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Clear Channel Outdoor Holdings, Inc.  
Form 10-Q  
November 09, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x QUARTERLY REPORT PURSUANT TO SECTION 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2007

or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission file number 1-32663

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**86-0812139**  
(I.R.S. Employer Identification No.)

**200 East Basse Road**

**San Antonio, Texas 78209**

**(210) 832-3700**

(Address and telephone number

of principal executive offices)

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

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

Large accelerated filer x Accelerated filer .. Non-accelerated filer ..

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

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

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| <u>Class</u>                          | <u>Outstanding at November 7, 2007</u> |
|---------------------------------------|----------------------------------------|
| Class A Common Stock, \$.01 par value | 40,418,388                             |
| Class B Common Stock, \$.01 par value | 315,000,000                            |

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

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**Table of Contents****PART I****Item 1. UNAUDITED FINANCIAL STATEMENTS****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****ASSETS****(In thousands)**

|                                                                                                         | September 30,<br>2007<br>(Unaudited) | December 31,<br>2006<br>(Audited) |
|---------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|
| <b>Current Assets</b>                                                                                   |                                      |                                   |
| Cash and cash equivalents                                                                               | \$ 114,103                           | \$ 105,395                        |
| Accounts receivable, less allowance of \$28,131 at September 30, 2007 and \$24,827 at December 31, 2006 | 882,719                              | 798,980                           |
| Due from Clear Channel Communications                                                                   | 134,205                              |                                   |
| Prepaid expenses                                                                                        | 104,425                              | 91,256                            |
| Other current assets                                                                                    | 206,113                              | 194,284                           |
| <b>Total Current Assets</b>                                                                             | <b>1,441,565</b>                     | <b>1,189,915</b>                  |
| <b>Property, Plant and Equipment</b>                                                                    |                                      |                                   |
| Land, buildings and improvements                                                                        | 361,449                              | 343,690                           |
| Structures                                                                                              | 3,815,503                            | 3,601,653                         |
| Furniture and other equipment                                                                           | 252,923                              | 238,340                           |
| Construction in progress                                                                                | 71,907                               | 60,332                            |
|                                                                                                         | 4,501,782                            | 4,244,015                         |
| Less accumulated depreciation                                                                           | 2,311,623                            | 2,052,176                         |
|                                                                                                         | 2,190,159                            | 2,191,839                         |
| <b>Intangible Assets</b>                                                                                |                                      |                                   |
| Definite-lived intangibles, net                                                                         | 264,897                              | 292,426                           |
| Indefinite-lived intangibles permits                                                                    | 246,643                              | 260,949                           |
| Goodwill                                                                                                | 1,137,283                            | 1,092,927                         |
| <b>Other Assets</b>                                                                                     |                                      |                                   |
| Notes receivable                                                                                        | 3,444                                | 3,192                             |
| Investments in, and advances to, nonconsolidated affiliates                                             | 101,669                              | 97,352                            |
| Deferred tax asset                                                                                      | 205,657                              | 199,918                           |
| Other assets                                                                                            | 106,792                              | 93,373                            |
| <b>Total Assets</b>                                                                                     | <b>\$ 5,698,109</b>                  | <b>\$ 5,421,891</b>               |

See Notes to Consolidated Financial Statements

**Table of Contents****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****LIABILITIES AND SHAREHOLDERS EQUITY**

(In thousands)

|                                                  | September 30,<br>2007<br>(Unaudited) | December 31,<br>2006<br>(Audited) |
|--------------------------------------------------|--------------------------------------|-----------------------------------|
| <b>Current Liabilities</b>                       |                                      |                                   |
| Accounts payable                                 | \$ 101,425                           | \$ 121,578                        |
| Accrued expenses                                 | 530,182                              | 494,744                           |
| Due to Clear Channel Communications              |                                      | 4,190                             |
| Accrued interest                                 | 4,661                                | 3,621                             |
| Accrued income taxes                             | 25,215                               | 31,259                            |
| Deferred income                                  | 128,525                              | 96,421                            |
| Current portion of long-term debt                | 74,639                               | 86,293                            |
| Deferred tax liabilities                         | 4,571                                | 3,403                             |
| <b>Total Current Liabilities</b>                 | <b>869,218</b>                       | <b>841,509</b>                    |
| Long-term debt                                   | 51,000                               | 97,883                            |
| Debt with Clear Channel Communications           | 2,500,000                            | 2,500,000                         |
| Other long-term liabilities                      | 224,927                              | 214,220                           |
| Minority interest                                | 203,086                              | 181,901                           |
| Commitments and contingent liabilities (Note 5)  |                                      |                                   |
| <b>Shareholders Equity</b>                       |                                      |                                   |
| Class A common stock                             | 418                                  | 396                               |
| Class B common stock                             | 3,150                                | 3,150                             |
| Additional paid-in capital                       | 1,299,290                            | 1,279,079                         |
| Retained earnings                                | 320,798                              | 173,277                           |
| Accumulated other comprehensive income           | 226,275                              | 130,476                           |
| Cost of shares held in treasury                  | (53)                                 |                                   |
| <b>Total Shareholders Equity</b>                 | <b>1,849,878</b>                     | <b>1,586,378</b>                  |
| <b>Total Liabilities and Shareholders Equity</b> | <b>\$ 5,698,109</b>                  | <b>\$ 5,421,891</b>               |

