Clear Channel Outdoor Holdings, Inc.
Form S-1/A
October 28, 2005

Table of Contents

As filed with the Securities and Exchange Commission on October 28, 2005
Registration No. 333-127375

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

Amendment No. 5
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	**7312**	**86-0812139**
(State or other jurisdiction of incorporation or organization)	*(Primary standard industrial classification code number)*	*(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. o

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) Of this amount, $41,195 has been 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.

Table of Contents

SUBJECT TO COMPLETION. DATED OCTOBER 28, 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.

Global Coordinator & Senior Bookrunner

Goldman, Sachs & Co.

Joint Bookrunners

Deutsche Bank Securities

JPMorgan

Merrill Lynch & Co.

UBS Investment Bank

Co-Managers

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**

Prospectus dated , 2005.

Table of Contents

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[tm] is owned by us.

Table of Contents

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.

Table of Contents

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.

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

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-subsidiary 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 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.

Table of Contents

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

6

	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.

Table of Contents

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.

Table of Contents

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.

(In thousands, except per share data)	Year Ended December 31, 2002	2003	2004	Pro Forma as Adjusted December 31, 2004	Nine Months Ended September 30, 2004	2005	Pro Forma as Adjusted September 30, 2005
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Results of Operations Data:							
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
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)	$ (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)	$ (.18)	$ (.11)	$ .02	$ .03	$ .01	$ .07	$ .10
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

Table of Contents

(In thousands)	Year Ended December 31, 2002	2003	2004	Pro Forma as Adjusted December 31, 2004	Nine Months Ended September 30, 2004	2005	Pro Forma as Adjusted September 30, 2005
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash Flow Data:							
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	
Other Data:							
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, 2002	2003	2004	As of September 30, 2005 Historical	Pro Forma as Adjusted
				(Unaudited)	(Unaudited)
Balance Sheet Data:					
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:

	Year Ended December 31,			Pro Forma as Adjusted December 31,	Nine Months Ended September 30,		Pro Forma as Adjusted September 30,
(In thousands)	**2002**	**2003**	**2004**	**2004**	**2004**	**2005**	**2005**
				(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Reconciliation of OIBDAN to operating income:							
Combined:							
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
Domestic:							
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
International:							
OIBDAN	$ 154,680	$ 174,596	$ 234,888	$ 234,888	$ 152,423	$ 142,593	$ 142,593
Depreciation and amortization	156,948	185,403	201,597	201,597	147,331	163,214	163,214
Non-cash compensation			14	14	10	112	112
Operating income (loss)	$ (2,268)	$ (10,807)	$ 33,277	$ 33,277	$ 5,082	$ (20,733)	$ (20,733)

12

Table of Contents

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 have attempted to force the removal of billboards not governed by the HBA under various amortization theories. Amortization permits the billboard owner to operate its billboard only as a nonconforming use for a specified period of time, after which it must remove or otherwise conform its billboard to the applicable regulations at its own cost without any compensation. Several municipalities within our existing markets have adopted amortization ordinances. Restrictive regulations also limit our ability to rebuild or replace nonconforming billboards. Such regulations have not had a material impact on our results of operations to date, but if we are increasingly unable to negotiate acceptable arrangements in circumstances in which our billboards are subject to removal or amortization or if there occurs an increase in such regulations, 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 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.

Table of Contents

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.

Table of Contents

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.

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.

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.

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

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.

Table of Contents

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 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

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 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

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.

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-subsidiary 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.

Table of Contents

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 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

	As of September 30, 2005			
		Actual		**As Adjusted Post-Offering**
(In thousands)		**(Unaudited)**		**(Unaudited)**
Cash and cash equivalents	$	91,676	$	91,676
Due from Clear Channel Communications	$	362,154	$	
Debt:				
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
Total debt		4,212,136		2,749,136
Owner s equity:				
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)				3,500
Additional capital paid-in				5,277,010
Owner s net investment(1)		4,179,664		
Retained deficit		(4,229,060)		(4,229,060)
Accumulated other comprehensive income		137,745		137,745
Total owner s equity		88,349		1,189,195
Total capitalization	$	4,300,485	$	3,938,331

(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.

Table of Contents

DILUTION

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**		
	Number	**Percent**	**Number**	**Percent**	**Average Price per Share**
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.

Table of Contents

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

Table of Contents

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**
Statement of Operations:(1)						
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

36

Table of Contents

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.

Table of Contents

Unaudited Pro Forma Combined Balance Sheet

	As of September 30, 2005		
(In thousands)	**Historical**	**Adjustments**	**Pro Forma**
Assets			
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
Liabilities and Shareholders Equity			
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

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

38

Table of Contents

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.

Table of Contents

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 is 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 is 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.

	Year Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
(In thousands, except per share data)	(Unaudited)	(Unaudited)				(Unaudited)	(Unaudited)
Results of Operations Data:							
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

41

Table of Contents

	Year Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
(In thousands)	(Unaudited)	(Unaudited)				(Unaudited)	(Unaudited)
Segment Data:							
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
Total revenue	$ 1,729,438	$ 1,748,030	$ 1,859,641	$ 2,174,597	$ 2,447,040	$ 1,761,308	$ 1,931,471
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)
Total operating income (loss)	$ 154,475	$ (90,958)	$ 119,895	$ 150,445	$ 243,279	$ 150,439	$ 203,318
Cash Flow Data:							
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
Other Data:							
OIBDAN(3)							
Domestic	$ 435,299	$ 362,604	$ 354,328	$ 409,722	$ 450,494	$ 326,359	$ 390,867
International	208,956	168,202	154,680	174,596	234,888	152,423	142,593
Corporate	(52,431)	(62,266)	(52,218)	(54,233)	(53,770)	(39,451)	(39,397)
Total OIBDAN(3)	$ 591,824	$ 468,540	$ 456,790	$ 530,085	$ 631,612	$ 439,331	$ 494,063

For the Three Months Ended

(In thousands)	March 31 (Unaudited)	June 30 (Unaudited)	September 30 (Unaudited)
2005 Quarterly Results of Operations:			
Revenue	$ 578,959	$ 684,509	$ 668,003
Operating expenses:			
Direct operating expenses	326,054	332,706	329,688
Selling, general and administrative expenses	129,597	127,316	153,162
Depreciation and amortization	98,266	96,562	95,405
Corporate expenses	12,975	13,423	12,999
Operating income (loss)	12,067	114,502	76,749
Interest expense	3,244	3,223	3,407
Intercompany interest expense	36,414	36,414	60,265
Equity in earnings of nonconsolidated affiliates	345	5,602	3,961
Other income (expense) net	(2,211)	(4,524)	(10,618)
Income (loss) before income taxes	(29,457)	75,943	6,420
Income tax (expense) benefit	23,565	(58,431)	3,122
Net income (loss)	$ (5,892)	$ 17,512	$ 9,542

Table of Contents

	As of December 31,					As of September 30,	
	2000	2001	2002	2003	2004	2004	2005
(In thousands)	**(Unaudited)**	**(Unaudited)**				**(Unaudited)**	**(Unaudited)**
Balance Sheet Data:							
Cash and cash equivalents	$ 19,183	$	$ 45,741	$ 34,105	$ 37,948	$ 39,140	$ 91,676
Current assets	588,998	642,536	753,289	958,669	1,107,240	1,010,645	1,243,287
Property, plant and equipment net	2,330,256	2,039,002	2,213,817	2,264,106	2,195,985	2,122,346	2,172,197
Total assets	7,705,526	7,807,624	4,926,205	5,232,820	5,240,933	5,200,407	5,295,522
Current liabilities	1,769,959	1,825,904	642,330	736,202	749,055	726,900	807,900
Long-term debt, including current maturities	1,490,135	1,526,427	1,713,493	1,670,017	1,639,380	1,660,164	4,212,136
Total liabilities	2,352,752	2,394,226	2,347,262	2,472,656	2,511,280	2,444,447	5,207,173(4)
Owner s equity	5,352,774	5,413,398	2,578,943	2,760,164	2,729,653	2,755,960	88,349(4)
Total liabilities and owner s equity	$ 7,705,526	$ 7,807,624	$ 4,926,205	$ 5,232,820	$ 5,240,933	$ 5,200,407	$ 5,295,522

(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 common shares outstanding. The basic and diluted is based on 315,000,000 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.

(4) Reflects the distribution by us to our parent company of an intercompany note in the original principal amount of $2.5 billion issued to us by one of our wholly owned subsidiaries on August 2, 2005.

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

Table of Contents

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 overall 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:

	Year Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
(In thousands)	**(Unaudited)**	**(Unaudited)**				**(Unaudited)**	**(Unaudited)**
Reconciliation of OIBDAN to operating income (loss):							
Combined:							
OIBDAN	$ 591,824	$ 468,540	$ 456,790	$ 530,085	$ 631,612	$ 439,331	$ 494,063
Depreciation and amortization	437,349	559,498	336,895	379,640	388,217	288,810	290,233
Non-cash compensation					116	82	512
Operating income (loss)	$ 154,475	$ (90,958)	$ 119,895	$ 150,445	$ 243,279	$ 150,439	$ 203,318
Domestic:							
OIBDAN	$ 435,299	$ 362,604	$ 354,328	$ 409,722	$ 450,494	$ 326,359	$ 390,867
Depreciation and amortization	266,428	331,837	179,947	194,237	186,620	141,479	127,019
Non-cash compensation					102	72	400
Operating income	$ 168,871	$ 30,767	$ 174,381	$ 215,485	$ 263,772	$ 184,808	$ 263,448
International:							
OIBDAN	$ 208,956	$ 168,202	$ 154,680	$ 174,596	$ 234,888	$ 152,423	$ 142,593
Depreciation and amortization	170,921	227,661	156,948	185,403	201,597	147,331	163,214
Non-cash compensation					14	10	112
	$ 38,035	$ (59,459)	$ (2,268)	$ (10,807)	$ 33,277	$ 5,082	$ (20,733)

Operating income
(loss)

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

Management s discussion and analysis, or MD&A, of our financial condition and results of operations is provided as a supplement to the audited annual financial statements and unaudited interim financial statements and accompanying notes thereto included elsewhere in this prospectus to help provide an understanding of our financial condition, changes in our financial condition and results of our operations. The information included in MD&A should be read in conjunction with the annual and interim financial statements. MD&A is organized as follows:

Overview. This section provides a general description of our business, as well as other matters that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.

Results of operations. This section provides an analysis of our results of operations for the nine months ended September 30, 2005 and 2004 and the years ended December 31, 2004, 2003 and 2002. Our discussion is presented on both a combined and segment basis. Our reportable operating segments are domestic and international. Approximately 95% of our 2004 domestic revenues were derived from the United States, with the balance derived from Canada and Latin America. Approximately 52% of our 2004 international revenues were derived from France and the United Kingdom. Our French operations incurred a restructuring charge in the third quarter of 2005 and in 2003. One measure we use to manage our segments is operating income. Corporate expenses, interest expense, equity in earnings (loss) of nonconsolidated affiliates, other income (expense) net, income taxes and cumulative effect of change in accounting principle are managed on a total company basis and are, therefore, included only in our discussion of combined results.

Financial condition and liquidity. This section provides a discussion of our financial condition as of September 30, 2005 and December 31, 2004, as well as an analysis of our cash flows for the nine months ended September 30, 2005 and 2004 and the years ended December 31, 2004 and 2003. The discussion of our financial condition and liquidity includes summaries of (i) our primary sources of liquidity, (ii) our key debt covenants and (iii) our outstanding debt and commitments (both firm and contingent) that existed as of September 30, 2005.

Seasonality. This section discusses seasonal performance of our domestic and international segments.

Market risk management. This section discusses how we manage exposure to potential losses arising from adverse changes in foreign currency exchange rates and interest rates.

Critical accounting estimates. This section discusses accounting policies considered to be important to our financial condition and results of operations and which require significant judgment and estimates on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note A to our combined financial statements included elsewhere in this prospectus.

OVERVIEW

Description of Business

Our revenues are derived from selling advertising space on the more than 870,000 displays that we own or operate as of September 30, 2005 in key markets worldwide, consisting primarily of billboards, street furniture displays and transit displays. We own the majority of our advertising displays, which typically are located on sites that we either lease or own or for which we have acquired permanent easements. Our advertising contracts with clients typically outline the number of displays reserved, the duration of the advertising campaign and the unit price per display. The margins on our billboard contracts tend to be higher than those on contracts for our other displays.

Generally, our advertising rates 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. To monitor our business, management typically reviews the average rates, average revenues per display, occupancy and inventory levels of each of our display types by market. In addition, because a significant portion of our advertising operations are conducted in foreign markets, principally France and the United Kingdom, management reviews the operating results from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Because revenue-sharing and minimum guaranteed payment arrangements are more prevalent in our international operations, the margins in our international operations typically are less than the margins in our domestic operations. Foreign currency transaction gains and losses, as well as gains and losses from translation of financial statements of subsidiaries and investees in highly inflationary countries, are included in operations.

