

Clear Channel Outdoor Holdings, Inc.

Form S-1/A

November 09, 2005

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**As filed with the Securities and Exchange Commission on November 9, 2005**

**Registration No. 333-127375**

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

**Amendment No. 6  
to  
Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
CLEAR CHANNEL OUTDOOR HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)**

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**7312**  
(Primary standard industrial  
classification code number)

**86-0812139**  
(I.R.S. employer  
identification number)

**200 East Basse Road  
San Antonio, Texas 78209  
(210) 832-3700**  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

**Mark P. Mays**  
**Clear Channel Outdoor Holdings, Inc.**  
**200 East Basse Road**  
**San Antonio, Texas 78209**  
**(210) 832-3700**  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective

registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Class A Common Stock, \$0.01 par value per share	40,250,000 shares	\$22.00	\$885,500,000	\$104,224(3)

(1) Includes shares to be sold upon exercise of the underwriters' option to purchase additional shares of Class A common stock. See Underwriting.

(2) Estimated solely for the purpose of calculating the registration fee under Rule 457(a) of the Securities Act of 1933, as amended.

(3) Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the commission acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION. DATED NOVEMBER 9, 2005.**

**35,000,000 Shares  
Class A Common Stock**

This is the initial public offering of shares of Class A common stock of Clear Channel Outdoor Holdings, Inc. All of the 35,000,000 shares are being sold by us. We intend to use all of the net proceeds from this offering to repay a portion of the outstanding intercompany indebtedness owed to our parent company, Clear Channel Communications, Inc. See Use of Proceeds.

Prior to this offering, there has been no public market for the shares of Class A common stock. It is currently estimated that the initial public offering price per share will be between \$20.00 and \$22.00. We intend to list the shares of Class A common stock on the New York Stock Exchange under the symbol CCO.

We are an indirect, wholly owned subsidiary of Clear Channel Communications and have two classes of common stock outstanding: Class A common stock and Class B common stock. After this offering, Clear Channel Communications will own all of our outstanding shares of Class B common stock, representing approximately 90% of the outstanding shares of our common stock and approximately 99% of the total voting power of our common stock, or approximately 89% and 99%, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock. The rights of the Class A common stock and the Class B common stock are substantially similar, except with respect to voting, conversion and transferability. Our Class A common stock and Class B common stock vote as a single class on all matters on which stockholders are entitled to vote, except as otherwise provided in our amended and restated certificate of incorporation or as required by law. Each share of Class A common stock entitles its holder to one vote and each share of Class B common stock entitles its holder to 20 votes.

*See Risk Factors beginning on page 13 to read about factors you should consider before deciding to invest in shares of our Class A common stock.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$

To the extent that the underwriters sell more than 35,000,000 shares of Class A common stock, the underwriters have the option to purchase up to an additional 5,250,000 shares of Class A common stock from us at the initial public offering price, less the underwriting discount. To the extent the underwriters do not exercise this option in full, we intend to exchange up to 5,250,000 additional shares of Class B common stock with Clear Channel Communications for the portion of the intercompany indebtedness owed by us to Clear Channel Communications that the proceeds from the exercise of such option otherwise would have been used to repay.

The underwriters expect to deliver the shares of Class A common stock against payment in New York, New York on \_\_\_\_\_, 2005.

**Goldman, Sachs & Co.**

**Deutsche Bank Securities**

**JPMorgan**

**Merrill Lynch & Co.**

**UBS Investment Bank**

**Banc of America Securities LLC**

**Bear, Stearns & Co. Inc.**

**Credit Suisse First Boston**

**A.G. Edwards**

**Allen & Company LLC**

**Barrington Research**

**Harris Nesbitt**

**SunTrust Robinson Humphrey**

**Wachovia Securities**

**M. R. Beal & Company**

**Ramirez & Co., Inc.**

**Siebert Capital Markets**

Prospectus dated \_\_\_\_\_, 2005.

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See inside back cover for a map of our international markets.

The information contained in this prospectus contains references to certain trademarks and registered marks. The trademark Adshel™ is owned by us.

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**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus and provides an overview of the material aspects of this offering. This summary does not contain all of the information you should consider before deciding to invest in shares of our Class A common stock. You should read this entire prospectus carefully, especially the risks of investing in shares of our Class A common stock discussed under Risk Factors beginning on page 13. Except as otherwise noted, we present all financial and operating data on fiscal year and fiscal quarter bases. Our fiscal year ends on December 31 of each year.*

*Unless the context otherwise requires, references in this prospectus to Clear Channel Communications shall mean Clear Channel Communications, Inc. and its combined subsidiaries (other than us).*

*Prior to the completion of this offering, Clear Channel Communications will, and will cause its affiliates to, transfer to us certain assets related to our business not currently owned by us. We or our subsidiaries will assume and agree to perform, discharge and fulfill certain liabilities related to our business. In this prospectus, the description of our business includes these assets and liabilities as if such assets and liabilities were ours for all historical periods described herein. Our historical financial results as part of Clear Channel Communications may not reflect our financial results in the future as an independent publicly traded company or what our financial results would have been had we operated as an independent publicly traded company during the periods presented.*

**Our Business**

Our principal business is to provide our clients with advertising opportunities through billboards, street furniture displays, transit displays and other out-of-home advertising displays, such as wallscapes, spectaculars and mall displays, that we own or operate in key markets worldwide. As of September 30, 2005, we owned or operated more than 870,000 advertising displays worldwide. For the year ended December 31, 2004, we generated revenues of approximately \$2.4 billion, operating income of approximately \$243.3 million and operating income before depreciation, amortization and non-cash compensation expense, or OIBDAN, of approximately \$631.6 million. Our domestic reporting segment consists of our operations in the United States, Canada and Latin America, with approximately 95% of our 2004 revenues in this segment derived from the United States. Our international reporting segment consists of our operations in Europe, Australia, Asia and Africa, with approximately 52% of our 2004 revenues in this segment derived from France and the United Kingdom. Approximately 89% of our total 2004 operating income excluding corporate expenses was derived from our domestic segment and approximately 11% was derived from our international segment. Approximately 66% of our total 2004 OIBDAN excluding corporate expenses was derived from our domestic segment and approximately 34% was derived from our international segment. See

Summary Historical and Pro Forma Combined Financial Data Non-GAAP Financial Measure for an explanation of OIBDAN and a reconciliation of OIBDAN to operating income (loss). Additionally, we own equity interests in various out-of-home advertising companies worldwide, which we account for under the equity method of accounting.

Billboard displays are bulletin and poster advertising panels of various sizes that generally are mounted on structures we own. We believe that many of our billboards are strategically located to offer maximum visual impact to audiences. Larger billboards generally are located along major highways and freeways to target vehicular traffic. Smaller billboards generally are located on city streets to target both vehicular and pedestrian traffic.

Street furniture displays, marketed under our global Adshel™ brand, are advertising surfaces on bus shelters, information kiosks, public toilets, freestanding units and other public structures. Generally, we own the street furniture structures and are responsible for their construction and maintenance. Contracts for the right to place our street furniture structures in the public domain and sell advertising space on them are awarded by municipal and transit authorities in competitive bidding processes. We believe that street furniture is growing in popularity with municipal and transit authorities, especially in international and larger U.S. markets.

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Transit displays are advertising surfaces on various types of vehicles or within transit systems, including on the interior and exterior sides of buses, trains, trams and taxis and within the common areas of rail stations and airports. Contracts for the right to place our displays on vehicles or within transit systems and sell advertising space on them are awarded by public transit authorities in competitive bidding processes or are negotiated with private transit operators.

We generate revenues worldwide from local, regional and national sales. Advertising rates generally are based on the gross rating points, or total number of impressions delivered expressed as a percentage of a market population, of a display or group of displays. The number of impressions delivered by a display is measured by the number of people passing the site during a defined period of time and, in some international markets, is weighted to account for such factors as illumination, proximity to other displays and the speed and viewing angle of approaching traffic. While price and availability of displays are important competitive factors, we believe that providing quality customer service and establishing strong client relationships are also critical components of sales.

### **Our Competitive Strengths**

We believe our key competitive strengths are as follows:

We believe that our presence in key markets gives our clients the ability to reach a global audience through one advertising provider.

We have long-standing relationships with a diversified group of local, regional and national advertising brands and agencies in the United States and worldwide. No single advertiser accounted for more than 2% of our 2004 domestic or international revenues.

Our high levels of cash flow from operations provide us with strategic and financial flexibility and will position us to opportunistically pursue attractive acquisitions and investments.

We believe that we are well-positioned to take advantage of significant technological advances and the corresponding improvements in advertisers' abilities to present engaging campaigns to their target audiences.

Our senior management team has extensive experience in the outdoor advertising industry.

We believe that our financial strength and flexibility, our existing presence in key markets worldwide and our experienced senior management team position us well to capitalize on emerging acquisition and investment opportunities in the global industry.

See Business Our Competitive Strengths.

### **Our Strategy**

Our fundamental goal is to increase stockholder value by maximizing our cash flow from operations worldwide. Accomplishing this goal requires the successful implementation of the following strategies:

We seek to capitalize on our global network and diversified product mix to maximize revenues, increase profits and launch new products and initiatives.

We seek to enhance revenue opportunities by focusing on specific initiatives that highlight the value of outdoor advertising relative to other media.

We continue to focus on achieving operating efficiencies throughout our global network.

We have made significant commitments to provide innovative services to and enhance our accountability with our clients.

We intend to strengthen our existing market presence and selectively enter into new markets through acquisitions and investments worldwide.



We offer our clients alternative displays that incorporate new cost-effective technologies.

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We maintain an entrepreneurial and customer-oriented culture that motivates local market managers to maximize our cash flow from operations.

See Business Our Strategy.

### **Our Risks**

We face a number of risks associated with our business and industry and must overcome a variety of challenges in implementing our operating strategy in order to be successful. For instance:

Our past operating results have been negatively affected by, among other things, a global economic slowdown and a decline in our clients' advertising budgets, resulting in our incurring net losses in each of 2002, 2003 and 2004 and an accrued retained deficit.

The outdoor advertising industry is highly competitive. Our properties compete for audiences and advertising revenues with other outdoor advertising companies, as well as with other media.

We are subject to U.S. and foreign government regulation. Regulations regarding permitting, nonconformance and taxes and the size, spacing, density and lighting of displays may restrict our outdoor advertising operations.

After this offering, our total indebtedness for borrowed money will be approximately \$2.7 billion, approximately \$2.5 billion of which will be intercompany indebtedness owed to Clear Channel Communications. If our cash flow and capital resources are insufficient to service our debt obligations, a default under any debt instrument could materially impair our financial condition and liquidity. In addition, our debt instruments may include restrictive covenants that limit our ability to refinance debt, sell assets or obtain additional equity capital.

We have not previously operated as an independent publicly traded company and our historical and pro forma combined financial information is not necessarily representative of the results we may achieve and it is difficult to predict our future success.

After this offering and for so long as Clear Channel Communications continues to own more than 50% of the total voting power of our common stock, it will have the ability to direct the election of our board of directors, exercise control over our business and affairs and significantly influence the outcome of matters submitted to a vote of our stockholders.

We derive benefits from our association with Clear Channel Communications. If Clear Channel Communications were to experience financial difficulty or if we were to separate from Clear Channel Communications in the future, our business could be materially adversely affected. In addition, conflicts of interest may arise between Clear Channel Communications and us relating to our past and ongoing relationships.

For further discussion of these challenges and other risks that we face, see Risk Factors.

### **Our Relationship with Clear Channel Communications**

We are an indirect, wholly owned subsidiary of Clear Channel Communications, Inc. After this offering, Clear Channel Communications will own all of our outstanding shares of Class B common stock, representing approximately 90% of the outstanding shares of our common stock and approximately 99% of the total voting power of our common stock, or approximately 89% and 99%, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock. For as long as Clear Channel Communications is the owner of such number of shares representing more than 50% of the total voting power of our common stock, it will have the ability to direct the election of all of the members of our board of directors and to exercise a controlling influence over our business and affairs, including any determination with respect to mergers or other business combinations involving us, the acquisition or disposition of assets by us, the incurrence of indebtedness by us, the issuance of any additional common stock or other equity securities by us, the repurchase or redemption of common stock



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or preferred stock by us and the payment of dividends by us. Similarly, Clear Channel Communications will have the power to determine or significantly influence the outcome of matters submitted to a vote of our stockholders, including the power to prevent an acquisition or any other change in control of us, and to take other actions that might be favorable to Clear Channel Communications. See [Description of Capital Stock](#).

