

CLEAR CHANNEL COMMUNICATIONS INC
Form 10-Q
July 23, 2014

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number

001-09645

CLEAR CHANNEL COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Texas

74-1787539

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(State or other jurisdiction of
Identification No.) (I.R.S. Employer

incorporation or organization)

200 East Basse Road

San Antonio, Texas

78209

(Address of principal executive offices)

(Zip Code)

(210) 822-2828

(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Class	Outstanding at July 16, 2014
Common Stock, \$.001 par value	500,000,000

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

CLEAR CHANNEL COMMUNICATIONS, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2014		December 31, 2013	
	(Unaudited)			
<i>(In thousands, except share data)</i>				
CURRENT ASSETS				
Cash and cash equivalents	\$	798,438	\$	708,151
Accounts receivable, net of allowance of \$45,123 in 2014 and \$48,401 in 2013		1,424,233		1,440,501
Prepaid expenses		216,306		203,485
Other current assets		173,032		161,157
Total Current Assets		2,612,009		2,513,294
PROPERTY, PLANT AND EQUIPMENT				
Structures, net		1,710,144		1,765,510
Other property, plant and equipment, net		1,104,175		1,132,120
INTANGIBLE ASSETS AND GOODWILL				
Indefinite-lived intangibles - licenses		2,416,025		2,416,406
Indefinite-lived intangibles - permits		1,067,891		1,067,783
Other intangibles, net		1,336,794		1,466,546
Goodwill		4,203,267		4,202,187
OTHER ASSETS				
Other assets		301,873		533,456
Total Assets	\$	14,752,178	\$	15,097,302
CURRENT LIABILITIES				
Accounts payable	\$	113,967	\$	131,370
Accrued expenses		792,552		807,210
Accrued interest		212,600		194,844
Deferred income		245,243		176,460
Current portion of long-term debt		22,020		453,734
Total Current Liabilities		1,386,382		1,763,618
Long-term debt		20,650,052		20,030,479
Deferred income taxes		1,578,095		1,537,820
Other long-term liabilities		452,891		462,020
Commitments and contingent liabilities (Note 5)				
SHAREHOLDER'S DEFICIT				
Noncontrolling interest		242,558		245,531
Common Stock, par value \$.001 per share, authorized and issued 500,000,000 shares in 2014 and 2013, respectively		500		500
Additional paid-in capital		2,142,741		2,142,036
Accumulated deficit		(11,499,449)		(10,888,629)
Accumulated other comprehensive loss		(201,592)		(196,073)
Total Shareholder's Deficit		(9,315,242)		(8,696,635)
Total Liabilities and Shareholder's Deficit	\$	14,752,178	\$	15,097,302

See Notes to Consolidated Financial Statements

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

<i>(In thousands)</i>		Three Months Ended June 30,				Six Months Ended June 30,			
		2014		2013		2014		2013	
Revenue		\$	1,630,154	\$	1,618,097	\$	2,972,702	\$	2,961,155
Operating expenses:									
	Direct operating expenses (excludes depreciation and amortization)		643,222		630,357		1,239,717		1,225,174
	Selling, general and administrative expenses (excludes depreciation and amortization)		420,577		411,341		836,405		814,704
	Corporate expenses (excludes depreciation and amortization)		82,196		77,557		154,902		161,320
	Depreciation and amortization		174,062		179,734		348,933		361,916
	Impairment charges		4,902		-		4,902		-
	Other operating (expense) income, net		(1,628)		1,113		(1,463)		3,508
Operating income			303,567		320,221		386,380		401,549
Interest expense			440,605		407,508		871,719		793,033
Gain on marketable securities			-		130,898		-		130,898
Equity in earnings (loss) of nonconsolidated affiliates			(16)		5,971		(13,343)		9,612
Loss on extinguishment of debt			(47,503)		-		(51,419)		(3,888)
Other income (expense), net			12,157		(18,098)		13,698		(19,098)
(Loss) income before income taxes			(172,400)		31,484		(536,403)		(273,960)
Income tax benefit (expense)			621		(11,477)		(67,766)		84,848
Consolidated net (loss) income			(171,779)		20,007		(604,169)		(189,112)
	Less amount attributable to noncontrolling interest		14,852		12,805		6,651		6,689
Net (loss) income attributable to the Company		\$	(186,631)	\$	7,202	\$	(610,820)	\$	(195,801)
Other comprehensive income (loss), net of tax:									

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	Foreign currency translation adjustments		(12,232)		(45,615)		(14,449)		(69,028)
	Unrealized gain on securities and derivatives:								
	Unrealized holding gain on marketable securities		(405)		11,171		679		15,606
	Unrealized holding gain on cash flow derivatives		-		16,243		-		31,066
	Other adjustments to comprehensive loss		-		-		-		(998)
	Reclassification adjustment for realized gains on securities included in net loss		-		(82,320)		3,309		(82,320)
	Other comprehensive loss		(12,637)		(100,521)		(10,461)		(105,674)
	Comprehensive loss		(199,268)		(93,319)		(621,281)		(301,475)
	Less amount attributable to noncontrolling interest		(1,979)		(8,354)		(4,942)		(11,577)
	Comprehensive loss attributable to the Company	\$	(197,289)	\$	(84,965)	\$	(616,339)	\$	(289,898)

See Notes to Consolidated Financial Statements

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<i>(In thousands)</i>		Six Months Ended June 30,			
		2014		2013	
Cash flows from operating activities:					
	Consolidated net loss	\$	(604,169)	\$	(189,112)
Reconciling items:					
	Depreciation and amortization		348,933		361,916
	Impairment charges		4,902		-
	Deferred taxes		32,179		(123,642)
	Provision for doubtful accounts		7,767		9,897
	Amortization of deferred financing charges and note discounts, net		57,622		62,656
	Share-based compensation		5,818		11,339
	Gain (loss) on disposal of operating and fixed assets		1,463		(3,508)
	Gain on marketable securities		-		(130,898)
	Equity in earnings (loss) of nonconsolidated affiliates		13,343		(9,612)
	Loss on extinguishment of debt		51,419		3,888
	Other reconciling items, net		(14,037)		11,692
	Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:				
	Decrease in accounts receivable		9,714		13,827
	Increase in deferred income		67,696		18,245
	Decrease in accrued expenses		(15,820)		(58,347)
	Decrease in accounts payable		(19,928)		(27,685)
	Increase (decrease) in accrued interest		31,816		(39,558)
	Changes in other operating assets and liabilities		(24,922)		(3,912)
	Net cash used for operating activities		(46,204)		(92,814)
Cash flows from investing activities:					
	Purchases of property, plant and equipment		(141,421)		(132,680)
	Purchases of other operating assets		(1,733)		(1,990)
	Proceeds from sale of investment securities		220,830		135,496
	Proceeds from disposal of assets		5,899		26,772
	Change in other, net		(2,009)		(1,735)
	Net cash provided by investing activities		81,566		25,863

Cash flows from financing activities:				
	Draws on credit facilities		820	270,137
	Payments on credit facilities		(248,675)	(23,844)
	Proceeds from long-term debt		1,059,975	575,000
	Payments on long-term debt		(731,254)	(1,196,307)
	Payments to repurchase noncontrolling interests		-	(61,143)
	Dividends and other payments to noncontrolling interests		(9,673)	(4,476)
	Deferred financing charges		(15,526)	(9,778)
	Change in other, net		(165)	878
	Net cash provided by (used for) financing activities		55,502	(449,533)
	Effect of exchange rate changes on cash		(577)	(4,360)
	Net increase (decrease) in cash and cash equivalents		90,287	(520,844)
	Cash and cash equivalents at beginning of period		708,151	1,225,010
	Cash and cash equivalents at end of period	\$	798,438	\$ 704,166

See Notes to Consolidated Financial Statements

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

Preparation of Interim Financial Statements

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

The consolidated financial statements include the accounts of the Company and its subsidiaries. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20 percent to 50 percent of the voting common stock or otherwise exercises significant influence over operating and financial policies of the Company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2014 presentation.

Information Regarding the Company

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

Omission of Per Share Information

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

Adoption of New Accounting Standards

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

During the first quarter of 2014, the Company adopted the FASB's ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity of an Investment in a Foreign Entity*. The amendments are effective prospectively for the fiscal years (and interim periods within) beginning after December 15, 2013 and provide clarification guidance for the release of the cumulative translation adjustment under current 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 2014, the Company adopted the FASB's ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This update requires unrecognized tax benefits to be offset against a deferred tax asset for a net operating loss carryforward, similar tax loss or tax credit carryforward in certain situations. The amendments are effective prospectively for the fiscal years (and interim periods within) beginning after December 15, 2013. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

During the second quarter of 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This new standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. The standard is effective for the first interim

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

period within annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

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 June 30, 2014 and December 31, 2013, respectively.

