

Clear Channel Outdoor Holdings, Inc.

Form 10-Q

August 11, 2008

[Table of Contents](#)

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 June 30, 2008

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)

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

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 No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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

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

Class	Outstanding at August 7, 2008
Class A Common Stock, \$.01 par value	40,698,370
Class B Common Stock, \$.01 par value	315,000,000

Table of Contents

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

INDEX

	Page No.
<u>Part I – Financial Information</u>	
<u>Item 1. Unaudited Financial Statements</u>	
<u>Consolidated Balance Sheets at June 30, 2008 and December 31, 2007</u>	3
<u>Consolidated Statements of Operations for the six and three months ended June 30, 2008 and 2007</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2008 and 2007</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4. Controls and Procedures</u>	24
<u>Part II – Other Information</u>	
<u>Item 1. Legal Proceedings</u>	25
<u>Item 1A. Risk Factors</u>	25
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	25
<u>Item 6. Exhibits</u>	26
<u>Signatures</u>	27

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

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Current Assets		
Cash and cash equivalents	\$ 81,677	\$ 134,897
Accounts receivable, less allowance of \$34,465 at June 30, 2008 and \$29,741 at December 31, 2007	1,006,425	927,694
Due from Clear Channel Communications	267,074	265,448
Prepaid expenses	93,373	85,519
Other current assets	218,490	193,549
Total Current Assets	1,667,039	1,607,107
Property, Plant and Equipment		
Land, buildings and improvements	374,991	368,321
Structures	4,026,209	3,901,940
Furniture and other equipment	260,209	258,536
Construction in progress	83,422	74,553
	4,744,831	4,603,350
Less accumulated depreciation	2,446,336	2,359,242
	2,298,495	2,244,108
Intangible Assets		
Definite-lived intangibles, net	267,058	254,487
Indefinite-lived intangibles - permits	251,902	251,095
Goodwill	1,209,259	1,162,589
Other Assets		
Notes receivable	3,273	3,426
Investments in, and advances to, nonconsolidated affiliates	58,331	108,007
Deferred tax asset	153,831	186,167
Other assets	119,772	118,618
Other investments	95,856	
Total Assets	\$ 6,124,816	\$ 5,935,604

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)

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Current Liabilities		
Accounts payable	\$ 118,090	\$ 138,290
Accrued expenses	545,632	536,022
Accrued interest	1,648	1,074
Accrued income taxes	1,172	33,154
Deferred income	171,886	121,558
Current portion of long-term debt	82,255	87,099
Deferred tax liabilities	2,641	4,095
Total Current Liabilities	923,324	921,292
Long-term debt	14,729	94,922
Debt with Clear Channel Communications	2,500,000	2,500,000
Other long-term liabilities	246,070	220,796
Minority interest	221,381	215,864
Commitments and contingent liabilities (Note 4)		
Shareholders Equity		
Class A common stock	407	405
Class B common stock	3,150	3,150
Additional paid-in capital	1,314,276	1,304,359
Retained earnings	596,644	427,391
Accumulated other comprehensive income	305,150	247,478
Cost of shares held in treasury	(315)	(53)
Total Shareholders Equity	2,219,312	1,982,730
Total Liabilities and Shareholders Equity	\$ 6,124,816	\$ 5,935,604

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)**

	Six Months Ended June 30,		Three Months Ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 1,690,387	\$ 1,527,569	\$ 914,808	\$ 836,713
Operating expenses:				
Direct operating expenses (includes share-based payments of \$3,957, \$3,147, \$2,537 and \$2,161 for the six and three months ended June 30, 2008 and 2007, respectively, and excludes depreciation and amortization)	961,078	823,348	490,244	429,143
Selling, general and administrative expenses (includes share-based payments of \$1,423, \$1,215, \$913 and \$834 for the six and three months ended June 30, 2008 and 2007, respectively, and excludes depreciation and amortization)	295,644	262,090	151,034	134,557
Depreciation and amortization	209,854	193,823	104,764	98,153
Corporate expenses (includes share-based payments of \$509, \$241, \$331 and \$168 for the six and three months ended June 30, 2008 and 2007, respectively, and excludes depreciation and amortization)	34,053	28,614	17,819	13,271
Gain on disposition of assets net	8,472	8,296	6,100	1,204
Operating income	198,230	227,990	157,047	162,793
Interest expense on debt with Clear Channel Communications	72,956	77,193	36,953	38,904
Interest expense	3,409	3,807	1,314	1,521
Interest income on Due from Clear Channel Communications	2,160	992	686	486
Equity in earnings of nonconsolidated affiliates	79,709	2,945	1,666	2,820
Other income (expense) net	10,298	996	(2,249)	1,040
Income before income taxes and minority interest	214,032	151,923	118,883	126,714
Income tax expense:				
Current	25,363	50,946	30,264	44,069
Deferred	22,524	10,594	9,723	6,830
Income tax expense	47,887	61,540	39,987	50,899
Minority interest income (expense), net of tax	3,108	(5,702)	1,451	(7,218)
Net income	169,253	84,681	80,347	68,597
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	80,176	44,127	(736)	35,088
Foreign currency reclassification adjustment for sale of foreign subsidiary	2,588			
Unrealized loss on marketable securities	(25,092)		(25,085)	
Comprehensive income	\$ 226,925	\$ 128,808	\$ 54,526	\$ 103,685
Net income per common share:				
Basic	\$.48	\$.24	\$.23	\$.19
Weighted average common shares outstanding Basic	355,159	354,740	355,239	354,876
Diluted	\$.48	\$.24	\$.23	\$.19
Weighted average common shares outstanding Diluted	355,770	355,729	355,746	355,951

