolling interest		(2,963)		(3,223)
Comprehensive loss attributable to the Company		\$	(419,051)	\$	(204,933)

See Notes to Consolidated Financial Statements



## CLEAR CHANNEL COMMUNICATIONS, 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	\$	(432,390)	\$	(209,119)
<b>Reconciling items:</b>					
	Depreciation and amortization		174,871		182,182
	Deferred taxes		25,308		(106,991)
	Provision for doubtful accounts		3,418		4,576
	Amortization of deferred financing charges and note discounts, net		31,220		31,356
	Share-based compensation		3,036		5,517
	Gain on disposal of operating and fixed assets		(165)		(2,395)
	Equity in (earnings) loss of nonconsolidated affiliates		13,326		(3,641)
	Loss on extinguishment of debt		3,916		3,888
	Other reconciling items, net		(1,577)		6,469
	Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:				
	Decrease in accounts receivable		149,407		143,413
	Increase in deferred income		61,525		19,519
	Decrease in accrued expenses		(39,724)		(79,301)
	Increase (decrease) in accounts payable		8,008		(26,422)
	Decrease in accrued interest		(39,739)		(29,423)
	Changes in other operating assets and liabilities		(52,088)		(26,219)
	Net cash used for operating activities		(91,648)		(86,591)
<b>Cash flows from investing activities:</b>					
	Purchases of property, plant and equipment		(67,408)		(61,620)
	Purchases of other operating assets		(370)		(1,344)
	Proceeds from sale of investments in nonconsolidated affiliates		220,961		-
	Proceeds from disposal of assets		1,425		7,268
	Change in other, net		(1,954)		(1,515)
	Net cash provided by (used for) investing activities		152,654		(57,211)
<b>Cash flows from financing activities:</b>					
	Draws on credit facilities		820		270,137
	Payments on credit facilities		(247,675)		(22,500)
	Proceeds from long-term debt		209,975		575,000



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	Payments on long-term debt		(63,902)		(1,163,436)
	Dividends and other payments to noncontrolling interests		(3,955)		(4,353)
	Deferred financing charges		(1,064)		(9,678)
	Change in other, net		(183)		548
	Net cash used for financing activities		(105,984)		(354,282)
	Effect of exchange rate changes on cash		(2,431)		(5,356)
	Net decrease in cash and cash equivalents		(47,409)		(503,440)
	Cash and cash equivalents at beginning of period		708,151		1,225,010
	Cash and cash equivalents at end of period	\$	660,742	\$	721,570

See Notes to Consolidated Financial Statements



**CLEAR CHANNEL COMMUNICATIONS, 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 Communications, 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. 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.

**Information Regarding the Company**

The Company is a Texas corporation with all of its common stock being held by Clear Channel Capital I, LLC (the “Parent Company”). All of the Parent Company’s interests are held by Clear Channel Capital II, LLC, a direct, wholly-owned subsidiary of CC Media Holdings, Inc. (“CCMH”). CCMH was formed in May 2007 by private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the “Sponsors”) for the purpose of acquiring the business of the Company.

**Omission of Per Share Information**

Net loss per share information is not presented as the Parent Company owns 100% of the Company’s common stock. The Company does not have any publicly traded common stock or potential common stock.

### **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.

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

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.

**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	\$	748,722	\$	723,268
Towers, transmitters and studio equipment		442,105		440,612
Furniture and other equipment		496,039		473,995
Construction in progress		101,836		123,814
		1,788,702		1,761,689
Less: accumulated depreciation		663,131		629,569
Other property, plant and equipment, net	\$	1,125,571	\$	1,132,120

**Indefinite-lived Intangible Assets**

The Company's indefinite-lived intangible assets consist of Federal Communications Commission ("FCC") broadcast licenses in its Media and Entertainment ("CCME") segment and billboard permits in its Americas outdoor advertising segment. Due to significant differences in both business practices and regulations, billboards in the International outdoor advertising 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 outdoor advertising segment.



**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****Other Intangible Assets**

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets include primarily transit and street furniture contracts, talent and representation contracts, customer and advertiser relationships, and site-leases, all of which are amortized over the respective lives of the agreements, or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. 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 outdoor									
	contractual rights	\$	778,815	\$	(482,518)	\$	777,521	\$	(464,548)
Customer / advertiser relationships			1,212,745		(675,838)		1,212,745		(645,988)
Talent contracts			319,384		(202,393)		319,617		(195,403)
Representation contracts			253,090		(206,282)		252,961		(200,058)
Permanent easements			173,882		-		173,753		-
Other			387,425		(157,987)		387,405		(151,459)
	Total	\$	3,125,341	\$	(1,725,018)	\$	3,124,002	\$	(1,657,456)

Total amortization expense related to definite-lived intangible assets was \$66.9 million and \$72.1 million for the three months ended March 31, 2014 and 2013, respectively.