See Notes to Consolidated Financial Statements

**Table of Contents****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(In thousands, except per share data)**

|                                                                                                                                                                                                                                             | Nine Months Ended September 30, 2007 |              | Three Months Ended September 30, 2006 |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------|---------------------------------------|------------|
|                                                                                                                                                                                                                                             | 2007                                 | 2006         | 2007                                  | 2006       |
| Revenue                                                                                                                                                                                                                                     | \$ 2,345,110                         | \$ 2,067,026 | \$ 817,541                            | \$ 720,254 |
| Operating expenses:                                                                                                                                                                                                                         |                                      |              |                                       |            |
| Direct operating expenses (includes share-based payments of \$4,776, \$3,279, \$1,629 and \$1,081 for the nine and three months ended September 30, 2007 and 2006, respectively, and excludes depreciation and amortization)                | 1,257,820                            | 1,102,388    | 434,472                               | 383,833    |
| Selling, general and administrative expenses (includes share-based payments of \$1,843, \$1,275, \$628 and \$420 for the nine and three months ended September 30, 2007 and 2006, respectively, and excludes depreciation and amortization) | 393,318                              | 353,058      | 131,228                               | 118,424    |
| Depreciation and amortization                                                                                                                                                                                                               | 293,616                              | 299,270      | 99,793                                | 102,123    |
| Corporate expenses (includes share-based payments of \$366, \$67, \$125 and \$22 for the nine and three months ended September 30, 2007 and 2006, respectively, and excludes depreciation and amortization)                                 | 44,936                               | 43,830       | 16,322                                | 15,125     |
| Gain (loss) on disposition of assets net                                                                                                                                                                                                    | 8,710                                | 21,607       | 414                                   | (834)      |
| Operating income                                                                                                                                                                                                                            | 364,130                              | 290,087      | 136,140                               | 99,915     |
| Interest expense on debt with Clear Channel Communications                                                                                                                                                                                  | 114,286                              | 114,101      | 38,085                                | 39,538     |
| Interest expense                                                                                                                                                                                                                            | 5,900                                | 11,244       | 2,093                                 | 4,061      |
| Equity in earnings (loss) of nonconsolidated affiliates                                                                                                                                                                                     | 2,109                                | 5,622        | (836)                                 | 1,823      |
| Other income net                                                                                                                                                                                                                            | 3,811                                | 1,667        | 2,815                                 | 467        |
| Income before income taxes and minority interest                                                                                                                                                                                            | 249,864                              | 172,031      | 97,941                                | 58,606     |
| Income tax expense:                                                                                                                                                                                                                         |                                      |              |                                       |            |
| Current                                                                                                                                                                                                                                     | 82,609                               | 28,578       | 31,663                                | 14,376     |
| Deferred                                                                                                                                                                                                                                    | 16,378                               | 47,975       | 5,784                                 | 12,270     |
| Income tax expense                                                                                                                                                                                                                          | 98,987                               | 76,553       | 37,447                                | 26,646     |
| Minority interest expense, net of tax                                                                                                                                                                                                       | 11,480                               | 7,465        | 5,778                                 | 127        |
| Net income                                                                                                                                                                                                                                  | 139,397                              | 88,013       | 54,716                                | 31,833     |
| Other comprehensive income (loss), net of tax:                                                                                                                                                                                              |                                      |              |                                       |            |
| Foreign currency translation adjustments                                                                                                                                                                                                    | 96,472                               | 54,953       | 52,345                                | (6,655)    |
| Comprehensive income                                                                                                                                                                                                                        | \$ 235,869                           | \$ 142,966   | \$ 107,061                            | \$ 25,178  |
| Net income per common share:                                                                                                                                                                                                                |                                      |              |                                       |            |
| Basic                                                                                                                                                                                                                                       | \$ .39                               | \$ .25       | \$ .15                                | \$ .09     |
| Weighted average common shares outstanding Basic                                                                                                                                                                                            | 354,797                              | 351,434      | 354,909                               | 354,253    |
| Diluted                                                                                                                                                                                                                                     | \$ .39                               | \$ .25       | \$ .15                                | \$ .09     |
| Weighted average common shares outstanding Diluted                                                                                                                                                                                          | 355,754                              | 351,435      | 355,802                               | 354,255    |

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See Notes to Consolidated Financial Statements

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

|                                                                                       | Nine Months Ended September 30, |            |
|---------------------------------------------------------------------------------------|---------------------------------|------------|
|                                                                                       | 2007                            | 2006       |
| <b>Cash flows from operating activities:</b>                                          |                                 |            |
| Net income                                                                            | \$ 139,397                      | \$ 88,013  |
| <b>Reconciling items:</b>                                                             |                                 |            |
| Depreciation and amortization                                                         | 293,616                         | 299,270    |
| Deferred taxes                                                                        | 16,378                          | 47,975     |
| Provision for doubtful accounts                                                       | 6,795                           | 4,584      |
| Gain on sale of operating and fixed assets                                            | (8,710)                         | (21,607)   |
| Other reconciling items, net                                                          | 18,511                          | (288)      |
| Changes in operating assets and liabilities, net of effects of acquisitions           | (26,479)                        | (31,502)   |
| Net cash provided by operating activities                                             | 439,508                         | 386,445    |
| <b>Cash flows from investing activities:</b>                                          |                                 |            |
| Decrease (increase) in notes receivable, net                                          | (252)                           | (699)      |
| Decrease (increase) in investments in, and advances to nonconsolidated affiliates net | 3,393                           | 2,776      |
| Purchases of property, plant and equipment                                            | (165,156)                       | (163,980)  |
| Proceeds from disposal of assets                                                      | 11,894                          | 11,342     |
| Acquisition of operating assets, net of cash acquired                                 | (42,652)                        | (200,654)  |
| Decrease (increase) in other net                                                      | (11,122)                        | (31,731)   |
| Net cash used in investing activities                                                 | (203,895)                       | (382,946)  |
| <b>Cash flows from financing activities:</b>                                          |                                 |            |
| Draws on credit facilities                                                            | 26,772                          | 72,898     |
| Payments on credit facilities                                                         | (84,440)                        | (49,437)   |
| Proceeds from long-term debt                                                          | 14,680                          | 31,693     |
| Payments on long-term debt                                                            | (27,370)                        | (111,231)  |
| Net transfers (to) from Clear Channel Communications                                  | (162,682)                       | 50,076     |
| Proceeds from exercise of stock options                                               | 8,766                           | 101        |
| Other, net                                                                            | (54)                            |            |
| Net cash used in financing activities                                                 | (224,328)                       | (5,900)    |
| Effect of exchange rate changes on cash                                               | (2,577)                         | (1,586)    |
| Net (decrease) increase in cash and cash equivalents                                  | 8,708                           | (3,987)    |
| Cash and cash equivalents at beginning of period                                      | 105,395                         | 108,644    |
| Cash and cash equivalents at end of period                                            | \$ 114,103                      | \$ 104,657 |

See Notes to Consolidated Financial Statements





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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of Interim Financial Statements

The consolidated financial statements were prepared by Clear Channel Outdoor Holdings, Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, include all adjustments (consisting of normal recurring accruals and adjustments necessary for adoption of new accounting standards) necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated and combined financial statements and notes thereto included in the Company's 2006 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries and give effect to allocations of expenses from Clear Channel Communications. These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. Significant intercompany transactions are eliminated in the consolidation process. Investments in nonconsolidated affiliates are accounted for using the equity method of accounting.

Certain Reclassifications

The Company has reclassified certain selling, general and administrative expenses to direct operating expenses in 2006 to conform to current year presentation.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115* (Statement 159), was issued in February 2007. Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Statement 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Statement 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. Statement 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in Statements No. 157, *Fair Value Measurements*, and No. 107, *Disclosures about Fair Value of Financial Instruments*. Statement 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company expects to adopt Statement 159 on January 1, 2008, and does not anticipate adoption to materially impact its financial position or results of operations.

New Accounting Standard

The Company adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. FIN 48 prescribes a recognition threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken within an income tax return. The adoption of FIN 48 resulted in an increase of \$8.1 million to the January 1, 2007 balance of retained earnings, a decrease of \$6.0 million in liabilities for unrecognized tax benefits and an increase of \$27.2 million in Deferred tax assets. The total amount of unrecognized tax benefits at January 1, 2007 was \$31.7 million, inclusive of \$6.5 million for interest. Of this total, \$15.3 million represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

The Company continues to record interest and penalties related to unrecognized tax benefits in current income tax expense. The total amount of interest accrued during the nine months ended September 30, 2007, was \$0.8 million. The total amount of unrecognized tax benefits at September 30, 2007 was \$18.3 million. Of this total, \$15.5 million represents the amount of unrecognized tax benefits that, if recognized, would

favorably affect the effective income tax rate in future periods.

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Pursuant to the Tax Matters Agreement between Clear Channel Communications and the Company, the operations of the Company are included in a consolidated federal income tax return filed by Clear Channel Communications. In addition, the Company and its subsidiaries file income tax returns in various state and foreign jurisdictions. The Company and Clear Channel Communications settled several federal tax positions with the Internal Revenue Service ( IRS ) during the three months ended September 30, 2007. As a result of the settlement, the Company reduced its balance of unrecognized tax benefits by \$15.2 million. In addition, the Company recorded approximately \$2.9 million in net current tax expense as a result of the settlement. The IRS is currently auditing Clear Channel Communications and the Company's 2005 and 2006 tax year. The Company does not expect to resolve any material federal tax positions within the next 12 months. Substantially all material state, local and foreign income tax matters have been concluded for years through 1999.

