

Clear Channel Outdoor Holdings, Inc.  
Form 10-Q  
May 02, 2013

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

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED March 31, 2013

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

Commission File Number

**1 32663**

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
**86-0812139**

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(State or other jurisdiction of  
No.)

(I.R.S. Employer Identification

incorporation or organization)

200 East Basse Road

78209

San Antonio, Texas

(Zip Code)

(Address of principal executive offices)

(210) 832-3700

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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| Class                                                   | Outstanding at April 25, 2013 |
|---------------------------------------------------------|-------------------------------|
| -----<br>-----<br>Class A Common Stock, \$.01 par value | -----<br>-----<br>42,812,389  |
| Class B Common Stock, \$.01 par value                   | 315,000,000                   |

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

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## PART I -- FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND  
SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(In thousands)</i>                           | March 31,<br>2013<br>(Unaudited) | December 31,<br>2012 |
|-------------------------------------------------|----------------------------------|----------------------|
| <b>CURRENT ASSETS</b>                           |                                  |                      |
| Cash and cash equivalents                       | \$ 547,260                       | \$ 561,979           |
| Accounts receivable, net                        | 666,498                          | 743,112              |
| Prepaid expenses                                | 159,738                          | 151,597              |
| Other current assets                            | 60,740                           | 52,658               |
| <b>Total Current Assets</b>                     | <b>1,434,236</b>                 | <b>1,509,346</b>     |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>            |                                  |                      |
| Structures, net                                 | 1,850,884                        | 1,890,693            |
| Other property, plant and equipment, net        | 294,969                          | 317,051              |
| <b>INTANGIBLE ASSETS AND GOODWILL</b>           |                                  |                      |
| Indefinite-lived intangibles                    | 1,070,333                        | 1,070,720            |
| Other intangibles, net                          | 534,332                          | 557,478              |
| Goodwill                                        | 855,763                          | 862,248              |
| <b>OTHER ASSETS</b>                             |                                  |                      |
| Due from Clear Channel Communications           | 727,646                          | 729,157              |
| Other assets                                    | 163,862                          | 169,089              |
| <b>Total Assets</b>                             | <b>\$ 6,932,025</b>              | <b>\$ 7,105,782</b>  |
| <b>CURRENT LIABILITIES</b>                      |                                  |                      |
| Accounts payable                                | \$ 77,285                        | \$ 95,515            |
| Accrued expenses                                | 491,945                          | 538,499              |
| Deferred income                                 | 121,272                          | 107,034              |
| Other current liabilities                       | 61,143                           | 60,950               |
| Current portion of long-term debt               | 6,399                            | 9,407                |
| <b>Total Current Liabilities</b>                | <b>758,044</b>                   | <b>811,405</b>       |
| Long-term debt                                  | 4,934,177                        | 4,935,388            |
| Deferred tax liability                          | 650,903                          | 673,068              |
| Other long-term liabilities                     | 246,105                          | 239,832              |
| Commitments and contingent liabilities (Note 6) |                                  |                      |
| <b>SHAREHOLDERS' EQUITY</b>                     |                                  |                      |
| Noncontrolling interest                         | 244,231                          | 247,934              |
| Class A common stock                            | 425                              | 424                  |
| Class B common stock                            | 3,150                            | 3,150                |
| Additional paid-in capital                      | 4,522,310                        | 4,522,668            |
| Retained deficit                                | (4,188,793)                      | (4,114,515)          |

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|                                                   |                     |                     |
|---------------------------------------------------|---------------------|---------------------|
| Accumulated other comprehensive loss              | (237,554)           | (212,599)           |
| Cost of shares held in treasury                   | (973)               | (973)               |
| <b>Total Shareholders' Equity</b>                 | <b>342,796</b>      | <b>446,089</b>      |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 6,932,025</b> | <b>\$ 7,105,782</b> |

See Notes to Consolidated Financial Statements

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(UNAUDITED)***(In thousands, except per share data)*

|                                                                              | Three Months Ended<br>March 31, |             |
|------------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                              | 2013                            | 2012        |
| Revenue                                                                      | \$ 650,210                      | \$ 651,283  |
| Operating expenses:                                                          |                                 |             |
| Direct operating expenses (excludes depreciation and amortization)           | 387,389                         | 394,053     |
| Selling, general and admin expenses (excludes depreciation and amortization) | 139,992                         | 153,149     |
| Corporate expenses (excludes depreciation and amortization)                  | 26,195                          | 24,310      |
| Depreciation and amortization                                                | 100,327                         | 92,337      |
| Other operating income, net                                                  | 2,103                           | 4,003       |
| Operating loss                                                               | (1,590)                         | (8,563)     |
| Interest expense                                                             | 88,093                          | 67,831      |
| Interest income on Due from Clear Channel Communications                     | 11,920                          | 15,980      |
| Equity in earnings (loss) of nonconsolidated affiliates                      | (485)                           | 421         |
| Other expense, net                                                           | (907)                           | (494)       |
| Loss before income taxes                                                     | (79,155)                        | (60,487)    |
| Income tax benefit                                                           | 5,006                           | 15,294      |
| Consolidated net loss                                                        | (74,149)                        | (45,193)    |
| Less amount attributable to noncontrolling interest                          | 129                             | (1,323)     |
| Net loss attributable to the Company                                         | \$ (74,278)                     | \$ (43,870) |
| Other comprehensive income, net of tax:                                      |                                 |             |
| Foreign currency translation adjustments                                     | (24,025)                        | 33,511      |
| Unrealized (loss) gain on marketable securities                              | (25)                            | 289         |
| Other adjustments to comprehensive income                                    | (998)                           | 63          |
| Other comprehensive income (loss)                                            | (25,048)                        | 33,863      |
| Comprehensive loss                                                           | (99,326)                        | (10,007)    |
| Less amount attributable to noncontrolling interest                          | (93)                            | (189)       |
| Comprehensive loss attributable to the Company                               | \$ (99,233)                     | \$ (9,818)  |
| Net loss attributable to the Company per common share:                       |                                 |             |
| Basic                                                                        | \$ (0.22)                       | \$ (0.14)   |
| Weighted average common shares outstanding – Basic                           | 357,352                         | 356,363     |
| Diluted                                                                      | \$ (0.22)                       | \$ (0.14)   |
| Weighted average common shares outstanding – Diluted                         | 357,352                         | 356,363     |
| Dividends declared per share                                                 | \$ -                            | \$ 6.08     |



**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)***(In thousands)*

|                                                                                                     | Three Months Ended March 31, |             |
|-----------------------------------------------------------------------------------------------------|------------------------------|-------------|
|                                                                                                     | 2013                         | 2012        |
| <b>Cash flows from operating activities:</b>                                                        |                              |             |
| Consolidated net loss                                                                               | \$ (74,149)                  | \$ (45,193) |
| <b>Reconciling items:</b>                                                                           |                              |             |
| Depreciation and amortization                                                                       | 100,327                      | 92,337      |
| Deferred taxes                                                                                      | (23,035)                     | (15,481)    |
| Provision for doubtful accounts                                                                     | 1,712                        | 1,820       |
| Share-based compensation                                                                            | 1,661                        | 3,202       |
| Gain on sale of operating assets                                                                    | (2,103)                      | (4,003)     |
| Amortization of deferred financing charges and<br>note discounts, net                               | 2,131                        | 2,121       |
| Other reconciling items, net                                                                        | 1,159                        | (388)       |
| Changes in operating assets and liabilities, net of effects of acquisitions<br>and<br>dispositions: |                              |             |
| Decrease in accounts receivable                                                                     | 63,516                       | 59,336      |
| Increase in deferred income                                                                         | 16,036                       | 50,808      |
| Decrease in accrued expenses                                                                        | (36,001)                     | (30,351)    |
| Decrease in accounts payable                                                                        | (15,968)                     | (8,501)     |
| Changes in other operating assets and liabilities                                                   | (2,012)                      | (10,329)    |
| Net cash provided by operating activities                                                           | 33,274                       | 95,378      |
| <b>Cash flows from investing activities:</b>                                                        |                              |             |
| Purchases of property, plant and equipment                                                          | (39,441)                     | (55,990)    |
| Purchases of other operating assets                                                                 | (3)                          | (1,367)     |
| Proceeds from disposal of assets                                                                    | 3,300                        | 6,094       |
| Change in other, net                                                                                | (665)                        | (1,257)     |
| Net cash used for investing activities                                                              | (36,809)                     | (52,520)    |
| <b>Cash flows from financing activities:</b>                                                        |                              |             |
| Draws on credit facilities                                                                          | 637                          | 992         |
| Proceeds from long-term debt                                                                        | -                            | 2,200,000   |
| Payments on long-term debt                                                                          | (4,437)                      | (2,890)     |
| Net transfers to Clear Channel Communications                                                       | 1,507                        | (46,791)    |
| Deferred financing charges                                                                          | 152                          | (39,927)    |
| Dividends paid                                                                                      | -                            | (2,170,396) |
| Change in other, net                                                                                | (3,805)                      | 4,896       |
| Net cash used for financing activities                                                              | (5,946)                      | (54,116)    |
| Effect of exchange rate changes on cash                                                             | (5,238)                      | 3,357       |
| Net decrease in cash and cash equivalents                                                           | (14,719)                     | (7,901)     |
| Cash and cash equivalents at beginning of period                                                    | 561,979                      | 542,655     |
| Cash and cash equivalents at end of period                                                          | \$ 547,260                   | \$ 534,754  |

See Notes to Consolidated Financial Statements



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**NOTE 1 – BASIS OF PRESENTATION**

**Preparation of Interim Financial Statements**

The accompanying consolidated financial statements were prepared by Clear Channel Outdoor Holdings, Inc. (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2012 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries and give effect to allocations of expenses from the Company’s indirect parent entity, Clear Channel Communications, Inc. (“Clear Channel Communications”). These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20 percent to 50 percent of the voting common stock or otherwise exercises significant influence over operating and financial policies of the Company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2013 presentation.

**Adoption of New Accounting Standards**

During the first quarter of 2013, the Company adopted the Financial Accounting Standards Board's (“FASB”) ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The amendments are effective for fiscal years (and interim periods within) beginning after December 15, 2012 and sets requirements for presenting information about amounts reclassified out of accumulated other comprehensive income and their corresponding effect on net income. Substantially all of the information required to be disclosed under this amendment are required to be disclosed elsewhere in the financial statements under U.S. GAAP. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

During the first quarter of 2013, the FASB issued 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. Early adoption is permitted however the Company plans to adopt the standard on a retrospective basis for the first quarter of 2014 for any existing obligations within the scope of this update. The Company is currently evaluating the guidance to determine the potential impact, if any, the adoption may have on its financial results and disclosures.

During the first quarter of 2013, the FASB issued 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 the current U.S. GAAP. Early adoption is permitted however the Company plans to adopt the standard for the first quarter of 2014. The Company is currently evaluating the guidance to determine the potential impact, if any, the adoption may have on its financial results and disclosures.

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

(UNAUDITED)

**NOTE 2 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL****Property, Plant and Equipment**

The Company's property, plant and equipment consisted of the following classes of assets at March 31, 2013 and December 31, 2012, respectively:

| <i>(In thousands)</i>              | March 31, 2013 | December 31, 2012 |
|------------------------------------|----------------|-------------------|
| Land, buildings and improvements   | \$ 208,392     | \$ 210,382        |
| Structures                         | 2,958,467      | 2,949,458         |
| Furniture and other equipment      | 136,528        | 134,389           |
| Construction in progress           | 59,576         | 76,299            |
|                                    | 3,362,963      | 3,370,528         |
| Less: accumulated depreciation     | 1,217,110      | 1,162,784         |
| Property, plant and equipment, net | \$ 2,145,853   | \$ 2,207,744      |

**Indefinite-lived Intangible Assets**

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

**Other Intangible Assets**

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

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets at March 31, 2013 and December 31, 2012, respectively:

| <i>(In thousands)</i>                                  | March 31, 2013        |                          | December 31, 2012     |                          |
|--------------------------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                                                        | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Transit, street furniture and other contractual rights | \$ 771,321            | \$ (411,850)             | \$ 785,303            | \$ (403,955)             |
| Permanent easements                                    | 173,383               | -                        | 173,374               | -                        |
| Other                                                  | 3,273                 | (1,795)                  | 4,283                 | (1,527)                  |
| Total                                                  | \$ 947,977            | \$ (413,645)             | \$ 962,960            | \$ (405,482)             |

Total amortization expense related to definite-lived intangible assets for the three months ended March 31, 2013 and 2012 was \$18.6 million and \$17.3 million, respectively.