Clear Channel Communications has advised us that its current intent is to continue to hold all the shares of our Class B common stock it owns after this offering. However, Clear Channel Communications is not subject to any contractual obligation that would prohibit it from selling, spinning off, splitting off or otherwise disposing of any shares of our common stock, except that Clear Channel Communications has agreed not to sell, spin off, split off or otherwise dispose of any shares of our common stock for a period of 180 days after the date of this prospectus without the prior written consent of the underwriters, subject to certain limitations and limited exceptions. As a result, there can be no assurance concerning the period of time during which Clear Channel Communications will maintain its ownership of the shares of our Class B common stock owned by it after this offering. See [Underwriting](#).

Prior to the completion of this offering, we will enter into agreements with Clear Channel Communications that will govern the relationship between Clear Channel Communications and us after this offering and will provide for, among other things, the provision of services by Clear Channel Communications to us and the allocation of employee benefit, tax and other liabilities and obligations attributable to our operations. These agreements will include, among others, a master agreement, corporate services agreement, registration rights agreement, tax matters agreement and employee matters agreement. All of the agreements relating to our ongoing relationship with Clear Channel Communications will be made in the context of a parent-subsidary relationship and the terms of these agreements may be more or less favorable to us than if they had been negotiated with unaffiliated third parties. See [Risk Factors](#) [Risks Related to Our Relationship with Clear Channel Communications](#) and [Arrangements Between Clear Channel Communications and Us](#).

After this offering and the application of all of the net proceeds from this offering to repay a portion of the intercompany indebtedness owed to Clear Channel Communications, we will have outstanding indebtedness of approximately \$2.7 billion, approximately \$2.5 billion of which will be intercompany indebtedness owed to Clear Channel Communications. See [Use of Proceeds](#) and [Description of Indebtedness](#).

The master agreement between Clear Channel Communications and us and the note evidencing the \$2.5 billion intercompany indebtedness each contain covenants that restrict our ability to take certain actions and engage in certain transactions. See [Risk Factors](#) [Risks Related to Our Business](#). Certain of the restrictive covenants in these agreements may continue in force later than the time when Clear Channel Communications owns less than 50% of the total voting power of our common stock.

After this offering, certain individuals will be officers and directors of both Clear Channel Communications and us. In addition, because Clear Channel Communications will continue to own more than 50% of the total voting power of our common stock after this offering, we will be a controlled company under the New York Stock Exchange corporate governance standards. As a result of this status, we intend to utilize certain exemptions under the NYSE standards that free us from the obligation to comply with certain NYSE corporate governance requirements, which may include the requirements (i) that a majority of the board of directors consists of independent directors, (ii) that we have a nominating and governance committee, and that such committee be composed entirely of independent directors and governed by a written charter addressing the committee's purpose and responsibilities, (iii) that we have a compensation committee composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (iv) for an annual performance

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evaluation of the compensation committee. See Risk Factors Risks Related to Our Relationship with Clear Channel Communications and Arrangements Between Clear Channel Communications and Us.

For a description of certain provisions of our amended and restated certificate of incorporation concerning the allocation of business opportunities that may be suitable for both Clear Channel Communications and us, see Description of Capital Stock.

**Our Corporate Structure**

Our principal executive offices are located at 200 East Basse Road, San Antonio, Texas 78209, and our telephone number is (210) 832-3700. We operate through Clear Channel Outdoor Holdings, Inc. and our combined subsidiaries. Our Internet website address is *www.clearchanneloutdoor.com*. Information contained on our website or that can be accessed through our website is not incorporated by reference in this prospectus. You should not consider information contained on our website or that can be accessed through our website to be part of this prospectus for any purpose.

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**THE OFFERING**

Class A common stock offered	35,000,000 shares
Common stock to be outstanding after this offering:	
Class A	35,000,000 shares
Class B	315,000,000 shares
Total common stock outstanding	350,000,000 shares
Common stock to be held by Clear Channel Communications after this offering:	
Class A	0 shares
Class B	315,000,000 shares
Percentage of the outstanding shares of our common stock to be held by Clear Channel Communications after this offering	90.0%
Percentage of the total voting power of our common stock to be held by Clear Channel Communications after this offering	99.4%

Voting, conversion and transferability features

Our Class A common stock and Class B common stock vote as a single class on all matters on which stockholders are entitled to vote, except as otherwise provided in our amended and restated certificate of incorporation or as required by law. While the rights of our Class A common stock and Class B common stock are substantially similar, the Class A common stock and Class B common stock differ in certain respects, including the following:

Class A

entitles holder to one vote per share on all matters on which stockholders are entitled to vote; and

will be listed on the New York Stock Exchange.

Class B

entitles holder to 20 votes per share on all matters on which stockholders are entitled to vote;

will not be listed on any stock exchange;

is convertible, at the option of the holder, at any time into shares of Class A common stock on a one-for-one basis, subject to certain limited exceptions; and

will convert into shares of Class A common stock on a one-for-one basis upon any transfer, subject to certain limited exceptions.

Use of proceeds

We estimate that our net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$700.1 million, or approximately \$805.9 million if the underwriters exercise in full their option to purchase additional shares of Class A common stock, assuming an initial public offering price of \$21.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus.

We intend to use all of the net proceeds of this offering to repay approximately \$700.1 million (based on the midpoint of the



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range of the offering price set forth on the cover page of this prospectus) of the outstanding balances of the intercompany notes issued to Clear Channel Communications in the original principal amounts of approximately \$1.4 billion and \$73.0 million. See Use of Proceeds.

Dividend policy We do not anticipate paying any dividends on our common stock in the foreseeable future. If cash dividends were to be paid on our common stock, holders of Class A common stock and Class B common stock would share equally, on a per share basis, in any such cash dividend.

Proposed NYSE symbol for the Class A common stock CCO

Risk factors For a discussion of the risks related to our business, our relationship with Clear Channel Communications, our Class A common stock and this offering, see Risk Factors beginning on page 13.

Unless otherwise indicated, the number of shares of Class A common stock to be outstanding after this offering excludes:

5,250,000 shares issuable upon the exercise of the underwriters' option to purchase additional shares of Class A common stock; and

shares issuable upon the exercise of employee stock options to be issued by us in connection with the conversion of equity-based compensation awards of Clear Channel Communications granted to our employees as well as shares issuable upon the exercise of options or shares of restricted stock that may be granted under our Stock Incentive Plan after this offering. See Management Employee Benefit Plans.

Additionally, because 5,250,000 shares of our Class A common stock issuable upon the exercise of the underwriters' option to purchase additional shares of Class A common stock are excluded from the number of shares of Class A common stock to be outstanding after this offering, the number of shares of Class B common stock to be outstanding after this offering includes 5,250,000 additional shares of Class B common stock that are required to be issued to Clear Channel Communications upon expiration of the unexercised underwriters' option in exchange for the portion of the intercompany indebtedness owed by us to Clear Channel Communications that otherwise would have been repaid with the proceeds from the exercise of such option had it been exercised in full. See Use of Proceeds.



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**SUMMARY HISTORICAL AND PRO FORMA COMBINED FINANCIAL DATA**

The following table sets forth summary historical and pro forma combined financial data and other information of Clear Channel Outdoor Holdings, Inc.

We have prepared our combined financial statements as if Clear Channel Outdoor Holdings, Inc. had been in existence as a separate company throughout all relevant periods. The summary results of operations data, segment data and cash flow data for the years ended December 31, 2004, 2003 and 2002 and the summary combined balance sheet data as of December 31, 2004 and 2003 presented below were derived from our audited combined financial statements and the related notes thereto included elsewhere in this prospectus. The summary combined balance sheet data as of December 31, 2002 is derived from our audited financial statements. The summary results of operations data, segment data and cash flow data for the nine months ended September 30, 2005 and 2004 and the summary balance sheet data as of September 30, 2005 presented below were derived from our unaudited combined financial statements and the related notes thereto included elsewhere in this prospectus. The operating results for the nine months ended September 30, 2005 and 2004 include all adjustments (consisting only of normal recurring adjustments) that we believe are necessary for a fair statement of the results for such interim periods.

Results for the nine months ended September 30, 2005 are not necessarily indicative of the results expected for the fiscal year ending December 31, 2005 or any future period.

Our unaudited pro forma as adjusted results of operations data present our pro forma as adjusted results of operations for the year ended December 31, 2004:

as if this offering had been completed on January 1, 2004, at an assumed initial public offering price of \$21.00 per share of Class A common stock, which is the midpoint of the estimated offering price range set forth on the cover of this prospectus, and assuming:

the outstanding balances of the approximately \$1.4 billion and \$73.0 million intercompany notes issued to Clear Channel Communications are reduced by approximately \$362.2 million, representing the balance at September 30, 2005 in the Due from Clear Channel Communications intercompany account;

then, approximately \$294.9 million of the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes is contributed to our capital by Clear Channel Communications;

then, approximately \$700.1 million of the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes is repaid with all of the net proceeds of this offering; and

then, to the extent the underwriters do not exercise in full their option to purchase up to an additional 5,250,000 shares of our Class A common stock (the proceeds of which would be used to repay the then-outstanding balances of the approximately \$1.4 billion and \$73.0 million intercompany notes), we exchange up to 5,250,000 additional shares of our Class B common stock with Clear Channel Communications for the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes that the proceeds from the exercise of such option otherwise would have been used to repay, such that the notes are repaid in full.

after giving effect to our distribution of an intercompany note in the original principal amount of \$2.5 billion as a dividend on our common stock, which note was ultimately distributed to Clear Channel Communications, as if issued to Clear Channel Communications on January 1, 2004.

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Our pro forma as adjusted balance sheet and results of operations data as of September 30, 2005 and for the nine months ended September 30, 2005, present, using the same assumptions and application of estimated net proceeds described above:

our as adjusted financial position as of September 30, 2005, as if this offering had been completed on September 30, 2005; and

our as adjusted results of operations for the nine months ended September 30, 2005, as if this offering and the issuance of the \$2.5 billion intercompany note had been completed on January 1, 2004.

The unaudited pro forma information set forth below is based upon available information and assumptions that we believe are reasonable. The historical financial and other data have been prepared on a combined basis from Clear Channel Communications consolidated financial statements using the historical results of operations and bases of the assets and liabilities of Clear Channel Communications outdoor advertising business and give effect to allocations of expenses from Clear Channel Communications. Our historical financial data is not indicative of our future performance, nor does such data reflect what our financial position and results of operations would have been had we operated as an independent publicly traded company during the periods shown.

The unaudited pro forma statements of operations do not reflect the complete impact of one-time and ongoing incremental costs required for us to operate as a separate company. Clear Channel Communications allocated to us \$16.6 million in 2004, \$19.6 million in 2003 and \$17.6 million in 2002 of expenses incurred by it for providing us accounting, treasury, tax, legal, public affairs, executive oversight, human resources and other services. Through September 30, 2005, Clear Channel Communications allocated to us \$11.8 million of expenses. After this offering, we expect to continue to receive from Clear Channel Communications substantially all of these services, the cost of which will be allocated to us.

You should read the information contained in this table in conjunction with Selected Historical Combined Financial Data, Unaudited Pro Forma Combined Financial Data, Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the historical audited and unaudited combined financial statements and the accompanying notes thereto of us and our combined subsidiaries included elsewhere in this prospectus.

The following table presents a non-GAAP financial measure, OIBDAN, which we use to evaluate segment and combined performance of our business. OIBDAN is not calculated or presented in accordance with U.S. generally accepted accounting principles, or GAAP. In Note 3 and in Non-GAAP Financial Measure below, we explain OIBDAN and reconcile it to operating income (loss), its most directly comparable financial measure calculated and presented in accordance with GAAP.

