CLEAR CHANNEL COMMUNICATIONS INC
Form S-3
December 10, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 10, 2003

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CLEAR CHANNEL COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

TEXAS	74-1787539
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

CCCI CAPITAL TRUST I
CCCI CAPITAL TRUST II
CCCI CAPITAL TRUST III
(Exact name of registrant as specified in its charter)

DELAWARE	74-6456072 74-6456074 74-6456077
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 EAST BASSE ROAD SAN ANTONIO, TEXAS 78209 (210) 822-2828 (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	L. LOWRY MAYS CLEAR CHANNEL COMMUNICATIONS, INC. 200 EAST BASSE ROAD SAN ANTONIO, TEXAS 78209 (210) 822-2828 (Name, address, including zip code, and telephone number including area code, of agent for service)

Copies to:
J. KENNETH MENGES, JR., P.C.
AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
1700 PACIFIC AVENUE, SUITE 4100
DALLAS, TEXAS 75201
(214) 969-2800

(214) 969-4343 (FAX)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [X]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)
Senior debt securities of Clear Channel Communications, Inc.(3)(4).....			
Subordinated debt securities of Clear Channel(3)(4).....			
Junior subordinated debt securities of Clear Channel(3)(4).....			

Class A Preferred Stock of Clear Channel(4)(5).....			
Class B Preferred Stock of Clear Channel(4)(5).....	(8)	(8)	(8)
Common Stock of Clear Channel(4)(6).....			
Warrants of Clear Channel(7).....			
Preferred Securities of CCCI Capital Trust I, CCCI Capital Trust II, and CCCI Capital Trust III (collectively, the "Clear Channel Trusts")(9).....			
Guarantees of Preferred Securities of the Clear Channel Trusts by Clear Channel(10).....			
Stock Purchase Contracts(11).....			
Stock Purchase Units(12).....			
Total.....	$3,000,000,000	100%	$3,000,000,000

(1) The proposed maximum offering price per unit will be determined from time to time by the Registrants in connection with the issuance by the Registrants of the securities registered hereunder.

(2) The proposed maximum aggregate offering price has been estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act.

(3) Subject to note (13) below, there is being registered hereunder an indeterminate principal amount of senior debt securities, subordinated debt securities or junior subordinated debt securities of Clear Channel as may be sold, from time to time. If any senior debt securities, subordinated debt securities or junior subordinated debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate initial offering price not to exceed $3,000,000,000.

(4) Subject to note (13) below, there is being registered hereunder an indeterminate principal amount of senior debt securities, subordinated debt securities and junior subordinated debt securities, and an indeterminate number of shares of Class A and Class B preferred stock and common stock of Clear Channel, as shall be issuable upon conversion or redemption, or upon the exercise of warrants of Clear Channel registered hereunder, of senior debt securities, subordinated debt securities or junior subordinated debt securities, Class A preferred stock, Class B preferred stock or common stock of Clear Channel or preferred securities of the Clear Channel Trusts, as the case may be, registered hereunder.

(5) Subject to note (13) below, there is being registered hereunder an indeterminate number of shares of Class A and Class B preferred stock of Clear Channel as may be sold from time to time.

(6) Subject to note (13) below, there is being registered hereunder an indeterminate number of shares of common stock of Clear Channel as may be sold from time to time.

(7) Subject to note (13) below, there is being registered hereunder an indeterminate amount and number of warrants of Clear Channel, representing rights to purchase certain of the senior debt securities, subordinated debt securities, junior subordinated debt securities, Class A or Class B preferred stock or common stock of Clear Channel registered hereunder.

(8) Not applicable pursuant to General Instruction II.D. of Form S-3.

(9) Subject to note (13) below, there is being registered hereunder an indeterminate amount and number of preferred securities of the Clear Channel Trusts as may be sold from time to time.

(10) No separate consideration will be received for the guarantees of the preferred securities. The guarantees include the right of holders of preferred securities under the guarantees and certain back-up undertakings, as described in the registration statement.

(11) Subject to note (13) below, there is being registered hereunder an indeterminate amount and number of stock purchase contracts, representing rights (and obligations) to purchase common stock or Class A or Class B preferred stock.

(12) Subject to note (13) below, there is being registered hereunder an indeterminate amount and number of stock purchase units, representing ownership of stock purchase contracts and senior debt securities, subordinated debt securities, junior subordinated debt securities, preferred securities or U.S. Treasury Securities.

(13) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed $3,000,000,000 or the equivalent thereof in one or more foreign currencies, foreign currency units or composite currencies. In accordance with Rule 429 under the Securities Act of 1933, the Prospectus included herein is a combined prospectus which also relates to the Company's Registration Statement on Form S-3, File No. 333-76942 (the "Prior Registration Statement"). This Registration Statement, which is a new Registration Statement, also constitutes the first post-effective amendment to the Prior Registration Statement. Such post-effective amendment shall hereafter become effective concurrently with the effectiveness of this Registration Statement in accordance with Section 8-A of the Securities Act of 1933. The amount of securities eligible to be sold under the Prior Registration Statement ($450,000,000 as of December 10, 2003) shall be carried forward to this Registration Statement. The amount of the filing fee associated with such securities that was previously paid with the Prior Registration Statement is $41,400.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON

SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION AND AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOT SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION DECEMBER 10, 2003

PROSPECTUS

$3,000,000,000

CLEAR CHANNEL COMMUNICATIONS, INC.

CCCI CAPITAL TRUST I
CCCI CAPITAL TRUST II
CCCI CAPITAL TRUST III

We will offer and sell, from time to time, in one or more offerings, the debt and equity securities described in this prospectus. The total offering price of these securities, in the aggregate, will not exceed $3.0 billion. We will provide the specific terms of these securities in supplements to this prospectus. You should carefully read this prospectus and the supplements before you decide to invest in any of these securities.

CLEAR CHANNEL COMMUNICATIONS, INC.