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

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

|                       |    |        |
|-----------------------|----|--------|
| <i>(In thousands)</i> |    |        |
| 2014                  | \$ | 65,357 |
| 2015                  |    | 55,011 |
| 2016                  |    | 42,560 |
| 2017                  |    | 30,904 |
| 2018                  |    | 22,186 |

**Goodwill**

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

|                                 |            |               |            |
|---------------------------------|------------|---------------|------------|
| <i>(In thousands)</i>           |            |               |            |
|                                 | Americas   | International | Total      |
| Balance as of December 31, 2011 | \$ 571,932 | \$ 285,261    | \$ 857,193 |
| Foreign currency                | -          | 7,784         | 7,784      |
| Dispositions                    | -          | (2,729)       | (2,729)    |
| Balance as of December 31, 2012 | 571,932    | 290,316       | 862,248    |
| Foreign currency                | -          | (6,485)       | (6,485)    |
| Dispositions                    | -          | -             | -          |
| Balance as of March 31, 2013    | \$ 571,932 | \$ 283,831    | \$ 855,763 |

**NOTE 3 – LONG-TERM DEBT**

Long-term debt at March 31, 2013 and December 31, 2012, respectively, consisted of the following:

|                                                |                |                   |  |
|------------------------------------------------|----------------|-------------------|--|
| <i>(In thousands)</i>                          |                |                   |  |
|                                                | March 31, 2013 | December 31, 2012 |  |
| Clear Channel Worldwide Holdings Senior Notes: |                |                   |  |
| 6.5% Series A Senior Notes Due 2022            | \$ 735,750     | \$ 735,750        |  |
| 6.5% Series B Senior Notes Due 2022            | 1,989,250      | 1,989,250         |  |

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Clear Channel Worldwide Holdings Senior Subordinated Notes:

|                                                    |              |              |
|----------------------------------------------------|--------------|--------------|
| 7.625% Series A Senior Subordinated Notes Due 2020 | 275,000      | 275,000      |
| 7.625% Series B Senior Subordinated Notes Due 2020 | 1,925,000    | 1,925,000    |
| Other debt                                         | 22,742       | 27,093       |
| Original issue discount                            | (7,166)      | (7,298)      |
| Total debt                                         | 4,940,576    | 4,944,795    |
| Less: current portion                              | 6,399        | 9,407        |
| Total long-term debt                               | \$ 4,934,177 | \$ 4,935,388 |

The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$5.1 billion at each of March 31, 2013 and December 31, 2012. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company's debt is classified as Level 2.

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

The Company's income tax benefit for the three months ended March 31, 2013 and 2012, respectively, consisted of the following components:

| <i>(In thousands)</i> | Three Months Ended March 31, |           |
|-----------------------|------------------------------|-----------|
|                       | 2013                         | 2012      |
| Current tax expense   | \$ (18,029)                  | \$ (187)  |
| Deferred tax benefit  | 23,035                       | 15,481    |
| Income tax benefit    | \$ 5,006                     | \$ 15,294 |

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

The effective tax rate for the three months ended March 31, 2012 was 25.3%. The 2012 effective tax rate was primarily impacted by the Company's ability to benefit from certain foreign tax loss carryforwards in 2011 due to taxable income in certain foreign jurisdictions where the loss carryforwards previously did not provide a benefit.

**Supplemental Cash Flow Information**

During the three months ended March 31, 2013 and 2012, cash paid for interest and income taxes, net of income tax refunds of \$0.4 million and \$0.3 million, respectively, was as follows:

| <i>(In thousands)</i> | Three Months Ended March 31, |           |
|-----------------------|------------------------------|-----------|
|                       | 2013                         | 2012      |
| Interest              | \$ 88,237                    | \$ 64,944 |
| Income taxes          | 12,590                       | 17,603    |

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The Company holds marketable equity securities classified in accordance with the provisions of ASC 320-10. These marketable equity securities are measured at fair value on each reporting date using quoted prices in active markets. Due to the fact that the inputs used to measure the marketable equity securities at fair value are observable, the Company has categorized the fair value measurements of the securities as Level 1 in accordance with ASC 820-10-35. The Company records its investments in these marketable equity securities on the balance sheet as “Other Assets.”

The cost, unrealized holding gains or losses, and fair value of the Company’s investments at March 31, 2013 and December 31, 2012 are as follows:

| <i>(In thousands)</i>   | March 31, 2013 | December 31, 2012 |
|-------------------------|----------------|-------------------|
| Cost                    | \$ 609         | \$ 609            |
| Gross unrealized losses | (25)           | -                 |
| Gross unrealized gains  | 79             | 81                |
| Fair value              | \$ 663         | \$ 690            |

**NOTE 6 – 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

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

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

**(UNAUDITED)**

analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. Additionally, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's financial condition or results of operations.

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

***Stockholder Litigation***

Two derivative lawsuits were filed in March 2012 in Delaware Chancery Court by stockholders of the Company. The consolidated lawsuits are captioned *In re Clear Channel Outdoor Holdings, Inc. Derivative Litigation*, Consolidated Case No. 7315-CS. The complaints name as defendants certain of Clear Channel Communications' and the Company's current and former directors and Clear Channel Communications, as well as Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. The Company also is named as a nominal defendant. The complaints allege, among other things, that in December 2009 Clear Channel Communications breached fiduciary duties to the Company and its stockholders by allegedly requiring the Company to agree to amend the terms of a revolving promissory note payable by Clear Channel Communications to the Company to extend the maturity date of the note and to amend the interest rate payable on the note. According to the complaints, the terms of the amended promissory note were unfair to the Company because, among other things, the interest rate was below market. The complaints further allege that Clear Channel Communications was unjustly enriched as a result of that transaction. The complaints also allege that the director defendants breached fiduciary duties to the Company in connection with that transaction and that the transaction constituted corporate waste. On April 4, 2012, the board of directors of the Company formed a special litigation committee consisting of certain independent directors (the "SLC") to review and investigate plaintiffs' claims and determine the course of action that serves the Company's best interests and the best interests of the Company's stockholders. On June 20, 2012, the SLC filed a motion to stay the lawsuits for six months while it completes its review and investigation. In response, on June 27, 2012, plaintiffs filed a motion for an expedited trial, asking the Court to schedule a trial on the merits in October 2012. On July 23, 2012, the Court issued an order granting the motion to stay and denying the motion for an expedited trial. On January 23, 2013, the SLC filed a motion to extend the stay for thirty days, and on January 24, 2013, the Court granted that motion, extending the stay for thirty days from the date of the order. On March 28, 2013, to avoid the costs, disruption and distraction of further litigation, and without admitting the validity of any allegations made in the complaint, legal counsel for the defendants entered into a binding memorandum of understanding (the "MOU") with legal counsel for the SLC and the plaintiffs to settle the litigation. The MOU obligates the parties to use their best efforts to prepare a Stipulation of Settlement reflecting the terms of the MOU and present such Stipulation of Settlement to the Delaware Chancery Court for approval. The MOU includes the following terms, among others:

- The Company agrees, not later than 30 calendar days following the approval of the settlement by the Delaware Court of Chancery, to (i) demand payment of \$200 million outstanding under the note payable by Clear Channel Communications to the Company and (ii) declare a dividend of \$200 million that shall be paid simultaneously on the date the payment from the demand is to be made (approximately 11% of the proceeds from such dividend would be distributed to the Company's public stockholders, and Clear Channel Communications, our indirect parent, would be entitled to approximately 89% of the proceeds from such dividend through its wholly-owned subsidiaries).
  
- Clear Channel Communications and the Company agree to amend the interest rate applicable on the note payable by Clear Channel Communications to the Company Note such that, in the event that (x) the outstanding balance of the note exceeds \$1.0 billion, the per annum rate of interest applicable to such excess balance will be an amount equal to the average yield-to-maturity for the series of CCU Legacy Notes (as defined below) that has the nearest future maturity date or (y) the Clear Channel Liquidity Ratio (as defined in the MOU) is less than 2.0x, the per annum rate of interest applicable to the entire outstanding balance of the note will be an amount equal to the average yield-to-maturity for the series of CCU Legacy Notes that has the nearest future maturity date; provided, however, that, the interest rate will in no event be less than 6.5% nor greater than 20%. CCU Legacy Notes is defined as Clear Channel Communications' 5.5% Senior Notes Due 2014, 4.9% Senior Notes Due 2015, 5.5% Senior Notes Due 2016 and 6.875% Senior Debentures Due 2018, excluding any series of notes that has a maturity date less than 90 calendar days from the date of measurement.

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

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

**(UNAUDITED)**

- The Company agrees to establish a committee of the Board (the “Committee”), composed of all of the then-serving independent and disinterested directors, for the specific purpose of monitoring the note payable by Clear Channel Communications to the Company. The Committee will be provided reports on a monthly basis, have access to independent legal and financial advisors, and will have the non-exclusive authority pursuant to a committee charter, if the Committee so desires and believes it to be in the best interests of the Company’s stockholders, to demand payments under the note under certain specified circumstances tied to Clear Channel Communications’ liquidity or the balance of the note (i.e., the Committee shall not be required to demand payment, but rather shall have the optional authority to do so under certain circumstances); provided that (a) the Committee provides no fewer than twenty (20) and no more than thirty (30) calendar days’ notice that it is exercising its power and authority to make a demand for payment; (b) the Company has the right and ability to declare a dividend equal to the amount so demanded; and (c) the Committee simultaneously declares a dividend equal to the amount so demanded, to be paid simultaneously with the amount paid pursuant to the demand.

The Stipulation of Settlement has not yet been finalized and is subject to approval by the Delaware Court of Chancery. Accordingly, unless and until the Company receives such approval, no assurance can be provided that the Company will be able to resolve the outstanding litigation as contemplated by the MOU. The Company filed the MOU with the SEC as an exhibit to its Current Report on Form 8-K filed on April 3, 2013. The financial statements do not reflect any impacts that may result upon the final Stipulation of Settlement being approved.

***Los Angeles Litigation***

In 2008, Summit Media, LLC, one of the Company’s competitors, sued the City of Los Angeles, 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 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. 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 – not other types of permits the companies may have secured for the signs at issue.

### **Guarantees**

As of March 31, 2013, the Company had \$58.7 million in letters of credit outstanding, of which \$56.3 million of letters of credit were cash secured. Additionally, as of March 31, 2013, Clear Channel Communications had outstanding commercial standby letters of credit and surety bonds of \$18.0 million and \$46.6 million, respectively, held on behalf of the Company. These letters of credit and surety bonds relate to various operational matters, including insurance, bid and performance bonds, as well as other items. Letters of credit in the amount of \$5.0 million are collateral in support of surety bonds and these amounts would only be drawn under the letter of credit in the event the associated surety bonds were funded and the Company did not honor its reimbursement obligation to the issuers.

In addition, as of March 31, 2013, the Company had outstanding bank guarantees of \$47.0 million related to international subsidiaries, of which \$4.5 million were backed by cash collateral.

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

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

**(UNAUDITED)**

**NOTE 7 – RELATED PARTY TRANSACTIONS**

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

Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, the Company maintains collection bank accounts swept daily into accounts of Clear Channel Communications (after satisfying the funding requirements of the Trustee Accounts under the Clear Channel Worldwide Holdings, Inc. (“CCWH”) senior notes and the CCWH Subordinated Notes). In return, Clear Channel Communications funds the Company’s controlled disbursement accounts as checks or electronic payments are presented for payment. The Company’s claim in relation to cash transferred from its concentration account is on an unsecured basis and is limited to the balance of the “Due from Clear Channel Communications” account. At March 31, 2013 and December 31, 2012, the asset recorded in “Due from Clear Channel Communications” on the condensed consolidated balance sheets was \$727.6 million and \$729.2 million, respectively.

The net interest income for the three months ended March 31, 2013 and 2012 was \$11.9 million and \$16.0 million, respectively. At March 31, 2013 and December 31, 2012, the fixed interest rate on the “Due from Clear Channel Communications” account was 6.5%, which is equal to the fixed interest rate on the CCWH senior notes.

The Company provides advertising space on its billboards for radio stations owned by Clear Channel Communications. For the three months ended March 31, 2013 and 2012, the Company recorded \$0.1 million and \$0.8 million, respectively, in revenue for these advertisements.

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

31, 2013 and 2012, the Company recorded \$9.4 million and \$6.6 million, respectively, as a component of corporate expenses for these services.