See Notes to Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2008	2007
Cash flows provided by (used in) operating activities:		
Net income	\$ 169,253	\$ 84,681
Reconciling items:		
Depreciation and amortization	209,854	193,823
Deferred taxes	22,524	10,594
Provision for doubtful accounts	6,539	3,853
Gain on sale of operating and fixed assets	(8,472)	(8,296)
Equity in earnings of nonconsolidated affiliates	(79,709)	(2,945)
Other reconciling items, net	2,604	9,903
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions	(76,474)	(46,719)
Net cash provided by operating activities	246,119	244,894
Cash flows provided by (used in) investing activities:		
Decrease (increase) in notes receivable, net	153	(269)
Decrease (increase) in investments in, and advances to nonconsolidated affiliates net	9,704	462
Purchases of property, plant and equipment	(173,289)	(112,118)
Proceeds from disposal of assets	34,786	11,631
Acquisition of operating assets, net of cash acquired	(83,592)	(32,732)
Decrease (increase) in other net	(5,460)	(16,592)
Net cash used in investing activities	(217,698)	(149,618)
Cash flows provided by (used in) financing activities:		
Draws on credit facilities	70,658	26,772
Payments on credit facilities	(158,614)	(60,502)
Proceeds from long-term debt	3,746	12,481
Payments on long-term debt	(4,599)	(11,867)
Net transfers (to) from Clear Channel Communications	(1,626)	(78,777)
Proceeds from exercise of stock options	4,261	8,618
Other, net	(262)	(84)
Net cash used in financing activities	(86,436)	(103,359)
Effect of exchange rate changes on cash	4,795	(2,652)
Net (decrease) increase in cash and cash equivalents	(53,220)	(10,735)
Cash and cash equivalents at beginning of period	134,897	105,395
Cash and cash equivalents at end of period	\$ 81,677	\$ 94,660

See Notes to Consolidated Financial Statements

Table of Contents

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1: BASIS OF PRESENTATION AND NEW ACCOUNTING STANDARDS

Preparation of Interim Financial Statements

The 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 2007 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, Inc. (Clear Channel Communications). These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. Significant intercompany transactions have been eliminated in consolidation. Investments in nonconsolidated affiliates are accounted for using the equity method of accounting.

Clear Channel Communications Merger

Clear Channel Communications completed the merger with a group of equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. on July 30, 2008. Clear Channel Communications is now owned indirectly by CC Media Holdings, Inc. There are several agreements which govern the Company's relationship with Clear Channel Communications including the Corporate Services Agreement, Employee Matters Agreement and Tax Matters Agreement. Clear Channel Communications has the right to terminate these agreements 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. The Company's agreements with Clear Channel Communications will continue under the same terms and conditions subsequent to the merger.

As a result of the merger, Clear Channel Communications' \$1.75 billion revolving credit facility, including the \$150.0 million sub-limit, was terminated. The facility was replaced with a \$2.0 billion six year revolving credit facility, which includes a \$150.0 million sub-limit that certain of our International subsidiaries may borrow against to the extent Clear Channel Communications has not already borrowed against this capacity and is in compliance with its covenants under the credit facility.

CC Media Holdings, Inc. and Clear Channel Communications will account for their merger as a purchase business combination in conformity with Statement of Financial Accounting Standards No. 141, *Business Combinations*, and Emerging Issues Task Force Issue 88-16, *Basis in Leveraged Buyout Transactions*. Purchase accounting adjustments, including goodwill, will be pushed down to the financial statements of the Company. Clear Channel Communications is currently in the process of obtaining third-party valuations of certain of the assets and liabilities in order to allocate the purchase price. Clear Channel Communications will complete its purchase price allocation within one year of the closing of the acquisition.

Recent Accounting Pronouncement

In April 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under FASB Statement No. 142, *Goodwill and Other Intangible Assets* (Statement 142). FSP FAS 142-3 removes an entity's requirement under paragraph 11 of Statement 142 to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008, and early adoption is prohibited. The Company will

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

adopt FSP FAS 142-3 on January 1, 2009. The Company is unable to estimate the impact of adoption at this time due to the fact that FSP FAS 142-3 is dependent upon acquisitions that may or may not happen in the future.

-7-

Table of Contents**New Accounting Standards**

The Company adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (Statement 157) on January 1, 2008, and began to apply its recognition and disclosure provisions to its financial assets and financial liabilities that are remeasured at fair value at least annually. Statement 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company holds available-for-sale marketable equity securities classified in accordance with Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (Statement 115). These equity securities are measured at fair value on each reporting date using quoted prices in active markets. Due to the fact that the inputs used to measure the equity securities at fair value are observable, the Company has categorized the securities as Level 1. The fair value of these securities at June 30, 2008 was \$95.9 million.

The Company adopted Financial Accounting Standards Board Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (Statement 159), which permits entities to measure many financial instruments and certain other items at fair value at specified election dates that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected should be reported in earnings at each subsequent reporting date. The provisions of Statement 159 were effective as of January 1, 2008. The Company did not elect the fair value option under this standard upon adoption.

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. Definite-lived intangible assets are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute 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 June 30, 2008 and December 31, 2007:

(In thousands)

	June 30, 2008		December 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture, and other contractual rights	\$ 931,941	\$ 666,231	\$ 867,283	\$ 613,897
Other	11,830	10,482	10,719	9,618
Total	\$ 943,771	\$ 676,713	\$ 878,002	\$ 623,515

Total amortization expense from definite-lived intangible assets for the six and three months ended June 30, 2008 and for the year ended December 31, 2007 was \$26.2 million, \$13.2 million and \$53.2 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:

(In thousands)

2009	\$ 49,374
2010	38,038
2011	27,738
2012	19,882
2013	19,277

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 intangibles consist of billboard permits. 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

Table of Contents

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 a direct method. This direct method assumes that rather than acquiring indefinite-lived intangible assets as a part of a 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.

Under the direct method, the Company aggregates its indefinite-lived intangible assets at the market level for purposes of impairment testing as prescribed by Emerging Issues Task Force issue 02-07, *Unit of Accounting for Testing Impairment of Indefinite-Lived Intangible Assets*. 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 information.

The carrying amounts for billboard permits at June 30, 2008 and December 31, 2007 were \$251.9 million and \$251.1 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 Company's reporting unit for Americas is the reportable segment. The Company determined that each country in its International segment constitutes a reporting unit. The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments for the six-month period ended June 30, 2008:

<i>(In thousands)</i>	Americas	International	Total
Balance as of December 31, 2007	\$ 688,336	\$ 474,253	\$ 1,162,589
Acquisitions		12,686	12,686
Foreign currency	(62)	35,121	35,059
Adjustments	(1,075)		(1,075)
Balance as of June 30, 2008	\$ 687,199	\$ 522,060	\$ 1,209,259

Note 3: OTHER DEVELOPMENTS

Acquisitions

During the six months ended June 30, 2008, the Company's Americas segment paid \$45.9 million for the acquisition of advertising structures and the final earnout payments for Interspace Airport Advertising, which the Company acquired in July 2006. The Company's International segment paid \$37.7 million primarily related to the acquisition of additional equity interests in outdoor companies and the acquisition of advertising structures.