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(In thousands, except per share data)	Year Ended			Pro Forma	Nine Months Ended		Pro Forma
	December 31,			as Adjusted	September 30,		as Adjusted
	2002	2003	2004	December 31, 2004	2004	2005	September 30, 2005
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Results of Operations Data:</b>							
Revenue	\$ 1,859,641	\$ 2,174,597	\$ 2,447,040	\$ 2,447,040	\$ 1,761,308	\$ 1,931,471	\$ 1,931,471
Operating expenses:							
Direct operating expenses (exclusive of depreciation and amortization)	957,830	1,133,386	1,262,317	1,262,317	924,420	988,448	988,448
Selling, general and administrative expenses (exclusive of depreciation and amortization)	392,803	456,893	499,457	499,457	358,188	410,075	410,075
Depreciation and amortization	336,895	379,640	388,217	388,217	288,810	290,233	290,233
Corporate expenses (exclusive of depreciation and amortization)	52,218	54,233	53,770	53,770	39,451	39,397	39,397
Operating income	119,895	150,445	243,279	243,279	150,439	203,318	203,318
Interest expense	11,623	14,201	14,177	14,177	11,111	9,874	9,874
Intercompany interest expense	227,402	145,648	145,653	143,208	109,239	133,093	107,409
Equity in earnings (loss) of nonconsolidated affiliates	3,620	(5,142)	(76)	(76)	2,270	9,908	9,908
Other income (expense) net	9,164	(8,595)	(13,341)	(13,341)	(17,210)	(17,353)	(17,353)
Income (loss) before income taxes and	(106,346)	(23,141)	70,032	72,477	15,149	52,906	78,590

cumulative effect of a change in accounting principle								
Income tax benefit (expense):								
Current	72,008	12,092	(23,422)	(24,400)	6,481	(37,767)	(48,041)	
Deferred	(21,370)	(23,944)	(39,132)	(39,132)	(17,730)	6,023	6,023	

Income (loss) before cumulative effect of a change in accounting principle	(55,708)	(34,993)	7,478	\$ 8,945	3,900	21,162	\$ 36,572	
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Cumulative effect of a change in accounting principle, net of tax of \$504,927 in 2002 and \$113,173 in 2004(1)	(3,527,198)		(162,858)					
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Net income (loss)	\$ (3,582,906)	\$ (34,993)	\$ (155,380)		\$ 3,900	\$ 21,162		
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Basic and diluted income (loss) before cumulative effect of a change in accounting principle per common share(2)	\$ (.18)	\$ (.11)	\$ .02	\$ .03	\$ .01	\$ .07	\$ .10	
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**Segment Data:**

## Revenue:

Domestic	\$ 911,493	\$ 1,006,376	\$ 1,092,089	\$ 1,092,089	\$ 800,744	\$ 886,649	\$ 886,649	
International	948,148	1,168,221	1,354,951	1,354,951	960,564	1,044,822	1,044,822	
Total revenue	\$ 1,859,641	\$ 2,174,597	\$ 2,447,040	\$ 2,447,040	\$ 1,761,308	\$ 1,931,471	\$ 1,931,471	

## Operating income (loss):

Domestic	\$ 174,381	\$ 215,485	\$ 263,772	\$ 263,772	\$ 184,808	\$ 263,448	\$ 263,448	
International	(2,268)	(10,807)	33,277	33,277	5,082	(20,733)	(20,733)	
Corporate	(52,218)	(54,233)	(53,770)	(53,770)	(39,451)	(39,397)	(39,397)	

Total operating income	\$ 119,895	\$ 150,445	\$ 243,279	\$ 243,279	\$ 150,439	\$ 203,318	\$ 203,318	
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(In thousands)	Year Ended			Pro Forma as Adjusted December 31, 2004	Nine Months Ended		Pro Forma as Adjusted September 30, 2005
	December 31,				September 30,		
	2002	2003	2004	2004	2004	2005	2005
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Cash Flow Data:</b>							
Cash flow provided by (used in):							
Operating activities	\$ 320,235	\$ 433,459	\$ 492,495		\$ 329,893	\$ 336,637	
Investing activities	\$ (430,844)	\$ (230,162)	\$ (310,658)		\$ (227,386)	\$ (223,189)	
Financing activities	\$ 173,193	\$ (222,491)	\$ (182,006)		\$ (95,759)	\$ (48,154)	
Capital expenditures	\$ 290,187	\$ 205,145	\$ 176,140		\$ 117,733	\$ 130,484	
<b>Other Data:</b>							
OIBDAN(3)							
Domestic	\$ 354,328	\$ 409,722	\$ 450,494	\$ 450,494	\$ 326,359	\$ 390,867	\$ 390,867
International	154,680	174,596	234,888	234,888	152,423	142,593	142,593
Corporate	(52,218)	(54,233)	(53,770)	(53,770)	(39,451)	(39,397)	(39,397)
Total OIBDAN(3)	\$ 456,790	\$ 530,085	\$ 631,612	\$ 631,612	\$ 439,331	\$ 494,063	\$ 494,063

(In thousands)	As of December 31,			As of September 30, 2005	
	2002	2003	2004	Historical	Pro Forma as Adjusted
				(Unaudited)	(Unaudited)
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 45,741	\$ 34,105	\$ 37,948	\$ 91,676	\$ 91,676
Current assets	753,289	958,669	1,107,240	1,243,287	881,133
Property, plant and equipment net	2,213,817	2,264,106	2,195,985	2,172,197	2,172,197
Total assets	4,926,205	5,232,820	5,240,933	5,295,522	4,933,368
Current liabilities	642,330	736,202	749,055	807,900	807,900
Long-term debt, including current maturities	1,713,493	1,670,017	1,639,380	4,212,136	2,749,136
Total liabilities	2,347,262	2,472,656	2,511,280	5,207,173	3,744,173
Owner's equity	2,578,943	2,760,164	2,729,653	88,349	1,189,195
Total liabilities and owner's equity	4,926,205	5,232,820	5,240,933	5,295,522	4,933,368

- (1) Cumulative effect of change in accounting principle for the year ended December 31, 2002, related to an impairment of goodwill recognized in accordance with the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. Cumulative effect of change in accounting principle for the year ended December 31, 2004, related to a non-cash charge recognized in accordance with the adoption of Topic D-108, *Use of Residual Method to Value Acquired Assets other than Goodwill*. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Indefinite-lived Assets.
- (2) Basic and diluted income (loss) before cumulative effect of a change in accounting principle per share is calculated by dividing income (loss) before cumulative effect of a change in accounting principle by the weighted average of common shares outstanding. The historic basic and diluted is based on 315,000,000 shares outstanding and the pro forma basic and diluted is based on 350,000,000 shares outstanding.
- (3) We evaluate segment and combined performance based on several factors, one of the primary measures of which is operating income (loss) before depreciation, amortization and non-cash compensation expense, which we refer to as OIBDAN. See Non-GAAP Financial Measure below, Unaudited Pro Forma Combined Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations Use of OIBDAN.

**Table of Contents****Non-GAAP Financial Measure**

In addition to operating income, we evaluate segment and combined performance based on other factors, one primary measure of which is operating income (loss) before depreciation, amortization and non-cash compensation expense, which we refer to as OIBDAN. We use OIBDAN as a measure of the operational strengths and performance of our business and not as a measure of liquidity. However, a limitation of the use of OIBDAN as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. Accordingly, OIBDAN should be considered in addition to, and not as a substitute for, operating income (loss), net income (loss) and other measures of financial performance reported in accordance with U.S. GAAP. Furthermore, this measure may vary among other companies; thus, OIBDAN as presented below may not be comparable to similarly titled measures of other companies.

We believe OIBDAN is useful to investors and other external users of our financial statements in evaluating our operating performance because it is widely used in the outdoor advertising industry to measure a company's operating performance and it helps investors more meaningfully evaluate and compare the results of our operations from period to period and with those of other companies in the outdoor advertising industry (to the extent the same components of OIBDAN are used), in each case without regard to items such as non-cash depreciation and amortization and non-cash compensation expense, which can vary depending upon the accounting method used and the book value of assets.

Our management uses OIBDAN (i) as a measure for planning and forecasting operating and individual expectations and for evaluating actual results against such expectations, (ii) as a basis for incentive bonuses paid to our executive officers and our branch managers and (iii) in presentations to our board of directors to enable them to have the same consistent measurement basis of operating performance used by management.

The following table presents a reconciliation of OIBDAN to operating income, which is a GAAP measure of our operating results:

(In thousands)	Year Ended December 31,			Pro Forma as Adjusted December 31, 2004	Nine Months Ended September 30,		Pro Forma as Adjusted September 30, 2005
	2002	2003	2004	2004	2004	2005	2005
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Reconciliation of OIBDAN to operating income:</i>							
<b>Combined:</b>							
OIBDAN	\$ 456,790	\$ 530,085	\$ 631,612	\$ 631,612	\$ 439,331	\$ 494,063	\$ 494,063
Depreciation and amortization	336,895	379,640	388,217	388,217	288,810	290,233	290,233
Non-cash compensation			116	116	82	512	512
Operating income	\$ 119,895	\$ 150,445	\$ 243,279	\$ 243,279	\$ 150,439	\$ 203,318	\$ 203,318
<b>Domestic:</b>							
OIBDAN	\$ 354,328	\$ 409,722	\$ 450,494	\$ 450,494	\$ 326,359	\$ 390,867	\$ 390,867
Depreciation and amortization	179,947	194,237	186,620	186,620	141,479	127,019	127,019
			102	102	72	400	400



Non-cash  
compensation

Operating income	\$ 174,381	\$ 215,485	\$ 263,772	\$ 263,772	\$ 184,808	\$ 263,448	\$ 263,448
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**International:**

OIBDAN	\$ 154,680	\$ 174,596	\$ 234,888	\$ 234,888	\$ 152,423	\$ 142,593	\$ 142,593
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Depreciation and amortization	156,948	185,403	201,597	201,597	147,331	163,214	163,214
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Non-cash compensation			14	14	10	112	112
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Operating income (loss)	\$ (2,268)	\$ (10,807)	\$ 33,277	\$ 33,277	\$ 5,082	\$ (20,733)	\$ (20,733)
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**RISK FACTORS**

*You should carefully consider the following risks before investing in our Class A common stock. These risks could materially adversely affect our business, results of operations or financial condition. In such an event, the trading price of our Class A common stock could decline and you could lose part or all of your investment.*

**Risks Related to Our Business**

***We have incurred net losses and may experience future net losses, which could adversely affect our stock price.***

In the past, our operating results have been adversely affected by, among other things, a global economic slowdown and a decline in our clients' advertising budgets. We incurred net losses in each of 2002, 2003 and 2004 of approximately \$3.6 billion, \$35.0 million and \$155.4 million, respectively, and had an accumulated retained deficit of \$4.2 billion at September 30, 2005. Due to market conditions in the advertising industry generally and slow economic times and other factors that cause advertisers to cut back their advertising budgets or change their advertising strategies, we may face reduced demand for our advertising products, underutilization of our advertising faces and other factors that could adversely affect our results of operations in the near term. We cannot predict whether we will achieve profitability in future periods.

***Government regulation of outdoor advertising may restrict our outdoor advertising operations.***

Changes in laws and regulations affecting outdoor advertising at any level of government, including laws of the foreign jurisdictions in which we operate, could have a significant financial impact on us by requiring us to make significant expenditures or otherwise limiting or restricting some of our operations.

U.S. federal, state and local regulations have had an impact on the outdoor advertising industry. One of the seminal laws was The Highway Beautification Act of 1965 (HBA), which regulates outdoor advertising on the 306,000 miles of Federal-Aid Primary, Interstate and National Highway Systems roads. HBA regulates the locations of billboards, mandates a state compliance program, requires the development of state standards, promotes the expeditious removal of illegal signs, and requires just compensation for takings. Size, spacing and lighting are regulated by state and local municipalities.

From time to time, certain state and local governments and third parties have attempted to force the removal of displays not governed by the HBA under various state and local laws, including amortization. Amortization permits the display owner to operate its display which does not meet current code requirements for a specified period of time, after which it must remove or otherwise conform its display to the applicable regulations at its own cost without any compensation. Several municipalities within our existing markets have adopted amortization ordinances. Other regulations limit our ability to rebuild or replace nonconforming displays and require us to remove or modify displays that are not in strict compliance with applicable laws. In addition, from time to time third parties or local governments assert that we own or operate displays that either are not properly permitted or otherwise are not in strict compliance with applicable law. Such regulations and allegations have not had a material impact on our results of operations to date, but if we are increasingly unable to resolve such allegations or obtain acceptable arrangements in circumstances in which our displays are subject to removal, modification or amortization, or if there occurs an increase in such regulations or their enforcement, our results could suffer.

Legislation has from time to time been introduced in state and local jurisdictions attempting to impose taxes on revenues of outdoor advertising companies. Several jurisdictions have already imposed such taxes as a percentage of our gross receipts of outdoor advertising revenues in that jurisdiction. While these taxes have not had a material impact on our business and financial results to date, we expect states to continue to try to impose such taxes as a way of increasing revenues. The increased imposition of these

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taxes and our inability to pass on the cost of these taxes to our clients could negatively affect our operating income.

In addition, we are unable to predict what additional regulations may be imposed on outdoor advertising in the future. Legislation that would regulate the content of billboard advertisements and implement additional billboard restrictions has been introduced in Congress from time to time in the past. We recently were fined \$30,000 by the City of Los Angeles for our inadvertent failure to properly disclose our role in providing billboards to a local political candidate.

International regulation of the outdoor advertising industry varies by region and country, but generally limits the size, placement, nature and density of out-of-home displays. Significant international regulations include the Law of December 29, 1979 in France, the Town and Country Planning (Control of Advertisements) Regulations 1992 in the United Kingdom, and *Règlement Régional Urbain de l'agglomération bruxelloise* in Belgium. These laws define issues such as the extent to which advertisements can be erected in rural areas, the hours during which illuminated signs may be lit and whether the consent of local authorities is required to place a sign in certain communities. Other regulations limit the subject matter and language of out-of-home displays. For instance, the United States and France, among other nations, ban outdoor advertisements for tobacco products. Our failure to comply with these or any future international regulations could have an adverse impact on the effectiveness of our displays or their attractiveness to clients as an advertising medium and may require us to make significant expenditures to ensure compliance. As a result, we may experience a significant impact on our operations, revenues, international client base and overall financial condition.