<i>(In thousands)</i>	June 30, 2014		December 31, 2013	
Structures	\$	3,064,825	\$	3,021,152
Less: accumulated depreciation		1,354,681		1,255,642
Structures, net	\$	1,710,144	\$	1,765,510
Land, buildings and improvements	\$	741,473	\$	723,268
Towers, transmitters and studio equipment		444,753		440,612
Furniture and other equipment		515,315		473,995
Construction in progress		97,896		123,814
		1,799,437		1,761,689
Less: accumulated depreciation		695,262		629,569
Other property, plant and equipment, net	\$	1,104,175	\$	1,132,120

Indefinite-lived Intangible Assets

The Company's indefinite-lived intangible assets consist of Federal Communications Commission ("FCC") broadcast licenses in its Media and Entertainment ("CCME") segment and billboard permits in its Americas outdoor advertising segment. Due to significant differences in both business practices and regulations, billboards in the International outdoor advertising segment are subject to long-term, finite contracts unlike the Company's permits in the United States and Canada. Accordingly, there are no indefinite-lived intangible assets in the International outdoor advertising segment.

Other Intangible Assets

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

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets at June 30, 2014 and December 31, 2013, respectively:

<i>(In thousands)</i>		June 30, 2014				December 31, 2013			
		Gross Carrying Amount		Accumulated Amortization		Gross Carrying Amount		Accumulated Amortization	
Transit, street furniture and other outdoor									
	contractual rights	\$	777,430	\$	(497,061)	\$	777,521	\$	(464,548)
Customer / advertiser relationships			1,212,745		(705,688)		1,212,745		(645,988)
Talent contracts			319,384		(209,615)		319,617		(195,403)
Representation contracts			254,187		(212,359)		252,961		(200,058)
Permanent easements			174,597		-		173,753		-
Other			387,434		(164,260)		387,405		(151,459)
	Total	\$	3,125,777	\$	(1,788,983)	\$	3,124,002	\$	(1,657,456)

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

Total amortization expense related to definite-lived intangible assets was \$66.3 million and \$70.9 million for the three months ended June 30, 2014 and 2013, respectively, and \$133.2 million and \$143.0 million for the six months ended June 30, 2014 and 2013, respectively.

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

<i>(In thousands)</i>		
2015	\$	240,193
2016		223,995
2017		198,651
2018		129,079
2019		44,079

Goodwill

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

<i>(In thousands)</i>	CCME		Americas Outdoor Advertising		International Outdoor Advertising		Other		Consolidated	
Balance as of December 31, 2012	\$	3,236,688	\$	571,932	\$	290,316	\$	117,149	\$	4,216,085
Impairment		-		-		(10,684)		-		(10,684)
Acquisitions		-		-		-		97		97
Dispositions		-		-		(456)		-		(456)
Foreign currency		-		-		(974)		-		(974)
Other		(1,881)		-		-		-		(1,881)
Balance as of December 31, 2013	\$	3,234,807	\$	571,932	\$	278,202	\$	117,246	\$	4,202,187

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Acquisitions		-		-		-		300		300
Foreign currency		-		-		780		-		780
Other		-		-		-		-		-
Balance as of June 30, 2014		\$ 3,234,807		\$ 571,932		\$ 278,982		\$ 117,546		\$ 4,203,267

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CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 3 – LONG-TERM DEBT**

Long-term debt at June 30, 2014 and December 31, 2013, respectively, consisted of the following:

<i>(In thousands)</i>	June 30, 2014		December 31, 2013	
Senior Secured Credit Facilities ⁽¹⁾	\$	8,222,275	\$	8,225,754
Receivables Based Facility due 2017		-		247,000
9.0% Priority Guarantee Notes due 2019		1,999,815		1,999,815
9.0% Priority Guarantee Notes due 2021		1,750,000		1,750,000
11.25% Priority Guarantee Notes due 2021		575,000		575,000
Subsidiary senior revolving credit facility due 2018		-		-
Other secured subsidiary long-term debt ⁽²⁾		19,624		21,124
Total consolidated secured debt		12,566,714		12,818,693
Senior Cash Pay Notes due 2016		94,304		94,304
Senior Toggle Notes due 2016 ⁽³⁾		127,941		127,941
Senior Notes due 2021 ⁽⁴⁾		1,645,244		1,404,202
Senior Notes ⁽⁵⁾		725,000		1,436,455
Senior Notes due 2018		850,000		-
Subsidiary Senior Notes due 2022		2,725,000		2,725,000
Subsidiary Senior Subordinated Notes due 2020		2,200,000		2,200,000
Other subsidiary debt		545		10
Purchase accounting adjustments and original issue discount		(262,676)		(322,392)
		20,672,072		20,484,213
Less: current portion		22,020		453,734
Total long-term debt	\$	20,650,052	\$	20,030,479

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

(2) Other secured subsidiary long-term debt matures at various dates from 2014 through 2025.

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

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

(5) The Company's Senior Notes mature at various dates from 2016 through 2027.

The Company's weighted average interest rate at June 30, 2014 and December 31, 2013 were 7.9% and 7.6%, respectively. The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$21.5 billion and \$20.5 billion at June 30, 2014 and December 31, 2013, respectively. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company's debt is classified as either Level 1 or Level 2.

Subsidiary Sale of Long-Term Debt

On February 14, 2014, CC Finco LLC ("CC Finco"), an indirect wholly-owned subsidiary of the Company, sold \$227.0 million in aggregate principal amount of Senior Notes due 2021 issued by the Company to private purchasers in a transaction exempt from registration under the Securities Act of 1933, as amended. This \$227.0 million in aggregate principal amount of Senior Notes due 2021, which was previously eliminated in consolidation because the notes were held by a subsidiary, is now reflected on the Company's consolidated balance sheet. CC Finco contributed the net proceeds from the sale of the Senior Notes due 2021 to the Company, which intends to use such proceeds to repay, repurchase or otherwise acquire outstanding indebtedness from time to time and retire that indebtedness as it becomes due or upon its earlier repayment, repurchase or acquisition.

10.0% Senior Notes Issuance

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

On May 1, 2014, CCU Escrow Corporation issued \$850.0 million in aggregate principal amount of Senior Notes due 2018 in a private offer. On June 6, 2014, CCU Escrow Corporation merged into the Company and the Company assumed CCU Escrow Corporation's obligations under the 10.0% Senior Notes due 2018. The 10.0% Senior Notes due 2018 mature on January 15, 2018 and bear interest at a rate of 10.0% per annum, payable semi-annually on January 15 and July 15 of each year, beginning on July 15, 2014. The 10.0% Senior Notes due 2018 are the senior unsecured obligations of the Company and are not guaranteed by any of the Company's parent companies or any of its subsidiaries.

Senior Notes due 2021 Issuance

The Company intends to issue and sell approximately \$222.2 million in aggregate principal amount of new Senior Notes due 2021 to CC Finco in a transaction exempt from registration under the Securities Act of 1933, as amended. The new Senior Notes due 2021 will be issued as additional notes under the indenture governing the Company's existing Senior Notes due 2021. On July 21, 2014, the Company issued a notice of redemption to redeem all of the outstanding \$94.3 million aggregate principal amount of Senior Cash Pay Notes due 2016 and \$127.9 million aggregate principal amount of Senior Toggle Notes due 2016 using proceeds of the issuance of the new Senior Notes due 2021. The closing of the issuance of the new Senior Notes due 2021 and redemption of the outstanding Senior Cash Pay Notes due 2016 and Senior Toggle Notes due 2016 are expected to occur on or about August 22, 2014.

Debt Repayments, Maturities and Other

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

During March 2014, CC Finco repurchased, through open market purchases, a total of \$61.9 million aggregate principal amount of notes, comprised of \$52.9 million of the Company's outstanding 5.5% Senior Notes due 2014 and \$9.0 million of the Company's outstanding 4.9% Senior Notes due 2015, for a total purchase price of \$63.1 million, including accrued interest. The Company cancelled these notes subsequent to the purchase. In connection with these transactions, the Company incurred expenses of \$3.9 million, which are included in "Loss on extinguishment of debt" for the six months ended June 30, 2014.

During May 2014, the Company retired \$130.0 million aggregate principal amount of its 5.5% Senior Notes due 2014 held by CC Finco.

On June 6, 2014, using the proceeds from the issuance of the 10.0% Senior Notes due 2018, the Company redeemed \$567.1 million aggregate principal amount of the Company's 5.5% Senior Notes due 2014 (including \$158.5 million principal amount of the notes held by a subsidiary of the Company) and \$241.0 million aggregate principal amount of the Company's 4.9% Senior Notes due 2015. In connection with these transactions, the Company incurred expenses of \$47.5 million, which are included in "Loss on extinguishment of debt" for the three months ended June 30, 2014.

On July 21, 2014, the Company issued a notice of redemption to redeem all of the outstanding \$94.3 million aggregate principal amount of Senior Cash Pay Notes due 2016 and \$127.9 million aggregate principal amount of Senior Toggle Notes due 2016 and will be using proceeds of the issuance of the new Senior Notes due 2021 to CC Finco to redeem the notes. The closing of the issuance of the new Senior Notes due 2021 and redemption of the outstanding Senior Cash Pay Notes due 2016 and Senior Toggle Notes due 2016 are expected to occur on August 22, 2014.

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

The Company's income tax benefit (expense) for the three and six months ended June 30, 2014 and 2013, respectively, consisted of the following components:

<i>(In thousands)</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Current tax benefit (expense)	\$	7,492	\$	(28,128)	\$	(35,587)	\$	(38,794)
Deferred tax benefit (expense)		(6,871)		16,651		(32,179)		123,642
Income tax benefit (expense)	\$	621	\$	(11,477)	\$	(67,766)	\$	84,848

The effective tax rates for the three and six months ended June 30, 2014 were 0.4% and (12.6)%, respectively. The effective tax rates for the three and six months ended June 30, 2014 were primarily impacted by the valuation allowance recorded during the periods as additional deferred tax expense. The valuation allowance was recorded against a portion of the U.S. Federal and State net operating losses due to the uncertainty of the ability to utilize those losses in future periods.