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

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

Pursuant to the Employee Matters Agreement, the Company's employees participate in Clear Channel Communications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. These costs are recorded as a component of selling, general and administrative expenses and were approximately \$2.7 million and \$2.9 million for the three months ended March 31, 2013 and 2012, respectively.

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

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 equity attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total ownership interest:

| <i>(In thousands)</i>                            | Noncontrolling |            |              |
|--------------------------------------------------|----------------|------------|--------------|
|                                                  | The Company    | Interests  | Consolidated |
| Balances at January 1, 2013                      | \$ 198,155     | \$ 247,934 | \$ 446,089   |
| Net income (loss)                                | (74,278)       | 129        | (74,149)     |
| Foreign currency translation adjustments         | (23,932)       | (93)       | (24,025)     |
| Unrealized holding loss on marketable securities | (25)           | -          | (25)         |
| Other adjustments to comprehensive income        | (998)          | -          | (998)        |
| Other, net                                       | (357)          | (3,739)    | (4,096)      |
| Balances at March 31, 2013                       | \$ 98,565      | \$ 244,231 | \$ 342,796   |
| <br>                                             |                |            |              |
| Balances at January 1, 2012                      | \$ 2,508,697   | \$ 231,530 | 2,740,227    |
| Net loss                                         | (43,870)       | (1,323)    | (45,193)     |
| Dividend                                         | (2,170,396)    | -          | (2,170,396)  |
| Foreign currency translation adjustments         | 33,700         | (189)      | 33,511       |
| Unrealized holding loss on marketable securities | 289            | -          | 289          |
| Other adjustments to comprehensive income        | 63             | -          | 63           |
| Other, net                                       | 1,292          | (531)      | 761          |
| Balances at March 31, 2012                       | \$ 329,775     | \$ 229,487 | \$ 559,262   |

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

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

The following table presents the Company's reportable segment results for the three months ended March 31, 2013 and 2012:

| <i>(In thousands)</i>                        | Americas   | International | Corporate and<br>other<br>reconciling items | Consolidated |
|----------------------------------------------|------------|---------------|---------------------------------------------|--------------|
| <b>Three Months Ended March 31, 2013</b>     |            |               |                                             |              |
| Revenue                                      | \$ 286,461 | \$ 363,749    | \$ -                                        | \$ 650,210   |
| Direct operating expenses                    | 137,547    | 249,842       | -                                           | 387,389      |
| Selling, general and administrative expenses | 54,610     | 85,382        | -                                           | 139,992      |
| Depreciation and amortization                | 48,685     | 50,993        | 649                                         | 100,327      |
| Corporate expenses                           | -          | -             | 26,195                                      | 26,195       |
| Other operating income, net                  | -          | -             | 2,103                                       | 2,103        |
| Operating income (loss)                      | \$ 45,619  | \$ (22,468)   | \$ (24,741)                                 | \$ (1,590)   |
| Capital expenditures                         | \$ 12,895  | \$ 25,908     | \$ 638                                      | \$ 39,441    |
| Share-based compensation expense             | \$ 894     | \$ 735        | \$ 32                                       | \$ 1,661     |
| <b>Three Months Ended March 31, 2012</b>     |            |               |                                             |              |
| Revenue                                      | \$ 280,151 | \$ 371,132    | \$ -                                        | \$ 651,283   |

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|                                              |           |             |             |            |
|----------------------------------------------|-----------|-------------|-------------|------------|
| Direct operating expenses                    | 144,410   | 249,643     | -           | 394,053    |
| Selling, general and administrative expenses | 52,579    | 100,570     | -           | 153,149    |
| Depreciation and amortization                | 42,958    | 49,035      | 344         | 92,337     |
| Corporate expenses                           | -         | -           | 24,310      | 24,310     |
| Other operating income, net                  | -         | -           | 4,003       | 4,003      |
| Operating income (loss)                      | \$ 40,204 | \$ (28,116) | \$ (20,651) | \$ (8,563) |
| Capital expenditures                         | \$ 25,336 | \$ 27,662   | \$ 2,992    | \$ 55,990  |
| Share-based compensation expense             | \$ 1,932  | \$ 1,209    | \$ 61       | \$ 3,202   |

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**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 10 – GUARANTOR SUBSIDIARIES**

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

| <i>(In thousands)</i>                    | As of March 31, 2013 |                     |                        |                            |                       |                     |
|------------------------------------------|----------------------|---------------------|------------------------|----------------------------|-----------------------|---------------------|
|                                          | Parent Company       | Subsidiary Issuer   | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations          | Consolidated        |
| Cash and cash equivalents                | \$ 205,302           | \$ 31               | \$ 6,535               | \$ 335,392                 | \$ -                  | \$ 547,260          |
| Accounts receivable, net of allowance    | -                    | -                   | 209,764                | 456,734                    | -                     | 666,498             |
| Intercompany receivables                 | -                    | 56,149              | 1,387,473              | -                          | (1,443,622)           | -                   |
| Prepaid expenses                         | 3,287                | -                   | 74,338                 | 82,113                     | -                     | 159,738             |
| Other current assets                     | 6                    | 6,850               | 10,735                 | 43,149                     | -                     | 60,740              |
| <b>Total Current Assets</b>              | <b>208,595</b>       | <b>63,030</b>       | <b>1,688,845</b>       | <b>917,388</b>             | <b>(1,443,622)</b>    | <b>1,434,236</b>    |
| Structures, net                          | -                    | -                   | 1,206,999              | 643,885                    | -                     | 1,850,884           |
| Other property, plant and equipment, net | -                    | -                   | 162,133                | 132,836                    | -                     | 294,969             |
| Indefinite-lived intangibles             | -                    | -                   | 1,055,168              | 15,165                     | -                     | 1,070,333           |
| Other intangibles, net                   | -                    | -                   | 353,475                | 180,857                    | -                     | 534,332             |
| Goodwill                                 | -                    | -                   | 571,932                | 283,831                    | -                     | 855,763             |
| Due from Clear Channel Communications    | 727,646              | -                   | -                      | -                          | -                     | 727,646             |
| Intercompany notes receivable            | 182,026              | 5,129,823           | -                      | -                          | (5,311,849)           | -                   |
| Other assets                             | 358,780              | 822,705             | 1,327,061              | 60,078                     | (2,404,762)           | 163,862             |
| <b>Total Assets</b>                      | <b>\$ 1,477,047</b>  | <b>\$ 6,015,558</b> | <b>\$ 6,365,613</b>    | <b>\$ 2,234,040</b>        | <b>\$ (9,160,233)</b> | <b>\$ 6,932,025</b> |
| Accounts payable                         | \$ -                 | \$ -                | \$ 3,602               | \$ 73,683                  | \$ -                  | \$ 77,285           |
| Intercompany payable                     | 1,371,921            | -                   | 56,149                 | 15,552                     | (1,443,622)           | -                   |

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|                                                   |           |           |           |           |                |           |
|---------------------------------------------------|-----------|-----------|-----------|-----------|----------------|-----------|
| Accrued expenses                                  | 102       | (1,897)   | 97,173    | 396,567   | -              | 491,945   |
| Deferred income                                   | -         | -         | 40,598    | 80,674    | -              | 121,272   |
| Other current liabilities                         | -         | -         | -         | 61,143    | -              | 61,143    |
| Current portion of long-term debt                 | -         | -         | 42        | 6,357     | -              | 6,399     |
| <b>Total Current Liabilities</b>                  | 1,372,023 | (1,897)   | 197,564   | 633,976   | (1,443,622)    | 758,044   |
| Long-term debt                                    | -         | 4,917,834 | 1,171     | 15,172    | -              | 4,934,177 |
| Intercompany notes payable                        | 6,298     | -         | 5,036,353 | 269,198   | (5,311,849)    | -         |
| Deferred tax liability                            | 223       | 85        | 626,748   | 23,847    | -              | 650,903   |
| Other long-term liabilities                       | -         | -         | 144,935   | 101,170   | -              | 246,105   |
| Total shareholders' equity                        | 98,503    | 1,099,536 | 358,842   | 1,190,677 | (2,404,762)    | 342,796   |
| <b>Total Liabilities and Shareholders' Equity</b> | 1,477,047 | 6,015,558 | 6,365,613 | 2,234,040 | (9,160,233)    | 6,932,025 |
| <b>Equity</b>                                     | \$        | \$        | \$        | \$        | \$ (9,160,233) | \$        |

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

| <i>(In thousands)</i>                    | As of December 31, 2012 |                      |                           |                               |                       |                     |
|------------------------------------------|-------------------------|----------------------|---------------------------|-------------------------------|-----------------------|---------------------|
|                                          | Parent<br>Company       | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations          | Consolidated        |
| Cash and cash equivalents                | \$ 207,411              | \$ -                 | \$ -                      | \$ 359,361                    | \$ (4,793)            | \$ 561,979          |
| Accounts receivable, net of allowance    | -                       | -                    | 258,727                   | 484,385                       | -                     | 743,112             |
| Intercompany receivables                 | -                       | -                    | 1,407,392                 | -                             | (1,407,392)           | -                   |
| Prepaid expenses                         | 2,109                   | -                    | 70,822                    | 78,666                        | -                     | 151,597             |
| Other current assets                     | 9                       | 6,850                | 4,231                     | 41,568                        | -                     | 52,658              |
| <b>Total Current Assets</b>              | <b>209,529</b>          | <b>6,850</b>         | <b>1,741,172</b>          | <b>963,980</b>                | <b>(1,412,185)</b>    | <b>1,509,346</b>    |
| Structures, net                          | -                       | -                    | 1,231,465                 | 659,228                       | -                     | 1,890,693           |
| Other property, plant and equipment, net | -                       | -                    | 170,741                   | 146,310                       | -                     | 317,051             |
| Indefinite-lived intangibles             | -                       | -                    | 1,055,168                 | 15,552                        | -                     | 1,070,720           |
| Other intangibles, net                   | -                       | -                    | 359,460                   | 198,018                       | -                     | 557,478             |
| Goodwill                                 | -                       | -                    | 571,933                   | 290,315                       | -                     | 862,248             |
| Due from Clear Channel Communications    | 729,157                 | -                    | -                         | -                             | -                     | 729,157             |
| Intercompany notes receivable            | 182,026                 | 5,129,823            | -                         | -                             | (5,311,849)           | -                   |
| Other assets                             | 457,872                 | 883,895              | 1,389,289                 | 62,271                        | (2,624,238)           | 169,089             |
| <b>Total Assets</b>                      | <b>\$ 1,578,584</b>     | <b>\$ 6,020,568</b>  | <b>\$ 6,519,228</b>       | <b>\$ 2,335,674</b>           | <b>\$ (9,348,272)</b> | <b>\$ 7,105,782</b> |
| Accounts payable                         | \$ -                    | \$ -                 | \$ 13,891                 | \$ 86,417                     | \$ (4,793)            | \$ 95,515           |
| Intercompany payable                     | 1,373,828               | 15,730               | -                         | 17,834                        | (1,407,392)           | -                   |
| Accrued expenses                         | 394                     | (73,766)             | 173,024                   | 438,847                       | -                     | 538,499             |
| Deferred income                          | -                       | -                    | 50,153                    | 56,881                        | -                     | 107,034             |
| Other current liabilities                | -                       | -                    | -                         | 60,950                        | -                     | 60,950              |
| Current portion of long-term debt        | -                       | -                    | 41                        | 9,366                         | -                     | 9,407               |
| <b>Total Current Liabilities</b>         | <b>1,374,222</b>        | <b>(58,036)</b>      | <b>237,109</b>            | <b>670,295</b>                | <b>(1,412,185)</b>    | <b>811,405</b>      |

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|                                            |              |              |              |              |                |              |
|--------------------------------------------|--------------|--------------|--------------|--------------|----------------|--------------|
| Long-term debt                             | -            | 4,917,702    | 1,182        | 16,504       | -              | 4,935,388    |
| Intercompany notes payable                 | 6,042        | -            | 5,036,422    | 269,385      | (5,311,849)    | -            |
| Deferred tax liability                     | 226          | 85           | 644,521      | 28,236       | -              | 673,068      |
| Other long-term liabilities                | -            | -            | 142,061      | 97,771       | -              | 239,832      |
| Total shareholders' equity                 | 198,094      | 1,160,817    | 457,933      | 1,253,483    | (2,624,238)    | 446,089      |
| <b>Total Liabilities and Shareholders'</b> |              |              |              |              |                |              |
| <b>Equity</b>                              | \$ 1,578,584 | \$ 6,020,568 | \$ 6,519,228 | \$ 2,335,674 | \$ (9,348,272) | \$ 7,105,782 |

