CLEAR CHANNEL COMMUNICATIONS INC
Form DEFM14A
January 29, 2007

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement	o	Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)
þ	Definitive Proxy Statement		
o	Definitive Additional Materials		
o	Soliciting Material Pursuant to Rule 14a-12		

CLEAR CHANNEL COMMUNICATIONS, INC.
(Name of Registrant as Specified in Its Charter)
N/A
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
- o No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

þ Fee paid with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date filed:

Table of Contents

CLEAR CHANNEL COMMUNICATIONS, INC.
200 East Basse Road
San Antonio, Texas 78209

January 29, 2007

Dear Shareholders:

We cordially invite you to attend the special meeting of shareholders of Clear Channel Communications, Inc., a Texas corporation (the Company), at the Westin Riverwalk Hotel, 420 Market Street, San Antonio, Texas 78205 on March 21, 2007, at 8:00 a.m., Central Standard Time.

At the special meeting, we will ask you to consider and vote upon a proposal to adopt an Agreement and Plan of Merger, dated as of November 16, 2006, among the Company, BT Triple Crown Merger Co., Inc., a Delaware corporation (Merger Sub), B Triple Crown Finco, LLC, a Delaware limited liability company, and T Triple Crown Finco, LLC, a Delaware limited liability company (together with B Triple Crown Finco, LLC, the Fincos), which provides for the recapitalization of the Company by the merger of Merger Sub with and into the Company. The Fincos were formed by private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. If the Company s shareholders adopt the merger agreement and the merger is completed, you will receive $37.60 in cash, without interest and less any applicable withholding tax, for each share of Company common stock you own (unless you have properly exercised your appraisal rights with respect to the merger). You may also receive additional per share consideration under certain circumstances if the merger is consummated after January 1, 2008.

After careful consideration, the Company s board of directors by unanimous vote (excluding Messrs. Mark P. Mays, Randall T. Mays, L. Lowry Mays and B. J. McCombs who recused themselves from the deliberations) has determined that the merger agreement is advisable, fair to and in the best interests of the unaffiliated shareholders of the Company, that the Company enter into the merger agreement and consummate the merger on the terms and conditions of the merger agreement. The Company s board of directors (other than those directors who recused themselves from the deliberations) unanimously recommends that you vote FOR the adoption of the merger agreement. In considering the recommendation of the Company s board of directors with respect to the merger agreement, you should be aware that some of the Company s directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our shareholders generally. See The Merger Interests of the Company s Directors and Executive Officers in the Merger beginning on page 41.

The accompanying proxy statement provides you with detailed information about the proposed merger and the special meeting. Please give this material your careful attention. You may also obtain more information about the Company from documents we have filed with the Securities and Exchange Commission.

Your vote is very important regardless of the number of shares you own. The merger can not be completed unless holders of two-thirds of the outstanding shares entitled to vote at the special meeting of shareholders vote for the adoption of the merger agreement. We would like you to attend the special meeting. However, whether or not you plan to attend the special meeting, it is important that your shares be represented. Accordingly, please sign, date and return the enclosed proxy card in the postage-paid envelope prior to the special meeting. If you hold shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. Remember, failing to vote has the same effect as a vote against the adoption of the merger agreement.

Table of Contents

Thank you for your continued support and we look forward to seeing you on March 21, 2007.

Sincerely,

Mark P. Mays
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved of the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in the enclosed documents. Any representation to the contrary is a criminal offense.

The proxy statement is dated January 29, 2007, and is first being mailed to shareholders on or about February 1, 2007.

Table of Contents

CLEAR CHANNEL COMMUNICATIONS, INC.
200 EAST BASSE ROAD
SAN ANTONIO, TEXAS 78209

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MARCH 21, 2007

January 29, 2007

Dear Shareholders:

A special meeting of the shareholders of Clear Channel Communications, Inc., a Texas corporation (the Company), will be held at the Westin Riverwalk Hotel, 420 Market Street, San Antonio, Texas 78205 on March 21, 2007, at 8:00 a.m. Central Standard Time, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of November 16, 2006 (the Merger Agreement) among the Company, BT Triple Crown Merger Co., Inc., a Delaware corporation (Merger Sub), B Triple Crown Finco, LLC, a Delaware limited liability company, and T Triple Crown Finco, LLC, a Delaware limited liability company (together with B Triple Crown Finco, LLC, the Fincos). The Merger Agreement, a copy of which is attached as Annex A to the accompanying proxy statement, provides for the recapitalization of the Company by the merger of Merger Sub with and into the Company, with the Company continuing as the surviving corporation. Pursuant to the Merger Agreement each share of Company common stock, other than those shares (i) held in the Company s treasury stock or owned by Merger Sub immediately prior to the effective time of the merger, (ii) held by shareholders who properly exercise their appraisal rights under Texas law, if any, and (iii) shares held by certain employees of the Company who have agreed with the Fincos to convert equity securities of the Company held by them into equity securities of the surviving corporation, will be converted into the right to receive $37.60 in cash, without interest, and less any applicable withholding tax. You may also receive additional per share consideration under certain circumstances if the merger is consummated after January 1, 2008;

2. To consider and vote upon a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the Merger Agreement; and

3. To transact such other business that may properly come before the special meeting or any adjournment thereof.

In accordance with the Company s bylaws, the board of directors has fixed 5:00 p.m. Central Standard Time on January 22, 2007 as the record date for the purposes of determining shareholders entitled to notice of and to vote at the special meeting and at any adjournment thereof. A list of our shareholders will be available at our principal executive offices at 200 East Basse Road, San Antonio, Texas, 78209, during ordinary business hours for ten days prior to the special meeting. All shareholders of record are cordially invited to attend the special meeting in person.

The adoption of the Merger Agreement requires the affirmative vote of two-thirds of the votes entitled to be cast by the holders of the outstanding shares of the Company s common stock. **Whether or not you plan to attend the special meeting, we urge you to vote your shares by completing, signing, dating and returning the enclosed proxy card as promptly as possible prior to the special meeting to ensure that your shares will be represented at the special meeting if you are unable to attend.** If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the adoption of the Merger Agreement. If you fail to return a valid proxy card and do not vote in person at the special meeting, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and, if a quorum is present, it will have the same effect as a vote against the adoption of the Merger Agreement. Any shareholder attending the special meeting may

vote in person, even if he or she has returned a proxy card; such vote by ballot will revoke any proxy previously submitted. However, if you

Table of Contents

hold your shares through a bank or broker or other custodian, you must provide a legal proxy issued from such custodian in order to vote your shares in person at the special meeting.

If you plan to attend the special meeting, please note that space limitations make it necessary to limit attendance to shareholders and one guest. Each shareholder may be asked to present valid picture identification, such as a driver s license or passport. Shareholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras (including cellular telephones with photographic capabilities), recording devices and other electronic devices will not be permitted at the special meeting. The special meeting will begin promptly at 8:00 a.m., Central Standard Time.

Shareholders who do not vote in favor of the adoption of the Merger Agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they submit a written objection to the merger to the Company before the vote is taken on the Merger Agreement and they comply with all requirements of Texas law, which are summarized in the accompanying proxy statement. We urge you to read the entire proxy statement carefully.

PLEASE DO NOT SEND YOUR STOCK CERTIFICATES AT THIS TIME. IF THE MERGER IS COMPLETED, YOU WILL BE SENT INSTRUCTIONS REGARDING THE SURRENDER OF YOUR STOCK CERTIFICATES.

By Order of the Board of Directors

Andrew W. Levin
Executive Vice President, Chief Legal Officer,
and Secretary

San Antonio, Texas

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

In this proxy statement, the terms Company, Clear Channel, we, our, ours, and us refer to Clear Channel Communications, Inc., unless the context otherwise requires.

Table of Contents

SUMMARY

This summary highlights selected information from the proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under Where You Can Find Additional Information beginning on page 91. The Agreement and Plan of Merger, dated as of November 16, 2006 (the Merger Agreement) by and among Clear Channel, BT Triple Crown Merger Co., Inc. (Merger Sub), B Triple Crown Finco, LLC and T Triple Crown Finco, LLC (collectively, the Fincos), is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement because it is the legal document that governs the parties agreement pursuant to which the Company will be recapitalized by means of a merger of Merger Sub with and into the Company (the Merger). Each item in this summary includes a page reference directing you to a more complete description of that item.

The Parties to the Merger

(See The Parties to the Merger on page 21)

Clear Channel, incorporated in 1974, is a diversified media company with three reportable business segments: radio broadcasting, Americas outdoor advertising (consisting of operations in the United States, Canada and Latin America) and international outdoor advertising. Clear Channel owns over 1,100 radio stations and a leading national radio network operating in the United States. In addition, Clear Channel has equity interests in various international radio broadcasting companies. Clear Channel also owns or operates more than 164,000 national and 710,000 international outdoor advertising display faces. Additionally, Clear Channel owns or programs 42 television stations and owns a full-service media representation firm that sells national spot advertising time for clients in the radio and television industries throughout the United States. Clear Channel is headquartered in San Antonio, Texas, with radio stations in major cities throughout the United States.

Each Finco is a newly formed Delaware limited liability company. B Triple Crown Finco, LLC was formed by a private equity fund sponsored by Bain Capital Partners, LLC (Bain Capital Fund IX) and T Triple Crown Finco, LLC was formed by a private equity fund sponsored by Thomas H. Lee Partners, L.P. (THL Partners Fund VI and together with Bain Capital Fund IX, the Sponsors), in each case, solely for the purpose of effecting the Merger and the transactions related to the Merger.

Merger Sub is a newly formed Delaware corporation and a wholly-owned subsidiary of the Sponsors, and was organized solely for the purpose of entering into the Merger Agreement and consummating the transactions contemplated by the Merger Agreement. Merger Sub has not engaged in any business except activities incidental to its organization and in connection with the transactions contemplated by the Merger Agreement.

The Merger

(See The Merger Agreement on page 65)

The Merger Agreement provides that Merger Sub will be merged with and into the Company, and each outstanding share of the common stock, par value $0.10 per share, of the Company (Company common stock), other than (i) shares held in the treasury of the Company or owned by Merger Sub immediately prior to the Effective Time (as defined below), (ii) shares held by shareholders who do not vote in favor of the adoption of the Merger Agreement and

Table of Contents

who properly demand appraisal rights in accordance with Texas law, if any, and (iii) shares held by certain employees of the Company who agree with the Fincos to convert equity securities of the Company held by them into equity securities of the surviving corporation, will be converted into the right to receive $37.60 in cash, without interest and less any applicable withholding tax.

In addition, if the Merger becomes effective (the Effective Time) after January 1, 2008, you also will receive an amount equal to the lesser of (i) the pro rata portion, based upon the number of days elapsed since January 1, 2008, of $37.60 multiplied by 8% per annum, per share, or (ii) an amount equal to (a) the Company s operating cash flow (as more fully described under The Merger Agreement Treatment of Common Stock and Other Securities) from January 1, 2008 through the last day of the month before the closing date, less any dividends paid or declared following that period and prior to the closing date and amounts committed or paid to purchase equity interests in the Company or derivatives thereof with respect to that period (to the extent that those dividends or amounts are not deducted from operating cash flow for any prior period), divided by (b) the total number of outstanding shares of Company common stock, and shares underlying options with exercise prices less than the merger consideration. The total amount paid per share of Company common stock is referred to in this proxy statement as the Merger Consideration.

Effects of the Merger

(See The Merger Agreement Effects of the Merger on page 66)

If the Merger Agreement is adopted by our shareholders and the other conditions to closing are satisfied, Merger Sub will merge with and into the Company. The separate corporate existence of Merger Sub will cease, and the Company will continue as the surviving corporation, wholly-owned by entities sponsored by the Sponsors and their co-investors. Upon completion of the Merger, shares of Company common stock, other than (i) shares held in the treasury of the Company or owned by Merger Sub immediately prior to the Effective Time, (ii) shares held by shareholders who do not vote in favor of the adoption of the Merger Agreement and who properly demand appraisal rights in accordance with Texas law, if any, and (iii) shares held by certain employees of the Company who agree with the Fincos to convert equity securities of the Company held by them into equity securities of the surviving corporation, will be converted into the right to receive the Merger Consideration. Following completion of the Merger, the Company s common stock will be delisted from the New York Stock Exchange (NYSE) and no longer publicly traded. The surviving corporation will be a privately held corporation, and you will cease to have any ownership interest in the surviving corporation or any rights as its shareholder.

The Special Meeting of Shareholders *Place, Date and Time.* The special meeting will be held at the Westin Riverwalk Hotel, 420 Market Street, San Antonio, Texas 78205 on March 21, 2007, at 8:00 a.m., Central Standard Time.

(See The Special Meeting of Shareholders on page 22)

Table of Contents

Purpose. You will be asked to consider and vote upon the approval and adoption of the Merger Agreement, pursuant to which Merger Sub will merge with and into the Company.

Record Date and Quorum. You are entitled to vote at the special meeting if you owned shares of Company common stock as of 5:00 p.m. Central Standard Time on January 22, 2007, which time on that date is the record date for the special meeting. As of the record date there were 493,902,969 shares of Company common stock outstanding and entitled to vote, held by approximately 3,220 holders of record. The presence in person or by proxy of a majority of the issued and outstanding shares of Company common stock at the special meeting constitutes a quorum for the purpose of considering the proposals.

Vote Required For Adoption of the Merger Agreement. The approval and adoption of the Merger Agreement requires the affirmative vote of two-thirds of the votes entitled to be cast by the holders of the outstanding shares of Company common stock. The failure to vote has the same effect as a vote AGAINST the adoption of the Merger Agreement.

Vote Required For Adjournment. If a quorum exists, holders of a majority of the shares of Company common stock present in person or represented by proxy at the special meeting and entitled to vote thereat may adjourn the special meeting.

Who Can Vote at the Special Meeting. You may vote at the special meeting all of the shares of Company common stock you own of record as of the record date. You may vote any shares you hold of record in person at the special meeting, even if you have returned a proxy card and your vote by ballot will revoke any proxy previously submitted. If you hold your shares through a bank or broker or other custodian, you must provide a legal proxy issued from such custodian in order to vote your shares in person at the special meeting.

Procedure for Voting. You may vote your shares by attending the special meeting and voting in person or you may submit a proxy by signing and returning the enclosed proxy card. You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must advise Innisfree M&A Incorporated, the Company s proxy solicitor, in writing, that you are revoking your proxy and deliver a new proxy dated after the date of the earlier proxy being revoked, or submit a later-dated proxy by telephone or the Internet at or before the special

meeting, before your shares of Company common stock have been voted at the special meeting, or attend the special meeting and vote your shares in person. Merely attending the special meeting without voting will not constitute revocation of your earlier proxy.

If your shares are held in street name by your broker, please follow the directions provided by your broker in order to instruct your broker as to how to vote your shares. If you do not instruct your

Table of Contents

broker to vote your shares, it has the same effect as a vote AGAINST adoption of the Merger Agreement.

Timing and Likelihood of Closing

(See The Merger Agreement Effective Time; Marketing Period on page 66)

We are working toward completing the Merger as quickly as possible, and we anticipate that it will be completed by the end of 2007, assuming satisfaction or waiver of all of the conditions to the Merger. However, because the Merger is subject to certain conditions, including adoption of the Merger Agreement by our shareholders, receipt of certain regulatory approvals and the conclusion of the Marketing Period (as defined below under The Merger Agreement Effective Time; Marketing Period), the exact timing of the completion of the Merger and the likelihood of the consummation thereof cannot be predicted. If any of the conditions in the Merger Agreement are not satisfied, or waived, including the conditions described below under The Merger Agreement Conditions to the Merger, the Merger Agreement may terminate as a result.

Determinations of the Special Advisory Committee and of the Board of Directors (See The Merger Reasons for the Merger Determinations of the Special Advisory Committee and of the Board of Directors on page 37

Special Advisory Committee. The special advisory committee is a committee formed by the disinterested members of our board of directors comprised of three disinterested and independent members of our board of directors. The special advisory committee was formed for the purpose of (i) prior to execution of the Merger Agreement, providing its assessment, after receiving the advice of its legal and financial advisors and other experts, as to the fairness of the terms of the Merger Agreement, and (ii) following execution of the Merger Agreement, in the event the Company receives a Competing Proposal (as defined below under The Merger Agreement Solicitation of Alternative Proposals), providing its assessment, after receiving advice of its legal and financial advisors and other experts, as to the fairness and/or superiority of the terms of the Competing Proposal and the continuing fairness of the terms of the Merger Agreement. The process for pursuing, and all negotiations with respect to, the Merger Agreement (and any other possible transaction) were not directed by the special advisory committee but rather were directed by the disinterested members of the board of directors. The special advisory committee engaged its own legal and financial advisors in connection with its assessment of the fairness of the terms of the Merger Agreement. The special advisory committee unanimously determined that the terms of the Merger Agreement were fair to the Company s unaffiliated shareholders.

Board of Directors. The Company s board of directors by unanimous vote (excluding Messrs. Mark P. Mays, Randall T. Mays, L. Lowry Mays and B. J. McCombs who recused themselves from the deliberations), recommends that you vote FOR the adoption of the Merger Agreement. The board of directors (i) determined that the Merger is fair to and in the best interests of the Company and its unaffiliated shareholders,

(ii) approved, adopted and declared advisable the Merger Agreement and the transactions contemplated by the Merger Agreement,
(iii) recommended that the shareholders of the Company vote in favor of the Merger and directed that such matter be submitted for consideration of the shareholders of the

Table of Contents

Company at the special meeting, and (iv) authorized the execution, delivery and performance of the Merger Agreement and the transactions contemplated by the Merger Agreement.

Recommendation of the Board of Directors. The board of directors by unanimous vote (excluding Messrs. Mark P. Mays, Randall T. Mays, L. Lowry Mays and B. J. McCombs who recused themselves from the deliberations) recommends that the shareholders of the Company vote FOR the adoption of the Merger Agreement and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Interests of the Company s Directors and Executive Officers in the Merger

(See The Merger Interests of the Company s Directors and Executive Officers in the Merger on page 41)

In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of our shareholders generally. These interests include the treatment of shares (including restricted shares) and options held by the directors and officers, as well as indemnification and insurance arrangements with officers and directors, change in control severance benefits that may become payable to certain officers, employment agreements and an equity ownership in the surviving corporation if the Merger is consummated. These interests, to the extent material, are described below under The Merger Interests of the Company s Directors and Executive Officers in the Merger. The board of directors was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the Merger.

Opinions of Financial Advisors

(See Opinions of Financial Advisors on page 49)

Opinion of the Company s Financial Advisor. Goldman, Sachs & Co. (Goldman Sachs) delivered its opinion to our board of directors that, as of November 16, 2006 and based upon and subject to the factors and assumptions set forth therein, the merger consideration of $37.60 per share in cash to be received by the holders of the outstanding shares of Company common stock (other than the Rollover Shares (as defined below under The Merger Agreement Rollover by Shareholders)) was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated November 16, 2006, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. We encourage you to read the Goldman Sachs opinion carefully in its entirety. Goldman Sachs provided its opinion for the information and assistance of our board of directors in connection with its consideration of the transaction. Goldman Sachs opinion is not a recommendation as to how any holder of shares of our common stock

should vote with respect to the Merger. Pursuant to an engagement letter between the Company and Goldman Sachs, the Company has agreed to pay Goldman Sachs a transaction fee of approximately $40 million, the principal portion of which is payable upon consummation of the Merger.

Table of Contents

Opinion of the Special Advisory Committee s Financial Advisor. In connection with the Merger, the special advisory committee received the opinion of its financial advisor, Lazard Frères & Co. LLC (Lazard). On November 16, 2006, Lazard delivered its written opinion to the special advisory committee, to the effect that, as of such date and based upon and subject to the assumptions, factors and qualifications set forth in the opinion, the Merger Consideration to be paid to the holders of our common stock pursuant to the Merger Agreement was fair, from a financial point of view, to such holders (other than the Company, Merger Sub, any holder of Rollover Shares and any shareholder who is entitled to demand and properly perfects appraisal rights).

The full text of Lazard s written opinion, dated November 16, 2006, is attached to this proxy statement as Annex C and is incorporated into this proxy statement by reference. We encourage you to read the Lazard opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Lazard in connection with the opinion. Lazard s written opinion is addressed to the special advisory committee. Lazard s written opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote or whether our shareholders should take any other action relating to the Merger. Pursuant to an engagement letter between the special advisory committee and Lazard, the Company has agreed to pay Lazard an aggregate fee of $5 million, a significant portion of which was payable in connection with the rendering of its opinion. Lazard s fee was not contingent upon the outcome of the opinion.

Financing

(See Financing on page 47)

Equity Financing. The Fincos have received equity commitment letters for an aggregate commitment of up to approximately $4.0 billion which consists of the following: (i) equity commitment letters from each of the Sponsors, pursuant to which, subject to the conditions contained therein, the Sponsors have collectively agreed to make or cause to be made a cash capital contribution to the Fincos of up to $2.46 billion, which, subject to certain conditions, each of the Sponsors may assign to other investors and (ii) equity commitment letters from Citigroup Capital Partners II Employee Master Fund, L.P., Citigroup Capital Partners II Cayman Holdings, L.P., Citigroup Capital Partners II 2006 Citigroup Investment, L.P., Citigroup Capital Partners II Onshore, L.P., CGI Private Equity LP, LLC, CSFB LP Holding, DB Investment Partners, Inc., Morgan Stanley Strategic Investments, Inc. and RBS Equity Corporation (the Equity Investors) for approximately $1.55 billion in the aggregate, a portion of each of which, subject to certain conditions agreed to with the Fincos, may be assigned to other affiliated and non-affiliated investors.

Debt Financing. In connection with the execution and delivery of the Merger Agreement, the Fincos have obtained commitments to provide up to $21.475 billion in aggregate debt financing, consisting of (i) senior secured credit facilities in an aggregate principal amount of $16.375 billion, (ii) a receivables-backed

Table of Contents

revolving credit facility with a maximum availability of $1.0 billion, (iii) a senior unsecured bridge loan facility in an aggregate principal amount of up to $2.6 billion, and (iv) a senior subordinated unsecured bridge loan facility in an aggregate principal amount of up to $1.5 billion to finance, in part, the payment of the Merger Consideration, the repayment or refinancing of certain of our debt outstanding on the closing date of the Merger and the payment of fees and expenses in connection with the Merger, refinancing, financing and related transactions and, after the closing date of the Merger, to provide for ongoing working capital, refinance other debt and general corporate purposes. The debt commitments are not conditioned on nor do they require or contemplate the acquisition of the outstanding public shares of Clear Channel Outdoor Holdings, Inc. (Clear Channel Outdoor Holdings). The debt commitments do not require or contemplate any changes to the existing cash management and intercompany arrangements between the Company and Clear Channel Outdoor Holdings, the provisions of which are described in Clear Channel Outdoor Holdings SEC filings. The consummation of the Merger will not permit Clear Channel Outdoor Holdings to terminate these arrangements and the Company may continue to use the cash flows of Clear Channel Outdoor Holdings for its own general corporate purposes pursuant to the terms of the existing cash management and intercompany arrangements between the Company and Clear Channel Outdoor Holdings, which may include making payments on the new debt.

The Fincos agreed to use their reasonable best efforts to arrange the debt financing on the terms and conditions described in the debt financing commitments. If any portion of the debt financing becomes unavailable in the manner or from the sources contemplated in the Debt Commitment Letter (as defined below under Financing Debt Financing), the Fincos have agreed to use their reasonable best efforts to obtain alternative financing from alternative sources.

Under the Merger Agreement, the Debt Commitment Letter may be amended, restated or otherwise modified or superseded to add lenders and arrangers, increase the amount of debt, replace or modify the facilities or otherwise replace or modify the Debt Commitment Letter in a manner not less beneficial in the aggregate to Merger Sub and the Fincos, except that any new debt financing commitments shall not (i) adversely amend the conditions to the debt financing set forth in the Debt Commitment Letter in any material respect, (ii) reasonably be expected to delay or prevent the closing of the Merger, or (iii) reduce the aggregate amount of debt financing available for closing unless replaced with new equity or debt financing.

Regulatory Approvals

(See Regulatory Approvals on page 63)

Under the Communications Act of 1934, as amended (the Communications Act), the Company and the Fincos may not complete the Merger unless they have first obtained the approval of the Federal Communications Commission (the FCC) to transfer control of the

Company s FCC licenses to affiliates of the Fincos. FCC approval is sought through the filing of applications with the FCC,

Table of Contents

which are subject to public comment and objections from third parties. Pursuant to the Merger Agreement, the parties filed on December 12, 2006 all applications necessary to obtain such FCC approval. The timing or outcome of the FCC approval process cannot be predicted.

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) and the rules promulgated thereunder, the Company cannot complete the Merger until it notifies and furnishes information to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice, and the applicable waiting period has expired or been terminated.

The Merger is also subject to review by the governmental authorities of various other jurisdictions under the antitrust, communication and investment review laws of those jurisdictions.

Procedure for Receiving the Merger Consideration

See The Merger Agreement Treatment of Common Stock and Other Securities Exchange and Payment Procedures on page 69)

The Fincos will appoint a paying agent reasonably acceptable to us to coordinate the payment of the applicable portion of the aggregate Merger Consideration following the Merger. Promptly after the Effective Time, the paying agent will mail a letter of transmittal and instructions to you and the other shareholders. The letter of transmittal and instructions will tell you how to surrender your Company common stock certificates in exchange for the applicable portion of the Merger Consideration. Please do not send in your share certificates now.

Material United States Federal Income Tax Consequences

(See Material United States Federal Income Tax Consequences on page 61)

The Merger will be a taxable transaction to you. For United States federal income tax purposes, your receipt of cash in exchange for your shares of Company common stock generally will result in you recognizing gain or loss measured by the difference, if any, between the cash you receive in the Merger and your tax basis in your shares of Company common stock. You should consult your own tax advisor for a full understanding of the Merger s tax consequences that are particular to you.

Conditions to the Merger

(See The Merger Agreement Conditions to the Merger on page 81)

Before we can complete the Merger, a number of conditions must be satisfied. These conditions include:

- adoption of the Merger Agreement by our shareholders;
- the expiration or termination of any applicable waiting period under the HSR Act and any applicable foreign antitrust laws;
- no governmental authority having enacted any law or order making the Merger illegal or otherwise prohibiting the consummation of the Merger;
- the receipt of the FCC Consent (as defined below under Regulatory Approvals);

the performance, in all material respects, by all parties to the Merger Agreement of their respective agreements and covenants in the Merger Agreement, and the representations and warranties of the Company, the Fincos and Merger Sub in the Merger Agreement being true and correct, subject to certain Material

Table of Contents

Adverse Effect qualifications (as defined below under The Merger Agreement Representations and Warranties);

the Fincos delivery to the Company at the closing of a solvency certificate; and

the non-occurrence of any change, effect or circumstance that has had or would reasonably be expected to have a material adverse effect on the business, operations, results of operations or financial condition of the Company and its subsidiaries taken as a whole, subject to certain exceptions.

If a failure to satisfy one of these conditions to the obligations of the Company to complete the Merger is not considered by our board of directors to be material to our shareholders, the board of directors could waive compliance with that condition. Our board of directors is not aware of any condition to the Merger that cannot be satisfied. Under Texas law, after the Merger Agreement has been adopted by our shareholders, the Merger Consideration cannot be changed and the Merger Agreement cannot be altered in a manner adverse to our shareholders without re-submitting the revisions to our shareholders for their approval.

Solicitation of Alternative Proposals

(See The Merger Agreement Solicitation of Alternative Proposals on page 77)

Until 11:59 p.m., Eastern Standard Time, on December 7, 2006, we were permitted to initiate, solicit and encourage a Competing Proposal from third parties, (including by way of providing access to non-public information and participating in discussions or negotiations regarding, or taking any other action to facilitate a Competing Proposal). The Company did not receive any Competing Proposals prior to that time.

From and after 11:59 p.m., Eastern Standard Time, on December 7, 2006 we have agreed not to:

initiate, solicit, or knowingly facilitate or encourage the submission of any inquiries proposals or offers with respect to a Competing Proposal (including by way of furnishing information);

participate in any negotiations regarding, or furnish to any person any information in connection with, any Competing Proposal;

engage in discussions with any person with respect to any Competing Proposal;

approve or recommend any Competing Proposal;

enter into any letter of intent or similar document or any agreement or commitment providing for any Competing Proposal;

otherwise cooperate with, or assist or participate in, or knowingly facilitate or encourage any effort or attempt by any person (other than the Fincos or their representatives) with respect to, or which would reasonably be expected to result in, a Competing Proposal; or

exempt any person from the restrictions contained in any state takeover or similar law or otherwise cause such restrictions not to apply to any person or to any Competing Proposal.

Table of Contents

From and after 11:59 p.m. Eastern Standard Time on December 7, 2006 the Company agreed to:

- immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any persons conducted prior to November 16, 2006 with respect to any actual or potential Competing Proposal; and

- with respect to parties with whom discussions or negotiations have been terminated on, prior to or subsequent to November 16, 2006, the Company shall use its reasonable best efforts to obtain the return or the destruction of, in accordance with the terms of the applicable confidentiality agreement, any confidential information previously furnished by the Company.

Notwithstanding these restrictions, at any time prior to the approval of the Merger Agreement by our shareholders, if the Company receives a written Competing Proposal that our board of directors determines in good faith, after consultation with the Company s outside legal counsel and financial advisors, constitutes a Superior Proposal or could reasonably be expected to result in a Superior Proposal (as defined below under The Merger Agreement Solicitation of Alternative Proposals), the Company may, subject to certain conditions:

- furnish information to the third party making the Competing Proposal; and

- engage in discussions or negotiations with the third party with respect to the Competing Proposal.

In addition, we may terminate the Merger Agreement and enter into a definitive agreement with respect to a Competing Proposal if we receive a bona fide written Competing Proposal that our board of directors determines in good faith, after consultation with the Company s outside counsel and financial advisors, is a Superior Proposal (after giving effect to any adjustments to the terms of the Merger Agreement offered by the Fincos) and if our board of directors determines in good faith, after consultation with the Company s outside counsel, that the failure to take such action would reasonably be expected to be a breach of the board of directors fiduciary duties under applicable law.