The effective tax rates for the three and six months ended June 30, 2013 were 36.5% and 31.0%, respectively. The effective tax rates for the three and six months ended June 30, 2013 were primarily impacted by the cancellation of indebtedness income recognized during the periods and the Company's inability to record tax benefit on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

Supplemental Cash Flow Information

During the six months ended June 30, 2014 and 2013, cash paid for interest and income taxes, net of income tax refunds of \$4.5 million and \$1.3 million, respectively, was as follows:

<i>(In thousands)</i>	Six Months Ended June 30,			
	2014		2013	
Interest	\$	756,322	\$	772,639
Income taxes		19,233		28,227

Australian Radio Network

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

Other Comprehensive Income (Loss)

The following table discloses the deferred income tax (asset) liability related to each component of other comprehensive income (loss) for the three and six months ended June 30, 2014 and 2013, respectively:

<i>(In thousands)</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Foreign currency translation adjustments and other	\$	-	\$	(15,397)	\$	8,181	\$	(16,127)
Unrealized holding gain on marketable securities		-		(42,029)		-		(39,209)
Unrealized holding gain on cash flow derivatives		-		9,731		-		18,505
Total increase (decrease) in deferred tax liabilities	\$	-	\$	(47,695)	\$	8,181	\$	(36,831)

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

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

Los Angeles Litigation

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

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

NOTE 6 - GUARANTEES

As of June 30, 2014, the Company had outstanding surety bonds and commercial standby letters of credit of \$45.5 million and \$113.3 million, respectively, of which \$0.2 million of letters of credit were cash secured. Letters of credit in the amount of \$2.0 million are collateral in support of surety bonds and these amounts would only be drawn under the letter of credit in the event the associated surety bonds were funded and the Company did not honor its reimbursement obligation to the issuers. These letters of credit and surety bonds relate to various operational matters including insurance, bid, and performance bonds as well as other items.

As of June 30, 2014, the Company had outstanding bank guarantees of \$59.5 million related to international subsidiaries, of which \$15.8 million were backed by cash collateral.

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 7 – CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The Company is a party to a management agreement with certain affiliates of the Sponsors and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These agreements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than \$15.0 million per year, plus reimbursable expenses. For the three months ended June 30, 2014 and 2013, the Company recognized management fees and reimbursable expenses of \$3.7 million and \$4.0 million, respectively. For the six months ended June 30, 2014 and 2013, the Company recognized management fees and reimbursable expenses of \$7.7 million and \$8.1 million, respectively.

NOTE 8 – STOCKHOLDER’S DEFICIT AND COMPREHENSIVE LOSS

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

<i>(In thousands)</i>	The Company		Noncontrolling Interests		Consolidated	
	\$		\$		\$	
Balances at January 1, 2014	\$	(8,942,166)	\$	245,531	\$	(8,696,635)
Net income (loss)		(610,820)		6,651		(604,169)
Dividends and other payments to noncontrolling interests		-		(9,673)		(9,673)
Foreign currency translation adjustments		(9,426)		(5,023)		(14,449)
Unrealized holding gain on marketable securities		598		81		679
Unrealized holding gain on cash flow derivatives		-		-		-
Other adjustments to comprehensive loss		-		-		-
Other, net		705		4,991		5,696
Reclassifications		3,309		-		3,309
Balances at June 30, 2014	\$	(9,557,800)	\$	242,558	\$	(9,315,242)
Balances at January 1, 2013	\$	(8,299,188)	\$	303,997	\$	(7,995,191)

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	Net income (loss)		(195,801)		6,689		(189,112)
	Foreign currency translation adjustments		(57,540)		(11,488)		(69,028)
	Unrealized holding gain on marketable securities		15,581		25		15,606
	Unrealized holding gain on cash flow derivatives		31,066		-		31,066
	Other adjustments to comprehensive loss		(884)		(114)		(998)
	Other, net		4,778		(3,964)		814
	Reclassifications		(82,320)		-		(82,320)
	Balances at June 30, 2013	\$	(8,584,308)	\$	295,145	\$	(8,289,163)

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

On July 21, 2014, in accordance with the terms of its charter, a committee of the board of CCOH (1) provided notice of its intent to demand \$175 million outstanding under the revolving promissory note with the Company on August 11, 2014 and (2) declared a special cash dividend in aggregate amount equal to \$175 million, the payment of which is conditioned upon the satisfaction by the Company of such demand, payable on August 11, 2014 to CCOH's stockholders of record as of August 4, 2014. As the indirect parent of CCOH, the Company will be entitled to approximately 88% of the proceeds from such dividend through its wholly-owned subsidiaries. The remaining approximately 12% of the proceeds from the dividend, or approximately \$21 million, will be paid to the public stockholders of CCOH. The Company will fund the net payment of this \$21 million with cash on hand, which will reduce the amount of cash the Company has available to fund its working capital needs, debt service obligations and other obligations. Following satisfaction of the demand, the balance outstanding under the note will be reduced by \$175 million.

NOTE 9 – SEGMENT DATA

The Company's reportable segments, which it believes best reflect how the Company is currently managed, are CCME, Americas

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

outdoor advertising and International outdoor advertising. Revenue and expenses earned and charged between segments are recorded at estimated fair value and eliminated in consolidation. The CCME segment provides media and entertainment services via broadcast and digital delivery and also includes the Company's national syndication business. The Americas outdoor advertising segment consists of operations primarily in the United States and Canada. The International outdoor advertising segment primarily includes operations in Europe, Asia, Australia and Latin America. The Americas outdoor and International outdoor display inventory consists primarily of billboards, street furniture displays and transit displays. The Other category includes the Company's media representation business as well as other general support services and initiatives which are ancillary to the Company's other businesses. Corporate includes infrastructure and support, including information technology, human resources, legal, finance and administrative functions of each of the Company's reportable segments, as well as overall executive, administrative and support functions. Share-based payments are recorded in corporate expenses.

The following table presents the Company's reportable segment results for the three and six months ended June 30, 2014 and 2013.

(In thousands)	CCME	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Three Months Ended June 30, 2014							
Revenue	\$ 806,337	\$ 319,147	\$ 462,058	\$ 59,062	\$ -	\$ (16,450)	\$ 1,630,154
Direct operating expenses	225,410	139,734	273,410	6,349	-	(1,681)	643,222
Selling, general and administrative expenses	259,193	52,420	87,851	35,882	-	(14,769)	420,577
Corporate expenses	-	-	-	-	82,196	-	82,196

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Depreciation and amortization	61,479	47,523	50,214	8,654	6,192	-	174,062
Impairment charges	-	-	-	-	4,902	-	4,902
Other operating loss, net	-	-	-	-	(1,628)	-	(1,628)
Operating income (loss)	\$ 260,255	\$ 79,470	\$ 50,583	\$ 8,177	\$ (94,918)	\$ -	\$ 303,567
Intersegment revenues	\$ -	\$ 1,094	\$ -	\$ 15,356	\$ -	\$ -	\$ 16,450
Capital expenditures	\$ 10,391	\$ 17,190	\$ 36,269	\$ 1,080	\$ 9,084	\$ -	\$ 74,014
Share-based compensation expense	\$ -	\$ -	\$ -	\$ -	\$ 2,782	\$ -	\$ 2,782
Three Months Ended June 30, 2013							
Revenue	\$ 805,611	\$ 335,025	\$ 431,846	\$ 61,099	\$ -	\$ (15,484)	\$ 1,618,097
Direct operating expenses	226,555	141,813	257,745	6,323	-	(2,079)	630,357
Selling, general and administrative expenses	255,945	55,121	77,899	35,781	-	(13,405)	411,341
Corporate expenses	-	-	-	-	77,557	-	77,557
Depreciation and amortization	68,038	47,041	49,930	9,890	4,835	-	179,734
Impairment charges	-	-	-	-	-	-	-
Other operating income, net	-	-	-	-	1,113	-	1,113
Operating income (loss)	\$ 255,073	\$ 91,050	\$ 46,272	\$ 9,105	\$ (81,279)	\$ -	\$ 320,221
Intersegment	\$ -	\$ 60	\$ -	\$ 15,424	\$ -	\$ -	\$ 15,484

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revenues																				
Capital expenditures	\$	21,920	\$	16,756	\$	22,792	\$	2,592	\$	7,000	\$	-	\$	71,060						
Share-based compensation expense	\$	-	\$	-	\$	-	\$	-	\$	5,822	\$	-	\$	5,822						
Six Months Ended June 30, 2014																				
Revenue	\$	1,476,684	\$	587,904	\$	828,552	\$	110,524	\$	-	\$	(30,962)	\$	2,972,702						
Direct operating expenses		436,164		273,022		521,635		12,736		-		(3,840)		1,239,717						
Selling, general and administrative expenses		518,348		103,532		169,689		71,958		-		(27,122)		836,405						
Corporate expenses		-		-		-		-		154,902		-		154,902						
Depreciation and amortization		124,050		95,121		100,658		17,374		11,730		-		348,933						
Impairment charges		-		-		-		-		4,902		-		4,902						
Other operating loss, net		-		-		-		-		(1,463)		-		(1,463)						
Operating income (loss)	\$	398,122	\$	116,229	\$	36,570	\$	8,456	\$	(172,997)	\$	-	\$	386,380						
Six Months Ended June 30, 2013																				
Revenue	\$	1,462,177	\$	621,486	\$	795,595	\$	110,318	\$	-	\$	(28,421)	\$	2,961,155						
Direct operating expenses		430,823		278,704		507,045		12,817		-		(4,215)		1,225,174						
Selling, general		495,087		109,493		163,088		71,242		-		(24,206)		814,704						