Disposition of Assets

During the first quarter of 2008, the Company exchanged assets in one of its Americas markets for assets located in a different market and recognized a gain of \$2.6 million in Gain on disposition of assets net. In addition, the Company sold its 50% interest in Clear Channel Independent, a South African outdoor advertising company, and recognized a gain of \$75.6 million in Equity in earnings of nonconsolidated affiliates based on the fair value of the equity securities received as consideration. The Company has classified these equity securities as available-for-sale on its consolidated balance sheet in accordance with Statement 115. The sale of Clear Channel Independent was a tax free disposition, thereby resulting in no current tax expense recognized on the sale. As a result, the Company's effective tax rate for the six months ended June 30, 2008 was 22.4%.

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

The Company's effective tax rate for the three months ended June 30, 2008 was 33.6% as compared to 40.2% for the same period of the prior year. The decline was primarily due to an increase in Income before income taxes and minority interest in certain foreign jurisdictions that resulted in a lower overall effective tax rate in 2008.

Table of Contents

Legal Proceedings

The Company is currently involved in certain legal proceedings and, as required, has accrued its 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 the Company's assumptions or the effectiveness of its strategies related to these proceedings.

Note 4: 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 5: 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 accounts represent the revolving promissory note issued by the Company to Clear Channel Communications and the revolving promissory note issued by Clear Channel Communications to the Company, up to a maximum of \$1.0 billion. The accounts accrue interest pursuant to the Master Agreement and are generally payable on demand. Interest on the cash management note owed by the Company accrues on the daily net negative cash position based upon LIBOR plus a margin. Interest on the cash management note owed by Clear Channel Communications accrues interest on the daily net positive cash position based upon the average one-month generic treasury bill rate. Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, the Company maintains collection bank accounts swept daily 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 June 30, 2008 and December 31, 2007, the asset recorded in Due from Clear Channel Communications on the consolidated balance sheet was \$267.1 million and \$265.4 million, respectively. The net interest income for the six months ended June 30, 2008 and 2007 was \$2.2 million and \$1.0 million, respectively. The net interest income for the three months ended June 30, 2008 and 2007 was \$0.7 million and \$0.5 million, respectively. At June 30, 2008, the interest rate on the Due from Clear Channel Communications account was 1.7%.

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 June 30, 2008, the interest rate on the \$2.5 billion note was 5.9%.

At June 30, 2008, Clear Channel Communications had a five-year, multi-currency revolving credit facility in the amount of \$1.75 billion. Certain of the Company's International subsidiaries could borrow under a \$150.0 million sub-limit within this credit facility to the extent Clear Channel Communications had not already borrowed against this capacity. This sub-limit allowed for borrowings in various foreign currencies, which were used to hedge net assets in those currencies and provided funds to the Company's International operations for certain working capital needs. Certain of the Company's International subsidiary borrowings under this sub-limit were guaranteed by Clear Channel Communications. The interest rate was based upon LIBOR or, for Euro denominated borrowings, EURIBOR, plus a margin. At June 30, 2008, there was no outstanding balance on this sub-limit. The facility was terminated on July 30, 2008, in conjunction with Clear Channel Communications' merger. The facility was replaced with a \$2.0 billion six year revolving credit facility, which includes a \$150.0 million sub-limit that certain of our International subsidiaries may borrow against to the extent Clear Channel Communications has not already borrowed against this capacity and is in compliance with its covenants under the credit facility.

Table of Contents

The Company provides advertising space on its billboards for radio stations owned by Clear Channel Communications. For the six months ended June 30, 2008 and 2007, the Company recorded \$4.2 million and \$6.8 million, respectively, in revenue for these advertisements. For the three months ended June 30, 2008 and 2007, the Company recorded \$2.5 million and \$4.9 million, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between Clear Channel Communications and the Company, Clear Channel Communications provides management services to the Company, which include, among other things: (i) treasury, payroll and other financial related services; (ii) executive officer services; (iii) human resources and employee benefits services; (iv) legal and related services; (v) information systems, network and related services; (vi) investment services; (vii) procurement and sourcing support services; and (viii) other general corporate services. These services are charged to the Company based on actual direct costs incurred or allocated by Clear Channel Communications based on headcount, revenue or other factors on a pro rata basis. For the six months ended June 30, 2008 and 2007, the Company recorded \$12.1 million and \$11.4 million, respectively, as a component of corporate expenses for these services. For the three months ended June 30, 2008 and 2007, the Company recorded \$5.6 million and \$5.5 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 \$5.8 million and \$5.1 million for the six months ended June 30, 2008 and 2007, respectively. For the three months ended June 30, 2008 and 2007, the Company recorded approximately \$2.9 million and \$2.6 million, respectively, as a component of selling, general and administrative expenses for these services.

Note 6: SEGMENT DATA

The Company has two reportable segments, which it believes best reflects how the Company is currently managed—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 and Australia. Share-based payments are recorded by each segment in direct operating and selling, general and administrative expenses.

Table of Contents

<i>(In thousands)</i>	Americas	International	Corporate expenses and gain on disposition of assets - net	Consolidated
<u>Six months ended June 30, 2008</u>				
Revenue	\$ 718,340	\$ 972,047	\$	\$ 1,690,387
Direct operating expenses	317,265	643,813		961,078
Selling, general and administrative expenses	118,432	177,212		295,644
Depreciation and amortization	99,372	110,482		209,854
Corporate expenses			34,053	34,053
Gain on disposition of assets - net			8,472	8,472
Operating income (loss)	\$ 183,271	\$ 40,540	\$ (25,581)	\$ 198,230
Identifiable assets	\$ 2,920,321	\$ 2,784,482	\$ 420,013	\$ 6,124,816
Capital expenditures	\$ 71,818	\$ 101,471	\$	\$ 173,289
Share-based payments	\$ 4,301	\$ 1,079	\$ 509	\$ 5,889
<u>Three months ended June 30, 2008</u>				
Revenue	\$ 384,978	\$ 529,830	\$	\$ 914,808
Direct operating expenses	161,020	329,224		490,244
Selling, general and administrative expenses	60,057	90,977		151,034
Depreciation and amortization	49,273	55,491		104,764
Corporate expenses			17,819	17,819
Gain on disposition of assets - net			6,100	6,100
Operating income (loss)	\$ 114,628	\$ 54,138	\$ (11,719)	\$ 157,047
Share-based payments	\$ 2,763	\$ 687	\$ 331	\$ 3,781
<u>Six months ended June 30, 2007</u>				
Revenue	\$ 693,866	\$ 833,703	\$	\$ 1,527,569
Direct operating expenses	279,799	543,549		823,348
Selling, general and administrative expenses	110,368	151,722		262,090
Depreciation and amortization	93,193	100,630		193,823
Corporate expenses			28,614	28,614
Gain on disposition of assets - net			8,296	8,296
Operating income (loss)	\$ 210,506	\$ 37,802	\$ (20,318)	\$ 227,990
Identifiable assets	\$ 2,798,497	\$ 2,451,724	\$ 287,529	\$ 5,537,750
Capital expenditures	\$ 50,464	\$ 61,654	\$	\$ 112,118
Share-based payments	\$ 3,592	\$ 770	\$ 241	\$ 4,603
<u>Three months ended June 30, 2007</u>				
Revenue	\$ 376,843	\$ 459,870	\$	\$ 836,713
Direct operating expenses	144,885	284,258		429,143
Selling, general and administrative expenses	56,125	78,432		134,557
Depreciation and amortization	46,632	51,521		98,153
Corporate expenses			13,271	13,271
Gain on disposition of assets - net			1,204	1,204
Operating income (loss)	\$ 129,201	\$ 45,659	\$ (12,067)	\$ 162,793
Share-based payments	\$ 2,466	\$ 529	\$ 168	\$ 3,163