## Note 2: INTANGIBLE ASSETS AND GOODWILL

**Definite-lived Intangibles**

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts and other contractual rights acquired in business combinations, all of which are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute to the Company's future cash flows. Other definite-lived intangible assets are amortized over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at September 30, 2007 and December 31, 2006:

| <i>(In thousands)</i>                                   | September 30, 2007    |                          | December 31, 2006     |                          |
|---------------------------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                                                         | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Transit, street furniture, and other contractual rights | \$ 860,276            | \$ 596,450               | \$ 821,364            | \$ 530,063               |
| Other                                                   | 10,411                | 9,340                    | 41,544                | 40,419                   |
| <b>Total</b>                                            | <b>\$ 870,687</b>     | <b>\$ 605,790</b>        | <b>\$ 862,908</b>     | <b>\$ 570,482</b>        |

Total amortization expense from definite-lived intangible assets for the nine and three months ended September 30, 2007 and for the year ended December 31, 2006 was \$38.8 million, \$12.9 million and \$85.5 million, respectively. The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets:

| <i>(In thousands)</i> |           |
|-----------------------|-----------|
| 2008                  | \$ 49,264 |
| 2009                  | 40,719    |
| 2010                  | 26,310    |
| 2011                  | 19,771    |
| 2012                  | 16,262    |

As acquisitions and dispositions occur in the future and as purchase price allocations are finalized, amortization expense may vary.

**Indefinite-lived Intangibles**

The Company's indefinite-lived intangible assets consist of billboard permits acquired primarily in business combinations. The Company's billboard permits are issued in perpetuity by state and local governments and are transferable or renewable at little or no cost. Permits typically include the location which allows the Company the right to operate an advertising structure. The Company's permits are located on either owned or leased land. In cases where the Company's permits are located on leased land, the leases are typically from 10 to 20 years and renew indefinitely, with rental payments generally escalating at an inflation based index. If the Company loses its lease, the Company will typically obtain permission to relocate the permit or bank it with the municipality for future use.

The Company does not amortize its billboard permits. The Company tests these indefinite-lived intangible assets for impairment at least annually using the direct method. Under the direct method, it is assumed that rather than acquiring indefinite-lived intangible assets as a part of a

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going concern business, the buyer hypothetically obtains indefinite-lived intangible assets and builds a new operation with similar attributes from scratch. Thus, the buyer incurs start-up costs during the build-up phase which are normally associated with going concern value. Initial capital costs are deducted from the discounted cash flows model which results in value that is directly attributable to the indefinite-lived intangible assets.

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Under the direct method, the Company aggregates its indefinite-lived intangible assets at the market level for purposes of impairment testing. The Company's 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 market information.

The carrying amount for billboard permits at September 30, 2007 and December 31, 2006 was \$246.6 million and \$260.9 million, respectively.

**Goodwill**

The Company tests goodwill for impairment using a two-step process. The first step, used to screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. The second step, used to measure the amount of the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments for the nine-month period ended September 30, 2007:

| <i>(In thousands)</i>            | Americas   | International | Total        |
|----------------------------------|------------|---------------|--------------|
| Balance as of December 31, 2006  | \$ 667,297 | \$ 425,630    | \$ 1,092,927 |
| Acquisitions                     | 9,094      | 7,410         | 16,504       |
| Foreign currency                 | 148        | 27,105        | 27,253       |
| Adjustments                      | 599        |               | 599          |
| Balance as of September 30, 2007 | \$ 677,138 | \$ 460,145    | \$ 1,137,283 |

**Note 3: RECENT DEVELOPMENTS****Acquisitions**

During the nine months ended September 30, 2007, the Company's Americas segment acquired display faces for \$25.4 million in cash. In addition, the Company's International segment paid \$17.2 million primarily related to the acquisition of an outdoor advertising business in Romania, an additional equity interest in an outdoor company and the acquisition of advertising structures.

**Disposition of Assets**

The Company received proceeds of \$11.9 million during the first nine months of 2007 primarily related to the sale of International street furniture assets and recorded a gain of \$5.5 million in Gain (loss) on the disposition of assets net on the consolidated income statement.

**Recent Legal Proceedings**

The Company is the defendant in a lawsuit filed October 20, 1998 by Jorge Luis Cabrera, Sr., and Martha Serrano, as personal representatives of the Estate of Jorge Luis Cabrera, Jr., in the 11th Judicial Circuit in and for Miami-Dade County, Florida. The plaintiff alleged the Company negligently constructed, installed or maintained the electrical system in a bus shelter, which resulted in the death of Jorge Luis Cabrera, Jr. Martha Serrano settled her claims with the Company. On June 24, 2005, the jury rendered a verdict in favor of the plaintiff, and awarded the plaintiff \$4.1 million in actual damages and \$61.0 million in punitive damages. The Company filed a motion to have the punitive damages award reduced. The trial judge granted the Company's motion. A final judgment in the amount of \$4.1 million in compensatory damages and \$12.3 million in punitive damages was signed on January 23, 2006. The Company has appealed the underlying judgment and the Plaintiff filed a cross-appeal. The Plaintiff seeks to reinstate the original award of punitive damages. The Company has insurance coverage for up to approximately \$50.0 million in damages for this matter.

The Company is currently involved in certain other legal proceedings and, as required, has accrued its estimate of the probable costs for the resolution of these claims, inclusive of those discussed above. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings.



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**Note 4: RESTRUCTURING**

In the third quarter of 2005, the Company's International segment restructured its operations in France. As a result, the Company recorded \$26.6 million in restructuring costs as a component of selling, general and administrative expenses; \$22.5 million was related to severance costs and \$4.1 million was related to other costs. During the nine months ended September 30, 2007, \$8.7 million was paid and charged to the restructuring reserve. As of September 30, 2007, the balance was \$2.5 million. The remaining restructuring accrual is comprised primarily of severance, which is expected to be paid over the next three years.

**Note 5: COMMITMENTS AND CONTINGENCIES**

Certain agreements relating to acquisitions provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies. The Company 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 the financial position or results of operations of the Company.

As discussed in Note 3, there are various lawsuits and claims pending against the Company. Based on current assumptions, the Company has accrued its estimate of the probable costs for the resolution of these claims. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings.

**Note 6: RELATED PARTY TRANSACTIONS**

The Company records net amounts due to or from Clear Channel Communications as Due from/to Clear Channel Communications on the consolidated balance sheets. The account represents the Company's revolving promissory note with Clear Channel Communications, up to a maximum of \$1.0 billion. The account accrues interest pursuant to the Master Agreement and is generally payable on demand. Included in the account is the net activity resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, the Company maintains collection bank accounts swept daily by Clear Channel Communications. In return, Clear Channel Communications funds the Company's controlled disbursement accounts as checks or electronic payments are presented for payment. The Company's claim in relation to cash transferred from its concentration account is on an unsecured basis and is limited to the balance of the Due from Clear Channel Communications account. At September 30, 2007, the balance of \$134.2 million was an asset recorded in Due from Clear Channel Communications on the consolidated balance sheet. At December 31, 2006, the balance of \$4.2 million was a liability recorded in Due to Clear Channel Communications on the consolidated balance sheet. The net interest income for the nine months ended September 30, 2007 and 2006 was \$2.2 million and \$0.8 million, respectively. The net interest income for the three months ended September 30, 2007 was \$1.2 million and the net interest expense for the three months ended September 30, 2006 was \$0.4 million.