We will offer and sell, from time to time, in one or more offerings:

- common stock
- senior debt securities
- subordinated debt securities
- junior subordinated debt securities
- Class A and Class B preferred stock
- warrants
- stock purchase contracts
- stock purchase units
- guarantees

The common stock is traded on the New York Stock Exchange under the symbol "CCU." Any common stock sold pursuant to a prospectus supplement will be listed on such exchange, subject to official notice of issuance.

The stock purchase contracts will require a purchaser to buy a specific amount of common stock or preferred stock, and they will obligate Clear Channel

to pay the purchasers specific fees. The stock purchase units will include these stock purchase contracts and debt securities, junior subordinated debt securities, debt obligations of the United States of America or its agencies or instrumentalities, or preferred securities issued by CCCI Capital Trusts I, II and III. The guarantees will be full, unconditional guarantees of the Clear Channel Trusts' obligation to distribute specific amounts of cash to the holders of Clear Channel Trust preferred securities.

THE CLEAR CHANNEL TRUSTS

The CCCI Capital Trusts I, II and III are each Delaware business trusts that will offer and sell preferred securities, from time to time, in one or more offerings. Each Clear Channel Trust will use all of the proceeds from the sale of its preferred securities to buy junior subordinated debt securities of Clear Channel. The Clear Channel Trusts will receive cash payments from the junior subordinated debt securities, and each trust will distribute these payments to the holders of its preferred and common securities. Clear Channel will own all of the common securities of the Clear Channel Trusts.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR A DISCUSSION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE SECURITIES, SEE "GENERAL DESCRIPTION OF SECURITIES AND RISK FACTORS" ON PAGE 5.

The date of this prospectus is , 2003.

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EXPLANATORY NOTE

When we refer to Clear Channel in this prospectus, we are referring to Clear Channel Communications, Inc. When we refer to the Clear Channel Trusts in this prospectus, we are referring to the CCCI Capital Trusts. When the word "we," "our" or "us" is used in this prospectus, we are referring to both Clear Channel and the Clear Channel Trusts together.

ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that we filed with the SEC. By using a shelf registration statement, we may sell, from time to time, in one or more offerings, any combination of the securities described in this prospectus. The total dollar amount of the securities we sell through these offerings will not exceed $3.0 billion.

This prospectus only provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that contains specific information about the terms of the securities. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

This prospectus does not contain separate financial statements for the Clear Channel Trusts. We do not believe these financial statements would be useful since each trust is a direct or indirect wholly-owned subsidiary of Clear Channel, and we file consolidated financial information under the Exchange Act. The Clear Channel Trusts will not have any independent function other than to issue common and preferred securities and to purchase junior subordinated debt securities of Clear Channel. Clear Channel will provide a full, unconditional guarantee of each trust's obligations under their respective preferred securities.

You should rely only on the information contained or incorporated by reference in this prospectus and the prospectus supplement. We have not authorized anyone else to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We will not make an offer to sell these securities in any state where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, as well as the information we previously filed with the SEC and incorporated by reference into this prospectus, is accurate only as of the date of the documents containing the information.

CLEAR CHANNEL COMMUNICATIONS, INC.

Clear Channel is a diversified media company with three reportable business segments: radio broadcasting; outdoor advertising and live entertainment. As of December 31, 2002, Clear Channel owned 1,184 domestic radio stations and a leading national radio network. In addition, at December 31, 2002, Clear Channel had equity interests in various domestic and international radio broadcasting companies. At December 31, 2002, Clear Channel also owned or operated 144,097 domestic outdoor advertising display faces and 571,942 international outdoor advertising display faces. In addition, Clear Channel operates as a promoter, producer, and venue operator for live entertainment events. As of December 31, 2002, Clear Channel owned or operated 76 live entertainment venues domestically and 26 live entertainment venues internationally, which excludes 25 domestic venues and three international venues where Clear Channel either owns a non-controlling interest or has booking, promotions or a media representation firm and represented professional athletes, all of which are within the category

"other." 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.

THE CLEAR CHANNEL TRUSTS

Each Clear Channel Trust is a statutory business trust formed under Delaware law pursuant to a separate declaration of trust executed by Clear Channel, as depositor for the Clear Channel Trust, and the

trustees of the trust, and the filing of a certificate of trust with the Delaware Secretary of State. The declarations of trust will be amended and restated in their entirety substantially in the form filed as an exhibit to the registration statement of which this prospectus is a part and will be qualified as indentures under the Trust Indenture Act of 1939. Unless the accompanying prospectus supplement provides otherwise, each Clear Channel Trust exists for the sole purposes of

- issuing its preferred securities,
- investing the gross proceeds of the sale of its preferred securities in junior subordinated debt securities of Clear Channel, and
- engaging in only those other activities necessary or incidental thereto.

All of each Clear Channel Trusts' common securities will be owned by Clear Channel. The common securities will rank equally with the preferred securities and payments on the common securities will be made on a pro rata basis with the preferred securities. However, upon the occurrence and continuance of an event of default under the applicable amended and restated declaration of trust, the rights of the holders of the applicable common securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the applicable preferred securities. Clear Channel will acquire common securities having an aggregate liquidation amount equal to a minimum of 1% of the total capital of each Clear Channel Trust.