Revenue of \$1.0 billion and \$877.0 million and identifiable assets of \$3.0 billion and \$2.7 billion derived from the Company's foreign operations are included in the data above for the six months ended June 30, 2008 and 2007, respectively. Revenue of \$558.9 million and \$483.7 million derived from the Company's foreign operations are included in the data above for the three months ended June 30, 2008 and 2007, respectively.

Table of Contents

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

Management's discussion and analysis 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 herein should be read in conjunction with the quarterly and annual financial statements.

Description of Business

Our revenue is 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 based on a number of different factors including location, competition, size of display, illumination, market and gross ratings points. Gross ratings points is the 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 revenue 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, the largest being 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.

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 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.

In our International business, normal market practice is to sell billboards and street furniture as network packages with contract terms typically ranging from one to two weeks, compared to contract terms typically ranging from 4 weeks to one year in the United States. In addition, competitive bidding for street furniture and transit contracts, which constitute a larger portion of our International business, and a different regulatory environment for billboards, result in higher site lease cost in our International business compared to our Americas business. As a result, our margins are typically less in our International business than in the Americas.

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 and/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.

Relationship with Clear Channel Communications and CC Media Holdings, Inc.

Clear Channel Communications completed the merger with a group of equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. on July 30, 2008. Clear Channel Communications, our parent company, is now owned indirectly by CC Media Holdings, Inc. There are several agreements which govern our relationship with Clear Channel Communications including the Corporate Services Agreement, Employee Matters Agreement and Tax Matters Agreement. Clear Channel Communications has the right to terminate these agreements 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. Our agreements with Clear Channel Communications will continue under the same terms and conditions subsequent to the merger.

Table of Contents

As a result of the merger, Clear Channel Communications' \$1.75 billion revolving credit facility, including the \$150.0 million sub-limit, was terminated. The facility was replaced with a \$2.0 billion six year revolving credit facility, which includes a \$150.0 million sub-limit that certain of our International subsidiaries may borrow against to the extent Clear Channel Communications has not already borrowed against this capacity and is in compliance with its covenants under the credit facility.

CC Media Holdings, Inc. and Clear Channel Communications will account for their merger as a purchase business combination in conformity with Statement of Financial Accounting Standards No. 141, *Business Combinations*, and Emerging Issues Task Force Issue 88-16, *Basis in Leveraged Buyout Transactions*. Purchase accounting adjustments, including goodwill, will be pushed down to our financial statements. Clear Channel Communications is currently in the process of obtaining third-party valuations of certain of the assets and liabilities in order to allocate the purchase price. Clear Channel Communications will complete its purchase price allocation within one year of the closing of the acquisition.

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 further discussion of these services, see Note 5 of the Notes to the Consolidated Financial Statements. For the three months ended June 30, 2008 and 2007, we recorded approximately \$5.6 million and \$5.5 million, respectively, as a component of corporate expenses for these services. For the six months ended June 30, 2008 and 2007, we recorded approximately \$12.1 million and \$11.4 million, respectively, as a component of corporate expenses for these services.

Share-Based Payments

As of June 30, 2008, there was \$26.5 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of approximately three years. The following table details compensation costs related to share-based payments for the three and six months ended June 30, 2008 and 2007:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Direct operating expenses	\$ 2,537	\$ 2,161	\$ 3,957	\$ 3,147
Selling, general and administrative expenses	913	834	1,423	1,215
Corporate expenses	331	168	509	241
Total share-based payments	\$ 3,781	\$ 3,163	\$ 5,889	\$ 4,603

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

The comparison of the Three and Six Months Ended June 30, 2008 to the Three and Six Months Ended June 30, 2007 is as follows:

<i>(In thousands)</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	% Change	2008	2007	% Change
Revenue	\$ 914,808	\$ 836,713	9%	\$ 1,690,387	\$ 1,527,569	11%
Operating expenses:						
Direct operating expenses	490,244	429,143	14%	961,078	823,348	17%
Selling, general and administrative expenses	151,034	134,557	12%	295,644	262,090	13%
Depreciation and amortization	104,764	98,153	7%	209,854	193,823	8%
Corporate expenses	17,819	13,271	34%	34,053	28,614	19%
Gain on disposition of assets net	6,100	1,204		8,472	8,296	
Operating income	157,047	162,793	(4%)	198,230	227,990	(13%)
Interest expense (including interest on debt with Clear Channel Communications)	37,581	39,939		74,205	80,008	
Equity in earnings of nonconsolidated affiliates	1,666	2,820		79,709	2,945	
Other income (expense) net	(2,249)	1,040		10,298	996	
Income before income taxes and minority interest	118,883	126,714		214,032	151,923	
Income tax expense:						
Current	30,264	44,069		25,363	50,946	
Deferred	9,723	6,830		22,524	10,594	
Income tax expense	39,987	50,899		47,887	61,540	
Minority interest income (expense), net of tax	1,451	(7,218)		3,108	(5,702)	
Net income	\$ 80,347	\$ 68,597		\$ 169,253	\$ 84,681	

Revenue*Three Months*

Our revenue increased \$78.1 million, or 9%, during the second quarter of 2008 as compared to 2007. Our International revenue increased \$70.0 million, with roughly \$50.1 million from movements in foreign exchange. The remainder of our International revenue growth was mostly associated with increases in China, Turkey and Australia. Our Americas revenue grew \$8.1 million primarily from increases in airport, street furniture and digital display revenue.