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



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<i>(In thousands)</i>		
2015	\$	239,645
2016		225,219
2017		200,878
2018		131,246
2019		44,106

**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****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>	CCME	Americas Outdoor Advertising	International Outdoor Advertising	Other	Consolidated
Balance as of December 31, 2012	\$ 3,236,688	\$ 571,932	\$ 290,316	\$ 117,149	\$ 4,216,085
Impairment	-	-	(10,684)	-	(10,684)
Acquisitions	-	-	-	97	97
Dispositions	-	-	(456)	-	(456)
Foreign currency	-	-	(974)	-	(974)
Other	(1,881)	-	-	-	(1,881)
Balance as of December 31, 2013	\$ 3,234,807	\$ 571,932	\$ 278,202	\$ 117,246	\$ 4,202,187
Acquisitions	-	-	-	299	299
Foreign currency	-	-	2,346	-	2,346
Other	65	-	-	-	65
Balance as of March 31, 2014	\$ 3,234,872	\$ 571,932	\$ 280,548	\$ 117,545	\$ 4,204,897

**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
Senior Secured Credit Facilities <sup>(1)</sup>	\$ 8,224,014	\$ 8,225,754
Receivables Based Facility due 2017	-	247,000
9.0% Priority Guarantee Notes due 2019	1,999,815	1,999,815
9.0% Priority Guarantee Notes due 2021	1,750,000	1,750,000
11.25% Priority Guarantee Notes due 2021	575,000	575,000
Subsidiary senior revolving credit facility due 2018	-	-
Other secured subsidiary long-term debt <sup>(2)</sup>	19,818	21,124
Total consolidated secured debt	12,568,647	12,818,693

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Senior Cash Pay Notes due 2016		94,304		94,304
Senior Toggle Notes due 2016 <sup>(3)</sup>		127,941		127,941
Senior Notes due 2021 <sup>(4)</sup>		1,645,244		1,404,202
Senior Notes <sup>(5)</sup>		1,374,568		1,436,455
Subsidiary Senior Notes due 2022		2,725,000		2,725,000
Subsidiary Senior Subordinated Notes due 2020		2,200,000		2,200,000
Other subsidiary debt		854		10
Purchase accounting adjustments and original issue discount		(312,172)		(322,392)
		20,424,386		20,484,213
Less: current portion		413,882		453,734
Total long-term debt	\$	20,010,504	\$	20,030,479

(1) Term Loan B matures 2016. Term Loan C is subject to an amortization schedule with required payments at various dates from 2014 through 2016. Term Loan D and Term Loan E mature 2019.

(2) Other secured subsidiary long-term debt matures at various dates from 2014 through 2028.

(3) Senior Toggle Notes are subject to required payments at various dates from 2015 through 2016.

(4) Senior Notes due 2021 are subject to required payments at various dates from 2018 through 2021.

(5) The Company's Senior Notes mature at various dates from 2014 through 2027.

**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**

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

**(UNAUDITED)**

The Company's weighted average interest rate at March 31, 2014 and December 31, 2013 were 7.7% and 7.6%, respectively. The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$21.1 billion and \$20.5 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 either Level 1 or Level 2.

**Subsidiary Sale of Long-Term Debt**

On February 14, 2014, CC Finco LLC ("CC Finco"), an indirect wholly-owned subsidiary of the Company, sold \$227.0 million in aggregate principal amount of Senior Notes due 2021 to private purchasers in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Act"). The purchasers validly tendered the Senior Notes due 2021 into the Company's previously-announced registered exchange offer for the Senior Notes due 2021, which expired on February 20, 2014 (the "A/B Exchange Offer"). Upon completion of the A/B Exchange Offer, the purchasers of the Senior Notes due 2021, along with all other holders of the Senior Notes due 2021 who validly tendered such notes into the A/B Exchange Offer, received Senior Notes due 2021 that were registered under the Act. CC Finco contributed the net proceeds from the sale of the Senior Notes due 2021 to the Company, which intends to use such proceeds to repay, repurchase or otherwise acquire outstanding indebtedness from time to time and retire that indebtedness as it becomes due or upon its earlier repayment, repurchase or acquisition.

**Debt Repayments, Maturities and Other**

During February 2014, the Company repaid all principal amounts outstanding under its receivables based credit facility, using cash on hand. This voluntary repayment did not reduce the commitments under this facility and the Company has the ability to redraw amounts under this facility at any time.

During March 2014, CC Finco repurchased, through open market purchases, a total of \$61.9 million aggregate principal amount of notes, comprised of \$52.9 million of the Company's outstanding 5.5% Senior Notes due 2014 and \$9.0 million of the Company's outstanding 4.9% Senior Notes due 2015, for a total purchase price of \$63.1 million, including accrued interest. The Company cancelled these notes subsequent to the purchase.

**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	\$	(43,080)	\$	(10,666)
Deferred tax benefit (expense)		(25,308)		106,991
Income tax benefit (expense)	\$	(68,388)	\$	96,325

The effective tax rate for the three months ended March 31, 2014 was (18.8)%. The 2014 effective tax rate was primarily impacted by the valuation allowance recorded against a portion of the Company's U.S. federal, state and certain foreign jurisdiction net operating losses and other deferred tax assets due to the uncertainty of the ability to utilize those assets in future periods. The Company has recorded a partial valuation allowance against these deferred tax assets as the reversing deferred tax liabilities that can be used as a source of future taxable income to realize the deferred tax assets was exceeded by the additional net operating losses generated in the period ended March 31, 2014.

The effective tax rate for the three months ended March 31, 2013 was 31.5%. The 2013 effective tax rate was impacted by the Company's inability to record tax benefit on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****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 \$3.5 million and \$0.4 million, respectively, was as follows:

<i>(In thousands)</i>	Three Months Ended March 31,			
	2014		2013	
Interest	\$	412,643	\$	385,238
Income taxes		11,504		13,175

**Australian Radio Network**

The Company owned a 50% interest in Australian Radio Network (“ARN”), an Australian company that owns and operates radio stations in Australia and New Zealand. An impairment charge of \$95.4 million was recorded during the fourth quarter of 2013 to write down the investment to its estimated fair value. On February 18, 2014, a subsidiary of the Company sold its 50% interest in ARN, recognizing a loss on the sale of \$2.4 million and \$11.5 million of foreign exchange losses that were reclassified from accumulated other comprehensive income at the date of the sale.