The Company has a note in the original principal amount of \$2.5 billion to Clear Channel Communications which matures on August 2, 2010, and may be prepaid in whole at any time, or in part from time to time. This 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 the Company and, subject to certain exceptions, all proceeds from debt or equity raised by the Company must be used to prepay such note. At September 30, 2007, the interest rate on the \$2.5 billion note was 6.1%.

Clear Channel Communications has a five-year, multi-currency revolving credit facility in the amount of \$1.75 billion. Certain of the Company's International subsidiaries may borrow under a \$150.0 million sub-limit within this credit facility to the extent Clear Channel Communications has not already borrowed against this capacity. This sub-limit allows for borrowings in various foreign currencies, which are used to hedge net assets in those currencies and provide funds to the Company's International operations for certain working capital needs. The Company's International subsidiary borrowings under this sub-limit are guaranteed by Clear Channel Communications. The interest rate is based upon LIBOR or, for Euro denominated borrowings, EURIBOR, plus a margin. At September 30, 2007, there was no outstanding balance on the sub-limit, and \$150.0 million was available for future borrowings, with the entire balance to be paid on July 12, 2009.

The Company provides advertising space on its billboards for radio stations owned by Clear Channel Communications. For the nine months ended September 30, 2007 and 2006, the Company recorded \$9.5 million and \$6.9 million, respectively, in revenue for these advertisements. For the three months ended September 30, 2007 and 2006, the Company recorded \$2.7 million and \$1.9 million, respectively, in revenue for these advertisements.





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Under the Corporate Services Agreement between Clear Channel Communications and the Company, Clear Channel Communications provides management services to the Company, which include, among other things: (i) treasury, payroll and other financial related services; (ii) executive officer services; (iii) human resources and employee benefits services; (iv) legal and related services; (v) information systems, network and related services; (vi) investment services; (vii) procurement and sourcing support services; and (viii) other general corporate services. These services are charged to the Company based on actual direct costs incurred or allocated by Clear Channel Communications based on headcount, revenue or other factors on a pro rata basis. For the nine months ended September 30, 2007 and 2006, the Company recorded \$13.8 million and \$15.8 million, respectively, as a component of corporate expenses for these services. For the three months ended September 30, 2007 and 2006, the Company recorded \$2.4 million and \$5.2 million, respectively, as a component of corporate expenses for these services.

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

The Company computes its deferred income tax provision using the liability method in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, as if the Company was a separate taxpayer. Deferred tax assets and liabilities are determined based on differences between financial reporting bases and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if the Company believes it is more likely than not that some portion or all of the asset will not be realized.

Pursuant to the Employee Matters Agreement, the Company's employees participate in Clear Channel Communications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. These costs are recorded as a component of selling, general and administrative expenses and were approximately \$7.8 million and \$7.0 million for the nine months ended September 30, 2007 and 2006, respectively. For the three months ended September 30, 2007 and 2006, the Company recorded approximately \$2.7 million and \$2.4 million, respectively, as a component of selling, general and administrative expenses for these services.

## Note 7: SEGMENT DATA

The Company has two reportable segments—Americas and International. The Americas segment primarily includes operations in the United States, Canada and Latin America, and the International segment includes operations in Europe, Asia, Africa and Australia. Share-based payments are recorded by each segment in direct operating and selling, general and administrative expenses.

| <i>(In thousands)</i>                              | Americas     | International | Corporate expenses and Gain (loss) on disposition of assets - net | Consolidated |
|----------------------------------------------------|--------------|---------------|-------------------------------------------------------------------|--------------|
| <b><u>Nine months ended September 30, 2007</u></b> |              |               |                                                                   |              |
| Revenue                                            | \$ 1,080,219 | \$ 1,264,891  | \$                                                                | \$ 2,345,110 |
| Direct operating expenses                          | 427,138      | 830,682       |                                                                   | 1,257,820    |
| Selling, general and administrative expenses       | 167,004      | 226,314       |                                                                   | 393,318      |
| Depreciation and amortization                      | 140,885      | 152,731       |                                                                   | 293,616      |
| Corporate expenses                                 |              |               | 44,936                                                            | 44,936       |
| Gain (loss) on disposition of assets - net         |              |               | 8,710                                                             | 8,710        |
| Operating income (loss)                            | \$ 345,192   | \$ 55,164     | \$ (36,226)                                                       | \$ 364,130   |
| Identifiable assets                                | \$ 2,816,825 | \$ 2,542,316  | \$ 338,968                                                        | \$ 5,698,109 |
| Capital expenditures                               | \$ 76,795    | \$ 88,361     | \$                                                                | \$ 165,156   |
| Share-based payments                               | \$ 5,451     | \$ 1,168      | \$ 366                                                            | \$ 6,985     |



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(In thousands)

|                                              | Americas     | International | Corporate expenses and Gain (loss) on disposition of assets - net | Consolidated |
|----------------------------------------------|--------------|---------------|-------------------------------------------------------------------|--------------|
| <b>Three months ended September 30, 2007</b> |              |               |                                                                   |              |
| Revenue                                      | \$ 386,353   | \$ 431,188    | \$                                                                | \$ 817,541   |
| Direct operating expenses                    | 147,339      | 287,133       |                                                                   | 434,472      |
| Selling, general and administrative expenses | 56,636       | 74,592        |                                                                   | 131,228      |
| Depreciation and amortization                | 47,692       | 52,101        |                                                                   | 99,793       |
| Corporate expenses                           |              |               | 16,322                                                            | 16,322       |
| Gain (loss) on disposition of assets net     |              |               | 414                                                               | 414          |
| Operating income (loss)                      | \$ 134,686   | \$ 17,362     | \$ (15,908)                                                       | \$ 136,140   |
| Share-based payments                         | \$ 1,859     | \$ 398        | \$ 125                                                            | \$ 2,382     |
| <b>Nine months ended September 30, 2006</b>  |              |               |                                                                   |              |
| Revenue                                      | \$ 965,733   | \$ 1,101,293  | \$                                                                | \$ 2,067,026 |
| Direct operating expenses                    | 382,401      | 719,987       |                                                                   | 1,102,388    |
| Selling, general and administrative expenses | 150,846      | 202,212       |                                                                   | 353,058      |
| Depreciation and amortization                | 129,382      | 169,888       |                                                                   | 299,270      |
| Corporate expenses                           |              |               | 43,830                                                            | 43,830       |
| Gain (loss) on disposition of assets net     |              |               | 21,607                                                            | 21,607       |
| Operating income (loss)                      | \$ 303,104   | \$ 9,206      | \$ (22,223)                                                       | \$ 290,087   |
| Identifiable assets                          | \$ 2,764,509 | \$ 2,265,066  | \$ 193,128                                                        | \$ 5,222,703 |
| Capital expenditures                         | \$ 60,367    | \$ 103,613    | \$                                                                | \$ 163,980   |
| Share-based payments                         | \$ 3,560     | \$ 994        | \$ 67                                                             | \$ 4,621     |
| <b>Three months ended September 30, 2006</b> |              |               |                                                                   |              |
| Revenue                                      | \$ 356,384   | \$ 363,870    | \$                                                                | \$ 720,254   |
| Direct operating expenses                    | 133,468      | 250,365       |                                                                   | 383,833      |
| Selling, general and administrative expenses | 52,029       | 66,395        |                                                                   | 118,424      |
| Depreciation and amortization                | 45,897       | 56,226        |                                                                   | 102,123      |
| Corporate expenses                           |              |               | 15,125                                                            | 15,125       |
| Gain (loss) on disposition of assets net     |              |               | (834)                                                             | (834)        |
| Operating income (loss)                      | \$ 124,990   | \$ (9,116)    | \$ (15,959)                                                       | \$ 99,915    |
| Share-based payments                         | \$ 1,173     | \$ 328        | \$ 22                                                             | \$ 1,523     |

Revenue of \$1.3 billion and \$1.2 billion and identifiable assets of \$2.8 billion and \$2.5 billion derived from the Company's foreign operations are included in the data above for the nine months ended September 30, 2007 and 2006, respectively. Revenue of \$456.9 million and \$383.4 million derived from the Company's foreign operations are included in the data above for the three months ended September 30, 2007 and 2006, respectively.