Six Months

Our revenue increased \$162.8 million, or 11%, during the first six months of 2008 as compared to 2007. Our International revenue increased \$138.3 million, with roughly \$93.8 million from movements in foreign exchange. Our Americas revenue grew \$24.5 million primarily from increases in airport, street furniture and digital display revenue.

Direct Operating Expenses*Three Months*

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

Our direct operating expenses increased \$61.1 million, or 14%, during the second quarter of 2008 as compared to 2007. Our International segment contributed \$45.0 million of the increase, of which \$30.8 million related to movements in foreign exchange and the remainder of the increase was driven by an increase in site lease expenses. Americas direct operating expenses increased \$16.1 million driven by increased site lease expenses associated with new contracts and the increase in airport, street furniture and digital display revenues.

Six Months

Our direct operating expenses increased \$137.7 million, or 17%, during the first six months of 2008 as compared to 2007. Our International segment contributed \$100.3 million of the increase, of which \$61.3 million related to movements in foreign exchange

Table of Contents

and the remainder of the increase was driven by an increase in site lease expenses. Americas direct operating expenses increased \$37.5 million driven by increased site lease expenses associated with new contracts.

Selling, General and Administrative Expenses (SG&A)

Three Months

Our SG&A increased \$16.5 million, or 12%, during the second quarter of 2008 as compared to 2007. Our International SG&A expenses increased \$12.5 million primarily attributable to \$8.7 million from movements in foreign exchange. SG&A increased \$3.9 million in our Americas segment principally related to an increase in administrative expenses associated with various legal expenses.

Six Months

Our SG&A increased \$33.6 million, or 13%, during the first six months of 2008 as compared to 2007. Our International SG&A expenses increased \$25.5 million primarily attributable to \$17.3 million from movements in foreign exchange. SG&A increased \$8.1 million in our Americas segment principally related to various legal expenses.

Depreciation and Amortization

Depreciation and amortization increased \$6.6 million and \$16.0 million during the three and six months ended June 30, 2008 as compared to the same periods of 2007. The increase was primarily due to movements in foreign exchange of \$5.0 million and \$9.9 million, respectively.

Corporate Expenses

Corporate expenses increased \$4.5 million and \$5.4 million during the three and six months ended June 30, 2008 as compared to the same periods of 2007. The increase was primarily due to lower expenses in 2007 due to a favorable ruling surrounding a certain legal case.

Gain on Disposition of Assets Net

The gain on disposition of assets net for the three months ended June 30, 2008 increased \$4.9 million from \$1.2 million in 2007 to \$6.1 million in 2008. During the second quarter of 2008, we recorded a \$4.0 million gain on sale of property.

The gain on disposition of assets net for the six months ended June 30, 2008 was \$8.5 million primarily due to the item discussed above. In addition during the first quarter of 2008, we exchanged assets in one of our Americas markets for assets located in a different market and recognized a gain of \$2.6 million in Gain on disposition of assets net. The gain in 2007 primarily related to \$5.5 million for the sale of International street furniture assets.

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

Interest expense decreased \$2.4 million and \$5.8 million during the three and six months ended June 30, 2008 as compared to the same periods of 2007. The decrease was mainly due to a decline in the interest rate on the \$2.5 billion note to Clear Channel Communications. Due to the merger transaction between Clear Channel Communications and private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners L.P., we expect interest expense will increase. See Liquidity and Capital Resources below for further discussion of how interest expense will increase as a result of the merger.

Equity in Earnings of Nonconsolidated Affiliates

Equity in earnings of nonconsolidated affiliates increased \$76.8 million during the six months ended June 30, 2008 as compared to the same period of 2007. In the first quarter of 2008, we sold our 50% interest in Clear Channel Independent, a South African outdoor advertising company, and recognized a gain of \$75.6 million.

Other Income (Expense) Net

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

Other income of \$10.3 million during the six months ended June 30, 2008 primarily related to foreign exchange transaction gains on short-term intercompany accounts.

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.

Table of Contents*Three Months*

Current tax expense for the three months ended June 30, 2008 decreased \$13.8 million compared to 2007 primarily due to current tax benefits related to additional tax depreciation deductions taken pursuant to the bonus depreciation provisions enacted as part of the Economic Stimulus Act of 2008. In addition, current tax expense in 2008 was lower due to the decrease in Income before income taxes and minority interest of \$7.8 million. The effective tax rate for the three months ended June 30, 2008 decreased to 33.6% as compared to 40.2% for the three months ended June 30, 2007, primarily due to an increase in Income before income taxes and minority interest in certain foreign jurisdictions that resulted in a lower overall effective tax rate in 2008. Deferred tax expense for the three months ended June 30, 2008 increased \$2.9 million compared to 2007 primarily due to the additional tax depreciation deductions in 2008 mentioned above.

Six Months

Current tax expense for the six months ended June 30, 2008 decreased \$25.6 million compared to 2007 primarily due to current tax benefits recorded in 2008 related to additional tax depreciation deductions as a result of the bonus depreciation provisions enacted as part of the Economic Stimulus Act of 2008. The effective tax rate for the six months ended June 30, 2008 decreased to 22.4% as compared to 40.5% for the sixth months ended June 30, 2007, primarily due to the gain from the sale of our 50% interest in Clear Channel Independent, a South African outdoor advertising company which was a tax free disposition, thereby resulting in no current tax expense for the year. Deferred tax expense for the six months ended June 30, 2008 increased \$11.9 million compared to 2007 primarily due to the additional tax depreciation deductions in 2008 mentioned above.

Minority Interest Income (Expense), Net of Tax

Minority interest declined \$8.7 million from expense of \$7.2 million in the second quarter of 2007 to income of \$1.5 million during the second quarter of 2008 primarily related to \$9.7 million recorded related to the purchase of the remaining minority interest in one of our subsidiaries.