**Other Comprehensive Income (Loss)**

The following table discloses the deferred income tax (asset) liability related to each component of other comprehensive income (loss) for the three months ended March 31, 2014 and 2013, respectively:

<i>(In thousands)</i>	Three Months Ended March 31,				
	2014		2013		
Foreign currency translation adjustments and other	\$	8,181	\$	(730)	
Unrealized holding gain on marketable securities		-		2,820	
Unrealized holding gain on cash flow derivatives		-		8,774	
	Total increase in deferred tax liabilities	\$	8,181	\$	10,864

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

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 the Company's 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 its litigation arises in the following contexts: commercial disputes; defamation matters; employment and benefits related claims; governmental fines; intellectual property claims; 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 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

**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**

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

**(UNAUDITED)**

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.

**NOTE 6 – GUARANTEES**

As of March 31, 2014, the Company had outstanding surety bonds and commercial standby letters of credit of \$46.3 million and \$112.7 million, respectively, of which \$0.4 million of letters of credit were cash secured. 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. These letters of credit and surety bonds relate to various operational matters including insurance, bid, and performance bonds as well as other items.

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 7 – CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The Company is a party to a management agreement with certain affiliates of the Sponsors and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These agreements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not



greater than \$15.0 million per year, plus reimbursable expenses. For the three months ended March 31, 2014 and 2013, the Company recognized management fees and reimbursable expenses of \$4.0 million and \$4.1 million, respectively.

## CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## NOTE 8 – STOCKHOLDER’S DEFICIT 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 stockholder’s deficit 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	\$	(8,942,166)	\$	245,531	\$	(8,696,635)
Net loss		(424,190)		(8,200)		(432,390)
Foreign currency translation adjustments		875		(3,092)		(2,217)
Unrealized holding gain on marketable securities		955		129		1,084
Other adjustments to comprehensive loss		3,309		-		3,309
Other, net		430		(1,533)		(1,103)
Balances at March 31, 2014	\$	(9,360,787)	\$	232,835	\$	(9,127,952)
Balances at January 1, 2013	\$	(8,299,188)	\$	303,997	\$	(7,995,191)
Net loss		(203,003)		(6,116)		(209,119)
Foreign currency translation adjustments		(20,306)		(3,107)		(23,413)
Unrealized holding gain on marketable securities		4,438		(3)		4,435
Unrealized holding gain on cash flow derivatives		14,823		-		14,823
Other adjustments to comprehensive loss		(885)		(113)		(998)
Other, net		1,291		(1,531)		(240)
Balances at March 31, 2013	\$	(8,502,830)	\$	293,127	\$	(8,209,703)

The Company does not have any compensation plans under which it grants awards to employees. CCMH and Clear Channel Outdoor Holdings, Inc. have granted options to purchase shares of their Class A common stock to certain key individuals, as well as restricted stock and restricted stock units.

**NOTE 9 – SEGMENT DATA**

The Company's reportable segments, which it believes best reflect how the Company is currently managed, are CCME, Americas outdoor advertising and International outdoor advertising. Revenue and expenses earned and charged between segments are recorded at estimated fair value and eliminated in consolidation. The CCME segment provides media and entertainment services via broadcast and digital delivery and also includes the Company's national syndication business. The Americas outdoor advertising segment consists of operations primarily in the United States and Canada. The International outdoor advertising segment primarily includes operations in Europe, Asia, Australia and Latin America. The Americas outdoor and International outdoor display inventory consists primarily of billboards, street furniture displays and transit displays. The Other category includes the Company's media representation business as well as other general support services and initiatives which are ancillary to the Company's other businesses. 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.

## CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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

<i>(In thousands)</i>	CCME	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
<b>Three Months Ended March 31, 2014</b>							
Revenue	\$ 670,347	\$ 268,756	\$ 366,495	\$ 51,462	\$ -	\$ (14,512)	\$ 1,342,548
Direct operating expenses	210,754	133,288	248,225	6,388	-	(2,159)	596,496
Selling, general and administrative expenses	259,155	51,111	81,838	36,077	-	(12,353)	415,828
Depreciation and amortization	62,571	47,599	50,444	8,719	5,538	-	174,871
Corporate expenses	-	-	-	-	72,705	-	72,705
Other operating income, net	-	-	-	-	165	-	165
Operating income (loss)	\$ 137,867	\$ 36,758	\$ (14,012)	\$ 278	\$ (78,078)	\$ -	\$ 82,813
Intersegment revenues	\$ -	\$ 976	\$ -	\$ 13,536	\$ -	\$ -	\$ 14,512
Capital expenditures	\$ 10,292	\$ 12,220	\$ 25,086	\$ 1,807	\$ 18,003	\$ -	\$ 67,408

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Share-based compensation expense	\$ -	\$ -	\$ -	\$ -	\$ 3,036	\$ -	\$ 3,036
<b>Three Months Ended March 31, 2013</b>							
Revenue	\$ 656,566	\$ 286,461	\$ 363,749	\$ 49,219	\$ -	\$ (12,937)	\$ 1,343,058
Direct operating expenses	204,268	136,891	249,300	6,494	-	(2,136)	594,817
Selling, general and administrative expenses	239,142	54,372	85,189	35,461	-	(10,801)	403,363
Depreciation and amortization	67,832	48,685	50,993	9,982	4,690	-	182,182
Corporate expenses	-	-	-	-	83,763	-	83,763
Other operating income, net	-	-	-	-	2,395	-	2,395
Operating income (loss)	\$ 145,324	\$ 46,513	\$ (21,733)	\$ (2,718)	\$ (86,058)	\$ -	\$ 81,328
Intersegment revenues	\$ -	\$ 83	\$ -	\$ 12,854	\$ -	\$ -	\$ 12,937
Capital expenditures	\$ 14,244	\$ 12,895	\$ 25,908	\$ 2,103	\$ 6,470	\$ -	\$ 61,620
Share-based compensation expense	\$ -	\$ -	\$ -	\$ -	\$ 5,517	\$ -	\$ 5,517