***We face intense competition in the outdoor advertising industry that may adversely affect the advertising fees we can charge, and consequently lower our operating margins and profits.***

We operate in a highly competitive industry, and we may not be able to maintain or increase the fees we charge our customers, which may consequently lower our operating margins and profits. Our advertising properties compete for audiences and advertising revenues with other outdoor advertising companies, as well as with other media, such as radio, newsweekly magazines, newspapers, prime time television, direct mail, the Internet and telephone directories. It is possible that new competitors may emerge and rapidly acquire significant market share. Competitive factors in our industry could adversely affect our financial performance by, among other things, leading to decreases in overall revenues, numbers of advertising clients, advertising fees or profit margins. These factors include:

our competitors offering reduced advertising rates, which we may be unable or unwilling to match;

our competitors adopting technological changes and innovations that we are unable to adopt or are delayed in adopting and that offer more attractive advertising alternatives than those we currently offer;

shifts in the general population or specific demographic groups to markets where we have fewer outdoor advertising displays;

our competitors securing more effective advertising sites than those sites where our displays are located;

our competitors' abilities to complete and integrate acquisitions better than our ability to complete and integrate acquisitions;

our inability to secure street furniture contracts on favorable terms; and

development, governmental actions and strategic trading or retirement of displays, which, excluding acquisitions, may result in a reduction of our existing displays and increased competition for attractive display locations.

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***Doing business in foreign countries creates certain risks not involved in doing business in the United States that may disrupt our international operations or cause us to realize lower returns from our international operations.***

Doing business in foreign countries involves certain risks that may not exist when doing business in the United States. The risks involved in foreign operations that could result in disruptions to our business or financial losses in our international operations against which we are not insured include:

exposure to local economic conditions, foreign exchange restrictions and restrictions on the withdrawal of foreign investment and earnings, investment restrictions or requirements, expropriations of property and changes in foreign taxation structures, each of which could reduce our profit from international operations;

potential adverse changes in the diplomatic relations of foreign countries with the United States and government policies against businesses owned by foreigners, each of which could affect our ability to continue operations in or enter into an otherwise profitable market;

changes in foreign regulations, such as the decision in France to lift the ban on retail advertising on television by 2007;

hostility from local populations, potential instability of foreign governments and risks of insurrections, each of which could disrupt our ability to conduct normal business operations; and

risks of renegotiation or modification of existing agreements with governmental authorities and diminished ability to legally enforce our contractual rights in foreign countries, each of which could cause financial losses in otherwise profitable operations.

In addition, we may incur substantial tax liabilities if we repatriate any of the cash generated by our international operations back to the United States, due to our current inability to recognize any foreign tax credits that would be associated with such repatriation. We are not currently in a position to recognize any tax assets in the United States that are the result of payments of income or withholding taxes in foreign jurisdictions.

***Exchange rates may cause fluctuations in our results of operations that are not related to our operations.***

Because we own assets overseas and derive revenues from our international operations, we may incur currency translation losses or gains due to changes in the values of foreign currencies relative to the United States dollar. For the years ended December 31, 2004, 2003 and 2002, foreign exchange rate gains had a significant positive effect on our results of operations. However, for the nine months ended September 30, 2005 and 2004, exchange rate fluctuations negatively affected our results of operations. We cannot predict the effect of exchange rate fluctuations upon future operating results. See Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risk Management Foreign Currency Risk.

***Our results of operations vary from quarter to quarter, and our financial performance in certain financial quarters may not be indicative of or comparable to our financial performance in subsequent financial quarters.***

Typically, we experience our lowest financial performance in the first quarter of our calendar year as retailers scale back their advertising budgets following the year-end holiday season. Because our results vary widely from quarter to quarter, our financial results for one quarter cannot necessarily be compared to another quarter and may not be indicative of our financial performance in subsequent quarters. These variations in our financial results could have an effect on our stock price.

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***The success of our street furniture and transit products is dependent on our obtaining key municipal concessions, which we may not be able to obtain on favorable terms.***

Our street furniture and transit products businesses require us to obtain contracts with municipalities and other governmental entities. Many of these contracts require us to participate in competitive bidding processes, have terms typically ranging from three to 20 years and have revenue share or fixed payment components. Our inability to successfully negotiate or complete these contracts due to governmental demands and delay and the highly competitive bidding processes for these contracts could affect our ability to offer these products to our clients, or to offer them to our clients at rates that are competitive to other forms of advertising, without adversely affecting our net income.

***Future acquisitions of businesses or properties could have adverse consequences on our existing business or assets.***

We may acquire outdoor advertising assets and other assets or businesses that we believe will assist our clients in marketing their products and services. Our acquisition strategy involves numerous risks, including:

possible failures of our acquisitions to be profitable or to generate anticipated cash flows, which could affect our overall profitability and cash flows;

entry into markets and geographic areas where our competitors are operating but where we have limited or no experience;

potential difficulties in integrating our operations and systems with those of acquired companies, causing delays in realizing the potential benefits of acquisitions;

diversion of our management team's attention away from other business concerns; and

loss of key employees of acquired companies or the inability to recruit additional senior management to supplement or replace senior management of acquired companies.

***Antitrust regulations may limit future acquisitions due to our current inventory of advertising properties in certain markets.***

Additional acquisitions by us may require antitrust review by U.S. antitrust agencies and may require review by foreign antitrust agencies under the antitrust laws of foreign jurisdictions. We can give no assurances that the Department of Justice, the Federal Trade Commission or foreign antitrust agencies will not investigate, possibly challenge or seek divestitures or other remedies as a condition to not challenging future acquisitions. If those agencies take any such action, we may not be able to complete, or realize the desired benefits of, the proposed acquisition.

***The lack of availability of potential acquisitions at reasonable prices could harm our growth strategy.***

We face stiff competition from other outdoor advertising companies for acquisition opportunities. If the prices sought by sellers of these companies were to rise, we may find fewer acceptable acquisition opportunities. In addition, the purchase price of possible acquisitions could require the incurrence of additional debt or equity financing on our part. Since the terms and availability of this financing depend to a large degree upon general economic conditions and third parties over which we have no control, we can give no assurance that we will obtain the needed financing or that we will obtain such financing on attractive terms. In addition, our ability to obtain financing depends on a number of other factors, many of which are also beyond our control, such as interest rates and national and local business conditions. If the cost of obtaining needed financing is too high or the terms of such financing are otherwise unacceptable in relation to the acquisition opportunity we are presented with, we may decide to forgo that opportunity. Additional indebtedness could increase our leverage and make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures. Additional equity financing could result in dilution to our stockholders.

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***After this offering, we will have substantial debt obligations that could restrict our operations and impair our financial condition.***

After this offering, the application of all of the net proceeds of this offering to repay a portion of the outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes owed to Clear Channel Communications, the reduction of a portion of the outstanding balances of such notes through offset to the Due from Clear Channel Communications account and the contribution of the remaining portion of the outstanding balances of such notes to our capital, our total indebtedness for borrowed money will be approximately \$2.7 billion, approximately \$2.5 billion of which will be intercompany indebtedness owed to Clear Channel Communications. As of December 31, 2004, on a pro forma basis, approximately \$146.3 million of such total indebtedness (excluding interest) is due in 2005, \$4.6 million is due in 2006 and 2007, \$24.8 million is due in 2008 and 2009 and \$2.5 billion thereafter. See

Contractual and Other Obligations Firm Commitments. We may also incur additional substantial indebtedness in the future.

Our substantial indebtedness could have adverse consequences, including:

increasing our vulnerability to adverse economic, regulatory and industry conditions;

limiting our ability to compete and our flexibility in planning for, or reacting to, changes in our business and the industry;

limiting our ability to borrow additional funds; and

requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for working capital, capital expenditures, acquisitions and other purposes.

If our cash flow and capital resources are insufficient to service our debt obligations, we may be forced to sell assets, seek additional equity or debt capital or restructure our debt. However, these measures might be unsuccessful or inadequate in permitting us to meet scheduled debt service obligations. We may be unable to restructure or refinance our obligations and obtain additional equity financing or sell assets on satisfactory terms or at all. As a result, inability to meet our debt obligations could cause us to default on those obligations. A default under any debt instrument could, in turn, result in defaults under other debt instruments. Any such defaults could materially impair our financial condition and liquidity.

***To service our debt obligations and to fund potential capital expenditures, we will require a significant amount of cash to meet our needs, which depends on many factors beyond our control.***

Our ability to service our debt obligations and to fund potential capital expenditures for display construction or renovation will require a significant amount of cash, which depends on many factors beyond our control. Our ability to make payments on and to refinance our debt will also depend on our ability to generate cash in the future. This, to an extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow or that future borrowings will be available to us in an amount sufficient to enable us to pay our debt, including our intercompany notes, or to fund our other liquidity needs. If our future cash flow from operations and other capital resources are insufficient to pay our 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 assets, obtain additional equity capital or restructure or refinance all or a portion of our debt, including the intercompany notes, on or before maturity. We cannot assure you that we will be able to refinance any of our debt, including the intercompany notes, on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing debt, including the intercompany notes, and other future debt may limit our ability to pursue any of these alternatives.

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***The \$2.5 billion intercompany note and agreements with Clear Channel Communications impose restrictions on our ability to finance operations and capital needs, make acquisitions or engage in other business activities and requires prepayment from substantially all proceeds from debt or equity raised by us.***

The \$2.5 billion intercompany note and Master Agreement with Clear Channel Communications include restrictive covenants that, among other things, restrict our ability to:

- incur additional debt;
- pay dividends and make distributions;
- make certain acquisitions and investments;
- repurchase our stock;
- create liens;
- enter into transactions with affiliates;
- enter into sale-leaseback transactions;
- dispose of all or substantially all of our assets; and
- merge or consolidate.

The existence of these restrictions could limit our ability to grow and increase our revenues or respond to competitive changes.

In addition, the intercompany note requires us to prepay it in full upon a change of control (as defined in the note), and, upon our issuances of equity and incurrences of debt, subject to certain exceptions, to prepay the note in the amount of net proceeds received from such events. Our failure to comply with the terms and covenants in our indebtedness could lead to a default under the terms of those documents, which would entitle Clear Channel Communications or other holders to accelerate the indebtedness and declare all amounts owed due and payable. See Arrangements Between Clear Channel Communications and Us Master Agreement Approval Rights of Clear Channel Communications on Certain of Our Activities and Description of Indebtedness.

***Additional restrictions on outdoor advertising of tobacco, alcohol and other products may further restrict the categories of clients that can advertise using our products.***

Out-of-court settlements between the major U.S. tobacco companies and all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and four other U.S. territories include a ban on the outdoor advertising of tobacco products. Our domestic revenues from the outdoor advertising of tobacco products were approximately \$1.2 million, \$1.6 million and \$3.1 million in 2002, 2003 and 2004, respectively. Other products and services may be targeted in the future, including alcohol products. Our domestic revenues from the outdoor advertising of alcohol products were approximately \$68.5 million, \$74.0 million and \$71.0 million in 2002, 2003 and 2004. Legislation regulating tobacco and alcohol advertising has also been introduced in a number of European countries in which we conduct business and could have a similar impact. Any significant reduction in alcohol-related advertising due to content-related restrictions could cause a reduction in our direct revenues from such advertisements and an increase in the available space on the existing inventory of billboards in the outdoor advertising industry.

***A general deterioration in economic conditions may cause our clients to reduce their advertising budgets or to choose advertising plans other than outdoor advertising.***

The risks associated with our businesses become more acute in periods of a slowing economy or recession, which may be accompanied by a decrease in advertising and which could have an adverse effect on our revenues and profit margins or result in an impairment in the value of our assets. The impact of slowdowns on our business is difficult to predict, but they may result in reductions in purchases of





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advertising. In addition, to the extent our street furniture and transit businesses rely on long-term guaranteed contracts with government entities, we may suffer losses on those contracts in times of economic slowdowns.

### ***Our outdoor advertising properties and revenues may be adversely affected by the occurrence of extraordinary events.***

The occurrence of extraordinary events with respect to our properties or the economy generally, such as terrorist attacks, severe weather conditions such as hurricanes or similar events may substantially decrease the use of and demand for advertising or expose us to substantial liability, which may decrease our revenues or increase our expenses. The September 11, 2001 terrorist attacks, for example, caused a nationwide disruption of commercial activities. The occurrence of future terrorist attacks, military actions, contagious disease outbreaks or similar events cannot be predicted, and their occurrence can be expected to further negatively affect the economies of the United States and other foreign countries where we do business generally, specifically the market for advertising.