Termination

(See The Merger Agreement Termination on page 83)

The Company and the Fincos may agree to terminate the Merger Agreement without completing the Merger at any time. The Merger Agreement may also be terminated in certain other circumstances, including (in each case subject to certain limitations and exceptions):

- by either the Fincos or the Company, if:

the closing of the Merger has not occurred on or before the date that is 12 months from the FCC Filing Date (as defined below under The Merger Agreement Termination), except that under certain conditions that date may be extended by the Company or the Fincos to the date that is 18 months from the FCC Filing Date (the Termination Date);

Table of Contents

any governmental entity has issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the Merger and that order or other action is final and non-appealable;

the Company s shareholders do not adopt the Merger Agreement at the special meeting or any postponement or adjournment thereof;

there is a material breach by the non-terminating party of any of its representations, warranties, covenants or agreements in the Merger Agreement that would result in the failure of certain closing conditions and that breach has not been cured within 30 days following delivery of written notice by the terminating party;

by the Company, if on or prior to the last day of the Marketing Period neither Merger Sub nor the surviving corporation has received the proceeds of the financings sufficient to consummate the Merger;

by the Company, if, prior to the adoption of the Merger Agreement by the shareholders of the Company, the board of directors has concluded in good faith, after consultation with outside legal and financial advisors, that a Competing Proposal is a Superior Proposal;

by the Fincos, if the board of directors changes, qualifies, withdraws or modifies in a manner adverse to the Fincos its recommendation that the Company s shareholders approve and adopt the Merger Agreement, or fails to reconfirm its recommendation within five business days of receipt of a written request from the Fincos; or

by the Fincos, if the board of directors fails to include in the proxy statement distributed to the shareholders of the Company, its recommendation that the Company s shareholders approve and adopt the Merger Agreement.

Termination Fees

(See The Merger Agreement Termination Fees on page 83)

The Merger Agreement provides that, upon termination of the Merger Agreement under specified circumstances the Company will be required to pay the Fincos a termination fee of $500 million. These circumstances include a termination of the Merger Agreement by:

(i) the Company in order to accept a Superior Proposal,

(ii) the Fincos, if the board of directors, (a) changes its recommendation to the Company s shareholders that they approve and adopt the Merger Agreement, (b) fails to reconfirm its recommendation, or (c) fails to include its recommendation in this proxy statement,

(iii) the Fincos or the Company, if the Company s shareholders do not adopt the Merger Agreement at the special meeting, so long as prior to the special meeting, a Competing Proposal has been publicly announced or made to known to the Company and not withdrawn at least two business days prior to the special meeting

Table of Contents

and within 12 months of the termination of the Merger Agreement the Company enters into a definitive proposal with respect to, or consummates, any Competing Proposal; or

(iv) the Fincos, if the Fincos are not in material breach of their obligations under the Merger Agreement and if the Company has willfully and materially breached its representations, warranties and obligations under the Merger Agreement, which breach has not been cured within 30 days, and prior the date of termination a Competing Proposal has been publicly announced or been made known to the Company and within 12 months after the termination of the Merger Agreement the Company enters into a definitive agreement with respect to any Competing Proposal.

The Merger Agreement provides that, upon termination of the Merger Agreement under specified circumstances Merger Sub will be required to pay the Company a termination fee as follows:

(i) if the Company or the Fincos terminate the Merger Agreement, because the Effective Time has not occurred on or before the Termination Date and the terminating party has not breached in any material respect its obligations under the Merger Agreement that proximately caused the failure to consummate the Merger on or before the Termination Date, all conditions to the Fincos and Merger Sub s obligation to consummate the Merger have been satisfied, other than conditions relating to the expiration or termination of any applicable waiting period under the HSR Act or the receipt of the FCC Consent, then Merger Sub will pay to the Company a termination fee of $600 million in cash; however, if the only condition that has not been satisfied is the receipt of the FCC Consent and Merger Sub, the Fincos and each attributable investor have carried out their respective obligations relating to obtaining that consent, the termination fee will be $300 million in cash;

(ii) if the Company terminates the Merger Agreement, due to the Fincos and Merger Sub having willfully and materially breached or failed to perform in any material respect any of their representations, warranties, or obligations under the Merger Agreement such that certain closing condition would not be satisfied, which breach has not been cured within 30 days and all conditions to the Fincos and Merger Sub s obligation to consummate the Merger have been satisfied, other than conditions relating to the expiration or termination of any applicable waiting period under the HSR Act or the receipt of the FCC Consent, then Merger Sub will pay to the Company a termination fee of $600 million in cash; however, if the only condition that has not been satisfied is the receipt of the FCC Consent and Merger Sub, the Fincos and each attributable investor have carried out their respective obligations relating to obtaining that consent, the termination fee will be $300 million in cash;

(iii) if the Company terminates the Merger Agreement due to the Fincos failure to effect the closing because of a failure to receive adequate

proceeds from one or more of the financings contemplated by the financing commitments on or prior to the last day

Table of Contents

	of the Marketing Period or the Fincos breach or failure to perform in any material respects, upon a willful and material breach by Merger Sub and/or the Fincos, of any of their representations, warranties and covenants such that certain closing conditions would not be satisfied and such breach has not been cured within 30 days following delivery of written notice by the Company, then Merger Sub will be required to pay the Company a termination fee equal to $500 million. In the event that the Merger Agreement is terminated (i) by the Company or the Fincos because of the failure to obtain the approval of the Company s shareholders at the special meeting or any adjournment or postponement thereof or (ii) by the Fincos due to a willful or material breach of the Merger Agreement by the Company, and a termination fee is not otherwise then payable by the Company under the Merger Agreement, the Company has agreed to pay the Fincos reasonable out-of- pocket fees and expenses incurred in connection with the Merger Agreement and this proxy statement in an amount not to exceed $45 million, which amount will be credited towards any termination fee payable by the Company in the future.
Limited Guarantee of the Sponsors (See The Merger Agreement Limited Guarantees on page 85)	In connection with the Merger Agreement, each of the Sponsors (each an affiliate of the Fincos) and the Company entered into a Limited Guarantee pursuant to which, among other things, each of the Sponsors is providing the Company a guarantee of payment of its *pro rata* portion of the termination fees payable by Merger Sub.
Company s Stock Price (See Market Prices of Our Common Stock and Dividend Data on page 86)	The Company common stock is listed on the NYSE under the trading symbol CCU. On October 24, 2006, which was the last trading day immediately prior to the date on which we announced that the board of directors was exploring possible strategic alternatives for the Company to enhance shareholder value, the Company common stock closed at $32.20 per share and the average closing stock price of the Company common stock during the 60 trading days ended October 24, 2006, was $29.27 per share. On November 15, 2006, which was the last trading day immediately prior to the date on which we announced the approval of the Merger Agreement by our board of directors, the Company common stock closed at $34.12 per share. On January 26, 2007, which was the last trading day before this proxy statement was filed, the Company common stock closed at $37.10 per share.
Shares Held by Directors and Executive Officers (See Security Ownership By Certain Beneficial Owners and Management on page 86)	As of January 22, 2007, the directors and executive officers of the Company beneficially owned approximately 8.4% of the shares of Company common stock entitled to vote at the special meeting, assuming the Company s outstanding options are not exercised.

Dissenters Rights of Appraisal	The Texas Business Corporation Act (TBCA) provides you with appraisal rights in connection with the Merger. This means that if you are not
(See Dissenters Rights of Appraisal page 88)	on satisfied with the amount you are receiving in the Merger, you are entitled to have the fair value of your shares

Table of Contents

determined by a Texas court and to receive payment based on that valuation. The ultimate amount you receive as a dissenting shareholder in an appraisal proceeding may be more or less than, or the same as, the amount you would have received in the Merger. To exercise your appraisal rights, you must deliver a written objection to the Merger before the Merger Agreement is voted on at the special meeting and you must not vote in favor of the adoption of the Merger Agreement. Your failure to follow exactly the procedures specified under Texas law will result in the loss of your appraisal rights.

QUESTIONS

If you have additional questions about the Merger or other matters discussed in this proxy statement after reading this proxy statement, please contact our proxy solicitor, Innisfree M&A Incorporated, at:

Innisfree M&A Incorporated
501 Madison Avenue
20th Floor
New York, NY 10022

Shareholders Call Toll-Free:	(877) 456-3427
Banks and Brokers Call Collect:	(212) 750-5833

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed Merger. These questions and answers may not address all questions that may be important to you as a shareholder of Clear Channel Communications, Inc. To fully understand the Merger, please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.

Q: What is the proposed transaction?

A: The proposed transaction is the merger of the Company with the Merger Sub, an entity formed by private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P., solely for the purpose of entering into the Merger Agreement and consummating the transactions contemplated by the Merger Agreement. If the Merger Agreement is adopted by the Company s shareholders and the other closing conditions under the Merger Agreement have been satisfied or waived, Merger Sub will merge with and into the Company (the surviving corporation). Pursuant to the Merger Agreement, the Company will be the surviving corporation in the Merger and will become wholly-owned by entities sponsored by the Sponsors and co-investors and shares of Company common stock will not be publicly traded after the Merger.

Q: What will I receive for my shares of Company common stock in the Merger?

A: Upon completion of the Merger, you will receive $37.60 in cash, without interest and less any applicable withholding tax, for each share of Company common stock that you own. For example, if you own 100 shares of Company common stock, you will receive $3,760 in cash in exchange for your shares of Company common stock. In addition, if the Merger occurs after January 1, 2008, you will also receive an additional amount equal to the lesser of:

the pro rata portion, based upon the number of days elapsed since January 1, 2008, of $37.60 multiplied by 8% per annum, or

an amount equal to (a) the Operating Cash Flow (as defined below under The Merger Agreement Treatment of Common Stock and Other Securities) for the Company and its subsidiaries for the period from and including January 1, 2008 through and including the last day of the last month preceding the Closing Date for which financial statements are available at least ten (10) calendar days prior to the Closing Date less dividends paid or declared with respect to the foregoing period and amounts committed or paid to purchase equity interests in the Company or derivatives thereof with respect to that period (but only to the extent that those dividends or amounts are not deducted from the Operating Cash Flow for the Company and its subsidiaries for any prior period) divided by (b) the sum of the number of outstanding shares of Company common stock (including outstanding restricted shares) plus the number of shares of Company common stock issuable pursuant to convertible securities of the Company outstanding at the Closing Date with exercise prices less than the Merger Consideration.

The total amount paid per share of Company common stock is referred to in this proxy statement as the Merger Consideration.

Q: Will I continue to receive dividends?

A: Our current policy is to provide quarterly cash dividends on your shares of Company common stock at a rate of $0.1875 per share. The terms of the Merger Agreement allow us to continue this policy through the closing date of the Merger. However, any future decision by our board of directors to pay cash dividends will depend on, among other factors, our earnings, financial position, capital requirements and regulatory changes.

Q: How will options to purchase Company common stock be treated in the Merger?

A: Except as otherwise agreed by the Fincos and a holder of options to purchase Company common stock, each outstanding option to purchase Company common stock (a Company stock option) that remains outstanding and unexercised as of the Effective Time, whether vested or unvested, will automatically become fully vested and convert into the right to receive a cash payment, without interest and less any

Table of Contents

applicable withholding tax, equal to the product of (i) the excess, if any, of the Merger Consideration over the exercise price per share of such Company stock option and (ii) the number of shares of Company common stock issuable upon exercise of such Company stock option. As of the Effective Time, Company stock options will no longer be outstanding and will automatically cease to exist, and the holders thereof will no longer have any rights with respect to the Company stock options, except the right to receive the cash payment, if any, described in the preceding sentence.

Q: How will restricted shares of Company common stock be treated in the Merger?

A: Except as otherwise agreed by the Fincos and a holder of restricted shares with respect to that holder s restricted shares, each restricted share of Company common stock (Company restricted stock) that remains outstanding as of the Effective Time, whether vested or unvested, will automatically become fully vested and convert into the right to receive a cash payment equal to the Merger Consideration (except for the Rollover Shares). As of the Effective Time, all such Company restricted stock, whether vested or unvested, will no longer be outstanding and will automatically cease to exist, and the holders thereof, including our directors and executive officers, will no longer have any rights with respect to the Company restricted stock, except the right to receive a cash payment equal to the Merger Consideration in respect of each vested Company restricted stock.

Q: Where and when is the special meeting?

A: The special meeting will be held at the Westin Riverwalk Hotel, 420 Market Street, San Antonio, Texas 78205 on March 21, 2007, at 8:00 a.m., Central Standard Time.

Q: Are all Company shareholders as of the record date entitled to vote at the special meeting?

A: Yes. All shareholders who own Company common stock at 5:00 p.m. Central Standard Time on January 22, 2007, will be entitled to receive notice of the special meeting and to vote the shares of Company common stock that they hold on that date at the special meeting, or any adjournments of the special meeting.

Q: Which of my shares may I vote?

A: All shares owned by you as of the close of business on the record date may be voted by you. These shares include shares that are: (i) held directly in your name as the shareholder of record, and (ii) held for you as the beneficial owner through a stockbroker, bank or other nominee. Each of your shares is entitled to one vote at the special meeting.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: Most of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Shareholder of Record: If your shares are registered directly in your name with the Company s transfer agent, The Bank of New York, you are considered, with respect to those shares, the shareholder of record, and these proxy materials are being sent directly to you by The Bank of New York on behalf of the Company. As the shareholder of record, you have the right to grant your voting proxy directly to the Company or to vote in person at the special meeting. We have enclosed a proxy card for you to use.

Beneficial Owner: If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the special meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the special meeting, unless you obtain a signed proxy from the record holder giving you the right to vote the shares. Your broker or nominee has enclosed a voting instruction card for you to use in directing the broker or nominee regarding how to vote your shares.

Table of Contents

Q: How can I vote my shares in person at the special meeting?

A: Shares held directly in your name as the shareholder of record may be voted by you in person at the special meeting. If you choose to do so, please bring the enclosed proxy card and proof of identification. Even if you plan to attend the special meeting, we recommend that you also submit your proxy as described below so that your vote will be counted if you later decide not to attend the special meeting. If you desire to vote in person at the special meeting any previously submitted proxies will be revoked. Shares held in street name may be voted in person by you at the special meeting only if you obtain a signed proxy from the record holder giving you the right to vote the shares. **Your vote is important. Accordingly, we urge you to sign and return the accompanying proxy card whether or not you plan to attend the special meeting.**

If you plan to attend the special meeting, please note that space limitations make it necessary to limit attendance to shareholders and one guest. Admission to the special meeting will be on a first-come, first-served basis. Registration and seating will begin at 7:30 a.m. Each shareholder may be asked to present valid picture identification, such as a driver s license or passport. Shareholders holding stock in street name will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras (including cellular telephones with photographic capabilities), recording devices and other electronic devices will not be permitted at the special meeting.

Q: How can I vote my shares without attending the special meeting?

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, when you return your proxy card or voting instructions accompanying this proxy statement, properly signed, the shares represented will be voted in accordance with your directions.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will not vote your shares on your behalf unless you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting AGAINST the Merger.

Q: What vote of the Company s shareholders is required to adopt the Merger Agreement?

A: For us to complete the Merger, shareholders holding two-thirds of the outstanding shares of Company common stock at 5:00 p.m. Central Standard Time on January 22, 2007, must vote FOR the adoption of the Merger Agreement, with each share having a single vote for these purposes. Accordingly, failure to vote or an abstention will have the same effect as a vote AGAINST adoption of the Merger Agreement.

Q: What vote of our shareholders is required to approve the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies?

A: The proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of shareholder holding a majority of the outstanding shares of Company common stock present or represented by proxy at the special meeting and entitled to vote on the matter.

Q: What constitutes a quorum?

A: The presence, in person or by proxy, of shareholders holding a majority of the outstanding shares of Company common stock is necessary to constitute a quorum at the special meeting. Only votes cast FOR a matter constitute affirmative votes. Abstentions are counted for quorum purposes, but since they are not votes cast FOR a particular matter, they will have the same effect as negative votes or a vote AGAINST a particular matter.

Table of Contents

Q: Does our board of directors recommend that our shareholders vote FOR the adoption of the Merger Agreement?

A: Yes. After careful consideration, the board of directors by unanimous vote (excluding Messrs. Mark P. Mays, Randall T. Mays, L. Lowry Mays and B. J. McCombs who recused themselves from the deliberations), recommends that you vote:

FOR the adoption of the Merger Agreement. You should read The Merger Reasons for the Merger beginning on page 37 of this proxy statement for a discussion of the factors that our board of directors considered in deciding to recommend the adoption of the Merger Agreement.

In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of our shareholders generally. See The Merger Interests of the Company s Directors and Executive Officers in the Merger beginning on page 41.

Q: Am I entitled to exercise appraisal rights instead of receiving the Merger Consideration for my shares?

A: Yes. As a holder of Company common stock you are entitled to appraisal rights under Texas law in connection with the Merger if you meet certain conditions, which are described in this proxy statement under the caption Dissenters Rights of Appraisal beginning on page 88.

Q: What effects will the proposed Merger have on the Company?

A: If the Merger Agreement is adopted by our shareholders and the other conditions to closing are satisfied, Merger Sub will merge with and into the Company. The separate corporate existence of Merger Sub will cease, and the Company will continue as the surviving corporation, wholly-owned by entities sponsored by the Sponsors and their co-investors. Upon completion of the Merger, your shares of Company common stock will be converted into the right to receive the Merger Consideration, unless you have properly exercised your appraisal rights. The surviving corporation will be a privately held corporation, and you will cease to have any ownership interest in the surviving corporation or any rights as its shareholder. You will no longer have any interest in the Company s future earnings or growth. Following consummation of the Merger, the registration of the Company common stock and the Company s reporting obligations with respect to the Company common stock under the Securities Exchange Act of 1934, as amended (the Exchange Act), will be terminated upon application to the Securities and Exchange Commission (the SEC). In addition, upon completion of the Merger, shares of Company common stock will no longer be listed on any stock exchange or quotation system, including the NYSE.

Q: What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the Merger is expected to be completed. If you transfer your shares of Company common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive the Merger Consideration. In order to receive the Merger Consideration, you must hold your shares through completion of the Merger.

Q: When do you expect the Merger to be completed?

A:

We are working toward completing the Merger as quickly as possible, and we anticipate that it will be completed by the end of 2007, assuming satisfaction or waiver of all of the conditions to the Merger. However, because the Merger is subject to certain conditions, including adoption of the Merger Agreement by our shareholders, receipt of certain regulatory approvals and the conclusion of the Marketing Period (as defined below under The Merger Agreement Effective Time; Marketing Period), the exact timing of the completion of the Merger and the likelihood of the consummation thereof cannot be predicted. If any of the conditions in the Merger Agreement are not satisfied, including the conditions described below under The Merger Agreement Conditions to the Merger beginning on page 81 of this proxy statement, the Merger Agreement may terminate as a result.

Table of Contents

Q: What happens if the Merger is not consummated?

A: If the Merger Agreement is not adopted by shareholders or if the Merger is not completed for any other reason, shareholders will not receive any payment for their shares in connection with the Merger. Instead, the Company will remain an independent public company and shares of Company common stock will continue to be listed and traded on the NYSE. Under specified circumstances, the Company may be required to pay the Fincos a termination fee or reimburse the Fincos for their out-of-pocket expenses as described under the caption The Merger Agreement Termination Fees.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes and the information incorporated by reference, and to consider how the Merger affects you. If you are a shareholder as of the record date, then you can ensure that your shares are voted at the special meeting by completing, signing, dating and returning each proxy card in the postage-paid envelope provided or submitting your proxy by telephone or the Internet prior to the special meeting.

Q: How do I revoke or change my vote?

A: You can change your vote at any time before your proxy is voted at the special meeting. You may revoke your proxy by notifying the Company in writing or by submitting a later-dated new proxy by mail to the Company c/o Innisfree M&A Incorporated at 501 Madison Avenue, 20th Floor, New York, NY 10022. In addition, your proxy may be revoked by attending the special meeting and voting in person. However, simply attending the special meeting will not revoke your proxy. If you have instructed a broker to vote your shares, the above-described options for changing your vote do not apply, and instead you must follow the instructions received from your broker to change your vote.

Q: What does it mean if I get more than one proxy card or vote instruction card?

A: If your shares are registered differently and are in more than one account, you will receive more than one card. Please sign, date and return all of the proxy cards you receive (or submit your proxy by telephone or the Internet) to ensure that all of your shares are voted.

Q: What if I return my proxy card without specifying my voting choices?

A: If your proxy card is signed and returned without specifying choices, the shares will be voted as recommended by the Board.

Q: Who will bear the cost of this solicitation?

A: The expenses of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. Additional solicitation may be made by telephone, facsimile or other contact by certain directors, officers, employees or agents of the Company, none of whom will receive additional compensation therefor. The Company will, upon request reimburse, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding material to the beneficial owners of shares held of record by others. The Fincos, directly or through one or more affiliates or representatives, may at their own cost, also make, additional solicitation by mail, telephone, facsimile or other contact in connection with the Merger.

Q: Will a proxy solicitor be used?

A: Yes. The Company has engaged Innisfree M&A Incorporated (Innisfree) to assist in the solicitation of proxies for the special meeting and the Company estimates that it will pay Innisfree a fee of approximately $50,000. The Company has also agreed to reimburse Innisfree for reasonable administrative and out-of-pocket expenses incurred in connection with the proxy solicitation and indemnify Innisfree against certain losses, costs and expenses. The Fincos have engaged Georgeson Inc. to assist them in any solicitation efforts they may decide to make in connection with the Merger and it is expected that they will pay Georgeson a fee of approximately $50,000. The Fincos have also agreed to reimburse Georgeson for reasonable administrative and out-of-pocket expenses incurred in connection with the proxy solicitation and indemnify Georgeson against certain losses, costs and expenses.

Table of Contents

Q: Should I send in my stock certificates now?

A: No. Shortly after the Merger is completed, you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to the paying agent in order to receive the applicable portion of the Merger Consideration. You should use the letter of transmittal to exchange stock certificates for the applicable portion of the Merger Consideration to which you are entitled as a result of the Merger. **PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATES WITH YOUR PROXY.**

Q: Who can help answer my other questions?

A: If you have more questions about the Merger, need assistance in submitting your proxy or voting your shares, or need additional copies of the proxy statement or the enclosed proxy card, you should contact Innisfree, toll-free at telephone: (877) 456-3427. Banks and brokers may call collect at (212) 750-5833. If your broker holds your shares, you should also call your broker for additional information.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you to in this proxy statement, contain forward looking statements based on estimates and assumptions. Forward looking statements include information concerning possible or assumed future results of operations of the Company, the expected completion and timing of the Merger and other information relating to the Merger. There are forward looking statements throughout this proxy statement, including, among others, under the headings Summary, Questions and Answers About the Special Meeting and the Merger, The Merger, Opinions of Financial Advisors, Regulatory Approvals, and Merger Related Litigation, and in statements containing the words believes, estimates, expects, anticipates, intends, contemplates, may, will, could would or other similar expressions.

You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements included in this proxy statement or elsewhere.

In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the financial performance of the Company through the date of the completion of the Merger;
- the satisfaction of the closing conditions set forth in the Merger Agreement, including the approval of the Company s shareholders and regulatory approvals;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement, including a termination under circumstances that could require us to pay a $500 million termination fee;
- the outcome of any legal proceedings instituted against the Company and others in connection with the proposed Merger;

the failure to obtain the necessary debt financing arrangements set forth in the commitment letters received in connection with the Merger;

the impact of planned divestitures;

the failure of the Merger to close for any reason;

the effect of the announcement of the Merger on our customer relationships, operating results and business generally;

Table of Contents

business uncertainty and contractual restrictions that may exist during the pendency of the Merger;

any significant delay in the expected completion of the Merger;

regulatory review, approvals and restrictions;

the amount of the costs, fees, expenses and charges related to the Merger and the final terms of the financings that will be obtained for the Merger;

diversion of management s attention from ongoing business concerns;

the need to allocate significant amounts of our cash flow to make payments on our indebtedness, which in turn could reduce our financial flexibility and ability to fund other activities;

and other risks set forth in our current filings with the Securities and Exchange Commission, including our most recent filings on Forms 10-Q and 10-K. See Where You Can Find Additional Information on page 91.

THE PARTIES TO THE MERGER

Clear Channel Communications, Inc.

Clear Channel, incorporated in 1974, is a diversified media company with three reportable business segments: radio broadcasting, Americas outdoor advertising (consisting of operations in the United States, Canada and Latin America) and international outdoor advertising. Clear Channel s principal executive offices are located at 200 East Basse Road, San Antonio, Texas, 78209, and its telephone number is (210) 822-2828. Clear Channel owns over 1,100 radio stations and a leading national radio network operating in the United States. In addition, Clear Channel has equity interests in various international radio broadcasting companies. Clear Channel also owns or operates more than 164,000 national and 710,000 international outdoor advertising display faces. Additionally, Clear Channel owns or programs 42 television stations and owns a full-service media representation firm that sells national spot advertising time for clients in the radio and television industries throughout the United States. Clear Channel is headquartered in San Antonio, Texas, with radio stations in major cities throughout the United States.

B Triple Crown Finco, LLC and T Triple Crown Finco, LLC

B Triple Crown Finco, LLC, a Delaware limited liability company and T Triple Crown Finco, LLC, a Delaware limited liability company, which we refer to as the Fincos, were organized solely for the purpose of entering into the Merger Agreement and consummating the transactions contemplated by the Merger Agreement. B Triple Crown Finco, LLC is currently wholly-owned by Bain Capital Fund IX and its principal executive office is located at 111 Huntington Avenue, Boston, MA 02199 and its telephone number is (617) 516-2000. T Triple Crown Finco, LLC is currently wholly-owned by THL Partners Fund VI and its principal executive office is located at 100 Federal Street, Boston, MA 02110 and its telephone number is (617) 227-1050.

The Sponsors have severally agreed to cause up to an aggregate of $2.46 billion of cash to be contributed to the Fincos, which will constitute a portion of the aggregate equity commitment of approximately $4.0 billion received by the Fincos. Subject to certain conditions, each of the Sponsors may assign a portion of its equity commitment obligation to other investors, resulting in a corresponding reduction of such Investor s commitment to the extent the assignee funds its commitment, provided that any such transfer will not release such Investor of its obligations under the limited guarantees. As a result, the investor groups may ultimately include additional equity investors.

BT Triple Crown Merger Co., Inc.

BT Triple Crown Merger Co., Inc., a Delaware corporation, which we refer to as Merger Sub, is currently wholly-owned by the Sponsors and was organized solely for the purpose of entering into the Merger Agreement and consummating the transactions contemplated by the Merger Agreement. Merger Sub s principal

Table of Contents

executive offices are located at 100 Federal Street, Boston, MA 02110 and its telephone number is (617) 227-1050. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the Merger Agreement. Under the terms of the Merger Agreement, Merger Sub will merge with and into the Company. The Company will survive the Merger and Merger Sub will cease to exist.

THE SPECIAL MEETING OF SHAREHOLDERS

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by our board of directors for use at a special meeting to be held at the Westin Riverwalk Hotel, 420 Market Street, San Antonio, Texas 78205 on March 21, 2007, at 8:00 a.m., Central Standard Time, or at any adjournment thereof. The purpose of the special meeting is to consider and vote on the proposal to adopt the Merger Agreement (and to approve the adjournment of the special meeting, if necessary or appropriate to solicit additional proxies). If the shareholders fail to adopt the Merger Agreement, the Merger will not occur. A copy of the Merger Agreement is attached to this proxy statement as Annex A.

Who Can Vote at the Special Meeting

In accordance with the Company s bylaws, the board of directors has set 5:00 p.m. Central Standard Time on January 22, 2007 as the record date. The holders of record of Company common stock as of the record date are entitled to receive notice of and to vote at the special meeting. If you own shares that are registered in someone else s name (for example, a broker), you need to direct that person to vote those shares or obtain an authorization from them to vote the shares yourself at the special meeting. On January 22, 2007, there were 493,902,969 shares of Company common stock outstanding held by approximately 3,220 holders of record.

Vote Required for Adoption of the Merger Agreement; Quorum

The adoption of the Merger Agreement requires the approval of the holders of two-thirds of the outstanding shares of Company common stock entitled to vote thereon, with each share having a single vote for these purposes. The failure to vote has the same effect as a vote AGAINST adoption of the Merger Agreement.

The holders of a majority of the outstanding shares of Company common stock entitled to be cast as of the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share of Company common stock is represented at the special meeting, it will be counted for the purposes of determining a quorum and for transacting all business, unless the holder is present solely to object to the special meeting. If a quorum is not present at the special meeting, it is expected that the meeting will be adjourned to solicit additional proxies. If a new record date is set for an adjourned meeting, then a new quorum will have to be established.

Voting By Proxy

This proxy statement is being sent to you on behalf of the board of directors for the purpose of requesting that you allow your shares of Company common stock to be represented at the special meeting by the persons named in the enclosed proxy card. All shares of Company common stock represented at the special meeting by proxies voted by properly executed proxy cards will be voted in accordance with the instructions indicated on that proxy. If you sign and return a proxy card without giving voting instructions, your shares will be voted as recommended by the board of directors. **After careful consideration, the board of directors (excluding Messrs. Mark P. Mays, Randall T. Mays, L. Lowry Mays and B. J. McCombs who recused themselves from the deliberations), unanimously**

recommends a vote FOR adoption of the Merger Agreement. In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers have interests in the Merger that are

Table of Contents

different from, or in addition to, the interests of our shareholders generally. See The Merger Interests of the Company s Directors and Executive Officers in the Merger beginning on page 41.

The persons named in the proxy card will use their own judgment to determine how to vote your shares regarding any matters not described in this proxy statement that are properly presented at the special meeting. The Company does not know of any matter to be presented at the special meeting other than the proposal to adopt the Merger Agreement (and to approve the adjournment of the meeting, if necessary or appropriate to solicit additional proxies).