## **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 Communications, Inc. and its consolidated subsidiaries. Our reportable segments are Media and Entertainment ("CCME"), Americas outdoor advertising ("Americas outdoor" or "Americas outdoor advertising") and International outdoor advertising ("International outdoor" or "International outdoor advertising"). Our CCME segment provides media and entertainment services via broadcast and digital delivery and also includes our national syndication business. Our Americas outdoor and International outdoor segments provide outdoor advertising services in their respective geographic regions using various digital and traditional display types. Included in the "Other" category are our media representation business, Katz Media Group, as well as other general support services and initiatives, which are ancillary to our other businesses. 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, Equity in earnings (loss) of nonconsolidated affiliates, Other 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.

Our CCME business utilizes several key measurements to analyze performance, including average minute rates and minutes sold. Our CCME revenue is derived primarily from selling advertising time, or spots, on our radio stations, with advertising contracts typically less than one year in duration. The programming formats of our radio stations are designed to reach audiences with targeted demographic characteristics that appeal to our advertisers. We also provide streaming content via the Internet, mobile and other digital platforms which reach national, regional and local audiences and derive revenues primarily from selling advertising time with advertising contracts similar to those used by our radio stations.

Management typically monitors our Americas outdoor and International outdoor advertising businesses by reviewing the average rates, average revenue per display, occupancy and inventory levels of each of our display types by market. Our outdoor 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 for our Americas outdoor and International outdoor advertising businesses 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.

Our advertising revenue for all of 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 months ended March 31, 2014 are summarized below:

- Consolidated revenue was relatively flat 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 \$1.0 million over the comparable three-month period in the prior year.
- CCME revenue increased \$13.8 million during the three months ended March 31, 2014 compared to the same period of 2013 driven by increased revenues from our traffic and weather business, national revenues and digital revenues.
- Americas outdoor 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 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 outdoor 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.
- Revenues in our Other category increased \$2.2 million during the three months ended March 31, 2014 compared to the same period of 2013 primarily due to increased political advertising revenue in our media representation business.
- During the first quarter of 2014, we spent \$13.2 million on strategic revenue and cost-saving initiatives to realign and improve our on-going business operations—an increase of \$4.4 million compared to the first quarter of 2013.

- During the first quarter of 2014, a subsidiary of ours sold its 50% interest in Australian Radio Network (“ARN”), an Australian company that owns and operates radio stations in Australia and New Zealand for proceeds of \$221.0 million.
- During the first quarter of 2014, a subsidiary of ours sold \$227.0 million in aggregate principal amount of Senior Notes due 2021 to private purchasers.
- During the first quarter of 2014, we repaid the full principal amount outstanding under our receivables based credit facility of \$247.0 million, using cash on hand. This voluntary repayment did not reduce the commitments under this facility and we have the ability to redraw amounts under this facility at any time.

## 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	\$ 1,342,548		\$ 1,343,058	(0.0%)
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	596,496		594,817	0.3%
Selling, general and administrative expenses (excludes depreciation and amortization)	415,828		403,363	3.1%
Corporate expenses (excludes depreciation and amortization)	72,705		83,763	(13.2%)
Depreciation and amortization	174,871		182,182	(4.0%)
Other operating income, net	165		2,395	(93.1%)
Operating income	82,813		81,328	1.8%
Interest expense	431,114		385,525	
Equity in earnings (loss) of nonconsolidated affiliates	(13,326)		3,641	
Loss on extinguishment of debt	(3,916)		(3,888)	
Other income (expense), net	1,541		(1,000)	
Loss before income taxes	(364,002)		(305,444)	
Income tax benefit (expense)	(68,388)		96,325	
Consolidated net loss	(432,390)		(209,119)	



	Less amount attributable to noncontrolling interest		(8,200)			(6,116)	
Net loss attributable to the Company		\$	(424,190)		\$	(203,003)	

### *Consolidated Revenue*

Our consolidated revenue during the first quarter of 2014 was relatively flat 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 \$1.0 million. Our CCME revenue increased \$13.8 million, primarily due to increased revenues in our traffic and weather business, increased national revenues and higher digital revenues. Americas outdoor 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 outdoor 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 outdoor 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 outdoor 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. Other revenues increased by \$2.2 million primarily as a result of increased political advertising through our media representation business as well as an increase in TV advertisers.

### ***Consolidated Direct Operating Expenses***

Direct operating expenses increased \$1.7 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 increased \$1.2 million. Our CCME direct operating expenses increased \$6.5 million compared to the first quarter of 2013, primarily resulting from increased production costs from events such as the iHeartRadio Country Music Festival and increasing digital streaming expenses resulting from higher listening hours. Direct operating expenses in our Americas outdoor 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 outdoor 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 outdoor 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 outdoor 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 increased \$12.5 million both on a reported basis and excluding offsetting impacts from movements in foreign exchange compared to the same period of 2013. Our CCME SG&A expenses increased \$20.0 million, primarily due to compensation expenses in connection with higher revenues as well as investing in our national and digital sales force. SG&A expenses decreased \$3.3 million in our Americas outdoor segment primarily due to lower commission expense payments in connection with lower revenues. Our International outdoor 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 decreased \$11.1 million during the three months ended March 31, 2014 compared to the same period of 2013, driven by a decrease in stockholder litigation costs and by decreases in compensation expenses, including amounts related to our variable compensation plans, partially offset by severance related to workforce initiatives and other costs incurred in connection with improving our businesses. Included in Corporate expenses for the first quarter of 2014 is an \$8.5 million credit for the realization of an insurance recovery related to litigation filed by stockholders of Clear Channel Outdoor Holdings, Inc. (“CCOH”), an indirect non-wholly owned subsidiary of ours. The litigation settled during the fourth quarter of 2013. For information about the matter, please refer to Item 3 of Part I in our Annual Report on Form 10-K for the year ended December 31, 2013.