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

| <i>(In thousands)</i>                        | Three Months Ended March 31, 2013 |                      |                           |                               |              |              |
|----------------------------------------------|-----------------------------------|----------------------|---------------------------|-------------------------------|--------------|--------------|
|                                              | Parent<br>Company                 | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Revenue                                      | \$ -                              | \$ -                 | \$ 265,162                | \$ 385,048                    | \$ -         | \$ 650,210   |
| Operating expenses:                          |                                   |                      |                           |                               |              |              |
| Direct operating expenses                    | -                                 | -                    | 123,152                   | 264,237                       | -            | 387,389      |
| Selling, general and administrative expenses | -                                 | -                    | 50,860                    | 89,132                        | -            | 139,992      |
| Corporate expenses                           | 3,224                             | 3                    | 14,700                    | 8,268                         | -            | 26,195       |
| Depreciation and amortization                | -                                 | -                    | 48,240                    | 52,087                        | -            | 100,327      |
| Other operating income (expense), net        | (120)                             | -                    | 2,246                     | (23)                          | -            | 2,103        |
| Operating income (loss)                      | (3,344)                           | (3)                  | 30,456                    | (28,699)                      | -            | (1,590)      |
| Interest (income) expense, net               | (64)                              | 88,042               | 268                       | (153)                         | -            | 88,093       |
| Interest income on Due from Clear            |                                   |                      |                           |                               |              |              |
| Channel Communications                       | -                                 | -                    | 11,920                    | -                             | -            | 11,920       |
| Intercompany interest income                 | 3,674                             | 85,175               | -                         | 38                            | (88,887)     | -            |
| Intercompany interest expense                | 121                               | -                    | 88,701                    | 65                            | (88,887)     | -            |
| Equity in earnings (loss) of                 |                                   |                      |                           |                               |              |              |
| nonconsolidated affiliates                   | (74,451)                          | (30,920)             | (30,876)                  | (985)                         | 136,747      | (485)        |
| Other income (expense), net                  | -                                 | -                    | (3,061)                   | 2,154                         | -            | (907)        |
| Loss before income taxes                     | (74,178)                          | (33,790)             | (80,530)                  | (27,404)                      | 136,747      | (79,155)     |
| Income tax benefit (expense)                 | (100)                             | 1,077                | 6,079                     | (2,050)                       | -            | 5,006        |
| Consolidated net loss                        | (74,278)                          | (32,713)             | (74,451)                  | (29,454)                      | 136,747      | (74,149)     |
| Less amount attributable to                  | -                                 | -                    | -                         | 129                           | -            | 129          |

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|                                                              |             |             |             |             |            |             |
|--------------------------------------------------------------|-------------|-------------|-------------|-------------|------------|-------------|
| noncontrolling<br>interest                                   |             |             |             |             |            |             |
| Net loss attributable to the<br>Company                      | \$ (74,278) | \$ (32,713) | \$ (74,451) | \$ (29,583) | \$ 136,747 | \$ (74,278) |
| Other comprehensive<br>income (loss):                        |             |             |             |             |            |             |
| Foreign currency<br>translation<br>adjustments               | (314)       | (11)        | 1,938       | (25,638)    | -          | (24,025)    |
| Unrealized loss on<br>marketable securities                  | -           | -           | -           | (25)        | -          | (25)        |
| Other adjustments to<br>comprehensive<br>income              | -           | -           | -           | (998)       | -          | (998)       |
| Equity in subsidiary<br>comprehensive<br>income (loss)       | (24,641)    | (25,991)    | (26,434)    | -           | 77,066     | -           |
| Comprehensive loss                                           | (99,233)    | (58,715)    | (98,947)    | (56,244)    | 213,813    | (99,326)    |
| Less amount<br>attributable to<br>noncontrolling<br>interest | -           | -           | 145         | (238)       | -          | (93)        |
| Comprehensive loss<br>attributable<br>to the Company         | \$ (99,233) | \$ (58,715) | \$ (99,092) | \$ (56,006) | \$ 213,813 | \$ (99,233) |

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

| <i>(In thousands)</i>                        | Three Months Ended March 31, 2012 |                      |                           |                               |              |              |
|----------------------------------------------|-----------------------------------|----------------------|---------------------------|-------------------------------|--------------|--------------|
|                                              | Parent<br>Company                 | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Revenue                                      | \$ -                              | \$ -                 | \$ 260,473                | \$ 390,810                    | \$ -         | \$ 651,283   |
| Operating expenses:                          |                                   |                      |                           |                               |              |              |
| Direct operating expenses                    | -                                 | -                    | 130,358                   | 263,695                       | -            | 394,053      |
| Selling, general and administrative expenses | -                                 | -                    | 48,719                    | 104,430                       | -            | 153,149      |
| Corporate expenses                           | 3,806                             | -                    | 13,204                    | 7,300                         | -            | 24,310       |
| Depreciation and amortization                | -                                 | -                    | 42,056                    | 50,281                        | -            | 92,337       |
| Other operating income, net                  | (116)                             | -                    | 3,782                     | 337                           | -            | 4,003        |
| Operating income (loss)                      | (3,922)                           | -                    | 29,918                    | (34,559)                      | -            | (8,563)      |
| Interest expense, net                        | (144)                             | 64,975               | 2,096                     | 904                           | -            | 67,831       |
| Interest income on Due from Clear            |                                   |                      |                           |                               |              |              |
| Channel Communications                       | -                                 | -                    | 15,980                    | -                             | -            | 15,980       |
| Intercompany interest income                 | 3,551                             | 64,849               | -                         | 244                           | (68,644)     | -            |
| Intercompany interest expense                | 118                               | -                    | 68,375                    | 151                           | (68,644)     | -            |
| Equity in earnings (loss) of                 |                                   |                      |                           |                               |              |              |
| nonconsolidated affiliates                   | (42,538)                          | (24,105)             | (24,811)                  | 124                           | 91,751       | 421          |
| Other income (expense), net                  | -                                 | (106)                | 5                         | (393)                         | -            | (494)        |
| Loss before income taxes                     | (42,883)                          | (24,337)             | (49,379)                  | (35,639)                      | 91,751       | (60,487)     |
| Income tax benefit (expense)                 | (987)                             | 168                  | 6,841                     | 9,272                         | -            | 15,294       |
| Consolidated net loss                        | (43,870)                          | (24,169)             | (42,538)                  | (26,367)                      | 91,751       | (45,193)     |
| Less amount attributable to                  | -                                 | -                    | -                         | (1,323)                       | -            | (1,323)      |

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|                                                |             |             |             |             |             |             |
|------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| noncontrolling<br>interest                     |             |             |             |             |             |             |
| Net loss attributable to the                   |             |             |             |             |             |             |
| Company                                        | \$ (43,870) | \$ (24,169) | \$ (42,538) | \$ (25,044) | \$ 91,751   | \$ (43,870) |
| Other comprehensive<br>income (loss),          |             |             |             |             |             |             |
| net of tax:                                    |             |             |             |             |             |             |
| Foreign currency<br>translation<br>adjustments | -           | -           | (9)         | 33,520      | -           | 33,511      |
| Unrealized gain<br>(loss) on                   |             |             |             |             |             |             |
| marketable<br>securities                       | -           | -           | (1)         | 290         | -           | 289         |
| Other adjustments to                           |             |             |             |             |             |             |
| comprehensive<br>income                        | -           | -           | -           | 63          | -           | 63          |
| Equity in subsidiary                           |             |             |             |             |             |             |
| comprehensive<br>income (loss)                 | 34,052      | 50,722      | 34,062      | -           | (118,836)   | -           |
| Comprehensive income<br>(loss)                 | (9,818)     | 26,553      | (8,486)     | 8,829       | (27,085)    | (10,007)    |
| Less amount<br>attributable to                 |             |             |             |             |             |             |
| noncontrolling<br>interest                     | -           | -           | -           | (189)       | -           | (189)       |
| Comprehensive income<br>(loss)                 |             |             |             |             |             |             |
| attributable to the<br>Company                 | \$ (9,818)  | \$ 26,553   | \$ (8,486)  | \$ 9,018    | \$ (27,085) | \$ (9,818)  |

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

|                                                  | Three Months Ended March 31, 2013 |                   |                        |                            |              |  | Consolidated |
|--------------------------------------------------|-----------------------------------|-------------------|------------------------|----------------------------|--------------|--|--------------|
|                                                  | Parent Company                    | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations |  |              |
| <b>Cash flows from operating activities:</b>     |                                   |                   |                        |                            |              |  |              |
| Consolidated net loss                            | \$ (74,278)                       | \$ (32,713)       | \$ (74,451)            | \$ (29,454)                | \$ 136,747   |  | \$ (74,149)  |
| Reconciling items:                               |                                   |                   |                        |                            |              |  |              |
| Depreciation and amortization                    | -                                 | -                 | 48,240                 | 52,087                     | -            |  | 100,327      |
| Deferred taxes                                   | (2)                               | -                 | (19,677)               | (3,356)                    | -            |  | (23,035)     |
| Provision for doubtful accounts                  | -                                 | -                 | 904                    | 808                        | -            |  | 1,712        |
| Gain on sale of operating assets                 | 120                               | -                 | (2,246)                | 23                         | -            |  | (2,103)      |
| Share-based compensation                         | -                                 | -                 | 926                    | 735                        | -            |  | 1,661        |
| Amortization of deferred financing charges       |                                   |                   |                        |                            |              |  |              |
| and note discounts, net                          | -                                 | 1,845             | 286                    | -                          | -            |  | 2,131        |
| Other reconciling items, net                     | 74,451                            | 30,920            | 31,550                 | 985                        | (136,747)    |  | 1,159        |
| Changes in operating assets and liabilities,     |                                   |                   |                        |                            |              |  |              |
| net of effects of acquisitions and dispositions: |                                   |                   |                        |                            |              |  |              |
| Decrease in accounts receivable                  | -                                 | -                 | 48,737                 | 14,779                     | -            |  | 63,516       |
| Increase in deferred income                      | -                                 | -                 | (9,199)                | 25,235                     | -            |  | 16,036       |
| Decrease in accrued expenses                     | (292)                             | 71,869            | (72,296)               | (35,282)                   | -            |  | (36,001)     |
| Decrease in accounts payable                     | -                                 | (11)              | (10,280)               | (10,470)                   | 4,793        |  | (15,968)     |
| Changes in other operating assets and            | (1,354)                           | -                 | 1,254                  | (1,912)                    | -            |  | (2,012)      |

|                                                      |            |          |          |            |         |            |
|------------------------------------------------------|------------|----------|----------|------------|---------|------------|
| liabilities                                          |            |          |          |            |         |            |
| Net cash provided by (used for) operating activities | (1,355)    | 71,910   | (56,252) | 14,178     | 4,793   | 33,274     |
| <b>Cash flows from investing activities:</b>         |            |          |          |            |         |            |
| Purchases of property, plant and equipment           | -          | -        | (13,489) | (25,952)   | -       | (39,441)   |
| Proceeds from disposal of assets                     | -          | -        | 2,056    | 1,244      | -       | 3,300      |
| Purchases of other operating assets                  | -          | -        | (3)      | -          | -       | (3)        |
| Change in other, net                                 | -          | -        | -        | (665)      | -       | (665)      |
| Net cash used for investing activities               | -          | -        | (11,436) | (25,373)   | -       | (36,809)   |
| <b>Cash flows from financing activities:</b>         |            |          |          |            |         |            |
| Draws on credit facilities                           | -          | -        | -        | 637        | -       | 637        |
| Payments on long-term debt                           | -          | -        | (9)      | (4,428)    | -       | (4,437)    |
| Net transfers to Clear Channel Communications        | 1,507      | -        | -        | -          | -       | 1,507      |
| Intercompany funding                                 | (2,809)    | (71,879) | 74,080   | 608        | -       | -          |
| Deferred financing charges                           | -          | -        | 152      | -          | -       | 152        |
| Change in other, net                                 | 548        | -        | -        | (4,353)    | -       | (3,805)    |
| Net cash provided by (used for) financing activities | (754)      | (71,879) | 74,223   | (7,536)    | -       | (5,946)    |
| Effect of exchange rate changes on cash              | -          | -        | -        | (5,238)    | -       | (5,238)    |
| Net increase (decrease) in cash and cash equivalents | (2,109)    | 31       | 6,535    | (23,969)   | 4,793   | (14,719)   |
| Cash and cash equivalents at beginning of period     | 207,411    | -        | -        | 359,361    | (4,793) | 561,979    |
| Cash and cash equivalents at end of period           | \$ 205,302 | \$ 31    | \$ 6,535 | \$ 335,392 | \$ -    | \$ 547,260 |