### **Risks Related to Our Relationship with Clear Channel Communications**

#### ***We have no operating history as an independent company and our historical and pro forma combined financial information is not necessarily representative of the results we would have achieved as an independent publicly traded company and may not be a reliable indicator of our future results.***

The historical and pro forma combined financial information included in this prospectus does not reflect the financial condition, results of operations or cash flows we would have achieved as an independent publicly traded company during the periods presented or those results we will achieve in the future. This is primarily a result of the following factors:

Our historical and pro forma combined financial results reflect allocations of corporate expenses from Clear Channel Communications. Those allocations may be different from the comparable expenses we would have incurred had we operated as an independent publicly traded company.

Our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, historically have been satisfied as part of the corporate-wide cash management policies of Clear Channel Communications. Subsequent to this offering, Clear Channel Communications will not be required to provide us with funds to finance our working capital or other cash requirements. Without the opportunity to obtain financing from Clear Channel Communications, we may in the future need to obtain additional financing from banks, or through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements. We may have a credit rating that is lower than Clear Channel Communications' credit rating and may incur debt on terms and at interest rates that will not be as favorable as those generally enjoyed by Clear Channel Communications.

Significant changes may occur in our cost structure, management, financing and business operations as a result of our operating as an independent public subsidiary of Clear Channel Communications. These changes could result in increased costs associated with reduced economies of scale, stand-alone costs for services currently provided by Clear Channel Communications, the need for additional personnel to perform services currently provided by Clear Channel Communications and the legal, accounting, compliance and other costs associated with being a public company with equity securities listed on a national stock exchange. We are obligated to continue to use the services of Clear Channel Communications under the Corporate Services Agreement until such time as Clear Channel Communications owns less than 50% of the total voting power of our common stock, or longer for certain information technology services, and, in the event our Corporate Services Agreement with Clear Channel Communications terminates, we may not be able to replace the services that Clear Channel Communications provides us until such time or in a timely manner or on comparable terms.

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Pursuant to a cash management arrangement, substantially all of our cash generated from our domestic operations will be transferred daily by Clear Channel Communications into accounts where funds of ours and of Clear Channel Communications may be commingled. The amounts so held by Clear Channel Communications will be evidenced in a cash management note issued by Clear Channel Communications to us. We do not have a commitment from Clear Channel Communications to advance funds to us, and we will have no access to the cash transferred from our concentration account to the master account of Clear Channel Communications. If Clear Channel Communications were to become insolvent, we would be an unsecured creditor like other unsecured creditors of Clear Channel Communications and could experience a liquidity shortfall.

***Because Clear Channel Communications controls substantially all the voting power of our common stock, investors will not be able to affect the outcome of any stockholder vote.***

After this offering, Clear Channel Communications will own all of our outstanding shares of Class B common stock, representing approximately 90% of the outstanding shares of our common stock, or approximately 89% if the underwriters exercise in full their option to purchase additional shares of Class A common stock. Each share of our Class B common stock entitles its holder to 20 votes and each share of our Class A common stock entitles its holder to one vote on all matters on which stockholders are entitled to vote. As a result, after this offering, Clear Channel Communications will control approximately 99% of the total voting power of our common stock, or approximately 99% if the underwriters exercise in full their option to purchase additional shares of Class A common stock.

For so long as Clear Channel Communications continues to own shares of our common stock representing more than 50% of the total voting power of our common stock, it will have the ability to direct the election of all members of our board of directors and to exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations involving us, our acquisition or disposition of assets, our incurrence of indebtedness, our issuance of any additional common stock or other equity securities, our repurchase or redemption of common stock or preferred stock and our payment of dividends. Similarly, Clear Channel Communications will have the power to determine or significantly influence the outcome of matters submitted to a vote of our stockholders, including the power to prevent an acquisition or any other change in control of us. Because Clear Channel Communications' interests as our controlling stockholder may differ from your interests, actions taken by Clear Channel Communications with respect to us may not be favorable to you.

Prior to the completion of this offering, we also will enter into a master agreement, a corporate services agreement, a trademark license agreement and a number of other agreements with Clear Channel Communications setting forth various matters governing our relationship with Clear Channel Communications while it remains a significant stockholder in us. These agreements, along with the \$2.5 billion intercompany note, will govern our relationship with Clear Channel Communications after this offering and will allow Clear Channel Communications to retain control over, among other things, the continued use of the trademark Clear Channel, the provision of corporate services to us and our ability to make certain acquisitions or to merge or consolidate or to sell all or substantially all our assets. The rights of Clear Channel Communications under these agreements may allow Clear Channel Communications to delay or prevent an acquisition of us that our other stockholders may consider favorable. We will not be able to terminate these agreements or amend them in a manner we deem more favorable so long as Clear Channel Communications continues to own shares of our common stock representing more than 50% of the total voting power of our common stock. See Description of Capital Stock, Description of Indebtedness and Arrangements Between Clear Channel Communications and Us.

***Conflicts of interest may arise between Clear Channel Communications and us that could be resolved in a manner unfavorable to us.***

Questions relating to conflicts of interest may arise between Clear Channel Communications and us in a number of areas relating to our past and ongoing relationships. After this offering, three of our directors will continue to serve as directors of Clear Channel Communications and two of these will be our

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executive officers. For as long as Clear Channel Communications continues to own shares of our common stock representing more than 50% of the total voting power of our common stock, it will have the ability to direct the election of all the members of our board of directors and to exercise a controlling influence over our business and affairs.

Areas in which conflicts of interest between Clear Channel Communications and us could arise include, but are not limited to, the following:

*Cross officerships, directorships and stock ownership.* The ownership interests of our directors or executive officers in the common stock of Clear Channel Communications or service as a director or officer of both Clear Channel Communications and us could create, or appear to create, conflicts of interest when directors and executive officers are faced with decisions that could have different implications for the two companies. For example, these decisions could relate to (i) the nature, quality and cost of services rendered to us by Clear Channel Communications, (ii) disagreement over the desirability of a potential acquisition opportunity, (iii) employee retention or recruiting or (iv) our dividend policy.

*Intercompany transactions.* From time to time, Clear Channel Communications or its affiliates may enter into transactions with us or our subsidiaries or other affiliates. Although the terms of any such transactions will be established based upon negotiations between employees of Clear Channel Communications and us and, when appropriate, subject to the approval of the independent directors on our board or a committee of disinterested directors, there can be no assurance that the terms of any such transactions will be as favorable to us or our subsidiaries or affiliates as may otherwise be obtained in arm's length negotiations.

*Intercompany agreements.* We have entered into certain agreements with Clear Channel Communications pursuant to which it will provide us certain management, administrative, accounting, tax, legal and other services, for which we will reimburse Clear Channel Communications on a cost basis. In addition, we will enter into a number of intercompany agreements covering matters such as tax sharing and our responsibility for certain liabilities previously undertaken by Clear Channel Communications for certain of our businesses. Pursuant to the corporate services agreement between Clear Channel Communications and us, we are contractually obligated to utilize the services of the chief executive officer of Clear Channel Communications as our Chief Executive Officer and the chief financial officer of Clear Channel Communications as our Chief Financial Officer until Clear Channel Communications owns less than 50% of the voting power of our common stock, or we provide Clear Channel Communications with six months prior written notice of termination. The terms of these agreements were established while we were a wholly owned subsidiary of Clear Channel Communications and were not the result of arm's length negotiations. In addition, conflicts could arise in the interpretation or any extension or renegotiation of these existing agreements after this offering. See Arrangements Between Clear Channel Communications and Us.

***If Clear Channel Communications engages in the same type of business we conduct or takes advantage of business opportunities that might be attractive to us, our ability to successfully operate and expand our business may be hampered.***

Our amended and restated certificate of incorporation provides that, subject to any contractual provision to the contrary, Clear Channel Communications will have no obligation to refrain from:

engaging in the same or similar business activities or lines of business as us; or

doing business with any of our clients, customers or vendors.

In addition, the corporate opportunity policy set forth in our amended and restated certificate of incorporation addresses potential conflicts of interest between our company, on the one hand, and Clear Channel Communications and its officers and directors who are officers or directors of our company, on the other hand. The policy provides that if Clear Channel Communications acquires knowledge of a



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potential transaction or matter which may be a corporate opportunity for both Clear Channel Communications and us, we will have renounced our interest in the corporate opportunity. It also provides that if one of our directors or officers who is also a director or officer of Clear Channel Communications learns of a potential transaction or matter that may be a corporate opportunity for both Clear Channel Communications and us, we will have renounced our interest in the corporate opportunity, unless that opportunity is expressly offered to that person in writing solely in his or her capacity as our director or officer.

If one of our officers or directors, who also serves as a director or officer of Clear Channel Communications, learns of a potential transaction or matter that may be a corporate opportunity for both Clear Channel Communications and us, our amended and restated certificate of incorporation provides that the director or officer will have no duty to communicate or present that corporate opportunity to us and will not be liable to us or our stockholders for breach of fiduciary duty by reason of Clear Channel Communications' actions with respect to that corporate opportunity.

This policy could result in Clear Channel Communications having rights to corporate opportunities in which both we and Clear Channel Communications have an interest.

By becoming a stockholder in our company, you will be deemed to have notice of and have consented to these provisions of our amended and restated certificate of incorporation. The principles for resolving such potential conflicts of interest are described under "Description of Capital Stock - Provisions of Our Amended and Restated Certificate of Incorporation Relating to Related-Party Transactions and Corporate Opportunities."

***We are a controlled company within the meaning of the New York Stock Exchange rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements that may not provide as many protections as those afforded to stockholders of other companies.***

After this offering, Clear Channel Communications will continue to own more than 50% of the total voting power of our common stock and we will be a controlled company under the NYSE corporate governance standards. As a controlled company, we may elect to utilize certain exemptions under the NYSE standards that free us from the obligation to comply with certain NYSE corporate governance requirements, including the requirements (i) that a majority of the board of directors consists of independent directors, (ii) that we have a nominating and governance committee, and that such committee be composed entirely of independent directors and governed by a written charter addressing the committee's purpose and responsibilities, (iii) that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (iv) for an annual performance evaluation of the compensation committee. After this offering, we intend to utilize certain of these exemptions and, as a result, we may not create or maintain a nominating and governance committee, and the nominating and governance committee, if created, and the compensation committee may not consist entirely of independent directors, and our board of directors may not consist of a majority of independent directors. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

***We will only have the right to use the Clear Channel brand name, logo and corporate name for so long as Clear Channel Communications owns at least 50% of the total voting power of our common stock. If Clear Channel Communications' ownership falls below such 50% threshold and we fail to establish in a timely manner a new, independently recognized brand name with a strong reputation, our revenue and profitability could decline.***

Upon completion of this offering, our corporate name will be Clear Channel Outdoor Holdings, Inc., and we and our subsidiaries may use the Clear Channel brand name and logo in marketing our products and services. Pursuant to a trademark license agreement, Clear Channel Communications will grant us the right to use the Clear Channel mark and logo in connection with our products and services

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and the right to use Clear Channel in our corporate name and the corporate names of our subsidiaries until 12 months after the date on which Clear Channel Communications owns less than 50% of the total voting power of our common stock. In the event our right to use the Clear Channel brand name and logo and corporate name expires, we will be required to conduct our business under a new brand name, which may not be immediately recognized by our clients and suppliers or by potential employees we are trying to recruit. We will need to expend significant time, effort and resources to establish a new brand name in the marketplace. We cannot guarantee that this effort will ultimately be successful. If our effort to establish a new brand identity is unsuccessful, our business, financial condition and results of operations may suffer.

***Any future separation from Clear Channel Communications could adversely affect our business and profitability due to Clear Channel Communications' strong brand and reputation.***

As a subsidiary of Clear Channel Communications, our businesses have marketed many of their products and services using the Clear Channel brand name and logo, and we believe the association with Clear Channel Communications has provided many benefits, including:

a world-class brand associated with trust, integrity and longevity;

perception of high-quality products and services;

preferred status among our clients and employees;

strong capital base and financial strength; and

established relationships with U.S. federal and state regulators and non-U.S. regulators.

Any future separation from Clear Channel Communications could adversely affect our ability to attract and retain highly qualified dedicated sales specialists for our products and services. We may be required to lower the prices of our products and services, increase our sales commissions and fees, change long-term advertising and marketing agreements and take other action to maintain our relationship with our clients, suppliers and dedicated sales specialists, all of which could have an adverse effect on our financial condition and results of operations. Any future separation from Clear Channel Communications also could cause some of our existing clients to choose to stop doing business with us, and could cause other potential clients to decide not to purchase our products and services because we are no longer part of Clear Channel Communications.

We cannot accurately predict the effect that a separation from Clear Channel Communications would have on our sales, clients or employees. The risks relating to a separation from Clear Channel Communications could materialize at various times, including:

if and when Clear Channel Communications reduces its ownership in our common stock to a level below 50% of the total voting power; and

if and when we are required to cease using the Clear Channel name and logo in our sales and marketing materials.