### ***Revenue and Efficiency Initiatives***

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses of \$13.2 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. Also included in corporate expenses for the first quarter of 2014 is \$6.3 million related to the separation of our former Chief Executive Officer of our CCME segment. Of the strategic revenue and efficiency costs of \$13.2 million during the first quarter of 2014, \$1.2 million are reported within direct operating expenses, \$1.8 million are reported within SG&A and \$10.2 million are reported within corporate expense. In the first quarter of 2013, such costs totaled \$2.5 million, \$5.2 million, and \$1.1 million, respectively.

#### ***Depreciation and Amortization***

Depreciation and amortization decreased \$7.3 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 assets becoming fully depreciated since March 2013.

#### ***Other Operating Income, Net***

Other operating income of \$2.4 million for the three months ended March 31, 2013, primarily related to proceeds from the disposal of operating and fixed assets.

#### ***Interest Expense***

Interest expense increased \$45.6 million during the three months ended March 31, 2014 compared to the same period of 2013, primarily due to the weighted average cost of debt increasing as a result of debt refinancings that occurred since March 2013.

***Equity in Earnings (Loss) of Nonconsolidated Affiliates***

The loss of \$13.3 million during the three months ended March 31, 2014 primarily related to the sale of our 50% interest in ARN, which included a loss on the sale of \$2.4 million and \$11.5 million of foreign exchange losses that were reclassified from accumulated other comprehensive income at the date of the sale.

***Loss on Extinguishment of Debt***

During March 2014, CC Finco LLC (“CC Finco”), an indirect wholly-owned subsidiary of ours, repurchased \$52.9 million aggregate principal amount of our outstanding 5.5% Senior Notes due 2014 and \$9.0 million aggregate principal amount of our outstanding 4.9% Senior Notes due 2015 for a total of \$63.1 million, including accrued interest, through open market purchases. In connection with these transactions, we recognized a loss of \$3.9 million for the three months ended March 31, 2014.

In connection with the prepayment of Term Loan A of our senior secured credit facilities during the three months ended March 31, 2013, we recognized a loss of \$3.9 million due to the write-off of deferred loan costs.

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

The effective tax rate for the three months ended March 31, 2014 was (18.8)%. The 2014 effective tax rate was primarily impacted by the valuation allowance recorded against a portion of our U.S. federal, state and certain foreign jurisdiction net operating losses and other deferred tax assets due to the uncertainty of the ability to utilize those assets in future periods. We recorded a partial valuation allowance against these deferred tax assets as the reversing deferred tax liabilities that can be used as a source of future taxable income to realize the deferred tax assets was exceeded by the additional net operating losses generated in the period ended March 31, 2014.

Our effective tax rate for the three months ended March 31, 2013 was 31.5%. Our effective tax rate was primarily impacted by tax losses in certain foreign jurisdictions for which benefits could not be recorded due to the uncertainty of the ability to utilize those losses in future years.

**CCME Results of Operations**

Our CCME operating results were as follows:

<i>(In thousands)</i>	Three Months Ended	
-----------------------	--------------------	--

	March 31,				% Change
	2014		2013		
Revenue	\$	670,347	\$	656,566	2%
Direct operating expenses		210,754		204,268	3%
SG&A expenses		259,155		239,142	8%
Depreciation and amortization		62,571		67,832	(8%)
Operating income	\$	137,867	\$	145,324	(5%)

CCME revenue increased \$13.8 million during the first quarter of 2014 compared to the same period of 2013. Revenue increased primarily due to higher revenues in our traffic and weather business as a result of new product offerings and the impact of strategic sales initiatives, as well as increased national revenues driven by growth in telecommunications, healthcare and automotive categories. We continued to experience increases in digital advertising revenue as a result of continued increased listenership on our iHeartRadio platform, with total listening hours increasing 13.1%. Partially offsetting these increases was a decrease in our local and syndication revenues.

Direct operating expenses increased \$6.5 million during the first quarter of 2014, primarily resulting from increased production costs from events such as the iHeartRadio Country Music Festival, as well as increases in digital streaming and performance rights expenses driven by higher digital listening hours and higher total revenues. SG&A expenses increased \$20.0 million during the first quarter of 2014 primarily due to increased compensation expenses including higher commissions in connection with increased revenues and investments in our national and digital sales force, as well as higher spending on strategic revenue and efficiency initiatives.

### **Americas Outdoor Advertising Results of Operations**

Our Americas outdoor advertising 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 outdoor 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 outdoor 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 outdoor 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 Outdoor Advertising Results of Operations

Our International outdoor advertising 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 loss	\$	(14,012)		\$	(21,733)	(36%)

International outdoor 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.

<b>Reconciliation of Segment Operating Income to Consolidated Operating Income (Loss)</b>					
<i>(In thousands)</i>	Three Months Ended March 31,				
	2014		2013		
CCME	\$	137,867		\$	145,324
Americas outdoor advertising		36,758			46,513
International outdoor advertising		(14,012)			(21,733)
Other		278			(2,718)
Other operating income, net		165			2,395
Corporate expenses <sup>(1)</sup>		(78,243)			(88,453)
Consolidated operating income	\$	82,813		\$	81,328

(1) Corporate expenses include expenses related to CCME, Americas outdoor, International outdoor and our Other category, as well as overall executive, administrative and support functions.