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either send a signed written notice to the Company revoking your proxy, submit a proxy by mail dated after the date of the earlier proxy you wish to change or attend the special meeting and vote your shares in person. Merely attending the special meeting without voting will not constitute revocation of your earlier proxy.

If your shares of Company common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you do not instruct your broker to vote your shares, it has the same effect as a vote AGAINST adoption of the Merger Agreement.

The Company will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, directors, officers and employees of the Company may solicit proxies personally and by telephone, facsimile or otherwise. None of these persons will receive additional or special compensation for soliciting proxies. The Company has retained Innisfree to assist in its solicitation of proxies in connection with the special meeting. Innisfree may solicit proxies from individuals, banks, brokers, custodians, nominees, other institutional holders and other fiduciaries. The Company has agreed to reimburse Innisfree for its reasonable administrative and out-of-pocket expenses, to indemnify it against certain losses, costs and expenses, and to pay its customary fees in connection with the proxy solicitation. The Company also, upon request, will reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. The Fincos, directly or through one or more affiliates or representatives, may, at their own cost, also make additional solicitation by mail, telephone, facsimile or other contact in connection with the Merger. The Fincos have retained Georgeson Inc. to assist them in any solicitation efforts they may decide to make in connection with the Merger. Georgeson may solicit proxies from individuals, banks, brokers, custodians, nominees, other institutional holders and other fiduciaries. The Fincos have agreed to reimburse Georgeson for its reasonable administrative and out-of-pocket expenses, to indemnify it against certain losses, costs and expenses, and to pay its customary fees in connection with such proxy solicitation.

Submitting Proxies Via the Internet or by Telephone

Most of our shareholders who hold their shares of Company common stock through a broker or bank will have the option to submit their proxies or voting instructions via the Internet or by telephone. If your shares are held in street name, you should check the voting instruction card provided by your broker to see which options are available and the procedures to be followed.

Adjournments

Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies. Any adjournment may be made without notice, other than by an announcement made at the special meeting, of the time, date and place of the adjourned meeting. If no quorum exists, the Chairman of the meeting shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. If a quorum exists, holders of a majority of the shares of Company common stock present in person or represented by proxy at the special meeting and entitled to vote thereat may adjourn the

special meeting. If your proxy card is signed and no instructions are indicated on your proxy card, your shares of Company common stock will be voted FOR any adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow the Company s

Table of Contents

shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned.

THE MERGER

The discussion of the Merger in this proxy statement is qualified in its entirety by reference to the Merger Agreement which is attached to this proxy statement as Annex A. You should read the Merger Agreement carefully.

Background of the Merger

Our board of directors periodically reviews and assesses strategic alternatives available to us to enhance shareholder value. As part of this on-going review, on April 29, 2005 the Company announced a strategic realignment of its businesses. The plan included an initial public offering of approximately 10% of the common stock of Clear Channel Outdoor Holdings, Inc., comprised of the Company s Americas and international outdoor segments, and a 100% spin-off of the Company s live entertainment segment and sports representation business, which now operates under the name Live Nation. The Company completed the initial public offering of Clear Channel Outdoor Holdings, Inc. on November 11, 2005 and the spin-off of Live Nation on December 21, 2005. In addition, since that time the Company has returned $1.6 billion to the Company s shareholders in the form of stock repurchases and increased by 50% its regular quarterly dividend.

Notwithstanding these initiatives, the Company s common stock continued to trade during late 2005 and through the summer of 2006 at levels which management and the board of directors believed discounted the value of the Company. On August 18, 2006, Messrs. Mark Mays and Randall Mays, our Chief Executive Officer and President/Chief Financial Officer, respectively, contacted Goldman Sachs and requested Goldman Sachs to prepare a preliminary assessment of the strategic alternatives available to the Company, including a possible sale of the Company.

On August 24, 2006, representatives of The Blackstone Group, or Blackstone, contacted Messrs. Mark Mays and Randall Mays and stated that Blackstone was interested in exploring the possible acquisition of the Company. During this discussion, representatives of Blackstone discussed their views on the merits of a possible acquisition of the Company, but did not make any proposals regarding the price or structure of a transaction. Messrs. Mark Mays and Randall Mays did not make any proposals regarding a transaction or solicit any proposals from Blackstone.

On August 28, 2006, representatives of Goldman Sachs met with Messrs. Mark Mays and Randall Mays and discussed various strategic alternatives available to the Company, including the spin-off or taxable sale of Clear Channel Outdoor Holdings and the sale of non-core operating assets.

On August 30, 2006, Messrs. Mark Mays and Randall Mays met with representatives of Blackstone in San Antonio, Texas. On September 1, 2006, Messrs. Mark Mays and Randall Mays met with representatives of Providence Equity Partners, or Providence, in San Antonio, Texas. At these meetings, Messrs. Mark Mays and Randall Mays discussed with representatives of these two private equity groups their respective views on the feasibility of a leveraged acquisition transaction by the Company. No proposals regarding a transaction were made by any of the parties at those meetings.

On September 5, 2006, at a special meeting of the board of directors held by telephone, Mr. Mark Mays stated that, in light of the fact that the Company s common stock continued to trade at prices which management considered to discount the value of the Company, the recent strong operating performance reported by the Company and prevailing conditions in the financial markets, he considered it appropriate for the board to conduct a thorough consideration of strategic alternatives.

Mr. Mark Mays further stated he was regularly contacted by private equity groups inquiring about the Company s interest in a possible transaction involving either the sale of the Company as a whole or one or more divisions or a portion of its assets. He reported that no specific proposal had been made by any group and that the contacts had been limited to general inquiries.

Table of Contents

The board of directors determined to conduct a thorough review of strategic alternatives available to the Company at its next regular meeting. The board of directors requested that Goldman Sachs be engaged to advise the board of directors in connection with that review. The board of directors directed management to attempt to determine whether a leveraged buyout transaction was feasible in the current financial markets so that it could include this alternative as part of its review. The board of directors authorized management to permit Blackstone and Providence to act together to evaluate possible transactions.

Management was directed to first obtain an agreement from Blackstone and Providence containing customary confidentiality and standstill provisions. The board expressly directed that the authority being granted was limited to providing confidential information to Blackstone and Providence for the purpose of determining whether a leveraged buyout of the Company represented a feasible strategic alternative in the financial markets at this time and that management was not authorized to commence a sale process or to negotiate price or terms of a potential transaction.

Following the meeting, the directors consulted with one another regarding the engagement of a financial advisor and legal counsel in connection with the board s strategic review. It was the consensus of the board, subject to formal ratification at the next scheduled meeting, to engage Goldman Sachs as its financial advisor and Akin Gump Strauss Hauer & Feld, LLP, or Akin Gump, as its legal advisor.

On September 11, 2006, the Company entered into a confidentiality agreement with each of Blackstone and Providence to enable the parties to share information regarding the Company and its business in order to determine whether a sale of the Company represented a feasible strategic alternative at this time. The confidentiality agreements expressly prohibited Blackstone and Providence from contacting any actual or potential co-investors, financiers or other third parties who would or might provide equity, debt or other financing for a transaction without the Company s consent. The confidentiality agreements also contained customary standstill provisions which, among other things, prevented Blackstone and Providence and their representatives from acquiring Company common stock or participating in a proxy solicitation regarding the Company s common stock without the Company s consent.

Representatives of Blackstone and Providence met with Messrs. Mark Mays and Randall Mays in New York City on September 13, 2006 as part of their due diligence review. Representatives of Akin Gump and Weil, Gotshal & Manges, or Weil, legal counsel for Blackstone and Providence, were also in attendance.

On September 22, 2006, a consortium, which we refer to as Consortium 1, led by Blackstone and Providence, submitted a preliminary nonbinding proposal to acquire the Company in an all cash transaction for $34.50 per share of common stock. The proposal indicated that Blackstone, Providence, Bank of America Corporation and certain limited partners of Blackstone and Providence would fund the equity for the transaction. Accompanying the preliminary, nonbinding proposal was a letter from Bank of America Securities, LLC, or BAS, in which BAS stated that it was highly confident of its ability to arrange for the necessary debt facilities in connection with the possible transaction.

On September 25, 2006, the board of directors convened a special meeting at the Company s headquarters in San Antonio, Texas, to review and discuss the Company s strategic alternatives. The meeting was also attended by representatives of Akin Gump and Goldman Sachs. Akin Gump reviewed the directors fiduciary duties in the context of considering the Company s strategic alternatives. Messrs. Mark Mays and Randall Mays made a presentation regarding the Company s recent business results and financial performance, the Company s existing financial condition and the Company s strategic plans, goals and prospects.

Representatives of Goldman Sachs then made a presentation, which included an assessment of the Company s various strategic alternatives and reviewed illustrative financing at assumed leverage ratios for a leveraged buyout transaction. The directors discussed the presentation and asked questions of management regarding their confidence in the Company s plans, forecasts and prospects. The board of directors discussed the risk and challenge of the Company s

existing business plans and prospects, as well as the opportunities such plans presented to the Company. The board of directors discussed each of these alternatives in detail, including the potential value that each alternative could generate to the Company s shareholders, the attendant

Table of Contents

risks and challenges of each alternative, the potential disruption to the Company s existing business plans and prospects occasioned by each alternative and the likelihood of successfully executing on such alternatives.

Representatives of Goldman Sachs also reviewed with the board of directors the proposal from Consortium 1. The board of directors discussed the proposal generally and in relation to the other strategic alternatives that might be available to the Company, particularly the spin-off of Clear Channel Outdoor Holdings combined with a sale of non-core assets by the Company.

The board of directors of the Company (excluding Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs who were recused due to their potential interest in the transaction) continued the meeting. These directors, whom we refer to as the disinterested directors, consisting of Alan D. Feld, Perry J. Lewis, Phyllis B. Riggins, Theodore H. Strauss, J. C. Watts, John H. Williams and John B. Zachry, have each been determined by the board of directors to be independent for the purposes of the transaction. Akin Gump again reviewed the directors fiduciary duties in considering strategic alternatives, including the possible sale of the Company. Following discussion among the disinterested directors and representatives of Goldman Sachs and Akin Gump, the board of directors, by unanimous action of the disinterested directors, resolved to begin a process to explore strategic alternatives to enhance shareholder value.

Further, the disinterested directors determined to advise Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs that they should not participate in deliberations by the board of directors with respect to any proposed leveraged buyout transaction because of their possible participation in the transaction following any closing. The disinterested directors determined that all communications between any potential buying groups be directly with Akin Gump and Goldman Sachs and not through members of management. Further, the disinterested directors advised Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs to not have discussions, either directly or through their representatives, regarding the terms on which any of them would participate in the management of, or invest in, a surviving corporation following any sale of the Company.

Goldman Sachs stated that, if a sales process developed with respect to the sale of the Company, Goldman Sachs would be willing to offer debt financing to all potential buying groups to facilitate the sale process, noting that no buying group would be obligated to use Goldman Sachs as its debt financing source. Akin Gump discussed with the board of directors the nature of the potential conflict of interest that might arise from Goldman Sachs acting both as the financial advisor to the board of directors and the Company and a possible financing source in connection with the sale of the Company and described to the board of directors certain procedures that Goldman Sachs could undertake to ensure the separation between the financing teams and the team advising the board of directors and the Company and the safeguards that the Company could undertake with regard to such conflict, including obtaining a fairness opinion from another investment bank.

Representatives of Goldman Sachs were then excused from the board meeting and the disinterested directors engaged in a discussion of the risks and benefits relating to Goldman Sachs offer, including the potential conflict of interest and the related safeguards, with Akin Gump. After the discussion, the disinterested directors determined that, although they could anticipate circumstances in which such an offer may facilitate a sale process, those circumstances were not currently present and they determined to not authorize Goldman Sachs to make such an offer.

The disinterested directors determined that it would be advisable to establish a special advisory committee to evaluate and report to the directors as to the fairness of the terms of any leveraged buyout transaction or other proposal determined by the board of directors to be advisable to the Company and that presented potential conflicts with the interests of any of the directors. The special advisory committee, consisting of Perry J. Lewis, who was designated as chair of the committee, John H. Williams and John Zachry, was formed and given the power, among others, to retain separate legal counsel and separate financial advisors. The process for pursuing, and all negotiations with respect to,

any possible transaction would be directed by the disinterested directors as a whole.

The disinterested directors engaged in a discussion of the proposal made by Consortium 1. The disinterested directors determined that the price proposed was not adequate when compared with the other strategic alternatives considered at the meeting. After an extended discussion and consideration of all relevant

Table of Contents

issues, the disinterested directors authorized Goldman Sachs to communicate to Consortium 1 that the board of directors had no interest in pursuing a transaction at the valuation proposed by Consortium 1. The disinterested directors further directed Goldman Sachs to communicate to Consortium 1 that the Company was terminating access to further due diligence on the Company and its business and that if it desired to continue discussions and diligence it should materially improve its proposal.

In making these determinations, the disinterested directors emphasized that the board of directors had made no determination to effect a sale of the Company and neither management nor Goldman Sachs was authorized to engage in a sale process. Nevertheless, in the event that discussions with Consortium 1 continued or if another buying group or buying groups emerged, the disinterested directors requested Mr. Alan Feld to act as lead director for purposes of any discussion with potential buyer groups and to oversee and provide direction to Goldman Sachs between meetings of the board of directors with respect to any future discussions.

Representatives of Goldman Sachs contacted Consortium 1 on September 26, 2006 and relayed the directions of the board of directors, to the effect that a price of $34.50 was inadequate and that the board of directors had determined not to pursue discussions and to terminate the due diligence process and that the board of directors would entertain further diligence and discussions if the consortium materially improved its offer.

On September 27, 2006, Consortium 1 contacted representatives of Goldman Sachs and indicated that, based upon certain assumptions regarding the Company s operations, it would be willing to acquire the Company for $35.50 per share but would require further due diligence, including access to more members of senior management, in order to improve on this price. Blackstone and Providence also requested that, due to the size of some of the contractual obligations owing to management, it desired an opportunity to engage in discussions with Messrs. Mark, Randall and L. Lowry Mays regarding the terms on which they would be willing to participate in the management of, or invest in, the surviving corporation in the event a sale was accomplished. After discussion with representatives of Goldman Sachs and Akin Gump, Mr. Alan Feld authorized representatives of Goldman Sachs to allow Consortium 1 to undertake a limited due diligence investigation of the Company for the sole purpose of improving on its proposal. The request to have conversations with Messrs. Mark, Randall and L. Lowry Mays was deferred until the board of directors could next meet.

On September 29, 2006, Blackstone and Providence requested permission to admit Kohlberg Kravis Roberts & Co., or KKR, to Consortium 1, which Mr. Alan Feld approved. KKR executed a confidentiality agreement containing substantially the same terms as the confidentiality agreements executed by Blackstone and Providence.

At a special meeting of the board of directors held by telephone on October 3, 2006 (attended by each of the directors other than John Zachry), which representatives of Goldman Sachs and Akin Gump also attended, representatives of Goldman Sachs reported on the discussions with Blackstone and Providence since the September 25, 2006 meeting of the board of directors. Following this report, Messrs. Mark, Randall, and L. Lowry Mays and B. J. McCombs recused themselves and left the meeting. In response to the request by Blackstone and Providence on September 27, 2006, the disinterested directors determined that legal counsel for Messrs. Mark, Randall and L. Lowry Mays, whom the disinterested directors authorized be engaged at the Company s expense to represent the Mayses in connection with any proposed leveraged buyout transaction, would be permitted to have general discussions with Weil regarding the terms upon which management might participate in the surviving corporation following a possible transaction on the condition that no direct discussions would be permitted, no specific negotiations arriving at any agreement would be had and that Akin Gump would be included in all such discussions.

On October 5 and 6, 2006, members of management held a two-day diligence session with representatives of Consortium 1 in New York City to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods. Also in attendance were representatives of Akin Gump and

Goldman Sachs.

Table of Contents

On October 6, 2006, there was a meeting between counsel for Messrs. Mark, Randall and L. Lowry Mays and Weil in which counsel for the Mayses presented a summary of the terms on which the Mayses might participate in the management of, and invest in, the surviving corporation if a leveraged buyout transaction were to occur. Counsel for the Mayses also advised Weil that discussions with respect to Mr. L. Lowry Mays were only in respect of his employment arrangements and that he was not at this time interested in discussing the possibility of any on-going investment in the Company. The meeting was also attended by Akin Gump.

On October 10, 2006, the special advisory committee met and determined to engage Sidley Austin LLP as its special counsel. The special advisory committee retained Lazard as its financial advisor. Such retention contemplated that Lazard would undertake a study to enable it to render an opinion as to the fairness from a financial point of view of the financial consideration to be received by our shareholders in connection with any sale of the Company, which engagement was confirmed in an engagement letter dated October 25, 2006.

On October 11, 2006, representatives of Consortium 1 contacted Goldman Sachs and indicated that Consortium 1 would require further due diligence and an opportunity to meet further with senior management of the Company before revising its proposal. At the direction of Mr. Alan Feld, Goldman Sachs requested Consortium 1 to identify with specificity what further diligence it required for this limited purpose and arranged for further meetings to be held on October 12 and October 13, 2006 in San Antonio, Texas. Separately, representatives of the Company and Goldman Sachs were contacted by representatives of Thomas H. Lee Partners, L.P., or THL Partners, who stated that if the Company was considering a leveraged buyout transaction, it desired to have an opportunity to discuss such a transaction with the Company.

On October 12 and 13, 2006, management held a due diligence session with representatives of Consortium 1 in San Antonio, Texas, to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods. Also in attendance were representatives of Goldman Sachs.

At a special meeting of the board of directors held by telephone on October 13, 2006 (attended by each of the directors other than J.C. Watts), which representatives of Goldman Sachs and Akin Gump also attended, representatives of Goldman Sachs updated the board of directors with respect to recent discussions with Consortium 1. Goldman Sachs then made a presentation on the potential strategic alternatives available to enhance shareholder value.

During the meeting, Goldman Sachs reported the contact with THL Partners and THL Partners desire to have exploratory discussions regarding a potential leveraged buyout transaction. Following Goldman Sachs report, Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs recused themselves and left the meeting. The disinterested directors present continued to discuss THL Partners request for exploratory discussions. The disinterested directors discussed the increased possibility of a leak, as well as the distraction to the Company s management, and the potential negative impact on the Company and its business and operations, that could arise by engaging in discussions with multiple parties. In light of these concerns and the potential adverse impact on the Company, the disinterested directors present directed Goldman Sachs to communicate to THL Partners that the board of directors had not determined to sell the Company. Akin Gump then reported that it had prepared a draft of a merger agreement to be distributed to Weil to elicit their views on the non-price terms of their proposal. The disinterested directors present requested that Akin Gump review the terms of the proposed form of merger agreement with Mr. Alan Feld, who would provide guidance on the terms reflected in the draft merger agreement.

Following discussions with Mr. Alan Feld, on October 14, 2006 Akin Gump distributed a draft merger agreement to Weil.

On October 15, 2006, Weil distributed a revised summary of senior executive arrangements and a management equity term sheet to counsel to Messrs. Mark, Randall and L. Lowry Mays. Akin Gump was provided a copy of each of these submissions.

On October 18, 2006, Blackstone and Providence contacted representatives of Goldman Sachs and informed Goldman Sachs that KKR had withdrawn from Consortium 1, but that the remainder of the consortium was making a non-binding preliminary proposal to purchase the Company at the price of

Table of Contents

$35.00 per share. Blackstone and Providence indicated that they would need to identify other equity and debt sources to complete the transaction and that they could complete their remaining due diligence and other work necessary to enter into definitive agreements for the proposed acquisition within two weeks.

Later that same day, Weil provided to Akin Gump Consortium 1 s written position on certain key terms in the draft merger agreement previously transmitted to it, including the termination date, the length of the marketing period, a go-shop right, the definition of material adverse effect, fiduciary termination rights, termination fees payable in certain circumstances by the Company, on the one hand, and by the buyer, on the other hand, the conditions to closing, interim operating covenants, equity syndication terms, board recommendation provisions, specific performance rights, a proposed cap on the liability of the private equity firms for breach by the buyer and in other circumstances and the allocation of risk with respect to regulatory approvals required with respect to FCC matters and antitrust approvals.

At a special meeting of the board of directors held by telephone on October 19, 2006 (attended by each of the directors other than J.C. Watts), which representatives of Goldman Sachs and Akin Gump also attended, Goldman Sachs updated the board of directors with respect to recent discussions with Consortium 1. Following Goldman Sachs report, Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs recused themselves and left the meeting. Akin Gump reviewed the directors fiduciary duties when considering strategic alternatives, including a possible sale of the Company. The disinterested directors present continued to discuss the most recent proposal by Consortium 1. It was noted that not only had the price proposed by the consortium been reduced but that any transaction was less certain to be executed in light of the fact that Consortium 1 no longer had equity and debt commitments sufficient to complete the transaction. The disinterested directors present discussed the alternatives available to the Company, including a discussion of the values for the shareholders that could be achieved from a possible sale of the Company compared to a spin-off of Clear Channel Outdoor Holdings combined with a sale of non-core assets. Following discussion, the disinterested directors present directed Goldman Sachs to communicate to Consortium 1 that the board of directors considered its proposal inadequate; that the board of directors had a meeting scheduled for October 25, 2006 to discuss and review the Company s strategic alternatives and if Consortium 1 desired that its proposal be given consideration, it should improve its proposal prior to such time; and that the board of directors intended in the interim to contact other parties that had expressed an interest in exploring a sale transaction. The disinterested directors present then authorized Goldman Sachs to contact THL Partners to ascertain whether it had an interest in leading a consortium to explore a possible sale transaction.

On October 20, 2006, Goldman Sachs contacted Blackstone and Providence and relayed the directives of the board of directors. Goldman Sachs also contacted THL Partners and informed THL Partners that it would provide THL Partners an opportunity to conduct due diligence to determine whether it had an interest in forming a consortium to pursue discussions with the Company regarding a possible sale transaction. Goldman Sachs informed THL Partners that the board of directors was meeting on October 25, 2006 to discuss and review the Company s strategic alternatives and if THL Partners desired that a proposal be given consideration, it should provide an indication of interest prior to such time.

On October 21, 2006, Akin Gump met with Mr. Alan Feld to obtain guidance on the written positions taken by Consortium 1 with respect to the draft merger agreement.

On October 21 and 22, 2006, management participated in multiple telephone conferences with representatives of THL Partners to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods. Prior to that time, THL Partners signed a confidentiality agreement containing substantially the same terms as the confidentiality agreements executed by each of the other private equity firms.

On October 24, 2006, there were press reports to the effect that the Company was in discussions with private equity firms regarding a possible sale transaction. Later that day, THL Partners submitted a non-binding expression of

interest to acquire all of the Company s outstanding capital stock in an all cash transaction for $35.00 to $37.00 per share. THL Partners indicated that it would need to identify other equity and debt sources to complete the transaction but felt confident that it could secure firm commitments for the remaining equity and debt among firms that it had worked with in the past. The proposal further indicated that

Table of Contents

THL Partners anticipated that it could complete its remaining due diligence and other work necessary to enter into definitive agreements for the proposed acquisition within 20 days.

On that same day, Consortium 1 submitted a revised proposal to acquire all of the Company s outstanding common stock in an all cash transaction for $35.00 per share. The proposal indicated that KKR had rejoined the consortium. Accompanying the proposal was a highly confident letter from BAS and Merrill Lynch, representing 100% of the debt financing necessary to complete the transaction. The proposal further contemplated a 20 day exclusivity period and stated that Consortium 1 anticipated that it could complete its remaining due diligence and other work necessary to enter into definitive agreements for the proposed acquisition within that 20 day period.

On the same day, there were also press reports to the effect that the Company was in discussions with private equity firms regarding a possible sale transaction.

On October 25, 2006, the board of directors convened a regular meeting at the Company s headquarters in San Antonio, Texas, to include a review and discussion of the Company s strategic alternatives. The meeting was also attended by representatives of Akin Gump and Goldman Sachs. Akin Gump reviewed the directors fiduciary duties in the context of considering the Company s strategic alternatives, including a possible sale of the Company.

Representatives of Goldman Sachs updated the board of directors regarding events that had transpired since the last meeting. Representatives of Goldman Sachs then discussed the proposals that had been received by the board of directors from Consortium 1 and THL Partners. Following Goldman Sachs discussion, the directors discussed the presentation and asked questions of management regarding their confidence in the Company s plans, forecasts and prospects. The board of directors discussed the risks and challenges of the Company s existing business plans and prospects, as well as the opportunities presented to the Company by each of the alternative plans. The board of directors discussed each of these alternatives in detail, including the potential value that each alternative could generate to the Company s shareholders, the attendant risks and challenges of each alternative, the potential disruption to the Company s existing business plans and prospects occasioned by each alternative and the likelihood of successfully executing on such alternatives.

Following the discussion, Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs recused themselves and left the meeting and the disinterested directors continued the meeting. Akin Gump again reviewed the directors fiduciary duties in considering strategic alternatives, including the possible sale of the Company. The disinterested directors discussed each of the two proposals. It was noted that given the recent press reports about possible discussions with private equity firms, it was no longer possible to avoid the disruption that would accompany a more public process. After taking these factors into account and reviewing the other strategic alternatives presented to it, the disinterested directors determined that the Company should issue a press release that same day announcing that the board of directors had commenced a review of the Company s strategic alternatives and that the board of directors had retained Goldman Sachs to advise it with respect to that review.

Further, Goldman Sachs was directed to inform Consortium 1 and THL Partners that the Company intended to issue the press release and request that they submit their best and final proposal to the board of directors by close of business on November 10, 2006, accompanied by equity and debt financing commitments, sponsor guarantees, a summary of the terms (if any) proposed by the consortium with respect to management s participation and/or investment in the surviving corporation and comments to a draft merger agreement to be supplied by Akin Gump.

Later that day, representatives of Goldman Sachs communicated the board of directors requests for final proposals to each of Consortium 1 and THL Partners. They also explained to each that Goldman Sachs and Akin Gump would make themselves available to discuss and negotiate key terms and provisions of the draft merger agreement prior to the November 10, 2006 deadline and that the board of directors encouraged each of them to avail themselves of the

opportunity to negotiate proposed changes to the draft merger agreement issues prior to the November 10, 2006 deadline.

Table of Contents

On that same day, THL Partners requested permission to form a consortium, which we refer to as Consortium 2, with Bain Capital, or Bain, and Texas Pacific Group, or TPG, which was approved by Mr. Alan Feld. Bain and TPG each entered into a confidentiality agreement with the Company with terms substantially similar to the confidentiality agreements entered into by each of the other private equity firms.

On October 26, 2006, management held a due diligence session with Consortium 2 in San Antonio, Texas, to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods. Representatives of Goldman Sachs were also in attendance. Akin Gump transmitted to legal counsel to Consortium 2, Ropes & Gray, a copy of the draft merger agreement previously submitted to Consortium 1. Further, Akin Gump explained the procedures previously approved by the board of directors with respect to contacts with Mark, Randall and L. Lowry Mays with respect to the terms on which they might participate in the management or equity of the surviving corporation. Counsel for Mark, Randall and L. Lowry Mays distributed to Ropes & Gray a summary of senior executive arrangements and a management equity term sheet. The summary and term sheet contained terms that were substantially identical to those most recently distributed to Consortium 1.

On October 27, 2006, the board of directors received a written non-binding, preliminary, indication of interest from a consortium, which we refer to as Consortium 3, consisting of Apollo Management, L.P., or Apollo, and The Carlyle Group, or Carlyle, to acquire all of the Company s outstanding common stock for at least $36.00 per share in cash. The indication of interest stated that Consortium 3 had been informed by Goldman Sachs that the board of directors requested the submission of fully financed bids on November 10, 2006 and requested the board of directors to consider a more extended process. At the direction of Mr. Alan Feld, Goldman Sachs informed Consortium 3 that, upon execution of confidentiality agreements, it would be provided access to management and due diligence materials and requested Consortium 3 to submit a more definitive proposal (including plans for financing) by November 1, 2006.

On that same day, Lazard received, and forwarded to Goldman Sachs, from a consortium, which we refer to as Consortium 4, consisting of Cerberus Capital Management, or Cerberus, and Oak Hill Capital Management, or Oak Hill, a non-binding, preliminary indication of interest to engage in discussions regarding a possible leveraged buyout transaction with the Company. The indication of interest did not contain a price at which Consortium 4 would be interested in completing a transaction.

A special meeting of the board of directors was held by telephone on October 28, 2006 (attended by each of the directors other than Mr. Theodore H. Strauss), which representatives of Goldman Sachs and Akin Gump also attended. Mr. Alan Feld and representatives of Goldman Sachs updated the board of directors regarding events that had transpired since the last meeting. Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs then excused themselves from the meeting. The disinterested directors present then discussed the indications of interest received from Consortium 3 and Consortium 4. Following the discussion, the disinterested directors present directed Goldman Sachs to inform Consortium 3 that if, following preliminary due diligence on the Company and its business, it submitted a more definitive proposal that was competitive, the board of directors would look favorably on their request that the time for submission of bids be extended. In addition, the directors present directed Goldman Sachs to contact Consortium 4 and inquire as to whether they had intended to submit an indication of interest and, if that was the case, to provide a preliminary indication of the valuation they were considering.

Goldman Sachs also reported that both THL Partners and Apollo had inquired regarding the availability of financing from Goldman Sachs. Goldman confirmed that, to facilitate the sale process, Goldman Sachs would be willing to offer debt financing to all consortia, noting that no consortium would be obligated to use Goldman Sachs as its debt financing source. Akin Gump reviewed with the disinterested directors the nature of the potential conflict of interest that might arise from Goldman Sachs acting both as the financial advisor to the board of directors and the Company

and a possible financing source in connection with the sale of the Company and the procedures that Goldman Sachs could undertake to ensure the separation between the financing teams and the team advising the board of directors of the Company and the safeguards that the Company could undertake with regard to such conflict.