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### **Item 2. 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 unaudited interim financial statements and accompanying notes thereto 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 quarterly and annual financial statements.

#### **Description of Business**

Our revenues are derived from selling advertising space on displays owned or operated, consisting primarily of billboards, street furniture 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.

Our advertising rates are generally based on the gross rating points, or total number of impressions delivered by a display or group of displays, expressed as a percentage of a market population. 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. Management typically monitors our business by reviewing the average rates, average revenues per display, or yield, 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 are typically less than the margins in our Americas 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 billboard, 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 or minimum guaranteed amounts payable that we may have with the landlords. The terms of our site leases and revenue-sharing or minimum guaranteed contracts generally range from 1 to 20 years.

Our street furniture and transit display contracts, the terms of which range from 3 to 20 years, generally require us to make upfront investments in property, plant and equipment. These contracts may also include upfront lease payments or minimum annual guaranteed lease payments. We can give no assurance that our cash flows from operations over the terms of these contracts will exceed the upfront and minimum required payments.

The results in the 2007 period reflect our acquisition of Interspace Airport Advertising, or Interspace, which we acquired in July 2006.

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

On September 25, 2007, Clear Channel Communications' shareholders approved the Merger Agreement with a group of equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. The closing of the transaction is subject to requisite regulatory approvals and other customary closing conditions.

Clear Channel Communications has the right to terminate the Corporate Services Agreement, Employee Matters Agreement and Tax Matters Agreement in various circumstances. As of the date of the filing of this report, no notice of termination of any of these agreements has been received from Clear Channel Communications.

Under the Corporate Services Agreement, Clear Channel Communications allocates 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 three months ended September 30, 2007 and 2006, we recorded approximately \$2.4 million and \$5.2 million, respectively, as

a component of corporate expenses for these services. For the nine

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months ended September 30, 2007 and 2006, we recorded approximately \$13.8 million and \$15.8 million, respectively, as a component of corporate expenses for these services.

**Share-Based Payments**

As of September 30, 2007, there was \$23.2 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of approximately three years. The following table details compensation costs related to share-based payments for the three and nine months ended September 30, 2007 and 2006:

| <i>(In thousands)</i>                        | Three Months Ended September 30, |          | Nine Months Ended September 30, |          |
|----------------------------------------------|----------------------------------|----------|---------------------------------|----------|
|                                              | 2007                             | 2006     | 2007                            | 2006     |
| Direct operating expenses                    | \$ 1,629                         | \$ 1,081 | \$ 4,776                        | \$ 3,279 |
| Selling, general and administrative expenses | 628                              | 420      | 1,843                           | 1,275    |
| Corporate expenses                           | 125                              | 22       | 366                             | 67       |
| Total share-based payments                   | \$ 2,382                         | \$ 1,523 | \$ 6,985                        | \$ 4,621 |

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

The comparison of the Three and Nine Months Ended September 30, 2007 to the Three and Nine Months Ended September 30, 2006 is as follows:

| <i>(In thousands)</i>                                                           | Three Months Ended September 30, |            |          | Nine Months Ended September 30, |              |          |
|---------------------------------------------------------------------------------|----------------------------------|------------|----------|---------------------------------|--------------|----------|
|                                                                                 | 2007                             | 2006       | % Change | 2007                            | 2006         | % Change |
| Revenue                                                                         | \$ 817,541                       | \$ 720,254 | 14%      | \$ 2,345,110                    | \$ 2,067,026 | 13%      |
| Operating expenses:                                                             |                                  |            |          |                                 |              |          |
| Direct operating expenses                                                       | 434,472                          | 383,833    | 13%      | 1,257,820                       | 1,102,388    | 14%      |
| Selling, general and administrative expenses                                    | 131,228                          | 118,424    | 11%      | 393,318                         | 353,058      | 11%      |
| Depreciation and amortization                                                   | 99,793                           | 102,123    | (2%)     | 293,616                         | 299,270      | (2%)     |
| Corporate expenses                                                              | 16,322                           | 15,125     | 8%       | 44,936                          | 43,830       | 3%       |
| Gain (loss) on disposition of assets net                                        | 414                              | (834)      |          | 8,710                           | 21,607       |          |
| Operating income                                                                | 136,140                          | 99,915     | 36%      | 364,130                         | 290,087      | 26%      |
| Interest expense (including interest on debt with Clear Channel Communications) | 40,178                           | 43,599     |          | 120,186                         | 125,345      |          |
| Equity in earnings of nonconsolidated affiliates                                | (836)                            | 1,823      |          | 2,109                           | 5,622        |          |
| Other income net                                                                | 2,815                            | 467        |          | 3,811                           | 1,667        |          |
| Income before income taxes and minority interest                                | 97,941                           | 58,606     |          | 249,864                         | 172,031      |          |
| Income tax expense:                                                             |                                  |            |          |                                 |              |          |
| Current                                                                         | 31,663                           | 14,376     |          | 82,609                          | 28,578       |          |
| Deferred                                                                        | 5,784                            | 12,270     |          | 16,378                          | 47,975       |          |
| Income tax expense                                                              | 37,447                           | 26,646     |          | 98,987                          | 76,553       |          |
| Minority interest expense, net of tax                                           | 5,778                            | 127        |          | 11,480                          | 7,465        |          |

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|            |    |        |    |        |    |         |    |        |
|------------|----|--------|----|--------|----|---------|----|--------|
| Net income | \$ | 54,716 | \$ | 31,833 | \$ | 139,397 | \$ | 88,013 |
|------------|----|--------|----|--------|----|---------|----|--------|

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### ***Revenue***

#### ***Three Months***

Our revenue increased \$97.3 million, or 14%, during the third quarter of 2007 as compared to the same period of 2006. International revenue increased \$67.3 million, including approximately \$30.7 million related to movements in foreign exchange. In addition to foreign exchange, International revenue growth was led by increased billboard and street furniture revenues. Americas revenue increased \$30.0 million, driven by increases across our display inventory including bulletins, posters, street furniture, airports and taxi displays.

#### ***Nine Months***

Our revenue increased \$278.1 million, or 13%, during the first nine months of 2007 as compared to the same period of 2006. International revenue increased \$163.6 million, including approximately \$90.0 million related to movements in foreign exchange. In addition to foreign exchange, International revenue growth was led by billboard and street furniture revenues. Americas revenue increased \$114.5 million. Interspace Airport Advertising, or Interspace, which we acquired in July 2006, contributed approximately \$31.7 million to the increase. The remaining Americas revenue growth was driven by increases across our display inventory.