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

|                                                                                               | Three Months Ended March 31, 2012 |                      |                           |                               |              |             | Consolidated |
|-----------------------------------------------------------------------------------------------|-----------------------------------|----------------------|---------------------------|-------------------------------|--------------|-------------|--------------|
|                                                                                               | Parent<br>Company                 | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations |             |              |
| <b>Cash flows from operating activities:</b>                                                  |                                   |                      |                           |                               |              |             |              |
| Consolidated net loss                                                                         | \$ (43,870)                       | \$ (24,169)          | \$ (42,538)               | \$ (26,367)                   | \$ 91,751    | \$ (45,193) |              |
| Reconciling items:                                                                            |                                   |                      |                           |                               |              |             |              |
| Depreciation and amortization                                                                 | -                                 | -                    | 42,056                    | 50,281                        | -            | 92,337      |              |
| Deferred taxes                                                                                | -                                 | 97                   | (11,353)                  | (4,225)                       | -            | (15,481)    |              |
| Provision for doubtful accounts                                                               | -                                 | -                    | 1,170                     | 650                           | -            | 1,820       |              |
| (Gain) loss on sale of operating assets                                                       | 116                               | -                    | (3,782)                   | (337)                         | -            | (4,003)     |              |
| Share-based compensation                                                                      | -                                 | -                    | 1,993                     | 1,209                         | -            | 3,202       |              |
| Amortization of deferred financing charges and note discounts, net                            | -                                 | 172                  | 1,949                     | -                             | -            | 2,121       |              |
| Other reconciling items, net                                                                  | 42,538                            | 24,212               | 24,675                    | (62)                          | (91,751)     | (388)       |              |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: |                                   |                      |                           |                               |              |             |              |
| Decrease in accounts receivable                                                               | -                                 | -                    | 30,115                    | 29,221                        | -            | 59,336      |              |
| Increase in deferred income                                                                   | -                                 | -                    | 6,811                     | 43,997                        | -            | 50,808      |              |
| Increase (decrease) in accrued expenses                                                       | 843                               | 1,087                | (2,622)                   | (29,659)                      | -            | (30,351)    |              |
| Decrease in accounts payable                                                                  | -                                 | -                    | (13,180)                  | (4,467)                       | 9,146        | (8,501)     |              |
| Changes in other operating assets and liabilities                                             | (1,189)                           | (439)                | (3,076)                   | (5,625)                       | -            | (10,329)    |              |

|                                                             |             |             |             |          |             |             |
|-------------------------------------------------------------|-------------|-------------|-------------|----------|-------------|-------------|
| Net cash provided by<br>(used for) operating<br>activities  | (1,562)     | 960         | 32,218      | 54,616   | 9,146       | 95,378      |
| <b>Cash flows from<br/>investing activities:</b>            |             |             |             |          |             |             |
| Purchases of<br>property, plant and<br>equipment            | -           | -           | (27,900)    | (28,090) | -           | (55,990)    |
| Proceeds from<br>disposal of assets                         | -           | -           | 5,172       | 922      | -           | 6,094       |
| Purchases of<br>businesses and<br>other operating<br>assets | -           | -           | (1,057)     | (310)    | -           | (1,367)     |
| Decrease in<br>intercompany notes<br>receivable, net        | -           | (2,167,000) | -           | -        | 2,167,000   | -           |
| Dividends from<br>subsidiaries                              | 2,167,000   | -           | -           | -        | (2,167,000) | -           |
| Change in other,<br>net                                     | -           | -           | (997)       | (260)    | -           | (1,257)     |
| Net cash provided by<br>(used for) investing<br>activities  | 2,167,000   | (2,167,000) | (24,782)    | (27,738) | -           | (52,520)    |
| <b>Cash flows from<br/>financing activities:</b>            |             |             |             |          |             |             |
| Draws on credit<br>facilities                               | -           | -           | -           | 992      | -           | 992         |
| Proceeds from<br>long-term debt                             | -           | 2,200,000   | 2,167,000   | -        | (2,167,000) | 2,200,000   |
| Payments on<br>long-term debt                               | -           | -           | (48)        | (2,842)  | -           | (2,890)     |
| Net transfers to<br>Clear Channel<br>Communications         | (46,791)    | -           | -           | -        | -           | (46,791)    |
| Intercompany<br>funding                                     | 7,943       | (960)       | (457)       | (6,526)  | -           | -           |
| Deferred financing<br>charges                               | -           | (33,000)    | (6,927)     | -        | -           | (39,927)    |
| Dividends paid                                              | (2,170,396) | -           | (2,167,000) | -        | 2,167,000   | (2,170,396) |
| Change in other,<br>net                                     | 5,568       | -           | (4)         | (668)    | -           | 4,896       |
| Net cash provided by<br>(used for) financing<br>activities  | (2,203,676) | 2,166,040   | (7,436)     | (9,044)  | -           | (54,116)    |
| Effect of exchange rate<br>changes on cash                  | -           | -           | -           | 3,357    | -           | 3,357       |
| Net increase (decrease)<br>in cash and cash<br>equivalents  | (38,238)    | -           | -           | 21,191   | 9,146       | (7,901)     |
|                                                             | 325,696     | -           | -           | 249,448  | (32,489)    | 542,655     |

Cash and cash  
equivalents at  
beginning of period

|                                                  |         |    |    |         |          |         |
|--------------------------------------------------|---------|----|----|---------|----------|---------|
| Cash and cash<br>equivalents at end of<br>period | \$      | \$ | \$ | \$      | \$       | \$      |
|                                                  | 287,458 | -  | -  | 270,639 | (23,343) | 534,754 |

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## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Format of Presentation**

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

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

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

Advertising revenue for our segments is highly correlated to changes in gross domestic product ("GDP") as advertising spending has historically trended in line with GDP, both domestically and internationally. According to the U.S. Department of Commerce, estimated U.S. GDP growth for the first quarter of 2013 was 2.5%. 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, 2013 are summarized below:

- Consolidated revenue decreased \$1.1 million including negative foreign exchange movements of \$0.9 million during the three months ended March 31, 2013 compared to the same period of 2012. Excluding foreign exchange impacts and the \$8.3 million impact of our divestiture of our international neon business in the prior year, consolidated revenue increased \$8.1 million over the comparable three-month period in the prior year.
- Americas revenue increased \$6.3 million during the three months ended March 31, 2013 compared to the same period of 2012 due primarily to increased sales volumes from our digital and traditional product lines.
- International revenue decreased \$7.4 million including negative foreign exchange movements of \$0.8 million during the three months ended March 31, 2013 compared to the same period of 2012. Excluding foreign exchange impacts and the \$8.3 million impact of our divestiture of our international neon business in the prior year, revenue increased \$1.7 million over the comparable three-month period in the prior year. Continued weakened macro-economic conditions in Europe were offset by growth in countries located in other markets and new contracts.
- During the first quarter of 2013, we spent \$6.7 million on strategic revenue and cost-saving initiatives to realign and improve our on-going business operations—an increase of \$0.7 million compared to the first quarter of 2012.

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

The comparison of our results of operations for the three months ended March 31, 2013 to the three months ended March 31, 2012 is as follows:

*(In thousands)*

|                                                 | Three Months Ended March 31, |            | %      |
|-------------------------------------------------|------------------------------|------------|--------|
|                                                 | 2013                         | 2012       | Change |
| Revenue                                         | \$ 650,210                   | \$ 651,283 | (0%)   |
| Operating expenses:                             |                              |            |        |
| Direct operating expenses<br>(excludes          |                              |            |        |
| depreciation and<br>amortization)               | 387,389                      | 394,053    | (2%)   |
| Selling, general and<br>administrative expenses |                              |            |        |
| (excludes depreciation<br>and amortization)     | 139,992                      | 153,149    | (9%)   |
| Corporate expenses<br>(excludes depreciation    |                              |            |        |
| and amortization)                               | 26,195                       | 24,310     | 8%     |
| Depreciation and<br>amortization                | 100,327                      | 92,337     | 9%     |
| Other operating income,<br>net                  | 2,103                        | 4,003      | (47%)  |
| Operating loss                                  | (1,590)                      | (8,563)    | (81%)  |
| Interest expense                                | 88,093                       | 67,831     |        |
| Interest income on Due from Clear<br>Channel    |                              |            |        |
| Communications                                  | 11,920                       | 15,980     |        |
| Equity in earnings (loss) of<br>nonconsolidated |                              |            |        |
| affiliates                                      | (485)                        | 421        |        |
| Other expense, net                              | (907)                        | (494)      |        |
| Loss before income taxes                        | (79,155)                     | (60,487)   |        |
| Income tax expense                              | 5,006                        | 15,294     |        |
| Consolidated net loss                           | (74,149)                     | (45,193)   |        |

Less amount attributable to  
noncontrolling

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| interest                             | 129         | (1,323)     |
| Net loss attributable to the Company | \$ (74,278) | \$ (43,870) |

### ***Consolidated Revenue***

Our consolidated revenue during the first quarter of 2013 decreased \$1.1 million including negative movements in foreign exchange of \$0.9 million compared to the same period of 2012. Excluding the impact of foreign exchange movements and excluding the \$8.3 million impact of businesses divested in the prior year, consolidated revenue increased \$8.1 million. Americas revenue increased \$6.3 million driven primarily by increased occupancy of our digital and traditional displays. International revenue decreased \$7.4 million including negative movements in foreign exchange of \$0.8 million compared to the same period of 2012. Excluding the impact of foreign exchange movements and the \$8.3 million impact of our international neon divestiture during the third quarter of 2012, International revenue increased \$1.7 million.

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

Direct operating expenses decreased \$6.7 million including a \$0.2 million positive impact due to the effects of movements in foreign exchange during the first quarter of 2013 compared to the same period of 2012. Americas direct operating expenses decreased \$6.9 million, primarily due to the benefits resulting from our previous strategic cost initiatives and higher margin product lines having increased sales while lower margin product lines remained steady. Direct operating expenses in our International segment were relatively flat.

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

SG&A expenses decreased \$13.2 million including a decline of \$0.2 million due to the effects of movements in foreign exchange during the first quarter of 2013 compared to the same period of 2012. SG&A expenses increased \$2.0 million in our Americas segment primarily due to legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q, partially offset by a reduction in amounts spent on strategic cost initiatives. Our International SG&A expenses decreased \$15.2 million including a \$0.2 million decrease due to the effects of movements in foreign exchange, primarily due to certain expenses during the prior year related to legal and other costs in Brazil that did not recur in the first quarter of 2013.

***Corporate Expenses***

Corporate expenses increased \$1.9 million during the three months ended March 31, 2013 compared to the same periods of 2012, primarily related to legal costs related to the stockholder litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q and employee incentive plans and increased headcount in procurement and marketing.

***Revenue and Cost Initiatives***

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses of \$6.7 million incurred in connection with our strategic revenue and cost initiatives. 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 consulting expenses, consolidation of locations and positions, severance related to workforce initiatives and other costs incurred in connection with streamlining our businesses. These costs are expected to provide benefits in future periods as the initiative results are realized. Of these costs, \$2.5 million are reported within direct operating expenses, \$4.1 million are reported within SG&A and \$0.1 million are reported within corporate expense for 2013. In 2012, such costs totaled \$0.0 million, \$4.0 million, and \$2.0 million, respectively.

***Depreciation and Amortization***

Depreciation and amortization increased \$8.0 million during the three months ended March 31, 2013 compared to the same period of 2012. The increase is primarily as a result of increased depreciation in our Americas segment related to depreciation of digital bulletins.

***Other Operating Income, Net***

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

Other operating income of \$4.0 million for the first quarter of 2012 primarily related to proceeds received from condemnations of bulletins and buildings.

***Interest Expense***

Interest expense increased \$20.3 million during the three months ended March 31, 2013 compared to the same period of 2012 primarily due to the issuance of \$2,200.0 million aggregate principal amount of 7.625% Senior Subordinated Notes due 2020 (the "Subordinated Notes") by Clear Channel Worldwide Holdings ("CCWH"), our indirect subsidiary, during March 2012.

