Clear Channel Outdoor Holdings, Inc.
Form 10-Q
November 08, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010**

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

Commission File Number

1-32663

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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

(210) 832-3700

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer x 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 x

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 October 31, 2010**
Class A Common Stock, $.01 par value	40,887,612
Class B Common Stock, $.01 par value	315,000,000

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. UNAUDITED FINANCIAL STATEMENTS

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, 2010 (Unaudited)	December 31, 2009
CURRENT ASSETS		
Cash and cash equivalents	$ 664,710	$ 609,436
Accounts receivable, net	732,445	730,306
Other current assets	209,227	300,803
Total Current Assets	1,606,382	1,640,545
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	2,035,286	2,143,972
Other property, plant and equipment, net	293,764	296,666
INTANGIBLE ASSETS		
Definite-lived intangibles, net	723,025	799,144
Indefinite-lived intangibles	1,119,912	1,132,218
Goodwill	862,051	861,592
OTHER ASSETS		
Due from Clear Channel Communications	254,178	123,308
Other assets	192,052	194,977
Total Assets	$ 7,086,650	$ 7,192,422
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 602,462	$ 614,442
Deferred income	137,447	109,578
Current portion of long-term debt	42,356	47,073
Total Current Liabilities	782,265	771,093
Long-term debt	2,524,980	2,561,805
Deferred tax liability	830,369	841,911
Other long-term liabilities	271,996	256,236
Commitments and contingent liabilities		
SHAREHOLDERS EQUITY		
Noncontrolling interest	201,010	193,730
Class A common stock	409	407

Class B common stock	3,150	3,150
Additional paid-in capital	6,676,478	6,669,247
Retained deficit	(3,978,629)	(3,886,826)
Accumulated other comprehensive loss	(225,091)	(218,177)
Cost of shares held in treasury	(287)	(154)
Total Shareholders Equity	2,677,040	2,761,377
Total Liabilities and Shareholders Equity	$ 7,086,650	$ 7,192,422

See notes to consolidated financial statements

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue	$ 695,086	$ 660,622	$ 2,005,261	$ 1,934,955
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	380,619	398,766	1,145,389	1,170,683
Selling, general and administrative expenses (excludes depreciation and amortization)	115,224	108,824	357,273	347,930
Corporate expenses (excludes depreciation and amortization)	26,197	15,547	70,726	45,446
Depreciation and amortization	103,833	111,053	310,841	327,769
Impairment charges				812,390
Other operating income (expense) net	(27,672)	1,160	(24,934)	10,125
Operating income (loss)	41,541	27,592	96,098	(759,138)
Interest expense	60,276	37,908	178,989	114,992
Interest income on Due from Clear Channel Communications	4,800	133	12,019	358
Loss on marketable securities		(11,315)		(11,315)
Equity in loss of nonconsolidated affiliates	(663)	(2,046)	(1,462)	(26,094)
Other income (expense) net	1,545	492	(3,447)	(5,288)
Loss before income taxes	(13,053)	(23,052)	(75,781)	(916,469)
Income tax benefit (expense)	(18,829)	(10,999)	(7,384)	101,702
Consolidated net loss	(31,882)	(34,051)	(83,165)	(814,767)
Amount attributable to noncontrolling interest	3,012	325	8,638	(3,413)
Net loss attributable to the Company	$ (34,894)	$ (34,376)	$ (91,803)	$ (811,354)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	106,902	47,637	313	116,553
Foreign currency reclassification adjustment	2,565	11,836	1,424	11,323
Unrealized loss on marketable securities	(394)	(2,165)	(5,343)	(11,315)
Comprehensive income (loss)	74,179	22,932	(95,409)	(694,793)
Amount attributable to noncontrolling interest	7,042	2,981	3,308	7,002
Comprehensive income (loss) attributable to the Company	$ 67,137	$ 19,951	$ (98,717)	$ (701,795)
Net loss per common share:				
Basic	$ (0.10)	$ (0.10)	$ (0.27)	$ (2.29)
Weighted average common shares outstanding	355,585	355,389	355,530	355,364
Diluted	$ (0.10)	$ (0.10)	$ (0.27)	$ (2.29)