The significant expenses associated with our operations include (i) direct production, maintenance and installation expenses, (ii) site lease expenses for land under our displays and (iii) revenue-sharing or minimum guaranteed amounts payable under our street furniture and transit display contracts. Our direct production, maintenance and installation expenses include costs for printing, transporting and changing the advertising copy on our displays, the related labor costs, the vinyl and paper costs and the costs for cleaning and maintaining our displays. Vinyl and paper costs vary according to the complexity of the advertising copy and the quantity of displays. Our site lease expenses include lease payments for use of the land under our displays, as well as any revenue-sharing arrangements we may have with the landlords. The terms of our domestic site leases typically range from one month to over 50 years, and typically provide for renewal options. Internationally, the terms of our site leases typically range from three to ten years, but may vary across our networks.

We have long-standing relationships with a diversified group of local, regional and national advertising brands and agencies in the United States and worldwide.

Relationship with Clear Channel Communications

Clear Channel Communications has advised us that its current intent is to continue to hold all of our Class B common stock owned by it after this offering and thereby retain its controlling interest in us. 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. See Underwriting.

Factors Affecting Results of Operations and Financial Condition

Our revenues are derived primarily from the sale of advertising space on displays that we own and operate in key markets worldwide, and our operating results are therefore affected by general economic conditions, as well as trends in the out-of-home advertising industry.

The outdoor advertising industry is significantly influenced by general local and national economic conditions, as well as the general advertising environment in individual markets. For instance, weak national advertising and a difficult competitive environment in France have led to a decline in our revenues of approximately $14.5 million for the nine months ended September 30, 2005, as compared to the same period for the prior year. In July 2005, we announced a plan to restructure our French operations to reduce approximately 6% of our French workforce and streamline our operations, which we anticipate will provide cost savings over the next three years. In connection with this restructuring effort, we recorded approximately $26.6 million as a component of selling, general and administrative expenses.

Government regulation and geopolitical events also impact the outdoor advertising industry. In certain markets, deregulation of the advertising industry may have a negative impact on our revenues. For example, recent changes in French regulation will allow advertisers to place retail advertisements on television by January 1, 2007. We anticipate that such changes will impact our national advertising revenues derived from France as a portion of French retail advertising dollars shift from outdoor media to television. National retail advertising in France is approximately 2% of our consolidated global revenues.

The outdoor advertising industry is also influenced by the commuting habits of the general population. Population growth and increasing drive and other commute times are key growth drivers for us. Outdoor advertising provides advertisers the ability to capture a growing mobile audience base that spends an increasing amount of time out-of-home. Technological advances also provide opportunities in the outdoor advertising industry. For example, digital display capabilities offer innovative advances in electronic displays. We recently converted seven billboards in the Cleveland area from standard to digital formats and have experienced increases in revenues from those displays. Technological advances are also expected to allow us to quickly and frequently change advertisements on displays, facilitating our transition from selling an advertiser display space to selling an advertiser time on multiple displays.

There are several additional factors that could materially impact our results of operations. See Risk Factors for a more comprehensive list of these factors.

Basis of Presentation

Our combined financial statements have been derived from the financial statements and accounting records of Clear Channel Communications, principally from the statements and records representing Clear Channel Communications Outdoor Segment, using the historical results of operations and historical bases of assets and liabilities of our business. The combined statements of operations include expense allocations for certain corporate functions historically provided to us by Clear Channel Communications. These allocations were made on a specifically identifiable basis or using relative percentages of headcount as compared to Clear Channel Communications other businesses or other methods. We and Clear Channel Communications considered these allocations to be a reflection of the utilization of services provided. Our expenses as a separate, stand-alone company may be higher or lower than the amounts reflected in the combined statements of operations. Additionally, Clear Channel Communications primarily uses a centralized approach to cash management and the financing of its operations with all related acquisition activity between Clear Channel Communications and us reflected in our owner s equity as Owner s net investment while all other cash transactions are recorded as part of Due from Clear Channel Communications on our combined balance sheets.

We will incur increased costs as a result of becoming an independent publicly traded company, primarily from audit fees paid to our independent public accounting firm, Public Company Accounting Oversight Board fees, the hiring of additional staff to fulfill reporting requirements of a public company, NYSE listing fees and shareholder communications fees. Under the Corporate Services Agreement, we will bear the costs of certain services continued to be provided to us by Clear Channel Communications. We believe cash flow from operations will be sufficient to fund these additional corporate expenses.

Under the Corporate Services Agreement, Clear Channel Communications will allocate to us our share of costs for services provided on our behalf based on actual direct costs incurred by Clear Channel Communications or an estimate of Clear Channel Communications expenses incurred on our behalf. For the years ended December 31, 2004, 2003 and 2002, we recorded approximately $16.6 million, $19.6 million and $17.6 million, respectively, and for the nine months ended September 30, 2005 and 2004, we recorded approximately $11.8 million and $11.8 million, respectively, as a component of corporate expenses for these services. As mentioned above, we will incur additional expenses associated with being an independent publicly traded company that were not incurred by Clear Channel Communications in the past. See Arrangements Between Clear Channel Communications and Us.

We do not believe that becoming an independent publicly traded company will have an adverse effect on our growth rates in the future because we will be comprised of substantially the same business as the outdoor segment of Clear Channel Communications, and Clear Channel Communications will retain a significant financial interest in us immediately after the offering. Our success will continue to be highly dependent on the overall health of the local and national economies in which we operate and the overall health of the advertising environment in each of our markets. We believe that being a publicly traded company will provide a stock-based currency that could potentially be used to raise capital and to more closely align our management and employee incentives with our business performance.

We believe the assumptions underlying the combined financial statements are reasonable. However, the combined financial statements may not necessarily reflect our results of operations, financial position and cash flows in the future or what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone company during the periods presented.

Table of Contents

RESULTS OF OPERATIONS

Combined Results of Operations

The following table summarizes our historical results of operations:

	Nine Months Ended September 30,		Year Ended December 31,		
	2005	**2004**	**2004**	**2003**	**2002**
(In thousands)	**(Unaudited)**	**(Unaudited)**			
Revenues	$ 1,931,471	$ 1,761,308	$ 2,447,040	$ 2,174,597	$ 1,859,641
Operating expenses:					
Direct operating expenses	988,448	924,420	1,262,317	1,133,386	957,830
Selling, general and administrative expenses	410,075	358,188	499,457	456,893	392,803
Depreciation and amortization	290,233	288,810	388,217	379,640	336,895
Corporate expenses	39,397	39,451	53,770	54,233	52,218
Operating income	203,318	150,439	243,279	150,445	119,895
Interest expense (including intercompany)	142,967	120,350	159,830	159,849	239,025
Equity in earnings (loss) of nonconsolidated affiliates	9,908	2,270	(76)	(5,142)	3,620
Other income (expense) net	(17,353)	(17,210)	(13,341)	(8,595)	9,164
Income (loss) before income taxes and cumulative effect of a change in accounting principle	52,906	15,149	70,032	(23,141)	(106,346)
Income tax (expense) benefit:					
Current	(37,767)	6,481	(23,422)	12,092	72,008
Deferred	6,023	(17,730)	(39,132)	(23,944)	(21,370)
Income (loss) before cumulative effect of a change in accounting principle	21,162	3,900	7,478	(34,993)	(55,708)
Cumulative effect of a change in accounting principle, net of tax of $113,173 in 2004 and $504,927 in 2002			(162,858)		(3,527,198)
Net income (loss)	$ 21,162	$ 3,900	$ (155,380)	$ (34,993)	$ (3,582,906)

Revenues

Our revenues increased approximately $170.2 million, or 10%, during the nine months ended September 30, 2005 as compared to the same period of 2004. Included in these results is approximately $33.9 million from increases in foreign exchange as compared to the same period of 2004. Our domestic operations contributed approximately $85.9 million primarily from increased bulletin and poster revenues of approximately $41.4 million. In addition to foreign exchange increases, our international operations contributed approximately $50.4 million from approximately $22.9 million related to our consolidation of Clear Media Limited, when we increased our investment to a majority controlling interest during the third quarter of 2005 which we had previously accounted for as an equity method investment. Partially offsetting this international revenue growth was a decline in revenues of approximately $14.5 million from our media products in France as a result of a difficult economic and competitive environment.

Our revenues increased approximately $272.4 million, or 13%, during 2004 as compared to 2003. Included in the increase is approximately $128.6 million from foreign exchange increases. Our domestic operations contributed approximately $85.7 million to the increase, primarily from increased rates on our bulletin and poster inventory. In addition to foreign exchange increases, our international operations contributed $58.1 million to the increase, principally from street furniture sales as a result of an increase in average revenue per display.

Our revenues increased approximately $315.0 million, or 17%, during 2003 as compared to 2002. Included in the increase is approximately $169.9 million from foreign exchange increases. Our domestic operations contributed approximately $94.9 million to the increase, primarily from increased rates and occupancy on our bulletin inventory and our acquisition of The Ackerley Group in June 2002, which contributed approximately $35.4 million for the six months ended June 30, 2003. In addition to foreign exchange, our international operations contributed approximately $50.2 million to the increase, principally from street furniture sales as a result of an increase in the number of displays and average revenue per display.

Direct Operating Expenses

Direct operating expenses increased approximately $64.0 million, or 7%, during the nine months ended September 30, 2005 as compared to the same period of 2004. Included in these expenses is approximately $20.0 million from increases in foreign exchange as compared to the same period of 2004. Our domestic operations contributed approximately $11.6 million to the increased expense of which approximately $5.6 million related to direct production expenses and approximately $6.0 million related to site lease expenses, both of which were associated with the increase in revenues. In addition to foreign exchange increases, our international operations increased approximately $32.4 million, comprised from an approximately $21.7 million increase in fixed rent and minimum annual guarantees and approximately $8.7 million from our consolidation of Clear Media, partially offset by a decline of approximately $1.6 million of various other expenses.

Direct operating expenses increased $128.9 million, or 11%, during 2004 as compared to 2003. Included in the increase is approximately $76.0 million from foreign exchange increases. Our domestic operations contributed approximately $33.6 million primarily from increased site lease rent expense. In addition to foreign exchange increases, our international operations contributed approximately $19.3 million, principally from higher site lease rent expense and approximately $6.2 million from the consolidation of a joint venture.

Direct operating expenses increased $175.6 million, or 18%, during 2003 as compared to 2002. Included in the increase is approximately $102.0 million from foreign exchange increases. Our domestic operations contributed approximately $36.1 million, primarily from our acquisition of The Ackerley Group, which contributed approximately $19.3 million in direct operating expenses during the six months ended June 30, 2003. In addition to foreign exchange increases, our international operations contributed approximately $37.5 million to the increase principally from higher site lease rent expense.

Selling, General and Administrative Expenses (SG&A)

SG&A increased approximately $51.9 million, or 14%, during the nine months ended September 30, 2005 as compared to the same period of 2004. Included in these expenses is approximately $8.7 million from increases in foreign exchange as compared to the same period of 2004. Our domestic operations increased approximately $10.1 million principally from an approximately $2.9 million increase in commission expenses and an approximately $1.8 million increase in bad debt expense. In addition to foreign exchange increases, our international operations increased approximately $33.1 million, principally from approximately $26.6 million of costs related to the restructuring of our business in France and approximately $3.8 million from our consolidation of Clear Media.

SG&A increased approximately $42.6 million, or 9%, during 2004 as compared to 2003. Included in the increase is approximately $31.3 million from foreign exchange increases. Our domestic operations contributed approximately $11.4 million primarily from commission expenses associated with the increase in revenue. In addition to foreign exchange, our international operations SG&A declined approximately

$0.1 million. The decline is primarily due to a restructuring charge of $13.8 million in France taken during 2003, partially offset by a restructuring charge of $4.1 million in Spain taken during 2004, $2.6 million associated with the consolidation of a joint venture, as well as increased commission expenses associated with the increase in revenue during 2004.

SG&A increased approximately $64.1 million, or 16%, during 2003 as compared to 2002. Included in the increase is approximately $43.2 million from foreign exchange increases. Our domestic operations contributed approximately $3.4 million primarily from increased commission expenses associated with the increase in revenue. In addition to foreign exchange, in 2003 our international operations contributed approximately $17.5 million principally from a restructuring charge in France of approximately $13.8 million taken during 2003.

Our branch managers have historically followed a corporate policy allowing Clear Channel Communications to use, without charge, domestic displays that they or their staff believe would otherwise be unsold. Our sales personnel receive partial revenue credit for that usage for compensation purposes. This partial revenue credit is not included in our reported revenues. Clear Channel Communications bears the cost of producing the advertising and we bear the costs of installing and removing this advertising. In 2004, we estimated that these discounted revenues would have been less than 3% of our domestic revenues. Under the Master Agreement, this policy will continue.