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

Interest income decreased \$4.1 million during the three months ended March 31, 2013 compared to the same period of 2012 due to the change in the interest rate recognized on amounts outstanding in the balance of the Due from Clear Channel Communications account during 2013.

***Income Tax Benefit***

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

The effective tax rate is the provision for income taxes as a percent of income before income taxes. The effective tax rates for the three months ended March 31, 2013 was 6.3%. The effective rate was primarily impacted by our inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

Our effective tax rate for the three months ended March 31, 2012 was 25.3%. The effective tax benefit rate was primarily impacted by our ability to benefit from certain foreign tax loss carryforwards in 2011 due to taxable income in certain foreign jurisdictions where the loss carryforwards previously did not provide a benefit.

### Americas Results of Operations

Our Americas operating results were as follows:

| <i>(In thousands)</i>         | Three Months Ended March 31, |            | %      |
|-------------------------------|------------------------------|------------|--------|
|                               | 2013                         | 2012       | Change |
| Revenue                       | \$ 286,461                   | \$ 280,151 | 2%     |
| Direct operating expenses     | 137,547                      | 144,410    | (5%)   |
| SG&A expenses                 | 54,610                       | 52,579     | 4%     |
| Depreciation and amortization | 48,685                       | 42,958     | 13%    |
| Operating income              | \$ 45,619                    | \$ 40,204  | 13%    |

Our Americas revenue increased \$6.3 million during the first quarter of 2013 compared to the same period of 2012, driven primarily by bulletins, and particularly by increased occupancy and capacity of our digital displays. Increases in poster revenues were driven by new contracts and advertising campaigns utilizing our traditional product lines. Partially offsetting these increases were declines in specialty business revenues due primarily to a significant contract during the prior year.

Direct operating expenses decreased \$6.9 million, primarily due to the benefits resulting from our previous strategic cost initiatives as well as variable costs associated with the favorable product mix of our sales with increased sales in our product lines with greater margins. SG&A expenses increased \$2.0 million primarily due to legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q, partially offset by a reduction in amounts spent on strategic cost initiatives.

Depreciation and amortization increased \$5.7 million, primarily as a result of our deployment of digital bulletins in recent years.

### International Results of Operations

During the third quarter of 2012, our subsidiary Clear Channel Outdoor, Inc. divested its international neon business. For the three months ended March 31, 2012, our international neon business contributed \$8.3 million in revenue,

\$5.1 million in direct operating expenses and \$1.8 million in SG&A expenses.

Our International operating results were as follows:

| <i>(In thousands)</i>         | Three Months Ended March 31, |             | %<br>Change |
|-------------------------------|------------------------------|-------------|-------------|
|                               | 2013                         | 2012        |             |
| Revenue                       | \$ 363,749                   | \$ 371,132  | (2%)        |
| Direct operating expenses     | 249,842                      | 249,643     | 0%          |
| SG&A expenses                 | 85,382                       | 100,570     | (15%)       |
| Depreciation and amortization | 50,993                       | 49,035      | 4%          |
| Operating loss                | \$ (22,468)                  | \$ (28,116) | (20%)       |

International revenue decreased \$7.4 million during the first quarter of 2013 compared to the same period of 2012, including \$0.8 million of negative movements in foreign exchange and the divestiture of our international neon business during the third quarter of 2012 which had \$8.3 million in revenues in the three months ended March 31, 2012. Excluding the impact of foreign exchange and the divestiture, revenues increased \$1.7 million. The increase in revenue resulted from revenue growth in Australia, China, and Latin America as well as higher sales resulting from new contracts in Norway. This growth was partially offset by lower revenues in certain countries in Europe as a result of weakened macroeconomic conditions.

Direct operating expenses increased \$0.2 million including a \$0.3 million positive impact due to the effects of movements in foreign exchange. Excluding the impact of movements in foreign exchange, the decrease was primarily driven by declines in expenses in response to declining revenues in certain countries in Europe as well as the \$5.1 million impact of our divestiture of our international neon business. Offsetting these declines were increases in variable costs in other markets such as China, Turkey and in Latin America resulting from increased revenues. SG&A expenses decreased \$15.2 million including a \$0.2 million decrease due to the effects of movements in foreign exchange. The SG&A expense declines in 2013 resulted from \$18.5 million in expenses incurred during the first quarter of 2012 in connection with legal and other costs in Brazil, partially offset by increases in strategic revenue and cost initiatives.

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

| <i>(In thousands)</i>       | Three Months Ended March 31, |            |
|-----------------------------|------------------------------|------------|
|                             | 2013                         | 2012       |
| Americas                    | \$ 45,619                    | \$ 40,204  |
| International               | (22,468)                     | (28,116)   |
| Corporate expenses          | (26,844)                     | (24,654)   |
| Other operating income, net | 2,103                        | 4,003      |
| Consolidated operating loss | \$ (1,590)                   | \$ (8,563) |

### Share-Based Compensation Expense

The following table presents amounts related to share-based compensation expense for the three months ended March 31, 2013 and 2012, respectively:

| <i>(In thousands)</i>                  | Three Months Ended March 31, |          |
|----------------------------------------|------------------------------|----------|
|                                        | 2013                         | 2012     |
| Americas                               | \$ 894                       | \$ 1,932 |
| International                          | 735                          | 1,209    |
| Corporate                              | 32                           | 61       |
| Total share-based compensation expense | \$ 1,661                     | \$ 3,202 |

As of March 31, 2013, there was \$17.9 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over a weighted average period of approximately three years. In addition, as of March 31, 2013, there was \$0.6 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on market, performance and service conditions. This cost will be recognized when it becomes probable that the performance condition will be satisfied.

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

The following discussion highlights our cash flow activities during the three months ended March 31, 2013 and 2012.

| <i>(In thousands)</i>        | Three Months Ended March 31, |           |
|------------------------------|------------------------------|-----------|
|                              | 2013                         | 2012      |
| Cash provided by (used for): |                              |           |
| Operating activities         | \$ 33,274                    | \$ 95,378 |
| Investing activities         | (36,809)                     | (52,520)  |
| Financing activities         | (5,946)                      | (54,116)  |

### ***Operating Activities***

Our consolidated net loss, adjusted for \$81.9 million of non-cash items, provided positive cash flows of \$7.7 million during the three months ended March 31, 2013. Our consolidated net loss, adjusted for \$79.6 million of non-cash items, provided positive cash flows of \$34.4 million during the three months ended March 31, 2012. Cash provided by operating activities during the three months ended March 31, 2013 was \$33.3 million compared to \$95.4 million during the three months ended March 31, 2012. Cash paid for interest was \$23.3 million higher during the three months ended March 31, 2013 compared to 2012 due to the issuance of CCWH's Subordinated Notes during the first quarter of 2012.

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

### ***Investing Activities***

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

Cash used for investing activities of \$52.5 million during the three months ended March 31, 2012 primarily reflected capital expenditures of \$56.0 million. We spent \$25.3 million in our Americas segment primarily related to the construction of new billboards, \$27.7 million in our International segment primarily related to new billboard and street furniture contracts and renewals of existing contracts, and \$3.0 million by Corporate. Partially offsetting cash used for investing activities were proceeds from sales of operating and fixed assets.

### ***Financing Activities***

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

Cash used for financing activities of \$54.1 million for the three months ended March 31, 2012 primarily reflected the payment of a dividend totaling \$2,170.4 million and net transfers of \$46.8 million in cash to Clear Channel

Communications which represents the activity in the “Due from/to Clear Channel Communications” account. The proceeds from the Subordinated Notes issuance of \$2.2 billion partially offset the cash used for financing activities.

### **Anticipated Cash Requirements**

Our primary source of liquidity is cash on hand, cash flow from operations and the revolving promissory note with Clear Channel Communications. Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand, cash flows from operations and borrowing capacity under or repayment of amounts outstanding under the revolving promissory note with Clear Channel Communications will enable us to meet our working capital, capital expenditure, debt service and other funding requirements, including the debt service on the CCWH Senior Notes and the CCWH Subordinated Notes, for at least the next 12 months. In addition, we were in compliance with the covenants contained in our material financing agreements as of March 31, 2013. We believe our long-term plans, which include promoting outdoor media spending and capitalizing on our diverse geographic and product opportunities, including the continued deployment of digital displays, will enable us to continue generating cash flows from operations sufficient to meet our liquidity and funding requirements long term. However, our anticipated results are subject to significant uncertainty and there can be no assurance that we will be able to maintain compliance with these covenants. In addition, our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. At March 31, 2013, we had \$547.3 million of cash on our balance sheet, with \$335.4 million in consolidated cash balances held outside the U.S. by our subsidiaries, all of which is readily convertible into other foreign currencies including the U.S. dollar. We disclose in Item 8 of our Form 10-K within Note 1, Summary of Significant Accounting Policies, that our policy is to permanently reinvest the earnings of our non-U.S. subsidiaries as these earnings are generally redeployed in those jurisdictions for operating needs and continued functioning of their businesses. We have the ability and intent to indefinitely reinvest the undistributed earnings of consolidated subsidiaries based outside of the United States. If any excess cash held by our foreign subsidiaries were needed to fund operations in the United States, we could presently repatriate available funds without a requirement to accrue or pay U.S. taxes. This is a result of significant current and historic deficits in our foreign earnings and profits, which gives us flexibility to make future cash distributions as non-taxable returns of capital.

Furthermore, in its Quarterly Report on Form 10-Q filed with the SEC on May 2, 2013, Clear Channel Communications stated that it was in compliance at March 31, 2013. Clear Channel Communications similarly stated in such Quarterly Report that its anticipated results are also subject to significant uncertainty and there can be no assurance that actual results will be in compliance with the covenants. Moreover, Clear Channel Communications stated in such Quarterly Report that its ability to comply with the covenants in its material financing agreements may be affected by events beyond its control, including prevailing economic, financial and industry conditions. As discussed therein, the breach of any covenants set forth in Clear Channel Communications' financing agreements would result in a default thereunder, and an event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, as discussed therein, the lenders under the receivables-based credit facility under Clear Channel Communications' senior secured credit facilities would have the option to terminate their commitments to make further extensions of credit thereunder. In addition, Clear Channel Communications stated in such Quarterly Report that if Clear Channel Communications is unable to repay its obligations under any secured credit facility, the lenders could proceed against any assets that were pledged to secure such facility. Finally, Clear Channel Communications stated in such Quarterly Report that a default or acceleration under any of its material financing agreements could cause a default under other obligations that are subject to cross-default and cross-acceleration provisions. If Clear Channel Communications were to become insolvent, we would be an unsecured creditor of Clear Channel Communications. In such event, we would be treated the same as other unsecured creditors of Clear Channel Communications and, if we were not entitled to the cash previously transferred to Clear Channel Communications, or could not obtain such cash on a timely basis, we could experience a liquidity shortfall.

For so long as Clear Channel Communications maintains significant control over us, a deterioration in the financial condition of Clear Channel Communications could have the effect of increasing our borrowing costs or impairing our access to capital markets. As of March 31, 2013, Clear Channel Communications had \$721.6 million recorded as "Cash and cash equivalents" on its condensed consolidated balance sheets, of which \$547.3 million was held by us and our subsidiaries.

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

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

### **Sources of Capital**

As of March 31, 2013 and December 31, 2012, we had the following debt outstanding, cash and cash equivalents and amounts due from Clear Channel Communications:

| <i>(In millions)</i>                                       | March 31, 2013 | December 31, 2012 |
|------------------------------------------------------------|----------------|-------------------|
| Clear Channel Worldwide Holdings Senior Notes              | \$ 2,725.0     | \$ 2,725.0        |
| Clear Channel Worldwide Holdings Senior Subordinated Notes | 2,200.0        | 2,200.0           |
| Other debt                                                 | 22.7           | 27.1              |
| Original issue discount                                    | (7.1)          | (7.3)             |
| Total debt                                                 | 4,940.6        | 4,944.8           |
| Less: Cash and cash equivalents                            | 547.3          | 562.0             |
| Less: Due from Clear Channel Communications                | 727.6          | 729.2             |
|                                                            | \$ 3,665.7     | \$ 3,653.6        |

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

***Promissory Notes with Clear Channel Communications***

We maintain accounts that represent net amounts due to or from Clear Channel Communications, which is recorded as “Due from/to Clear Channel Communications” on our condensed consolidated balance sheets. The accounts represent our revolving promissory note issued by us to Clear Channel Communications and the revolving promissory note issued by Clear Channel

Communications to us (the “Due from CCU Note”), in each case in the face amount of \$1.0 billion, or if more or less than such amount, the aggregate unpaid principal amount of all advances. The accounts accrue interest pursuant to the terms of the promissory notes and are generally payable on demand or when they mature on December 15, 2017. Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. Such day-to-day cash management services relate only to our cash activities and balances in the U.S. and exclude any cash activities and balances of our non-U.S. subsidiaries. At March 31, 2013 and December 31, 2012, the asset recorded in “Due from Clear Channel Communications” on our condensed consolidated balance sheet was \$727.6 million and \$729.2 million, respectively. At March 31, 2013, we had no borrowings under the cash management note to Clear Channel Communications.