Each Clear Channel Trust will have a term of at least 20 but not more than 50 years, but may terminate earlier as provided in the applicable amended and restated declaration of trust. Each Clear Channel Trust's business and affairs will be conducted by the trustees. Clear Channel will be entitled to appoint, remove or replace any of, or increase or reduce the number of, the trustees of each Clear Channel Trust. The duties and obligations of the trustees will be governed by the amended and restated declaration of trust of each Clear Channel Trust. At least one of the trustees of each Clear Channel Trust will be a person who is an employee or officer of or who is affiliated with Clear Channel. One trustee of each Clear Channel Trust will be a financial institution that is not affiliated with Clear Channel, which will act as property trustee and as indenture trustee for the purposes of the Trust Indenture Act, pursuant to the terms set forth in a prospectus supplement. In addition, unless the property trustee maintains a principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, one trustee of each Clear Channel Trust will be a legal entity having a principal place of business in, or an individual resident of, the State of Delaware. Clear Channel will pay all fees and expenses related to each Clear Channel Trust and the offering of the preferred securities. Unless otherwise set forth in a prospectus supplement, the property trustee will be The Bank of New York, and the Delaware trustee will be The Bank of New York (Delaware). The office of the Delaware trustee in the State of Delaware is White Clay Center, Route 273, Newark, Delaware 19711. The principal place of business of each Clear Channel Trust is c/o Clear Channel Communications, Inc., 200 East Basse Road, San Antonio, Texas 78209, telephone:

(210) 822-2828.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth the ratio of earnings to combined fixed charges and preferred stock dividends for Clear Channel.

YEARS ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30	
2002	2001	2000	1999	1998	2002	2003
2.62	*	2.20	2.04	1.83	2.64	3.98

* For the year ended December 31, 2001, fixed charges exceeded earnings before income taxes and fixed charges by $1.3 billion.

The ratio of earnings to combined fixed charges and preferred stock dividends was computed on a total enterprise basis. Earnings represent income from continuing operations before income taxes less equity in undistributed net income (loss) of unconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges. Clear Channel has no preferred stock outstanding for any period presented.

USE OF PROCEEDS

Unless indicated otherwise in a prospectus supplement, Clear Channel expects to use the net proceeds from the sale of its securities for general corporate purposes, including repayment of borrowings, working capital, capital expenditures, stock repurchase programs and acquisitions. Unless otherwise specified in the accompanying prospectus supplement, each Clear Channel Trust will use all proceeds received from the sale of its preferred securities to purchase junior subordinated debt securities of Clear Channel.

HOLDING COMPANY STRUCTURE

Clear Channel is a holding company and its assets consist primarily of investments in its subsidiaries and majority-owned partnerships. Clear Channel's rights and the rights of its creditors, including holders of debt securities or junior subordinated debt securities, to participate in the distribution of assets of any person in which Clear Channel owns an equity interest will be subject to prior claims of the person's creditors upon the person's liquidation or reorganization. However, Clear Channel may itself be a creditor with recognized claims against this person, but claims of Clear Channel would still be subject to the prior claims of any secured creditor of this person and of any holder of indebtedness of this person that is senior to that held by Clear Channel. Accordingly, the holder of debt securities or junior subordinated debt securities may be deemed to be effectively subordinated to those claims.

GENERAL DESCRIPTION OF SECURITIES AND RISK FACTORS

Clear Channel may offer shares of common stock or preferred stock, debt securities, junior subordinated debt securities, warrants, stock purchase contracts, stock purchase units, or any combination of them either individually or as units consisting of one or more securities under this prospectus. Each Clear Channel Trust may offer preferred securities under this prospectus.

THE SECURITIES TO BE OFFERED MAY INVOLVE A HIGH DEGREE OF RISK. THE RISKS WILL BE SET FORTH IN THE PROSPECTUS SUPPLEMENT RELATING TO THE SECURITY. IN ADDITION, ADDITIONAL RISK FACTORS RELATING TO CLEAR CHANNEL'S BUSINESS MAY BE SET FORTH IN A PROSPECTUS SUPPLEMENT OR INCLUDED IN CLEAR CHANNEL'S MOST RECENT ANNUAL REPORT ON FORM 10-K OR OTHER DOCUMENT THAT IS INCORPORATED BY REFERENCE INTO THIS DOCUMENT.

DESCRIPTION OF SENIOR AND SUBORDINATED DEBT SECURITIES

The following description of Clear Channel's senior and subordinated debt securities summarizes the general terms and provisions of its debt securities to which any prospectus supplement may relate. We will describe the specific terms of Clear Channel's debt securities and the extent, if any, to which the general provisions summarized below may apply to any series of its debt securities in the prospectus supplement relating to the series. In this prospectus, "debt securities" will be used to refer to senior and subordinated debt securities, but not to junior subordinated debt securities.

Clear Channel may issue its senior debt securities from time to time, in one or more series under a senior indenture, between Clear Channel and The Bank of New York, as senior trustee, or another senior trustee named in a prospectus supplement. The form of senior indenture is filed as an exhibit to the registration statement. Clear Channel may issue its subordinated debt securities from time to time, in one or more series under a subordinated indenture, between Clear Channel and The Bank of New York, as subordinated trustee, or another subordinated trustee named in a prospectus supplement. The form of

subordinated indenture is filed as an exhibit to the registration statement. Together the senior indenture and the subordinated indenture are called the indentures, and together the senior trustee and the subordinated trustee are called the debt trustees. Both indentures are governed by New York law. None of the indentures will limit the amount of debt securities that may be issued. The applicable indenture will provide that debt securities may be issued up to an aggregate principal amount authorized by Clear Channel and may be payable in any currency or currency unit designated by it or in amounts determined by reference to an index.

GENERAL

The senior debt securities will be unsecured and will rank equally with Clear Channel's other unsecured and unsubordinated debt, unless Clear Channel is required to secure the senior debt securities as described below under "-- Senior Debt Securities." Clear Channel's obligations under any subordinated debt securities will be subordinate in right of payment to all of its senior indebtedness, and will be described in an accompanying prospectus supplement. Clear Channel will issue debt securities from time to time and offer its debt securities on terms determined by market conditions at the time of sale.

Clear Channel may issue its debt securities in one or more series with the same or various maturities, at par, at a premium or at a discount. Any debt securities bearing no interest or interest at a rate which at the time of issuance is below market rates will be sold at a discount, which may be substantial, from their stated principal amount. We will describe the federal income tax consequences and other special considerations applicable to any

substantially discounted debt securities in the related prospectus supplement.