***We will not have control over our tax decisions and could be liable for income taxes owed by Clear Channel Communications.***

For so long as Clear Channel Communications continues to own at least 80% of the total voting power and value of our common stock, we and certain of our subsidiaries will be included in Clear Channel Communications consolidated group for U.S. federal income tax purposes. In addition, we or one or more of our subsidiaries may be included in the combined, consolidated or unitary tax returns of Clear Channel Communications or one or more of its subsidiaries for foreign, state and local income tax purposes. Under the Tax Matters Agreement, we will pay to Clear Channel Communications the amount of federal, foreign, state and local income taxes which we would be required to pay to the relevant taxing authorities if we and our subsidiaries filed combined, consolidated or unitary tax returns and were not included in the consolidated, combined or unitary tax returns of Clear Channel Communications or its



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subsidiaries. In addition, by virtue of its controlling ownership and the Tax Matters Agreement, Clear Channel Communications will effectively control all of our tax decisions. The Tax Matters Agreement provides that Clear Channel Communications will have sole authority to respond to and conduct all tax proceedings (including tax audits) relating to us, to file all income tax returns on our behalf and to determine the amount of our liability to (or entitlement to payment from) Clear Channel Communications under the Tax Matters Agreement. This arrangement may result in conflicts of interest between Clear Channel Communications and us. For example, under the Tax Matters Agreement, Clear Channel Communications will be able to choose to contest, compromise or settle any adjustment or deficiency proposed by the relevant taxing authority in a manner that may be beneficial to Clear Channel Communications and detrimental to us.

Moreover, notwithstanding the Tax Matters Agreement, federal law provides that each member of a consolidated group is liable for the group's entire tax obligation. Thus, to the extent Clear Channel Communications or other members of the group fail to make any U.S. federal income tax payments required by law, we would be liable for the shortfall. Similar principles may apply for foreign, state and local income tax purposes where we file combined, consolidated or unitary returns with Clear Channel Communications or its subsidiaries for federal, foreign, state and local income tax purposes.

***If Clear Channel Communications spins off our Class B common stock to its stockholders, we have agreed in the Tax Matters Agreement to indemnify Clear Channel Communications for its tax-related liabilities in certain circumstances.***

If Clear Channel Communications spins off our Class B common stock to its stockholders in a distribution that is intended to be tax-free under Section 355 of the Internal Revenue Code of 1986, as amended, which we refer to herein as the Code, we have agreed in the Tax Matters Agreement to indemnify Clear Channel Communications and its affiliates against any and all tax-related liabilities if such a spin-off fails to qualify as a tax-free distribution (including as a result of Section 355(e) of the Code) due to actions, events or transactions relating to our stock, assets or business, or a breach of the relevant representations or covenants made by us in the Tax Matters Agreement. If neither we nor Clear Channel Communications is responsible under the Tax Matters Agreement for any such spin-off not being tax-free under Section 355 of the Code, we and Clear Channel Communications have agreed that we will each be responsible for 50% of the tax-related liabilities arising from the failure of such a spin-off to so qualify. See Arrangements Between Clear Channel Communications and Us Tax Matters Agreement.

***Future sales or distributions of our shares by Clear Channel Communications could depress the market price for shares of our Class A common stock.***

After this offering, Clear Channel Communications may sell all or part of the shares of our common stock that it owns or distribute those shares to its stockholders, including pursuant to demand registration rights described herein. Sales or distributions by Clear Channel Communications of substantial amounts of our common stock in the public market or to its stockholders could adversely affect prevailing market prices for our Class A common stock. Clear Channel Communications has advised us that it currently intends to continue to hold all of our common stock that it owns following this offering. However, Clear Channel Communications is not subject to any contractual obligation that would prohibit it from selling, spinning off, splitting off or otherwise disposing of any shares of our common stock, except that Clear Channel Communications has agreed not to sell, spin off, split off or otherwise dispose of any of our shares of common stock for a period of 180 days after the date of this prospectus without the prior written consent of the underwriters, subject to certain limitations and limited exceptions. Consequently, we cannot assure you that Clear Channel Communications will maintain its ownership of our common stock after the 180-day period following this offering.



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***The terms of our arrangements with Clear Channel Communications may be more favorable than we will be able to obtain from an unaffiliated third party, and we may be unable to replace the services Clear Channel Communications provides us in a timely manner or on comparable terms.***

We and Clear Channel Communications will enter into a Corporate Services Agreement and other agreements prior to the completion of this offering. Pursuant to the Corporate Services Agreement, Clear Channel Communications and its affiliates will agree to provide us with corporate services after this offering, including treasury, payroll and other financial services, executive officer services, human resources and employee benefit services, legal services, information systems and network services and procurement and sourcing support.

We are negotiating these arrangements with Clear Channel Communications in the context of a parent-subsiary relationship. Although Clear Channel Communications will be contractually obligated to provide us with services during the term of the Corporate Services Agreement, we cannot assure you that these services will be sustained at the same level after the expiration of that agreement, or that we will be able to replace these services in a timely manner or on comparable terms. In addition, we cannot provide assurance that the amount we pay Clear Channel Communications for the services will be as favorable to us as that which may be available for comparable services provided by unrelated third parties. Other agreements with Clear Channel Communications will also govern our relationship with Clear Channel Communications after this offering and will provide for the allocation of employee benefit, tax and other liabilities and obligations attributable to our operations. The agreements also contain terms and provisions that may be more or less favorable than terms and provisions we might have obtained in arm's length negotiations with unaffiliated third parties. If Clear Channel Communications ceases to provide services to us pursuant to those agreements, our costs of procuring those services from third parties may increase. See Arrangements Between Clear Channel Communications and Us Relationship with Clear Channel Communications.

***Any deterioration in the financial condition of Clear Channel Communications could adversely affect our access to the credit markets and increase our borrowing costs.***

For so long as Clear Channel Communications maintains a significant interest in us, a deterioration in the financial condition of Clear Channel Communications could have the effect of increasing our borrowing costs or impairing our access to the capital markets because of our reliance on Clear Channel Communications for availability under its revolving credit facility. In addition, because the interest rate we pay on the \$2.5 billion intercompany note is based on the weighted average cost of debt for Clear Channel Communications, any such deterioration would likely result in an increase in Clear Channel Communications' cost of debt and in our interest rate. To the extent we do not pass on our increased borrowing costs to our clients, our profitability, and potentially our ability to raise capital, could be materially affected. Also, until the first date Clear Channel Communications owns less than 50% of our voting stock, pursuant to the Master Agreement between us and Clear Channel Communications, as well as pursuant to the \$2.5 billion intercompany note, Clear Channel Communications will have the ability to limit our ability to incur debt or issue equity securities, which could adversely affect our ability to meet our liquidity needs or to grow our business. See Arrangements Between Clear Channel Communications and Us and Description of Indebtedness.

**Risks Related to Our Class A Common Stock and This Offering**

***There is no existing market for our Class A common stock, and a trading market that will provide you with adequate liquidity may not develop, the price of our Class A common stock may fluctuate significantly, and you could lose all or part of your investment.***

Prior to this offering, there has been no public market for our Class A common stock. We cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market in our Class A common stock on the NYSE or otherwise. If an active trading market does not develop, you may have difficulty selling any of our Class A common stock that you buy.

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The initial public offering price per share for our Class A common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of our Class A common stock that will prevail in the trading market. The market price of our Class A common stock may decline below the initial public offering price. The market price of our Class A common stock may also be influenced by many factors, some of which are beyond our control, including:

our quarterly or annual earnings, or those of other companies in our industry;

our loss of a large client;

announcements by us or our competitors of significant contracts or acquisitions;

changes in accounting standards, policies, guidance, interpretations or principles;

general economic conditions;

the failure of securities analysts to cover our Class A common stock after this offering or changes in financial estimates by analysts;

future sales by us or other stockholders of our Class A common stock; and

other factors described in these Risk Factors.

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of these companies. The price of our Class A common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our stock price.

In the past, some companies that have had volatile market prices for their securities have been subject to securities class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial legal costs and a diversion of our management's attention and resources. This could have a material adverse effect on our business, results of operations and financial condition.

***Our stock ownership by Clear Channel Communications, provisions in our agreements with Clear Channel Communications and our corporate governance documents and Delaware law may delay or prevent an acquisition of us that our other stockholders may consider favorable, which could decrease the value of your shares of Class A common stock.***

After this offering, for as long as Clear Channel Communications continues to own shares of our common stock representing more than 50% of the total voting power of our common stock, it will have the ability to control decisions regarding an acquisition of us by a third party. As a controlled company, we are exempt from some of the corporate governance requirements of the NYSE, including the requirement that our board of directors be comprised of a majority of independent directors. In addition, our amended and restated certificate of incorporation, bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions include restrictions on the ability of our stockholders to remove directors, supermajority voting requirements for stockholders to amend our organizational documents, restrictions on a classified board of directors and limitations on action by our stockholders by written consent. Some of these provisions, such as the limitation on stockholder action by written consent, only become effective once Clear Channel Communications no longer controls us. In addition, our board of directors has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. Delaware law also imposes certain restrictions on mergers and other business combinations between any holder of 15% or more of our outstanding voting stock. These restrictions under Delaware law do not apply to Clear Channel

Communications while it retains at least 15% or more of our Class B

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common stock. Although we believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics and thereby provide for an opportunity to receive a higher bid by requiring potential acquirers to negotiate with our board of directors, these provisions apply even if the offer may be considered beneficial by some stockholders. See Description of Capital Stock.

***If Clear Channel Communications spins off our high vote Class B common stock to its stockholders and such shares do not convert into Class A common stock upon a sale or other transfer subsequent to such distribution, the voting rights of our Class A common stock will continue to be disproportionately lower than the voting rights of our Class B common stock.***

In connection with any distribution of shares of our Class B common stock to Clear Channel Communications common stockholders in a spin-off, Clear Channel Communications may elect in its sole discretion whether our Class B common stock so distributed will automatically convert into shares of Class A common stock upon a transfer or sale by the recipient subsequent to the spin-off or whether the Class B common stock will continue as high vote Class B common stock after the distribution. In the event the Class B common stock does not convert into Class A common stock upon a sale or transfer subsequent to a spin-off, the voting rights of Class A common stock will continue to be disproportionately lower than the voting rights of our Class B common stock. Therefore, the holders of our Class B common stock will continue to be able to direct the election of all the members of our board of directors and exercise a controlling influence over our business and affairs.

***We currently do not intend to pay dividends on our Class A common stock.***

We do not expect to pay dividends on our Class A common stock in the foreseeable future. We are a holding company with no independent operations and no significant assets other than the stock of our subsidiaries. We therefore are dependent upon the receipt of dividends or other distributions from our subsidiaries to pay dividends. Accordingly, if you purchase shares in this offering, the price of our Class A common stock must appreciate in order to realize a gain on your investment. This appreciation may not occur.

***You will suffer an immediate and substantial dilution in the net tangible book value of the Class A common stock you purchase.***

Based on an assumed initial public offering price of \$21.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, purchasers of Class A common stock in this offering will experience immediate and substantial dilution of approximately \$21.11 per share in net tangible book value of the Class A common stock.

***We will incur increased costs as a result of being a public company.***

The Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission and New York Stock Exchange, have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, when we cease to take advantage of the controlled company exemption available in the NYSE rules, we will have to add a number of independent directors in order that our board consist of a majority of independent directors and create additional board committees. In addition, we will incur additional costs associated with our public company reporting requirements. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

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***If, after this offering, we are unable to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, or our internal controls over financial reporting are not effective, the reliability of our financial statements may be questioned and our stock price may suffer.***

Section 404 of the Sarbanes-Oxley Act requires any company subject to the reporting requirements of the U.S. securities laws to do a comprehensive evaluation of its and its combined subsidiaries' internal controls over financial reporting. To comply with this statute, we will be required to document and test our internal control procedures; our management will be required to assess and issue a report concerning our internal controls over financial reporting; and our independent auditors will be required to issue an opinion on management's assessment of those matters. Our compliance with Section 404 of the Sarbanes-Oxley Act will first be tested in connection with the filing of our annual report on Form 10-K for the fiscal year ending December 31, 2006. The rules governing the standards that must be met for management to assess our internal controls over financial reporting are new and complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, our management may identify material weaknesses or significant deficiencies which may not be remedied in time to meet the deadline imposed by the Sarbanes-Oxley Act. If our management cannot favorably assess the effectiveness of our internal controls over financial reporting or our auditors identify material weaknesses in our internal controls, investor confidence in our financial results may weaken, and our stock price may suffer. In connection with Clear Channel Communications' internal controls testing as of December 31, 2004, a number of control deficiencies were identified, some of which relate to our business. If these control deficiencies exist at the time our compliance with Section 404 is tested, there can be no assurance that they will not be material weaknesses.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, savings and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe or continue or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations (cautionary statements) are disclosed under Risk Factors and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this prospectus.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus. We undertake no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

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**USE OF PROCEEDS**

We estimate that our net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$700.1 million (approximately \$805.9 million if the underwriters exercise in full their option to purchase additional shares of Class A common stock), assuming an initial public offering price of \$21.00 per share of Class A common stock, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus.