Weighted average common shares outstanding	355,585	355,389	355,530	355,364

See notes to consolidated financial statements

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Consolidated net loss	$ (83,165)	$ (814,767)
Reconciling items:		
Impairment charges		812,390
Depreciation and amortization	310,841	327,769
Deferred taxes	(11,722)	(127,877)
Provision for doubtful accounts	4,849	9,059
(Gain) loss on sale of operating and fixed assets	24,934	(10,125)
Other reconciling items, net	15,659	48,577
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(20,274)	78,284
Decrease in Federal incomes taxes receivable	50,958	
Increase in deferred income	30,020	22,409
Increase (decrease) in accounts payable, accrued expenses and other liabilities	22,339	(43,095)
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	24,695	(32,742)
Net cash provided by operating activities	369,134	269,882
Cash flows from investing activities:		
Purchases of property, plant and equipment	(139,274)	(113,976)
Acquisition of operating assets, net of cash acquired	(715)	(5,125)
Change in other net	4,762	25,997
Net cash used for investing activities	(135,227)	(93,104)
Cash flows from financing activities:		
Draws on credit facilities	3,916	6,508
Payments on credit facilities	(42,254)	(3,784)
Proceeds from long-term debt	6,844	
Payments on long-term debt	(12,425)	(2,191)
Net transfers to Clear Channel Communications	(130,870)	(86,309)
Payments for purchase of noncontrolling interest		(25,190)
Change in other net	(4,213)	
Net cash used for financing activities	(179,002)	(110,966)
Effect of exchange rate changes on cash	369	4,768
Net increase in cash and cash equivalents	55,274	70,580
Cash and cash equivalents at beginning of period	609,436	94,812
Cash and cash equivalents at end of period	$ 664,710	$ 165,392

See notes to consolidated financial statements

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1: BASIS OF PRESENTATION AND NEW ACCOUNTING STANDARDS

Preparation of Interim Financial Statements

The accompanying consolidated financial statements were prepared by Clear Channel Outdoor Holdings, Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s 2009 Annual Report on Form 10-K and Quarterly Reports on Forms 10-Q for the quarterly periods ended March 31, 2010 and June 30, 2010.

The consolidated financial statements include the accounts of the Company and its subsidiaries and give effect to allocations of expenses from the Company s indirect parent entity, Clear Channel Communications, Inc. (Clear Channel Communications). These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. 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 2010 presentation.

New Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-21, Accounting for Technical Amendments to Various SEC Rules and Schedules. This ASU amends various SEC paragraphs pursuant to the issuance of Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies and became effective upon issuance. The adoption of ASU No. 2010-21 will not have a material impact on the Company s financial position or results of operations.

In August 2010, the FASB issued ASU No. 2010-22, Accounting for Various Topics Technical Corrections to SEC Paragraphs. This ASU amends various SEC paragraphs and became effective upon issuance. The adoption of ASU No. 2010-22 will not have a material impact on the Company s financial position or 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 September 30, 2010 and December 31, 2009, respectively:

(In thousands)	September 30, 2010	December 31, 2009
Land, buildings and improvements	$ 206,770	$ 207,939

Structures	2,589,169	2,514,602
Furniture and other equipment	78,631	71,567
Construction in progress	59,234	51,598
	2,933,804	2,845,706
Less accumulated depreciation	604,754	405,068
Property, plant and equipment, net	$ 2,329,050	$ 2,440,638

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Definite-lived Intangible Assets

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts, permanent easements that provide the Company access to certain of its outdoor displays and other contractual rights. Definite-lived intangible assets are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Company s future cash flows.

The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at September 30, 2010 and December 31, 2009, respectively:

(In thousands)	September 30, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other contractual rights	$ 791,746	$ 226,163	$ 803,297	$ 166,803
Other	172,114	14,672	172,394	9,744
Total	$ 963,860	$ 240,835	$ 975,691	$ 176,547

Total amortization expense related to definite-lived intangible assets was $26.2 million and $27.5 million for the three months ended September 30, 2010 and 2009, respectively, and $80.0 million and $75.0 million for the nine months ended September 30, 2010 and 2009, respectively.

As acquisitions and dispositions occur in the future, amortization expense may vary. The following table presents the Company s estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets:

(In thousands)

2011	$ 86,993
2012	77,282
2013	72,977
2014	65,878
2015	53,193

Indefinite-lived Intangible Assets

The Company s indefinite-lived intangible assets consist of billboard permits. The Company s billboard permits are effectively issued in perpetuity by state and local governments and are transferable at little or no cost.

Goodwill

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

(In thousands)	Americas	International	Total
Balance as of December 31, 2008	$ 892,598	$ 287,543	$ 1,180,141
Acquisitions	2,250	110	2,360
Foreign currency translation	16,293	17,412	33,705
Purchase accounting adjustments net	68,896	45,042	113,938
Impairment	(390,374)	(73,764)	(464,138)
Other	(4,414)		(4,414)
Balance as of December 31, 2009	$ 585,249	$ 276,343	$ 861,592
Foreign currency	176	283	459
Balance as of September 30, 2010	$ 585,425	$ 276,626	$ 862,051

The balance at December 31, 2008 is net of cumulative impairments of $2.3 billion and $173.4 million in the Americas and International segments, respectively.