Depreciation and Amortization

Depreciation and amortization increased approximately $8.6 million in 2004 as compared to 2003. The increase is primarily attributable to approximately $3.0 million related to damage from the hurricanes that struck Florida and the Gulf Coast during the third quarter of 2004 and approximately $18.8 million from fluctuations in foreign exchange rates that impacted our international segment, largely offset by accelerated depreciation on display takedowns and abandonments of approximately $17.1 million recognized during 2003 that did not reoccur during 2004.

Depreciation and amortization increased approximately $42.7 million in 2003 as compared to 2002. The increase is primarily attributable to approximately $25.0 million from foreign exchange increases, increased display takedowns in 2003 as compared to 2002 of approximately $12.2 million and our acquisition of The Ackerley Group in June 2002 which contributed approximately $2.4 million.

Corporate Expenses

Clear Channel Communications provides management services to us, which include, among other things, (i) treasury, payroll and other financial related services, (ii) executive officer services, (iii) human resources and employee benefits services, (iv) legal, public affairs and related services, (v) information systems, network and related services, (vi) investment services, (vii) corporate services and (viii) procurement and sourcing support services. These services are allocated to us based on actual direct costs incurred or on Clear Channel Communications estimate of expenses relative to a seasonally adjusted headcount. For the nine months ended September 30, 2005 and 2004 and for the years ended December 31, 2004, 2003, and 2002, we recorded approximately $11.8 million, $11.8 million, $16.6 million, $19.6 million, and $17.6 million, respectively, as a component of corporate expenses for these services.

Interest Expense (Including Intercompany)

Interest expense increased $22.6 million for the nine months ended September 30, 2005 compared to the same period of 2004 primarily from a $2.5 billion intercompany note with Clear Channel Communications issued on August 2, 2005. The note accrues interest at a variable per annum rate based on the weighted average cost of debt for Clear Channel Communications, calculated on a monthly basis. The estimated weighted average interest rate for the period ended September 30, 2005 was 5.7%.

Table of Contents

Throughout 2002, we had in place a revolving demand promissory note with Clear Channel Communications. Effective December 31, 2002, Clear Channel Communications capitalized amounts included in the revolving demand promissory note into two fixed principal and interest rate notes. The first note is in the original principal amount of approximately $1.4 billion and accrues interest at a per annum rate of 10%. The second note is in the original principal amount of $73.0 million and accrues interest at a per annum rate of 9%. This capitalization effectively lowered our interest expense for the years ended December 31, 2004 and 2003 as compared to 2002 because the revolving demand promissory note had a higher average balance than the two fixed rate promissory notes.

Other Income (Expense) Net

The principal components of other income (expense) net were:

(In millions)	Year Ended December 31, 2004	2003	2002
Royalty fee	$ (15.8)	$ (14.1)	$
Gain on sale of operating and fixed assets	11.7	11.1	7.1
Transitional asset retirement obligation		(7.0)	
Minority interest	(7.6)	(3.9)	1.8
Other	(1.6)	5.3	.3
Total other income (expense) net	$ (13.3)	$ (8.6)	$ 9.2

The royalty fee represents payments to Clear Channel Communications for our use of certain trademarks and licenses.

Income Taxes

Our operations are included in a consolidated income tax return filed by Clear Channel Communications. However, for our financial statements, our provision for income taxes was computed on the basis that we file separate consolidated income tax returns with our subsidiaries.

Current tax expense for the nine months ended September 30, 2005 increased approximately $44.2 million as compared to the nine months ended September 30, 2004. This increase is primarily due to an approximately $37.8 million increase in Income before income taxes for the nine months ended September 30, 2005 as compared to the nine months ended September 30, 2004. In addition, current tax expense from foreign operations increased approximately $16.5 million during the current period as compared to the prior period primarily due to a change in local country tax law that resulted in the recognition of additional current tax expense and less deferred tax expense for the nine months ended September 30, 2005. During the nine months ended September 30, 2004, current tax expense was reduced by amounts associated with the disposition of certain assets.

Deferred tax benefit for the nine months ended September 30, 2005 was approximately $6.0 million as compared to a tax expense of $17.7 million for the nine months ended September 30, 2004. The deferred tax benefit for the nine months ended September 30, 2005 primarily relates to the reversal of foreign deferred tax liabilities that were set up at acquisition for certain contract valuations. During the nine months ended September 30, 2004, deferred tax expense was increased $7.4 million related to the disposition of certain assets.

Our effective tax rate for the year ended December 31, 2004 was 89%. The effective tax rate is a result of our mix of earnings and losses in foreign jurisdictions and certain deferred tax adjustments necessary to transition from being a wholly-owned subsidiary and certain other impacting events.

Current and deferred foreign tax expense of $16.6 million was recorded on certain international subsidiaries generating net positive taxable income. There were no current and deferred foreign tax benefits recorded on certain international subsidiaries generating taxable losses due to the uncertainty of the ability

52

Table of Contents

to utilize such losses within the applicable carryforward periods. The impact of the foregoing provides for foreign tax expense of $16.6 million on foreign pre-tax earnings of $14.8 million, which is an effective tax rate of 112.2% The foreign tax rate in combination with certain adjustments to our domestic effective tax rate related to (i) additional state deferred tax expense necessary to adjust state deferred tax assets to an amount expected to be recoverable in future years considering the pending Clear Channel Communications group structure changes, and (ii) additional current tax expense of approximately $6.3 million necessary to accrue for tax and interest on ongoing tax contingencies, contribute to our overall effective tax rate for the period.

During 2003, we recorded additional current tax expense due to certain tax contingencies of approximately $10.1 million. In addition, we did not record a tax benefit on certain tax losses from our foreign operations due to the uncertainty of the ability to utilize those tax losses in the future. As a result of the above items, our effective tax rate of negative 51% resulted in an income tax expense of approximately $11.9 million on an approximately $23.1 million loss before income taxes and cumulative effect of a change in accounting principle for the year ended December 31, 2003.

During 2002, we recorded a tax benefit from foreign operations of approximately $17.0 million on foreign income before income tax of approximately $7.6 million. The tax benefit was the result of the blending of income taxed in low tax rate jurisdictions and losses benefited in high tax rate jurisdictions.

Cumulative Effect of a Change in Accounting Principle

The SEC staff issued Staff Announcement No. D-108, *Use of the Residual Method to Value Acquired Assets Other Than Goodwill*, at the September 2004 meeting of the Emerging Issues Task Force which we adopted in the fourth quarter of 2004. The Staff Announcement states that the residual method should no longer be used to value intangible assets other than goodwill. Rather, a direct method should be used to determine the fair value of all intangible assets other than goodwill required to be recognized under Statement of Financial Accounting Standards No. 141, *Business Combinations.* Our adoption of the Staff Announcement resulted in an aggregate carrying value of our domestic permits that was in excess of their fair value. The Staff Announcement requires us to report the excess value of approximately $162.9 million, net of tax, as a cumulative effect of a change in accounting principle.

The loss recorded as a cumulative effect of a change in accounting principle during 2002 relates to our adoption of Statement 142 on January 1, 2002. Statement 142 required that we test goodwill and permits for impairment using a fair value approach. As a result of the goodwill test, we recorded a non-cash, net of tax, impairment charge of approximately $3.5 billion. As required by Statement 142, a subsequent impairment test was performed at October 1, 2002, which resulted in no additional impairment charge. The non-cash impairment of our goodwill was generally caused by unfavorable economic conditions, which persisted throughout 2001. This weakness contributed to our clients reducing the number of advertising dollars spent on our inventory. These conditions adversely impacted the cash flow projections used to determine the fair value of each reporting unit at January 1, 2002 which resulted in the non-cash impairment charge of a portion of our goodwill.

Domestic Results of Operations

	Nine Months Ended September 30,		Year Ended December 31,		
	2005	**2004**	**2004**	**2003**	**2002**
(In thousands)					
Revenues	$ 886,649	$ 800,744	$ 1,092,089	$ 1,006,376	$ 911,493
Direct operating expenses	359,263	347,619	468,687	435,075	399,006
Selling, general and administrative expenses	136,919	126,838	173,010	161,579	158,159
Depreciation and amortization	127,019	141,479	186,620	194,237	179,947
Operating income	$ 263,448	$ 184,808	$ 263,772	$ 215,485	$ 174,381

Table of Contents

For the nine months ended September 30, 2005, our revenues grew approximately $85.9 million, or 11%, over the same period of the prior year. The increase was primarily due to approximately $41.4 million attributable to increased rates on our bulletin and poster inventory during 2005. Growth occurred across our markets including New York, Miami, Houston, Seattle, Cleveland and Las Vegas. Revenues from our airport, street furniture and transit advertising displays contributed the majority of the remaining $44.5 million increase. Strong advertising client categories for the nine months ended September 30, 2005 included automotive, entertainment and amusements, business and consumer services, retail and telecommunications.

Direct operating expenses increased approximately $11.6 million, or 3%, during the nine months ended September 30, 2005 as compared to the same period in 2004. The increase is from approximately $5.6 million related to direct production expenses and approximately $6.0 million related to site lease expenses, both of which were associated with the increase in revenues. SG&A increased $10.1 million, or 8%, principally from an approximately $2.9 million increase in commission expenses and an approximately $1.8 million increase in bad debt expense.

Depreciation and amortization expense decreased approximately $14.5 million during the nine months ended September 30, 2005 as compared to the same period of 2004, due to fewer display takedowns during the current period, which resulted in less accelerated deprecation. During the nine months ended September 30, 2004, our management team made strategic decisions to remove certain advertising structures to enhance overall geographic area profits. As a result of these decisions, advertising structures were removed and their remaining book value was written off as additional depreciation expense.

During 2004, revenues increased approximately $85.7 million, or 9%, over 2003. Revenue growth occurred across our inventory, with bulletins and posters leading the way. Increased rates drove the growth in bulletin revenues, partially offset by a decrease in occupancy. We also grew rates on our poster inventory in 2004, with occupancy flat compared to 2003. Revenue growth occurred across the nation, fueled by growth in Los Angeles, New York, Miami, San Antonio, Seattle and Cleveland. The client categories leading revenue growth remained consistent throughout the year, the largest being entertainment. Business and consumer services was also a strong client category and was led by advertising spending from banking and telecommunications clients. Revenues from the automotive client category increased due to national, regional and local auto dealer advertisements.

Direct operating expenses increased approximately $33.6 million, or 8%, during 2004 as compared to 2003 primarily as a result of $21.8 million from site lease rent expense as a result of an increase in revenue-share payments associated with the increase in revenues. Our SG&A in 2004 increased approximately $11.4 million, or 7%, primarily from approximately $5.1 million related to commission and wage expenses relative to the growth in revenue.

During 2003, revenues increased approximately $94.9 million, or 10%, over 2002. Included in the increase is our acquisition of The Ackerley Group, acquired in June 2002, which contributed approximately $35.4 million in revenues during the six months ended June 30, 2003. In addition to the acquisition of The Ackerley Group, our bulletin inventory fueled the growth. Our bulletin inventory performed well year over year in the vast majority of our markets, with both rates and occupancy up. We saw strong growth in both large markets such as New York, San Francisco, Miami and Tampa and in smaller markets such as Albuquerque and Chattanooga. Top domestic advertising categories for us during 2003 were business and consumer services, media and entertainment and automotive.

Direct operating expenses increased $36.1 million, or 9%, during 2003 as compared to 2002 primarily as a result of The Ackerley Group, which contributed approximately $19.3 million. The remaining $16.8 million of the increase is attributable to direct production and site lease rent expenses relative to the growth in revenue. SG&A in 2003 increased $3.4 million, or 2%, primarily from $2.6 million related to bonus and commission expenses relative to the growth in revenue.

Depreciation and amortization increased approximately $14.3 million in 2003 as compared to 2002. The increase is primarily attributable to increased display takedowns in 2003 as compared to 2002 of approximately $12.2 million and our acquisition of The Ackerley Group in June 2002, which contributed approximately $2.4 million, offset by a decline in depreciation and amortization of $0.3 million.

International Results of Operations

	Nine Months Ended September 30,		Year Ended December 31,		
	2005	**2004**	**2004**	**2003**	**2002**
(In thousands)					
Revenues	$ 1,044,822	$ 960,564	$ 1,354,951	$ 1,168,221	$ 948,148
Direct operating expenses	629,185	576,801	793,630	698,311	558,824
Selling, general and administrative expenses	273,156	231,350	326,447	295,314	234,644
Depreciation and amortization	163,214	147,331	201,597	185,403	156,948
Operating income (loss)	$ (20,733)	$ 5,082	$ 33,277	$ (10,807)	$ (2,268)

Revenues increased approximately $84.3 million, or 9%, during the nine months ended September 30, 2005 as compared to the same period in 2004. The growth includes approximately $33.9 million from foreign exchange increases. Also included in the nine months ended September 30, 2005 is approximately $22.9 million from our consolidation of Clear Media, which we acquired during the third quarter of 2005 and had previously accounted for as an equity method investment. Partially offsetting this increase is an approximately $14.5 million revenue decline from our media products in France. Our revenue growth was attributable to our street furniture and transit revenues.