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and administrative expenses														
Corporate expenses	-	-	-	-	161,320	-	161,320							
Depreciation and amortization	135,870	95,726	100,923	19,872	9,525	-	361,916							
Impairment charges	-	-	-	-	-	-	-							
Other operating income, net	-	-	-	-	3,508	-	3,508							
Operating income (loss)	\$ 400,397	\$ 137,563	\$ 24,539	\$ 6,387	\$ (167,337)	\$ -	\$ 401,549							
Intersegment revenues	\$ -	\$ 143	\$ -	\$ 28,278	\$ -	\$ -	\$ 28,421							
Capital expenditures	\$ 36,164	\$ 29,651	\$ 48,700	\$ 4,695	\$ 13,470	\$ -	\$ 132,680							
Share-based compensation expense	\$ -	\$ -	\$ -	\$ -	\$ 11,339	\$ -	\$ 11,339							

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

Format of Presentation

Management's discussion and analysis of our financial condition and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements and related footnotes. Our discussion is presented on both a consolidated and segment basis. All references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to Clear Channel Communications, Inc. and its consolidated subsidiaries. Our reportable segments are Media and Entertainment ("CCME"), Americas outdoor advertising ("Americas outdoor" or "Americas outdoor advertising") and International outdoor advertising ("International outdoor" or "International outdoor advertising"). Our CCME segment provides media and entertainment services via broadcast and digital delivery and also includes our national syndication business. Our Americas outdoor and International outdoor segments provide outdoor advertising services in their respective geographic regions using various digital and traditional display types. Included in the "Other" category are our media representation business, Katz Media Group, as well as other general support services and initiatives, which are ancillary to our other businesses. Certain prior-period amounts have been reclassified to conform to the 2014 presentation.

We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Other operating income (expense), net, Interest expense, Gain on marketable securities, Equity in earnings 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.

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

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

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

Executive Summary

The key developments in our business for the three months ended June 30, 2014 are summarized below:

- Consolidated revenue increased \$12.1 million including an increase of \$10.5 million from movements in foreign exchange during the three months ended June 30, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, consolidated revenue increased \$1.6 million over the comparable three-month period of 2013.
- CCME revenue increased \$0.7 million during the three months ended June 30, 2014 compared to the same period of 2013. Increased revenues from traffic and weather services, political revenues and digital revenues were partially offset by lower core terrestrial radio revenues.
- Americas outdoor revenue decreased \$15.9 million including a decrease of \$0.8 million from movements in foreign exchange during the three months ended June 30, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, revenue decreased \$15.1 million over the comparable three-month period of 2013 primarily driven by lower spending by national accounts and lower airport revenues.
- International outdoor revenue increased \$30.2 million including an increase of \$11.3 million from movements in foreign exchange during the three months ended June 30, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, revenue increased \$18.9 million over the comparable three-month period of 2013 primarily driven by growth from new contracts in western Europe and growth in emerging markets.

- Revenues in our Other category decreased \$2.0 million during the three months ended June 30, 2014 compared to the same period of 2013 as higher revenues from political advertising were more than offset by declines in non-political advertising revenue in our media representation business.
- During the second quarter of 2014, we spent \$20.5 million on strategic revenue and efficiency initiatives to realign and improve our on-going business operations—an increase of \$6.4 million compared to the second quarter of 2013.
- In May of 2014, CCU Escrow Corporation issued \$850 million of 10.0% Senior Notes due 2018 in a private offer. In June of 2014, CCU Escrow Corporation merged into us and we assumed CCU Escrow Corporation's obligations under the 10.0% Senior Notes due 2018. In June of 2014, we used the proceeds from this issuance to redeem \$567.1 million aggregate principal amount of our 5.5% Senior Notes due 2014 and \$241.0 million aggregate principal amount of our 4.9% Senior Notes due 2015.

RESULTS OF OPERATIONS**Consolidated Results of Operations**

The comparison of our results of operations for the three and six months ended June 30, 2014 to the three and six months ended June 30, 2013 is as follows:

<i>(In thousands)</i>	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2014	2013	Change		2014	2013	Change	
Revenue	\$ 1,630,154	\$ 1,618,097	0.7%		\$ 2,972,702	\$ 2,961,155	0.4%	
Operating expenses:								
Direct operating expenses (excludes depreciation and amortization)	643,222	630,357	2.0%		1,239,717	1,225,174	1.2%	
Selling, general and administrative expenses (excludes depreciation and amortization)	420,577	411,341	2.2%		836,405	814,704	2.7%	
Corporate expenses (excludes depreciation and amortization)	82,196	77,557	6.0%		154,902	161,320	(4.0%)	
Depreciation and amortization	174,062	179,734	(3.2%)		348,933	361,916	(3.6%)	
Impairment charges	4,902	-	-		4,902	-	-	
Other operating income (loss), net	(1,628)	1,113	(246.3%)		(1,463)	3,508	(141.7%)	
Operating income	303,567	320,221	(5.2%)		386,380	401,549	(3.8%)	
Interest expense	440,605	407,508			871,719	793,033		
Gain on marketable securities	-	130,898			-	130,898		
Equity in earnings (loss) of nonconsolidated affiliates	(16)	5,971			(13,343)	9,612		
Loss on extinguishment of debt	(47,503)	-			(51,419)	(3,888)		
Other income (expense), net	12,157	(18,098)			13,698	(19,098)		

Income (loss) before income taxes		(172,400)		31,484				(536,403)		(273,960)	
Income tax benefit (expense)		621		(11,477)				(67,766)		84,848	
Consolidated net income (loss)		(171,779)		20,007				(604,169)		(189,112)	
Less amount attributable to noncontrolling interest		14,852		12,805				6,651		6,689	
Net income (loss) attributable to the Company	\$	(186,631)	\$	7,202				(610,820)	\$	(195,801)	

Consolidated Revenue

Our consolidated revenue during the second quarter of 2014 increased \$12.1 million including an increase of \$10.5 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated revenue increased \$1.6 million. Our CCME revenue increased \$0.7 million. Americas outdoor revenue decreased \$15.9 million including negative movements in foreign exchange of \$0.8 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas outdoor revenue decreased \$15.1 million primarily driven by lower spending by national accounts and the nonrenewal of certain airport contracts. Our International outdoor revenue increased \$30.2 million including positive movements in foreign exchange of \$11.3 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, International outdoor revenue increased \$18.9 million primarily driven by growth from new contracts in western Europe and growth in emerging markets. Other revenues declined by \$2.0 million primarily as a result of a decrease in advertising, other than political, through our media representation business.

Our consolidated revenue during the first six months of 2014 increased \$11.5 million including an increase of \$11.0 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated revenue increased \$0.5 million. Our CCME revenue increased \$14.5 million driven by increased revenues from our traffic and weather business, digital revenues and political revenues. Americas outdoor revenue decreased \$33.6 million including negative movements in foreign exchange of \$1.8 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas outdoor revenue decreased \$31.8 million primarily driven by lower revenues in our Los Angeles market as a result of the impact of litigation, and lower revenues generated by national accounts and the nonrenewal of certain airport contracts. Our International outdoor revenue increased \$33.0 million including positive movements in foreign exchange of \$12.7 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, International outdoor revenue increased \$20.3 million primarily driven by growth resulting from new contracts and from growth in emerging markets, partially

offset by declines in certain countries. Other revenues, which are primarily from advertising through our media representation business, increased slightly by \$0.2 million.

Consolidated Direct Operating Expenses

Consolidated direct operating expenses during the second quarter of 2014 increased \$12.9 million including an increase of \$6.7 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated direct operating expenses increased \$6.2 million. Our CCME direct operating expenses decreased \$1.1 million compared to the second quarter of 2013, primarily resulting from lower expenses resulting from efficiency initiatives and lower costs in our national syndication business being partially offset by higher sports programming expenses. Direct operating expenses in our Americas outdoor segment decreased \$2.1 million including a decrease of \$0.6 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas outdoor segment decreased \$1.5 million, primarily due to lower variable site lease expenses resulting from lower revenues. Direct operating expenses in our International outdoor segment increased \$15.7 million including an increase of \$7.3 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our International outdoor segment increased \$8.4 million along with increased revenues primarily as a result of variable costs associated with new contracts.

Consolidated direct operating expenses during the first six months of 2014 increased \$14.5 million including an increase of \$7.1 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated direct operating expenses increased \$7.4 million. Our CCME direct operating expenses increased \$5.3 million compared to the first six months of 2013, primarily resulting from higher sports programming expenses, increased production costs from new events including the iHeartRadio Country Music Festival and higher digital streaming expenses resulting from increased listening hours. Direct operating expenses in our Americas outdoor segment decreased \$5.7 million including a decrease of \$1.4 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas outdoor segment decreased \$4.3 million, primarily due to lower variable site lease expenses related to the decrease in digital and traditional revenues, as well as lower site lease expense resulting from the nonrenewal of certain airport contracts. Direct operating expenses in our International outdoor segment increased \$14.6 million including an increase of \$8.5 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our International outdoor segment increased \$6.1 million primarily as a result of variable costs associated with new contracts.