You should refer to the prospectus supplement for the following terms of the debt securities offered hereby:

- the designation, aggregate principal amount and authorized denominations of the debt securities;

- the percentage of the principal amount at which Clear Channel will issue the debt securities;

- the date or dates on which the debt securities will mature;

- the annual interest rate or rates of the debt securities, or the method of determining the rate or rates;

- the date or dates on which any interest will be payable, the date or dates on which payment of any interest will commence and the regular record dates for the interest payment dates;

- the terms of any mandatory or optional redemption, including any provisions for any sinking, purchase or other similar funds, or repayment options;

- the currency, currencies or currency units for which the debt securities may be purchased and in which the principal, any premium and any interest may be payable;

- if the currency, currencies or currency units for which the debt securities may be purchased or in which the principal, any premium and any interest may be payable is at Clear Channel's election or the purchaser's election, the manner in which the election may be made;

- if the amount of payments on the debt securities is determined by an index based on one or more currencies or currency units, or changes in the price of one or more securities or commodities, the manner in which the amounts may be determined;

- the extent to which any of the debt securities will be issuable in temporary or permanent global form, and the manner in which any interest payable on a temporary or permanent global security will be paid;

- the terms and conditions upon which the debt securities may be convertible into or exchanged for common stock, preferred stock or indebtedness or other securities included in this document;

- information with respect to book-entry procedures, if any;

- a discussion of the federal income tax, accounting and other special considerations, procedures and limitations with respect to the debt securities; and

- any other specific terms of the debt securities not inconsistent with the applicable indenture.

If Clear Channel sells any of the debt securities for one or more foreign currencies or foreign currency units or if the principal of, premium, if any, or interest on any series of debt securities will be payable in one or more foreign currencies or foreign currency units, it will describe the restrictions,

elections, federal income tax consequences, specific terms and other information with respect to the issue of debt securities and the currencies or currency units in the related prospectus supplement.

Unless specified otherwise in a prospectus supplement, the principal of, premium on, and interest on the debt securities will be payable, and the debt securities will be transferable, at the corporate trust office of the applicable debt trustee in New York, New York. However, Clear Channel may make payment of interest at its option by check mailed on or before the payment date to the address of the person entitled to the interest payment as it appears on the registry books of Clear Channel or its agents.

Unless specified otherwise in a prospectus supplement, Clear Channel will issue the debt securities only in fully registered form and in denominations of $1,000 and any integral multiple of $1,000. No service charge will be made for any transfer or exchange of any debt securities, but Clear Channel may, except in specific cases not involving any transfer, require payment of a sufficient amount to cover any tax or other governmental charge payable in connection with the transfer or exchange. Unless we specify otherwise in the prospectus supplement, Clear Channel will pay interest on outstanding debt securities to holders of record on the date 15 days immediately prior to the date the interest is to be paid.

Clear Channel's rights and the rights of its creditors, including holders of debt securities, to participate in any distribution of assets of any Clear Channel subsidiary upon its liquidation or reorganization or otherwise is subject to the prior claims of creditors of the subsidiary, except to the extent that Clear Channel's claims as a creditor of the subsidiary may be recognized. Clear Channel's operations are conducted through its subsidiaries and, therefore, Clear Channel is dependent upon the earnings and cash flow of its subsidiaries to meet its obligations, including obligations under the debt securities. The debt securities will be effectively subordinated to all indebtedness of Clear Channel's subsidiaries.

GLOBAL SECURITIES

Clear Channel may issue debt securities of a series in whole or in part in the form of one or more global securities and will deposit them with or on behalf of a depositary identified in the prospectus supplement relating to that series. Clear Channel may issue global securities only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual debt securities represented thereby, a global security may not be transferred except as a whole by the depositary for the global security to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary or any nominee of the depositary to a successor or any nominee.

The specific terms of the depositary arrangement relating to a series of debt securities will be described in the prospectus supplement relating to that series. It is anticipated that the following provisions will generally apply to depositary arrangements.

Upon the issuance of a global security, the depositary for the global security or its nominee will credit on its book entry registration and transfer system the principal amounts of the individual debt securities represented by the global security to the accounts of persons that have accounts with the depositary. The accounts will be designated by the dealers, underwriters or agents with respect to the debt securities or by Clear Channel if the debt securities are offered and sold directly by it. Ownership of beneficial interests in a global security will be limited to persons that have accounts with the applicable depositary participants or

persons that hold interests through participants. Ownership of beneficial interests in the global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by:

- the applicable depositary or its nominee, with respect to interests of participants; and

- the records of participants, with respect to interests of persons other than participants.

The laws of some states require that purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global security.

So long as the depositary for a global security or its nominee is the registered owner of the global security, the depositary or the nominee will be considered the sole owner or holder of the debt securities represented by the global security for all purposes under the applicable indenture. Except as provided below, owners of beneficial interests in a global security will:

- not be entitled to have any of the individual debt securities of the series represented by the global security registered in their names;

- not receive or be entitled to receive physical delivery of any debt security of that series in definitive form; and

- not be considered the owners or holders thereof under the applicable indenture governing the debt securities.

Payments of principal of, any premium on and any interest on individual debt securities represented by a global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee as the registered owner of the global security representing the debt securities. None of Clear Channel, the applicable debt trustee for the debt securities, any Paying Agent or the Security Registrar for the debt securities will have any responsibility or liability for the records relating to or payments made on account of beneficial ownership interests of the global security for the debt securities or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

Clear Channel expects that the depositary for a series of debt securities or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent global security representing any of the debt securities, will immediately credit participants' accounts with payments in amounts proportionate to their beneficial interests in the principal amount of the global security for the debt securities as shown on the records of the depositary or its nominee. Clear Channel also expects that payments by participants to owners of beneficial interests in the global security held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." The payments will be the responsibility of those participants.