The Due from CCU Note is the subject of a derivative litigation filed by our stockholders in the Delaware Court of Chancery (the “Delaware Court”). Please refer to “Legal Proceedings” within Part II of this Quarterly Report on Form 10-Q for additional information about this stockholder litigation. On March 28, 2013, the defendants in that matter entered into a binding memorandum of understanding (the “MOU”) with a special litigation committee consisting of certain of our independent directors and the plaintiffs to settle the derivative litigation. The MOU contemplates a Stipulation of Settlement, which has not yet been finalized and is subject to approval by the Delaware Court. If the Stipulation of Settlement is approved by the Delaware Court, we would, within 30 days, demand payment of \$200 million outstanding under the Due from CCU Note and declare a dividend of \$200 million to be paid simultaneously on the date that payment from the demand is to be made. The repayment and simultaneous dividend would reduce the amount of the “Due from Clear Channel Communications” asset that is available to us as a source of liquidity by \$200 million.

In addition, if the Stipulation of Settlement is approved by the Delaware Court, we would establish a committee of our board of directors, consisting of our independent and disinterested directors, that would have the incremental and non-exclusive authority pursuant to a committee charter to make demands for repayment under the Due from CCU Note under certain specified circumstances tied to Clear Channel Communications’ liquidity or the balance of the Due from CCU Note. If such a demand were to be made pursuant to the terms of the charter, we would declare a simultaneous dividend equal to the amount so demanded, which would reduce the amount of the “Due from Clear Channel Communications” asset that is available to us as a source of liquidity to us for ongoing working capital requirements and for general corporate purposes.

The net interest income for the three months ended March 31, 2013 and 2012 was \$11.9 million and \$16.0 million, respectively. At March 31, 2013 and December 31, 2012, the fixed interest rate on the Due from CCU Note was 6.5%, which is equal to the fixed interest rate on the CCWH senior notes. If the Stipulation of Settlement is approved by the Delaware Court, the interest rate on the Due from CCU Note would be increased if the outstanding balance on the Due from CCU Note exceeds \$1.0 billion and under certain other circumstances tied to Clear Channel Communications’ liquidity.

Our working capital requirements and capital for general corporate purposes, including acquisitions and capital expenditures, may be provided to us by Clear Channel Communications, in its sole discretion, pursuant to a revolving

promissory note issued by us to Clear Channel Communications or pursuant to repayment of the Due from CCU Note. If we are unable to obtain financing from Clear Channel Communications, we may need to obtain additional financing from banks or other lenders, or through public offerings or private placements of debt or equity, strategic relationships or other arrangements at some future date. As stated above, we may be unable to successfully obtain additional debt or equity financing on satisfactory terms or at all.

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

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

During the fourth quarter of 2012, CCWH issued \$2.7 billion aggregate principal amount of senior notes, which consisted of \$735.75 million aggregate principal amount of 6.5% Series A Senior Notes due 2022 (the "Series A CCWH Senior Notes") and \$1,989.25 million aggregate principal amount of 6.5% Series B CCWH Senior Notes due 2022 (the "Series B CCWH Senior Notes" and, together with the Series A CCWH Senior Notes, the "CCWH Senior Notes"). The CCWH Senior Notes are guaranteed by us, Clear Channel Outdoor, Inc. ("CCOI") and certain of our direct and indirect subsidiaries. The proceeds from the issuance of the CCWH Senior Notes were used to fund the repurchase of CCWH's Series A Senior Notes due 2017 and CCWH's Series B Senior Notes due 2017 (collectively, the "Existing CCWH Senior Notes").

We capitalized \$30.0 million in fees and expenses associated with the CCWH Senior Notes offering and an original issue discount of \$7.4 million. We are amortizing the capitalized fees and discount through interest expense over the life of the CCWH Senior Notes.

The CCWH Senior Notes are senior obligations that rank pari passu in right of payment to all unsubordinated indebtedness of CCWH and the guarantees of the CCWH Senior Notes rank pari passu in right of payment to all unsubordinated indebtedness of the guarantors. Interest on the CCWH Senior Notes is payable to the trustee weekly in arrears and to the noteholders on May 15 and November 15 of each year, beginning on May 15, 2013.

At any time prior to November 15, 2017, CCWH may redeem the CCWH Senior Notes, in whole or in part, at a price equal to 100% of the principal amount of the CCWH Senior Notes plus a “make-whole” premium, together with accrued and unpaid interest, if any, to the redemption date. CCWH may redeem the CCWH Senior Notes, in whole or in part, on or after November 15, 2017, at the redemption prices set forth in the applicable indenture governing the CCWH Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before November 15, 2015, CCWH may elect to redeem up to 40% of the then outstanding aggregate principal amount of the CCWH Senior Notes at a redemption price equal to 106.500% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings, subject to certain restrictions. Notwithstanding the foregoing, neither us nor any of our subsidiaries are permitted to make any purchase of, or otherwise effectively cancel or retire any Series A CCWH Senior Notes or Series B CCWH Senior Notes if, after giving effect thereto and, if applicable, any concurrent purchase of or other addition with respect to any Series B CCWH Senior Notes or Series A CCWH Senior Notes, as applicable, the ratio of (a) the outstanding aggregate principal amount of the Series A CCWH Senior Notes to (b) the outstanding aggregate principal amount of the Series B CCWH Senior Notes shall be greater than 0.25, subject to certain exceptions.

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

Consolidated leverage ratio, defined as total debt divided by EBITDA (as defined by the CCWH Senior Notes indentures) for the preceding four quarters was 6.3:1 at March 31, 2013, and senior leverage ratio, defined as senior debt divided by EBITDA (as defined by the CCWH Senior Notes indentures) for the preceding four quarters was 3.5:1 at March 31, 2013. As required by the definition of EBITDA in the CCWH Senior Notes indentures, our EBITDA for the preceding four quarters of \$788.9 million is calculated as operating income (loss) before depreciation, amortization, impairment charges and other operating income (expense), net, plus share-based compensation, and is further adjusted for the following: (i) costs incurred in connection with severance, the closure and/or consolidation of facilities, retention charges, consulting fees and other permitted activities; (ii) extraordinary, non-recurring or unusual gains or losses or expenses; (iii) non-cash charges; and (iv) various other items.

The following table reflects a reconciliation of EBITDA (as defined by the CCWH Senior Notes indentures) to operating income and net cash provided by operating activities for the four quarters ended March 31, 2013:

| <i>(In Millions)</i>                                                             | Four Quarters Ended<br>March 31, 2013 |
|----------------------------------------------------------------------------------|---------------------------------------|
| <b>EBITDA</b> (as defined by the CCWH Senior Notes indentures)                   | \$ 788.9                              |
| Less adjustments to EBITDA (as defined by the CCWH Senior Notes indentures):     |                                       |
| Cost incurred in connection with severance, the closure and/or                   |                                       |
| consolidation of facilities, retention charges, consulting fees,                 |                                       |
| and other permitted activities                                                   | (49.2)                                |
| Extraordinary, non-recurring or unusual gains or losses or expenses (as          |                                       |
| referenced in the definition of EBITDA in the CCWH Senior Notes                  |                                       |
| indentures)                                                                      | (41.8)                                |
| Non-cash charges                                                                 | (11.2)                                |
| Other items                                                                      | (7.8)                                 |
| Less: Depreciation and amortization, Impairment charges, Other operating         |                                       |
| income (expense), net, and Share-based compensation expense                      | (404.9)                               |
| <b>Operating income</b>                                                          | 274.0                                 |
| Plus: Depreciation and amortization, Impairment charges, Other operating         |                                       |
| income (expense), net, and Share-based compensation expense                      | 404.9                                 |
| Less: Interest expense                                                           | (394.1)                               |
| Plus: Interest income on Due from Clear Channel Communications                   | 59.7                                  |
| Less: Current income tax benefit                                                 | (68.1)                                |
| Plus: Other income (expense), net                                                | (0.8)                                 |
| Adjustments to reconcile consolidated net loss to net cash provided by           |                                       |
| operating activities (including Provision for doubtful accounts,                 |                                       |
| Amortization of deferred financing charges and note discounts, net and           |                                       |
| Other reconciling items, net)                                                    | 19.4                                  |
| Change in assets and liabilities, net of assets acquired and liabilities assumed | (2.0)                                 |

|                                                  |    |       |
|--------------------------------------------------|----|-------|
| <b>Net cash provided by operating activities</b> | \$ | 293.0 |
|--------------------------------------------------|----|-------|

***Clear Channel Worldwide Holdings Senior Subordinated Notes***

During 2012, CCWH issued \$275.0 million aggregate principal amount of 7.625% Series A Senior Subordinated Notes due 2020 (the “Series A Subordinated Notes”) and \$1,925.0 million aggregate principal amount of 7.625% Series B Senior Subordinated Notes due 2020 (the “Series B Subordinated Notes” and collectively with the Series A Subordinated Notes, the “Subordinated Notes”). Interest on the Subordinated Notes is payable to the trustee weekly in arrears and to the noteholders on March 15 and September 15 of each year, beginning on September 15, 2012.

The Subordinated Notes are CCWH’s senior subordinated obligations and are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated basis by us, CCOI, and certain of our other domestic subsidiaries. The Subordinated Notes are unsecured senior subordinated obligations that rank junior to all of CCWH’s existing and future senior debt, including the CCWH Senior Notes, equally with any of CCWH’s existing and future senior subordinated debt and ahead of all of CCWH’s existing and future debt that expressly provides that it is subordinated to the Subordinated Notes. The guarantees of the Subordinated Notes rank junior to each guarantor’s existing and future senior debt, including the CCWH Senior Notes, equally with each guarantor’s existing and future senior subordinated debt and ahead of each guarantor’s existing and future debt that expressly provides that it is subordinated to the guarantees of the Subordinated Notes.

The Series A Subordinated Notes were issued pursuant to an indenture, dated as of March 15, 2012 (the “Series A Subordinated Note Indenture”), among CCWH, us, CCOI and the other guarantors named therein (collectively with us and CCOI, the “Series A Subordinated Note Guarantors”) and U.S. Bank National Association, as trustee (the “Trustee”), and the Series B Subordinated Notes were issued pursuant to an indenture, dated as of March 15, 2012 (the “Series B Subordinated Note Indenture”)

and together with the Series A Subordinated Note Indenture, the “Subordinated Indentures”), among CCWH, us, CCOI and the other guarantors named therein (collectively with us and CCOI, the “Series B Subordinated Note Guarantors”) and the Trustee.

At any time prior to March 15, 2015, CCWH may redeem the Subordinated Notes, in whole or in part, at a price equal to 100% of the principal amount of the Subordinated Notes plus a “make-whole” premium, together with accrued and unpaid interest, if any, to the redemption date. CCWH may redeem the Subordinated Notes, in whole or in part, on or after March 15, 2015, at the redemption prices set forth in the applicable Subordinated Indenture plus accrued and unpaid interest to the redemption date. At any time on or before March 15, 2015, CCWH may elect to redeem up to 40% of the then outstanding aggregate principal amount of the Subordinated Notes at a redemption price equal to 107.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings. Notwithstanding the foregoing, neither us nor any of our subsidiaries are permitted to make any purchase of, or otherwise effectively cancel or retire any Series A Subordinated Notes or Series B Subordinated Notes if, after giving effect thereto and, if applicable, any concurrent purchase of or other addition with respect to any Series B Subordinated Notes or Series A Subordinated Notes, as applicable, the ratio of (a) the outstanding aggregate principal amount of the Series A Subordinated Notes to (b) the outstanding aggregate principal amount of the Series B Subordinated Notes shall be greater than 0.25, subject to certain exceptions.

We capitalized \$40.0 million in fees and expenses associated with the Subordinated Notes offering and are amortizing them through interest expense over the life of the Subordinated Notes.

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

### ***Other Debt***

Other debt consists primarily of loans with international banks. At March 31, 2013, approximately \$22.7 million was outstanding as other debt.