Table of Contents

Representatives of Goldman Sachs were then excused from the board meeting and the disinterested directors engaged in a discussion of the risks and benefits relating to Goldman Sachs offer, including the potential conflict of interest and the related safeguards, with Akin Gump present. After the discussion, the disinterested directors present determined that, in light of the short period that remained prior to the time for the submission of the bids and in order to increase the competitiveness of the bidding process, Goldman Sachs was authorized to offer debt financing on the condition that appropriate procedural safeguards acceptable to Akin Gump and Mr. Alan Feld were put in place and that Goldman Sachs offered the same package of debt financing to each consortium.

On October 29, 2006, Apollo and Carlyle each executed confidentiality agreements with terms substantially similar to those contained in the confidentiality agreements with the other private equity firms.

On October 29 and 30, 2006, management held a due diligence session by telephone with representatives of Consortium 3 to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods.

On October 29, 2006, the board of directors and representatives of Goldman Sachs received a written non-binding, preliminary indication of interest from Consortium 4 to acquire all of the Company s outstanding common stock for a price ranging from $37.00 to $39.00 per share. At the direction of Mr. Alan Feld, representatives of Goldman Sachs informed Consortium 4 that, upon execution of confidentiality agreements, they would be provided access to management and due diligence materials and were requested to submit a more definitive proposal (including plans for financing) in the next several days. Goldman Sachs was also directed to inform them that if, after they completed preliminary due diligence on the Company and its business, they submitted a more definitive proposal (including plans for financing) that was competitive, the board of directors would look favorably on any request to extend the time for submission of bids.

On October 30, 2006, Mr. Alan Feld, on behalf of the board of directors, and Goldman Sachs executed a consent letter outlining agreed upon procedures with respect to the planned offer by Goldman Sachs of debt financing to each consortium.

On that same day, drafts of confidentiality agreements in substantially the same form executed by each of the other private equity firms were presented to Cerberus and Oak Hill and their counsel. The Company and Akin Gump engaged in negotiations with Cerberus and Oak Hill from October 30, 2006 through November 10, 2006 to attempt to reach agreement on a form of confidentiality agreement. The parties were unable to reach agreement due to the fact that Cerberus and Oak Hill were unwilling to agree to provisions comparable to those agreed to by the other private equity firms.

On that same day, Weil presented to Akin Gump comments from Consortium 1 on the draft merger agreement.

On that same day, management held a due diligence session in San Antonio, Texas, with representatives of Lazard to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods.

In addition, on that same day, management also held a telephonic due diligence session with representatives of Consortium 3 to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods. Representatives of Goldman Sachs were also in attendance.

On October 31, 2006, management held a due diligence session in San Antonio, Texas, with representatives of Consortium 3 to discuss the Company s business, operations, financial condition, results of operations and financial forecasts for future periods. Representatives of Goldman Sachs were also in attendance.

In or around late October 2006, representatives of TPG indicated to THL Partners and Bain that TPG was having difficulty with its participation in the transaction, and that TPG did not want to impede the process.

On November 1, 2006, Apollo verbally submitted to Goldman Sachs a revised non-binding preliminary indication of interest to acquire all of the common stock of the Company in an all cash transaction at a price of $35.00 per share and informed Goldman Sachs that Carlyle had removed itself from Consortium 3.

Table of Contents

Following this time, Apollo did not request to participate in any further diligence or indicate any interest to form another consortium or submit a proposal.

During the first two weeks of November 2006, through November 15, 2006, Consortium 1 and Consortium 2, their financing partners, representatives and advisors continued to conduct due diligence on the Company and its business. In addition, the Company, Akin Gump and FCC and antitrust counsel for the Company conducted due diligence on the members of each of the consortia, particularly with respect to their investments in other media companies and the markets that such companies operated in and the participation of any non-United States persons in such consortia.

On November 3, 2006, the special advisory committee retained Watson Wyatt & Company (Watson Wyatt) as its executive compensation consultant. The retention was confirmed in an engagement letter dated November 6, 2006. Such retention contemplated that Watson Wyatt would review the existing change-in-control arrangements for Messrs. Mark, Randall and L. Lowry Mays, any proposed settlement of such existing arrangements in conjunction with a change of control of the Company and any proposed new incentive and investment arrangements for management. Watson Wyatt s engagement also contemplated a comparison of proposed management arrangements with benchmark data.

During the first two weeks of November, the special advisory committee met three times in connection with its review of the possible transactions. At these meetings, the special advisory committee received the advice and reports of Sidley, Lazard and Watson Wyatt.

On November 4, 2006, Ropes & Gray submitted to Akin Gump written comments to the draft merger agreement on behalf of Consortium 2.

A special meeting of the board of directors was held by telephone on November 7, 2006 (attended by each of the directors), which representatives of Goldman Sachs, Akin Gump and Sidley also attended. Representatives of Goldman Sachs updated the board of directors regarding events that had transpired since the last meeting of the board of directors. Akin Gump reviewed the directors fiduciary duties in considering strategic alternatives, including the possible sale of the Company. Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs then recused themselves and left the meeting. Akin Gump then summarized the key terms of the draft merger agreement presented to each of Consortium 1 and Consortium 2. The key terms covered the scope of the representations, warranties and covenants made by the respective parties to the agreement, as well as the conditions to closing the transaction and the provisions relating to the termination of such agreement. Akin Gump then summarized the comments on the draft merger agreement received from each consortium. The disinterested directors instructed Akin Gump and Goldman Sachs that they would not approve a definitive agreement that was contingent on receipt of financing for the transaction; that the board of directors must have the right to change its recommendation to the Company s shareholders with respect to the transaction if required by its fiduciary duties to do so; that the board of directors must be able to terminate the agreement if it received a superior proposal following execution of a definitive agreement; that the fee payable by the Company if it terminated the agreement must be reasonable, with a lower fee payable during a post-signing go-shop period; that the buying group must agree not to syndicate its equity holdings to other bidders in the process in order to protect the integrity of the bidding process; that the buying group must covenant to take all necessary actions to obtain FCC and HSR approvals; that the buying group must be liable to the Company if the buyer breaches its obligations under the definitive agreement or a closing fails to occur due to the failure of the regulatory conditions; and that the terms of the transaction should provide additional purchase price in the event the closing of the transaction is extended beyond an agreed upon date, which we refer to as a ticking fee.

During the period from November 8, 2006 through November 12, 2006, Akin Gump and Goldman Sachs continued to negotiate the terms of a draft merger agreement with Consortium 1 and Consortium 2 through telephonic meetings and in-person meetings held at Akin Gump s offices in New York City. Also participating in some of these meetings were

the parties respective FCC and antitrust counsel. During the course of these discussions and negotiations, the parties addressed each of the key terms of the draft merger agreement and the proposed plans of each of the two consortium for dealing with potential FCC and HSR issues raised by the fact that each of the consortia had investments in other media companies, some of which operated broadcast

Table of Contents

stations and print media in markets overlapping markets served by the Company s television and radio broadcast stations. Key terms addressed in these negotiations included the terms of any ticking fee, the board of directors request for a go-shop period, the structure and amount of break up fees and reverse break up fees, change of recommendation provisions, the board of directors request that the equity holdings of each consortium not be syndicated to other participants in the bidding process, the definition of superior proposal and material adverse effect, and the remedies of the Company for breach of the merger agreement.

On November 8, 2006, Consortium 2 informed Goldman Sachs it would not be able to submit a complete bid package on November 10, 2006. After consulting with Mr. Alan Feld, Goldman Sachs informed each of Consortium 1 and Consortium 2 that the deadline for submitting the bid packages would be moved to November 13, 2006.

From November 8, 2006 through November 12, 2006, representatives Goldman Sachs and Akin Gump periodically consulted with Mr. Alan Feld to provide him an update on developments in the separate negotiations and to solicit his guidance on potential resolution of differences between the positions taken by the board of directors and the positions taken by the two consortia.

During this period, the parties and their advisors finalized the terms of separate agreements to be entered into by the equity sponsors that comprised each consortium, which we refer to as limited guarantees, pursuant to which such equity sponsors would guarantee certain payment obligations of the buyer under the draft merger agreement, subject to a cap. In addition, during this time period, counsel for Messrs. Mark, Randall and L. Lowry Mays and counsel for each of the consortia continued to exchange views on the terms on which the Mayses would participate in management, and invest in, the surviving corporation resulting for any transaction.

On November 12, 2006, Akin Gump and representatives of Goldman Sachs met separately with each of Consortium 1 and Consortium 2 and their advisors to review the procedures for submitting bids on November 13, 2006. Each consortium was informed that Akin Gump would deliver to it a final draft of the merger agreement reflecting the terms which had been agreed to during the course of negotiations and, where agreement had not been reached, the terms proposed by the board of directors. Each consortium was told that, as part of the bid package, it would have an opportunity to make changes to the final draft of the merger agreement, but that any changes submitted would weigh against its bid when considered by the board of directors. Each consortium was requested to submit written bid packages on November 13, 2006 indicating the price per share to be paid for 100% of the common stock of the Company in an all cash transaction and consisting of (i) a copy of the final draft of the merger agreement, marked with any proposed changes, (ii) a detailed description of financing sources, including commitment letters, (iii) a final form of the limited guarantee and (iv) a description of the terms proposed by the consortium with respect to the participation of Messrs. Mark, Randall and L. Lowry Mays in the surviving corporation.

On November 12, 2006, representatives of THL Partners and Bain informed Goldman Sachs that TPG would not be a participant in Consortium 2.

Consortium 1 and Consortium 2 submitted complete bid packages on November 13, 2006.

The board of directors convened a special meeting on November 14, 2006, which was also attended by representatives of Akin Gump, Goldman Sachs, and Sidley. Present at the commencement of the meeting were each of the disinterested directors. Akin Gump reviewed the directors fiduciary duties in considering strategic alternatives, including the sale of the Company. Representatives of Goldman Sachs then made a presentation to the disinterested directors. During this presentation Goldman Sachs orally reviewed the history of negotiations with Consortium 1 and Consortium 2 and developments since the last meeting of the board of directors. Goldman Sachs also reviewed its contacts with Consortium 3 and Consortium 4 and confirmed to the disinterested directors that each such consortium had been informed that if, after conducting preliminary due diligence, it had made a qualified proposal that sufficient

time would be provided to it in order to participate in the bidding process.

Goldman Sachs then reviewed the two bid packages received on November 13, 2006. Each consortium proposed an all cash transaction at a price of $36.50 per common share. Goldman Sachs also described the

Table of Contents

terms proposed by each of the consortium for the participation of management in the surviving corporation. Akin Gump described how the key terms discussed at the November 7, 2006 board meeting had been resolved and reviewed with the disinterested directors the principal differences between the two merger agreements submitted as part of the bid packages. The non-financial terms proposed by Consortium 2 were overall more favorable than those proposed by Consortium 1 with respect to matters affecting the responsibilities of the consortium to resolve issues that may arise in obtaining necessary regulatory consents. Conversely, the structure and amounts of the termination fees payable by the consortium in the event of a breach or failure to close in certain circumstances proposed by Consortium 1 were more favorable than those proposed by Consortium 2. Further, Consortium 1 proposed a go-shop period of 30 days following signing and Consortium 2 proposed a go-shop period of 21 days following signing. The disinterested directors then received reports from regulatory counsel with respect to the FCC and HSR approval processes, issues that may be encountered and any differences presented by the participants of the two consortia.

Following the presentations by Goldman, Akin Gump and regulatory counsel, the disinterested directors directed Goldman Sachs to communicate with each of Consortium 1 and Consortium 2 that their bids reflected identical per share prices and that they would need to improve their bids if they were to receive favorable consideration and to review the merger agreement provisions they could improve to make their bid more favorable.

The disinterested directors then discussed the current change in control contracts between the Company and each of Messrs. Mark, Randall and L. Lowry Mays, including provisions providing for income tax and excise tax gross ups and the potential financial impact these arrangements might have on a merger proposal when compared to benchmark arrangements with executives at comparable companies. The disinterested directors determined to request Messrs. Mark, Randall and L. Lowry Mays to accept a reduction in their change in control payments and benefits, including the elimination of income tax gross ups. Messrs. Alan Feld and John Zachry, chairman of the compensation committee, were requested to communicate these requests. The meeting was adjourned to the following morning.

Following adjournment, Goldman Sachs and Akin Gump communicated the instructions of the board of directors to each of Consortium 1 and Consortium 2 and requested that each of the consortiums submit improved bids on November 15, 2006.

The meeting of the board of directors was reconvened on November 15, 2006. Mr. Mark Mays reported to the board that, in order to assure the receipt of the best price available in the circumstances, each of he, Messrs. Randall Mays and L. Lowry Mays had agreed to a reduction in payments and benefits otherwise provided by their change in control agreements in the event that the Company entered into a merger agreement with either Consortium 1 or Consortium 2 and the merger (or a superior proposal) was consummated. The agreed upon reductions included the elimination of Mr. L. Lowry Mays cash severance payment otherwise due him upon a termination of employment following the Merger, a reduction in the severance payment and benefits otherwise due Messrs. Mark Mays and Randall Mays upon a termination of employment following the Merger, the elimination of the income tax gross ups otherwise due Messrs. Mark Mays and Randall Mays, and certain other modifications. As a result of these agreed upon changes, it was estimated, by the disinterested directors based on certain assumptions, including among others the timing of the closing, that the Company would realize approximately $300 million in savings, which the disinterested directors expected would enable the potential buyer to offer a higher consideration for the Company. The disinterested directors expressed their appreciation to the Mayses for these concessions and Goldman Sachs was instructed by the disinterested directors to inform each of Consortium 1 and Consortium 2 of these changes so that they could be reflected in their revised proposals. In addition, the deadline for submitting the revised proposals was extended to provide sufficient time to reflect these changes.

The board of directors then received an updated presentation from Goldman Sachs reflecting its final assessment of the strategic alternatives available to the Company. The directors discussed the presentation and asked questions of management and conducted a thorough review of each of these alternatives, including the risks and challenges

presented by each alternative; the potential value that each alternative could generate to the Company s shareholders; the potential disruption to the Company s existing business plans and prospects

Table of Contents

occasioned by each alternative; and the likelihood of successfully executing on such alternatives. Following this presentation the board of directors determined that, depending on receipt of a final proposal from one of the consortium that was acceptable to the disinterested directors, a sale of the Company presented the strategic alternative that was in the best interests of the shareholders. Messrs. Mark, Randall and L. Lowry Mays confirmed that they were prepared to conclude their management arrangements with either consortium if that were the decision of the disinterested directors.

Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs left the meeting and the disinterested directors continued the meeting. Following receipt of the revised proposal from each of Consortium 1 and Consortium 2, the two proposals were read to the disinterested directors. Consortium 1 submitted a revised proposal at $36.85 per share and Consortium 2 submitted a revised proposal at $37.60 per share. In addition, each of the two revised proposals reflected improvements to the terms of the merger agreement. It was determined by the disinterested directors that the proposal submitted by Consortium 2 represented the most attractive proposal. At the request of the disinterested directors, Goldman Sachs reviewed with the disinterested directors its financial analysis of the merger consideration proposed by Consortium 2 and rendered to the board of directors an opinion, which opinion was subsequently confirmed in writing, to the effect that, as of that date and based upon and subject to the factors and assumptions set forth in its opinion, the $37.60 per share in cash to be received by the holders of the outstanding shares of Company common stock (other than holders of Rollover Shares) pursuant to the Merger Agreement was fair, from a financial point of view, to such holders. The full text of the written opinion of Goldman Sachs, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken with such opinions, is attached as Annex B to this proxy statement.

Prior to approving the execution of definitive agreements, the disinterested directors requested that the special advisory committee report to the directors its assessment of the fairness of the terms of the proposed merger with Consortium 2 to our unaffiliated shareholders. The meeting of the board was then recessed and the special advisory committee convened separately with Sidley, Lazard and Watson Wyatt. At the meeting of the special advisory committee, the special advisory committee requested that Lazard render an opinion as to whether the financial consideration to be received by our shareholders in the proposed merger with entities sponsored by Consortium 2 was fair from a financial point of view to our shareholders (other than the Company, Merger Sub, any holder of Rollover Shares and any shareholder who is entitled to demand and properly perfects appraisal rights). Lazard delivered to the special advisory committee an oral opinion, which was subsequently confirmed by a written opinion dated November 16, 2006, that, as of such date and based upon and subject to the factors and assumptions set forth in its written opinion, the consideration to be received by the holders of our common stock in the proposed merger was fair, from a financial point of view, to such holders (other than the Company, Merger Sub, any holder of Rollover Shares and any shareholder who is entitled to demand and properly perfects appraisal rights). The full text of the written opinion of Lazard, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken with such opinion, is attached as Annex C to this proxy statement. Watson Wyatt advised the special advisory committee that the modified management arrangements conformed more closely in design and amount to benchmarks (except with respect to Mr. L. Lowry Mays, whose amended arrangement was more favorable to the Company than a standard arrangement). Watson Wyatt confirmed their report that buyouts for the full amount of existing severance arrangements are typical in leveraged buyout transactions, the proposed award of restricted stock to Messrs. Mark Mays and Randall Mays was in an amount consistent with a buyout of the modified severance arrangements and the proposed equity pool for management in the modified arrangements was within benchmark ranges.

After additional discussion and deliberation with its advisors, the special advisory committee determined that the terms of the proposed merger with entities sponsored by Consortium 2 was fair to our unaffiliated shareholders.

Following the meeting of the special advisory committee, the directors (excluding Messrs. Mark, Randall and L. Lowry Mays and B. J. McCombs) reconvened, and the chair of the special advisory committee reported to the disinterested directors as a whole its assessment as to fairness. The board of directors, by the unanimous vote of the disinterested directors, determined that the Merger is advisable, fair to and in the best interests of

Table of Contents

the Company and its shareholders, approved the Merger and the Merger Agreement and resolved to recommend to the shareholders of the Company approval of the Merger and approval and adoption of the Merger Agreement.

After the meeting was adjourned, the Company, the Fincos and Merger Sub executed the Merger Agreement and issued a press release announcing the Merger.

Following the execution of the Merger Agreement, Goldman Sachs began the process of contacting private equity firms and strategic buyers that might be interested in exploring a transaction with the Company. Of the 22 parties contacted during the 21-day post-signing go-shop period, including 16 potential strategic buyers and 6 private equity firms (2 of which had previously been contacted, but had not entered into confidentiality agreements), none submitted a proposal to pursue a transaction with the Company. Accordingly, on December 8, 2006, we notified the Fincos that we had not received any proposals that would qualify as an Excluded Competing Proposal for purposes of the solicitation provisions of the Merger Agreement.

Reasons for the Merger

Determinations of the Special Advisory Committee and of the Board of Directors

On September 25, 2006, the disinterested members of our board of directors formed a special advisory committee comprised of three disinterested and independent members of the board. The special advisory committee was formed for the purpose of (i) prior to execution of the Merger Agreement, providing its assessment, after receiving the advice of legal and financial advisors and other experts, as to the fairness of the terms of the Merger Agreement, and (ii) following execution of the Merger Agreement, in the event the Company receives a Competing Proposal (as defined below under The Merger Agreement Solicitations of Alternative Proposals), providing its assessment, after receiving the advice of financial advisors and other experts, as to the fairness and/or superiority of the terms of the Competing Proposal and the continuing fairness of the terms of the Merger Agreement. The process for pursuing, and all negotiations with respect to, the Merger Agreement (and any other possible transaction) were directed by the disinterested directors as a whole. The special advisory committee unanimously determined that the terms of the Merger Agreement were fair to the Company s unaffiliated shareholders.

In reaching its determination, the special advisory committee consulted its legal and financial advisors and other experts and considered a number of factors, including, but not limited to, those positive and potentially negative factors set forth below. The special advisory committee considered all of the factors as a whole in making its assessment. In view of the variety of factors considered in connection with its assessment as to fairness, the special advisory committee did not find it practicable to and did not quantify, rank or otherwise assign relative or specific weight or values to any of these factors. In addition, each individual member of the special advisory committee may have given different weights to different factors.

After careful consideration, the board of directors, by a separate unanimous vote of the disinterested directors, approved, adopted and declared advisable the Merger Agreement and the transactions contemplated thereby, and determined that the Merger Agreement and the transactions contemplated thereby are fair to, and in the best interests of, the Company and its shareholders, and recommends that you vote FOR the adoption of the Merger Agreement. In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers who participated in meetings of the board of directors have interests in the Merger that are different from, or in addition to, the interests of our shareholders generally. See The Merger Interests of the Company s Directors and Executive Officers in the Merger beginning on page 41.

In reaching its decisions our board of directors consulted with its financial and legal advisors, and considered a number of factors, including, but not limited to, those set forth below:

The board of directors familiarity with the business, financial condition, results of operations, prospects and competitive position of the Company, including the challenges faced by the Company and other risks inherent in achieving our plans.

Table of Contents

The judgment of the disinterested directors regarding the prospects of the Company based on its current and historical performance, management s projections, the uncertainties regarding industries in which the Company operates and the risks inherent in achieving management s projections.

The results of the board of directors review, with the assistance of Goldman Sachs, of the strategic alternatives available to the Company, including the board of directors assessment of the risks and challenges presented by each alternative; the potential value that each alternative could generate to the Company s shareholders; the potential disruption to the Company s existing business plans and prospects occasioned by each alternative; and the likelihood of successfully executing each such alternative.

The prior strategic initiatives implemented by the Company, including the initial public offering of approximately 10% of the common stock of Clear Channel Outdoor Holdings, Inc., the 100% spin-off of Live Nation, a $1.6 billion return of capital to the Company s shareholders in the form of stock repurchases and a 50% increase in the Company s regular quarterly dividend, which had failed to increase the market price of the Company common stock to a level reflective of the value of the Company s businesses.

The fact that the Company, with the assistance of its advisors, had conducted a wide-ranging process to solicit indications of interest in a transaction, including (i) the public announcement on October 25, 2006 of its intention to evaluate strategic alternatives, (ii) the execution of nine confidentiality agreements, (iii) the receipt of preliminary indications of interest from four consortia of private equity firms, (iv) active due diligence and management interviews by three consortia of private equity firms, (v) the conduct of discussions and negotiations with consortia of private equity firms and (vi) the receipt of two definitive proposals to acquire the Company, as described under The Merger Background of the Merger.

The financial presentation and analysis, including the opinion dated November 16, 2006 of Goldman Sachs to the board of directors, to the effect that as of that date, and based upon and subject to the factors and assumptions set forth therein, the $37.60 per share in cash to be received by the holders of the outstanding shares of Company common stock (other than the holders of Rollover Shares) pursuant to the Merger Agreement was fair from a financial point of view, to such holders as described under Opinions of Financial Advisors Opinion of the Company s Financial Advisor. The full text of the Goldman Sachs opinion is attached to this proxy statement as Annex B.

The financial presentation and analysis, including the opinion dated November 16, 2006 of Lazard to the special advisory committee, to the effect that as of that date, and based upon and subject to certain assumptions, factors and qualifications set forth therein, the Merger Consideration to be paid to the holders of Company common stock pursuant to the Merger Agreement was fair, from a financial point of view, to such holders of our common stock (other than the Company, Merger Sub, any holder of Rollover Shares and any shareholder who is entitled to demand and properly perfects appraisal rights) as described under Opinions of Financial Advisors Opinion of the Special Advisory Committee s Financial Advisor The full text of the Lazard opinion is attached to this proxy statement as Annex C.

The current and historical market prices of the Company s common stock and the premium over the recent historical market prices of our common stock reflected in the $37.60 price per share, a premium of approximately 16.8% above the closing trading price of the Company common stock on October 24, 2006, the day prior to the announcement of the Company s decision to consider strategic alternatives, a premium of approximately 25.4% above the average closing price of the Company common stock during the 30 trading days ended October 24, 2006, a premium of approximately 28.5% above the average closing price of the Company common stock during the 60 trading days ended October 24, 2006, and a premium of approximately

25.0% over the average closing trading price of the Company common stock over the one year period ended November 15, 2006.

The fact that the $37.60 price per share reflected the highest firm proposal received from all parties contacted in soliciting indications of interest under the process discussed above.

Table of Contents

The assessment by the special advisory committee that the terms of the Merger Agreement were fair to the Company s unaffiliated shareholders.

The Debt Commitment Letter indicated a strong commitment on the part of the lenders with few conditions that would permit the lenders to terminate their commitments.

The terms of the Merger Agreement and the related agreements, including:

1. A 21-day post-signing go-shop period, during which the Company may solicit additional interest in transactions involving the Company, and after such 21-day period, continue discussions with certain persons under certain circumstances for an additional 29 days;

2. the Company s ability after the go-shop period, under certain other limited circumstances, to furnish information to and conduct negotiations with third parties regarding other proposals;

3. the fact that the Merger Agreement permits the Company to respond to Competing Proposals, and upon payment of a fee of $500 million ($300 million during the go-shop period), to accept a proposal that our board of directors determines to be superior to the terms of the Merger Agreement and the transactions contemplated thereby, under certain circumstances as more fully described under The Merger Agreement Solicitation of Alternative Proposals ;

4. the limited number and nature of the conditions to funding set forth in the Debt Commitment Letter and the obligation of the buyer to use its reasonable best efforts (1) to obtain the debt financing and (2) if the buyer fails to effect the closing because of a failure to obtain the debt financing, to pay us a $500 million termination fee;

5. the provisions of the Merger Agreement that allow our board of directors, under certain circumstances, to change its recommendation that the Company s shareholders vote in favor of the adoption of the Merger Agreement;

6. the limited number and nature of the conditions which must be satisfied prior to the consummation of the Merger under the Merger Agreement, including the absence of a financing condition;

7. the fact that the Company will be entitled to a termination fee of $600 million, in certain circumstances, if the Merger Agreement is terminated due to the failure to receive the requisite regulatory approvals prior to a specified date provided that all other conditions to Merger Sub s obligations to consummate the Merger have been satisfied; and

8. the fact that the Sponsors have agreed not to syndicate equity interests in Merger Sub to other private equity firms that executed confidentiality agreements prior to the signing of the Merger Agreement.

The modifications to the employment agreements of Messrs. Mark, Randall and L. Lowry Mays, including the agreement that the proposed transaction would not be deemed a change of control under their employment agreements.

The several limited guarantees provided by the Sponsors and the respective representations, warranties and covenants of the parties.

The fact that the consideration to be received in the Merger by the holders of the outstanding shares of Company common stock (other than the Rollover Shares) is all cash.

The understanding of the directors, after consulting with their financial and legal advisers, that the termination fee of $500 million ($300 million if the termination occurs during the go-shop period) to be paid by the Company if the Merger Agreement is terminated under certain circumstances, was reasonable, customary and not preclusive.

The availability of appraisal rights to our shareholders who comply with all required procedures under Texas law.

The experience of the Sponsors in completing acquisitions.

Table of Contents

The board of directors also considered the following potentially negative factors in reaching its decision to approve, adopt and declare advisable in all respects the Merger Agreement and the transactions contemplated by the Merger Agreement:

The risk that the financing contemplated by the Debt Commitment Letter for the consummation of the Merger might not be obtained.

The fact that the consideration received in the Merger will be taxable to the shareholders of the Company.

The fact that the shareholders (other than holders of Rollover Shares) would have no continuing equity interest in the Company following the proposed transaction and therefore would not participate in any potential future growth or earnings or any potential future transaction that might occur at a later time if the Company remained public.

The fact that the interests of certain directors and officers of the Company are different in certain respects from the interests of shareholders generally, as described under The Merger Interests of the Company s Directors and Executive Officers in the Merger, including potential payments to be made to members of the Company s management in the transaction.

The restrictions on the conduct of our business prior to the consummation of the Merger, which, subject to specific limitations, may delay or prevent the Company from taking certain actions during the time that the Merger Agreement remains in effect.

The requirement that under the terms of the Merger Agreement, the Company would pay the Fincos a termination fee if it were to terminate the Merger Agreement to accept a Superior Proposal for the acquisition of the Company, if the board of directors were to change its recommendation concerning the Merger Agreement, and in certain other circumstances (including, in some instances, if shareholders do not vote to adopt the Merger Agreement), and that our obligation to pay the termination fee might discourage other parties from proposing a business combination with, or an acquisition of, the Company.

The fact that the Company is entering into a Merger Agreement with a newly formed entity with essentially no assets and, accordingly, that its remedy in connection with a breach, even a breach that is deliberate or willful, of the Merger Agreement by Merger Sub is limited to a termination fee of $500 million ($600 million in certain circumstances if the breach results in a failure to obtain necessary regulatory consents).

The risks and costs to the Company if the Merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential impact on the Company s businesses.

The risk that while the Merger is expected to be completed, there can be no assurance that all conditions to the parties obligations to complete the Merger will be satisfied, and as a result, it is possible that the Merger may not be completed even if approved by our shareholders.

The approvals required for consummation of the transaction, including the approval of the FTC or the Antitrust Division of the U.S. Department of Justice under the HSR Act and the FCC Consent, and the time periods that may be required to obtain those approvals.

The board of directors considered all of the factors as a whole and the board of directors unanimously considered the factors in their totality to be favorable to and in support of the decision to approve, adopt and declare advisable in all

respects the Merger Agreement and the transactions contemplated by the Merger Agreement and to recommend that the Company s shareholders approve and adopt the Merger Agreement.

In view of the variety of factors considered in connection with its evaluation of the Merger, the board of directors did not find it practicable to and did not quantify, rank or otherwise assign relative or specific weight or values to any of these factors. In addition, each individual director may have given different weights to different factors.

Table of Contents

The foregoing discussion of our board of directors considerations concerning the Merger is forward looking in nature. This information should be read in light of the discussions under the heading Cautionary Statement Concerning Forward-Looking Information.