Direct operating expenses grew $52.4 million, or 9%, during the nine months ended September 30, 2005 as compared to the same period of the prior year. Included in these results is approximately $20.0 million from increases in foreign exchange as compared to the same period of 2004. In addition to foreign exchange increases, our direct operating expenses grew approximately $32.4 million, principally from an approximately $21.7 million increase in fixed rent and minimum annual guarantees and approximately $8.7 million from our consolidation of Clear Media, partially offset by a decline of approximately $1.6 million of various other expenses. Our SG&A grew approximately $41.8 million, or 18%, during the nine months ended September 30, 2005 as compared to the same period of the prior year. Included in these results is approximately $8.7 million from increases in foreign exchange as compared to the same period of 2004. In addition to foreign exchange increases, SG&A grew approximately $33.1 million, principally from an approximately $26.6 million of costs related to the restructuring of our business in France and approximately $3.8 million from our consolidation of Clear Media.

Depreciation and amortization expense increased approximately $15.9 million during the first nine months of 2005 as compared to the same period of the prior year, due primarily to increases in foreign exchange.

During 2004, revenues increased approximately $186.7 million, or 16%, over 2003, including approximately $128.6 million from foreign exchange increases. Street furniture sales in the United Kingdom, Belgium, Australia, New Zealand and Denmark were the leading contributors to our revenue growth. We saw strong demand for our street furniture inventory, enabling us to realize an increase in the average revenues per display. Our billboard revenues increased slightly as a result of an increase in average revenues per display. Also contributing to the increase was approximately $10.4 million related to the consolidation of our outdoor advertising joint venture in Australia during the second quarter of 2003, which we had previously accounted for under the equity method of accounting. Tempering our 2004 results were a difficult competitive environment for billboard sales in the United Kingdom and challenging market conditions for all of our products in France.

Direct operating expenses increased $95.3 million, or 14%, during 2004 as compared to 2003. Included in the increase is approximately $76.0 million from foreign exchange increases. In addition to foreign exchange, direct operating expenses grew approximately $19.3 million during this period, principally from higher site lease rent expense and approximately $6.2 million from the consolidation of a joint venture in

Australia, which was previously accounted for under the equity method. SG&A increased $31.1 million, or 11%, during 2004 as compared to 2003. Included in the increase is approximately $31.3 million from foreign exchange increases. After the effect of foreign exchange increases, SG&A declined approximately $0.2 million. The decline is primarily due to a restructuring charge of $13.8 million in France taken during 2003, partially offset by a restructuring charge of $4.1 million in Spain taken during 2004, $2.6 million associated with the consolidation of a joint venture, as well as increased commission expenses associated with the increase in revenue during 2004.

Depreciation and amortization increased approximately $16.2 million in 2004 as compared to 2003 primarily attributable to foreign exchange increases.

During 2003, revenues increased approximately $220.1 million, or 23%, over 2002, including approximately $169.9 million from foreign exchange increases. Revenue growth was spurred by our transit displays and street furniture inventory. This growth was due to an increase in displays and average revenues per display primarily from our street furniture products. Strong markets for our street furniture inventory were Australia, Norway and the United Kingdom. This revenue increase was slightly offset by a decline in our billboard revenues.

Direct operating expenses increased $139.5 million, or 25%, during 2003 as compared to 2002. Included in the increase is approximately $102.0 million from foreign exchange increases. In addition to foreign exchange, direct operating expenses increased approximately $37.5 million during this period principally from higher site lease rent expense associated with the increase in revenue. SG&A increased $60.7 million, or 26%, during 2003 as compared to 2002. Included in the increase is approximately $43.2 million from foreign exchange increases. In addition to foreign exchange, SG&A grew approximately $17.5 million during this period principally from a restructuring charge in France of approximately $13.8 million taken during 2003.

Depreciation and amortization increased approximately $28.5 million in 2003 as compared to 2002 primarily attributable to approximately $25.0 million from foreign exchange increases.

Reconciliation of Segment Operating Income (Loss)

	Nine Months Ended September 30,		Year Ended December 31,		
(In thousands)	2005	2004	2004	2003	2002
Domestic outdoor	$ 263,448	$ 184,808	$ 263,772	$ 215,485	$ 174,381
International outdoor	(20,733)	5,082	33,277	(10,807)	(2,268)
Corporate	(39,397)	(39,451)	(53,770)	(54,233)	(52,218)
Combined operating income	$ 203,318	$ 150,439	$ 243,279	$ 150,445	$ 119,895

USE OF OIBDAN

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

56

Table of Contents

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 overall 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)	Nine Months Ended September 30, 2005 (Unaudited)	Nine Months Ended September 30, 2004 (Unaudited)	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
Reconciliation of OIBDAN to operating income (loss):					
Combined:					
OIBDAN	$ 494,063	$ 439,331	$ 631,612	$ 530,085	$ 456,790
Depreciation and amortization	290,233	288,810	388,217	379,640	336,895
Non-cash compensation	512	82	116		
Operating income	$ 203,318	$ 150,439	$ 243,279	$ 150,445	$ 119,895
Domestic:					
OIBDAN	$ 390,867	$ 326,359	$ 450,494	$ 409,722	$ 354,328
Depreciation and amortization	127,019	141,479	186,620	194,237	179,947
Non-cash compensation	400	72	102		
Operating income	$ 263,448	$ 184,808	$ 263,772	$ 215,485	$ 174,381
International:					
OIBDAN	$ 142,593	$ 152,423	$ 234,888	$ 174,596	$ 154,680
Depreciation and amortization	163,214	147,331	201,597	185,403	156,948
Non-cash compensation	112	10	14		
Operating income (loss)	$ (20,733)	$ 5,082	$ 33,277	$ (10,807)	$ (2,268)

Our combined OIBDAN increased $54.7 million, or 12%, for the nine months ended September 30, 2005 as compared to the same period of 2004 primarily as a result of approximately $64.5 million from our domestic operations driven by increased revenues across our domestic inventory. Included in the increase is approximately $5.2 million from foreign exchange increases. In addition to the foreign exchange increase, our international segment s OIBDAN declined approximately $15.0 million primarily from approximately $26.6 million related to restructuring expenses in France during the third quarter of 2005, partially offset by an OIBDAN increase of $10.4 million from our consolidation of Clear Media.

Our combined OIBDAN increased $101.5 million, or 19%, for the year ended December 31, 2004 compared to the same period of 2003. Our domestic segment contributed $40.8 million and our international segment contributed $60.3 million, including approximately $21.3 million from foreign exchange increases, while our corporate expenses decreased during 2004 by $0.4 million. The domestic OIBDAN growth was attributable to increased bulletin and poster sales while international OIBDAN growth was led by increased street furniture sales. We experienced OIBDAN margin expansion during

Table of Contents

2004 compared to 2003 primarily related to a $13.8 million restructuring charge taken in France during the second quarter of 2003.

Our combined OIBDAN increased $73.3 million, or 16%, for the year ended December 31, 2003 compared to the same period of 2002. Our domestic segment contributed $55.4 million and our international segment contributed $19.9 million, while our corporate expenses increased during 2003 by $2.0 million. Our domestic OIBDAN growth was attributable to bulletin sales and our domestic OIBDAN margin increased partially as a result of The Ackerley Group. The Ackerley Group contributed $16.1 million in OIBDAN and had a higher OIBDAN margin than our overall domestic OIBDAN margin for the first six months of 2003. Our combined OIBDAN margin decreased during 2003 compared to 2002 primarily from a $13.8 million restructuring charge taken in France during the second quarter of 2003. Included in OIBDAN for the year ended December 31, 2003 is approximately $24.7 million from foreign exchange increases over the same period of 2002.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition as of September 30, 2005

As of September 30, 2005, we had approximately $4.2 billion of debt, approximately $91.7 million of cash and cash equivalents and approximately $88.3 million of owner s equity. On August 2, 2005 we distributed 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. We intend to use all of the net proceeds from this offering to repay a portion of the intercompany indebtedness owed to Clear Channel Communications.

Financial Condition as of December 31, 2004

As of December 31, 2004, we had approximately $1.6 billion of debt, approximately $37.9 million of cash and equivalents and approximately $2.7 billion of owner s equity. This compares to approximately $1.7 billion of debt, approximately $34.1 million of cash and equivalents and approximately $2.8 billion of owner s equity as of December 31, 2003.

Cash Flows

The following table summarizes our historical cash flows. The financial data for the years ended December 31, 2004 and 2003 have been derived from our audited financial statements included elsewhere in this prospectus. The financial data for the nine months ended September 30, 2005 and 2004 are unaudited and are derived from our interim financial statements included elsewhere in this prospectus.

(In thousands)	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004	Year Ended December 31, 2004	Year Ended December 31, 2003
Cash provided by (used in):				
Operating activities	$ 336,637	$ 329,893	$ 492,495	$ 433,459
Investing activities	$ (223,189)	$ (227,386)	$ (310,658)	$ (230,162)
Financing activities	$ (48,154)	$ (95,759)	$ (182,006)	$ (222,491)

Operating Activities

Nine Months Ended September 30, 2005 as Compared to Nine Months Ended September 30, 2004

Cash provided by operations was approximately $336.6 million for the nine months ended September 30, 2005, compared to cash provided by operations of approximately $329.9 million for the nine months ended September 30, 2004. The approximately $6.7 million increase relates primarily to changes in working capital items.

Year Ended December 31, 2004 as Compared to Year Ended December 31, 2003

Cash provided by operations was approximately $492.5 million for the year ended December 31, 2004, as compared to cash provided by operations of approximately $433.5 million for the year ended December 31, 2003. The change in cash provided by operations resulted primarily from an increase in income before cumulative effect of a change in accounting principle of approximately $42.5 million.

Investing Activities

Nine Months Ended September 30, 2005 as Compared to Nine Months Ended September 30, 2004

Cash used in investing activities was approximately $223.2 million for the nine months ended September 30, 2005 as compared to approximately $227.4 million for the nine months ended September 30, 2004. The $4.2 million change relates primarily to the approximately $7.5 million used to purchase an additional interest in Clear Channel Independent, a nonconsolidated affiliate in South Africa, offset by $12.1 million in cash received on the sale of our investment in SBS Broadcasting, Inc., both occurring in 2004. We purchased approximately $12.8 million more of property plant and equipment in 2005.

Year Ended December 31, 2004 as Compared to Year Ended December 31, 2003

Cash used in investing activities was approximately $310.7 million for the year ended December 31, 2004, as compared to approximately $230.2 million for the year ended December 31, 2003. The increase in cash used in investing activities primarily related to an increase in acquisition activity during 2004. In 2004, we acquired Medallion Taxi Media for $31.6 million and acquired advertising display faces for $60.8 million.

Financing Activities

Nine Months Ended September 30, 2005 as Compared to Nine Months Ended September 30, 2004

Cash used in financing activities was approximately $48.2 million for the nine months ended September 30, 2005, as compared to cash used in financing activities of approximately $95.8 million for the nine months ended September 30, 2004. Included in cash flow from financing activities is changes in the Due from Clear Channel Communications account which relates to cash transfers between our domestic operations and Clear Channel Communications. For the nine months ended September 30, 2005 we had a net transfer of cash to Clear Channel Communications of approximately $59.5 million compared to a net transfer of cash to Clear Channel Communications of approximately $86.0 million for the nine months ended September 30, 2004. The net amount transferred is significantly affected, among other things, by the change in our domestic operations operating income and cash flow for the relevant period. The Due from Clear Channel Communications account has grown during the relevant periods primarily as a result of increases in our operating income.

Year Ended December 31, 2004 as Compared to Year Ended December 31, 2003

Cash used in financing activities was approximately $182.0 million for the year ended December 31, 2004, as compared to approximately $222.5 million for the year ended December 31, 2003. The decline is partially the result of decreased financing needs from our credit facility. Additionally, for the year ended December 31, 2004 we had a net transfer of cash to Clear Channel Communications of approximately $148.2 million compared to a net transfer of cash to Clear Channel Communications of approximately $154.4 million for the year ended December 31, 2003.

Table of Contents

Liquidity

Sources of Capital

Our primary sources of liquidity and capital resources are cash flows generated from our operations, availability of up to $150.0 million under a revolving credit facility sublimit for use in our international operations through Clear Channel Communications, funding through a cash management note with Clear Channel Communications and available cash and cash equivalents.

Management believes that future funds generated from our operations and available borrowing capacity of up to $150.0 million under the sub-limit of the Clear Channel Communications revolving credit facility discussed below will be sufficient to fund our debt service requirements, working capital requirements, capital expenditure requirements and the remaining one-time costs associated with this offering for a period of at least 18 months. However, our ability to continue to fund these items and to reduce debt may be affected by general economic, financial, competitive, legislative and regulatory factors, as well as other industry-specific factors.