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

The Clear Channel Communications' senior secured credit facility contains a significant financial covenant which requires Clear Channel Communications to comply on a quarterly basis with a financial covenant limiting the ratio of its consolidated secured debt, net of cash and cash equivalents, to consolidated EBITDA (as defined by Clear Channel Communications' senior secured credit facility) for the preceding four quarters (maximum of 9.5:1). The financial covenant becomes more restrictive over time beginning in the second quarter of 2013. In its Quarterly Report on Form 10-Q filed with the SEC on May 2, 2013, Clear Channel Communications stated that it was in compliance with this covenant as of March 31, 2013.

### **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. On April 12, 2013, the Los Angeles Superior Court ordered that CCOI and CBS turn off the electrical power to certain digital displays by the close of business on April 15, 2013. CCOI has complied with the order. There could be a significant impact on our operations in Los Angeles if we are unable to secure modernization permits through legislation or repermitting. Please refer to "Legal Proceedings" within Part II of this Quarterly Report on Form 10-Q.

### **Seasonality**

Typically, both our Americas and International segments experience their lowest financial performance in the first quarter of the calendar year, with International historically experiencing a loss from operations in that period. Our International segment

typically experiences its strongest performance in the second and fourth quarters of the calendar year. We expect this trend to continue in the future.

### **Market Risk**

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

### **Equity Price Risk**

The carrying value of our available-for-sale equity securities is affected by changes in their quoted market prices. It is estimated that a 20% change in the market prices of these securities would change their carrying value and our comprehensive income at March 31, 2013 by \$0.1 million.

### **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 losses of \$30.0 million for the three months ended March 31, 2013. We estimate a 10% increase in the value of the U.S. dollar relative to foreign currencies would have increased our net loss for the three months ended March 31, 2013 by \$3.0 million. A 10% decrease in the value of the U.S. dollar relative to foreign currencies during the three months ended March 31, 2013 would have decreased 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 outdoor display faces.

### Cautionary Statement Concerning Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including, without limitation, our future operating and financial performance, our ability to comply with the covenants in the agreements governing our indebtedness and the availability of capital and the terms thereof. Statements expressing expectations and projections with respect to future matters are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our future performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and performance. There can be no assurance, however, that management's expectations will necessarily come to pass. Actual future events and performance may differ materially from the expectations reflected in our forward-looking statements. We do not intend, nor do we undertake any duty, to update any forward-looking statements.

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

- risks associated with weak or uncertain global economic conditions and their impact on the capital markets;
- other general economic and political conditions in the United States and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;
- industry conditions, including competition;
- the level of expenditures on advertising;
- legislative or regulatory requirements;
- fluctuations in operating costs;
- technological changes and innovations;

- changes in labor conditions and management;
- capital expenditure requirements;
- risks of doing business in foreign countries;
- fluctuations in exchange rates and currency values;
- the outcome of pending and future litigation;
- taxes and tax disputes;
- changes in interest rates;
- shifts in population and other demographics;
- access to capital markets and borrowed indebtedness;
- our ability to implement our business strategies;
- the risk that we may not be able to integrate the operations of acquired businesses successfully;
- the risk that our cost savings initiatives may not be entirely successful or that any cost savings achieved from those initiatives may not persist;
- the impact of our substantial indebtedness, including the effect of our leverage on our financial position and earnings;
- the need to allocate significant amounts of our cash flow to make payments on our indebtedness, which in turn could reduce our financial flexibility and ability to fund other activities;
- our relationship with Clear Channel Communications, including its ability to elect all of the members of our Board of Directors and its ability as our controlling stockholder to determine the outcome of matters submitted to our stockholders and certain additional matters governed by intercompany agreements between us;
- the impact of the above and similar factors on Clear Channel Communications, our primary direct or indirect external source of capital, which could have a significant need for capital in the future; and
- certain other factors set forth in our other filings with the Securities and Exchange Commission.

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

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

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

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

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we have carried out an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2013 to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

## PART II -- OTHER INFORMATION

### Item 1. Legal Proceedings

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

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

### Stockholder Litigation

Two derivative lawsuits were filed in March 2012 in Delaware Chancery Court by our stockholders. The consolidated lawsuits are captioned *In re Clear Channel Outdoor Holdings, Inc. Derivative Litigation*, Consolidated Case No. 7315-CS. The complaints name as defendants certain of Clear Channel Communications' and our current and former directors and Clear Channel Communications, as well as Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. We also are named as a nominal defendant. The complaints allege, among other things, that in December 2009 Clear Channel Communications breached fiduciary duties to us and our stockholders by allegedly requiring us to agree to amend the terms of a revolving promissory note payable by Clear Channel Communications to us to extend the maturity date of the note and to amend the interest rate payable on the note. According to the complaints, the terms of the amended promissory note were unfair to us because, among other things, the interest rate was below market. The complaints further allege that Clear Channel Communications was unjustly enriched as a result of that transaction. The complaints also allege that the director defendants breached fiduciary duties to us in connection with that transaction and that the transaction constituted corporate waste. On April 4, 2012, our board of directors formed a special litigation committee consisting of certain independent directors (the "SLC") to review and investigate plaintiffs' claims and determine the course of action that serves our best interests and the best interests of our stockholders. On June 20, 2012, the SLC filed a motion to stay the lawsuits for six months while it completes its review and investigation. In response, on June 27, 2012, plaintiffs filed a motion for an expedited trial, asking the Court to schedule a trial on the merits in October 2012. On July 23, 2012, the Court issued an order granting the motion to stay and denying the motion for an expedited trial. On January 23, 2013, the SLC filed a motion to extend the stay for thirty days, and on January 24, 2013, the Court granted that motion, extending the stay for thirty days from the date of the order. On March 28, 2013, to avoid the costs, disruption and distraction of further litigation, and without admitting the validity of any allegations made in the complaint, legal counsel for the defendants entered into a binding memorandum of understanding (the "MOU") with legal counsel for the SLC and the plaintiffs to settle the

litigation. The MOU obligates the parties to use their best efforts to prepare a Stipulation of Settlement reflecting the terms of the MOU and present such Stipulation of Settlement to the Delaware Chancery Court for approval. The MOU includes the following terms, among others:

- We agree, not later than 30 calendar days following the approval of the settlement by the Delaware Court of Chancery, to (i) demand payment of \$200 million outstanding under the Due from CCU Note and (ii) declare a dividend of \$200 million that shall be paid simultaneously on the date the payment from the demand is to be made (approximately 11% of the proceeds from such dividend would be distributed to our public stockholders, and Clear Channel Communications, our indirect parent, would be entitled to approximately 89% of the proceeds from such dividend through its wholly-owned subsidiaries).
- Clear Channel Communications and we agree to amend the interest rate applicable on the Due from CCU Note such that, in the event that (x) the outstanding balance of the Due from CCU Note exceeds \$1.0 billion, the per annum rate of interest applicable to such excess balance will be an amount equal to the average yield-to-maturity for the series of CCU Legacy Notes (as defined below) that has the nearest future maturity date or (y) the Clear Channel Liquidity Ratio (as defined in the MOU) is less than 2.0x, the per annum rate of interest applicable to the entire outstanding balance of the Due from CCU Note will be an amount equal to the average yield-to-maturity for the series of CCU Legacy Notes that has the nearest future maturity date; provided, however, that, the interest rate will in no event be less than 6.5% nor greater than 20%. CCU Legacy Notes is defined as Clear Channel Communications' 5.5% Senior Notes Due 2014, 4.9% Senior Notes Due 2015, 5.5% Senior Notes Due 2016 and 6.875% Senior Debentures Due 2018, excluding any series of notes that has a maturity date less than 90 calendar days from the date of measurement.

- We agree to establish a committee of the Board (the “Committee”), composed of all of our then-serving independent and disinterested directors, for the specific purpose of monitoring the Due from CCU Note. The Committee will be provided reports on a monthly basis, have access to independent legal and financial advisors, and will have the non-exclusive authority pursuant to a committee charter, if the Committee so desires and believes it to be in the best interests of our stockholders, to demand payments under the Due from CCU Note under certain specified circumstances tied to Clear Channel Communications’ liquidity or the balance of the Due from CCU Note (i.e., the Committee shall not be required to demand payment, but rather shall have the optional authority to do so under certain circumstances); provided that (a) the Committee provides no fewer than twenty (20) and no more than thirty (30) calendar days’ notice that it is exercising its power and authority to make a demand for payment; (b) we have the right and ability to declare a dividend equal to the amount so demanded; and (c) the Committee simultaneously declares a dividend equal to the amount so demanded, to be paid simultaneously with the amount paid pursuant to the demand.

The Stipulation of Settlement has not yet been finalized and is subject to approval by the Delaware Court of Chancery. Accordingly, unless and until we receive such approval, no assurance can be provided that we will be able to resolve the outstanding litigation as contemplated by the MOU. We filed the MOU with the SEC as an exhibit to our Current Report on Form 8-K filed on April 3, 2013.

### **Los Angeles Litigation**

In 2008, Summit Media, LLC, one of our competitors, sued the City of Los Angeles, 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 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. 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 – not other types of permits the companies may have secured for the signs at issue.

**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, 2012. There have not been any material changes in the risk factors disclosed in the Form 10-K.

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

The following table sets forth the purchases made during the quarter ended March 31, 2013 by or on behalf of the Company or an affiliated purchaser of shares of our Class A common stock registered pursuant to Section 12 of the Exchange Act:

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

(1) On August 9, 2010, Clear Channel Communications, the Company's indirect parent entity, announced that its board of directors approved a stock purchase program under which Clear Channel Communications or its subsidiaries may purchase up to an aggregate of \$100 million of the Class A common stock of the Company and/or the Class A common stock of CC Media Holdings, the indirect parent entity of Clear Channel Communications. No shares of the Company's Class A common stock or CC Media Holdings' Class A common stock were purchased under the stock purchase program during the quarter ended March 31, 2013. During 2011, a subsidiary of Clear Channel Communications purchased \$16,372,690 of the Class A common stock of the Company (1,553,971 shares) in open market purchases. During 2012, a subsidiary of Clear Channel Communications purchased \$692,887 of the Class A common stock of CC Media Holdings (111,291 shares) under the stock purchase program. As a result of these purchases of shares of the Class A common stock of CC Media Holdings and the Class A common stock of the Company, an aggregate of \$82,934,423 remains available under the stock purchase program to purchase the Class A common stock of CC Media Holdings and/or the Class A common stock of the Company. The stock purchase program does not have a fixed expiration date and may be modified, suspended or terminated at any time at Clear Channel Communications' discretion.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Other Debt

Not applicable.

**Item 5. Other Information**

None.

**ITEM 6. EXHIBITS**

| <b>Exhibit</b> |                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Number</b>  | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                   |
| 10.1           | Employment Agreement, effective as of January 1, 2013, between Clear Channel Outdoor, Inc. and Suzanne M. Grimes (incorporated by reference to Exhibit 10.42 to the Clear Channel Outdoor Holdings, Inc. Annual Report on Form 10-K for the year ended December 31, 2012).                                                                                                                                           |
| 10.2           | Form of Restricted Stock Unit Agreement under the Clear Channel Outdoor Holdings, Inc. 2012 Stock Incentive Plan, dated January 1, 2013, between Suzanne M. Grimes and Clear Channel Outdoor Holdings, Inc. (incorporated by reference to Exhibit 10.50 to the Clear Channel Outdoor Holdings, Inc. Annual Report on Form 10-K for the year ended December 31, 2012).                                                |
| 10.3           | Memorandum of Understanding, dated as of March 28, 2013, among legal counsel for Clear Channel Communications, Inc. and the other named defendants, the special litigation committee of the board of directors of Clear Channel Outdoor Holdings, Inc. and the plaintiffs (incorporated by reference to Exhibit 10.1 to the Clear Channel Outdoor Holdings, Inc. Current Report on Form 8-K filed on April 3, 2013). |
| 11*            | Statement re: Computation of Income (Loss) Per Share.                                                                                                                                                                                                                                                                                                                                                                |
| 31.1*          | Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                             |
| 31.2*          | Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                             |
| 32.1**         | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                              |
| 32.2**         | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                                                                                              |
| 101***         | Interactive Data Files.                                                                                                                                                                                                                                                                                                                                                                                              |

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\* Filed herewith.

\*\* Furnished herewith.

\*\*\* In accordance with Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**Signatures**

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

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

May 2, 2013

/s/ SCOTT D. HAMILTON

Scott D. Hamilton

Senior Vice President, Chief Accounting Officer and

Assistant Secretary