If the depositary for a series of debt securities is at any time unwilling, unable or ineligible to continue as depositary and a successor depositary is not appointed by Clear Channel within 90 days, Clear Channel will issue individual debt securities of that series in exchange for the global security representing that series of debt securities. In addition, Clear Channel may at any time and in its sole discretion, subject to any limitations described in the prospectus

supplement relating to the debt securities, determine not to have any debt securities of a series represented by one or more global securities. In that event, Clear Channel will issue individual debt securities of that series in exchange for the global security or securities representing that series of debt securities. Further, if Clear Channel so specifies with respect to the debt securities of a series, an owner of a beneficial interest in a global security representing debt securities of that series may, on terms acceptable to Clear Channel, the applicable debt trustee and the depositary for such global security, receive individual debt securities of that series in exchange for the beneficial interests, subject to any limitations described in the prospectus supplement relating to the debt securities. In any such instance, an owner of a beneficial interest in a global security will be entitled to physical delivery of individual debt securities of the series represented by the global security equal in principal amount to the beneficial interest and to have the debt securities registered in its name. Individual debt securities of the

series so issued will be issued in denominations, unless otherwise specified by Clear Channel, of $1,000 and integral multiples of $1,000.

CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

Each indenture prohibits Clear Channel's consolidation with or merger into any other corporation or the transfer of Clear Channel's properties and assets substantially as an entirety to any person, unless:

- the successor corporation is organized and existing under the laws of the United States, any State thereof or the District of Columbia, and expressly assumes by a supplemental indenture the punctual payment of the principal of, premium on and interest on, all the outstanding debt securities and the performance of every covenant in the applicable indenture to be performed or observed on Clear Channel's part;

- immediately after giving effect to the transaction, no event of default has happened and is continuing; and

- Clear Channel has delivered to the applicable debt trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance or transfer and the supplemental indenture comply with the foregoing provisions relating to the transaction.

In case of any consolidation, merger, conveyance or transfer, the successor corporation will succeed to and be substituted for Clear Channel as obligor on the debt securities, with the same effect as if it had been named as Clear Channel in the applicable indenture. Unless otherwise specified in a prospectus supplement, other than the restrictions on Mortgages described below, the indentures and the debt securities do not contain any covenants or other provisions designed to protect holders of debt securities in the event of a highly leveraged transaction involving Clear Channel or any Subsidiary (defined below).

EVENTS OF DEFAULT; WAIVER AND NOTICE OF DEFAULT; DEBT SECURITIES IN FOREIGN CURRENCIES

An event of default when used in an indenture will mean any of the following as to any series of debt securities:

- default for 30 days in payment of any interest, or, in the case of the subordinated indenture, for a period of 90 days;

- default in payment of principal of or any premium at maturity;

- default in payment of any sinking or purchase fund or similar obligation;

- default by Clear Channel in the performance of any other covenant or warranty contained in the applicable indenture for the benefit of that series which has not been remedied within a period of 90 days after notice is given; or

- events of Clear Channel's bankruptcy, insolvency and reorganization.

A default under Clear Channel's other indebtedness will not be a default under the indentures and a default under one series of debt securities will not necessarily be a default under another series.

Each indenture provides that if an event of default described in the first three bullet points above or under the fourth bullet point above with respect to less than all series of debt securities then outstanding has occurred and is continuing with respect to any series, either the applicable debt trustee or the holders of not less than 25% in aggregate principal amount of the debt securities of the series then outstanding, each series acting as a separate class, may declare the principal or, in the case of original issue discount securities, the portion specified in the terms thereof, of all outstanding debt securities of the series and the accrued interest to be due and payable immediately. Each indenture further provides that if an event of default described in the fifth bullet point above or under the fourth bullet point above with respect to all series of debt securities then outstanding has occurred and is continuing, either the applicable debt trustee or the holders of at least 25% in aggregate principal amount of all debt securities then outstanding, treated

as one class, may declare the principal or, in the case of original issue discount securities, the portion specified in the terms thereof, of all debt securities then outstanding and the accrued interest to be due and payable immediately. However, upon certain conditions the declarations may be annulled and past defaults, except for defaults in the payment of principal of, premium on, or interest on, the debt securities and in compliance with certain covenants, may be waived by the holders of a majority in aggregate principal amount of the debt securities of the series then outstanding.

Under each indenture, the applicable debt trustee must give notice to the holders of each series of debt securities of all uncured defaults known to it with respect to that series within 90 days after a default occurs. The term "default" includes the events specified above without notice or grace periods. However, in the case of any default of the type described in the fourth bullet point above, no notice may be given until at least 90 days after the occurrence of the event. The debt trustee will be protected in withholding notice if it in good faith determines that the withholding of notice is in the interests of the holders of the debt securities, except in the case of default in the payment of principal of, premium on, or interest on, any of the debt securities, or default in the payment of any sinking or purchase fund installment or analogous obligations.

No holder of any debt securities of any series may institute any action under either indenture unless:

- the holder has given the debt trustee written notice of a continuing event of default with respect to that series;

- the holders of not less than 25% in aggregate principal amount of the

debt securities of the series then outstanding have requested the debt trustee to institute proceedings in respect of the event of default;

- the holder or holders have offered the debt trustee reasonable indemnity as the debt trustee may require;

- the debt trustee has failed to institute an action for 60 days; and

- no inconsistent direction has been given to the debt trustee during the 60-day period by the holders of a majority in aggregate principal amount of debt securities of the series then outstanding.

The holders of a majority in aggregate principal amount of the debt securities of any series affected and then outstanding will have the right, subject to limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the applicable debt trustee or exercising any trust or power conferred on the debt trustee with respect to a series of debt securities. Each indenture provides that if an event of default occurs and is continuing, the debt trustee will be required to use the degree of care of a prudent person in the conduct of that person's own affairs in exercising its rights and powers under the indenture. Each indenture further provides that the debt trustee will not be required to expend or risk its own funds in the performance of any of its duties under the indenture unless it has reasonable grounds for believing that repayment of the funds or adequate indemnity against the risk or liability is reasonably assured to it.