In 2003, two intercompany notes were issued to Clear Channel Communications in the aggregate original principal amount of approximately \$1.5 billion. The first intercompany note in the original principal amount of approximately \$1.4 billion, the entire principal balance of which remains outstanding, matures on December 31, 2017, may be prepaid in whole at any time, or in part from time to time, and accrues interest at a per annum rate of 10%. The second intercompany note in the original principal amount of \$73.0 million, the entire principal balance of which remains outstanding, matures on December 31, 2017, may be prepaid in whole at any time, or in part from time to time, and accrues interest at a per annum rate of 9%. See Arrangements Between Clear Channel Communications and Us.

Assuming an initial public offering price of \$21.00, the midpoint of the range set forth on the cover page of this prospectus, we intend to use all of the net proceeds of this offering to repay approximately \$700.1 million of the outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes. Prior to such use of proceeds, the outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes will be reduced by approximately \$362.2 million, the balance at September 30, 2005 in the Due from Clear Channel Communications intercompany account, and approximately \$294.9 million of the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes will be contributed to our capital by Clear Channel Communications. Upon expiration of the underwriters' option to purchase additional shares of our Class A common stock, and to the extent the underwriters do not exercise the option in full, we intend to exchange up to 5,250,000 additional shares of our Class B common stock with Clear Channel Communications for the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes that the proceeds from the exercise of such option otherwise would have been used to repay, such that they are repaid in full. The aggregate number of shares of our Class B common stock so exchanged will equal (i) the number of additional shares of Class A common stock that the underwriters have an option to purchase, less (ii) the actual number of shares of Class A common stock that the underwriters purchase from us pursuant to the option.

Our total indebtedness after this offering and after application of all of the net proceeds of this offering to repay a portion of the intercompany indebtedness owed to Clear Channel Communications will be approximately \$2.7 billion, approximately \$2.5 billion of which will be intercompany indebtedness owed to Clear Channel Communications. See Description of Indebtedness.

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**DIVIDEND POLICY**

We do not anticipate paying any dividends on the shares of our common stock in the foreseeable future. If cash dividends were to be paid on our common stock, holders of Class A common stock and Class B common stock would share equally, on a per share basis, in any such cash dividend.



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**CAPITALIZATION**

The following table sets forth our capitalization as of September 30, 2005:

(i) on an actual basis; and

(ii) on an as adjusted post-offering basis, after giving effect to:

(a) this offering;

(b) the reduction of the outstanding balances of the approximately \$1.4 billion and \$73.0 million intercompany notes by approximately \$362.2 million, representing the balance at September 30, 2005 in the Due from Clear Channel Communications intercompany account;

(c) the contribution of approximately \$294.9 million of the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes to our capital by Clear Channel Communications;

(d) the repayment of approximately \$700.1 million of the remaining outstanding balances of the \$1.4 billion and \$73.0 million notes with all of the net proceeds of this offering assuming an offering price of \$21.00 per share, the midpoint of the range set forth on the cover page of this prospectus; and

(e) to the extent the underwriters do not exercise in full their option to purchase up to an additional 5,250,000 shares of our Class A common stock (the proceeds of which would be used to repay the then outstanding balances of the approximately \$1.4 billion and \$73.0 million intercompany notes), the exchange of up to 5,250,000 additional shares of our Class B common stock with Clear Channel Communications for the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes that the proceeds from the exercise of such option otherwise would have been used to repay, such that they are repaid in full.

You should read the information in this table in conjunction with the historical audited and unaudited combined financial statements and the accompanying notes thereto of us and our combined subsidiaries included elsewhere in this prospectus and Use of Proceeds, Dividend Policy, Selected Historical Combined Financial Data, Unaudited Pro Forma Combined Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations.

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<b>As of September 30, 2005</b>		
<b>(In thousands)</b>	<b>Actual</b>	<b>As Adjusted Post-Offering</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cash and cash equivalents	\$ 91,676	\$ 91,676
Due from Clear Channel Communications	\$ 362,154	\$
<b>Debt:</b>		
Credit facility	\$ 49,732	\$ 49,732
Intercompany note in the original principal amount of approximately \$1.4 billion	1,390,000	
Intercompany note in the original principal amount of \$73.0 million	73,000	
Intercompany note in the original principal amount of \$2.5 billion(1)	2,500,000	2,500,000
Other borrowings	199,404	199,404
<b>Total debt</b>	<b>4,212,136</b>	<b>2,749,136</b>
<b>Owner's equity:</b>		
Actual and as adjusted post-offering: Class A common stock and Class B common stock, each par value \$0.01 per share; 750,000,000 shares authorized and 35,000,000 shares issued of Class A common stock and 600,000,000 shares authorized and 315,000,000 shares issued of Class B common stock(2)		
Additional capital paid-in		3,500
Owner's net investment(1)	4,179,664	5,277,010
Retained deficit	(4,229,060)	(4,229,060)
Accumulated other comprehensive income	137,745	137,745
<b>Total owner's equity</b>	<b>88,349</b>	<b>1,189,195</b>
<b>Total capitalization</b>	<b>\$ 4,300,485</b>	<b>\$ 3,938,331</b>

(1) On August 2, 2005, we paid a dividend of \$2.5 billion on our common stock to Clear Channel Communications in the form of an intercompany note.

(2) In connection with this offering, our amended and restated certificate of incorporation provides that the shares of our common stock outstanding prior to this offering will be changed into and reclassified as 315,000,000 shares of Class B common stock to be outstanding after this offering. After this offering, Clear Channel Communications will own all of our outstanding shares of Class B common stock.



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Dilution is the amount by which the initial public offering price paid by the purchasers of shares of Class A common stock in this offering will exceed the net tangible book value per share of Class A common stock after this offering. The net tangible book value per share presented below equals the amount of our total tangible assets (total assets less intangible assets), less total liabilities as of September 30, 2005. As of September 30, 2005, we had a net tangible book value of \$(1,139,641), or \$(3.62) per share. On a pro forma basis, after giving effect to:

the sale by us of 35,000,000 shares of Class A common stock in this offering, assuming an initial public offering price of \$21.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and the application of all of the net proceeds of this offering, after deducting underwriting discounts and estimated offering expenses, as described under Use of Proceeds; and

the repayment or contribution of the remaining outstanding balances of the approximately \$1.4 billion and \$73.0 million intercompany notes;

our pro forma net tangible book value as of September 30, 2005 would have been \$(38,795) or \$(.11) per share, which represents an immediate increase in net tangible book value of \$3.51 per share to Clear Channel Communications, our current stockholder, and an immediate dilution in net tangible book value of \$21.11 per share to new stockholders purchasing shares of Class A common stock in this offering.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		\$	21.00
Net tangible book value per share as of September 30, 2005		\$	(3.62)
Increase in net tangible book value per share attributable to new stockholders		\$	3.51
Pro forma net tangible book value per share after this offering		\$	(.11)
Dilution per share to new stockholders		\$	21.11

The following table summarizes, on the same pro forma basis as of September 30, 2005, the total number of shares of Class A common stock purchased from us, the total consideration paid to us and the average price per share paid by Clear Channel Communications, our current stockholder, and by new stockholders purchasing shares of Class A common stock in this offering:

(In millions, except percentages and per share data)

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Number	Percent	
Current stockholder(1)	315	90%	\$ 489	40%	\$ 1.55
New stockholders	35	10%	\$ 735	60%	\$ 21.00
Total	350	100%	\$ 1,224	100%	\$ 3.50

(1) After giving effect to the reclassification, in connection with this offering, of 1,917.0709 shares of our common stock into 315,000,000 shares of Class B common stock.

The tables and calculations above exclude 42,000,000 shares of Class A common stock reserved for issuance under our 2005 Stock Incentive Plan.

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**UNAUDITED PRO FORMA COMBINED FINANCIAL DATA**

The following table sets forth unaudited pro forma combined financial data and other information of Clear Channel Outdoor Holdings.

We have prepared our combined financial statements as if Clear Channel Outdoor Holdings had been in existence as a separate company throughout all relevant periods. The pro forma combined statement of operations data for the year ended December 31, 2004 presented below was derived from our audited combined financial statements and the accompanying notes thereto included elsewhere in this prospectus. The pro forma combined statement of operations data for the nine months ended September 30, 2005 and the pro forma combined balance sheet data as of September 30, 2005 presented below were derived from our unaudited combined financial statements and the accompanying notes thereto included elsewhere in this prospectus. The operating results for the nine months ended September 30, 2005 include all adjustments (consisting only of normal recurring adjustments) that we believe are necessary for a fair statement of the results for such interim period.

Results for the nine months ended September 30, 2005 are not necessarily indicative of the results expected for the fiscal year ended December 31, 2005 or any future period.

Our unaudited pro forma results of operations data present our pro forma as adjusted results of operations for the year ended December 31, 2004 and the nine months ended September 30, 2005:

as if this offering had been completed on January 1, 2004, at an assumed initial public offering price of \$21.00 per share of Class A common stock, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and assuming:

the outstanding balances of the approximately \$1.4 billion and \$73.0 million intercompany notes issued to Clear Channel Communications are reduced by approximately \$362.2 million, representing the balance at September 30, 2005 in the Due from Clear Channel Communications intercompany account;

then, approximately \$294.9 million of the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes is contributed to our capital by Clear Channel Communications;

then, approximately \$700.1 million of the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes is repaid with all of the net proceeds of this offering; and

then, to the extent the underwriters do not exercise in full their option to purchase up to an additional 5,250,000 shares of our Class A common stock (the proceeds of which would be used to repay the then-outstanding balances under the approximately \$1.4 billion and \$73.0 million of intercompany notes), we exchange up to 5,250,000 additional shares of our Class B common stock with Clear Channel Communications for the remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes that the proceeds from the exercise of such option otherwise would have been used to repay, such that the notes are repaid in full.

after giving effect to our distribution of an intercompany note in the original principal amount of \$2.5 billion as a dividend on our common stock, which note was ultimately distributed to Clear Channel Communications, as if issued to Clear Channel Communications on January 1, 2004.

Our as adjusted balance sheet and statement of operations data as of September 30, 2005 and for the nine months ended September 30, 2005, present, using the same assumptions and application of estimated net proceeds described above, our as adjusted results of operations for the nine months ended September 30, 2005, as if this offering and the issuance of the \$2.5 billion intercompany note had been completed on January 1, 2004.

The unaudited pro forma information set forth below is based upon available information and assumptions that we believe are reasonable. The historical financial and other data have been prepared on a combined basis from Clear Channel Communications consolidated financial statements using the historical results of operations and bases of the assets and liabilities of Clear Channel Communications



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outdoor advertising business and give effect to allocations of expenses from Clear Channel Communications. Our historical financial data will not be indicative of our future performance, nor will such data reflect what our financial position and results of operations would have been had we operated as an independent publicly traded company during the periods shown. Also, the unaudited pro forma statement of operations does not reflect estimates of one-time and ongoing incremental costs required for us to operate as a separate company, which are described in Note 1 below to the unaudited pro forma statement of operations.

You should read the information contained in this table in conjunction with Selected Historical Combined Financial Data, Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the historical audited and unaudited combined financial statements and the accompanying notes thereto of us and our combined subsidiaries included elsewhere in this prospectus.