Our short and long term cash requirements consist of minimum annual guarantees for our street furniture contracts, operating leases and capital expenditures. Minimum annual guarantees and operating lease requirements are included in our direct operating expenses, which historically have been satisfied by cash flows from operations. For 2005, we are committed to $378.3 million and $177.6 million for minimum annual guarantees and operating leases, respectively. Our capital expenditures were $176.1 million, $205.1 million and $290.2 million for 2004, 2003 and 2002, respectively, and have historically been satisfied by cash flow from operations. Our long-term commitments for minimum annual guarantees, operating leases and capital expenditure requirements are included in Contractual and Other Obligations, below. Our cash flow from operations was $492.5 million, $433.5 million, and $320.2 million for 2004, 2003 and 2002, respectively. Certain of our international subsidiaries have the ability to borrow under a $150.0 million sub-limit of the Clear Channel Communications revolving credit facility discussed below under Bank Credit Facility, to the extent Clear Channel Communications has not already borrowed against this capacity. At September 30, 2005, approximately $100.3 million was available for future borrowings under this facility.

As of September 30, 2005 and December 31, 2004 and 2003, we had the following debt outstanding, cash and cash equivalents and amounts due from Clear Channel Communications:

		December 31,	
(In millions)	**September 30, 2005**	**2004**	**2003**
Bank credit facility	$ 49.7	$ 23.9	$ 50.1
Debt with Clear Channel Communications	3,963.0	1,463.0	1,463.0
Other long-term debt	199.4	152.4	156.9
Total debt	4,212.1	1,639.3	1,670.0
Less: cash and cash equivalents	91.7	37.9	34.1
Less: Due from Clear Channel Communications	362.2	302.6	154.4
	$ 3,758.2	$ 1,298.8	$ 1,418.5

Bank Credit Facility. In addition to cash flows from operations, a primary source of our liquidity is through borrowings under a $150.0 million sub-limit included in Clear Channel Communications five-year, multicurrency $1.75 billion revolving credit facility. Certain of our international subsidiaries may borrow under the sub-limit to the extent Clear Channel Communications has not already borrowed against this capacity and is in compliance with its covenants under the credit facility. The interest rate on outstanding balances under the credit facility is based upon

LIBOR or, for Euro denominated borrowings, EURIBOR plus, in each case, a margin. At September 30, 2005, the outstanding balance on the sub-limit was approximately $49.7 million, and approximately $100.3 million was available for future borrowings, with the entire balance to be paid on July 12, 2009. At September 30, 2005, interest rates on borrowings under this credit facility ranged from 3.1% to 6.0%.

Debt with Clear Channel Communications. In 2003, two intercompany notes were issued to Clear Channel Communications in the total original principal amount of approximately $1.5 billion. The first intercompany note in the original principal amount of approximately $1.4 billion 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 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%. We intend to use all of the net proceeds of this offering, along with our balance in the Due from Clear Channel Communications account, to repay a portion of the outstanding balances of the $1.4 billion and $73.0 million intercompany notes. Any remaining balances will be otherwise capitalized by Clear Channel Communications.

On August 2, 2005, we distributed a third intercompany note issued by our wholly-owned subsidiary to us in the original principal amount of $2.5 billion as a dividend on our common stock, which note was subsequently distributed as a dividend in a series of transfers to Clear Channel Communications. This note matures on August 2, 2010, may be prepaid in whole at any time, or in part from time to time. The note accrues interest at a variable per annum rate equal to the weighted average cost of debt for Clear Channel Communications, calculated on a monthly basis. This note is mandatorily payable upon a change of control of us and, subject to certain exceptions, all proceeds from debt or equity raised by us must be used to prepay such note. At September 30, 2005, the interest rate on the $2.5 billion intercompany note was 5.7%. See Use of Proceeds, Arrangements Between Clear Channel Communications and Us and Description of Indebtedness.

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. After this offering, our working capital requirements and capital for our general corporate purposes may be provided to us by Clear Channel Communications, in its sole discretion, pursuant to a cash management note issued by us to Clear Channel Communications. See Cash and cash equivalents; cash management policies, below. Without the opportunity to obtain financing from Clear Channel Communications, we may need to obtain additional financing from banks, or through public offerings or private placements of debt, strategic relationships or other arrangements at some future date. Management currently believes that we could raise the funds if needed given our credit profile. Additionally, we will have publicly traded stock that management believes could be used as a source to raise capital through public or private placements of our equity securities. Subject to certain exceptions, the first $2.5 billion of such debt or equity proceeds (plus an amount equal to accrued interest thereon) would be required to be used to prepay the $2.5 billion intercompany note, unless such requirement is waived by Clear Channel Communications.

Other long-term debt. Other long-term debt consists primarily of loans with international banks and other types of debt. At September 30, 2005, approximately $199.4 million was outstanding as other long-term debt.

Cash and cash equivalents; cash management policies. Pursuant to the Corporate Services Agreement to be entered into between Clear Channel Communications and us, Clear Channel Communications will be providing us with cash management services to assist us in managing our excess operating cash. These services include:

- managing our daily cash position and determining our liquidity needs;
- administering borrowings and repayments under the revolving credit facility available to our international operations;
- establishing cash management systems and procedures that help minimize investment in non-earning cash resources while providing adequate liquidity;

- initiating all electronic funds transfers;
- providing bank administration for all domestic bank accounts and for all international accounts established by a domestic subsidiary;
- administering on-line bank reporting systems; and
- processing requests for cashier checks.

As part of the cash management services to be provided to us, on a daily basis, cash from our domestic operations will be transferred to a concentration account maintained by us. The cash will consist of money received by, available funds transferred by wire to, and the collection of good funds on checks and other orders remitted to, us. Pending receipt of good funds on checks and other orders remitted to us, such items will be maintained in lockboxes to be maintained by us.

In addition, on a daily basis, cash will be transferred from our concentration account to our disbursement account, from which our then due accounts payable and payroll obligations will be discharged. If, after cash is transferred to the disbursement account, there remains a balance in our concentration account, then that amount will be transferred to a master account maintained by Clear Channel Communications and either invested or subsequently disbursed by Clear Channel Communications for its general corporate purposes. If the cash in our concentration account is not sufficient to discharge our obligations for the corresponding day, then Clear Channel Communications may advance funds to us by transferring cash from its master account to our concentration account in an amount, which when added to the amount available in that concentration account, would discharge those daily obligations. 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. Our claim in relation to cash transferred from our concentration account to Clear Channel Communications will be based on the net cash balances from time to time owed to us.

At the conclusion of each day, the net cash position between Clear Channel Communications and us will be determined by Clear Channel Communications. We will have a daily net positive cash position if cash has been transferred from our concentration account to the account maintained by Clear Channel Communications, and a daily net negative cash position will exist if Clear Channel Communications has had to advance funds to our concentration account. The records of Clear Channel Communications will reflect the net cash balance between Clear Channel Communications and us, which, if owed to us, will be noted in our financial statements as Due from Clear Channel Communications or, if owed by us, will be noted in our financial statements as Due to Clear Channel Communications. The cash management note from us to Clear Channel Communications and the cash management note from Clear Channel Communications to us will evidence those respective obligations. Each of the notes will be a demand obligation. Interest on the cash management note owed by us will accrue on the daily net negative cash position at a per annum rate based on the average one-month LIBOR rate plus a percentage that corresponds to the percentage paid by Clear Channel Communications on LIBOR-based borrowings made by it under its corporate revolver facility. Interest on the cash management note owed by Clear Channel Communications will accrue on the daily net positive cash position at a per annum rate based on the average one-month generic treasury bill rate for the applicable period. The average one-month LIBOR rate and the average one-month generic treasury bill rate will correspond to the applicable respective rates from time to time published by Bloomberg financial services. 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.

Unlike the management of cash from our domestic operations, the amount of cash that is transferred from our foreign operations to Clear Channel Communications will be determined on a basis mutually agreeable to us and Clear Channel Communications, and not on a pre-determined basis. In arriving at such mutual agreement, the reasonably foreseeable cash needs of our foreign operations will be evaluated before a cash amount is to be considered as an excess or surplus amount for transfer to Clear Channel

Communications. When an amount of excess cash from our foreign operations is agreed upon, any proposed transfer of that excess cash will be further subject to a consideration of the effects of repatriating all or any portion of that amount. Excess cash from our foreign operations which is transferred to Clear Channel Communications will be subject to the record-keeping procedures and note arrangements utilized for cash transferred from our domestic operations to Clear Channel Communications.

For so long as Clear Channel Communications maintains a significant interest in us, a deterioration in the financial condition of Clear Channel Communications could increase our borrowing costs or impair 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 our $2.5 billion promissory 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 cannot pass on our increased borrowing costs to our clients, our profitability, and potentially our ability to raise capital, could be materially affected. Also, so long as Clear Channel Communications maintains a significant interest in us, pursuant to the Master Agreement between Clear Channel Communications and us, Clear Channel Communications will have the ability to limit our ability to incur debt or issue equity securities, which could adversely affect our ability to meet our liquidity needs. In addition, the $2.5 billion 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 incurrence of debt, subject to certain exceptions, to prepay the note in the amount of net proceeds received from such events. See Risk Factors Risks Related to Our Business and Arrangements Between Clear Channel Communications and Us.

Uses of Capital

Our primary uses of capital are funding our working capital liabilities, debt service, acquisitions and capital expenditures. Our working capital liabilities are funded through cash flows from operations. Cash paid for interest during the years ended December 31, 2004, 2003 and 2002 was approximately $175.4 million, $198.3 million and $268.0 million, respectively.

We have entered into certain agreements relating to acquisitions that provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired company. We will continue to accrue additional amounts related to such contingent payments if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if performance targets are met, would not significantly impact our financial position or results of operations. The following is a summary of our acquisition activity for the years ended December 31, 2004, 2003 and 2002:

2004 Acquisitions. In September 2004, we acquired Medallion Taxi Media, Inc. for approximately $31.6 million. In addition, during 2004 we acquired display faces for approximately $60.8 million in cash and acquired equity interests in international outdoor companies for approximately $2.5 million in cash. We also exchanged advertising assets, valued at approximately $23.7 million, for other advertising assets valued at approximately $32.3 million.

2003 Acquisitions. During 2003 we acquired display faces for approximately $28.3 million in cash. We also acquired investments in nonconsolidated affiliates for approximately $10.7 million in cash and acquired an additional 10% interest in a subsidiary for approximately $5.1 million in cash.

2002 Acquisitions. In June 2002 we acquired The Ackerley Group. The transaction was funded by approximately $26.3 million of our operating cash and a non-cash capital contribution from Clear Channel Communications of approximately $612.8 million. In addition, we acquired display faces for approximately $126.3 million in cash and acquired investments in nonconsolidated affiliates for approximately $2.1 million in cash.

Capital Expenditures. Our capital expenditures have consisted of the following:

	Nine Months Ended September 30,		Year Ended December 31,		
	2005	2004	2004	2003	2002
(In millions)					
Non-revenue producing	$ 53.0	$ 44.5	$ 70.1	$ 63.4	$ 81.0
Revenue producing	77.5	73.2	106.0	141.7	209.2
Total capital expenditures	$ 130.5	$ 117.7	$ 176.1	$ 205.1	$ 290.2

We define non-revenue producing capital expenditures as those expenditures that are required on a recurring basis. Revenue producing capital expenditures are discretionary capital investments for new revenue streams, similar to an acquisition. Our capital expenditures have been declining since 2002, primarily as a result of fewer revenue producing capital expenditures in our international segment. Due to successful bidding on street furniture contracts in prior years, we needed to supply the street furniture required under the contracts. We have not been as actively bidding on international street furniture contracts since 2002 and therefore have not had the capital needs associated with these contracts.

Part of our long-term strategy is to pursue the technology of electronic displays, including flat screens, LCDs and LEDs, as alternatives to traditional methods of displaying our clients advertisements. We are currently performing limited tests of these technologies in certain markets. We believe that cash flow from operations will be sufficient to fund these expenditures because we expect enhanced margins through: (i) lower cost of production as the advertisements will be digital and controlled by a central computer network, (ii) decreased down time on displays because the advertisements will be digitally changed rather than manually posted paper or vinyl on the face of the display, and (iii) incremental revenue through more targeted and time specific advertisements allowing us to sell more advertisements on a single display.