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

#### ***Three Months***

Our direct operating expenses increased \$50.6 million, or 13%, during the third quarter of 2007 as compared to the same period of 2006. International direct operating expenses increased \$36.8 million primarily from \$20.4 million related to movements in foreign exchange. Americas direct operating expenses increased \$13.8 million principally related to increased site lease expenses.

#### ***Nine Months***

Our direct operating expenses increased \$155.4 million, or 14%, during the first nine months of 2007 as compared to the same period of 2006. International direct operating expenses increased \$110.7 million primarily from \$61.4 million related to movements in foreign exchange. Americas direct operating expenses increased \$44.7 million with Interspace contributing approximately \$14.7 million and the remainder mostly attributable to site lease expenses.

### ***Selling, General and Administrative Expenses (SG&A)***

#### ***Three Months***

Our SG&A increased \$12.8 million, or 11%, during the third quarter of 2007 as compared to the same period of 2006. International SG&A expenses increased \$8.2 million primarily related to movements in foreign exchange. Americas SG&A expenses increased \$4.6 million attributable to selling expenses primarily associated with the increase in revenue.

#### ***Nine Months***

Our SG&A increased \$40.3 million, or 11%, during the first nine months of 2007 as compared to the same period of 2006. International SG&A expenses increased \$24.1 million principally related to movements in foreign exchange. Americas SG&A expenses increased \$16.2 million attributable to \$7.3 million from Interspace and the remainder primarily attributable to sales expenses associated with the increase in revenue.

### ***Depreciation and Amortization***

Depreciation and amortization decreased \$2.3 million and \$5.7 million during the three and nine months ended September 30, 2007 as compared to the same periods of 2006. The decrease was due to certain international contracts which were fully amortized at December 31, 2006, partially offset by an increase from Interspace.

### ***Gain (Loss) on Disposition of Assets Net***

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The gain (loss) on disposition of assets net for the nine months ended September 30, 2007 decreased \$12.9 million from \$21.6 million in 2006 to \$8.7 million in 2007. The decrease was predominantly related to a \$13.2 million gain in our Americas segment from the exchange of assets in one of our markets for the assets of a third party located in a different market during the first quarter of 2006.

### ***Interest Expense (Including Interest on Debt with Clear Channel Communications)***

Interest expense decreased \$3.4 million and \$5.2 million during the three and nine months ended September 30, 2007 as compared to the same periods of 2006. The decrease was mainly due to a decline in debt balances. If the proposed merger transaction between Clear Channel Communications and private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners L.P. is consummated, we expect interest expense will increase.

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**Table of Contents****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.

**Three Months**

Current tax expense for the three months ended September 30, 2007 increased \$17.3 million as compared to the same period of 2006 primarily due to the increase in Income before income taxes and minority interest of \$39.3 million. Deferred tax expense for the three months ended September 30, 2007 decreased \$6.5 million as compared to the same period of 2006 primarily due to additional deferred tax expense that was recorded for the period ended September 30, 2006 related to the uncertainty of our ability to utilize certain tax losses in the future for international operations.

**Nine Months**

Current tax expense for the nine months ended September 30, 2007 increased \$54.0 million as compared to the same period of 2006 mainly due to the increase in Income before income taxes and minority interest of \$77.8 million. In addition, the increase in current tax expense is the result of current tax benefits of approximately \$21.3 million which were recorded in 2006 related to the filing of an amended tax return and the exchange of certain operating assets in that period. Deferred tax expense for the nine months ended September 30, 2007 decreased \$31.6 million as compared to the same period of 2006 primarily due to deferred tax expense of \$21.3 million being recorded during the nine months ended September 30, 2006 related to the filing of an amended tax return and the exchange of the operating assets mentioned above. Also, additional deferred tax expense was recorded in the period ended September 30, 2006 related to the uncertainty of our ability to utilize certain tax losses in the future for certain international operations.

**Americas Results of Operations**

| <i>(In thousands)</i>                        | Three Months Ended September 30, |            |          | Nine Months Ended September 30, |            |          |
|----------------------------------------------|----------------------------------|------------|----------|---------------------------------|------------|----------|
|                                              | 2007                             | 2006       | % Change | 2007                            | 2006       | % Change |
| Revenue                                      | \$ 386,353                       | \$ 356,384 | 8%       | \$ 1,080,219                    | \$ 965,733 | 12%      |
| Direct operating expenses                    | 147,339                          | 133,468    | 10%      | 427,138                         | 382,401    | 12%      |
| Selling, general and administrative expenses | 56,636                           | 52,029     | 9%       | 167,004                         | 150,846    | 11%      |
| Depreciation and amortization                | 47,692                           | 45,897     | 4%       | 140,885                         | 129,382    | 9%       |
| Operating income                             | \$ 134,686                       | \$ 124,990 | 8%       | \$ 345,192                      | \$ 303,104 | 14%      |

**Three Months**

Our Americas revenue increased \$30.0 million, or 8%, during the third quarter of 2007 as compared to the same period of 2006. The revenue growth occurred across our display inventory, including bulletins, posters, street furniture, airports and taxi displays. The revenue growth was led by bulletin revenue which was driven by increased rates and by increased airport display revenue due to both increased rates and occupancy. Leading advertising categories during the quarter were telecommunications, beverages, financial services, amusements and real estate. Revenue growth occurred across most of our markets, led by Los Angeles, New York, Washington/Baltimore, Atlanta and Albuquerque.

Direct operating expenses increased \$13.8 million in the third quarter of 2007 as compared to the same period of 2006 principally from an \$11.6 million increase in site lease expenses related to new contracts and the increase in airport, street furniture and taxi revenues. SG&A expenses increased \$4.6 million primarily from an increase in selling expenses associated with the increase in revenue.

**Nine Months**

Our Americas revenue increased \$114.5 million, or 12%, during the first nine months of 2007 as compared to the same period of 2006. Interspace contributed approximately \$31.7 million to the increase. As well, bulletin, posters, street furniture, airports and taxi displays all contributed to the increase in revenues.

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Direct operating expenses increased \$44.7 million in the first nine months of 2007 as compared to the same period of 2006 primarily from an increase of \$14.7 million related to Interspace and a \$24.6 million increase in site lease expenses associated with new contracts and the increase in airport, street furniture and taxi revenues. SG&A expenses increased \$16.2 million in the first nine months of 2007 over the same period of 2006. Interspace contributed approximately \$7.3 million to the increase and the rest of the increase was principally attributable to bonus, commission and bad debt expenses associated with the increase in revenues.

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Depreciation and amortization increased \$11.5 million mostly associated with \$6.3 million from Interspace.