**Unaudited Pro Forma Combined Statement of Operations**

(In thousands, except  
per share data)

	Year Ended December 31, 2004			Nine Months Ended September 30, 2005		
	Historical	Adjustments	Pro Forma	Historical	Adjustments	Pro Forma
<b>Statement of Operations:(1)</b>						
Revenue	\$ 2,447,040	\$	\$ 2,447,040	\$ 1,931,471	\$	\$ 1,931,471
Operating expenses:						
Direct operating expenses (exclusive of depreciation and amortization)	1,262,317		1,262,317	988,448		988,448
Selling, general and administrative expenses (exclusive of depreciation and amortization)	499,457		499,457	410,075		410,075
Depreciation and amortization	388,217		388,217	290,233		290,233
Corporate expenses (exclusive of depreciation and amortization)	53,770		53,770	39,397		39,397
Operating income	243,279		243,279	203,318		203,318
Interest expense	14,177		14,177	9,874		9,874
Intercompany interest expense	145,653	(2,445)(3)	143,208	133,093	(25,684)(3)	107,409
Equity in earnings (loss) of nonconsolidated affiliates	(76)		(76)	9,908		9,908
Other income (expense) net	(13,341)		(13,341)	(17,353)		(17,353)



Income before income taxes and cumulative effect of a change in accounting principle	70,032	2,445	72,477	52,906	25,684	78,590
Income tax benefit (expense):						
Current	(23,422)	(978)(4)	(24,400)	(37,767)	(10,274)(4)	(48,041)
Deferred	(39,132)		(39,132)	6,023		6,023
Income before cumulative effect of a change in accounting principle	\$ 7,478	\$ 1,467	\$ 8,945	\$ 21,162	\$ 15,410	\$ 36,572
Basic and diluted income (loss) before cumulative effect of a change in accounting principle per common share(2)	\$ .02		\$ .03	\$ .07		\$ .10

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**Notes to Unaudited Pro Forma Combined Statement of Operations**

- (1) The unaudited pro forma statement of operations does not reflect the complete impact of one-time and ongoing incremental costs required for us to operate as a separate company. Clear Channel Communications allocated to us \$16.6 million in 2004, \$19.6 million in 2003 and \$17.6 million in 2002 of expenses incurred by it for providing us accounting, treasury, tax, legal, public affairs, executive oversight, human resources and other services. Through September 30, 2005, Clear Channel Communications allocated to us \$11.8 million of expenses. After this offering, we expect to continue to receive from Clear Channel Communications substantially all of these services.
- (2) Basic and diluted income (loss) before cumulative effect of a change in accounting principle per common share is calculated by dividing income (loss) before cumulative effect of a change in accounting principle by the weighted average of common shares outstanding. The historic basic and diluted is based on 315,000,000 shares outstanding and the pro forma basic and diluted is based on 350,000,000 shares outstanding.
- (3) Includes estimated annual intercompany interest expense of \$143.1 million related to \$2.5 billion of intercompany indebtedness incurred on August 2, 2005, at an estimated weighted average interest rate of 5.725% for the year ended December 31, 2004 and 5.725% for the nine months ended September 30, 2005. The interest rate on this intercompany indebtedness is based upon the weighted average cost of funds of Clear Channel Communications, so that a change in the weighted average cost of funds for Clear Channel Communications could change the weighted average annual interest rate. A 25 basis point change to the weighted average cost of funds of Clear Channel Communications would change our annual interest expense by \$6.3 million. Also includes the elimination of intercompany interest expense incurred pursuant to intercompany indebtedness between Clear Channel Communications and us of \$145.6 million for the year ended December 31, 2004 and \$109.2 million for the nine months ended September 30, 2005.
- (4) Represents estimated tax (expense) benefit related to the estimated interest expense adjustment discussed in Note (3) above at our combined statutory rate of 40% for the year ended December 31, 2004 and 40% for the nine months ended September 30, 2005.

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As of September 30, 2005

(In thousands)	Historical	Adjustments	Pro Forma
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 91,676	\$	\$ 91,676
Accounts receivable, net	679,469		679,469
Due from Clear Channel Communications	362,154	(362,154)(1)	
Prepaid expenses	69,060		69,060
Other current assets	40,928		40,928
Total current assets	1,243,287	(362,154)	881,133
Property, plant & equipment, net	2,172,197		2,172,197
Intangible assets:			
Definite-lived intangibles, net	255,028		255,028
Indefinite-lived intangibles permits	212,507		212,507
Goodwill	760,455		760,455
Other assets:			
Notes receivable	5,821		5,821
Investments in, and advances to, nonconsolidated affiliates	99,447		99,447
Deferred tax asset	243,030		243,030
Other assets	302,915		302,915
Other investments	835		835
Total assets	\$ 5,295,522	\$ (362,154)	\$ 4,933,368
<b>Liabilities and Shareholders Equity</b>			
Current liabilities:			
Accounts payable	\$ 209,948	\$	\$ 209,948
Accrued expenses	325,477		325,477
Accrued interest	2,443		2,443
Accrued income taxes	19,520		19,520
Deferred income	98,135		98,135
Current portion of long-term debt	152,377		152,377
Total current liabilities	807,900		807,900
Long-term debt	96,759		96,759
Debt with Clear Channel Communications	3,963,000	(1,390,000)(2)	2,500,000
		(73,000)(2)	
Other long-term liabilities	175,965		175,965
Minority interest	163,549		163,549
Owner's equity:			
Class A common stock		350 (3)	350
Class B common stock		3,150 (4)	3,150

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Additional paid-in capital		4,179,664 (5)		5,277,010
		294,906 (5)		
		696,600 (5)		
		105,840 (5)		
Owner's net investment	4,179,664	(4,179,664)(6)		
Retained deficit	(4,229,060)			(4,229,060)
Accumulated other comprehensive income	137,745			137,745
Total owner's equity	88,349	1,100,846		1,189,195
Total liabilities and owner's equity	\$ 5,295,522	\$ (362,154)		\$ 4,933,368

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**Notes to Unaudited Pro Forma Combined Balance Sheet**

- (1) From September 30, 2005 through the date we complete this offering, we are recording intercompany transactions with Clear Channel Communications in Due from Clear Channel Communications. The balance in the Due from Clear Channel Communications intercompany account of approximately \$362.2 million on September 30, 2005 will be settled by reducing the outstanding balances of the approximately \$1.4 billion and \$73.0 million intercompany notes by such amount.
- (2) All of the net proceeds from this offering will be used to repay approximately \$700.1 million, assuming the initial public offering price of \$21.00 per share, the midpoint of the range set forth on the cover page of this prospectus, of the outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes. The remaining outstanding balances of the \$1.4 billion and \$73.0 million intercompany notes will otherwise be extinguished.
- (3) Represents the par value of 35,000,000 shares of Class A common stock issued in connection with this offering.
- (4) Prior to this offering, shares of our common stock held by Clear Channel Communications will be converted into approximately 315,000,000 shares of Class B common stock.
- (5) Represents (i) the reclassification of Owner's net investment into Additional paid-in capital, (ii) the impact of the extinguishment of a portion of the outstanding balance of the approximately \$1.4 billion and \$73.0 million intercompany notes, (iii) the receipt by us of approximately \$700.1 million in this offering net of the par value of our Class A common stock issued in connection therewith, and (iv) the exchange of 5,250,000 shares of Class B common stock with Clear Channel Communications for the remaining outstanding balance of the approximately \$1.4 billion and \$73.0 million intercompany notes.
- (6) Represents a reclassification into Additional paid-in capital.

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**SELECTED HISTORICAL COMBINED FINANCIAL DATA**

The historical financial and other data have been prepared on a combined basis from Clear Channel Communications combined financial statements using the historical results of operations and bases of the assets and liabilities of Clear Channel Communications outdoor advertising businesses and give effect to allocations of expenses from Clear Channel Communications. Our historical financial data will not be indicative of our future performance nor will such data reflect what our financial position and results of operations would have been had we operated as an independent publicly traded company during the periods shown.

We have prepared our combined financial statements as if Clear Channel Outdoor Holdings had been in existence as a separate company throughout all relevant periods. The results of operations data, segment data and cash flow data for the years ended December 2001 and 2000 and for the nine months ended September 30, 2005 and 2004 and the combined balance sheet data as of December 31, 2001 and 2000 and as of September 30, 2005 and 2004 presented below were derived from our unaudited combined financial statements and the accompanying notes thereto included elsewhere in this prospectus. The results of operations data, segment data and cash flow data for the years ended December 31, 2004, 2003 and 2002 and the balance sheet data as of December 31, 2004 and 2003 presented below were derived from our audited combined financial statements and the accompanying notes thereto included elsewhere in this prospectus. The combined balance sheet data as of December 31, 2002 is derived from our audited financial statements. The operating results for the nine months ended September 30, 2005 and 2004 include all adjustments (consisting only of normal recurring adjustments) that we believe are necessary for a fair statement of the results for such interim periods.

Results for the nine months ended September 30, 2005 are not necessarily indicative of the results expected for the fiscal year ending December 31, 2005 or any future period.

You should read the information contained in this table in conjunction with Capitalization, Unaudited Pro Forma Combined Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the historical audited and unaudited combined financial statements and the accompanying notes thereto of us and our combined subsidiaries included elsewhere in this prospectus.

The following table presents a non-GAAP financial measure, OIBDAN, which we use to evaluate segment and combined performance of our business. OIBDAN is not calculated or presented in accordance with U.S. generally accepted accounting principles, or GAAP. In Note 3 and Non-GAAP Financial Measure below, we explain OIBDAN and reconcile it to operating income (loss), its most directly comparable financial measure calculated and presented in accordance with GAAP.

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	Year Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
<b>(In thousands, except per share data)</b>	<b>(Unaudited) (Unaudited)</b>					<b>(Unaudited) (Unaudited)</b>	
<b>Results of Operations Data:</b>							
Revenue	\$ 1,729,438	\$ 1,748,030	\$ 1,859,641	\$ 2,174,597	\$ 2,447,040	\$ 1,761,308	\$ 1,931,471
Operating expenses:							
Direct operating expenses (exclusive of depreciation and amortization)	761,312	861,854	957,830	1,133,386	1,262,317	924,420	988,448
Selling, general and administrative expenses (exclusive of depreciation and amortization)	323,871	355,370	392,803	456,893	499,457	358,188	410,075
Depreciation and amortization	437,349	559,498	336,895	379,640	388,217	288,810	290,233
Corporate expenses (exclusive of depreciation and amortization)	52,431	62,266	52,218	54,233	53,770	39,451	39,397
Operating income (loss)	154,475	(90,958)	119,895	150,445	243,279	150,439	203,318
Interest expense	23,037	13,331	11,623	14,201	14,177	11,111	9,874
Intercompany interest expense	178,253	220,798	227,402	145,648	145,653	109,239	133,093
Equity in earnings (loss) of nonconsolidated affiliates	5,888	(4,422)	3,620	(5,142)	(76)	2,270	9,908
Other income (expense) net	(4,593)	(13,966)	9,164	(8,595)	(13,341)	(17,210)	(17,353)
Income (loss) before income	(45,520)	(343,475)	(106,346)	(23,141)	70,032	15,149	52,906

taxes and cumulative effect of a change in accounting principle								
Income tax benefit (expense):								
Current	(4,824)	68,101	72,008	12,092	(23,422)	6,481	(37,767)	
Deferred	(37,640)	(5,199)	(21,370)	(23,944)	(39,132)	(17,730)	6,023	
Income (loss) before cumulative effect of a change in accounting principle	(87,984)	(280,573)	(55,708)	(34,993)	7,478	3,900	21,162	
Cumulative effect of a change in accounting principle, net of tax of \$504,927 in 2002 and \$113,173 in 2004(1)			(3,527,198)		(162,858)			
Net income (loss) \$	(87,984)	\$ (280,573)	\$ (3,582,906)	\$ (34,993)	\$ (155,380)	\$ 3,900	\$ 21,162	
Basic and diluted income (loss) before cumulative effect of a change in accounting principle per common share(2) \$	(.28)	\$ (.89)	\$ (.18)	\$ (.11)	\$ .02	\$ .01	\$ .07	



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	Year Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
<b>(In thousands) (Unaudited) (Unaudited)</b>						<b>(Unaudited) (Unaudited)</b>	
<b>Segment Data:</b>							
Revenue:							
Domestic	\$ 885,563	\$ 880,720	\$ 911,493	\$ 1,006,376	\$ 1,092,089	\$ 800,744	\$ 886,649
International	843,875	867,310	948,148	1,168,221	1,354,951	960,564	1,044,822
<b>Total revenue</b>	<b>\$ 1,729,438</b>	<b>\$ 1,748,030</b>	<b>\$ 1,859,641</b>	<b>\$ 2,174,597</b>	<b>\$ 2,447,040</b>	<b>\$ 1,761,308</b>	<b>\$ 1,931,471</b>
Operating income (loss):							
Domestic	\$ 168,872	\$ 30,767	\$ 174,381	\$ 215,485	\$ 263,772	\$ 184,808	\$ 263,448
International	38,034	(59,459)	(2,268)	(10,807)	33,277	5,082	(20,733)
Corporate	(52,431)	(62,266)	(52,218)	(54,233)	(53,770)	(39,451)	(39,397)
<b>Total operating income (loss)</b>	<b>\$ 154,475</b>	<b>\$ (90,958)</b>	<b>\$ 119,895</b>	<b>\$ 150,445</b>	<b>\$ 243,279</b>	<b>\$ 150,439</b>	<b>\$ 203,318</b>
<b>Cash Flow Data:</b>							
Cash flow provided by (used in):							
Operating activities			\$ 320,235	\$ 433,459	\$ 492,495	\$ 329,893	\$ 336,637
Investing activities			\$ (430,844)	\$ (230,162)	\$ (310,658)	\$ (227,386)	\$ (223,189)
Financing activities			\$ 173,193	\$ (222,491)	\$ (182,006)	\$ (95,759)	\$ (48,154)
Capital expenditures			\$ 290,187	\$ 205,145			