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Note 3: DEBT

Long-term debt at September 30, 2010 and December 31, 2009 consisted of the following:

(In thousands)	September 30, 2010	December 31, 2009
Clear Channel Worldwide Holdings Senior Notes:		
9.25% Series A Senior Notes Due 2017	$ 500,000	$ 500,000
9.25% Series B Senior Notes Due 2017	2,000,000	2,000,000
Credit facility ($150.0 million sub-limit within Clear Channel Communications $2.0 billion revolving credit facility)		30,000
Other debt	67,336	78,878
Total debt	2,567,336	2,608,878
Less: Current portion	42,356	47,073
Total long-term debt	$ 2,524,980	$ 2,561,805

The aggregate market value of the Company s debt based on market prices for which quotes were available was approximately $2.7 billion at September 30, 2010 and December 31, 2009.

Note 4: OTHER DEVELOPMENTS

Disposition of Assets

On October 15, 2010, the Company transferred its interest in its Branded Cities operations to its joint venture partner, The Ellman Companies. The long-lived tangible and intangible assets of the Branded Cities operations were transferred for less than their carrying values in connection with this transaction. In connection with this subsequent event, the Company recorded a non-cash charge in the third quarter of 2010 of approximately $23.6 million in Other operating income (expense) net to present these assets at their estimated fair values as of September 30, 2010.

During the three months ended September 30, 2010, the Company s International segment sold its outdoor advertising business in India, resulting in a loss of $3.7 million included in Other operating income (expense) net.

Share-based Compensation Expense

Share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the vesting period. The following table presents the amount of share-based compensation expense recorded during the three and nine months ended September 30, 2010 and 2009, respectively:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Direct operating expenses	$ 2,099	$ 1,694	$ 6,231	$ 5,698
Selling, general and administrative expenses	766	618	2,275	2,079
Corporate expenses	92	182	273	611
Total share-based compensation expense	$ 2,957	$ 2,494	$ 8,779	$ 8,388

As of September 30, 2010, there was $18.4 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of approximately two years.

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Supplemental Disclosures

Cash paid (received) for interest and income taxes for the nine months ended September 30, 2010 and 2009, net of Federal income tax refunds of $51.0 million for the nine months ended September 30, 2010, was as follows:

(In thousands)	Nine Months Ended September 30,	
	2010	2009
Interest	$ 175,919	$ 114,089
Income taxes	$ (29,656)	$ 18,649

Income tax benefit (expense)

The Company s income tax benefit (expense) for the three and nine months ended September 30, 2010 and 2009, respectively, consisted of the following components:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Current tax expense	$ (1,418)	$ (13,025)	$ (19,106)	$ (26,175)
Deferred tax benefit (expense)	(17,411)	2,026	11,722	127,877
Income tax benefit (expense)	$ (18,829)	$ (10,999)	$ (7,384)	$ 101,702

The effective tax rate is the provision for income taxes as a percent of income from continuing operations before income taxes. The Company s effective tax rate for the three and nine months ended September 30, 2010 was (144.3%) and (9.7%), respectively, compared to an effective rate of (47.7%) and 11.1% for the three and nine months ended September 30, 2009, respectively. The 2010 effective rate was impacted primarily as a result of the Company s inability to benefit from tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years. In addition, during the three months ended September 30, 2010, the Company recorded a valuation allowance of $13.4 million against deferred tax assets in foreign jurisdictions due to the uncertainty of the ability to realize those assets in future periods. The change in the effective rate compared to the same period of the prior year was impacted primarily by the impairment charge on goodwill recorded in 2009 and as a result of a deferred tax valuation allowance recorded in 2009 due to the uncertainty of the Company s ability to utilize Federal and foreign tax losses at that time.

Note 5: FAIR VALUE MEASUREMENTS

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

The cost, unrealized holding gains or losses, and fair value of the Company s marketable equity securities at September 30, 2010 and December 31, 2009, respectively, are as follows:

(In thousands)	September 30, 2010				December 31, 2009			
Investments	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
Available-for-sale	$ 14,506	$ (4,025)	$ 87	$ 10,568	$ 14,506	$	$ 1,405	$ 15,911

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Note 6: COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, the Company has accrued its 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 the Company s assumptions or the effectiveness of its strategies related to these proceedings.

In 2006, two of the Company s operating businesses (L&C Outdoor Ltda. and Publicidad Klimes Sao Paulo Ltda.) in the Sao Paulo, Brazil market received notices of infraction from the state taxing authority, seeking to impose a value added tax (VAT) on such businesses, retroactively for the period from December 31, 2001 through January 31, 2006. The taxing authority contends that our businesses fall within the definition of communication services and as such are subject to the VAT. The aggregate amount of tax initially claimed to be owed by both businesses equals approximately $69.4 million, comprised of approximately $20.2 million in taxes, approximately $40.2 million in penalty and approximately $9.0 million in interest. In addition, the taxing authorities are seeking to impose an additional aggregate amount of interest on the tax and penalty amounts of approximately $39.3 million until the initial tax, penalty and interest are paid. The aggregate amount of additional interest accrues daily at an interest rate promulgated by the Brazilian government, which at September 30, 2010 is equal to approximately $1.85 million per month.