Americas Results of Operations

<i>(In thousands)</i>	Three Months Ended			Six Months Ended		
	June 30, 2008	2007	% Change	June 30, 2008	2007	% Change
Revenue	\$ 384,978	\$ 376,843	2%	\$ 718,340	\$ 693,866	4%
Direct operating expenses	161,020	144,885	11%	317,265	279,799	13%
Selling, general and administrative expenses	60,057	56,125	7%	118,432	110,368	7%
Depreciation and amortization	49,273	46,632	6%	99,372	93,193	7%
Operating income	\$ 114,628	\$ 129,201	(11%)	\$ 183,271	\$ 210,506	(13%)

Three Months

Revenue increased approximately \$8.1 million during the second quarter of 2008 compared to the second quarter of 2007, primarily from increases in airport and street furniture revenues as well as digital display revenue. The increase in street furniture revenue was primarily the result of new contracts and increased rates while the increase in airport revenue was due to new contracts and increased rates and occupancy. Digital display revenue growth was primarily attributable to an increase in digital displays. Partially offsetting the revenue increase was a decline in bulletin and poster revenue. The decline in bulletin revenue was primarily attributable to decreased occupancy while the decline in poster revenue was primarily attributable to a decrease in rate. Leading advertising categories during the quarter were retail, amusements and financial services which all experienced revenue growth for the second quarter of 2008 when compared to the second quarter of 2007. Revenue growth was led by Los Angeles, Boston, Latin America and Canada.

Our Americas direct operating expenses increased \$16.1 million primarily from higher site lease expenses of \$15.7 million mostly attributable to new taxi, airport and street furniture contracts. Our SG&A expenses increased \$3.9 million primarily from increased administrative expenses associated with various legal expenses.

Six Months

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

Revenue increased approximately \$24.5 million during the six months ended June 30, 2008 compared to the same period of 2007 primarily from increases in airport, street furniture revenues and digital display revenue. The increase in street furniture revenue was primarily the result of new contracts and increased rates while the increase in airport revenue was due to new contracts and increased rates and occupancy. Digital display revenue growth was primarily attributable to an increase in digital displays. Partially offsetting the revenue increase was a decline in bulletin and poster revenue. The decline in bulletin revenue was primarily attributable to decreased occupancy while the decline in poster revenue was primarily attributable to a decrease in rate.

-17-

Table of Contents

Our Americas direct operating expenses increased \$37.5 million primarily from higher site lease expenses of \$34.6 million primarily attributable to new taxi, airport and street furniture contracts. Our SG&A expenses increased \$8.1 million primarily from increased administrative expenses associated with various legal expenses.

International Results of Operations

<i>(In thousands)</i>	Three Months Ended			Six Months Ended		
	June 30,		% Change	June 30,		% Change
	2008	2007		2008	2007	
Revenue	\$ 529,830	\$ 459,870	15%	\$ 972,047	\$ 833,703	17%
Direct operating expenses	329,224	284,258	16%	643,813	543,549	18%
Selling, general and administrative expenses	90,977	78,432	16%	177,212	151,722	17%
Depreciation and amortization	55,491	51,521	8%	110,482	100,630	10%
Operating income	\$ 54,138	\$ 45,659	19%	\$ 40,540	\$ 37,802	7%

Three Months

Revenue increased approximately \$70.0 million, with roughly \$50.1 million from movements in foreign exchange. The remainder of the revenue growth was primarily attributable to strong growth in China, Turkey and Australia. In addition, we acquired operations in Romania at the end of the second quarter of 2007, which contributed to the revenue growth in 2008. Growth was partially offset by revenue declines in France, due to the loss of a contract for advertising on railway land, and the United Kingdom.

Direct operating expenses increased \$45.0 million. Included in the increase is approximately \$30.8 million related to movements in foreign exchange. The remaining increase in direct operating expenses was driven by an increase in site lease expenses and other direct operating expenses associated with the increase in revenue. SG&A expenses increased \$12.5 million in 2008 over 2007 from approximately \$8.7 million related to movements in foreign exchange and an increase in selling expenses associated with the increase in revenue.

Six Months

Revenue increased approximately \$138.3 million, with roughly \$93.8 million from movements in foreign exchange. The remainder of the revenue growth was primarily attributable to growth in China, Turkey, Australia and Romania, partially offset by revenue declines in France and the United Kingdom. China, Turkey and Australia all benefited from strong advertising environments. We acquired operations in Romania at the end of the second quarter of 2007, which contributed to the revenue growth in 2008.

Direct operating expenses increased \$100.3 million. Included in the increase is approximately \$61.3 million related to movements in foreign exchange. The remaining increase in direct operating expenses was driven by an increase in site lease expenses and other direct operating expenses associated with the increase in revenue. SG&A expenses increased \$25.5 million in 2008 over 2007 from approximately \$17.3 million related to movements in foreign exchange and an increase in selling expenses associated with the increase in revenue.

Reconciliation of Segment Operating Income (Loss)

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Americas	\$ 114,628	\$ 129,201	\$ 183,271	\$ 210,506
International	54,138	45,659	40,540	37,802
Corporate expenses	(17,819)	(13,271)	(34,053)	(28,614)
Gain on disposition of assets net	6,100	1,204	8,472	8,296
Consolidated operating income	\$ 157,047	\$ 162,793	\$ 198,230	\$ 227,990

LIQUIDITY AND CAPITAL RESOURCES

Clear Channel Communications Agreement and Plan of Merger

Clear Channel Communications' capitalization, liquidity and capital resources substantially changed due to the consummation of its merger on July 30, 2008. Upon the closing of the merger, Clear Channel Communications incurred additional debt and became

Table of Contents

highly leveraged. The interest rate we pay on our \$2.5 billion promissory note is based on the weighted average cost of debt for Clear Channel Communications which will increase from approximately 5.9% as of June 30, 2008 to approximately 6.7% due to the consummation of the merger. As such, the interest we pay on our \$2.5 billion promissory note will similarly increase and may increase again in the future in the event of another change in Clear Channel Communications' capitalization, liquidity and capital resources. To the extent we cannot pass on our increased borrowing costs to our clients, our profitability, and potentially our ability to raise capital, could be materially affected.