Recommendation of the Board of Directors

After careful consideration our board of directors by unanimous vote (excluding Messrs. Mark P. Mays, Randall T. Mays, L. Lowry Mays and B. J. McCombs who recused themselves from the deliberations):

determined that the Merger is fair to and in the best interests of the Company and its unaffiliated shareholders;

approved, adopted and declared advisable the Merger Agreement and the transactions contemplated by the Merger Agreement;

recommended that the shareholders of the Company vote in favor of the Merger and directed that such matter be submitted for consideration of the shareholders of the Company at the special meeting; and

authorized the execution, delivery and performance of the Merger Agreement and the transactions contemplated by the Merger Agreement.

Interests of the Company s Directors and Executive Officers in the Merger

In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of our shareholders generally. These interests, to the extent material, are described below. The board of directors was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the Merger.

Treatment of Company Stock Options

As of the record date, there were 6,737,678 outstanding Company stock options held by our directors and executive officers under the Company s stock option plans. Of these Company stock options, 2,341,647 have an exercise price below $37.60, and are considered in the money. Each outstanding Company stock option that remains outstanding and unexercised as of the Effective Time, whether vested or unvested (except as described below under Equity Rollover), will automatically become fully vested and convert into the right to receive a cash payment equal to the product of (i) the excess, if any, of the Merger Consideration over the exercise price per share of the Company stock option and (ii) the number of shares of Company common stock issuable upon exercise of such Company stock option. As of the Effective Time, Company stock options will no longer be outstanding and will automatically cease to exist, and the holders thereof will no longer have any rights with respect to the Company stock options, except the right to receive the cash payment, if any, described in the preceding sentence.

Table of Contents

The following table identifies, for each of our directors and executive officers, the aggregate number of shares of Company common stock subject to outstanding vested and unvested in the money options as of December 31, 2006, the aggregate number of shares of Company common stock subject to outstanding unvested in the money options that will become fully vested in connection with the Merger, the weighted average exercise price and value of such unvested in the money options, and the weighted average exercise price and value of vested and unvested in the money options. The information in the table assumes that all options remain outstanding on the closing date of the Merger.

Name	Aggregate Shares Subject to Options	Number of Shares Underlying Unvested Options	Weighted Average Exercise Price of Unvested Options	Value of Unvested Options	Weighted Average Exercise Price of Vested and Unvested Options	Value of Vested and Unvested Options
Alan D. Feld	10,365				21.76590	164,120
Perry J. Lewis	43,848				29.03667	375,485
L. Lowry Mays	853,352				30.80551	5,798,095
Mark P. Mays	499,691	499,691	32.78604	2,405,491	32.78604	2,405,491
Randall T. Mays	499,691	499,691	32.78604	2,405,491	32.78604	2,405,491
B. J. McCombs	30,333	24,267	31.57638	146,178	31.57640	182,714
Phyllis B. Riggins						
Theodore H. Strauss	10,365				21.76590	164,120
J. C. Watts						
John H. Williams						
John B. Zachry	22,500	18,000	31.72000	105,840	31.72000	132,300
Paul J. Meyer						
John E. Hogan	244,268	222,073	30.76224	1,518,482	31.15280	1,574,844
Herbert W. Hill, Jr.	15,626	13,728	33.26762	59,475	33.48541	64,295
Andrew W. Levin	40,717	34,902	33.07283	158,007	33.35672	172,774
William G. Moll	61,021	52,025	32.69464	255,201	31.39232	378,799
Donald D. Perry	9,870	9,870	30.72442	67,862	30.72442	67,862

Treatment of Company Restricted Stock

As of the record date, our directors and executive officers held 729,782 shares of Company restricted stock. Each share of Company restricted stock that remains outstanding as of the Effective Time, including Company restricted stock held by our executive officers and directors (except as described below under Equity Rollover), whether vested or unvested, will automatically become fully vested and convert into the right to receive a cash payment equal to the Merger Consideration. As of the Effective Time, all shares of Company restricted stock (except as described below under Equity Rollover) will no longer be outstanding and will automatically cease to exist, and such directors and executive officers will no longer have any rights with respect to their shares of Company restricted stock, except the right to receive a cash payment equal to the Merger Consideration in respect of each share of Company restricted stock.

Table of Contents

The following table identifies, for each of our directors and executive officers, the aggregate number of shares of Company restricted stock held by such director or executive officer as of December 31, 2006 and the value of these shares of Company restricted stock that will become fully vested in connection with the Merger. The information in this table assumes that all such shares of Company restricted stock remain outstanding on the closing date of the Merger.

Name	Aggregate Shares of Company Restricted Stock		Value of Shares of Company Restricted Stock
Alan D. Feld	5,700	$	214,320
Perry J. Lewis	5,700	$	214,320
L. Lowry Mays	84,000	$	3,158,400
Mark P. Mays	234,000	$	8,798,400
Randall T. Mays	234,000	$	8,798,400
B. J. McCombs			
Phyllis B. Riggins	6,600	$	248,160
Theodore H. Strauss	5,700	$	214,320
J. C. Watts	5,700	$	214,320
John H. Williams	5,700	$	214,320
John B. Zachry			
Paul J. Meyer	12,000	$	451,200
John E. Hogan	75,000	$	2,820,000
Herbert W. Hill, Jr.	9,750	$	366,600
Andrew W. Levin	20,932	$	787,043
Donald D. Perry	18,750	$	705,000
William G. Moll	6,250	$	235,000

Severance

At the request of the Company s disinterested directors, the Company has entered into second amendments to the current employment agreements with each of Messrs. L. Lowry Mays, Mark P. Mays and Randall T. Mays, to (i) provide that the consummation of the Merger alone will not give them Good Reason (as defined in the employment agreements) to resign and receive the severance payments and benefits provided in the respective employment agreements, and (ii) modify the severance provisions applicable following consummation of the Merger as follows:

> Effective upon consummation of the Merger, or a transaction qualifying as a Superior Proposal as defined in the Merger Agreement, the employment agreements for each of Messrs. Mark P. Mays and Randall T. Mays have been modified to provide that if his employment is terminated by the Company without Cause or if they resign for Good Reason (as modified as described above), then they will each receive (i) a lump-sum cash payment equal to the base salary, bonus and accrued vacation pay through the date of termination, (ii) a lump-sum cash payment equal to 2.99 times the sum of his base salary and bonus (using the highest bonus paid to executive in the three years preceding the termination, but not less than $1,000,000), and (iii) three years continued benefits for himself, his spouse and his dependents. As part of the amendments, both Messrs. Mark P. Mays and Randall T. Mays have also relinquished the right to receive a federal and state income-tax

gross-up payment in connection with amounts payable upon termination, as well as the right to receive options to purchase 1,000,000 shares of Company common stock upon termination. Except as described above, the employment agreements otherwise remain as previously in effect.

Effective upon consummation of the Merger or a transaction qualifying as a Superior Proposal as defined in the Merger Agreement, the employment agreement for Mr. L. Lowry Mays has been modified to provide that, if his employment is terminated by the Company without Cause or if he

Table of Contents

resigns for Good Reason (as modified as described above), then he will receive a lump-sum cash payment equal to his base salary, bonus and accrued vacation pay through the date of termination. As part of the amendment, Mr. L. Lowry Mays relinquished (i) his right to any other cash severance payments (other than the right to receive a federal and state income tax gross-up payment in connection with amounts payable upon termination), as well as (ii) the right to receive options to purchase 1,000,000 shares of Company common stock upon termination. Except as described above, the employment agreement otherwise remains as previously in effect.

Pursuant to a severance policy adopted by the Company, any corporate officer of the Company (including executive officers) actively employed on November 16, 2006, except for any corporate officer who is collectively bargained or party to an employment or other agreement with the Company or any of its subsidiaries that provides for severance, who is terminated without cause or resigns for good reason in the period beginning on November 16, 2006 and ending one year after the Effective Time, will be entitled to 18 months of his or her base pay plus 18 months of his or her monthly bonus as severance. Monthly bonus is defined by the severance policy to be an amount equal to the corporate officer s 2006 annual bonus earned by the officer divided by 12. Consistent with past practice the 2006 annual bonus for Company s corporate officers is expected to be determined during the first quarter of 2007.

Assuming that each executive officer is involuntarily terminated without cause or such employee terminates employment for good reason between November 16, 2006 and one year following the Effective Time, the amount of cash severance benefits (based upon the executive officer s current monthly base pay and his or her 2005 monthly bonus) that would be payable is:

Name	Estimated Potential Cash Severance Benefits
L. Lowry Mays(1)	
Mark P. Mays(1)	
Randall T. Mays(1)	
Paul J. Meyer(1)	
John E. Hogan(1)	
Herbert W. Hill, Jr.	270,000
Andrew W. Levin	562,500
William G. Moll(2)	270,000
Donald D. Perry(2)	595,000

(1) Messrs. L. Lowry Mays, Mark P. Mays, Randall T. Mays, Paul J. Meyer and John Hogan are all employed pursuant to employment agreements and not covered by this severance policy. In addition, each of the employment agreements of Messrs. L. Lowry Mays, Mark P. Mays and Randall T. Mays will be terminated or modified, as applicable, and replaced with new or amended employment agreements which terms will be as described below under New Employment Agreements.

(2) In connection with a divestiture of certain radio and television assets, the Company s severance policy provides that if a corporate officer, except for any corporate officer who is collectively bargained or party to an employment or other agreement with the Company or any of its subsidiaries that provides for severance, is involuntarily terminated without cause, not offered comparable employment with the successor entity, or resigns for good reason in connection with the divestiture, the corporate officer will be entitled to 24 months of his or

her base pay plus 24 months of his or her monthly bonus as severance.

Equity Rollover

In connection with the Merger Agreement, the Fincos and Mr. L. Lowry Mays, our chairman of the board of directors, Mr. Mark P. Mays, our Chief Executive Officer/Chief Operating Officer, and Mr. Randall T. Mays, our President/Chief Financial Officer, entered into a letter agreement (the Letter Agreement) pursuant to which each of Messrs. Mark P. Mays and Randall T. Mays have agreed to convert $10 million of shares of

Table of Contents

Company common stock, shares of Company restricted stock and in the money Company stock options into equity securities of the surviving corporation. The Letter Agreement provides that Messrs. Mark P. Mays and Randall T. Mays, upon execution of new or amended employment agreements with the surviving corporation, will each receive $20 million in restricted common stock of the surviving corporation, which will vest ratably over five years. Additionally, the Company has been informed that the Fincos and the Sponsors have provided Messrs. L. Lowry Mays and B. J. McCombs, each a member of the Company s board of directors, the opportunity to convert, although the Fincos and the Sponsors are under no obligation to provide such opportunity, a portion of their shares of Company common stock, shares of Company restricted stock and in the money Company stock options held by them into equity securities of the surviving corporation. Mr. L. Lowry Mays current intention is to sell 100% of his equity securities in the Company. However, if he seeks to rollover some portion of his holdings, Mr. L. Lowry Mays has informed the Company that he will be selling a substantial majority of his holdings in the transaction.

The Merger Agreement contemplates that the Fincos and Merger Sub may agree to permit certain executive officers to elect that some of their outstanding shares of Company common stock, shares of Company restricted stock and in the money Company stock options will not be cancelled in exchange for the Merger Consideration, but instead will be converted into shares or options to purchase shares of the surviving corporation or an affiliate of the surviving corporation following the effectiveness of the Merger. We contemplate that such conversions, if any, would be based on the per share cash consideration being paid to the Company shareholders in the Merger and the per share prices paid by the Sponsors in connection with equity financing for the transactions contemplated by the Merger Agreement, and in the case of Company stock options, would preserve the spread value of the options. As of the date of this proxy statement, except for the Letter Agreement, no member of the Company s management nor any director has entered into any agreement, arrangement or understanding with the Fincos or Merger Sub or their affiliates regarding any such arrangements.

The Fincos and Merger Sub have informed us that they anticipate offering certain members of the Company s management the opportunity to convert a portion of their current equity interests in the Company into equity in the surviving corporation or an affiliate of the surviving corporation and/or to the right to purchase equity interests in the surviving corporation or an affiliate of the surviving corporation. Although we believe members of our management team are likely to enter into new arrangements to purchase or participate in the equity of the surviving corporation or an affiliate, these matters are subject to further negotiations and discussion and no terms or conditions have been finalized (other than the Letter Agreement). Any such new arrangements are expected to be entered into prior to the completion of the Merger.

New Equity Incentive Plan

In connection with the consummation of the Merger, the surviving corporation (or a new parent company) will adopt a new equity incentive plan, under which participating employees will be eligible to receive options to acquire stock or other equity interests and/or restricted share interests. The Letter Agreement contemplates that this new equity incentive plan will permit the grant of options covering 12.5% of the fully diluted equity of the surviving corporation immediately after consummation of the Merger (with exercise prices set at fair market value for shares issuable upon exercise of such options, which for initial grants would be tied to the price paid by the Sponsors or their affiliates for such securities); but also contemplates that the parties may substitute restricted stock instead of options (in which event the restricted stock program would involve the creation of two classes of equity at the holding company level and the opportunity for a limited number of senior executives to purchase relatively low cost restricted common stock in order to maximize capital gains treatment on equity appreciation). The Sponsors, the Fincos, and the Company s management are still analyzing various alternatives for the implementation of the new equity incentive plan contemplated by the Letter Agreement. It is contemplated by the parties to the Letter Agreement that, at the closing of the Merger, a significant majority of the options or other equity securities to be issued under the new equity incentive plan will be granted. As part of this grant, each of Messrs. Mark P. Mays and Randall T. Mays will receive grants of

options out of the new equity incentive plan equal to 2.5% of the fully diluted equity of the surviving corporation, subject to such reduction as may be mutually agreed should the parties elect to implement a

Table of Contents

restricted stock program. The remaining 7.5% of the fully diluted equity subject to the new equity incentive plan will be granted immediately after consummation of the Merger to other employees of the Company, including officers of the Company, or reserved for future issuance. Of the options or other equity securities to be granted to Messrs. Mark P. Mays and Randall T. Mays under the new equity incentive plan at the closing of the Merger 50% will vest solely based upon continued employment (with 25% vesting on the third anniversary of the grant date, 25% vesting on the fourth anniversary of the grant date and 50% vesting on the fifth anniversary of the grant date) and the remaining 50% will vest based both upon continued employment and upon the achievement of predetermined performance targets. These options will have an exercise price equal to the same price per share paid by the Sponsors in connection with the equity financing for the Merger. The size and terms of the option grants to other employees of the Company, including officers of the Company, have not yet been determined.

New Employment Agreements

The Letter Agreement provides that Mr. L. Lowry Mays existing employment agreement will be terminated effective at the Effective Time and replaced with a new five year employment agreement pursuant to which Mr. L. Lowry Mays will receive an annual salary of $250,000 and benefits and perquisites consistent with his current arrangement. Mr. Mays also will be eligible to receive an annual bonus of not less than $1 million upon satisfaction of certain performance goals of the surviving corporation. Mr. L. Lowry Mays also will agree to be bound by customary covenants not to compete and not to solicit employees during the term of his agreement.

The Letter Agreement also provides that each of Messrs. Mark P. Mays and Randall T. Mays existing employment agreements will be terminated or modified effective at the Effective Time, and each new or modified employment agreement would have the following terms:

- the provision of the new option grants as summarized above;
- severance upon termination in a lump sum amount equal to three times the executive s annual base salary plus the executive s prior year s annual cash bonus;
- a five-year term, automatically extended for consecutive one year periods unless 12 months prior notice of non-renewal provided;
- salary consistent with current salary in effect;
- annual bonus not less than executive s bonus for the year ended December 31, 2006, so long as the surviving corporation reaches certain performance goals; and
- certain benefits and perquisites consistent with the current employment agreements (including gross-up payments for excise taxes that may be payable as a result of the Merger).

Board of Director Representations

The Letter Agreement provides that Messrs. Mark P. Mays and Randall T. Mays each will be a member of the board of directors of the surviving corporation, for so long as they are officers of the surviving corporation. Mr. L. Lowry Mays will serve as Chairman Emeritus of the surviving corporation.

Indemnification and Insurance

Under the terms of the Merger Agreement, Merger Sub has agreed that all current rights of indemnification provided by the Company for its current and former directors or officers shall survive the Merger and continue in full force and effect. Merger Sub has also agreed to indemnify, defend and hold harmless, and advance expenses to the Company s current and former directors or officers to the fullest extent required by the Company s articles of incorporation, bylaws or any indemnification agreement to which the Company is a party.

Table of Contents

Additionally, the surviving corporation for the six years following the Effective Time, will indemnify and hold harmless each current and former officers and directors of the Company from any costs or expenses paid in connection with any claim, action or proceeding arising out of or related to (i) any acts or omissions of a current or former officer or director in their capacity as an officer or director if the service was at the request or for the benefit of the Company or any of its subsidiaries or (ii) the Merger, the Merger Agreement or any transactions contemplated thereby.

In addition, at the Company s election, the Company or the Fincos will obtain insurance policies with a claims period of at least six years from the Effective Time with respect to directors and officers liability insurance that provides coverage for events occurring on or before the Effective Time. The terms of the policies will be no less favorable than the existing policy of the Company, unless the cost of the policies would exceed 300% of the current policy s annual premium, in which case the coverage will be the greatest amount available for an amount not exceeding 300% of the current premium.

FINANCING

Financing of the Merger

The total amount of funds necessary to complete the Merger is anticipated to be approximately $22.1 billion, consisting of (i) approximately $18.6 billion to pay the Company s shareholders and option holders the amounts due to them under the Merger Agreement, assuming that no Company shareholder validly exercises and perfects its appraisal rights, (ii) approximately $0.4 billion to pay related fees and expenses in connection with the Merger and (iii) approximately $3.1 billion to refinance certain existing indebtedness, including all of the Company s existing bank indebtedness and certain issues of the Company s outstanding public debt. These payments are expected to be funded by Merger Sub and the Fincos in a combination of equity contributions by other investors in the Fincos, debt financing obtained by the Fincos and made available to the Company and to the extent available, cash of the Company. The Fincos and Merger Sub have obtained equity and debt financing commitments described below in connection with the transactions contemplated by the Merger Agreement.

Equity Financing

The Fincos have received equity commitment letters for an aggregate commitment of up to approximately $4.0 billion. The Sponsors have collectively agreed to cause up to $2.46 billion of cash to be contributed to the Fincos, which will constitute the equity portion of the Merger financing. Subject to certain conditions, each of the Sponsors may assign a portion of its equity commitment obligation to other investors. The Fincos have received equity commitment letters from the Equity Investors for approximately $1.55 billion. In addition, subject to certain conditions agreed to with the Fincos, a portion of each of the Equity Investors commitment may be assigned to other affiliated and non-affiliated investors. The Sponsors have informed the Company that they intend to syndicate a portion of their respective equity commitments to other investors, similar to syndication efforts undertaken by the Sponsors in some prior transactions and may include investments by existing shareholders of the Company, other affiliates of the Company and limited partners of the Sponsors and their co-investors. The terms and conditions of any such investments are subject to further negotiations and discussions among the Sponsors, the Fincos and the potential equity investors. Each of the equity commitments is generally subject to the satisfaction of the conditions to the Merger Sub s obligations to effect the closing under the Merger Agreement. Each of the equity commitment letters will terminate upon the termination of the Merger Agreement.

Debt Financing

In connection with the execution and delivery of the Merger Agreement, the Fincos have received a debt commitment letter, dated November 16, 2006 (the Debt Commitment Letter), from Citigroup Global Markets Inc., Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank Securities Inc., Morgan Stanley Senior Funding Inc., Credit Suisse, Cayman Islands Branch, Credit Suisse

Table of Contents

Securities (USA) LLC, The Royal Bank of Scotland plc, RBS Securities Corporation, Wachovia Bank, National Association, Wachovia Investment Holdings, LLC and Wachovia Capital Markets, LLC to provide $21.475 billion in aggregate debt financing, consisting of (i) senior secured credit facilities in an aggregate principal amount of $16.375 billion (of which up to $13.850 billion will be available at closing for purposes of financing the Merger and related transactions), (ii) a receivables-backed revolving credit facility with a maximum availability of $1.0 billion, (iii) a senior unsecured bridge loan facility in an aggregate principal amount of up to $2.6 billion, and (iv) a senior subordinated unsecured bridge loan facility in an aggregate principal amount of up to $1.5 billion to finance, in part, the payment of the Merger Consideration, the repayment or refinancing of certain of our debt outstanding on the closing date of the Merger and the payment of fees and expenses in connection with the Merger, refinancing, financing and related transactions and, after the closing date of the Merger, to provide for ongoing working capital, refinance other debt and general corporate purposes.

The debt commitments expire on the earlier of (x) 60 days following the termination date set forth in the Merger Agreement and (y) May 16, 2008. The facilities contemplated by the debt financing commitments are subject to customary closing conditions, including:

- the consummation of the Merger in accordance with the Merger Agreement;
- the absence of any amendments or waivers to the Merger Agreement which are materially adverse to the lenders and which have not been approved by the lead arrangers under the Debt Commitment Letter;
- the absence of any Material Adverse Effect on the Company (as defined below under The Merger Agreement Representations and Warranties);
- the receipt by Merger Sub of cash equity contributions which, together with any rollover equity and stock issued to existing shareholders and management, constitute at least 15% of the consolidated capitalization of the Company (excluding certain limited existing debt);
- the execution of definitive credit documentation consistent with the term sheets for the debt facilities;
- the receipt of specified financial statements of the Company; and
- the receipt of customary closing documents and deliverables.

Availability under the contemplated receivables-backed revolving credit facility is limited by a borrowing base (which is calculated periodically based on a specified percentage of accounts receivables and is subject to adjustments for reserves and other matters). If availability under the borrowing base is less than $750 million on the closing date of the Merger, the lenders have agreed to increase their commitments and availability under the senior secured credit facilities by the amount of such shortfall.

The Debt Commitment Letter contemplates that at least a majority in principal amount of each of the Company s existing 7.65% Senior Notes Due 2010 and AMFM Operating Inc. s existing 8% Senior Notes due 2008 (the Repurchased Existing Notes) will be repurchased, redeemed, satisfied or discharged on the closing date of the Merger or as soon as practicable thereafter. Under the Merger Agreement, the Company has agreed to commence, and to cause AMFM Operating Inc. to commence, debt tender offers to purchase the Repurchased Existing Notes with the assistance of the Fincos. As part of the debt tender offers, the Company and AMFM Operating Inc. will solicit the consent of the holders to amend, eliminate or waive certain sections (as specified by the Fincos) of the applicable indenture governing the Repurchased Existing Notes. The closing of the debt tender offers shall be conditioned on the occurrence of the closing of the Merger, but the closing of the Merger and the debt financing are not conditioned upon

the closing of the debt tender offers. The debt commitments are not conditioned on nor do they require or contemplate the acquisition of the outstanding public shares of Clear Channel Outdoor Holdings. The debt commitments do not require or contemplate any changes to the existing cash management and intercompany arrangements between the Company and Clear Channel Outdoor Holdings, the provisions of which are described in Clear Channel Outdoor Holdings SEC filings. The consummation of the Merger will not permit Clear Channel Outdoor Holdings to terminate these arrangements and the Company may continue to use the cash flows of Clear Channel Outdoor Holdings for its

Table of Contents

own general corporate purposes pursuant to the terms of the existing cash management and intercompany arrangements between the Company and Clear Channel Outdoor Holdings, which may include making payments on the new debt.

The Fincos agreed to use their reasonable best efforts to arrange the debt financing on the terms and conditions described in the debt financing commitments. If any portion of the debt financing becomes unavailable in the manner or from the sources contemplated in the Debt Commitment Letter, the Fincos have agreed to use their reasonable best efforts to obtain alternative financing from alternative sources.

Although the debt financing described in this proxy statement is not subject to due diligence or a typical market out provision (i.e. a provision allowing lenders not to fund their commitments if certain conditions in the financial markets prevail) such financing may not be considered assured. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the debt financing described in this proxy statement is not available as anticipated.

Under the Merger Agreement, the Debt Commitment Letter may be amended, restated or otherwise modified or superseded to add lenders and arrangers, increase the amount of debt, replace or modify the facilities or otherwise replace or modify the Debt Commitment Letter in a manner not less beneficial in the aggregate to Merger Sub and the Fincos, except that any new debt financing commitments shall not (i) adversely amend the conditions to the debt financing set forth in the Debt Commitment Letter in any material respect, (ii) reasonably be expected to delay or prevent the closing of the Merger, or (iii) reduce the aggregate amount of debt financing available for closing unless replaced with new equity or debt financing.

OPINIONS OF FINANCIAL ADVISORS

Opinion of the Company s Financial Advisor

Goldman Sachs rendered its oral opinion, which was subsequently confirmed in writing, to our board of directors that, as of November 16, 2006 and based upon and subject to the factors and assumptions set forth therein, the $37.60 per share in cash to be received by the holders of the outstanding shares of Company common stock (other than the Rollover Shares) pursuant to the Merger Agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated November 16, 2006, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of our board of directors in connection with its consideration of the transaction. Goldman Sachs opinion is not a recommendation as to how any holder of shares of Company common stock should vote with respect to the Merger.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the Merger Agreement;
- annual reports to shareholders and Annual Reports on Form 10-K of the Company for the five fiscal years ended December 31, 2005;
- an annual report to shareholders and an Annual Report on Form 10-K of Clear Channel Outdoor Holdings, Inc., a subsidiary of the Company (Clear Channel Outdoor) for the fiscal year ended December 31, 2005;

Clear Channel Outdoor s Registration Statement on Form S-1, including the prospectus contained therein, dated November 10, 2005, relating to the Clear Channel Outdoor Class A common stock;

certain interim reports to shareholders and Quarterly Reports on Form 10-Q of the Company and Clear Channel Outdoor;

Table of Contents

certain other communications from the Company and Clear Channel Outdoor to their respective shareholders; and

certain internal financial analyses and forecasts for the Company prepared by our management, which included certain assessments with respect to the likelihood of achieving such forecasts for the Company and financial analyses and forecasts for Clear Channel Outdoor.

Goldman Sachs also held discussions with members of the senior managements of the Company and Clear Channel Outdoor regarding their assessment of the past and current business operations, financial condition and future prospects of the Company and Clear Channel Outdoor. In addition, Goldman Sachs reviewed the reported price and trading activity for our common stock and Clear Channel Outdoor Class A common stock, compared certain financial and stock market information for the Company and Clear Channel Outdoor with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the broadcasting and outdoor advertising industries specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, legal, accounting, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of the Company, Clear Channel Outdoor or any of their respective subsidiaries, nor was any evaluation or appraisal of the assets or liabilities of the Company, Clear Channel Outdoor or any of their respective subsidiaries furnished to Goldman Sachs. Goldman Sachs opinion does not address the underlying business decision of the Company to engage in the transaction or the relative merits of the Merger as compared to any alternative transaction that might be available to the Company. Goldman Sachs opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, the date of the opinion.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of the Company in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before November 14, 2006 and is not necessarily indicative of current market conditions.

Analysis at Various Prices.

Goldman Sachs performed certain analyses, based on historical financial information, SEC filings and financial forecasts provided by the Company s management at a range of illustrative Company common stock share prices from $35.50 to $37.50 per share. Assuming prices of $35.50 to $37.50 per share of Company common stock, Goldman Sachs calculated (a) implied equity values using the fully diluted number of shares of Company common stock outstanding under the treasury stock method of accounting, (b) implied enterprise values by adding the Company s net debt and minority interests to the Company s implied equity values, (c) adjusted equity values by subtracting $400 million of unconsolidated assets and a $1.1 billion present value of tax assets from the Company s implied equity values, and (d) adjusted enterprise values by subtracting $400 million of unconsolidated assets and a $1.1 billion present value of tax assets from the Company s implied enterprise values. Goldman Sachs then calculated (i) the ratio

of adjusted enterprise values to revenue, (ii) the ratio of adjusted enterprise values to earnings before interest, income taxes, depreciation and amortization, or EBITDA, and (iii) the ratio of adjusted equity values to free cash flow, or FCF, adjusted to

Table of Contents

remove effects of acquisition related depreciation and amortization. The following table presents the results of Goldman Sachs analysis based on illustrative Company common stock share prices of $35.50 to $37.50:

Adjusted Enterprise Value/Revenue	2006E	3.7x - 3.8x
	2007E	3.6x - 3.7x
Adjusted Enterprise Value/EBITDA	2006E	11.4x - 11.9x
	2007E	10.8x - 11.3x
Adjusted Equity Value/Adjusted FCF	2006E	17.4x - 18.5x
	2007E	15.1x - 16.1x

Goldman Sachs also reviewed the historical trading prices and volumes for our common stock for the two-year period ended November 14, 2006. In addition, Goldman Sachs analyzed a range of assumed prices of $35.50 to $37.50 per share of Company common stock in relation to (i) the closing prices of our common stock on November 14, 2006, on October 6, 2006 (the last trading day prior to the day that a research analyst issued a report outlining potential strategic alternatives for the Company and Clear Channel Outdoor), and on September 22, 2006 (the last trading day prior to the September 25, 2006 meeting of the Company s board of directors during which strategic alternatives were discussed), (ii) the average market price over the 30-trading day and one-year periods ended November 14, 2006, (iii) the high price over the 52-week and two-year periods ended November 14, 2006 and (iv) the low price over the 52-week and two-year periods ended November 14, 2006. The following table presents the results of Goldman Sachs analysis based on illustrative Company common stock share prices of $35.50 to $37.50:

Premium to market price of $34.11 per share (as of November 14, 2006)	4.1% - 9.9%
Premium to undisturbed price of $30.02 per share (as of October 6, 2006)	18.3% - 24.9%
Premium to undisturbed price of $29.05 per share (as of September 22, 2006)	22.2% - 29.1%
Premium to average market price of $32.62 per share for the 30-trading day period ended November 14, 2006	8.8% - 15.0%
Premium to average market price of $30.07 per share for the one-year period ended November 14, 2006	18.0% - 24.7%
Premium to high price of $35.48 per share for the 52-week period ended November 14, 2006	0.1% - 5.7%
Premium to high price of $35.48 per share for the two-year period ended November 14, 2006	0.1% - 5.7%
Premium to low price of $27.41 per share for the 52-week period ended November 14, 2006	29.5% - 36.8%
Premium to low price of $27.41 per share for the two-year period ended November 14, 2006	29.5% - 36.8%

Present Value of Future Stock Price Analysis.