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

Consolidated SG&A expenses during the second quarter of 2014 increased \$9.2 million including an increase of \$2.1 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated SG&A expenses increased \$7.1 million. Our CCME SG&A expenses increased \$3.2 million, primarily due to increased rent expense and higher spending on strategic efficiency initiatives. SG&A expenses decreased \$2.7 million in our Americas outdoor segment including a decrease of \$0.1 million from

movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas outdoor SG&A expenses decreased \$2.6 million primarily due to lower commission expense in connection with lower revenues and lower legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q. Our International outdoor SG&A expenses increased \$10.0 million including an increase of \$2.2 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our International outdoor segment increased \$7.8 million compared to the same period of 2013 primarily due to higher compensation related to higher revenues and litigation expenses.

Consolidated SG&A expenses during the first six months of 2014 increased \$21.7 million including an increase of \$1.5 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements consolidated SG&A expenses increased \$20.2 million. Our CCME SG&A expenses increased \$23.3 million primarily due to higher commission and barter expenses in connection with higher revenues, as well as higher expenses from rent and from investing in our national and digital sales force. SG&A expenses decreased \$6.0 million in our Americas outdoor segment including a decrease of \$0.2 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our Americas outdoor segment decreased \$5.8 million primarily due to lower commission expense in connection with lower revenues and lower legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q. Our International outdoor SG&A expenses increased \$6.6 million including a \$1.7 million increase due to the effects of movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our International outdoor segment increased \$4.9 million primarily due to higher compensation in connection with higher revenues, as well as higher litigation expenses.

Corporate Expenses

Corporate expenses increased \$4.6 million during the second quarter of 2014 compared to the same period of 2013 primarily driven by an increase in employee benefits expenses. Corporate expenses decreased \$6.4 million during the first six months of 2014 compared to the same period of 2013 primarily due to an \$8.5 million credit for the realization of an insurance recovery related to litigation filed by stockholders of Clear Channel Outdoor Holdings, Inc. (“CCOH”), an indirect non-wholly owned subsidiary of ours. The litigation settled during the fourth quarter of 2013. For more information about the matter, please refer to Item 3 of Part I in our Annual Report on Form 10-K for the year ended December 31, 2013.

Revenue and Efficiency Initiatives

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses of \$20.5 million and \$33.7 million incurred in connection with our strategic revenue and efficiency initiatives during the three and six months ended June 30, 2014, respectively. The costs were incurred to improve revenue growth, enhance yield, reduce costs, and organize each business to maximize performance and profitability. These costs consist primarily of consolidation of locations and positions, severance related to workforce initiatives, consulting expenses, and other costs incurred in connection with improving our businesses. These costs are expected to provide benefits in future periods as the initiative results are realized.

Of the strategic revenue and efficiency costs of \$20.5 million during the second quarter of 2014, \$1.5 million are reported within direct operating expenses, \$11.8 million are reported within SG&A and \$7.2 million are reported within corporate expense. In the second quarter of 2013, such costs totaled \$2.2 million, \$5.6 million and \$6.2 million, respectively. Of these costs during the six months ended June 30, 2014, \$2.7 million are reported within direct operating expenses, \$13.7 million are reported within SG&A and \$17.3 million are reported within corporate expense compared to \$4.7 million, \$10.9 million and \$7.3 million, respectively, in the same period of 2013. Included in corporate expenses for the first six months of 2014 is \$6.3 million related to the separation of our former Chief Executive Officer of our CCME segment.

Depreciation and Amortization

Depreciation and amortization decreased \$5.7 million and \$13.0 million during the three and six months ended June 30, 2014, respectively, compared to the same periods of 2013. The decreases were primarily due to assets becoming fully depreciated since June 2013.

Other Operating Income (Expense), Net

Other operating expense of \$1.6 million and \$1.5 million for the three and six months ended June 30, 2014, respectively, related primarily to proceeds from the disposal of operating and fixed assets.

Other operating income of \$1.1 million and \$3.5 million for the three and six months ended June 30, 2013, respectively, related primarily to proceeds from the disposal of operating and fixed assets.

Interest Expense

Interest expense increased \$33.1 million and \$78.7 million during the three and six months ended June 30, 2014, respectively, compared to the same periods of 2013, primarily due to the weighted average cost of debt increasing as a result of debt refinancings that occurred since June 2013.

Equity in Earnings (Loss) of Nonconsolidated Affiliates

The loss of \$13.3 million during the six months ended June 30, 2014 primarily related to the first quarter 2014 sale of our 50% interest in ARN, which included a loss on the sale of \$2.4 million and \$11.5 million of foreign exchange losses that were reclassified from accumulated other comprehensive income at the date of the sale.

Loss on Extinguishment of Debt

During June 2014, we redeemed \$567.1 million aggregate principal amount of our outstanding 5.5% Senior Notes due 2014 and \$241.0 million aggregate principal amount of our outstanding 4.9% Senior Notes due 2015. In connection with these transactions, we recognized a loss of \$47.5 million for the three months ended June 30, 2014.

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

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

Income Tax Benefit (Expense)

The effective tax rates for the three and six months ended June 30, 2014 were 0.4% and (12.6)%, respectively. The effective tax rates for the three and six months ended June 30, 2014 were primarily impacted by the valuation allowance recorded during the periods as additional deferred tax expense. The valuation allowance was recorded against a portion of the U.S. Federal and State net operating losses due to the uncertainty of the ability to utilize those losses in future periods.

Our effective tax rates for the three and six months ended June 30, 2013 were 36.5% and 31.0%, respectively. The effective tax rates for the three and six months ended June 30, 2013 were primarily impacted by the cancellation of indebtedness income recognized during the periods and our inability to record tax benefit on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

CCME Results of Operations

Our CCME operating results were as follows:

<i>(In thousands)</i>	Three Months Ended				Six Months Ended					
	June 30,				June 30,					
	2014		2013		2014		2013			
				Change				Change		
Revenue	\$	806,337	\$	805,611	0%	\$	1,476,684	\$	1,462,177	1%
Direct operating expenses		225,410		226,555	(1%)		436,164		430,823	1%
SG&A expenses		259,193		255,945	1%		518,348		495,087	5%
Depreciation and amortization		61,479		68,038	(10%)		124,050		135,870	(9%)
Operating income	\$	260,255	\$	255,073	2%	\$	398,122	\$	400,397	(1%)

Three Months

CCME revenue increased \$0.7 million during the second quarter of 2014 compared to the same period of 2013. Revenue increased in our traffic and weather business as a result of new weather product offerings and the impact of strategic sales initiatives, as well as higher political advertising. We continued to experience increases in digital advertising revenue as a result of continued increased listenership on our iHeartRadio platform, with total listening hours increasing 3.2%, and higher revenue from events. Partially offsetting these increases were decreases in our core

national and local terrestrial radio revenues and our national syndication revenues.

Direct operating expenses decreased \$1.1 million during the second quarter of 2014, primarily resulting from lower expenses resulting from efficiency initiatives in prior periods and lower costs in our national syndication business. Partially offsetting these decreases was an increase in sports programming costs. Strategic revenue and efficiency costs included in direct operating expenses increased \$1.9 million. SG&A expenses increased \$3.2 million, primarily due to increased rent expense and higher spending on strategic efficiency initiatives, partially offset by savings from strategic efficiency initiatives. Strategic revenue and efficiency costs included in SG&A expenses increased \$3.0 million.

Six Months

CCME revenue increased \$14.5 million during the first six months of 2014 compared to the same period of 2013, primarily due to higher revenues in our traffic and weather business as a result of new weather product offerings, higher political advertising revenue and digital revenue, as we began to realize the benefits from our strategic revenue initiatives. We continue to experience increases in digital advertising revenue as a result of continued increased listenership on our iHeartRadio platform, with total listening hours increasing 7.5%. Partially offsetting these increases was a decrease in our local and syndication revenues.

Direct operating expenses increased \$5.3 million during the first six months of 2014, primarily resulting from higher sports programming expenses, increased production costs from new events including the iHeartRadio Country Music Festival and higher digital streaming expenses resulting from increased listening hours. SG&A expenses increased \$23.3 million during the first six months of 2014 primarily due to increased commission and barter expenses in connection with higher revenues, higher rent expense, and higher expenses from investing in our national and digital sales force, as well as higher spending on strategic revenue and efficiency initiatives. Strategic revenue and efficiency costs included in SG&A expenses increased \$2.7 million.