Clear Channel must furnish to the debt trustees within 120 days after the end of each fiscal year a statement signed by one of its officers to the effect that a review of its activities during the year and of its performance under the applicable indenture and the terms of the debt securities has been made, and, to the best of the knowledge of the signatories based on the review, Clear Channel has complied with all conditions and covenants of the indenture through the year or, if Clear Channel is in default, specifying the default.

To determine whether the holders of the requisite principal amount of debt securities have taken action as described above when the debt securities are denominated in a foreign currency, the principal amount of the debt securities will be deemed to be that amount of United States dollars that could be obtained for the principal amount based on the applicable spot rate of exchange as of the date the action taken is evidenced to the debt trustee as provided in the indenture.

To determine whether the holders of the requisite principal amount of debt securities have taken action as described above when the debt securities are original issue discount securities, the principal amount of the debt securities will be deemed to be the portion of the principal amount that would be due and payable at the time the action is taken upon a declaration of acceleration of maturity.

MODIFICATION OF THE INDENTURES

The indentures provide that Clear Channel and the applicable debt trustee may, without the consent of any holders of debt securities, enter into supplemental indentures for the purposes, among other things, of:

- adding to Clear Channel's covenants;

- adding additional events of default;

- establishing the form or terms of any series of debt securities; or

- curing ambiguities or inconsistencies in the indenture or making other provisions.

However, no supplemental indenture for the purposes identified above may be entered into if to do so would adversely affect the interest of the holders of any series of debt securities.

With specific exceptions, the applicable indenture or the rights of the holders of the debt securities may be modified by Clear Channel and the applicable debt trustee with the consent of the holders of a majority in aggregate principal amount of the debt securities of each series affected by the modification then outstanding, but no modification may be made without the consent of the holder of each outstanding debt security affected which would:

- change the maturity of any payment of principal of, or any premium on, or any installment of interest on any debt security;

- reduce the principal amount of or the interest or any premium on any debt security;

- change the method of computing the amount of principal of or interest on any date;

- change any place of payment where, or the currency in which, any debt security or any premium or interest is payable;

- impair the right to sue for the enforcement of any payment on or after the maturity thereof, or, in the case of redemption or repayment, on or after the redemption date or the repayment date;

- reduce the percentage in principal amount of the outstanding debt securities of any series where the consent of the holders is required for any modification, or the consent of the holders is required for any waiver of compliance with provisions of the applicable indenture or specific defaults and their consequences provided for in the indenture; or

- modify any of the provisions of specific sections of the applicable indenture, including the provisions summarized in this section, except to increase any percentage or to provide that other provisions of the indenture cannot be modified or waived without the consent of the holder of each outstanding debt security affected thereby.

SATISFACTION AND DISCHARGE OF THE INDENTURES; DEFEASANCE

The indentures will generally cease to be of any further effect with respect to a series of debt securities if Clear Channel delivers all debt securities of that series, with limited exceptions, for cancellation to the applicable debt trustee or all debt securities of that series not previously delivered for cancellation to the applicable debt trustee have become due and payable or will become due and payable or called for redemption within one year, and Clear Channel has deposited with the applicable debt trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all the debt securities, no default with respect to the debt securities has occurred and is continuing on the date of the deposit, and the deposit does not result in a breach or violation of, or default under, the applicable indenture or any other agreement or instrument to which Clear Channel is a party.

Clear Channel has a "legal defeasance option" under which it may terminate, with respect to the debt securities of a particular series, all of its obligations under the debt securities and the applicable indenture. In addition, Clear Channel has a "covenant defeasance option" under which it may terminate, with respect to the debt securities of a particular series, Clear Channel's obligations with respect to the debt securities under specified covenants contained in the applicable indenture. If Clear Channel exercises its legal defeasance option with respect to a series of debt securities, payment of the debt securities may not be accelerated because of an event of default. If Clear Channel exercises its covenant defeasance option with respect to a series of debt securities, payment of the debt securities may not be accelerated because of an event of default related to the specified covenants.

Clear Channel may exercise its legal defeasance option or its covenant defeasance option with respect to the debt securities of a series only if:

- Clear Channel deposits in trust with the applicable debt trustee cash or debt obligations of the United States of America or its agencies or instrumentalities for the payment of principal, premium and interest with respect to the debt securities to maturity or redemption;

- Clear Channel delivers to the applicable debt trustee a certificate from a nationally recognized firm of independent public accountants expressing their opinion that the payments of principal and interest when due will provide cash sufficient to pay the principal, premium, and interest when due with respect to all the debt securities of that series to maturity or redemption;

- 91 days pass after the deposit is made and during the 91-day period no default described in the fifth bullet point under "-- Events of Default; Waiver and Notice Of Default; Debt Securities in Foreign Currencies" above with respect to Clear Channel occurs that is continuing at the end of the period;

- no default has occurred and is continuing on the date of the deposit;

- the deposit does not constitute a default under any other agreement binding on Clear Channel;

- Clear Channel delivers to the applicable debt trustee an opinion of counsel to the effect that the trust resulting from the deposit does not constitute a regulated investment company under the Investment Company Act of 1940;

- Clear Channel has delivered to the applicable debt trustee an opinion of counsel addressing specific federal income tax matters relating to the defeasance; and

- Clear Channel delivers to the applicable debt trustee an officers' certificate and an opinion of counsel stating that all conditions to the defeasance and discharge of the debt securities of that series have been complied with.

The applicable debt trustee will hold in trust cash or debt obligations of the United States of America or its agencies or instrumentalities deposited with it as described above and will apply the deposited cash and the proceeds from deposited debt obligations of the United States of America or its agencies or instrumentalities to the payment of principal, premium, and interest with respect to the debt securities of the defeased series.