Covenant Compliance

The newly issued $2.5 billion intercompany note requires us to comply with various negative covenants, including restrictions on the following activities: incurring consolidated funded indebtedness (as defined in the note), excluding intercompany indebtedness, in a principal amount in excess of $400.0 million at any one time outstanding; creating liens; making investments; entering into sale and leaseback transactions (as defined in the note), which when aggregated with consolidated funded indebtedness secured by liens, will not exceed an amount equal to 10% of our total consolidated shareholder s equity (as defined in the note) as shown on our most recently reported annual audited consolidated financial statements; disposing of all or substantially all of our assets; entering into mergers and consolidations; declaring or making dividends or other distributions; repurchasing our equity; and entering into transactions with our affiliates. In addition, the note requires us to prepay it in full upon a change of control. The note defines a change of control to occur when Clear Channel Communications ceases to control (i) directly or indirectly, more than 50% of the aggregate voting equity interests of us, our operating subsidiary or our respective successors or assigns, or (ii) the ability to elect a majority of the board of directors of us, our operating subsidiary or our respective successors or assigns. Upon our issuances of equity and incurrences of debt, subject to certain exceptions, we are also required to prepay the note in the amount of the net proceeds received by us from such events. Generally, the following constitute events of default under the $2.5 billion intercompany note: any principal or accrued interest on the principal remains unpaid when due on the stated maturity date (as defined in the note) or upon the occurrence of a mandatory prepayment event (as defined in the note); any accrued interest or accrued expenses remain unpaid three days after the interest payment date (as defined in the note); any provision in the note or any related security document that represents a right or remedy ceases to be binding on our operating subsidiary or available to us; any representation or warranty made in the note or any related security document is untrue or inaccurate in any material respect; breaches of covenants or agreements or the occurrence of an event of default in the note or any related security document; defaults by us in the payment of indebtedness in excess of $25.0 million, a final judgment or order in excess of $25.0 million against us or forfeiture of property by us having a value in excess of $25.0 million; or the declaration by us or against us of bankruptcy or insolvency.

Certain of our international subsidiaries that are offshore borrowers may borrow up to $150.0 million for use in our international operations under a sub-limit of the approximately $1.8 billion revolving credit facility of Clear Channel Communications so long as Clear Channel Communications remains in compliance with its covenants under the facility and does not otherwise borrow against such capacity. The significant covenants contained in the credit facility relate to leverage and interest coverage (as defined in the credit facility). The leverage ratio covenant requires Clear Channel Communications to maintain a ratio of consolidated funded indebtedness to operating cash flow (as defined by the credit facility) of less than 5.25x. The interest coverage covenant requires Clear Channel Communications to maintain a minimum ratio of operating cash flow to interest expense (as defined by the credit facility) of 2.50x. Generally, the following constitute events of default under the $1.8 billion revolving credit facility: failure to pay borrowings and interest when they become due; failure to perform or observe covenants contained in the credit facility; failure to perform or observe any covenant contained in any other loan document; incorrect or misleading representations and warranties made in connection with the credit facility agreement; default on any other indebtedness greater than $200 million; the declaration by Clear Channel Communications or against Clear Channel Communications of bankruptcy or insolvency; failure to pay debts as they become due; a final judgment for the payment of money exceeding $250 million; invalidity of loan documents at any time after their execution and delivery; change of control; and failure to comply with the Communications Act or any rule or regulation promulgated by the Federal Communications Commission. A change of control occurs under the $1.8 billion credit facility generally when any person or group acquires more than 50% of the voting interest of Clear Channel Communications or when there has been a turnover of a majority of the board of directors of Clear Channel Communications during a 24 consecutive month period.

There are no significant covenants or events of default contained in the $1.4 billion and $73.0 million intercompany notes, the cash management note issued by Clear Channel Communications to us or the cash management note issued by us to Clear Channel Communications.

Contractual and Other Obligations

Firm Commitments

In addition to the scheduled maturities on our debt, we have future cash obligations under various types of contracts. We lease office space, certain equipment and the majority of the land occupied by our advertising structures under long-term operating leases. Some of our lease agreements contain renewal options and annual rental escalation clauses (generally tied to the consumer price index), as well as provisions for our payment of utilities and maintenance.

We have minimum franchise payments associated with noncancelable contracts that enable us to display advertising on such media as buses, taxis, trains, bus shelters and terminals. The majority of these contracts contain rent provisions that are calculated as the greater of a percentage of the relevant advertising revenues or a specified guaranteed minimum annual payment.

Table of Contents

The scheduled maturities of our credit facility, other long-term debt outstanding, future minimum rental commitments under noncancelable lease agreements, minimum payments under other noncancelable contracts, minimum annual guarantees and capital expenditures commitments as of December 31, 2004 are as follows:

	Payments Due by Period				
(In thousands)	Total	2005	2006-2007	2008-2009	2010 and Thereafter
Revolving credit facility	$ 23,938	$	$	$ 23,938	
Debt with Clear Channel Communications	1,463,000				$ 1,463,000
Other long-term debt	152,442	146,268	4,569	832	773
Minimum annual guarantees	1,658,599	378,313	471,406	282,702	526,178
Noncancelable operating leases	1,254,014	177,567	290,827	218,027	567,593
Capital expenditure commitments	223,716	119,687	63,065	25,222	15,742
Noncancelable contracts	8,953	4,215	1,604	883	2,251
Total firm commitments and outstanding debt	$ 4,784,662	$ 826,050	$ 831,471	$ 551,604	$ 2,575,537

On a pro forma basis, after giving effect to the application of the proceeds of this offering, 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 the distribution of the $2.5 billion intercompany note, as if such transactions had occurred at January 1, 2004, our contractual obligations would have consisted of the following:

	Payments Due by Period				
(In thousands)	Total	2005	2006-2007	2008-2009	2010 and Thereafter
Revolving credit facility	$ 23,938	$	$	$ 23,938	
Debt with Clear Channel Communications	2,500,000				$ 2,500,000
Other long-term debt	152,442	146,268	4,569	832	773
Minimum annual guarantees	1,658,599	378,313	471,406	282,702	526,178
Noncancelable operating leases	1,254,014	177,567	290,827	218,027	567,593
Capital expenditure commitments	223,716	119,687	63,065	25,222	15,742
Noncancelable contracts	8,953	4,215	1,604	883	2,251
Total firm commitments and outstanding debt	$ 5,821,662	$ 826,050	$ 831,471	$ 551,604	$ 3,612,537

SEASONALITY

Typically, both our domestic and international segments experience their lowest financial performance in the first quarter of the calendar year, with international typically experiencing a loss from operations in this period. Our domestic segment typically experiences consistent performance in the remainder of our calendar year. Our international segment typically experiences its strongest performance in the second and fourth quarters of our calendar year. We expect this trend to continue in the future. See Risk Factors We have incurred net losses and may experience future net losses which could adversely affect our stock price.

MARKET RISK MANAGEMENT

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

Table of Contents

Foreign Currency Risk

We have operations in countries throughout the world. The financial results of our international operations are measured in their local currencies, except in the hyperinflationary countries in which we operate. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the international markets in which we operate. We believe we mitigate a small portion of our exposure to international currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. Our international operations reported a net loss of approximately $35.0 million for the nine months ended September 30, 2005. We estimate that a 10% change in the value of the U.S. dollar relative to foreign currencies would have changed our net income for the nine months ended September 30, 2005 by approximately $3.5 million.

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

Interest Rate Risk

We had approximately $4.2 billion total debt outstanding as of September 30, 2005, of which $2.5 billion was variable rate debt.

Based on the amount of our floating-rate debt as of September 30, 2005, each 50 basis point increase or decrease in interest rates would increase or decrease our annual interest expense and cash outlay by approximately $12.5 million. This potential increase or decrease is based on the simplified assumption that the level of floating-rate debt remains constant with an immediate across-the-board increase or decrease as of September 30, 2005 with no subsequent change in rates for the remainder of the period.

RECENT ACCOUNTING PRONOUNCEMENTS

In March 2005, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, or FIN 47. FIN 47 is an interpretation of FASB Statement 143, *Asset Retirement Obligations*, which was issued in June 2001. According to FIN 47, uncertainty about the timing or method of settlement because they are conditional on a future event that may or may not be within the control of the entity should be factored into the measurement of the asset retirement obligation when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Retrospective application of interim financial information is permitted, but is not required. We adopted FIN 47 on January 1, 2005, which did not materially impact our financial position or results of operations.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 *Share-Based Payment*, or SAB 107. SAB 107 expresses the SEC staff s views regarding the interaction between Statement of Financial Accounting Standards No. 123(R) *Share-Based Payment*, or Statement 123(R), and certain SEC rules and regulations and provides the staff s views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with nonemployees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first time adoption of Statement 123(R) in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of Statement 123(R) and the modification of employee share options prior to adoption of Statement 123(R). We are unable to quantify the impact of adopting SAB 107 and Statement 123(R) at this time because it will depend on levels of share-based payments granted in the future. Additionally, we are still evaluating the assumptions we will use upon adoption.

Table of Contents

In April 2005, the SEC issued a press release announcing that it would provide for phased-in implementation guidance for Statement 123(R). The SEC would require that registrants that are not small business issuers adopt Statement 123(R) s fair value method of accounting for share-based payments to employees no later than the beginning of the first fiscal year beginning after June 15, 2005. We intend to adopt Statement 123(R) on January 1, 2006.

In June 2005, the Emerging Issues Task Force, or EITF, issued EITF 05-6, *Determining the Amortization Period of Leasehold Improvements*, or EITF 05-6. EITF 05-6 requires that assets recognized under capital leases generally be amortized in a manner consistent with the lessee s normal depreciation policy except that the amortization period is limited to the lease term (which includes renewal periods that are reasonably assured). EITF 05-6 also addresses the determination of the amortization period for leasehold improvements that are purchased subsequent to the inception of the lease. Leasehold improvements acquired in a business combination or purchased subsequent to the inception of the lease should be amortized over the lesser of the useful life of the asset or the lease term that includes reasonably assured lease renewals as determined on the date of the acquisition of the leasehold improvement. We adopted EITF 05-6 on July 1, 2005, which did not materially impact our financial position or results of operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material. Our significant accounting policies are discussed in Note A to our combined financial statements included elsewhere in this prospectus. Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management s most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The following narrative describes these critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions.

Allowance for Doubtful Accounts

We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific client s inability to meet its financial obligations, we record a specific reserve to reduce the amounts recorded to what we believe will be collected. For all other clients, we recognize reserves for bad debt based on historical experience of bad debts as a percentage of revenues for each business unit, adjusted for relative improvements or deteriorations in the agings and changes in current economic conditions.

If our agings were to improve or deteriorate resulting in a 10% change in our allowance, it is estimated that our bad debt expense for the nine months ended September 30, 2005 would have changed by approximately $2.3 million and our net income for the same period would have changed by approximately $0.9 million.

Long-lived Assets

Long-lived assets, such as property, plant and equipment are reviewed for impairment when events and circumstances indicate that depreciable and amortizable long-lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. When specific assets are determined to be unrecoverable, the cost basis of the asset is reduced to reflect the current fair market value.

We use various assumptions in determining the current fair market value of these assets, including future expected cash flows and discount rates, as well as future salvage values. Our impairment loss calculations require management to apply judgment in estimating future cash flows, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results of operations.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. We review goodwill for potential impairment annually using the income approach to determine the fair value of our reporting units. The fair value of our reporting units is used to apply value to the net assets of each reporting unit. To the extent that the carrying amount of net assets would exceed the fair value, an impairment charge may be required to be recorded.

The income approach we use for valuing goodwill involves estimating future cash flows expected to be generated from the related assets, discounted to their present value using a risk-adjusted discount rate. Terminal values are also estimated and discounted to their present value.

As a result of adopting Statement 142 on January 1, 2002, we recorded a non-cash, net of tax, goodwill impairment charge of approximately $3.5 billion. As required by Statement 142, a subsequent impairment test was performed at October 1, 2002, which resulted in no additional impairment charge. The non-cash impairment of our goodwill was generally caused by unfavorable economic conditions, which persisted throughout 2001. This weakness contributed to our clients reducing the number of advertising dollars spent on our inventory. These conditions adversely impacted the cash flow projections used to determine the fair value of each reporting unit at January 1, 2002 which resulted in the non-cash impairment charge of a portion of our goodwill. We may incur impairment charges in future periods under Statement 142 to the extent we do not achieve our expected cash flow growth rates, and to the extent that market values decrease and long-term interest rates increase.

Indefinite-lived Assets

Indefinite-lived assets such as our billboard permits are reviewed annually for possible impairment using the direct method. Our key assumptions using the direct method are market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up capital costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. This data is populated using industry normalized information representing an average permit within a market.

The SEC staff issued Staff Announcement No. D-108, *Use of the Residual Method to Value Acquired Assets Other Than Goodwill*, at the September 2004 meeting of the Emerging Issues Task Force. D-108 states that the residual method should no longer be used to value intangible assets other than goodwill. Prior to the adoption of Staff Announcement No. D-108, we recorded our acquisition of permits at fair value using an industry accepted income approach and consequently applied the same approach for purposes of impairment testing. Our adoption of the direct method resulted in an aggregate fair value of our permits that was less than the carrying value determined under our prior method. As a result, we recorded a non-cash charge of $162.9 million, net of deferred taxes, as a cumulative effect of a change in accounting principle during the fourth quarter 2004.

If actual results are not consistent with our assumptions and estimates, we may be exposed to impairment charges in the future. If our assumption on market revenue growth rate decreased 10%, our non-cash charge, net of tax, would increase approximately $25.1 million. Similarly, if our assumption on

Table of Contents

market revenue growth rate increased 10%, our non-cash charge, net of tax, would decrease approximately $30.0 million.