Goldman Sachs performed an illustrative analysis of the implied present value of the future stock price of the Company, which is designed to provide an indication of the present value of a theoretical future value of a company s equity as a function of such company s estimated future capital structure and implied share price based on an assumed enterprise value as a multiple of future EBITDA using the Company s management forecasts. For this analysis, Goldman Sachs used the financial forecasts for the Company prepared by our management and assumed (i) a $1.5 billion minority interest based on Clear Channel Outdoor and Clear Media Ltd. market data as of November 14, 2006 and a $156 million other minority interest grown in each case at 5% per year based on management forecasts, (ii) unconsolidated assets of $400 million grown at 5% per year based on management forecasts, (iii) the present value of tax assets, (iv) that leverage is maintained at a total debt to last twelve months EBITDA ratio of 3.5x, (v) that excess cash flow is used to repurchase our common stock at enterprise value to one-year forward EBITDA multiples of 9.0x to 10.0x, and (vi) an annual recurring dividend of $0.75 per share. Goldman Sachs first calculated implied per share values for our common stock at year end for each of the fiscal years 2007 to 2011 by applying price to one-year

forward EBITDA multiples of

Table of Contents

9.0x to 10.0x to estimates prepared by our management of fiscal years 2008 to 2012 EBITDA. Goldman Sachs then discounted those values and the value of any dividends to be paid up to the date of the future share price to November 14, 2006, using an equity discount rate of 10.0%. This analysis resulted in a range of illustrative values per share of Company common stock of $27.40 to $34.44.

Discounted Cash Flow Analysis.

Goldman Sachs performed an illustrative discounted cash flow analysis using the Company s management forecasts to determine a range of implied present values per share of Company common stock. All cash flows were discounted to November 14, 2006, and terminal values were based upon perpetuity growth rates for cash flows in the year 2012 and beyond. In performing the illustrative discounted cash flow analysis, Goldman Sachs applied discount rates ranging from 8.0% to 9.0% to the projected unlevered free cash flows of the Company for the remainder of 2006 and calendar years 2007 to 2011. The discount rates applied by Goldman Sachs reflect the weighted average cost of capital of the Company based on the capital structure of the Company as of November 14, 2006. Goldman Sachs also applied perpetuity growth rates ranging from 1.75% to 2.75%. This analysis resulted in a range of illustrative values per share of Company common stock of $25.66 to $39.27.

Recapitalization Analysis.

Goldman Sachs analyzed an illustrative recapitalization transaction involving the Company and the theoretical value that our shareholders could receive in such a transaction. In the illustrative recapitalization transaction, the Company used after-tax proceeds from the sale of certain non-core assets to finance a special dividend to our shareholders in the range of $4.2 billion to $5.0 billion on June 30, 2007. In calculating the amount of the special dividend, Goldman Sachs assumed (i) that 89% of after-tax proceeds from asset sales by Clear Channel Outdoor would be distributed to the Company s shareholders, (ii) an annual recurring dividend of $0.75 per share, and (iii) the use of an existing $1.5 billion capital loss tax shield. Goldman Sachs then discounted the value of the special dividend to November 14, 2006, using discount rates ranging from 9.50% to 10.50%, which resulted in a present value of the special dividend to shareholders in the range of $8.26 to $9.83 per share. The theoretical post-recapitalization trading values of our shares were based upon estimated enterprise value to one-year forward EBITDA multiples of 9.5x to 10.5x and forecasts for the Company provided by our management after giving effect to the asset sales. Goldman Sachs then calculated the implied per share future equity values for our common stock from 2007 to 2011, and then discounted those values and the value of any dividends to be paid up to the date of the future share price to November 14, 2006, using an equity discount rate of 10.0%. This analysis resulted in a range of illustrative values per share of Company common stock of $31.54 to $38.04.

Sum-of-the-Parts Analyses.

Goldman Sachs performed illustrative sum-of-the-parts analyses on the Company using certain financial forecasts for the Company and Clear Channel Outdoor provided by the management of the Company. In the first illustrative sum-of-the-parts analysis, Goldman Sachs calculated illustrative per share value indications for the Company assuming a spin-off of Clear Channel Outdoor. In the second illustrative sum-of-the-parts analysis, Goldman Sachs calculated illustrative per share value indications for the Company assuming a spin-off of Clear Channel Outdoor and asset sales by the Company in addition to the spin-off of Clear Channel Outdoor.

In the first illustrative sum-of-the-parts analysis, Goldman Sachs made the following assumptions: (i) a spin-off of Clear Channel Outdoor closing on June 30, 2007, (ii) the use of proceeds from inter-company debt repayments and/or new debt financings to finance a special dividend to the Company shareholders in the range of $0.0 to $4.8 billion, or $0.00 to $9.61 per share, and (iii) an annual recurring dividend of $0.75 per share by the Company following the spin-off. The theoretical post spin-off illustrative values of Clear Channel Outdoor shares were based upon estimated

enterprise value to 2007 estimated EBITDA multiples of 11.0x to 13.0x and forecasts for Clear Channel Outdoor provided by our management. The theoretical post spin-off trading values of shares of Company common stock were based upon estimated enterprise value to 2007

Table of Contents

estimated EBITDA multiples of 9.0x to 11.0x and forecasts for the Company provided by our management after giving effect to the spin-off of Clear Channel Outdoor. Goldman Sachs then calculated the implied per share future equity values for Clear Channel Outdoor, the special dividend and the Company following the spin-off of Clear Channel Outdoor and then discounted those values to November 14, 2006, using a discount rate of 10.0%. This analysis resulted in a range of illustrative values per share of Company common stock of $29.86 to $38.32, inclusive of the values of Clear Channel Outdoor, the Company following the spin-off of Clear Channel Outdoor and the amount of any special dividend.

In the second illustrative sum-of-the-parts analysis, Goldman Sachs made the following assumptions: (i) a spin-off of Clear Channel Outdoor closing on June 30, 2007, (ii) the sale of small market radio and television assets, (iii) the use of proceeds from the sale of small market radio and television assets and proceeds from inter-company debt repayments and/or new debt financings to finance a special dividend to shareholders of the Company in the range of $1.4 to $5.7 billion, or $2.78 to $11.47 per share, and (iv) an annual recurring dividend of $0.75 per share by the Company following the spin-off. The theoretical post spin-off illustrative values of Clear Channel Outdoor shares were based upon estimated enterprise value to 2007 estimated EBITDA multiples of 11.0x to 13.0x and forecasts for Clear Channel Outdoor provided by our management. The theoretical post spin-off trading values of shares of the Company common stock were based upon estimated price to 2007 estimated EBITDA multiples of 9.0x to 11.0x and forecasts for the Company provided by our management after giving effect to the asset sales and the spin-off of Clear Channel Outdoor. Goldman Sachs then calculated the implied per share future equity values for Clear Channel Outdoor, the special dividend and the Company following the spin-off of Clear Channel Outdoor and then discounted those values to November 14, 2006, using a discount rate of 10.0%. This analysis resulted in a range of illustrative values per share of Company common stock of $30.28 to $38.27, inclusive of the values of Clear Channel Outdoor, the Company following the spin-off of Clear Channel Outdoor and the amount of the special dividend.

Miscellaneous

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to the Company, Clear Channel Outdoor or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to the Company s board of directors as to the fairness from a financial point of view of the $37.60 in cash per share to be received by the holders of the outstanding shares of our common stock (other than the Rollover Shares) pursuant to the Merger Agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of the Company, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The Merger Consideration was determined through arms-length negotiations between the Company, on the one hand, and the Sponsors, on the other hand, and was unanimously approved by our board of directors (excluding Messrs. Mark P. Mays, Randall T. Mays, L. Lowry Mays and B. J. McCombs who recused themselves from the deliberations). Goldman Sachs provided advice to our board of directors during these negotiations. Goldman Sachs

did not, however, recommend any specific amount of consideration to the Company, its board of directors or the special advisory committee of its board of directors or that any specific amount of consideration constituted the only appropriate consideration for the Merger.

Table of Contents

As described above, Goldman Sachs opinion to the Company s board of directors was one of many factors taken into consideration by the Company s board of directors in making its determination to approve the Merger Agreement (See The Merger Reasons for the Merger on page 37). The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex B.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs acted as financial advisor to the Company in connection with, and participated in certain of the negotiations leading to, the transaction contemplated by the Merger Agreement. In addition, Goldman Sachs has provided certain investment banking services to the Company from time to time, including having acted as global coordinator and senior bookrunning manager in connection with the initial public offering of 35,000,000 shares of Class A common stock of Clear Channel Outdoor in November 2005 and as financial advisor to the Company in connection with the spin-off of Live Nation, Inc., a former subsidiary of the Company, in December 2005. In addition, at the request of the board of directors of the Company, Goldman Sachs Credit Partners L.P., an affiliate of Goldman Sachs, made available a financing package to the Sponsors in connection with the Merger.

Goldman Sachs has provided and is currently providing certain investment banking services to THL Partners and its affiliates and portfolio companies, including having acted as joint bookrunner and joint lead manager in connection with the public offering of 28,750,000 shares of common stock of Fairpoint Communications, Inc., a portfolio company of THL Partners, in February 2005, as financial advisor to TransWestern Holdings, LP, a former portfolio company of THL Partners, in connection with its sale in July 2005 and as co-financial advisor to Metris Companies, Inc., a former portfolio company of THL Partners, in connection with its sale in December 2005. Goldman Sachs has provided and is currently providing certain investment banking services to Bain and its affiliates and portfolio companies, including having acted as joint lead arranger in connection with the provision of a committed financing package consisting of senior secured facilities, a mezzanine facility and a PIK loan facility (aggregate principal amount 799,500,000) in connection with the acquisition of FCI SA, a portfolio company of Bain, in December 2005, as lead arranger in connection with the leveraged recapitalization of Brenntag AG, a former portfolio company of Bain (Brenntag), in January 2006 and as co-financial advisor to Brenntag in connection with its sale in September 2006.

Goldman Sachs may also provide investment banking services to the Company and its affiliates and each of the Sponsors and their respective affiliates and portfolio companies in the future. As part of such investment banking services, Goldman Sachs may act as financial advisor to the Company in connection with sales of radio assets by the Company. Additionally, Goldman Sachs is currently acting as financial advisor in connection with the sale of certain television assets by the Company. In connection with the above-described investment banking services Goldman Sachs has received, and may receive, compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to the Company and its affiliates and each of the Sponsors and their respective affiliates and portfolio companies, actively trade the debt and equity securities (or related derivative securities) of the Company and the respective affiliates and portfolio companies of each of the Sponsors for their own account and for the accounts of their customers and at any time hold long and short positions of such securities. Affiliates of Goldman Sachs have co-invested with each of the Sponsors and their respective affiliates from time to time and such affiliates of Goldman Sachs have invested and may invest in the future in limited partnership units of affiliates of each of the

Sponsors.

Table of Contents

The board of directors of the Company selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the Merger. Pursuant to a letter agreement, dated September 18, 2006, the Company engaged Goldman Sachs to act as its financial advisor in connection with its consideration of a range of strategic alternatives. Pursuant to the terms of this engagement letter, the Company has agreed to pay Goldman Sachs a transaction fee equal to approximately $40 million, the principal portion of which is contingent upon consummation of the transaction. In addition, the Company has agreed to reimburse Goldman Sachs for its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Opinion of the Special Advisory Committee s Financial Advisor

Under an agreement dated October 25, 2006, the special advisory committee retained Lazard Frères & Co. LLC, referred to as Lazard, to act as its investment banker in connection with the Merger. As part of that engagement, the special advisory committee requested that Lazard evaluate the fairness, from a financial point of view, to the holders of our common stock of the consideration to be paid to such holders in the Merger. Lazard delivered a written opinion to the special advisory committee, dated November 16, 2006, the date of the Merger Agreement, that, as of that date and based upon and subject to certain assumptions, factors and qualifications set forth therein, the Merger Consideration to be paid to the holders of Company common stock pursuant to the Merger Agreement was fair, from a financial point of view, to the holders of our common stock (other than the Company, Merger Sub, any holder of Rollover Shares and any shareholder who is entitled to demand and properly perfects appraisal rights).

The full text of the Lazard opinion is included as Annex C to this proxy statement and is incorporated into this proxy statement by reference. The description of the Lazard opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of the Lazard opinion set forth in Annex C. You are urged to read the Lazard opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Lazard in connection with the opinion. Lazard s written opinion is directed to the special advisory committee and only addresses the fairness, from a financial point of view, to the holders of our common stock (other than the Company, Merger Sub, any holder of Rollover Shares and any shareholder who is entitled to demand and properly perfects appraisal rights) of the Merger Consideration to be paid to the holders of our common stock pursuant to the Merger Agreement. Lazard s written opinion does not address the merits of the underlying decision by the Company to engage in the Merger or any other aspect of the Merger and does not constitute a recommendation to any shareholder as to how the shareholder should vote on any matter relating to the Merger. Lazard s opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Lazard as of, November 16, 2006, the date of Lazard s opinion. Lazard assumes no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the opinion. The following is only a summary of the Lazard opinion. You are encouraged to read the entire opinion carefully.

In connection with its opinion, Lazard:

- reviewed the financial terms and conditions contained in the Merger Agreement;
- analyzed certain historical publicly available business and financial information relating to us;
- reviewed various financial forecasts and other data provided to Lazard by us relating to our businesses;
- held discussions with members of our senior management with respect to our business and prospects;

reviewed public information with respect to certain other companies in lines of business Lazard believed to be generally comparable to our businesses;

reviewed the financial terms of certain business combinations involving companies in lines of business Lazard believed to be generally comparable to ours;

Table of Contents

reviewed the historical stock prices and trading volumes of our common stock; and

conducted such other financial studies, analyses and investigations as Lazard deemed appropriate.

Lazard relied upon the accuracy and completeness of the foregoing information and has not assumed any responsibility for any independent verification of such information or any independent valuation or appraisal of any of our assets or liabilities or concerning our solvency or fair value. With respect to the financial forecasts, Lazard assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of our management as to our future financial performance. Lazard did not assume any responsibility for and expressed no view as to such forecasts or the assumptions on which they were based.

In rendering its opinion, Lazard assumed, with the consent of the special advisory committee, that the Merger would be consummated on the terms described in the Merger Agreement provided to it, without any waiver or modification of any material terms or conditions by us and that obtaining the necessary regulatory approvals for the Merger would not have an adverse effect on us or the Merger. Lazard did not express any opinion as to any tax or other consequences that might result from the Merger, nor does its opinion address any legal, tax, regulatory or accounting matters, as to which Lazard understood that we had obtained such advice as we deemed necessary from qualified professionals. In addition, Lazard noted in its opinion that certain members of our management, as well as the chairman of our board of directors, are receiving change of control payments and benefits related thereto and may be entering into certain compensation arrangements in connection with the Merger. Lazard expressed no view with respect to any such payments, benefits or compensation arrangements.

Lazard noted in its opinion that, although it had examined the financial terms of certain business combinations since January 1, 2005 involving companies in lines of business that Lazard believed to be generally comparable to ours, none of these transactions were truly comparable to a potential acquisition of the Company including the Merger, due to, among other things, the size of a potential transaction involving the Company compared to the examined business combinations and changes in the industries in which the Company operates. For these reasons, Lazard did not use the examined business combinations in its financial analyses.

Lazard was not engaged to broadly solicit, and Lazard confirmed that it did not broadly solicit, other parties regarding a potential transaction with us, nor was Lazard requested to consider, and its opinion does not address, the relative merits of the Merger as compared to any other transaction in which we might have engaged. Lazard does not express any opinion as to the price at which our common stock might trade subsequent to the announcement of the Merger.

The following is a brief summary of the material financial and comparative analyses that Lazard deemed to be appropriate in connection with rendering its opinion.

Comparable Public Companies Sum-of-the-Parts Analysis

A sum-of-the-parts analysis reviews a business operating performance and outlook on a segment-by-segment basis to determine an implied market value for the enterprise as a whole. Lazard performed a comparable public companies sum-of-the-parts analysis with respect to the Company s radio broadcasting segment, domestic outdoor advertising segment, international outdoor advertising segment, television segment, Katz Media/other segment and unallocated corporate segment.

Lazard calculated an implied valuation for the Company based on an analysis of companies that Lazard believed to be generally comparable to the Company or its business segments. In performing these analyses, Lazard reviewed and analyzed certain publicly available financial information and market trading data relating to the selected comparable

companies and compared such information to the corresponding information for the relevant business segment of the Company.

Lazard reviewed the following companies:

Affichage Holding AG

Table of Contents

CBS Corp.

Citadel Broadcasting Corp.

Cox Radio, Inc.

Cumulus Media, Inc.

Emmis Communications Corp.

Entercom Communications Corp.

Gray Television, Inc.

Hearst-Argyle Television, Inc.

JCDecaux SA

Lamar Advertising Company

LIN TV Corp.

Radio One, Inc.

Sinclair Broadcast Group, Inc.

The estimated financial information for the selected public companies used by Lazard in its analysis was based on research analysts estimates. The historical financial information used by Lazard in its analysis was based on publicly available historical information. The financial information for the Company was based on information and estimates provided to Lazard by the Company s management.

For each of the selected public comparable companies, Lazard, among other things, reviewed the enterprise value of each company as a multiple of estimated earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA for fiscal year 2006. Lazard then calculated an implied enterprise reference range for each of the Company s segments by applying selected enterprise value to EBITDA multiples derived from the analyses of (1) 9.5x to 10.5x, in the case of the radio broadcasting segment, (2) 13.5x to 14.5x, in the case of the domestic outdoor advertising segment, (3) 9.0x to 10.0x, in the case of the international outdoor advertising segment, (4) 9.0x to 10.0x, in the case of the television segment, (5) 7.0x to 8.0x, in the case of the Katz Media/other segment and (6) 10.3x to 11.3x, in the case of the unallocated corporate segment, to the corresponding estimated fiscal year 2006 EBITDA data for each of the Company s segments. Lazard then derived an implied equity reference range for the Company by adding these implied enterprise reference ranges together plus the value of the Company s unconsolidated assets and subtracting the Company s net debt and minority interests.

Based upon the projections referenced above and the assumptions set forth above, this analysis implied a per share equity reference range for the Company of $29.95 to $34.35, as compared to the Merger Consideration of $37.60 per share (not including the additional per share consideration, if any).

Discounted Future Stock Price Analysis

Lazard performed a discounted future stock price analysis, which is designed to provide an indication of the future value of the Company s equity as a function of the Company s future earnings and its current enterprise value to EBITDA multiples. The resulting value is then discounted to arrive at a present value for the Company s implied future stock price. For purposes of this analysis, Lazard first calculated implied 2012 per share equity values for the Company s common stock by applying a range of enterprise value to EBITDA multiples of 10.25x to 11.25x to estimates of the Company s fiscal year 2012 EBITDA provided to Lazard by the Company s management. For purposes of this analysis Lazard advised us that it also assumed a cash sale of the Company s television segment, certain non-core radio assets and the international outdoor advertising segment, which are referred to as the Company s assumed divested assets. Lazard estimated the implied after-tax cash proceeds that could be received by the Company from the sale of the Company s assumed divested assets by applying enterprise value to EBITDA multiples of 11.5x to 12.5x to estimates of

Table of Contents

the assumed divested asset s fiscal year 2006 EBITDA provided to Lazard by the Company s management. Lazard then calculated implied per share equity values for the Company s common stock based on the present value of the 2012 per share equity values using a range of discount rates reflecting the assumed cost of equity for the Company of 11% to 13%.

Based upon the projections referenced above and the assumptions set forth above, this analysis implied a per share equity reference range for the Company of $34.19 to $39.31, as compared to the Merger Consideration of $37.60 per share (not including the additional per share consideration, if any).

Recapitalization Analysis

Lazard performed a recapitalization analysis, which is designed to provide an indication of the implied per share equity value of the Company if the Company would remain as an independent, publicly traded company after a recapitalization.

In performing this analysis, Lazard advised us that it assumed a recapitalization would involve (1) a spin-off of 100% of the domestic outdoor advertising segment to the Company s shareholders, (2) the refinancing of the existing intercompany note between the Company and Clear Channel Outdoor, (3) the sale for cash of the Company s assumed divested assets as described in the Discounted Future Stock Price Analysis above and (4) increasing leverage on the remaining company coupled with the payment of a special dividend and an annual dividend with a higher yield than the current dividend yield of the Company.

For purposes of this analysis, Lazard calculated an implied enterprise reference range for the domestic outdoor advertising segment by applying enterprise value to EBITDA multiples derived from the Comparable Public Companies Sum-of-the-Parts Analysis above to estimates of the domestic outdoor advertising segment s fiscal year 2006 EBITDA provided to Lazard by the Company s management. Lazard then derived an implied equity reference range for the domestic outdoor advertising segment by subtracting net debt and minority interests. Lazard also calculated an implied enterprise reference range for the remaining company by applying enterprise value to EBITDA multiples derived from the Comparable Public Companies Sum-of-the-Parts Analysis above to estimates of the remaining company s fiscal year 2006 EBITDA provided to Lazard by the Company s management. Lazard then derived an implied equity reference range for the remaining company by adding the value of the Company s unconsolidated assets and subtracting net debt.

Based upon the projections referenced above and the assumptions set forth above, this analysis implied a per share equity reference range for the Company of $32.57 to $37.03, as compared to the Merger Consideration of $37.60 per share (not including the additional per share consideration, if any).

Discounted Cash Flow Sum-of-the-Parts Analysis

A sum-of-the-parts analysis reviews a business operating performance and outlook on a segment-by-segment basis to determine an implied market value for the enterprise as a whole. Using projections provided by the Company s management, Lazard performed a discounted cash flow sum-of-the-parts analysis with respect to the Company s radio broadcasting segment, domestic outdoor advertising segment, Katz Media/other segment and unallocated corporate segment. For purposes of this analysis Lazard advised us that it also assumed a sale of the Company s assumed divested assets.

Lazard performed an analysis of the present value of the projected unlevered free cash flows that each of the Company s business segments could generate from fiscal years 2007 through 2012. Using a discounted cash flow analysis, Lazard calculated an implied enterprise reference range for each of the Company s segments by determining

the present value of the unlevered free cash flow for each of the business segments generated from fiscal years 2007 through 2012 plus a terminal value for each of the business segments based on a range of multiples of estimated fiscal year 2012 EBITDA. The analyses assumed terminal multiples of (1) 9.5x to 10.5x, in the case of the radio broadcasting segment, (2) 13.5x to 14.5x, in the case of the domestic outdoor advertising segment, (3) 7.0x to 8.0x, in the case of the Katz Media/other segment and (4) 11.0x to 12.5x, in the case of the unallocated corporate segment (assuming the sale of the assumed divested assets). The cash flows and terminal values for each of the business segments were then discounted to present value

Table of Contents

using discount rates reflecting the weighted average cost of capital of (1) 9.0% to 10.0%, in the case of the radio broadcasting segment, (2) 8.5% to 9.5%, in the case of the domestic outdoor advertising segment, (3) 8.0% to 9.0%, in the case of the Katz Media/other segment and (4) 8.0% to 9.0%, in the case of the unallocated corporate segment (assuming the sale of the assumed divested assets). Lazard then derived an implied equity reference range for the Company by adding these implied enterprise reference ranges together plus the value of the Company s unconsolidated assets and the cash proceeds from the sale of the Company s assumed divested assets as described in the Discounted Future Stock Price Analysis above and subtracting the Company s net debt and minority interests.

Based on the projections referenced above and the assumptions set forth above, this analysis implied a per share equity reference range for the Company of $35.15 to $40.82, as compared to the Merger Consideration of $37.60 per share (not including the additional per share consideration, if any).

Leveraged Buyout Analysis

Using projections provided by the Company s management and assuming an estimated rate of return that investors may require, Lazard performed a leveraged buyout analysis of the Company in order to ascertain the per share consideration for the Company s common stock that a leveraged buyout firm might be willing to pay in a leveraged buyout transaction.

As a leveraged buy out analysis is based on the value of a company in a change of control context, Lazard gave effect to the amended cash severance obligations payable upon a change in control (excluding loss of tax deduction), the proposed grant of restricted stock and options to executives and debt redemption costs. In its analysis, Lazard used ranges of exit multiples and ranges of estimated rates of return that it selected based on the multiples derived in the Comparable Public Companies Sum-of-the-Parts Analysis above. For purposes of this analysis, Lazard advised us that it assumed the sale for cash of the Company s assumed divested assets as described in the Discounted Future Stock Price Analysis above. In this scenario, Lazard assumed, among other things, a 2011 exit at EBITDA multiples ranging from 10.7x to 11.7x and a range of estimated rates of return of 15% to 25%.

Based upon the projections referenced above and the assumptions set forth above, this analysis implied a per share equity reference range for the Company of $35.00 to $40.00, as compared to the Merger Consideration of $37.60 per share (not including the additional per share consideration, if any).

Miscellaneous

The preparation of financial analyses is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and, therefore, is not necessarily susceptible to partial analysis or summary description. Selecting the portions of the analyses or the summary set forth above without considering the analyses as a whole could create an incomplete or misleading view of the process underlying Lazard s presentation to the special advisory committee. In formulating its presentation to the special advisory committee, Lazard considered the results of all of its analyses and did not attribute any particular weight to any factor or analyses considered by it; rather, Lazard formulated its presentation on the basis of its experience and professional judgment after considering the results of its analyses. No company used in the above analyses as a comparison is directly comparable to us or the transactions contemplated by the Merger Agreement or the Merger. The analyses were prepared for the purpose of Lazard rendering advice to the special advisory committee in connection with its consideration of the Merger, and those analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold, which may be significantly more or less favorable than set forth in the analyses. You should understand that estimates of values and forecasts of future results contained in the analyses, whether publicly available or provided by our management, were based upon numerous assumptions and forecasts with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Company and

Lazard and are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses.

Table of Contents

In performing its analyses, Lazard made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters. Because those analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond our control or the control of our advisors, neither we, the special advisory committee, Lazard nor any other person assumes responsibility if future results or actual values are materially different from those forecasts or estimates contained in the analyses.

In connection with Lazard s services as the special advisory committee s investment banker, we agreed to pay Lazard an aggregate fee of $5 million, a significant portion of which was payable in connection with the rendering of its opinion. The fee to Lazard was payable, whether or not its opinion was favorable, and no portion of the fee was contingent upon entering into a definitive agreement with respect to, or consummating, a transaction. We have also agreed to reimburse Lazard for its reasonable out-of-pocket expenses (including attorneys fees) and to indemnify Lazard and certain related parties against certain liabilities under certain circumstances that may arise out of the rendering of its advice, including certain liabilities under U.S. federal securities laws.

Lazard may have provided and may currently or in the future provide investment banking services to the Company and to the Sponsors and their affiliates for which Lazard may have received or may receive customary fees.

Lazard, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, leveraged buyouts, and valuations for estate, corporate and other purposes. In addition, in the ordinary course of their respective businesses, affiliates of Lazard and LFCM Holdings LLC (an entity owned in large part by managing directors of Lazard) may actively trade the securities of the Company and/or the securities of the Sponsors and their affiliates for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

Lazard is an internationally recognized investment banking firm providing a full range of financial advisory and securities services. Lazard was selected to act as investment banker to the special advisory committee because of its qualifications, expertise and reputation in investment banking and mergers and acquisitions, as well as its familiarity with the business segments of the Company.

Lazard prepared these analyses for the purpose of providing an opinion to the special advisory committee as to the fairness, from a financial point view, of the Merger Consideration to be paid to the holders of Company common stock (other than the Company, Merger Sub, any holder of Rollover Shares and any shareholder who is entitled to demand and properly perfects appraisal rights). The Merger Consideration to be paid to the holders of Company common stock pursuant to the Merger Agreement was determined through arm s-length negotiations between the Company and the Sponsors and was approved by our board of directors. Lazard did not recommend any specific merger consideration to the special advisory committee or to the Company or that any given merger consideration constituted the only appropriate merger consideration for the Merger.

The opinion of Lazard was one of many factors taken into consideration by the special advisory committee (See The Merger Reasons for the Merger Determinations of the Special Advisory Committee and of the Board of Directors beginning on page 37). Consequently, the analyses described above should not be viewed as determinative of the opinion of the special advisory committee with respect to the Merger Consideration or of whether the special advisory committee would have been willing to determine that a different merger consideration was fair. Additionally, Lazard s opinion is not intended to confer any rights or remedies upon any employee or creditor of the Company.

Table of Contents

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders

Circular 230 Notice

The following discussion pertaining to U.S. federal income tax considerations is not given in the form of a covered opinion within the meaning of Circular 230 issued by the United States Secretary of the Treasury. Thus, you cannot rely upon U.S. federal income tax advice contained herein for the purpose of avoiding U.S. federal income tax penalties. This discussion is written to support the promotion or marketing of the Merger.

The following is a summary of the material U.S. federal income tax consequences of the Merger to holders of Company common stock whose shares of Company common stock are converted into the right to receive cash in the Merger. This summary does not purport to consider all aspects of U.S. federal income taxation that might be relevant to our shareholders. For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner of shares of Company common stock that is, for U.S. federal income tax purposes:

a citizen or resident of the United States;

a corporation created or organized under the laws of the United States or any of its political subdivisions;

a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an estate that is subject to U.S. federal income tax on its income regardless of its source.

A non-U.S. holder is a person (other than a partnership) that is not a U.S. holder.

If a partnership holds Company common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partner of a partnership holding Company common stock should consult its tax advisor.