### Share-Based Compensation Expense

We do not have any compensation plans under which we grant stock awards to employees. Our employees receive equity awards from CC Media Holdings, Inc.'s ("CCMH") and CCOH's equity incentive plans.

Share-based compensation payments are recorded in corporate expenses and were \$3.0 million and \$5.5 million for the three months ended March 31, 2014 and 2013, respectively.

As of March 31, 2014, there was \$22.1 million of unrecognized compensation cost, net of estimated forfeitures, related to vested share-based compensation arrangements that will vest based on service conditions. Based on the terms of the award agreements, 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 \$20.0 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, respectively.

<i>(In thousands)</i>		Three Months Ended March 31,			
		2014		2013	
Cash provided by (used for):					
	Operating activities	\$	(91,648)	\$	(86,591)
	Investing activities	\$	152,654	\$	(57,211)
	Financing activities	\$	(105,984)	\$	(354,282)

### *Operating Activities*



Our consolidated net loss, adjusted for \$253.4 million of non-cash items, resulted in negative cash flows of \$179.0 million during the three months ended March 31, 2014. Our consolidated net loss, adjusted for \$121.0 million of non-cash items, resulted in negative cash flows of \$88.2 million during the three months ended March 31, 2013. Cash used for operating activities during the three months ended March 31, 2014 was \$91.6 million compared to \$86.6 million during the three months ended March 31, 2013. Cash paid for interest was \$27.4 million higher in the three months ended March 31, 2014 compared to the same period of the prior year due to an increase in the weighted average cost of debt.

Non-cash items affecting our net loss include depreciation and amortization, deferred taxes, gain on disposal of operating and fixed assets, provision for doubtful accounts, share-based compensation, equity in earnings (loss) of nonconsolidated affiliates, 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 provided by investing activities of \$152.7 million during the three months ended March 31, 2014 primarily reflected proceeds of \$221.0 million from the sale of our 50% interest in ARN, partially offset by capital expenditures of \$67.4 million. We spent \$10.3 million for capital expenditures in our CCME segment primarily related to leasehold improvements and equipment, \$12.2 million in our Americas outdoor segment primarily related to the construction of new advertising structures including digital

displays, \$25.1 million in our International outdoor segment primarily related to billboard and street furniture advertising structures, \$1.8 million in our Other category, and \$18.0 million by Corporate primarily related to equipment and software.

Cash used for investing activities during the first three months of 2013 primarily reflected capital expenditures of \$61.6 million. We spent \$14.2 million for capital expenditures in our CCME segment primarily related to leasehold improvements, \$12.9 million in our Americas outdoor segment primarily related to the construction of new advertising structures such as digital displays, \$25.9 million in our International outdoor segment primarily related to new advertising structures such as billboards and street furniture and renewals of existing contracts, and \$2.1 million in our Other category related to our national representation business, and \$6.5 million at Corporate primarily related to equipment and software. Partially offsetting cash used for investing activities were \$7.3 million of proceeds from the sales of other operating and fixed assets.

### ***Financing Activities***

Cash used for financing activities of \$106.0 million during the three months ended March 31, 2014 primarily reflected payments on credit facilities, partially offset by proceeds from long-term debt. We repaid the full \$247.0 million principal amount outstanding under our receivables based credit facility, using cash on hand. This was partially offset by cash proceeds from the sale by a subsidiary of ours of 14% Senior Notes due 2021 to private purchasers (\$227.0 million in aggregate principal amount). Other cash used for financing activities included payments by a subsidiary of ours to repurchase \$52.9 million aggregate principal amount of our outstanding 5.5% Senior Notes and \$9.0 million aggregate principal amount of our outstanding 4.9% of Senior Notes for a total of \$63.1 million, including accrued interest.

Cash used for financing activities of \$354.3 million during the three months ended March 31, 2013 primarily reflected payments on long-term debt. We repaid our 5.75% senior notes at maturity for \$312.1 million (net of \$187.9 million principal amount held by and repaid to a subsidiary of ours) using cash on hand and our prepayment of \$846.9 million outstanding under our Term Loan A under our senior secured credit facilities using the proceeds from the issuance of our 11.25% Priority Guarantee Notes, borrowings under our receivables based credit facility, and cash on hand.

### **Anticipated Cash Requirements**

Our primary source of liquidity is cash on hand, cash flow from operations and borrowing capacity under our domestic receivables based credit facility, subject to certain limitations contained in our material financing agreements. A significant amount of our cash requirements are for debt service obligations. We anticipate cash interest requirements of approximately \$1.1 billion for the remainder of 2014. At March 31, 2014, we had debt maturities totaling \$429.3 million, \$247.4 million, and \$2.4 billion in 2014, 2015, and 2016, respectively. At March 31, 2014, we had \$660.7 million of cash on our balance sheet including \$216.7 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.

Our ability to fund our working capital, capital expenditures, debt service and other obligations, and to comply with the financial covenants under our financing agreements, depends on our future operating performance and cash from operations and our ability to generate cash from other liquidity-generating transactions, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control. We are currently exploring, and expect to continue to explore, a variety of transactions to provide us with additional liquidity. We cannot assure you that we will enter into or consummate any such liquidity-generating transactions, or that such transactions will provide sufficient cash to satisfy our liquidity needs, and we cannot currently predict the impact that any such transaction, if consummated, would have on us. 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 not be able to refinance the debt as currently contemplated. Our ability to refinance the debt will depend on the condition of the capital markets and our financial condition at the time. There can be no assurance that refinancing alternatives will be available on terms acceptable to us or at all. Even if refinancing alternatives are available to us, we may not find them suitable or at comparable interest rates to the indebtedness being refinanced. In addition, the terms of our existing or future debt agreements may restrict us from securing a refinancing on terms that are available to us at that time. If we are unable to obtain sources of refinancing or generate sufficient cash through liquidity-generating transactions, we could face substantial liquidity problems, which could have a material adverse effect on our financial condition and on our ability to meet our obligations.