Americas Outdoor Advertising Results of Operations

Our Americas outdoor advertising operating results were as follows:

<i>(In thousands)</i>	Three Months Ended			%	Six Months Ended		
	June 30,				June 30,		
	2014	2013	Change		2014	2013	Change
Revenue	\$ 319,147	\$ 335,025	(5%)	\$ 587,904	\$ 621,486	(5%)	
Direct operating expenses	139,734	141,813	(1%)	273,022	278,704	(2%)	
SG&A expenses	52,420	55,121	(5%)	103,532	109,493	(5%)	
Depreciation and amortization	47,523	47,041	1%	95,121	95,726	(1%)	
Operating income	\$ 79,470	\$ 91,050	(13%)	\$ 116,229	\$ 137,563	(16%)	

Three Months

Our Americas outdoor revenue decreased \$15.9 million including negative movements in foreign exchange of \$0.8 million during the second quarter of 2014 compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas outdoor revenue decreased \$15.1 million primarily driven by lower national account revenues, the nonrenewal of certain airport contracts, and lower revenues in our Los Angeles market as a result of the impact of litigation as discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q. Lower spending by national accounts negatively impacted rates for our billboards and posters.

Direct operating expenses decreased \$2.1 million including a decrease of \$0.6 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas outdoor segment decreased \$1.5 million primarily due to lower variable site lease expenses resulting from lower revenues and also from lower site lease expense due to the nonrenewal of certain airport contracts. SG&A expenses decreased \$2.7 million including a decrease of \$0.1 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our Americas outdoor segment decreased \$2.6 million primarily due to lower commission expense in connection with lower revenues, as well as lower legal expenses related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q.

Six Months

Our Americas outdoor revenue decreased \$33.6 million including negative movements in foreign exchange of \$1.8 million during the six months ended June 30, 2014 compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas outdoor revenue decreased \$31.8 million driven primarily by lower revenues in our Los Angeles market as a result of the impact of litigation as discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q, as well as lower spending by national accounts and the nonrenewal of certain airport

contracts.

Direct operating expenses decreased \$5.7 million including a decrease of \$1.4 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas outdoor segment decreased \$4.3 million primarily due to reduced variable site lease expenses related to our digital and traditional billboards and posters resulting from lower revenue and lower site lease expense resulting from the nonrenewal of certain airport contracts. SG&A expenses decreased \$6.0 million including a decrease of \$0.2 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our Americas outdoor segment decreased \$5.8 million primarily due to lower commission expense in connection with lower revenues and lower legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q.

International Outdoor Advertising Results of Operations

Our International outdoor advertising operating results were as follows:

<i>(In thousands)</i>	Three Months Ended				Six Months Ended							
	June 30,			%	June 30,			%				
	2014		2013		Change	2014			2013	Change		
Revenue	\$	462,058		\$	431,846	7%	\$	828,552		\$	795,595	4%
Direct operating expenses		273,410			257,745	6%		521,635			507,045	3%
SG&A expenses		87,851			77,899	13%		169,689			163,088	4%
Depreciation and amortization		50,214			49,930	1%		100,658			100,923	(0%)
Operating income	\$	50,583		\$	46,272	9%	\$	36,570		\$	24,539	49%

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Three Months

International outdoor revenue increased \$30.2 million during the second quarter of 2014 compared to the same period of 2013, including an increase of \$11.3 million from movements in foreign exchange. Excluding the impact of foreign exchange movements, revenues increased \$18.9 million. The increase was primarily driven by revenue growth in western Europe including Italy, due to a new airport contract in Rome, as well as other countries such as Sweden, France and the UK. Revenue in emerging markets also increased, including in Brazil where revenue growth was driven by digital advertising and the FIFA World Cup, and in China as a result of new contracts.

Direct operating expenses increased \$15.7 million including an increase of \$7.3 million from movements in foreign exchange during the second quarter of 2014. Excluding the impact of movements in foreign exchange, direct operating expenses increased \$8.4 million primarily driven by costs related to new contracts, including the Rome airport contract. SG&A expenses increased \$10.0 million including an increase of \$2.2 million from movements in foreign exchange during the second quarter of 2014. Excluding the impact of movements in foreign exchange, SG&A expenses increased \$7.8 million primarily due to higher compensation related to higher revenues, as well as higher legal expenses.

Six Months

International outdoor revenue increased \$33.0 million during the six months ended June 30, 2014 compared to the same period of 2013, including an increase of \$12.7 million from movements in foreign exchange. Excluding the impact of foreign exchange movements, revenues increased \$20.3 million. The increase was primarily driven by revenue growth in western Europe including Italy, due to a new airport contract in Rome, as well as the UK, France and other countries. Revenue in emerging markets including China and Brazil also increased due to new contracts and in connection with the FIFA World Cup.

Direct operating expenses increased \$14.6 million including an increase of \$8.5 million from movements in foreign exchange during the first six months of 2014. Excluding the impact of movements in foreign exchange, direct operating expenses increased \$6.1 million, resulting from variable costs related to new contracts, including the Rome airport in Italy, and new contracts in France and China. SG&A expenses increased \$6.6 million including an increase of \$1.7 million from movements in foreign exchange during the first six months of 2014. Excluding the impact of movements in foreign exchange, SG&A expenses increased \$4.9 million primarily due to compensation related to higher revenue, as well as higher legal expenses.

Reconciliation of Segment Operating Income to Consolidated Operating Income								
<i>(In thousands)</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
CCME	\$	260,255	\$	255,073	\$	398,122	\$	400,397
Americas outdoor advertising		79,470		91,050		116,229		137,563
International outdoor advertising		50,583		46,272		36,570		24,539
Other		8,177		9,105		8,456		6,387
Other operating income (loss), net		(1,628)		1,113		(1,463)		3,508
Impairment charges		(4,902)		-		(4,902)		-
Corporate expenses ⁽¹⁾		(88,388)		(82,392)		(166,632)		(170,845)
Consolidated operating income	\$	303,567	\$	320,221	\$	386,380	\$	401,549

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

Share-Based Compensation Expense

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

Share-based compensation payments are recorded in corporate expenses and were \$2.8 million and \$5.8 million for the three months ended June 30, 2014 and 2013, respectively, and \$5.8 million and \$11.3 million for the six months ended June 30, 2014 and 2013, respectively.

As of June 30, 2014, there was \$25.6 million of unrecognized compensation cost related to unvested share-based compensation arrangements that will vest based on service conditions. Based on the terms of the award agreements, this cost is expected to be recognized over a weighted average period of approximately three years. In addition, as of June 30, 2014, there was \$19.4 million of unrecognized compensation cost 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 six months ended June 30, 2014 and 2013, respectively.

<i>(In thousands)</i>		Six Months Ended June 30,			
		2014		2013	
Cash provided by (used for):					
	Operating activities	\$	(46,204)	\$	(92,814)
	Investing activities	\$	81,566	\$	25,863
	Financing activities	\$	55,502	\$	(449,533)

Operating Activities

Our consolidated net loss, adjusted for \$509.4 million of non-cash items resulted in negative cash flows of \$94.8 million during the six months ended June 30, 2014. Our consolidated net loss, adjusted for \$193.7 million of non-cash items, provided positive cash flows of \$4.6 million during the six months ended June 30, 2013. Cash used for operating activities during the six months ended June 30, 2014 was \$46.2 million compared to \$92.8 million of cash used during the six months ended June 30, 2013. Cash paid for interest was \$16.3 million lower in the six months ended June 30, 2014 compared to the prior year due to the timing of accrued interest payments from refinancing transactions, partially offset by an increase in the weighted average cost of debt.

Non-cash items affecting our net loss include depreciation and amortization, impairment charges, deferred taxes, gain on disposal of operating and fixed assets, gain on marketable securities, loss on extinguishment of debt, provision for doubtful accounts,

share-based compensation, equity in earnings (loss) of nonconsolidated affiliates, amortization of deferred financing charges and note discounts, net and other reconciling items, net as presented on the face of the consolidated statement of cash flows.

Investing Activities

Cash provided by investing activities of \$81.6 million during the six months ended June 30, 2014 primarily reflected proceeds of \$221.0 million from the sale of our 50% interest in ARN, partially offset by capital expenditures of \$141.4 million. We spent \$20.7 million for capital expenditures in our CCME segment primarily related to leasehold improvements and equipment, \$29.4 million in our Americas outdoor segment primarily related to the construction of new advertising structures such as digital displays, \$61.4 million in our International outdoor segment primarily related to billboard and street furniture advertising structures, \$2.9 million in our Other category, and \$27.0 million by Corporate primarily related to equipment and software.

Cash provided by investing activities of \$25.9 million during the six months ended June 30, 2013 reflected proceeds from the sale of our shares of Sirius XM Radio, Inc. of \$135.5 million as well as our capital expenditures of \$132.7 million. We spent \$36.2 million for capital expenditures in our CCME segment primarily related to leasehold improvements, \$29.6 million in our Americas outdoor segment primarily related to the construction of new advertising structures such as digital displays, \$48.7 million in our International outdoor segment primarily related to billboards and street furniture and the renewal of existing contracts, \$4.7 million in our Other category related to our national representation business, and \$13.5 million by Corporate primarily related to equipment and software. Other cash provided by investing activities were \$26.8 million of proceeds from sales of other operating and fixed assets.

Financing Activities

Cash provided by financing activities of \$55.5 million during the six months ended June 30, 2014 primarily reflected proceeds from the issuance of long-term debt, partially offset by payments on credit facilities and long-term debt. We received cash proceeds from the issuance by CCU Escrow Corporation of 10% Senior Notes due 2018 (\$850.0 million in aggregate principal amount) and the sale by a subsidiary of ours of 14% Senior Notes due 2021 to private purchasers (\$227.0 million in aggregate principal amount). This was partially offset by the redemption of the full \$567.1 million principal amount outstanding of our 5.5% Senior Notes due 2014 and the full \$241.0 million principal amount outstanding of our 4.9% Senior Notes due 2015, as well as repayment of the full \$247.0 million principal amount outstanding under our receivables-based credit facility.