This discussion is based on current law, which is subject to change, possibly with retroactive effect. It applies only to beneficial owners who hold shares of Company common stock as capital assets, and may not apply to shares of Company common stock received in connection with the exercise of employee stock options or otherwise as compensation, shareholders who hold an equity interest, directly or indirectly, in Fincos or the surviving corporation after the Merger, or certain types of beneficial owners who may be subject to special rules (such as insurance companies, banks, tax-exempt organizations, financial institutions, broker-dealers, partnerships, S corporations or other pass-through entities, mutual funds, traders in securities who elect the mark-to-market method of accounting, shareholders subject to the alternative minimum tax, shareholders that have a functional currency other than the U.S. dollar, or shareholders who hold Company common stock as part of a hedge, straddle or a constructive sale or conversion transaction). This discussion does not address the receipt of cash in connection with the cancellation of shares of restricted stock, restricted stock units or options to purchase shares of Company common stock, or any other matters relating to equity compensation or benefit plans. This discussion also does not address any aspect of state, local or foreign tax laws.

U.S. Holders

The exchange of shares of Company common stock for cash in the Merger will be a taxable transaction to U.S. holders for U.S. federal income tax purposes. In general, a U.S. holder whose shares of Company common stock are converted into the right to receive cash in the Merger will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received with respect to such shares (determined before the deduction of any applicable withholding taxes) and the shareholder s adjusted tax basis in such shares. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction). Such gain or loss will be long-term capital gain or loss provided that a shareholder s holding period for such shares is more than 12 months at the

Table of Contents

time of the consummation of the Merger. Long-term capital gains of individuals are eligible for reduced rates of taxation. There are limitations on the deductibility of capital losses.

Backup withholding of tax may apply to cash payments received by a non-corporate shareholder in the Merger, unless the shareholder or other payee provides a taxpayer identification number (social security number, in the case of individuals, or employer identification number, in the case of other shareholders), certifies that such number is correct, and otherwise complies with the backup withholding rules. Each of our shareholders should complete and sign the Substitute Form W-9 included as part of the letter of transmittal and return it to the paying agent, in order to provide the information and certification necessary to avoid backup withholding, unless an exemption applies and is established in a manner satisfactory to the paying agent.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowable as a refund or a credit against a U.S. holder s federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Cash received in the Merger will also be subject to information reporting unless an exemption applies.

Non-U.S. Holders

Any gain realized on the receipt of cash in the Merger by a non-U.S. holder generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- Company is or has been a United States real property holding corporation for U.S. federal income tax purposes and the non-U.S. holder owned more than 5% of Company s common stock at any time during the five years preceding the Merger.

An individual non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the Merger under regular graduated U.S. federal income tax rates. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a U.S. person as defined under the U.S. Internal Revenue Code of 1986, as amended, and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the Merger, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States.

Company believes that it is not and has not been a United States real property holding corporation for U.S. federal income tax purposes.

Backup withholding of tax may apply to the cash received by a non-corporate shareholder in the Merger, unless the shareholder or other payee certifies under penalty of perjury that it is a non-U.S. holder in the manner described in the letter of transmittal (and the payor does not have actual knowledge or reason to know that the beneficial owner is a

U.S. person as defined under the Code) or otherwise establishes an exemption in a manner satisfactory to the paying agent. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a non-U.S. holder s U.S. federal income tax liability, if any, provided that such non-U.S. holder furnishes the required information to the Internal Revenue Service in a timely manner. Cash received in the Merger will also be subject to information reporting, unless an exemption applies.

Table of Contents

The U.S. federal income tax consequences set forth above are not intended to constitute a complete description of all tax consequences relating to the Merger. Because individual circumstances may differ, each shareholder should consult the shareholder s tax advisor regarding the applicability of the rules discussed above to the shareholder and the particular tax effects to the shareholder of the Merger in light of such shareholder s particular circumstances, the application of state, local and foreign tax laws, and, if applicable, the tax consequences of the receipt of cash in connection with the cancellation of shares of Company restricted stock, or options to purchase shares of Company common stock, including the transactions described in this proxy statement relating to our equity compensation and benefit plans.

ACCOUNTING TREATMENT OF TRANSACTION

We expect that, for financial reporting purposes, the Merger may be accounted for as a leveraged recapitalization, pursuant to which the historical basis of the Company s assets and liabilities will be preserved following the Merger. However, it is possible that the Merger could be accounted for as a purchase, pursuant to which, following the Merger, the Company s assets and liabilities would be reflected at their fair market value as of the date of the Merger.

REGULATORY APPROVALS

Hart-Scott-Rodino

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) and the rules promulgated thereunder, the Company cannot complete the Merger until it notifies and furnishes information to the Federal Trade Commission (the FTC) and the Antitrust Division of the U.S. Department of Justice, and specified waiting period requirements are satisfied.

The parties have agreed that if the FTC or the Antitrust Division of the U.S. Department of Justice has not granted the necessary approvals under the HSR Act as of August 16, 2007, then if the Company s and the Fincos respective antitrust counsel, in their professional judgment, jointly determine that a divestiture is required to obtain the necessary approvals under the HSR Act, they will provide notice of such determination to the Fincos and the Fincos have agreed promptly, and in any event by November 15, 2007, to implement the divestiture. Under the terms of the Merger Agreement, a divestiture of any asset or business means (i) any sale, transfer, separate holding, divestiture or other disposition, or any prohibition of, or any limitation on, the acquisition, ownership, operation, effective control or exercise of full rights of ownership, of such asset or (ii) the termination or amendment of any existing or contemplated governance structure of Merger Sub or the Company or contemplated contractual or governance rights of Merger Sub or the Company.

FCC Regulations

Under the Communications Act, the Company and the Fincos may not complete the Merger unless they have first obtained the approval of the FCC to transfer control of the Company s FCC licenses to affiliates of the Fincos (the FCC Consent). FCC approval is sought through the filing of applications with the FCC, which are subject to public comment and objections from third parties. Pursuant to the Merger Agreement, the parties filed on December 12, 2006 all applications necessary to obtain the FCC Consent. The timing or outcome of the FCC approval process cannot be predicted.

The Fincos have agreed to take promptly any and all steps necessary to avoid or eliminate any impediment (including any impediment under the FCC s media ownership rules) to obtaining the FCC Consent so as to enable the parties to close the transactions contemplated by the Merger Agreement as promptly as practicable.

Other

The Merger is also subject to review by governmental authorities of various other jurisdictions under the antitrust, communication and investment review laws of those jurisdictions.

Table of Contents

MERGER RELATED LITIGATION

We are aware of eight putative class action complaints that were filed in the District Court of Bexar County, Texas, in connection with the Merger. These actions have been consolidated into one proceeding. The actions, *Teitelbaum v. Clear Channel Communications, Inc., et al.*, No. 2006CI17492 (filed November 14, 2006), *Murphy v. Clear Channel Communications, Inc., et al.*, No. 2006CI17647 (filed November 16, 2006), *Manson v. Clear Channel Communications, Inc., et al.*, No. 2006CI17656 (filed November 16, 2006), *City of St. Clair Shores Police and Fire Retirement System v. Clear Channel Communications, Inc., et al.*, No. 2006CI17660 (filed November 16, 2006), *Levy Investments, Ltd. v. Clear Channel Communications, Inc., et al.*, No. 2006CI17669 (filed November 16, 2006), *DD Equity Partners LLC v. Clear Channel Communications, Inc., et al.*, No. 2006CI7914 (filed November 22, 2006), *Metzler Investment GmbH v. Clear Channel Communications, Inc., et al.*, No. 2006CI18067 (filed November 28, 2006), and *Pioneer Investments Kapitalanlagegesellschaft MBH v. Clear Channel Communications, Inc., et. al.*, No. 2006CI18542 (filed December 7, 2006), make the allegations and seek the remedies as summarized below:

The *Teitelbaum* complaint alleges the Company and its directors breached their fiduciary duties, or aided and abetted in the breach of those duties, by agreeing to and failing to revoke the golden parachute provisions of the employment agreements of Messrs. L. Lowry Mays, Mark P. Mays, and Randall T. Mays. The complaint seeks a determination that class action status is fair, seeks to revoke the golden parachute severance provisions, indemnification of the shareholders for the alleged breach of the defendant s fiduciary duties, and the payment of plaintiff s fees and costs.

The *Murphy* complaint alleges, among other things, that the Company s directors breached their fiduciary duties in connection with the proposed Merger. The *Murphy* complaint seeks to enjoin the Merger (or, in the event the Merger is consummated, rescission of the Merger), damages, and the payment of plaintiff s fees and costs.

The *Manson* complaint alleges, among other things, that the Company s directors breached their fiduciary duties in connection with the proposed Merger and that Thomas H. Lee Partners, L.P. and Bain Capital Partners LLC aided and abetted the Company s directors in breaching their fiduciary duties. The *Manson* complaint seeks a determination that class action status is proper, to enjoin the Merger (or, in the event the Merger is consummated, rescission of the Merger), damages, and the payment of plaintiff s costs and fees.

The City of St. Clair complaint alleges, among other things, that the Company s directors breached their fiduciary duties in connection with the proposed Merger and that Thomas H. Lee Partners, L.P. and Bain Capital Partners, LLC aided and abetted the Company s directors in breaching their fiduciary duties. The *City of St. Clair* complaint seeks a determination that class action status is proper, to enjoin the Merger (or, in the event the Merger is consummated, rescission of the Merger), damages, and the payment of plaintiff s costs and fees.

The *Levy* complaint alleges, among other things, that the Company s directors breached their fiduciary duties in connection with the proposed Merger. The *Levy* complaint seeks a determination that class action status is proper, seeks to enjoin the Merger (or, in the event the Merger is consummated, rescission of the Merger), damages, and the payment of plaintiff s costs and fees.

The *DD Equity* complaint alleges, among other things, that the Company s directors breached their fiduciary duties in connection with the proposed Merger and that Thomas H. Lee Partners, L.P. and Bain Capital Partners, LLC aided and abetted the Company s directors in breaching their fiduciary duties. The *DD Equity* complaint seeks a determination that class action status is proper, a declaration that the defendants have

breached their fiduciary duties and aided and abetted such breaches, to enjoin the Merger (or, in the event the Merger is consummated, rescission of the Merger), seeks an order directing that the defendants exercise their fiduciary duties to obtain a transaction that is in the best interests of the Company, and the payment of plaintiff s costs and fees.

The *Metzler* complaint alleges, among other things, that the Company s directors breached their fiduciary duties in connection with the proposed Merger. The *Metzler* complaint seeks a determination

Table of Contents

that class action status is proper, seeks to enjoin the Merger (or, in the event the Merger is consummated, rescission of the Merger), damages, and the payment of plaintiff s costs and fees.

The *Pioneer Investments* complaint alleges, among other things, that the Company s directors breached their fiduciary duties in connection with the proposed Merger and that Thomas H. Lee Partners, L.P. and Bain Capital Partners, LLC aided and abetted the Company s directors in breaching their fiduciary duties. The *Pioneer Investments* complaint seeks a determination that class action status is proper, seeks to enjoin the Merger (or, in the event the Merger is consummated, rescission of the Merger), damages, and the payment of plaintiff s costs and fees.

In addition to the actions described above, we are aware of two shareholder derivative complaints naming the Company and its directors as defendants. The first action, also filed in the District Court of Bexar County, Texas, *Rauch v. Clear Channel Communications, Inc., et al.*, No. 2006CI17436 (filed November 22, 2006) alleges breach of fiduciary duties, abuse of control, gross mismanagement, and waste of corporate assets by the defendants. The complaint seeks an order declaring the employment agreements with Messrs. L. Lowry Mays, Mark P. Mays, and Randall T. Mays unenforceable or rescinding them, declaring the Merger Agreement unenforceable and rescinding it, directing the defendants to exercise their fiduciary duties to obtain a transaction that is in the best interests of the Company and its shareholders, imposing a constructive trust upon any benefits improperly received by the defendants, and directing the payment of plaintiff s costs and fees. The *Rauch* litigation has been consolidated with the eight putative class action complaints described above.

The second action, filed in the United States District Court for the Western District of Texas, *Alaska Laborers Employees Retirement Fund v. Clear Channel Communications, Inc., et al.*, No. SA07CA0042RF (filed January 11, 2007) contains both derivative and class action claims and alleges, among other things, that the Company s directors violated federal securities laws, breached their fiduciary duties, abused their control of the Company, and grossly mismanaged the Company in connection with the proposed Merger. The complaint also alleges that Thomas H. Lee Partners, L.P. and Bain Capital Partners LLC aided and abetted the Company s directors in breaching their fiduciary duties. The *Alaska Laborers* complaint seeks a determination that class action status is proper, a declaration that the Merger Agreement was entered into in breach of the Company s directors fiduciary duties, to enjoin the Merger, to direct that the Company s directors exercise their fiduciary duties to obtain a transaction that is in the best interests of the Company and its shareholders, to impose a constructive trust upon any benefits improperly received by the defendants, and the payment of plaintiff s costs and fees.

We believe that the allegations contained in the complaints are without merit, and we intend to vigorously contest these matters.

THE MERGER AGREEMENT

This section describes the material terms of the Merger Agreement. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached to this proxy statement as Annex A and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to carefully read the Merger Agreement in its entirety.

The Merger Agreement is included to provide you with information regarding its terms and is not intended to provide any other factual information about the Company, the Fincos, Merger Sub or their respective affiliates. The representations, warranties and covenants made by us, the Fincos and Merger Sub are qualified and subject to important limitations agreed to by us, the Fincos and Merger Sub in connection with negotiating the terms of the Merger Agreement. Furthermore, the representations and warranties may be subject to standards of materiality

applicable to us, the Fincos and Merger Sub that may be different from those that are applicable to you.

Table of Contents

Effective Time; Marketing Period

The Effective Time of the Merger will occur at the later of the time that the Company, the Fincos and Merger Sub file the Articles of Merger with the Secretary of State of the State of Texas and the Certificate of Merger with the Secretary of State of the State of Delaware on the Closing Date or such later time as provided in the Articles of Merger and Certificate of Merger and agreed to by the Fincos, Merger Sub and the Company. The Closing Date will occur as soon as practicable, but in no event later than the second business day after all of the conditions to the Merger set forth in the Merger Agreement have been satisfied or waived, or such other date as the Fincos, Merger Sub and the Company may agree. If all of the conditions have been satisfied, but the Marketing Period (defined below) has not expired, then the Fincos are not required to effect the closing until the earlier of:

a date during the Marketing Period specified by the Fincos on no less than three business days written notice to the Company; and

the final day of the Marketing Period, or at such other time, date or place as is agreed to in writing by the Fincos, Merger Sub and the Company.

The Marketing Period is defined in the Merger Agreement as the first period of 25 consecutive business days throughout which time the Fincos have certain financial information required to be provided by the Company under the Merger Agreement and the mutual conditions to the obligations of the parties and the conditions to the obligations of the Fincos (other than those conditions that, by their own terms, cannot be satisfied until the closing) have been and remain satisfied. If the Marketing Period has not ended on or before August 17, 2007, the Marketing Period shall be deemed to commence no earlier than September 4, 2007, or if the Marketing Period has not ended on or before December 14, 2007, the Marketing Period shall be deemed to commence no earlier than January 7, 2008.

The purpose of the Marketing Period is to provide the Fincos with a reasonable and appropriate period of time during which they can market and place the permanent debt financing contemplated by the debt financing commitments for the purposes of financing the Merger. The Fincos have agreed:

to use their reasonable best efforts to arrange and obtain the financing on the terms and conditions described in the financing commitments, negotiate and finalize definitive agreements with respect to the financing on the terms and conditions contained in the financing commitments, satisfy on a timely basis all conditions applicable to the Fincos or Merger Sub in the definitive agreements that are within their control, consummate the financing no later than the closing, and enforce their rights under the financing commitments; and

if any portion of the financing becomes unavailable on the terms and conditions contemplated in the financing commitments, to promptly notify the Company and use their reasonable best efforts to obtain alternative financing from alternative sources, on terms, taken as a whole, that are no more adverse to the Company, as promptly as practicable following the occurrence of such event, but in no event later than the last day of the Marketing Period, including entering into definitive agreements with respect thereto.

In addition, if all or any portion of the debt financing that is structured as a high yield financing, has not been consummated, and certain conditions under the Merger Agreement have been satisfied or waived and the bridge financing contemplated by the financing commitments is available on the terms and conditions contemplated in the financing commitments, then the Fincos must use the proceeds of the bridge financing to replace the high yield financing no later than the last day of the Marketing Period.

Effects of the Merger

If the Merger Agreement is adopted by our shareholders and the other conditions to closing are satisfied, Merger Sub will merge with and into the Company. The separate corporate existence of Merger Sub will cease, and the Company will continue as the surviving corporation, wholly-owned by entities sponsored by the Sponsors and their co-investors. Upon completion of the Merger, our common stock will be converted into the

Table of Contents

right to receive the Merger Consideration. The surviving corporation will be a privately held corporation, and you will cease to have any ownership interest in the surviving corporation or any rights as its shareholder.

The Structure

At the Effective Time, Merger Sub will merge with and into the Company. The separate existence of Merger Sub will cease, and the Company will survive the Merger and continue to exist after the Merger wholly-owned by entities sponsored by the Sponsors and their co-investors. All of the Company s and Merger Sub s properties, rights, privileges, powers and franchises, and all of their claims, obligations, liabilities, debts, and duties, will become those of the surviving corporation. Following completion of the Merger, the Company common stock will be delisted from the NYSE, deregistered under the Exchange Act, and no longer publicly traded. Thereafter, the current shareholders of the Company will not participate in any future earnings or growth of the Company and will not benefit from any appreciation in value of the Company following the Effective Time.

Rollover by Shareholders

Under the terms of the Merger Agreement, the Fincos may allow certain employees of the Company (each, a Rollover Shareholder) to convert some or all of the shares of Company common stock or other equity or convertible securities of the Company held by them (Rollover Shares) into equity securities of the surviving corporation in lieu of receiving the applicable portion of the Merger Consideration.

Pursuant to the Letter Agreement each of Messrs. Mark P. Mays and Randall T. Mays have agreed to convert $10 million, in the aggregate, of shares of Company common stock, shares of Company restricted stock and in the money Company stock options into equity securities of the surviving corporation, in the same proportion as that of the Fincos. Additionally, the Company has been informed that the Fincos and the Sponsors have provided Messrs. L. Lowry Mays and B. J. McCombs, each a member of the Company s board of directors, the opportunity to convert a portion of their shares of Company common stock, shares of Company restricted stock and in the money Company stock options held by them into equity securities of the surviving corporation. Mr. L. Lowry Mays current intention is to sell 100% of his equity securities in the Company. However, if he seeks to rollover some portion of his holdings, Mr. L. Lowry Mays has informed the Company that he will be selling a substantial majority of his holdings in the transaction.

The Fincos and Merger Sub have informed us that they anticipate offering certain members of the Company s management the opportunity to convert a portion of their current equity interests in the Company into equity in the surviving corporation or an affiliate of the surviving corporation and/or to the right to purchase equity interests in the surviving corporation or an affiliate of the surviving corporation. Although we believe members of our management team are likely to enter into new arrangements to purchase or participate in the equity of the surviving corporation or an affiliate, these matters are subject to further negotiations and discussion and no terms or conditions have been finalized (other than the Letter Agreement). Any such new arrangements are expected to be entered into prior to the completion of the Merger.

Treatment of Common Stock and Other Securities

Company Common Stock

At the Effective Time, each share of Company common stock issued and outstanding immediately prior to the Effective Time will automatically be converted into the right to receive $37.60 in cash, without interest and less any applicable withholding tax, other than:

shares of Company common stock held in the Company s treasury or owned by Merger Sub immediately prior to the Effective Time, which shares will automatically be canceled, retired and will cease to exist without conversion or consideration;

shares of Company common stock held by shareholders who do not vote in favor of adoption of the Merger Agreement and who have properly demanded and perfected their appraisal rights in accordance with Texas law, which shares will be entitled to only such rights as are granted by Texas law; and

Table of Contents

Rollover Shares.

Each share of Company common stock, when so converted, will automatically be canceled, and will cease to exist. After the Effective Time, each outstanding stock certificate or book-entry share representing shares of Company common stock converted in the Merger will represent only the right to receive the Merger Consideration with respect to each share of Company common stock.

In addition, if the Effective Time occurs after January 1, 2008, then each holder of shares of Company common stock will also receive an additional amount for each share of Company common stock equal to the lesser of:

the pro rata portion, based upon the number of days elapsed since January 1, 2008, of $37.60 multiplied by 8% per annum, or

an amount equal to (a) the Operating Cash Flow for the Company and its subsidiaries for the period from and including January 1, 2008 through and including the last day of the last month preceding the Closing Date for which financial statements are available at least ten (10) calendar days prior to the Closing Date less dividends paid or declared with respect to the foregoing period and amounts committed or paid to purchase equity interests in the Company or derivatives thereof with respect to that period (but only to the extent that those dividends or amounts are not deducted from the Operating Cash Flow for the Company and its subsidiaries for any prior period) divided by (b) the sum of the number of outstanding shares of Company common stock (including outstanding shares of Company restricted stock) plus the number of shares of Company common stock issuable pursuant to convertible securities of the Company outstanding at the Closing Date with exercise prices less than the Merger Consideration.

The term Operating Cash Flow means an amount determined on a consolidated basis for the Company and its subsidiaries as follows:

an amount determined in accordance with generally accepted accounting principles equal to the sum of net income, excluding therefrom any amount described in one or more of the following clauses (but only to the extent included in net income):

(i) the aggregate after-tax amount, if positive, of any net extraordinary, nonrecurring or unusual gains,

(ii) any items of gain or loss from permitted divestitures under the Merger Agreement,

(iii) any items of gain or loss from the change in value or disposition of investments, including with respect to marketable securities and forward exchange contracts,

(iv) any non-cash income, gain or credits included in the calculation of net income,

(v) any net income or loss attributable to non-wholly-owned subsidiaries or investments, except to the extent the Company has received a cash dividend or distribution or an intercompany cash payment with respect thereto during such period,

(vi) any net income attributable to foreign subsidiaries, except to the extent the Company has received a cash dividend or distribution or an intercompany cash payment with respect thereto during such period, and

(vii) the cumulative effect of a change in accounting principle, plus

to the extent net income has been reduced thereby and without duplication, amortization of deferred financing fees included in interest expense, depreciation and amortization (including amortization of film contracts) and other non-cash charges that are (a) not attributable to subsidiaries whose net income is subject to clause (v) or (vi) of the first bullet above and (b) not in the nature of provisions for future cash payments, minus

the amount of cash taxes paid or accrued with respect to such period (including provision for taxes payable in future periods) to the extent exceeding the amount of tax expense deducted in determining net income, minus

Table of Contents

dividends paid or declared with respect to such period and amounts committed or paid to purchase equity interests in the Company or derivatives thereof with respect to such period, minus

capital expenditures made in cash or accrued with respect to such period, minus

with respect to any income realized outside of the United States, any amount of taxes that would be required to be paid in order to repatriate such income to the United States, minus

cash payments made or scheduled to be made with respect to film contracts.

Company Stock Options

At the Effective Time, except as otherwise agreed by the Fincos and a holder of Company stock options, each outstanding Company stock option that remains outstanding and unexercised, whether vested or unvested, will automatically become fully vested and convert into the right to receive a cash payment equal to the product of (i) the excess, if any, of the Merger Consideration over the exercise price per share of the Company stock option and (ii) the number of shares of common stock issuable upon exercise of such Company stock option. As of the Effective Time, subject to certain exceptions, the Company stock options will no longer be outstanding and will automatically cease to exist, and the holders thereof will no longer have any rights with respect to such Company stock options, except the right to receive the cash payment described above, if any.

Company Restricted Stock

As of the Effective Time, except as otherwise agreed by the Fincos and a holder of shares of Company restricted stock with respect to such holder s shares of Company restricted stock, each share of Company restricted stock that remains outstanding as of the Effective Time, whether vested or unvested, will automatically become fully vested and become free of restriction and will be cancelled and converted into the right to receive a cash payment equal to the Merger Consideration.

Exchange and Payment Procedures

On the Closing Date, promptly following the Effective Time, the surviving corporation shall deposit with a paying agent (the Paying Agent) designated by the Fincos and reasonably acceptable to the Company, for holders of shares of Company common stock, Company stock options, and shares of Company restricted stock (other than (i) shares held in the treasury of the Company immediately prior to the Effective Time, (ii) shares owned by Merger Sub immediately prior to the Effective Time, (iii) shares held by a shareholder who properly demands statutory appraisal rights and (iv) Rollover Shares), a cash amount sufficient to pay the aggregate Merger Consideration to be paid in the Merger in exchange for their shares of Company common stock, Company stock options, and shares of Company restricted stock.

Appropriate transmittal materials will be provided to the holders of Company common stock certificates or book-entry shares promptly following the Effective Time, and in any event not later than the second business day following the Effective Time, by the Paying Agent, informing the holders of the effectiveness of the Merger and the procedure for surrendering Company common stock share certificates and book-entry shares to the Paying Agent. After holders surrender their certificates or book-entry shares and properly complete and execute transmittal materials to the Paying Agent, the surrendered certificates will be canceled and those holders will be entitled to receive in exchange therefor a cash amount equal to the Merger Consideration for each share of Company common stock represented by the surrendered and canceled certificates. The Paying Agent will deliver the Merger Consideration contemplated to be

paid per outstanding share upon surrender of the certificates representing those securities. In addition, as promptly as practicable following the Effective Time, the Paying Agent will mail to each holder of a Company stock option or Company restricted stock a check in the appropriate amount payable to the holder pursuant to the terms of the Merger Agreement.

After the Effective Time, there will be no further transfers of Company common stock. Any certificate presented to the surviving corporation or the Paying Agent for transfer (other than those certificates

Table of Contents

representing dissenting shares) after the Effective Time will be canceled and exchanged for the Merger Consideration with respect to each share of Company common stock represented by that certificate.

Any portion of the funds deposited with the Paying Agent that remain undistributed to holders of certificates, book-entry shares, stock options, or restricted shares for one year after the Effective Time will be delivered to the surviving corporation, together with interest and other income received by the Paying Agent. Holders of Company common stock who at that time have not yet complied with the exchange procedures outlined above shall thereafter look only to the surviving corporation, as general creditors of the surviving corporation, for delivery of any Merger Consideration, without interest, that may be payable upon due surrender of their respective share certificates. None of the Fincos, Merger Sub, the Company, the surviving corporation or the Paying Agent will be liable for any amount properly delivered to a public official under any applicable abandoned property, escheat or similar law.

The Paying Agent will invest any cash included in the funds made available by the Fincos as directed by the Fincos or, after the Effective Time, the surviving corporation, provided that (i) no investment shall relieve the Fincos or the Paying Agent from making the payments required under the Merger Agreement, and following any losses the surviving corporation shall promptly provide additional funds to the Paying Agent for the benefit of the holders of Company common stock, Company stock options, and Company restricted stock in the amount of those losses, and (ii) the investments shall be in short-term obligations of the United States with maturities of no more than 30 days or guaranteed by the United States and backed by the full faith and credit of the United States or in commercial paper obligations rated A-1 or P-1 or better by Moody s Investors Service, Inc. or Standard & Poor s Corporation, respectively. Any interest or income produced by the investments will be payable to the surviving corporation or the Fincos, as directed by the Fincos.

The Fincos, the surviving corporation and the Paying Agent shall be entitled to deduct and withhold from any payment pursuant to the Merger Agreement amounts as may be required to be deducted and withheld with respect to the making of such payment under the Code or any other applicable law.

Representations and Warranties

The Merger Agreement contains representations and warranties of the parties to the Merger Agreement made to and solely for the benefit of each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that the parties have exchanged in connection with signing the Merger Agreement and that modify, qualify and create exceptions to the representations and warranties contained in the Merger Agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, because (i) they were made only as of the date of the Merger Agreement or a prior specified date, (ii) in some cases they are subject to qualifications with respect to materiality and knowledge, and (iii) they are modified in important part by the underlying disclosure schedules. The Company s disclosure schedules contain information that has been included in the Company s prior public disclosures, as well as non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Company s public disclosures.

The Company makes various representations and warranties in the Merger Agreement that are subject, in some cases, to exceptions and qualifications (including exceptions that do not create a Material Adverse Effect on the Company (as defined below)). Our representations and warranties relate to, among other things:

- our and our subsidiaries due organization, valid existence, good standing and qualification to do business;
- our and our subsidiaries articles of incorporation, bylaws and other organizational documents;

our capitalization, including in particular the number of issued and outstanding shares of Company common stock, Company stock options, warrants and Company restricted stock outstanding;

Table of Contents

our corporate power and authority to enter into the Merger Agreement and to consummate the transactions contemplated by the Merger Agreement;

the approval and recommendation of the Merger Agreement, and the approval of the Merger and the other transactions contemplated by the Merger Agreement by the board of directors;

the required vote of our shareholders in connection with the adoption of the Merger Agreement;

the absence of certain specified violations of, or conflicts with, our governing documents, applicable law or certain agreements as a result of entering into the Merger Agreement and consummating the Merger;

the required consents and approvals of governmental entities in connection with consummation of the Merger and the other transactions contemplated by the Merger Agreement;

compliance with applicable laws and permits, including FCC licenses;

our SEC forms, documents, registration statements and reports since December 31, 2004, and to our knowledge, the SEC forms, documents, registration statements and reports of Clear Channel Outdoor since November 2, 2005, including the financial statements contained therein;

our disclosure controls and procedures and internal controls over financial reporting;

the absence of a Material Adverse Effect on the Company and certain other changes or events related to the Company or its subsidiaries since December 31, 2005;

the absence of certain undisclosed liabilities;

the absence of legal proceedings and governmental orders against the Company;

taxes;

the absence of any untrue statement of a material fact or omission of a material fact required to be stated in this proxy statement or any other document filed with the SEC in connection with the Merger;

our material contracts;

employment and labor matters affecting us or our subsidiaries, including matters relating to the our or our subsidiaries employee benefit plans;

the inapplicability to the Merger Agreement and the Merger of restrictions imposed on business combinations by Article 13 of the Texas Business Corporation Act;

the receipt by the board of directors of a fairness opinion from Goldman Sachs & Co. and the receipt by the special advisory committee of the board of directors of an opinion from Lazard; and

the absence of undisclosed brokers fees.