Under our Master Agreement with Clear Channel Communications and the \$2.5 billion note payable to Clear Channel Communications, we are limited in our borrowing from third parties to no more than \$400.0 million. Prior to the consummation of the merger, we had access to borrowings under a \$150.0 million sub-limit included in Clear Channel Communications' five-year, multicurrency \$1.75 billion revolving credit facility. This revolving credit facility was terminated in conjunction with the closing of the merger and was replaced with a \$2.0 billion six year revolving credit facility, which includes a \$150.0 million sub-limit that certain of our International subsidiaries may borrow against 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 new credit facility is based upon LIBOR or, for Euro denominated borrowings, EURIBOR, plus, in each case, a margin, which margin is generally higher than the margin under the previous credit facility with Clear Channel Communications. See discussion below under Bank Credit Facility. A deterioration in the financial condition of Clear Channel Communications in the future could also further increase our borrowing costs or impair our access to the capital markets because of our reliance on Clear Channel Communications for availability under this new revolving credit facility.

Also, so long as Clear Channel Communications maintains a significant interest in us, pursuant to the Master Agreement between Clear Channel Communications and us, Clear Channel Communications will have the option to limit our ability to incur debt or issue equity securities, which could adversely affect our ability to meet our liquidity needs.

Cash Flows

The following table summarizes our historical cash flows:

<i>(In thousands)</i>	Six Months Ended June 30,	
	2008	2007
Cash provided by (used in):		
Operating activities	\$ 246,119	\$ 244,894
Investing activities	\$ (217,698)	\$ (149,618)
Financing activities	\$ (86,436)	\$ (103,359)

Operating Activities:

Net cash provided by operating activities of \$246.1 million for the six months ended June 30, 2008 principally reflected net income of \$169.3 million and depreciation and amortization of \$209.9 million. In addition, we recorded a \$75.6 million gain in equity in earnings of nonconsolidated affiliates related to the sale of our 50% interest in Clear Channel Independent based on the fair value of the equity securities received as consideration. Also offsetting the net cash provided by operating activities was a negative change in working capital of \$76.5 million. Net cash provided by operating activities of \$244.9 million for the six months ended June 30, 2007 principally reflected net income of \$84.7 million, depreciation and amortization of \$193.8 million, and deferred income tax expense of \$10.6 million. Net cash provided by operating activities was partially offset by a negative change in working capital of approximately \$46.7 million.

Investing Activities:

Net cash used in investing activities of \$217.7 million for the six months ended June 30, 2008 mainly reflected capital expenditures of \$173.3 million related to purchases of property, plant and equipment and \$83.6 million related to acquisitions of operating assets, partially offset by proceeds from the sale of other assets of \$34.8 million. Net cash used in investing activities of \$149.6 million for the six months ended June 30, 2007 principally reflected capital expenditures of \$112.1 million related to purchases of property, plant and equipment and \$32.7 million related to acquisitions of operating assets.

Financing Activities:

Net cash used in financing activities of \$86.4 million for the six months ended June 30, 2008 reflected a net reduction in debt of \$88.8 million and a net transfers of cash to Clear Channel Communications of \$1.6 million. Net cash used in financing activities of \$103.4 million for the six

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

months ended June 30, 2007 reflected a net decrease in debt and credit facilities of \$33.1 million and a net transfer of cash to Clear Channel Communications of \$78.8 million.

Table of Contents**Anticipated Cash Requirements:**

Our primary source of liquidity is cash flow from operations. Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand, cash flows from operations, and borrowing under the cash management note with Clear Channel Communications and the \$150.0 million sub-limit facility will enable us to meet our working capital, capital expenditure, debt service and other funding requirements for the foreseeable future. Our ability to fund our working capital needs, debt payments and other obligations, however, depends on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control.

SOURCES OF CAPITAL

As of June 30, 2008 and December 31, 2007, we had the following debt outstanding, cash and cash equivalents and amounts due from Clear Channel Communications:

<i>(In millions)</i>	June 30, 2008	December 31, 2007
Bank credit facility	\$	\$ 80.0
Debt with Clear Channel Communications	2,500.0	2,500.0
Other borrowings	97.0	102.0
 Total debt	 2,597.0	 2,682.0
Less: Cash and cash equivalents	81.7	134.9
Less: Due from Clear Channel Communications	267.1	265.4
	 \$ 2,248.2	 \$ 2,281.7

Bank Credit Facility

In addition to net cash flows from operations, another source of liquidity prior to the merger of Clear Channel Communications on July 30, 2008 was through borrowings under a \$150.0 million sub-limit included in Clear Channel Communications five-year, multicurrency \$1.75 billion revolving credit facility. At June 30, 2008, there was no outstanding balance on the sub-limit. This revolving credit facility was terminated in conjunction with the closing of Clear Channel Communications merger and was replaced with a \$2.0 billion six year revolving credit facility, which includes a \$150.0 million sub-limit that certain of our International subsidiaries may borrow against 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 new credit facility is equal to an applicable margin plus, at Clear Channel Communications option, either (i) a base rate determined by reference to the higher of (A) the prime lending rate publicly announced by the administrative agent and (B) the federal funds effective rate from time to time plus 0.50%, or (ii) a Eurodollar rate determined by reference to the costs of funds for deposits for the interest period relevant to such borrowing adjusted for certain additional costs. The applicable margin percentage is 2.40% in the case of base rate loans, and 3.40% in the case of Eurodollar loans, subject to adjustment based upon Clear Channel Communications leverage ratio. The Company had borrowing options which determined its interest rate on outstanding balances under its previous facility. The interest rate on outstanding balances under the previous credit facility was based upon LIBOR or, for Euro denominated borrowings, EURIBOR, plus, in each case, a margin of 0.525%.

Debt With Clear Channel Communications

As part of the day-to-day cash management services provided by Clear Channel Communications, we maintain accounts that represent net amounts, up to a maximum of \$1.0 billion, due to or from Clear Channel Communications, which is recorded as Due from/to Clear Channel Communications on the consolidated balance sheets. The accounts represent our revolving promissory note issued by us to Clear Channel Communications and the revolving promissory note issued by Clear Channel Communications to us. The accounts accrue interest and are generally payable on demand. Interest on the cash management note owed by us accrues on the daily net negative cash position based upon LIBOR plus a margin. Interest on the cash management note owed by Clear Channel Communications accrues interest on the daily net positive cash position based upon the average one-month generic treasury bill rate. Included in the account are the net activities 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

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

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 June 30, 2008 and December 31, 2007, the asset recorded in Due from Clear Channel Communications on the consolidated balance sheets was \$267.1 million and \$265.4 million, respectively. The net interest income for the three months ended June 30, 2008 and 2007 was \$0.7 million and \$0.5 million, respectively. The net

-20-

Table of Contents

interest income for the six months ended June 30, 2008 and 2007 was \$2.2 million and \$1.0 million, respectively. At June 30, 2008, the interest rate on the Due from Clear Channel Communications account was 1.7%.