Asset Retirement Obligations

Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, requires us to estimate our obligation upon the termination or nonrenewal of a lease, to dismantle and remove our billboard structures from the leased land and to reclaim the site to its original condition. We record the present value of obligations associated with the retirement of tangible long-lived assets in the period in which they are incurred. The liability is capitalized as part of the related long-lived asset s carrying amount. Over time, accretion of the liability is recognized as an operating expense and the capitalized cost is depreciated over the expected useful life of the related asset.

Due to the high rate of lease renewals over a long period of time, our calculation assumes that all related assets will be removed at some period over the next 50 years. An estimate of third-party cost information is used with respect to the dismantling of the structures and the reclamation of the site. The interest rate used to calculate the present value of such costs over the retirement period is based on an estimated risk-adjusted credit rate for the same period.

Table of Contents

INDUSTRY OVERVIEW

This section includes industry data, forecasts and information that we have prepared based, in part, upon industry data, forecasts and information obtained from industry publications and surveys and internal company information. Media Dynamics Inc., Nielsen Media Research, Inc., Outdoor Advertising Association of America (OAAA), Zenith Optimedia and other industry reports and articles were the primary sources for third-party industry data, forecasts and information. These third-party industry publications and surveys and forecasts generally state that they believe the information contained therein was obtained from sources they believe to be reliable, but that they can give no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, while we believe the industry forecasts and market research are reliable, we have not independently verified such forecasts and research.

The global outdoor market has emerged as a leading advertising medium that serves as a core branding and marketing platform for companies, both domestically and internationally. Similar to other advertising media, the key competitive factors for outdoor advertising are pricing, location and availability of displays.

The principal advantages of outdoor advertising include the following:

Facilitates broad reach and high frequency. The outdoor advertising industry is characterized by broad reach and high frequency, as compared to other forms of advertising media. We believe that national and regional brands are increasing their use of outdoor advertising to maximize the coverage and impact of their advertising campaigns. These advertisers benefit from the branding effect and broad exposure that results from the sustained, repetitive viewing provided by outdoor advertising.

Drives sustained mass advertising. Unlike other advertising media, such as television, consumers cannot interrupt or selectively avoid advertisements displayed on outdoor structures.

Enables selective targeting. Outdoor advertising enables advertisers, such as restaurants, entertainment facilities, hotels and other roadside operations, to target motorists or pedestrians in close proximity to their businesses.

Captures increasingly mobile audiences. Population growth and increasing commute times are key growth drivers for outdoor advertising due to its ability to capture a growing mobile audience base that spends an increasing amount of time out-of-home.

Offers low cost platform. Outdoor advertising is a relatively low cost medium, as compared to other forms of advertising media. As a result, outdoor advertising is often used as a complementary marketing platform for companies implementing a multifaceted media plan across various media, including print, broadcasting, the Internet and direct marketing. Also, outdoor advertising is used by local businesses that cannot afford costlier alternatives.

Industry Metrics

According to OAAA, outdoor advertising grew 10.2% in the second quarter of 2005. Based on industry data compiled by us in conjunction with our efforts to highlight for our customers the value of outdoor advertising relative to other media, we believe that this rate was higher than overall U.S. advertising growth in the second quarter of 2005, outpacing television, radio and publishing. Also, according to a study conducted by two researchers from the Louisiana State University Manship School of Mass Communications, the recall rate for outdoor advertising is greater than that of magazines, network television and cable television. Recall is determined by the ability to name an advertiser without prompting.

According to OAAA, the top 10 industries using outdoor advertising, based on 2004 year-end outdoor expenditures, were: (1) local services and amusements, (2) media and advertising, (3) public transportation, hotels and resorts, (4) retail, (5) insurance and real estate, (6) financial, (7) automotive dealers and services, (8) restaurants, (9) automotive, auto access and equipment and (10) telecommunications. Also according to OAAA, the top 20 outdoor brands, based on 2004 year-end outdoor expenditures, were: (1) McDonald s, (2) Warner movies, (3) Miller beers, (4) Verizon long distance, (5) Anheuser-Busch beers, (6) General Motors, (7) Verizon Wireless, (8) Cracker Barrel, (9) Chevrolet, (10) Walt Disney movies, (11) Nissan, (12) Bank of America, (13) Diageo, (14) Toyota, (15) Geico, (16) Coca-Cola, (17) Coors Light, (18) Allstate, (19) Dodge and (20) Dreamworks movies.

Pricing

Outdoor advertising is a low cost, high impact medium for advertisers. The average cost per thousand impressions, or CPM, of outdoor advertising is approximately one fourth that of newspapers and prime time television and one half that of radio and newsweekly magazines. The average reach of outdoor advertising is approximately twice that of radio and newsweekly magazines, four and a half times that of newspapers and five times that of prime time television. The following table lists the average CPM for advertising media (according to calculations from data in TV Dimensions 2005© Media Dynamics, Inc.) and the number of persons reached for every $1,000 invested in those media in the United States:

Advertising Medium	Average CPM	Persons Reached per $1,000 Invested
Outdoor	$ 5.53	180,832
Radio	9.91	100,908
Newsweekly magazines	11.76	85,034
Newspapers	24.92	40,128
Prime time network television	26.44	37,821

Ratings and Measurement

Unlike for other forms of advertising media, including radio, television and print, no universally recognized methodology has emerged in the United States or internationally as the industry standard for audience ratings and measurement. A number of independent third parties are in the process of implementing new measurement systems designed to measure the demographics of people who pass U.S. billboards. Nielsen Outdoor has also piloted a new audience measurement methodology in Chicago that is currently being reviewed by the outdoor advertising industry. The Traffic Audit Bureau announced plans to develop its own ratings and measurement system from its traffic counts and demographic data supplied by third-party research companies. One of the goals of these efforts is to measure outdoor advertising using traditional advertising metrics used in other media, including print and broadcasting. Additionally, Arbitron has established an outdoor group to provide research services specialized for outdoor advertising.

These next-generation ratings services may improve measurements within the industry, which may lead to an increase in outdoor advertising s market share. The introduction of Postar, an outdoor advertising measurement service launched in the United Kingdom in the early 1990s, partly contributed to an increase in market share for outdoor advertising from 4.8% in 1996 to 6.4% in 2004, according to Zenith Optimedia. Other international markets in which we operate are at various stages of developing similar measurement technologies.

Regulation

Domestic

The outdoor advertising industry is subject to federal, state and local regulation. For instance, The Highway Beautification Act of 1965 (HBA) regulates outdoor advertising on the 306,000 miles of Federal-Aid Primary, Interstate and National Highway Systems roads within the United States. The HBA regulates the location 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 of billboards are regulated by state and local municipalities. Periodically, certain state and local governments attempt to force the removal of billboards not governed by the HBA under various amortization theories. When challenged under such a theory, an outdoor advertising company is permitted to recoup its investment for a certain period of time, after which the signs in question must be removed. Other important advertising regulations include the Intermodal Surface Transportation Efficiency Act of 1991, the Bonus Act/ Bonus Program, the 1995 Scenic Byways Amendment and various increases or implementations of property taxes, billboard taxes and permit fees. While these regulations set certain limits on the placement or erection of new outdoor advertising displays, they have benefited established companies such as us by creating high barriers to entry and have protected the outdoor advertising industry against an oversupply of inventory.

International

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. The 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 may 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.

Competitive Landscape

The outdoor industry has recently undergone major consolidation, as multiple acquisitions occurred throughout the 1990s. The top 10 U.S. outdoor advertising companies, based on 2004 U.S. revenues, according to OAAA, were: Clear Channel Outdoor Holdings, Viacom Outdoor, Lamar, Regency Outdoor Advertising, Van Wagner, JCDecaux, Adams Outdoor Advertising, Magic Media, Fairway and Reagan National. We believe that our main competitors in the international outdoor advertising industry are JCDecaux, Viacom Outdoor and a number of regional companies.

Digital

Digital advertising is a small but rapidly growing niche within the outdoor industry. These units, supported by advanced LED, LCD and plasma technologies, offer unique benefits to advertisers. Unlike traditional outdoor advertising, in which advertisers may buy a display for a week or longer, advertisers can buy digital time slots for as short as a specified number of seconds within each minute, with the ability to change their message dynamically and in real time. While digital displays are capable of supporting full motion video, currently most state and local ordinances (excluding specially zoned areas like Times Square in New York City) allow only static messages, or advertising copy without motion, to be presented and changed on the displays.

Table of Contents

BUSINESS

Our Company

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 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 Prospectus Summary 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. These structures typically are located on sites that we either lease or own or for which we have acquired permanent easements. Site lease terms generally range from one month to over 50 years. 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. Our client contracts for billboards generally have terms ranging from one week to one year.

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. Generally, these contracts have terms ranging from 10 to 20 years and involve revenue-sharing arrangements with the authorities, including payments by us of minimum guaranteed amounts. We believe that street furniture is growing in popularity with municipal and transit authorities, especially in international and larger U.S. markets. Our client contracts for street furniture displays typically have terms ranging from one week to one year.

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. These contracts typically have terms ranging from three to ten years. Our client contracts for transit displays generally have terms ranging from two weeks to one year.

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. For all of our billboards in the United States, we use independent, third-party auditing companies to verify the number of impressions delivered by a display. 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. For example, one service we provide our smaller clients is access to our creative personnel who can assist the clients in designing advertising copy.

Our History

In 1997, Clear Channel Communications, which was founded in 1974, acquired Eller Media Company. In 1998, Clear Channel Communications acquired Universal Outdoor, giving Clear Channel Communications an outdoor presence in 33 major U.S. markets with over 88,000 displays. Also in 1998, Clear Channel Communications acquired More Group plc, a European-based company operating in 25 countries. Other significant outdoor acquisitions over the last five years include The Ackerley Group, Spectacolor, Donrey Outdoor, Taxi Tops and France Rail Publicité.

In addition to this offering, Clear Channel Communications intends to spin off the entire operations of its entertainment division into an independent publicly traded company in which Clear Channel Communications will not hold any ownership interest. This new public company will consist of Clear Channel Communications worldwide entertainment operations.

Domestic Products

Our domestic 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 domestic display inventory consists primarily of billboards, street furniture displays and transit displays, with billboards contributing approximately 75% of our 2004 domestic revenues. The margins on our billboard contracts also tend to be higher than those on contracts for other displays.

The following table shows the approximate percentage of revenues derived from each category of our domestic advertising inventory:

	Year Ended December 31,		
	2004	**2003**	**2002**
Billboards:			
Bulletins(1)	56%	56%	56%
Posters	19%	20%	21%
Street furniture displays	4%	3%	3%
Transit displays	11%	11%	10%
Other displays(2)	10%	10%	10%
Total	100%	100%	100%

(1) For our internal reporting purposes, wallscape revenues are combined with bulletin revenues. For a description of wallscapes, see Other Domestic Inventory.

(2) Includes spectaculars and mall displays.

In the United States, our displays are located in all of the top 30 U.S. designated market area regions, or DMA® regions (DMA® is a registered trademark of Nielsen Media Research, Inc.), and in 46 of the top 50 DMA® regions, giving our clients the ability to reach a significant portion of the U.S. population. A DMA® region, a term developed by Nielsen Media Research, Inc., is used to designate a geographic area or media market. The significant expenses associated with our domestic operations include (i) direct production and installation expenses, (ii) site lease expenses for land under our displays and (iii) revenue-sharing or minimum guaranteed amounts payable under our street furniture and transit display contracts.

Our direct production and installation expenses include costs for printing, transporting and changing the advertising copy displayed on our bulletins, and related labor and vinyl or paper costs. Vinyl and paper costs vary according to the complexity of the advertising copy and the quantity of displays. Our site lease expenses include lease payments for use of the land under our displays, as well as any revenue-sharing arrangements we may have with the landlords. The terms of our domestic site leases typically range from one month to over 50 years, and typically provide for renewal options.

Billboards

Our domestic billboard inventory primarily includes bulletins and posters.

Bulletins

Bulletins vary in size, with the most common size being 14 feet high by 48 feet wide. Almost all of the advertising copy displayed on bulletins is computer printed on vinyl and transported to the bulletin where it is secured to the display surface. Because of their greater size and impact, we typically receive our highest rates for bulletins. Bulletins generally are located along major expressways, primary commuting routes and main intersections that are highly visible and heavily trafficked. Our clients may contract for individual bulletins or a network of bulletins, meaning the clients advertisements are rotated among bulletins to increase the reach of the campaign. Reach is the percent of a target audience exposed to an advertising message at least once during a specified period of time, typically during a period of four weeks. Our client contracts for bulletins generally have terms ranging from one month to one year, or longer.