Our financing transactions during 2013 increased our annual interest expense by \$267 million. Our increased interest payment obligations will reduce our liquidity over time, which could in turn reduce our financial flexibility and make us more vulnerable to changes in operating performance and economic downturns generally, and could negatively affect our ability to obtain additional financing in the future.

We frequently evaluate strategic opportunities both within and outside our existing lines of business. We expect from time to time to pursue acquisitions or dispositions, which could be material. We and our subsidiaries' significant amount of indebtedness may limit our ability to pursue acquisitions. The terms of our existing or future debt agreements may also restrict our ability to engage in these transactions.

Our currently available sources of cash include cash on hand, cash flow from operations and borrowing capacity under our receivables based credit facility. We are also exploring various liquidity-generating transactions, and expect to continue to do so. Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand, cash flow from operations, borrowing capacity under our receivables based credit facility and cash from other liquidity-generating transactions will enable us to meet our working capital, capital expenditure, debt service and other funding requirements for at least the next 12 months. Significant assumptions underlie this belief, including, among other things, that we will continue to be successful in implementing our business strategy and that there will be no material adverse developments in our business, liquidity or capital requirements, and that we will be able to consummate liquidity-generating transactions in a timely manner and on terms acceptable to us. We cannot assure you that this will be the case. If our future cash flows from operations, financing sources and other liquidity-generating transactions are insufficient to pay our debt obligations as they mature or to fund our liquidity needs, we may be forced to reduce or delay our business activities and capital expenditures, sell material assets, seek additional capital or refinance our and our subsidiaries' debt. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

We were in compliance with the covenants contained in our material financing agreements as of March 31, 2014, including the maximum consolidated senior secured net debt to consolidated EBITDA limitation contained in our senior secured credit facilities. We believe our long-term plans, which include promoting spending in our industries and capitalizing on our diverse geographic and product opportunities, including the continued investment in our media and entertainment initiatives and 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. The breach of any covenants set forth in our financing agreements would result in a default thereunder. An event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, the lenders under the receivables based facility under our senior secured credit facilities would have the option to terminate their commitments to make further extensions of credit thereunder. If we are unable to repay our obligations under any secured credit facility, the lenders could proceed against any assets that were pledged to secure such facility. In addition, a default or acceleration under any of our material financing agreements could cause a default under other of our obligations that are subject to cross-default and cross-acceleration provisions. The threshold amount for a cross-default under the senior secured credit facilities is \$100.0 million.



**Sources of Capital**

As of March 31, 2014 and December 31, 2013, we had the following debt outstanding, net of cash and cash equivalents:

<i>(In millions)</i>	March 31, 2014		December 31, 2013	
Senior Secured Credit Facilities	\$	8,224.0	\$	8,225.8
Receivables Based Facility <sup>(1)</sup>		-		247.0
Priority Guarantee Notes		4,324.8		4,324.8
Other Secured Subsidiary Debt		19.8		21.1
Total Secured Debt		12,568.6		12,818.7
Senior Cash Pay Notes due 2016		94.3		94.3
Senior Toggle Notes due 2016		127.9		127.9
Senior Notes due 2021		1,645.2		1,404.2
Senior Notes		1,374.6		1,436.5
Subsidiary Senior Notes due 2022		2,725.0		2,725.0
Subsidiary Senior Subordinated Notes due 2020		2,200.0		2,200.0
Other Clear Channel Subsidiary Debt		0.9		-
Purchase accounting adjustments and original issue discount		(312.2)		(322.4)
Total Debt		20,424.3		20,484.2
Less: Cash and cash equivalents		660.7		708.2
	\$	19,763.6	\$	19,776.0

<sup>(1)</sup> The receivables based credit facility provides for borrowings of up to the lesser of \$535 million (the revolving credit commitment) or the borrowing base amount, as defined under the receivables based facility, subject to certain limitations contained in our material financing agreements.

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

***Senior Secured Credit Facilities***

The senior secured credit facilities require us to comply on a quarterly basis with a financial covenant limiting the ratio of consolidated secured debt, net of cash and cash equivalents, to consolidated EBITDA (as defined by our senior secured credit facilities) for the preceding four quarters. Our secured debt consists of the senior secured credit facilities, the receivables-based credit facility, the priority guarantee notes and certain other secured subsidiary debt. As required by the definition of consolidated EBITDA in our senior secured credit facilities, our consolidated EBITDA for the preceding four quarters of \$1.9 billion 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 items: (i) costs incurred in connection with 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 and severance; (iii) non-cash charges; (iv) cash received from nonconsolidated affiliates; and (v) various other items.

The following table reflects a reconciliation of consolidated EBITDA (as defined by our senior secured credit facilities) 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>Consolidated EBITDA</b> (as defined by our senior secured credit facilities)		\$	1,920.8
Less adjustments to consolidated EBITDA (as defined by our senior secured credit facilities):			
	Cost incurred in connection with the closure and/or consolidation of facilities, retention charges, consulting fees, and other permitted activities		(85.3)
	Extraordinary, non-recurring or unusual gains or losses or expenses and severance (as referenced in the definition of consolidated EBITDA in our senior secured credit facilities)		(28.7)
	Non-cash charges		(37.4)
	Cash received from nonconsolidated affiliates		(14.6)
	Other items		(18.5)
Less: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and			
	Share-based compensation expense		(734.0)
<b>Operating income</b>			1,002.3
Plus: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and			
	Share-based compensation expense		734.0
Less: Interest expense			(1,695.0)
Less: Current income tax benefit			(68.8)
Plus: Other income (expense), net			(19.4)
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)		155.1
Change in assets and liabilities, net of assets acquired and liabilities assumed			99.7
<b>Net cash provided by operating activities</b>		\$	207.9



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. At March 31, 2014, the ratio was 6.3:1.