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

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 June 30, 2008, the interest rate on the \$2.5 billion note was 5.9%.

Our debt with Clear Channel Communications will continue under the same terms and conditions subsequent to the merger.

Our working capital requirements and capital for general corporate purposes, including acquisitions and capital expenditures, may be provided to us by Clear Channel Communications, in its sole discretion, pursuant to a cash management note issued by us to Clear Channel Communications. Without the opportunity to obtain financing from Clear Channel Communications, we may need to obtain additional financing from banks, or through public offerings or private placements of debt, strategic relationships or other arrangements at some future date.

As long as Clear Channel Communications maintains a significant interest in us, pursuant to the Master Agreement between Clear Channel Communications and us, Clear Channel Communications will have the option to limit our ability to incur debt or issue equity securities, which could adversely affect our ability to meet our liquidity needs. In addition, the \$2.5 billion note requires us to prepay it in full upon a change of control (as defined in the note), and, upon our issuances of equity and incurrence of debt, subject to certain exceptions, to prepay the note in the amount of net proceeds received from such events. Under the Master Agreement with Clear Channel Communications and the \$2.5 billion note, we are limited in our borrowing from third parties to no more than \$400.0 million.

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 covenant contained in the Clear Channel Communications \$2.0 billion revolving credit facility relates to a maximum consolidated senior secured net debt to adjusted EBITDA ratio (as defined in the credit facility).

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 June 30, 2008, we and Clear Channel Communications were in compliance with all debt covenants.

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

During the six months ended June 30, 2008, our Americas segment paid \$45.9 million for the acquisition of advertising structures and the final earnout payments for Interspace Airport Advertising, which we acquired in July 2006. Our International segment paid \$37.7 million primarily related to the acquisition of additional equity interests in outdoor companies and the acquisition of advertising structures.

During the first quarter of 2008, we exchanged assets in one of our Americas markets for assets located in a different market and recognized a gain of \$2.6 million in Gain on disposition of assets net. In addition, we sold our 50% interest in Clear Channel Independent and recognized a gain of \$75.6 million in Equity in earnings of nonconsolidated affiliates based on the fair value of the equity securities received.

Capital Expenditures

Our capital expenditures have consisted of the following:

<i>(In millions)</i>	Six Months Ended June 30,	
	2008	2007
Non-revenue producing	\$ 43.4	\$ 36.8
Revenue producing	129.9	75.3
Total capital expenditures	\$ 173.3	\$ 112.1

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, 2007 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 company 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.

Seasonality

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

MARKET RISK**Interest Rate Risk**

We had approximately \$2.6 billion total debt outstanding as of June 30, 2008, of which \$2.5 billion is debt with Clear Channel Communications. 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. As a result of Clear Channel Communications merger, Clear Channel Communications weighted average cost of debt increased from approximately 5.9% as of June 30, 2008, to approximately 6.7%. Clear Channel Communications senior secured credit facilities require that it enter into agreements no later than 150 days after the closing of the merger whereby a minimum of 40% of its long-term debt bears interest at fixed rates for a minimum of three years. The weighted average cost of debt of 6.7% does not consider

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

these agreements. Assuming an interest rate of 6.7% on our \$2.5 billion debt with Clear Channel Communications for the six months ended June 30, 2008, our interest expense would have increased by approximately \$12.3 million. Each 50 basis point increase or decrease in the interest rate would have increased or decreased our interest expense and cash outlay for the six months ended June 30, 2008, by approximately \$6.3 million. This potential increase or decrease is based on the simplified assumption that the level of floating rate debt remains constant

-22-

Table of Contents

with an immediate across-the-board increase or decrease as of June 30, 2008, with no subsequent change in rates for the remainder of the period.

Foreign Currency Risk

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 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 \$120.1 million for the six months ended June 30, 2008. 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 six months ended June 30, 2008, by approximately \$12.0 million.

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

Recent Accounting Pronouncement

In April 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under FASB Statement No. 142, *Goodwill and Other Intangible Assets* (Statement 142). FSP FAS 142-3 removes an entity's requirement under paragraph 11 of Statement 142 to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008, and early adoption is prohibited. We will adopt FSP FAS 142-3 on January 1, 2009. We are unable to estimate the impact of adoption at this time due to the fact that FSP FAS 142-3 is dependent upon acquisitions that may or may not happen in the future.

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 without limitation, the future levels of cash flow from operations and availability of capital resources and the terms thereof. Use of the words may, should, continue, plan, potential, anticipate, believe, estimate, expect and intend and words or import, as they relate to us or our subsidiaries or our management, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Management believes all statements expressing expectations and projections with respect to future matters 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 undertake no duty to update any forward-looking statements.

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

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;

Table of Contents

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 filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2007.

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 June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**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, 2007. There have not been any material changes in the risk factors disclosed in the 2007 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 2. Unregistered Sales of Equity Securities and Use of Proceeds**(c) Purchases of Equity Securities by the Issuer and Affiliated Purchases**

The following table sets forth the Company's purchases of our Class A common stock registered pursuant to Section 12 of the Exchange Act that occurred during the quarter ended June 30, 2008:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 through April 30				
May 1 through May 31	12,674	\$ 20.68		
June 1 through June 30				
Total	12,674			

- (1) The shares indicated consist of shares tendered by employees to the Company during the three months ended June 30, 2008, to satisfy the employees' tax withholding obligations in connection with the vesting and release of restricted shares, which are repurchased by the Company based on their fair market value on the date the relevant transaction occurs.
- (2) The calculation of the average price paid per share does not give effect to any fees, commissions or other costs associated with the repurchase of such shares.

Item 4. Submission of Matters to a Vote of Security Holders

Our annual meeting of shareholders was held on April 30, 2008. Randall T. Mays and Marsha M. Shields were elected as directors, each will serve a three year term or until his or her successor has been elected and qualified, subject to earlier resignation and removal.

Table of Contents

The results of voting at the annual meeting of the shareholders were as follows:

Proposal No. 1
(Election of Directors)

	Nominee	For	Withheld
Randall T. Mays		6,311,609,629	22,952,925
Marsha M. Shields		6,334,147,174	415,380

Item 6. Exhibits

Exhibit Number	Description
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. as amended (incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K filed February 14, 2008).
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.

* Filed herewith

** Furnished herewith

Table of Contents

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.

August 11, 2008

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

August 11, 2008

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