Cash used for financing activities of \$449.5 million during the six months ended June 30, 2013 primarily reflected payments on long-term debt. We repaid our 5.75% senior notes at maturity for \$312.1 million (net of \$187.9 million principal amount held by and repaid to a subsidiary of ours) using cash on hand. We prepaid \$846.9 million outstanding under our Term Loan A under our senior secured credit facilities using the proceeds from the issuance of our 11.25% Priority Guarantee Notes, borrowings under our receivables based credit facility, and cash on hand. Other cash used for financing activities included payments to repurchase noncontrolling interests of \$61.1 million.

Anticipated Cash Requirements

Our primary source of liquidity is cash on hand, cash flow from operations and borrowing capacity under our domestic receivables-based credit facility, subject to certain limitations contained in our material financing agreements. A significant amount of our cash requirements are for debt service obligations. We anticipate cash interest requirements of approximately \$791 million for the remainder of 2014. At June 30, 2014, we had debt maturities totaling \$18.5 million, \$6.4 million, and \$2.4 billion in 2014, 2015, and 2016, respectively. At June 30, 2014, we had \$798.4 million of cash on our balance sheet including \$192.3 million in consolidated cash balances held outside the U.S. by our subsidiaries, all of which is readily convertible into other foreign currencies including the U.S. dollar. We disclose in Item 8 of our Form 10-K within Note 1, Summary of Significant Accounting Policies, that our policy is to permanently reinvest the earnings of our non-U.S. subsidiaries as these earnings are generally redeployed in those jurisdictions for operating needs and continued functioning of their businesses. We have the ability and intent to indefinitely reinvest the undistributed earnings of consolidated subsidiaries based outside of the United States. If any excess cash held by our foreign subsidiaries were needed to fund operations in the United States, we could presently repatriate available funds without a requirement to accrue or pay U.S. taxes. This is a result of significant current and historic deficits in our foreign earnings and profits, which gives us flexibility to make future cash distributions as non-taxable returns of capital.

Our ability to fund our working capital, capital expenditures, debt service and other obligations, and to comply with the financial covenants under our financing agreements, depends on our future operating performance and cash from operations and our ability to generate cash from other liquidity-generating transactions, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control. We are currently exploring, and expect to continue to explore, a variety of transactions to provide us with additional liquidity. We cannot assure you that we will enter into or consummate any such liquidity-generating transactions, or that such transactions will provide sufficient cash to satisfy our liquidity needs, and we cannot currently predict the impact that any such transaction, if consummated, would have on us. If our

future operating performance does not meet our expectations or our plans materially change in an adverse manner or prove to be materially inaccurate, we may not be able to refinance the debt as currently contemplated. Our ability to refinance the debt will depend on the condition of the capital markets and our financial condition at the time. There can be no assurance that refinancing alternatives will be available on terms acceptable to us or at all. Even if refinancing alternatives are available to us, we may not find them suitable or at comparable interest rates to the indebtedness being refinanced. In addition, the terms of our existing or future debt agreements may restrict us from securing a refinancing on terms that are available to us at that time. If we are unable to obtain sources of refinancing or generate sufficient cash through liquidity-generating transactions, we could face substantial liquidity problems, which could have a material adverse effect on our financial condition and on our ability to meet our obligations.

Our financing transactions during 2013 increased our annual interest expense by \$267 million and our financing transactions during 2014 increased our annual interest expense by an additional \$47 million. Our increased interest payment obligations will reduce our liquidity over time, which could in turn reduce our financial flexibility and make us more vulnerable to changes in operating performance and economic downturns generally, and could negatively affect our ability to obtain additional financing in the future.

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

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

We were in compliance with the covenants contained in our material financing agreements as of June 30, 2014, including the maximum consolidated senior secured net debt to consolidated EBITDA limitation contained in our senior secured credit facilities. We believe our long-term plans, which include promoting spending in our industries and capitalizing on our diverse geographic and product opportunities, including the continued investment in our media

and entertainment initiatives and continued deployment of digital displays, will enable us to continue generating cash flows from operations sufficient to meet our liquidity and funding requirements long term. However, our anticipated results are subject to significant uncertainty and there can be no assurance that we will be able to maintain compliance with these covenants. In addition, our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any covenants set forth in our financing agreements would result in a default thereunder. An event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, the lenders under the receivables based facility under our senior secured credit facilities would have the option to terminate their commitments to make further extensions of credit thereunder. If we are unable to repay our obligations under any secured credit facility, the lenders could proceed against any assets that were pledged to secure such facility. In addition, a default or acceleration under any of our material financing agreements could cause a default under other of our obligations that are subject to cross-default and cross-acceleration provisions. The threshold amount for a cross-default under the senior secured credit facilities is \$100.0 million.

Sources of Capital

As of June 30, 2014 and December 31, 2013, we had the following debt outstanding, net of cash and cash equivalents:

<i>(In millions)</i>	June 30, 2014		December 31, 2013	
Senior Secured Credit Facilities	\$	8,222.3	\$	8,225.8
Receivables Based Facility ⁽¹⁾		-		247.0
Priority Guarantee Notes		4,324.8		4,324.8
Other Secured Subsidiary Debt		19.6		21.1
Total Secured Debt		12,566.7		12,818.7
Senior Cash Pay Notes due 2016		94.3		94.3
Senior Toggle Notes due 2016		127.9		127.9
Senior Notes due 2021		1,645.3		1,404.2
Senior Notes		725.0		1,436.5
Senior Notes due 2018		850.0		-
Subsidiary Senior Notes due 2022		2,725.0		2,725.0
Subsidiary Senior Subordinated Notes due 2020		2,200.0		2,200.0
Other Clear Channel Subsidiary Debt		0.5		-
Purchase accounting adjustments and original issue discount		(262.6)		(322.4)
Total Debt		20,672.1		20,484.2
Less: Cash and cash equivalents		798.4		708.2
	\$	19,873.7	\$	19,776.0

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

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

Senior Secured Credit Facilities

The senior secured credit facilities require us to comply on a quarterly basis with a financial covenant limiting the ratio of consolidated secured debt, net of cash and cash equivalents, to consolidated EBITDA (as defined by our senior secured credit facilities) for the preceding four quarters. Our secured debt consists of the senior secured credit facilities, the receivables-based credit facility, the priority guarantee notes and certain other secured subsidiary debt. As required by the definition of consolidated EBITDA in our senior secured credit facilities, our consolidated EBITDA for the preceding four quarters of \$1.9 billion is calculated as operating income (loss) before depreciation, amortization, impairment charges and other operating income (expense), net plus share-based compensation and is further adjusted for the following items: (i) costs incurred in connection with the closure and/or consolidation of facilities, retention charges, consulting fees and other permitted activities; (ii) extraordinary, non-recurring or unusual gains or losses or expenses and severance; (iii) non-cash charges; (iv) cash received from nonconsolidated affiliates; and (v) various other items.

The following table reflects a reconciliation of consolidated EBITDA (as defined by our senior secured credit facilities) to operating income and net cash provided by operating activities for the four quarters ended June 30, 2014:

		Four Quarters Ended	
<i>(In Millions)</i>		June 30, 2014	
Consolidated EBITDA (as defined by our senior secured credit facilities)		\$	1,904.7
Less adjustments to consolidated EBITDA (as defined by our senior secured credit facilities):			
	Cost incurred in connection with the closure and/or consolidation of facilities, retention charges, consulting fees, and other permitted activities		(90.7)
	Extraordinary, non-recurring or unusual gains or losses or expenses and severance (as referenced in the definition of consolidated EBITDA in our senior secured credit facilities)		(27.7)
	Non-cash charges		(40.7)
	Cash received from nonconsolidated affiliates		(9.5)
	Other items		(17.7)
Less: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and Share-based compensation expense			(732.9)
Operating income			985.5
Plus: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and Share-based compensation expense			732.9
Less: Interest expense			(1,728.1)
Less: Current income tax benefit			(33.1)
Plus: Other income (expense), net			10.8
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)			131.6
Change in assets and liabilities, net of assets acquired and liabilities assumed			159.9
Net cash provided by operating activities		\$	259.5

The maximum ratio under this financial covenant is currently set at 9.00:1 and reduces to 8.75:1 for the four quarters ended December 31, 2014. At June 30, 2014, our ratio was 6.4:1.

Subsidiary Sale of Clear Channel Long-Term Debt

On February 14, 2014, CC Finco LLC (“CC Finco”), an indirect wholly-owned subsidiary of ours, sold \$227.0 million in aggregate principal amount of Senior Notes due 2021 issued by us to private purchasers in a transaction exempt from registration under the Securities Act of 1933, as amended. This \$227.0 million in aggregate principal amount of Senior Notes due 2021, which was previously eliminated in consolidation because the notes were held by a subsidiary, is now reflected on our consolidated balance sheet. CC Finco contributed the net proceeds from the sale of the Senior Notes due 2021 to us. We intend to use such proceeds to repay, repurchase or otherwise acquire outstanding indebtedness from time to time and retire that indebtedness as it becomes due or upon its earlier repayment, repurchase or acquisition.