**International Results of Operations**

| <i>(In thousands)</i>                        | Three Months Ended September 30, |            |          | Nine Months Ended September 30, |              |          |
|----------------------------------------------|----------------------------------|------------|----------|---------------------------------|--------------|----------|
|                                              | 2007                             | 2006       | % Change | 2007                            | 2006         | % Change |
| Revenue                                      | \$ 431,188                       | \$ 363,870 | 19%      | \$ 1,264,891                    | \$ 1,101,293 | 15%      |
| Direct operating expenses                    | 287,133                          | 250,365    | 15%      | 830,682                         | 719,987      | 15%      |
| Selling, general and administrative expenses | 74,592                           | 66,395     | 12%      | 226,314                         | 202,212      | 12%      |
| Depreciation and amortization                | 52,101                           | 56,226     | (7%)     | 152,731                         | 169,888      | (10%)    |
| Operating income                             | \$ 17,362                        | \$ (9,116) | NA       | \$ 55,164                       | \$ 9,206     | 499%     |

**Three Months**

Our International revenue increased \$67.3 million, or 19%, in the third quarter of 2007 as compared to the same period of 2006. Included in the increase was approximately \$30.7 million related to movements in foreign exchange. Revenue growth occurred across inventory categories including billboards, street furniture and transit, primarily driven by both increased rates and occupancy. Growth was led by increased revenues in France, Italy, Australia, Ireland and China.

Direct operating expenses increased \$36.8 million, or 15%, during the third quarter of 2007 as compared to the same period of 2006. Included in the increase was approximately \$20.4 million related to movements in foreign exchange. The remaining increase in direct operating expenses was largely attributable to an increase in site lease expense associated with the increase in revenue. SG&A expenses increased \$8.2 million, or 12%, during the third quarter of 2007 as compared to the same period of 2006 primarily from approximately \$5.3 million related to movements in foreign exchange with the remaining increase primarily attributable to selling expenses associated with the increase in revenue.

Depreciation and amortization declined \$4.1 million principally from contracts which were fully amortized at December 31, 2006.

**Nine Months**

Our International revenue increased \$163.6 million, or 15%, in the first nine months of 2007 as compared to the same period of 2006. Included in the increase was approximately \$90.0 million related to movements in foreign exchange. Also contributing to the increase was growth in billboard and street furniture revenues during the nine months ended September 30, 2007 compared to the same period of 2006.

Direct operating expenses increased \$110.7 million during the first nine months of 2007 as compared to the same period of 2006 principally from approximately \$61.4 million related to movements in foreign exchange as well as an increase in site lease expenses associated with the increase in revenue and new contracts. SG&A expenses increased \$24.1 million primarily attributable to \$16.7 million related to movements in foreign exchange and the remaining increase primarily attributable with selling expenses associated with the increase in revenue.

Depreciation and amortization declined \$17.1 million predominantly from contracts which were fully amortized at December 31, 2006.

**Reconciliation of Segment Operating Income (Loss)**

| <i>(In thousands)</i>                    | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|------------------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                          | 2007                             | 2006       | 2007                            | 2006       |
| Americas                                 | \$ 134,686                       | \$ 124,990 | \$ 345,192                      | \$ 303,104 |
| International                            | 17,362                           | (9,116)    | 55,164                          | 9,206      |
| Corporate expenses                       | (16,322)                         | (15,125)   | (44,936)                        | (43,830)   |
| Gain (loss) on disposition of assets net | 414                              | (834)      | 8,710                           | 21,607     |

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|                               |            |           |            |            |
|-------------------------------|------------|-----------|------------|------------|
| Consolidated operating income | \$ 136,140 | \$ 99,915 | \$ 364,130 | \$ 290,087 |
|-------------------------------|------------|-----------|------------|------------|

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**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****Cash Flows****Operating Activities:**

Net cash provided by operating activities of \$439.5 million for the nine months ended September 30, 2007 principally reflected net income of \$139.4 million, depreciation and amortization of \$293.6 million, and deferred income tax expense of \$16.4 million. This was partially offset by a negative change in working capital of approximately \$26.5 million. Net cash provided by operating activities of \$386.4 million for the nine months ended September 30, 2006 principally reflected net income of \$88.0 million, depreciation and amortization of \$299.3 million, and deferred income tax expense of \$48.0 million. This was partially offset by a negative change in working capital of approximately \$31.5 million and gains on sales of operating and fixed assets of \$21.6 million.

**Investing Activities:**

Net cash used in investing activities of \$203.9 million for the nine months ended September 30, 2007 mainly reflected capital expenditures of \$165.2 million related to purchases of property, plant and equipment and \$42.7 million related to acquisitions of operating assets. Net cash used in investing activities of \$382.9 million for the nine months ended September 30, 2006 principally reflected cash used for the acquisition of operating assets of \$200.7 million and capital expenditures of \$164.0 million related to purchases of property, plant and equipment. The cash used for the acquisition of operating assets primarily related to the acquisition of Interspace and an outdoor advertising business in the United Kingdom.

**Financing Activities:**

Net cash used in financing activities of \$224.3 million for the nine months ended September 30, 2007 reflected a net decrease in debt and credit facilities of \$70.4 million and a net transfer of cash to Clear Channel Communications of \$162.7 million. Net cash used in financing activities of \$5.9 million for the nine months ended September 30, 2006 principally related to a net decrease in debt and credit facilities of \$56.1 million, offset by a net transfer of cash from Clear Channel Communications of \$50.1.

**Anticipated Cash Requirements:**

We expect to fund anticipated cash requirements (including payments of principal and interest on outstanding indebtedness and commitments, acquisitions and anticipated capital expenditures) for the foreseeable future with cash flows from operations, borrowing under the cash management note with Clear Channel Communications, and various externally generated funds.

**SOURCES OF CAPITAL**

As of September 30, 2007 and December 31, 2006, we had the following debt outstanding:

| <i>(In millions)</i>                        | September 30,     |                      |
|---------------------------------------------|-------------------|----------------------|
|                                             | 2007              | December 31,<br>2006 |
| Bank credit facility                        | \$                | \$ 23.5              |
| Debt with Clear Channel Communications      | 2,500.0           | 2,500.0              |
| Other borrowings                            | 125.6             | 160.7                |
| Due to Clear Channel Communications         |                   | 4.2                  |
| <b>Total debt</b>                           | <b>2,625.6</b>    | <b>2,688.4</b>       |
| Less: Cash and cash equivalents             | 114.1             | 105.4                |
| Less: Due from Clear Channel Communications | 134.2             |                      |
|                                             | <b>\$ 2,377.3</b> | <b>\$ 2,583.0</b>    |

**Credit Facility**

In addition to cash flows from operations, another source of 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, 2007 and November 7, 2007, there was no outstanding balance on the sub-limit, and \$150.0 million was available for future borrowings, with the entire balance to be paid on July 12, 2009.



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### **Debt With Clear Channel Communications**

As part of the day-to-day cash management services provided by Clear Channel Communications, we maintain an account that represents net amounts due to or from Clear Channel Communications, which is recorded as Due from/to Clear Channel Communications on the consolidated balance sheets. The account represents our revolving promissory note with Clear Channel Communications, up to a maximum of \$1.0 billion. The account accrues interest pursuant to the Master Agreement and is generally payable on demand. Included in the account is the net activity resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, we maintain collection bank accounts swept daily by Clear Channel Communications. In return, Clear Channel Communications funds our controlled disbursement accounts as checks or electronic payments are presented for payment. Our claim in relation to cash transferred from our concentration account is on an unsecured basis and is limited to the balance of the Due from Clear Channel Communications account. At September 30, 2007, the balance of \$134.2 million was an asset recorded in Due from Clear Channel Communications on the consolidated balance sheet. At December 31, 2006, the balance of \$4.2 million was a liability recorded in Due to Clear Channel Communications on the consolidated balance sheet. The net interest income for the three months ended September 30, 2007 was \$1.2 million and the net interest expense for the three months ended September 30, 2006 was \$0.4 million. The net interest income for the nine months ended September 30, 2007 and 2006 was \$2.2 million and \$0.8 million, respectively.