The Company has filed petitions to challenge the imposition of this tax against each of its businesses, which are proceeding separately. The Company s challenge for L&C Outdoor Ltda. was unsuccessful at the first administrative level, but successful at the second administrative level. The state taxing authority filed an appeal to the next administrative level, which required consideration by a full panel of 16 administrative law judges. On September 27, 2010, the Company received an unfavorable ruling from this final administrative level and intends to appeal this ruling to the judicial level. The Company has filed a petition to have the case remanded to the second administrative level for consideration of the amount of the penalty assessed against it. The Company s challenge for Publicidad Klimes Sao Paulo Ltda. was unsuccessful at the first administrative level, and denied at the second administrative level on or about September 24, 2009. The case is now pending before the third administrative level. Based on the Company s review of the law in similar cases in other Brazilian states, the Company has not accrued any costs related to these claims and believes the occurrence of loss is not probable.

As of September 30, 2010, Clear Channel Communications had outstanding commercial standby letters of credit and surety bonds of $47.9 million and $43.2 million, respectively, held on behalf of the Company. These letters of credit and surety bonds relate to various operational matters, including insurance, bid and performance bonds, as well as other items.

Note 7: RELATED PARTY TRANSACTIONS

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

Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, the Company maintains collection bank accounts swept daily into accounts of Clear Channel Communications. In return, Clear Channel Communications funds the Company s controlled disbursement accounts as checks or electronic payments are presented for payment. The Company s claim in relation to cash transferred from its concentration account is on an unsecured basis and is limited to the balance of the Due from Clear Channel Communications account. At September 30, 2010 and December 31, 2009, the asset recorded in Due from Clear Channel Communications on the condensed consolidated balance sheets was $254.2 million and $123.3 million, respectively. As of September 30, 2010, the Company had no borrowings under the cash management note to Clear Channel Communications.

The net interest income for the three and nine months ended September 30, 2010 was $4.8 million and $12.0 million, respectively. The net interest income for the three and nine months ended September 30, 2009 was $0.1 million and $0.4 million, respectively. At September 30, 2009, the interest rate on the Due from Clear Channel Communications account was 0.056%, which represented the average one-month generic treasury bill rate. At September 30, 2010, the interest rate on the Due from Clear Channel Communications account was 9.25%, which represented the rate as amended in connection with the CCWH Senior Notes issuance in December of 2009.

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Clear Channel Communications has a $2.0 billion multi-currency revolving credit facility with a maturity in July 2014 which includes a $150.0 million sub-limit that certain of the Company s International subsidiaries may borrow against to the extent Clear Channel Communications has not already borrowed against this capacity and is compliant with its covenants under the revolving credit facility. As of September 30, 2010, the Company had no borrowings outstanding under this $150.0 million sub-limit facility.

The Company provides advertising space on its billboards for radio stations owned by Clear Channel Communications. For the three months ended September 30, 2010 and 2009, the Company recorded $0.7 million and $0.8 million, respectively, in revenue for these advertisements. For the nine months ended September 30, 2010 and 2009, the Company recorded $2.4 million and $2.0 million, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between Clear Channel Communications and the Company, Clear Channel Communications provides management services to the Company, which include, among other things: (i) treasury, payroll and other financial related services; (ii) executive officer services; (iii) human resources and employee benefits services; (iv) legal and related services; (v) information systems, network and related services; (vi) investment services; (vii) procurement and sourcing support services; and (viii) other general corporate services. These services are charged to the Company based on actual direct costs incurred or allocated by Clear Channel Communications based on headcount, revenue or other factors on a pro rata basis. For the three months ended September 30, 2010 and 2009, the Company recorded $9.1 million and $7.8 million, respectively, as a component of corporate expenses for these services. For the nine months ended September 30, 2010 and 2009, the Company recorded $27.7 million and $22.0 million, respectively, as a component of corporate expenses for these services.

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

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

Pursuant to the Employee Matters Agreement, the Company s employees participate in Clear Channel Communications employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. These costs are recorded as a component of selling, general and administrative expenses and were approximately $2.6 million and $2.2 million for the three months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010 and 2009, the Company recorded approximately $7.7 million and $7.2 million, respectively, as a component of selling, general and administrative expenses for these services.

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Note 8: EQUITY AND COMPREHENSIVE INCOME (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 equity attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total ownership interest:

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balances at December 31, 2009	$ 2,567,647	$ 193,730	$ 2,761,377
Net income (loss)	(91,803)	8,638	(83,165)
Foreign currency translation adjustments	(3,169)	3,482	313
Unrealized holding loss on marketable securities	(5,343)		