Posters

Posters are available in two sizes, 30-sheet and eight-sheet displays. The 30-sheet posters are approximately 11 feet high by 23 feet wide, and the eight-sheet posters are approximately five feet high by 11 feet wide. Advertising copy for posters is printed using silk-screen or lithographic processes to transfer the designs onto paper that is then transported and secured to the poster surfaces. Posters generally are located in commercial areas on primary and secondary routes near point-of-purchase locations, facilitating advertising campaigns with greater demographic targeting than those displayed on bulletins. Our poster rates typically are less than our bulletin rates, and our client contracts for posters generally have terms ranging from four weeks to one year. Two types of posters are premiere panels and squares. Premiere displays are innovative hybrids between bulletins and posters that we developed to provide our clients with an alternative for their targeted marking campaigns. The premiere displays utilize one or more poster panels, but with vinyl advertising stretched over the panels similar to bulletins. Our intent is to combine the creative impact of bulletins with the additional reach and frequency of posters. Frequency is the average number of exposures an individual has to an advertising message during a specified period of time. Out-of-home frequency is typically measured over a four-week period.

Street Furniture Displays

Our street furniture displays, marketed under our global Adshel^{tm} brand, are advertising surfaces on bus shelters, information kiosks, public toilets, freestanding units and other public structures, and primarily are located in major metropolitan cities and along major commuting routes. Generally, we own the street furniture structures and are responsible for their construction and maintenance. Contracts for the right to place our street furniture in the public domain and sell advertising space on them are awarded by municipal and transit authorities in competitive bidding processes governed by local law. Generally, these contracts have terms ranging from 10 to 20 years. As compensation for the right to sell advertising space on our street furniture structures, we pay the municipality or transit authority a fee or revenue share that is either a fixed amount or a percentage of the revenues derived from the street furniture displays. Typically, these revenue sharing arrangements include payments by us of minimum guaranteed amounts. Client contracts for street furniture displays typically have terms ranging from four weeks to one year, or longer, and, similar to billboards, may be for network packages.

Transit Displays

Our 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. Similar to street furniture, contracts for the right to place our displays on such vehicles or within such transit systems and sell advertising space on them generally are awarded by public transit authorities in competitive bidding processes or are negotiated with private transit operators. These contracts typically have terms of up to five years. Our client contracts for transit displays generally have terms ranging from four weeks to one year, or longer.

Other Domestic Inventory

The balance of our domestic display inventory consists of spectaculars, mall displays and wallscapes. Spectaculars are customized display structures that often incorporate video, multidimensional lettering and figures, mechanical devices and moving parts and other embellishments to create special effects. The majority of our spectaculars are located in Dundas Square in Toronto, Times Square and Penn Plaza in New York City, Fashion Show in Las Vegas, Sunset Strip in Los Angeles and across from the Target Center in Minneapolis. Client contracts for spectaculars typically have terms of one year or longer. We also own displays located within the common areas of malls on which our clients run advertising campaigns for periods ranging from four weeks to one year. Contracts with mall operators grant us the exclusive right to place our displays within the common areas and sell advertising on those displays. Domestically, our contracts with mall operators generally have terms ranging from five to ten years. Client contracts for mall displays typically have terms ranging from six to eight weeks. A wallscape is a display that drapes over or is suspended from the sides of buildings or other structures. Generally, wallscapes are located in high-profile areas where other types of outdoor advertising displays are limited or unavailable. Clients typically contract for individual wallscapes for extended terms. Domestically, our inventory includes other small displays that are not counted as separate displays in this prospectus since their contribution to our revenues is not material.

International Products

Our international segment consists of our advertising operations in Europe, Australia, Asia and Africa, with approximately 52% of our 2004 revenues in this segment derived from France and the United Kingdom. Our international display inventory consists primarily of billboards, street furniture displays and transit displays in approximately 50 countries worldwide, with billboards and street furniture displays collectively contributing approximately 77% of our 2004 international revenues.

The following table shows the approximate percentage of revenues derived from each category of our international advertising inventory:

	Year Ended December 31,		
	2004	**2003**	**2002**
Billboards	46%	47%	50%
Street furniture displays	31%	33%	30%
Transit displays(1)	10%	10%	10%
Other displays(2)	13%	10%	10%
Total	100%	100%	100%

(1) Includes small displays.

(2) Includes spectaculars, mall displays and other small displays.

The majority of our international clients are advertisers targeting national audiences whose business is placed with us through advertising agencies and outdoor buying services. The significant expenses associated with our international operations include (i) revenue-sharing or minimum guaranteed amounts payable under our billboard, street furniture and transit display contracts, (ii) site lease expenses and (iii) cleaning and maintenance expenses related to our street furniture. These expenses consist of costs similar to those associated with our domestic operations. Internationally, the terms of our site leases typically range from three to ten years, but may vary across our networks. Because revenue-sharing and minimum guaranteed payment arrangements are more prevalent in our international operations, the margins in our international operations typically are less than the margins in our domestic operations.

Billboards

The size of our international billboards is not standardized. The billboards vary in both format and size across our networks, with the majority of our international billboards being similar in size to our domestic posters (30-sheet and eight-sheet displays). Our international billboards are sold to clients as network packages with contract terms typically ranging from one to two weeks. Long-term client contracts are also available and typically have terms of up to one year. We lease the majority of our international billboard sites from private landowners.

Street Furniture Displays

Our international street furniture displays are substantially similar to their domestic counterparts, and include bus shelters, freestanding units, public toilets, various types of kiosks and benches. Internationally, contracts with municipal and transit authorities for the right to place our street furniture in the public domain and sell advertising on them typically range from 10 to 15 years. The major difference between our international and domestic street furniture businesses is in the nature of the municipal contracts. In the international segment, these contracts typically require us to provide the municipality with a broader range of urban amenities such as public wastebaskets and lampposts, as well as space for the municipality to display maps or other public information. In exchange for providing such urban amenities and display space, we are authorized to sell advertising space on certain sections of the structures we erect in the public domain. Client contracts for street furniture displays typically have terms ranging from one to two weeks, but are available for up to one year, and may be for network packages.

Transit Displays

Our international transit display contracts are substantially similar to their domestic counterparts, and typically require us to make only a minimal initial investment and few ongoing maintenance expenditures. Contracts with public transit authorities or private transit operators typically have terms ranging from three to seven years. Our client contracts for transit displays generally have terms ranging from two weeks to one year, or longer.

Other International Inventory

The balance of our international display inventory consists primarily of spectaculars and mall displays. DEFI, our international neon subsidiary, is a leading global provider of spectaculars with approximately 300 spectacular displays in 30 countries worldwide. Client contracts for international spectaculars typically have terms ranging from five to ten years. Internationally, our contracts with mall operators generally have terms ranging from five to ten years and client contracts for mall displays generally have terms ranging from one to two weeks, but are available for up to six months. Our international inventory includes other small displays that are counted as separate displays in this prospectus since they form a substantial part of our network and international revenues.

Marketing Resources

We have several online tools and resources to help us sell our inventory. Our online rate card is a web-based application that allows users to view all of our markets and products for rates and gross rating point allotments. We also have an online inventory search that is designed to provide users access to photos and maps of all our U.S. bulletins, wallscapes, premiere squares and spectaculars. Our internal web-based system, FastPitch™, delivers real-time rate and availability data for each of our U.S. markets, and our account executives use that data to create multi- or single-market advertising programs without having to contact individual markets for this data. FastPitch™ also contains maps, product sheets, market information, shipping information and product specifications. Inventory availability is updated daily directly from each market s scheduling system.

Additionally, our account executives use several research products to help sell our inventory. Our account executives assist advertisers in structuring advertising campaigns using computer databases and mapping software to analyze target audiences and consumer products and services. By examining demographic profiles, socioeconomic information and consumer buying power, our research allows us to create smart, effective purchases for our advertisers.

Production

Domestic

In a majority of our markets, our local production staff performs the full range of activities required to create and install advertising copy. Production work includes creating the advertising copy design and layout, coordinating its printing and installing the copy on displays. We provide creative services to smaller advertisers and to advertisers that are not represented by advertising agencies. National advertisers often use preprinted designs that require only installation. Our creative and production personnel typically develop new designs or adopt copy from other media for use on our inventory. Our creative staff also can assist in the development of marketing presentations, demonstrations and strategies to attract new clients.

International

The majority of our international clients are advertisers targeting national audiences whose business generally is placed with us through advertising agencies. These agencies often provide our international clients creative services to design and produce both the advertising copy and the physical printed advertisement. Advertising copy, both paper and vinyl, is shipped to centralized warehouses operated by us. The copy is then sorted and delivered to sites where it is installed on our displays.

Client Categories

In 2004, the top five client categories in our domestic segment, based on domestic revenues derived from these categories, were entertainment and amusements, business and consumer services, automotive, retail and insurance and real estate. In 2004, the top five client categories in our international segment, based on international revenues derived from those categories, were automotive, food and drink, media and entertainment, retail and telecommunications.

Our Markets

Approximately 95% of our 2004 domestic revenues were derived from the United States and approximately 52% of our 2004 international revenues were derived from France and the United Kingdom. The following table sets forth certain information regarding displays that we own or operate in domestic and international markets worldwide. As of September 30, 2005, we owned or operated approximately 164,000 domestic displays and approximately 709,000 international displays. Our domestic markets are listed in order of their DMA® region ranking and our international markets are listed in descending order according to revenues contribution.

Table of Contents

Our Domestic Displays

DMA® Region Rank	Domestic Markets	Billboards Bulletins(1)	Posters	Street Furniture Displays	Transit Displays	Other Displays(2)	Total Displays
	United States						
1	New York, NY						18,214
2	Los Angeles, CA						11,789
3	Chicago, IL				(3)		11,673
4	Philadelphia, PA						6,525
5	San Francisco-Oakland-San Jose, CA						6,722
6	Boston, MA (Manchester, NH)						6,926
7	Dallas-Ft. Worth, TX						6,956
8	Washington, DC (Hagerstown, MD)						3,708
9	Atlanta, GA						3,313
10	Houston, TX				(3)		4,742
11	Detroit, MI						547
12	Seattle-Tacoma, WA						3,312
13	Minneapolis-St. Paul, MN						1,977
14	Phoenix (Prescott), AZ					(3)	1,464
15	Miami-Ft. Lauderdale, FL					(3)	3,701
16	Tampa-St. Petersburg (Sarasota), FL						1,963
17	Cleveland-Akron (Canton), OH						2,448
18	Sacramento-Stockton-Modesto, CA						958
19	Denver, CO						685
20	Orlando-Daytona Beach-Melbourne, FL						3,465
21	St. Louis, MO						234
22	Pittsburgh, PA				(3)		528
23	San Diego, CA					(3)	1,334
24	Portland, OR						1,294
25	Baltimore, MD					(3)	2,025
26	Indianapolis, IN						1,981
27	Hartford-New Haven, CT						6
28	Charlotte, NC						12
29	Raleigh-Durham (Fayetteville), NC						10
30	Nashville, TN						21
31	Salt Lake City, UT						124
32	Kansas City, KS/ MO				(3)		
33	Milwaukee, WI						1,700
34	Cincinnati, OH						8
35	Columbus, OH						1,401
37	San Antonio, TX				(3)	(3)	3,016
39	Norfolk-Portsmouth-Newport News, VA						8
40	West Palm Beach-Ft. Pierce, FL						372
42	New Orleans, LA						2,775
43	Memphis, TN						2,200
44	Harrisburg-Lancaster-Lebanon-York, PA						36
45	Albuquerque-Santa Fe, NM						1,097

47	Oklahoma City, OK			12
48	Buffalo, NY			240
49	Fresno-Visalia, CA			10
50	Las Vegas, NV		(3)	11,295
52	Louisville, KY			16
53	Jacksonville, FL			866
54	Wilkes Barre-Scranton, PA			39
55	Austin, TX	(3)		16
56	Hudson Valley, NY			376
57	Richmond-Petersburg, VA			12
62	Knoxville, TN			13
63	Charleston-Huntington, WV			9
67	Wichita-Hutchinson, KS			673
72	Tucson (Sierra Vista), AZ			1,550
73	Des Moines-Ames, IA		(3)	672
87	Chattanooga, TN			1,562
89	Northpark, MS		(3)	6
91	Cedar Rapids-Waterloo-Iowa City-Dubuque, IA			12
93	El Paso, TX (Las Cruces, NM)			1,305
94	Colorado Springs-Pueblo, CO			7
97	Johnstown-Altoona, PA			20
101	Youngstown, OH			8
104	Monterey-Salinas, CA			40
107	Ft. Smith-Fayetteville-Springdale-Rogers, AR			914
113	Reno, NV			574
114	Tallahassee, FL-Thomasville, GA			9

DMA® Region Rank	Domestic Markets	Billboards Bulletins(1)	Posters	Street Furniture Displays	Transit Displays	Other Displays(2)	Total Displays
115	Augusta, GA					(3)	
117	Sioux Falls (Mitchell), SD						19
142	Sioux City, IA						8
145	Lubbock, TX						16
148	Palm Springs, CA						12
150	Salisbury, MD				(3)		1,247
163	Ocala-Gainesville, FL						1,317
171	Billings, MT						8
176	Rapid City, SD						10
189	Great Falls, MT						14
190	Grand Junction-Aspen-Montrose, CO						