We have a note in the original principal amount of \$2.5 billion to Clear Channel Communications which matures on August 2, 2010, and 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, 2007, the interest rate on the \$2.5 billion note was 6.1%.

### **Debt Covenants**

The \$2.5 billion 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 shareholders' 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.

The significant covenants contained in the Clear Channel Communications \$1.75 billion revolving 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. At September 30, 2007, Clear Channel Communications' leverage and interest coverage ratios were 3.2x and 4.9x, respectively.

There are no significant covenants or events of default contained in the cash management note issued by Clear Channel Communications to us or the cash management note issued by us to Clear Channel Communications.

At September 30, 2007, we and Clear Channel Communications were in compliance with all debt covenants.

**Table of Contents****USES OF CAPITAL****Acquisitions**

During the nine months ended September 30, 2007, our Americas segment acquired display faces for \$25.4 million in cash. In addition, our International segment paid \$17.2 million primarily related to the acquisition of an outdoor advertising business in Romania, an additional equity interest in an outdoor company and the acquisition of advertising structures.

**Capital Expenditures**

Capital expenditures were \$165.2 million and \$164.0 million in the nine months ended September 30, 2007 and 2006, respectively.

| <i>(In millions)</i>              | Nine Months Ended September 30, |                 |
|-----------------------------------|---------------------------------|-----------------|
|                                   | 2007                            | 2006            |
| Non-revenue producing             | \$ 53.7                         | \$ 58.3         |
| Revenue producing                 | 111.5                           | 105.7           |
| <b>Total capital expenditures</b> | <b>\$ 165.2</b>                 | <b>\$ 164.0</b> |

**Commitments, Contingencies and Guarantees**

From time to time, we are involved in legal proceedings arising in the ordinary course of business. Under our agreements with Clear Channel Communications, we have assumed and will indemnify Clear Channel Communications for liabilities related to our business. Other than as described in our Annual Report on Form 10-K for the year ended December 31, 2006 and Note 3 of the Notes to the Consolidated Financial Statements, we do not believe there is any litigation pending that would have, individually or in the aggregate, a material adverse effect on our financial position, results of operations or cash flow.

Certain agreements relating to acquisitions provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies generally over a one to five year period. 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.

**MARKET RISK****Interest Rate Risk**

We had approximately \$2.6 billion total debt outstanding as of September 30, 2007, \$2.5 billion of which is debt with Clear Channel Communications, \$96.3 million is variable based on market interest rates and the remainder is fixed rate debt. The debt with Clear Channel Communications 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. At September 30, 2007, 25% of Clear Channel Communications debt was variable based on market interest rates. Each 50 basis point increase or decrease in interest rates would increase or decrease our interest expense and cash outlay for the nine months ended September 30, 2007 by approximately \$2.6 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, 2007 with no subsequent change in rates for the remainder of the period. This potential increase or decrease does not include any adjustment for a change in the fixed rate debt of Clear Channel Communications, which currently constitutes 75% of its total debt. The cost of Clear Channel Communications fixed rate debt is likely to increase in the event of the consummation of the currently pending merger which would increase our interest expense on our \$2.5 billion of debt with Clear Channel Communications.

**Foreign Currency**

We have operations in countries throughout the world. The financial results of our foreign 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 foreign markets in which we operate. We believe we mitigate a small

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portion of our exposure to foreign currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. Our foreign operations reported net income of approximately \$29.3 million for the nine months ended September 30, 2007. We estimate 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, 2007 by approximately \$2.9 million.

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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.

## **Recent Accounting Pronouncements**

Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115* ( Statement 159 ), was issued in February 2007. Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Statement 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Statement 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. Statement 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in Statements No. 157, *Fair Value Measurements*, and No. 107, *Disclosures about Fair Value of Financial Instruments*. Statement 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We expect to adopt Statement 159 on January 1, 2008, and do not anticipate adoption to materially impact our financial position or results of operations.

## **Risks Regarding Forward Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including the future levels of cash flow from operations. Management believes all statements expressing expectations and projections with respect to future matters, including our ability to negotiate contracts having more favorable terms and the availability of capital resources, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our financial performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management's expectations will necessarily come to pass. We do not intend to update any forward-looking statements.

A wide range of factors could materially affect future developments and performance, including:

- the consummation of the merger between Clear Channel Communications and private equity funds sponsored by Bain Capital LLC and Thomas H. Lee Partners L.P., or any deterioration in the financial condition of Clear Channel Communications, could adversely affect our access to the credit markets and increase our borrowing costs;
- the impact of general economic and political conditions in the United States and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;
- the impact of the geopolitical environment;
- our ability to integrate the operations of recently acquired companies;
- shifts in population and other demographics;
- industry conditions, including competition;
- fluctuations in operating costs;
- technological changes and innovations;
- changes in labor conditions;
- fluctuations in exchange rates and currency values;
- capital expenditure requirements;
- the outcome of pending and future litigation settlements;
- legislative or regulatory requirements;
- interest rates;
- the effect of leverage on our financial position and earnings;
- taxes;
- access to capital markets; and
- certain other factors set forth in our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2006.

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This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Required information is within Item 2 of this Part I.

**Item 4. CONTROLS AND PROCEDURES**

Our principal executive and financial officers have concluded, based on their evaluation as of the end of the period covered by this Form 10-Q, that our disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), are effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the most recent three months ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**Part II OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are currently involved in certain legal proceedings and, as required, have accrued an estimate of the probable costs for the resolution of these claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

**Item 1A. Risk Factors**

For information regarding our risk factors, please refer to Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2006. There have not been any material changes in the risk factors disclosed in this Annual Report on Form 10-K.

Additional information relating to risk factors is described in Management's Discussion and Analysis of Financial Condition and Results of Operations under Risks Regarding Forward-Looking Statements.

**Item 6. Exhibits**

See the Index to Exhibits, which is incorporated into and made a part of this Quarterly Report on Form 10-Q.

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**Signatures**

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

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

November 9, 2007

/s/ Randall T. Mays  
Randall T. Mays  
Chief Financial Officer

November 9, 2007

/s/ Herbert W. Hill, Jr.  
Herbert W. Hill, Jr.  
Senior Vice President and  
Chief Accounting Officer

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**INDEX TO EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description</b>                                                                                                                                                                                                                          |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1                       | Amended and Restated Certificate of Incorporation of Clear Channel Outdoor Holdings, Inc. (incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K filed March 31, 2006).                              |
| 3.2                       | Amended and Restated Bylaws of the Clear Channel Outdoor Holdings, Inc. (incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K filed March 31, 2006).                                                |
| 4.1                       | Form of Specimen Class A Common Stock certificate of Clear Channel Outdoor Holdings, Inc. (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-127375 (the "Registration Statement"))). |
| 4.2                       | Form of Specimen Class B Common Stock certificate of Clear Channel Outdoor Holdings, Inc. (incorporated herein by reference to Exhibit 4.2 to the Registration Statement).                                                                  |
| 11*                       | Statement re: Computation of Per Share Earnings.                                                                                                                                                                                            |
| 31.1*                     | Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                         |
| 31.2*                     | Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                         |
| 32.1*                     | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                          |
| 32.2*                     | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                          |

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\* Filed herewith