CONCERNING THE DEBT TRUSTEES

Clear Channel will identify the debt trustee for the senior debt securities and the debt trustee for the subordinated debt securities in the relevant prospectus supplement. In specific instances, Clear Channel or a bona fide holder of debt securities for at least six months or, at any time, the holders of a majority of the then outstanding principal amount of a series of debt securities issued under an indenture may remove the debt trustee with respect to a series of debt securities (or, in the event of bankruptcy or insolvency of the debt trustee, with respect to all debt securities) and Clear Channel may appoint a successor debt trustee. The debt trustee may become the owner or pledgee of any of the debt securities with the same rights, subject to conflict of interest restrictions, it would have if it were not the debt trustee. The debt trustee and any successor trustee must be a corporation organized and doing business as a commercial bank or trust company under the laws of the United States or of any state thereof, authorized under those laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 and subject to examination by federal or state authority. Subject to applicable law relating to conflicts of interest, the

debt trustee may also serve as trustee under other indentures relating to debt securities issued by Clear Channel or its affiliated companies and may engage in commercial transactions with Clear Channel and its affiliated companies. The initial debt trustee under each indenture is The Bank of New York, who currently serves as Clear Channel's transfer agent and registrar for the common stock and is a lender to Clear Channel under its credit facilities.

SENIOR DEBT SECURITIES

In addition to the provisions previously described in this prospectus and applicable to all debt securities, the following description of Clear Channel's senior debt securities summarizes the general terms and provisions of its senior debt securities to which any prospectus supplement may relate. Clear Channel will describe the specific terms of the senior debt securities offered by any prospectus supplement and the extent, if any, to which the general provisions summarized below may apply to any series of its senior debt securities in the prospectus supplement relating to that series.

RANKING OF SENIOR DEBT SECURITIES

Unless we specify otherwise in a prospectus supplement for a particular series of debt securities, all series of senior debt securities will be Clear Channel's senior indebtedness and will be direct, unsecured obligations of Clear Channel ranking equally with all of Clear Channel's other unsecured and unsubordinated indebtedness. Because Clear Channel is a holding company, the debt securities will be effectively subordinated to all existing and future liabilities, including indebtedness, of Clear Channel's subsidiaries. See "Holding Company Structure."

COVENANTS

The senior indenture contains the covenants summarized below, which will be applicable, unless waived or amended, so long as any of the senior debt securities are outstanding, unless stated otherwise in the prospectus supplement.

Limitation on Mortgages. Clear Channel will not, nor will it permit any Restricted Subsidiary to create, assume or incur:

- any Mortgage on any stock or indebtedness of any Restricted Subsidiary to

secure any Debt of Clear Channel or any other person, other than the senior debt securities; or

- any Mortgage on any Principal Property to secure any Debt of Clear Channel or any other person, other than the senior debt securities,

without making provision for all the outstanding senior debt securities to be secured equally with the Debt.

Any Mortgage on stock or indebtedness of a corporation existing at the time a corporation becomes a Subsidiary or at the time stock or indebtedness of a Subsidiary is acquired, and, with specific exceptions, any extension, renewal or replacement of any Mortgage, will generally be excluded from this restriction.

The following permitted mortgages will be excluded from the restriction referred to in the preceding paragraph:

- any Mortgage on property owned or leased by a corporation existing at the time the corporation becomes a Restricted Subsidiary;

- any Mortgage on property existing at the time of its acquisition or to secure payment of any part of the purchase price thereof or any Debt incurred to finance the purchase thereof;

- any Mortgage on property to secure any part of the cost of development, construction, alteration, repair or improvement of the property, or Debt incurred to finance the cost;

- any Mortgage securing Debt of a Restricted Subsidiary owing to Clear Channel or to another Restricted Subsidiary;

- any Mortgage existing on the date of the senior indenture;

- any Mortgage on Clear Channel's property or property of a Restricted Subsidiary in favor of the United States of America or any State or political subdivision thereof, or in favor of any other country or any political subdivision thereof, to secure payment pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or part of the purchase price or the cost of construction or improvement of the property subject to the Mortgage;

- any Mortgage on any property subsequently acquired by Clear Channel or any Restricted Subsidiary, concurrently with the acquisition or within 120 days, to secure or provide for the payment of any part of the purchase price of the property, or any Mortgage assumed by Clear Channel or any Restricted Subsidiary on any property subsequently acquired by Clear Channel or any Restricted Subsidiary which was existing at the time of the acquisition, provided that the amount of any Indebtedness secured by any Mortgage created or assumed does not exceed the cost to Clear Channel or any Restricted Subsidiary of the property covered by the Mortgage; and

- any extension, renewal or replacement of any Mortgage referred to in the previous seven bullet points, provided that the principal amount of Debt secured thereby may not exceed the principal amount of Debt so secured at the time of the extension, renewal or replacement, and provided that the Mortgage must be limited to all or part of the property which secured the Mortgage so extended, renewed or replaced.

Notwithstanding the above, Clear Channel may, and may permit any Restricted Subsidiary to, create, assume or incur any Mortgage on any Principal Property without equally securing the senior debt securities if the aggregate amount of all Debt then outstanding secured by the Mortgage and all similar Mortgages does not exceed 15% of Clear Channel's total consolidated shareholders' equity, including preferred stock, as shown on the audited consolidated balance sheet contained in its latest annual report to shareholders. However, Debt secured by Permitted Mortgages will not be included in the amount of the secured Debt.

Sale and Leaseback Transactions. Clear Channel will not, nor will it permit any Restricted Subsidiary to, enter into any sale-leaseback transaction providing for the leasing by Clear Channel or a Restricted Subsidiary of any Principal Property, except for temporary leases for a term of not more than three years, which has been or is to be sold or transferred by Clear Channel or the Restricted Subsidiary to a person, unless:

- the sale-leaseback transaction occurs within the later of 120 days from the date of acquisition of the Principal Property or the date of the completion of construction or commencement of full operations on the Principal Property; or

- within 120 days after the sale-leaseback transaction, Clear Channel applies or causes to be applied to the retirement of its Funded Debt or the Funded Debt of any Subsidiary, other than its Funded Debt which is subordinate in right of payment to the senior debt securities, an amount not less than the net proceeds of the sale of the Principal Property.