### ***Subsidiary Sale of Clear Channel Long-Term Debt***

On February 14, 2014, CC Finco, our indirect wholly-owned subsidiary, sold \$227.0 million in aggregate principal amount of Senior Notes due 2021 to private purchasers in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Act"). The purchasers validly tendered the Senior Notes due 2021 into our previously-announced registered exchange offer for the Senior Notes due 2021, which expired on February 20, 2014 (the "A/B Exchange Offer"). Upon completion of the A/B Exchange Offer, the purchasers of the Senior Notes due 2021, along with all other holders of the Senior Notes due 2021 who validly tendered such notes into the A/B Exchange Offer, received Senior Notes due 2021 that were registered under the Act. CC Finco contributed the net proceeds from the sale of the Senior Notes due 2021 to us. We intend to use such proceeds to repay, repurchase or otherwise acquire outstanding indebtedness from time to time and retire that indebtedness as it becomes due or upon its earlier repayment, repurchase or acquisition.

### **Uses of Capital**

#### ***Debt Repayments, Maturities and Other***

During February 2014, we repaid all principal amounts outstanding under our receivables based credit facility, using cash on hand. This voluntary repayment did not reduce the commitments under this facility and we have the ability to redraw amounts under this facility at any time.

During March 2014, CC Finco repurchased, through open market purchases, a total of \$61.9 million aggregate principal amount of notes, comprised of \$52.9 million of our outstanding 5.5% Senior Notes due 2014 and \$9.0 million of our outstanding 4.9% Senior Notes due 2015, for a total purchase price of \$63.1 million, including accrued interest. We cancelled these notes

subsequent to the purchase.

### ***Dispositions and Other***

We owned a 50% interest in ARN. An impairment charge of \$95.4 million was recorded during the fourth quarter of 2013 to write down the investment to its estimated fair value. On February 18, 2014, we sold our 50% interest in ARN recognizing a loss on the sale of \$2.4 million and \$11.5 million of foreign exchange losses that were reclassified from accumulated other comprehensive income at the date of the sale.

### **Certain Relationships with the Sponsors**

We are party to a management agreement with certain affiliates of Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the “Sponsors”) and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These agreements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than \$15.0 million per year, plus reimbursable expenses. For the three months ended March 31, 2014 and 2013, we recognized management fees and reimbursable expenses of \$4.0 million and \$4.1 million, respectively.

### **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, our CCME, Americas outdoor and International outdoor segments experience their lowest financial performance in the first quarter of the calendar year, with International outdoor historically experiencing a loss from operations in that period. Our International outdoor 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 interest rates, foreign currency exchange rates and inflation.

### **Interest Rate Risk**

A significant amount of our long-term debt bears interest at variable rates. Accordingly, our earnings will be affected by changes in interest rates. At March 31, 2014, approximately 40% of our aggregate principal amount of long-term debt bears interest at floating rates. Assuming the current level of borrowings and assuming a 30% change in LIBOR, it is estimated that our interest expense for the three months ended March 31, 2014 would have changed by \$3.8 million.

In the event of an adverse change in interest rates, management may take actions to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, the preceding interest rate sensitivity analysis assumes no such actions. Further, the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

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

We have operations in countries throughout the world. Foreign operations are measured in their local currencies. 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 \$27.4 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 loss 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 loss 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 broadcasting stations and outdoor display faces in our CCME, Americas outdoor, and International outdoor operations.

## **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:

- 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;
- 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, including on-air talent, program hosts 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; 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.

Interest Rate Risk



#### **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; defamation matters; employment and benefits related claims; governmental fines; intellectual property claims; 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**

Intentionally omitted in accordance with General Instruction H(2)(b) of Form 10-Q.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Intentionally omitted in accordance with General Instruction H(2)(b) of Form 10-Q.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
10.1	Letter Agreement dated as of January 13, 2014 by and between FalconAgain Inc. and Clear Channel Broadcasting, Inc. (Incorporated by reference to Exhibit 10.24 to the CC Media 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	Severance Agreement and General Release, dated as of January 13, 2014, by and between John Hogan and Clear Channel Broadcasting, Inc. (Incorporated by reference to Exhibit 10.3 to the CC Media Holdings, Inc. Form 8-K filed on January 13, 2014).
10.4	Amendment to the Executive Option Agreement under the Clear Channel 2008 Executive Incentive Plan, dated as of January 13, 2014, between Robert W. Pittman and CC Media Holdings, Inc. (Incorporated by reference to Exhibit 10.2 to the CC Media Holdings, Inc. Current Report on Form 8-K filed on January 13, 2014).
10.5	Restricted Stock Agreement under the Clear Channel 2008 Executive Incentive Plan, dated January 13, 2014, between Robert W. Pittman and CC Media Holdings, Inc. (Incorporated by reference to Exhibit C of Exhibit 10.1 to the CC Media Holdings, Inc. Current Report on Form 8-K filed on January 13, 2014).
10.6	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).
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.
*	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 COMMUNICATIONS, INC.

April 24, 2014

/s/ SCOTT D. HAMILTON

Scott D. Hamilton

Senior Vice President, Chief Accounting Officer and Assistant Secretary