For purposes of the Merger Agreement, Material Adverse Effect on the Company means any event, state of facts, circumstance, development, change, effect or occurrence that has had or would reasonably be expected to have a material adverse effect on the business condition (financial or otherwise), operations or results of operations of the Company and its subsidiaries, taken as a whole. However, any event, state of facts circumstance, development, change, effect or occurrence resulting from the following matters will not be taken into account in determining whether there has been a Material Adverse Effect on the Company and will not constitute a Material Adverse Effect on the Company:

changes in general economic or political conditions or the securities, credit or financial markets in general, in each case, generally affecting the general television or radio broadcasting, music, internet, outdoor advertising or event industries;

general changes or developments in the general television or radio broadcasting, music, internet or event industries, including general changes in law or regulation across such industries;

Table of Contents

the announcement of the Merger Agreement or the pendency or consummation of the Merger;

the identity of Merger Sub, the Sponsors or any of their affiliates as the acquirer of the Company;

compliance with the terms of, or the taking of any action required by, the Merger Agreement or consented to by the Fincos;

any acts of terrorism or war (other than any of the foregoing that causes any damage or destruction to or renders unusable any facility or property of the Company or any of its subsidiaries);

changes in generally accepted accounting principles or the interpretation thereof;

any weather related event; or

any failure to meet internal or published projections, forecasts or revenue or earning predictions for any period (provided that the underlying causes of the failure shall be considered in determining whether there is a Material Adverse Effect on the Company).

The events summarized in the first two bullet points above will not be taken into account in determining whether there has been a Material Adverse Effect on the Company except to the extent those changes or developments would reasonably be expected to have a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to other for-profit participants in the industries and in the geographic markets in which the Company conducts its businesses after taking into account the size of the Company relative to such other for-profit participants.

The Merger Agreement also contains various representations and warranties made jointly and severally by the Fincos and Merger Sub that are subject, in some cases, to exceptions and qualifications (including exceptions that do not create a Merger Sub Material Adverse Effect (as defined below)). The representations and warranties relate to, among other things:

their due organization, valid existence and good standing;

their certificate of incorporation, bylaws and other organizational documents;

their power and authority to enter into the Merger Agreement and to consummate the transactions contemplated by the Merger Agreement;

the absence of violations of, or conflicts with, their governing documents, applicable law or certain agreements as a result of entering into the Merger Agreement and consummating the Merger;

the required consents and approvals of governmental entities in connection with the transactions contemplated by the Merger Agreement;

their qualification under the Communications Act to hold FCC licenses;

the absence of litigation and government orders against the Fincos and Merger Sub;

the Fincos ability to secure financing for the Merger;

the delivery of limited guarantees of certain of the obligations of the Fincos and Merger Sub executed by each of the Sponsors;

the capitalization of Merger Sub;

the absence of undisclosed broker s fees;

the absence of any untrue statement of a material fact or omission of a material fact required to be stated in any information supplied by the Fincos for inclusion in this proxy statement; and

the solvency of the surviving corporation following the consummation of the Merger.

For purposes of the Merger Agreement, a Merger Sub Material Adverse Effect means any event, state of facts, circumstance, development, change, effect or occurrence that is materially adverse to the business, financial condition or results of operations of Merger Sub and Merger Sub s subsidiaries taken as a whole or

Table of Contents

may reasonably be expected to prevent or materially delay or materially impair the ability of Merger Sub or any of its subsidiaries to consummate the Merger and the other transactions contemplated by the Merger Agreement.

The representations and warranties in the Merger Agreement of each of the Company, the Fincos and Merger Sub will terminate at the earlier of the Effective Time and the termination of the Merger Agreement pursuant to its terms.

Conduct of the Company s Business Pending the Merger

Under the Merger Agreement, the Company has agreed that, subject to certain exceptions, between November 16, 2006 and the completion of the Merger, unless the Fincos give their prior written consent:

- the Company and its subsidiaries will conduct business in the ordinary course and consistent with past practice in all material respects; and
- the Company and its subsidiaries will use their reasonable best efforts to preserve substantially intact the Company s business organizations and to keep available the services of certain senior executive officers.

The Company also has agreed that, during the same time period, subject to certain exceptions, neither the Company nor any of its subsidiaries will take any of the following actions, unless the Fincos give their prior written consent:

- amend the Company s articles of incorporation or bylaws or the organizational documents of its subsidiaries;
- issue, sell, pledge, dispose, encumber or grant any equity securities or convertible securities of the Company or its subsidiaries;
- acquire any business organization or any division thereof or any material amount of assets with a purchase price in excess of $150 million in the aggregate;
- adjust, recapitalize, reclassify, combine, split, subdivide, redeem, purchase or otherwise acquire any equity securities or convertible securities of the Company or its subsidiaries;
- other than with respect to the payment by the Company of a regular quarterly dividend, as and when normally paid, not to exceed $0.1875 per share, declare, set aside for payment or pay any dividend payable in cash, property or stock on, or make any other distribution in respect of, any shares of its capital stock;
- create, incur, guarantee or assume any indebtedness except for indebtedness: (i) incurred under the Company s or a subsidiary s existing credit facilities, (ii) for borrowed money incurred pursuant to agreements in effect prior to the execution of the Merger Agreement, (iii) as otherwise required in the ordinary course of the Company s business consistent with past practice, or (iv) in an aggregate principal amount not to exceed $250 million;
- make any material change to its methods of accounting in effect at December 31, 2005, except as required by generally accepted accounting principles, Regulation S-X of the Securities Exchange Act of 1934, as amended, as required by a governmental authority, as required by a change in applicable law, or as disclosed in the documents filed by the Company with the SEC prior to November 16, 2006;
- adopt or enter into a plan of restructuring, recapitalization or other reorganization (other than the Merger and other than transactions exclusively between the Company and its subsidiaries or between the Company s subsidiaries, in which case, the Fincos consent will not be unreasonably withheld or delayed);

sell, lease, license, transfer, exchange or swap, mortgage or otherwise encumber (including securitizations), or subject to any lien (other than permitted liens) or otherwise dispose of any asset or any portion of its properties or assets with a sale price in excess of $50 million;

Table of Contents

make any material change in any method of tax accounting or any annual tax accounting period, make, change or rescind any material tax election, participate in any settlement negotiations concerning United States federal income taxes in respect of the 2003 or subsequent tax year, settle or compromise any material tax liability, audit claim or assessment, surrender any right to claim for a material tax refund, file any amended tax return involving a material amount of additional taxes, enter into any closing agreement relating to material taxes, or waive or extend the statute of limitations in respect of material taxes other than pursuant to extensions of time to file tax returns obtained in the ordinary course of business;

grant any stock options, restricted shares or other rights to acquire any of the Company s or its subsidiaries capital stock or take any action to cause to be exercisable any otherwise unexercisable options under any of the Company s option plans, except as may be required under any option plans or an employment agreement or pursuant to any customary grants made to employees at fair market value (provided that the number of shares of Company common stock thereunder shall not exceed 0.25% of the outstanding shares of Company common stock as of the close of business on November 10, 2006);

increase the compensation or other benefits payable to (i) current or former directors (including L. Lowry Mays, Mark P. Mays, and Randall T. Mays in their capacities as executive officers of the Company), (ii) any other senior executive officers of the Company by an amount exceeding a specified amount agreed upon by the Company and the Fincos, or (iii) other employees except in the ordinary course of business consistent with past practices;

grant any severance or termination pay to, or enter into any severance agreement with, any current or former director, executive officer or employee of the Company or any of its subsidiaries, except as are required in accordance with any benefit plan of the Company and in the case of employees other than the senior executive officers, other than in the ordinary course of business consistent with past practice;

enter into any employment agreement with any director, executive officer or employee of the Company or any of its subsidiaries, except (i) employment agreements to replace a departing executive officer or employee upon substantially similar terms, (ii) employment agreements with on-air talent, (iii) new employment agreements entered into in the ordinary course of business providing for compensation not in excess of $250,000 annually and with a term of no more than two years, or (iv) extensions of employment agreements other than agreements with senior executive officers in the ordinary course of business consistent with past practice;

adopt, approve, ratify, enter into or amend any collective bargaining agreement, side letter, memorandum of understanding or similar agreement with any labor union;

adopt, amend or terminate any benefit plan of the Company or any retention, change in control, profit sharing, or severance plan or contract for the benefit of any of the Company s current or former directors, officers, or employees or any of their beneficiaries, except for any amendment to comply with Section 409(A) of the U.S. Internal Revenue Code of 1986, as amended.

make any capital expenditure in excess of $50 million individually, or $100 million in the aggregate, except for any capital expenditures in aggregate amounts consistent with past practice or as required pursuant to new contracts entered into in the ordinary course of business;

make any investment in, or loan or advance (other than travel and similar advances to its employees in the ordinary course of business consistent with past practice) to, any person in excess of $25 million in the

aggregate for all such investments, loans or advances, other than an investment in, or loan or advance to, a subsidiary of the Company, provided that (other than travel and similar advances in the ordinary course of business) the Company shall not make any loans or advances to any senior executive officer;

settle or compromise any material claim, suit, action, arbitration or other proceeding, provided that the Company may settle or compromise any claim that is not related to the Merger Agreement or the transactions contemplated hereby that do not exceed $10 million individually, or $30 million in the

Table of Contents

aggregate, and do not impose any material restriction on the business or operations of the Company or its subsidiaries;

except with respect to certain permitted divestitures, without the Fincos consent (which consent may not be unreasonably withheld, delayed or conditioned), enter into any local marketing or similar agreement in respect of the programming of any radio or television broadcast station or contract for the acquisition or sale of any radio broadcast station, television broadcast station or daily newspaper or of any equity or debt interest in any person that directly or indirectly has an attributable interest in any radio broadcast station, television broadcast station or daily newspaper;

make any amendment or modification to, or give any consent or grant any waiver under, that certain Master Agreement, dated as of November 16, 2005, by and between the Company and Clear Channel Outdoor (the Master Agreement) to permit Clear Channel Outdoor to issue any capital stock, options or other securities, consolidate or merge with another person, declare or pay any dividend, sell or encumber any of its assets, amend, modify, cancel, forgive or assign any intercompany notes or amend, terminate or modify the Master Agreement or the Corporate Services Agreement, dated November 16, 2005, between Clear Channel Management Services, L.P. and Clear Channel Outdoor;

enter into any transaction, agreement, arrangement or understanding between the Company or any of its subsidiaries, on the one hand, and any affiliate of the Company (other than its subsidiaries) on the other hand, of the type that would be required to be disclosed under Item 404 of Regulation S-K that involves more than $100,000;

adopt any takeover defenses or take any action to render any state takeover statutes inapplicable to any transaction other than the transactions contemplated by the Merger Agreement; or

authorize or enter into any written agreement or otherwise make any commitment to do any of the foregoing.

FCC Matters

Until the Effective Time, the Company has agreed to: (i) use its reasonable best efforts to comply with all material requirements of the FCC applicable to the operation of the Company s television and radio stations, (ii) promptly deliver to the Fincos copies of any material reports or applications filed with the FCC, (iii) promptly notify the Fincos of any inquiry, investigation or proceeding initiated by the FCC relating to the Company s television and radio stations, which if determined adversely, would be reasonably likely to have a Material Adverse Effect on the Company, and (iv) not make or revoke any election with the FCC that would have, in the aggregate, a Material Adverse Effect on the Company.

Shareholders Meeting

Unless the Merger Agreement is terminated, the Company is required to establish a record date for, duly call, give notice of, convene and hold the special meeting within 45 days of the mailing of this proxy statement, for the purpose of voting upon the adoption of the Merger Agreement and approval of the Merger. The Company is required to recommend that the Company s shareholders vote in favor of the adoption of the Merger Agreement and the approval of the Merger, except that the Company will not be obligated to recommend to its shareholders the adoption of the Merger Agreement or the approval of the Merger if the board of directors, in accordance with the Merger Agreement changes, qualifies, withdraws or modifies in any manner adverse to the Fincos its recommendation that the Company s shareholders vote in favor of the adoption of the Merger Agreement and the approval of the Merger. The Company is also required to use its commercially reasonable efforts to solicit from its shareholders proxies in favor of the adoption

of the Merger Agreement and the approval of the Merger and to take all other actions necessary or advisable to secure the vote or consent of its shareholders required by the rules of the NYSE and applicable law.

Table of Contents

Appropriate Actions

The parties agreed in the Merger Agreement to use their respective reasonable best efforts to consummate the Merger, including, (i) in the case of the Fincos, the obtaining of all necessary approvals under any applicable communication laws required in connection with the Merger, (ii) obtaining all necessary actions or non-actions, consents and approvals from governmental authorities or other persons and taking all reasonable steps as may be necessary to obtain approval from, or to avoid an action or proceeding, by any governmental authority or other persons necessary to consummate the Merger, (iii) defending any lawsuits or legal proceedings challenging the Merger, including seeking to have any stay or temporary restraining order vacated or reversed, and (iv) executing and delivering any additional instruments necessary to consummate the Merger.

Pursuant to the Merger Agreement, the Fincos and the Company filed on December 12, 2006, all applications necessary in order to obtain the FCC Consent.

The Fincos have agreed to promptly take any and all steps necessary to avoid or eliminate every impediment and obtain all consents under any antitrust, competition or communications or broadcast law (including the FCC media ownership rules), that may be required by any governmental authority to enable the parties to consummate the Merger as promptly as practicable, including committing to or effecting, by consent decree, hold separate order, trust or otherwise, the divestiture (as defined above under Regulatory Approvals) of such assets or businesses as are required to be divested in order to obtain the FCC Consent or to avoid the entry of, or to effect the dissolution of or vacate or lift any order, that would otherwise have the effect of preventing or materially delaying the consummation of the Merger.

The parties have agreed that if the FTC or the Antitrust Division of the U.S. Department of Justice has not granted the necessary approvals under the HSR Act as of August 16, 2007, then if the Company s and the Fincos respective antitrust counsel, in their professional judgment, jointly determine that a divestiture is required to obtain the necessary approvals under the HSR Act, they will provide notice of such determination to the Fincos and the Fincos have agreed promptly, and in any event by November 15, 2007, to implement the divestiture.

Access to Information

Until the earlier of the Effective Time or the termination of the Merger Agreement, except as otherwise prohibited by applicable law or the terms of any contract entered into prior to November 16, 2006 or as would reasonably be expected to violate or result in a loss or impairment of any attorney-client or work product privilege, the Company will, and will cause each of its subsidiaries to, (i) provide to the Fincos and their respective officers, directors, employees, accountants, consultants, legal counsel, permitted financing sources, agents and other representatives (the Fincos Representatives) reasonable access during normal business hours to the Company s and certain material subsidiaries officers, employees, offices and other facilities, properties, books, contracts and records and other information as the Fincos may reasonably request regarding the business, assets, liabilities, employees and other aspects of the Company and its subsidiaries, (ii) permit the Fincos to make copies and inspections thereof as the Fincos may reasonably request, and (iii) furnish promptly to the Fincos such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of the Company and its subsidiaries as the Fincos or the Fincos Representatives may reasonably request. In addition, during such time, the Company will provide the Fincos and the Fincos Representatives copies of each unaudited monthly consolidated balance sheet of the Company for the month then ended and related statements of earnings, and cash flows in the form and promptly following such time as they are provided or made available to the Company s senior executive officers.

Table of Contents

Solicitation of Alternative Proposals

The Merger Agreement provides that through 11:59 p.m. Eastern Standard Time on December 7, 2006 (the No-Shop Period Start Date), the Company was permitted to:

initiate, solicit and encourage Competing Proposals (as defined below) from third parties, including by way of providing access to non-public information to third parties pursuant to a confidentiality agreement; and

participate in discussions or negotiations regarding, and take any other action to facilitate any Competing Proposal.

On the No-Shop Period Start Date, the Company agreed to advise the Fincos of the number and identities of the parties making a bona fide written Competing Proposal that the board of directors or any committee thereof believed in good faith after consultation with the Company s outside legal and financial advisors, constituted or could reasonably be expected to lead to a Superior Proposal (as defined below) (any such proposal, an Excluded Competing Proposal) and provide to the Fincos (within two calendar days) written notice specifying the material terms and conditions of any Excluded Competing Proposal. The Company did not receive any Competing Proposals prior to that time.

Commencing on the No-Shop Period Start Date the Company agreed to:

immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any persons conducted prior these dates with respect to any actual or potential Competing Proposal; and

with respect to parties with whom discussions or negotiations have been terminated on, prior to or subsequent to November 16, 2006, the Company shall use its reasonable best efforts to obtain the return or the destruction of, in accordance with the terms of the applicable confidentiality agreement, any confidential information previously furnished by the Company.

From and after the No-Shop Period Start Date until the earlier of the Effective Time or the date, if any, on which the Merger Agreement is terminated, the Company agreed not to:

initiate, solicit, or knowingly facilitate or encourage the submission of any inquiries, proposals or offers with respect to a Competing Proposal;

participate in any negotiations regarding, or furnish to any person any information in connection with, any Competing Proposal;

engage in discussions with any person with respect to any Competing Proposal;

approve or recommend any Competing Proposal;

enter into any letter of intent or similar document or any agreement or commitment providing for any Competing Proposal;

otherwise cooperate with, or assist or participate in, or knowingly facilitate or encourage any effort or attempt by any person (other than the Fincos or their representatives) with respect to a Competing Proposal; or

exempt any person from the restrictions contained in any state takeover or similar laws or otherwise cause these restrictions not to apply to any person or to any Competing Proposal.

For purposes of the Merger Agreement, a Competing Proposal means any proposal or offer relating to:

any direct or indirect acquisition or purchase, in any single transaction or series of related transactions, by any person or group acting in concert, of 15% or more of the fair market value of the assets, issued and outstanding shares of Company common stock or other ownership interests of the Company and its consolidated subsidiaries, taken as a whole, or to which 15% or more of the Company s and its subsidiaries net revenues or earnings on a consolidated basis are attributable;

Table of Contents

any tender offer or exchange offer that if consummated would result in any person or group beneficially owning 15% or more of the shares of Company common stock; or

any merger, consolidation, business combination, recapitalization, issuance of or amendment to the terms of outstanding stock or other securities, liquidation, dissolution or other similar transaction involving the Company as a result of which any person or group acting in concert would acquire 15% or more of the fair market value of the assets, issued and outstanding shares of Company common stock or other ownership interests (including capital stock of the Company s subsidiaries) of the Company and its consolidated subsidiaries, taken as a whole or to which 15% or more of the Company s and its subsidiaries net revenues or earnings on a consolidated basis are attributable.

Prior to adoption of the Merger Agreement by the Company s shareholders, if the Company receives any written Competing Proposal which the board of directors believes in good faith to be bona fide and which the board of directors determines, after consultation with outside counsel and financial advisors, constitutes, or could reasonably be expected to result in, a Superior Proposal, the Company may:

furnish information to the third party making the Competing Proposal, provided the Company receives from the third party an executed confidentiality agreement; and

engage in discussions or negotiations with the third party with respect to the Competing Proposal.

Additionally, neither the board of directors nor any committee thereof shall change, qualify, withdraw or modify in any manner adverse to the Fincos or Merger Sub, or publicly propose to change, qualify, withdraw or modify in a manner adverse to the Fincos or Merger Sub, its recommendation that the Company shareholders adopt the Merger Agreement (the Company Recommendation) or its approval of the Merger Agreement and the transactions contemplated thereby, or make any recommendation or public statement in connection with a tender offer or exchange offer other than a recommendation against such offer or otherwise take any action inconsistent with the Company Recommendation (collectively, a Change of Recommendation); provided, that (1) prior to adoption of the Merger Agreement by our shareholders, the board of directors may effect a Change of Recommendation and/or terminate the Merger Agreement if the Company has received a Competing Proposal that the board of directors has concluded in good faith, after consultation with outside legal and financial advisors, constitutes a Superior Proposal and that the failure of the board of directors to effect a Change of Recommendation and/or terminate the Merger Agreement would be reasonably likely to be inconsistent with the directors exercise of their fiduciary duties to the Company s shareholders under applicable law and (2) the board of directors cannot effect a Change of Recommendation or terminate the Merger Agreement in response to a Superior Proposal unless (i) the Company has provided at least 5 business days prior written notice to the Fincos of its intention to effect a Change of Recommendation and/or terminate the Merger Agreement to enter into a definitive agreement with respect to such Superior Proposal, which specifies the material terms of conditions of such Superior Proposal, (ii) the board of directors has determined in good faith, after consultation with outside counsel, that the failure to make a Change of Recommendation in connection with the Superior Proposal could be reasonably likely to violate the board of directors fiduciary duties under applicable law and the Company has promptly notified the Fincos in writing of such determinations and (iii) following such five business day period, during which the Company must in good faith negotiate with the Fincos, to the extent the Fincos wish to negotiate, to enable the Fincos to make such proposed changes to the terms of the Merger Agreement, and taking into account any revised proposal made by the Fincos, the board of directors has determined in good faith, after consultation with outside counsel, that such Superior Proposal remains a Superior Proposal. A termination of the Merger Agreement described in the preceding sentence would be void and of no force and effect unless concurrently with such termination the Company pays the termination fee as described below Termination Fees Company Termination Fees.

The Company agreed to advise the Fincos of any Competing Proposal or any inquiry, proposal or offer, request for information or request for discussions or negotiations with respect to or that would reasonably be expected to lead to any Competing Proposal, the identity of the person making any Competing Proposal, or inquiry, proposal, offer or request, and to provide the Fincos with a copy (if in writing) and summary of the material terms of any such Competing Proposal or such inquiry, proposal or request. The Company agreed to

Table of Contents

keep the Fincos informed of the status of any Competing Proposal or inquiry, proposal or request and not to enter into any confidentiality agreement or other agreement with any person subsequent to the date of the Merger Agreement which prohibits the Company from providing such information to the Fincos. The Company also agreed that neither it nor any of its subsidiaries will terminate, waive, amend or modify any provision or any existing standstill or confidentiality agreement to which it or any of its subsidiaries is a party and that it and its subsidiaries shall enforce the provisions of any such agreement, unless failure by the board of directors to take such action could reasonably be expected to violate its fiduciary duties under applicable law.

For purposes of the Merger Agreement, Superior Proposal means any bona fide written offer or proposal made by a third party (including any shareholder of the Company) to acquire (when combined with such party s ownership of securities of the Company held immediately prior to such offer or proposal) greater than 50% of the issued and outstanding Company common stock or all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, pursuant to a tender or exchange offer, a merger, a consolidation, a liquidation or dissolution, a recapitalization, an issuance of securities by the Company, a sale of all or substantially all the Company s assets or otherwise, on terms which are not subject to a financing contingency and which the board of directors determines in good faith, after consultation with the Company s financial and legal advisors and consideration of all terms and conditions of such offer or proposal (including the conditionality and the timing and likelihood of consummation of such proposal), is on terms that are more favorable to the holders of the Company common stock from a financial point of view than the terms set forth in the Merger Agreement or the terms of any other proposal made by the Fincos after the Fincos receipt of a notification of such Superior Proposal, taking into account at the time of determination, among any other factors, any changes to the terms of the Merger Agreement that as of that time had been proposed by the Fincos in writing and the conditionality and likelihood of consummation of the Superior Proposal.

In addition to the foregoing, the Company may:

- disclose to the shareholders a position contemplated by Rules 14e-2(a) and 14d-9 under the Exchange Act; and

- make other disclosures to the Company s shareholders, if the board of directors reasonably determines in good faith, after consultation with outside legal counsel, that the failure to do so would be inconsistent with any applicable state or federal securities law.

Indemnification; Directors and Officers Insurance

Under the terms of the Merger Agreement, Merger Sub has agreed that all current rights of indemnification provided by the Company for its current and former directors or officers shall survive the Merger and continue in full force and effect. Merger Sub has also agreed to indemnify, defend and hold harmless, and advance expenses to the Company s current and former directors or officers to the fullest extent required by the Company s articles of incorporation, bylaws or any indemnification agreement to which the Company is a party.

Additionally, the surviving corporation for the six years following the Effective Time, will indemnify and hold harmless each current and former officers and directors of the Company from any costs or expenses paid in connection with any claim, action or proceeding arising out of or related to (i) any acts or omissions of a current or former officer or director in their capacity as an officer or director if the service was at the request or for the benefit of the Company or any of its subsidiaries or (ii) the Merger, the Merger Agreement or any transactions contemplated thereby.

In addition, at the Company s election, the Company or the Fincos will obtain insurance policies with a claims period of at least six years from the Effective Time with respect to directors and officers liability insurance that provides coverage for events occurring on or before the Effective Time of the Merger. The terms of the policies will be no less favorable than the existing policy of the Company, unless the annual premiums of the policies would exceed 300% of

the current policy s premium, in which case the coverage will be the greatest amount available for an amount not exceeding 300% of the current premium.

Table of Contents

Employee Benefit Plans

Under the Merger Agreement, the Fincos have agreed that they will, and will cause the surviving corporation to:

for one year following the closing of the Merger, provide the surviving corporation s employees and its subsidiaries employees (other than those senior executive officers who have existing employment agreements or other employees that enter into new employment arrangements with the Fincos or the surviving corporation in connection with the Merger) compensation and employee benefits (other than any equity-based benefits) that, in the aggregate, are no less favorable than the compensation and employee benefits for these employees immediately prior to the consummation of the Merger;

for one year following the closing of the Merger, provide to Company employees who experience a termination of employment severance benefits that are no less than the severance benefits that would have been provided to these employees upon a similar termination of employment immediately prior to the Effective Time;

credit all service with the Company and its subsidiaries for purposes of eligibility and vesting and for accrual of vacation, other paid time off and severance benefits under any employee benefit plan applicable to employees of the surviving corporation or its subsidiaries after the consummation of the Merger to the extent recognized by the Company under a corresponding benefit plan; and

honor any and all collective bargaining agreements.

Financing

The Fincos have agreed:

to use their reasonable best efforts to arrange and obtain the financing on the terms and conditions described in the financing commitments, negotiate and finalize definitive agreements with respect to the financing on the terms and conditions contained in the financing commitments, satisfy on a timely basis all conditions applicable to the Fincos or Merger Sub in the definitive agreements that are within their control, consummate the financing no later than the Closing Date, and enforce their rights under the financing commitments;

if any portion of the financing becomes unavailable on the terms and conditions contemplated in the commitments, to promptly notify the Company and use their reasonable best efforts to obtain alternative financing from alternative sources, on terms, taken as a whole, that are no more adverse to the Company, as promptly as practicable, but in no event later than the last day of the Marketing Period, including entering into definitive agreements with respect thereto;

if all or any portion of the debt financing structured as a high yield financing has not been consummated, the conditions to closing the Merger contained in the Merger Agreement (except limited specified exceptions) have been satisfied or waived and the bridge financing contemplated by the financing commitments is available on the terms and conditions contemplated in the debt financing commitments, to use the bridge financing contemplated in the debt financing commitments, if necessary, to replace the high yield financing no later than the last day of the Marketing Period; and

to keep us reasonably informed of the status of their efforts to arrange the debt financing, to provide us with copies of the definitive documents related to the debt financing promptly upon execution and to give us prompt

notice of any material breach of or termination of any financing commitment.

Under the Merger Agreement, the Debt Commitment Letter may be amended, restated or otherwise modified or superseded to add lenders and arrangers, increase the amount of debt, replace or modify the facilities or otherwise replace or modify the Debt Commitment Letter in manner not less beneficial in the aggregate to Merger Sub and the Fincos, except that any new debt financing commitments shall not (i) adversely amend the conditions to the debt financing set forth in the Debt Commitment Letter in any

Table of Contents

material respect, (ii) reasonably be expected to delay or prevent the closing of the Merger, or (iii) reduce the aggregate amount of debt financing available for closing unless replaced with new equity or debt financing.

We have agreed to cooperate in connection with the arrangement of the financing as may be reasonably requested by the Fincos, provided that such requested cooperation does not unreasonably interfere with our ongoing operations or otherwise materially impair the ability of any of our officers or executives to carry out their duties. Such cooperation shall include, among other things, at the reasonable request of the Fincos:

- preparing business, financial and other pertinent information and data of the type required by Regulation S-X and Regulation S-K under the Securities Act and of the type and form customarily included in private placements resold under Rule 144A of the Securities Act to consummate the offerings of debt securities contemplated by the debt financing commitments, including delivery of financial statements, compliant with applicable requirements of Regulation S-K and Regulation S-X and a registration statement on Form S-1 under the Securities Act;

- participation in meetings, presentations, road shows, drafting sessions, due diligence sessions and sessions with rating agencies;

- assistance with the preparation of materials for rating agency presentations, offering documents and similar documents required in connection with the debt financing;

- entering into agreements, executing and delivering officer s certificates and pledging assets and facilitating diligence with respect thereto;

- using reasonable best efforts to obtain customary accountants comfort letters, consents, legal opinions, survey and title insurance along with assistance and cooperation from independent accountants and other professional advisors as reasonably requested by the Fincos;

- otherwise reasonably cooperating in connection with the consummation of the debt financing and the syndication and marketing thereof.

Under the Merger Agreement, the Company has agreed to commence, and to cause AMFM Operating Inc. to commence, debt tender offers to purchase Repurchased Existing Notes with the assistance of the Fincos.

Conduct of the Fincos Business Pending the Merger

Under the Merger Agreement, the Fincos have agreed that, subject to certain exceptions, between November 16, 2006 and the Effective Time, unless the Company gives its written consent (which consent will not be unreasonably withheld, delayed or conditioned), they will not:

- amend or otherwise change any of Merger Sub s organizational documents that would be likely to prevent or materially delay the consummation of the Merger and related transactions;

- acquire or make any investment in any corporation, partnership, limited liability company, other business organization or any division thereof that holds, or has an attributable interest in, any license, authorization, permit or approval issued by the FCC if such acquisition or investment would delay, impede or prevent receipt of the FCC Consent; or

take any action that would be reasonably likely to cause a material delay in the satisfaction of certain specified conditions contained in the Merger Agreement or the consummation of the Merger.

Conditions to the Merger

The obligations of the parties to complete the Merger are subject to the satisfaction or waiver of the following mutual conditions:

&#1