10.0% Senior Notes Issuance

On May 1, 2014, CCU Escrow Corporation issued \$850.0 million in aggregate principal amount of Senior Notes due 2018 in a private offer. On June 6, 2014, CCU Escrow Corporation merged into us and we assumed CCU Escrow Corporation’s obligations under the Senior Notes due 2018. The Senior Notes due 2018 mature on January 15, 2018 and bear interest at a rate of 10.0% per annum, payable semi-annually on January 15 and July 15 of each year, beginning on July 15, 2014. The Senior Notes due 2018 are our senior unsecured obligations and are not guaranteed by any of our parent companies or any of our subsidiaries.

Senior Notes due 2021 Issuance

We intend to issue and sell approximately \$222.2 million in aggregate principal amount of new Senior Notes due 2021 to CC Finco in a transaction exempt from registration under the Securities Act of 1933, as amended. The new Senior Notes due 2021 will be issued as additional notes under the indenture governing our existing Senior Notes due 2021. On July 21, 2014, we issued a notice of redemption to redeem all of the outstanding \$94.3 million aggregate principal amount of Senior Cash Pay Notes due 2016 and \$127.9

million aggregate principal amount of Senior Toggle Notes due 2016 using proceeds of the issuance of the new Senior Notes due 2021. The closing of the issuance of the new Senior Notes due 2021 and redemption of the outstanding Senior Cash Pay Notes due 2016 and Senior Toggle Notes due 2016 are expected to occur on August 22, 2014.

Uses of Capital

Debt Repayments, Maturities and Other

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

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

During May 2014, we retired \$130.0 million aggregate principal amount of our 5.5% Senior Notes due 2014 held by CC Finco.

On June 6, 2014, using the proceeds from the issuance of the 10.0% Senior Notes due 2018, we redeemed \$567.1 million aggregate principal amount of our 5.5% Senior Notes due 2014 (including \$158.5 million principal amount of the notes held by a subsidiary of ours) and \$241.0 million aggregate principal amount of our 4.9% Senior Notes due 2015.

On July 21, 2014, we issued a notice of redemption to redeem all of the outstanding \$94.3 million aggregate principal amount of Senior Cash Pay Notes due 2016 and \$127.9 million aggregate principal amount of Senior Toggle Notes due 2016 and will be using proceeds of the issuance of the new Senior Notes due 2021 to CC Finco to redeem the notes. The closing of the issuance of the new Senior Notes due 2021 and redemption of the outstanding Senior Cash Pay Notes due 2016 and Senior Toggle Notes due 2016 are expected to occur on August 22, 2014.

Certain Relationships with the Sponsors

We are party to a management agreement with certain affiliates of Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the "Sponsors") and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These agreements require management fees to be

paid to such affiliates of the Sponsors for such services at a rate not greater than \$15.0 million per year, plus reimbursable expenses. For the three months ended June 30, 2014 and 2013, we recognized management fees and reimbursable expenses of \$3.7 million and \$4.0 million, respectively. For the six months ended June 30, 2014 and 2013, we recognized management fees and reimbursable expenses of \$7.7 million and \$8.1 million, respectively.

CCOH Dividend

In connection with the cash management arrangements for CCOH, we maintain an intercompany revolving promissory note payable by us to CCOH (the "Note"), which consists of the net activities resulting from day-to-day cash management services provided by us to CCOH. As of June 30, 2014, the balance of the Note was \$950.2 million, all of which is payable on demand. The Note is eliminated in consolidation in our consolidated financial statements.

The Note previously was the subject of litigation. Pursuant to the terms of the settlement of that litigation, CCOH's board of directors established a committee for the specific purpose of monitoring the Note. That committee has the non-exclusive authority, pursuant to the terms of its charter, to demand payments under the Note under certain specified circumstances tied to our liquidity or the amount outstanding under the Note as long as CCOH makes a simultaneous dividend equal to the amount so demanded. On July 21, 2014, in accordance with the terms of its charter, that committee (i) provided notice of its intent to demand \$175 million outstanding under the Note on August 11, 2014 and (ii) declared a special cash dividend in aggregate amount equal to \$175 million, the payment of which is conditioned upon the satisfaction by us of such demand, payable on August 11, 2014 to CCOH's stockholders of record as of August 4, 2014. As the indirect parent of CCOH, we will be entitled to approximately 88% of the proceeds from such dividend through our wholly-owned subsidiaries. The remaining approximately 12% of the proceeds from the dividend, or approximately \$21 million, will be paid to the public stockholders of CCOH. We will fund the net payment of this \$21 million with cash on hand, which will reduce the amount of cash we have available to fund our working capital needs, debt service obligations and other obligations. Following satisfaction of the demand, the balance outstanding under the Note will be reduced by \$175 million.

Commitments, Contingencies and Guarantees

We are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued our estimate of the probable costs for resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. Please refer to “Legal Proceedings” in Item 1, Part II of this Quarterly Report on Form 10-Q.

Seasonality

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

MARKET RISK

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

Interest Rate Risk

A significant amount of our long-term debt bears interest at variable rates. Accordingly, our earnings will be affected by changes in interest rates. At June 30, 2014, approximately 39% of our aggregate principal amount of long-term debt bears interest at floating rates. Assuming the current level of borrowings and assuming a 30% change in LIBOR, it is estimated that our interest expense for the six months ended June 30, 2014 would have changed by \$3.8 million.

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

Foreign Currency Exchange Rate Risk

We have operations in countries throughout the world. Foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. We believe we mitigate a small portion of our exposure to foreign currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. Our foreign operations reported net income of \$37.7 million and \$10.3 million for the three and six months ended June 30, 2014. We estimate a 10% increase in the value of the U.S. dollar relative to foreign currencies would have decreased our net income for the three months ended June 30, 2014 by \$3.8 million and we estimate that our net income for the six months ended June 30, 2014 would have decreased by \$1.0 million. A 10% decrease in the value of the U.S. dollar relative to foreign currencies during the three and six months ended June 30, 2014 would have increased our net income for the three and six months ended June 30, 2014 by corresponding amounts.

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

Inflation

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

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

of risks and uncertainties and are subject to many variables which could impact our future performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and performance. There can be no assurance, however, that management's expectations will necessarily come to pass. Actual future events and performance may differ materially from the expectations reflected in our forward-looking statements. We do not intend, nor do we undertake any duty, to update any forward-looking statements.

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

- the impact of our substantial indebtedness, including the effect of our leverage on our financial position and earnings;
- our ability to generate sufficient cash from operations or other liquidity-generating transactions and our need to allocate significant amounts of our cash to make payments on our indebtedness, which in turn could reduce our financial flexibility and ability to fund other activities;
- risks associated with weak or uncertain global economic conditions and their impact on the capital markets;
- other general economic and political conditions in the United States and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;
- industry conditions, including competition;
- the level of expenditures on advertising;
- legislative or regulatory requirements;
- fluctuations in operating costs;
- technological changes and innovations;
- changes in labor conditions, including on-air talent, program hosts and management;
- capital expenditure requirements;
- risks of doing business in foreign countries;
- fluctuations in exchange rates and currency values;
- the outcome of pending and future litigation;
- taxes and tax disputes;

- changes in interest rates;
- shifts in population and other demographics;
- access to capital markets and borrowed indebtedness;
- our ability to implement our business strategies;
- the risk that we may not be able to integrate the operations of acquired businesses successfully;
- the risk that our cost savings initiatives may not be entirely successful or that any cost savings achieved from those initiatives may not persist; and
- certain other factors set forth in our other filings with the Securities and Exchange Commission.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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 June 30, 2014 to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

Los Angeles Litigation

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

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

ITEM 1A. RISK FACTORS

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
4.1	Indenture, dated as of May 1, 2014, among CCU Escrow Corporation and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Clear Channel Communications, Inc. Current Report on Form 8-K filed on June 6, 2014).
4.2	Supplemental Indenture, dated as of June 6, 2014, among Clear Channel Communications, Inc. and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Clear Channel Communications, Inc. Current Report on Form 8-K filed on June 6, 2014).
4.3	Exchange and Registration Rights Agreement, dated May 1, 2014, among Clear Channel Communications, Inc., CCU Escrow Corporation and Goldman, Sachs & Co., as representative of the several initial purchasers (Incorporated by reference to Exhibit 4.1 to the Clear Channel Communications, Inc. Current Report on Form 8-K filed on May 7, 2014).
10.1	Escrow Agreement, dated as of May 1, 2014, among Clear Channel Communications, Inc., CCU Escrow Corporation and U.S. Bank National Association, as trustee and escrow agent (Incorporated by reference to Exhibit 10.1 to the Clear Channel Communications, Inc. Current Report on Form 8-K filed on May 7, 2014).
10.2	Employment Agreement by and between Clear Channel Management Services, Inc. and Scott D. Hamilton, dated May 20, 2014 (Incorporated by reference to Exhibit 10.1 to the CC Media Holdings, Inc. Current Report on Form 8-K filed on June 25, 2014).
31.1*	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive Data Files.
*	Filed herewith.
**	Furnished herewith.

Signatures

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

CLEAR CHANNEL COMMUNICATIONS, INC.

July 23, 2014

/s/ SCOTT D. HAMILTON

Scott D. Hamilton

Senior Vice President, Chief Accounting Officer and Assistant Secretary