Notwithstanding the above provisions, Clear Channel may, and may permit any Restricted Subsidiary to, effect any sale-leaseback transaction involving any Principal Property, provided that the net sale proceeds from the sale-leaseback transaction, together with all Debt secured by Mortgages other than Permitted Mortgages, does not exceed 15% of Clear Channel's total consolidated shareholders' equity as shown on the audited consolidated balance sheet contained in Clear Channel's latest annual report to shareholders.

DEFINITIONS

For the purposes of the description of the senior debt securities:

"Debt" means indebtedness for money borrowed.

"Funded Debt" of any person means all indebtedness for borrowed money created, incurred, assumed or guaranteed in any manner by the person, and all indebtedness incurred or assumed by the person in connection with the acquisition of any business, property or asset, which in each case matures more than

one year after, or which is renewable or extendible or payable out of the proceeds of similar indebtedness incurred pursuant to the terms of any revolving credit agreement or any similar agreement at the option of the person for a period ending more than one year after the date as of which Funded Debt is being determined. However, Funded Debt does not include:

- any indebtedness for the payment, redemption or satisfaction of which money, or evidences of indebtedness, if permitted under the instrument creating or evidencing the indebtedness, in the necessary amount has been irrevocably deposited in trust with a trustee or proper depository either on or before the maturity or redemption date thereof;

- any indebtedness of the person to any of its Subsidiaries or of any Subsidiary to the person or any other Subsidiary; or

- any indebtedness incurred in connection with the financing of operating, construction or acquisition projects, provided that the recourse for the indebtedness is limited to the assets of the projects.

"Mortgage" means any mortgage, pledge, lien, encumbrance, charge or security interest of any kind.

"Principal Property" means any radio broadcasting, television broadcasting or outdoor advertising property located in the United States owned or leased by Clear Channel or any of its subsidiaries, unless, in the opinion of Clear Channel's Board of Directors, any of the properties are not in the aggregate of material importance to the total business conducted by Clear Channel and its Subsidiaries as an entirety.

"Restricted Subsidiary" means each Subsidiary as of the date of the indenture and each Subsidiary created or acquired after the date of the indenture, unless expressly excluded by resolution of Clear Channel's Board of Directors before, or within 120 days following, the creation or acquisition.

"Subsidiary" means, when used with respect to Clear Channel, any corporation of which a majority of the outstanding voting stock is owned, directly or indirectly, by Clear Channel or by one or more other Subsidiaries, or both.

SUBORDINATED DEBT SECURITIES

In addition to the provisions previously described in this prospectus and applicable to all debt securities, the following description of Clear Channel's subordinated debt securities summarizes the general terms and provisions of its subordinated debt securities to which any prospectus supplement may relate. We will describe the specific terms of Clear Channel's subordinated debt securities offered by any prospectus supplement and the extent, if any, to which the general provisions summarized below may apply to any series of subordinated debt securities in the prospectus supplement relating to that series.

RANKING OF SUBORDINATED DEBT SECURITIES

The subordinated debt securities will be subordinated in right of payment to Clear Channel's other indebtedness to the extent set forth in the applicable prospectus supplement.

The payment of the principal of, premium, if any, and interest on the subordinated debt securities will be subordinated in right of payment to the prior payment in full of all of Clear Channel's senior indebtedness and equally with its trade creditors. Clear Channel may not make payment of principal of, premium, if any, or interest on the subordinated debt securities and may not acquire or make payment on account of any sinking fund for, the subordinated debt securities unless full payment of amounts then due for principal, premium, if any, and interest then due on all senior indebtedness by reason of the maturity thereof has been made or duly provided for in cash or in a manner satisfactory to the holders of the senior indebtedness. In addition, the subordinated indenture provides that if a default has occurred giving the holders of the senior indebtedness the right to accelerate the maturity of that senior indebtedness, or an event has occurred which, with the giving of notice, or lapse of time, or both, would constitute an event of default, then unless and until that event has been cured or waived or has ceased to exist, no payment of principal, premium, if any, or interest on the subordinated debt securities and no acquisition of, or payment on account of a sinking fund for, the subordinated debt securities may be made. Clear Channel will give

prompt written notice to the subordinated trustee of any default under any senior indebtedness or under any agreement pursuant to which senior indebtedness may have been issued. The subordinated indenture provisions described in this paragraph, however, do not prevent Clear Channel from making a sinking fund payment with subordinated debt securities acquired prior to the maturity of senior indebtedness or, in the case of default, prior to the default and notice thereof. Upon any distribution of assets in connection with Clear Channel's dissolution, liquidation or reorganization, all senior indebtedness must be paid in full before the holders of the subordinated debt securities are entitled to any payments whatsoever. As a result of these subordination provisions, in the event of Clear Channel's insolvency, holders of the subordinated debt securities may recover ratably less than Clear Channel's senior creditors.

For purposes of the description of the subordinated debt securities, the term "senior indebtedness" means the principal of and premium, if any, and interest on the following, whether outstanding on the date of execution of the subordinated indenture or incurred or created after the execution:

- Clear Channel's indebtedness for money borrowed by it, including purchase money obligations with an original maturity in excess of one year, or evidenced by securities, other than the subordinated debt securities or junior subordinated debt securities, notes, bankers' acceptances or other corporate debt securities or similar instruments issued by Clear Channel;

- obligations with respect to letters of credit;

- Clear Channel's indebtedness constituting a guarantee of indebtedness of others of the type referred to in the preceding two bullet points; or

- renewals, extensions or refundings of any of the indebtedness referred to in the preceding three bullet points unless, in the case of any particular indebtedness, renewal, extension or refunding, under the express provisions of the instrument creating or evidencing the same, or pursuant to which the same is outstanding, the indebtedness or the renewal, extension or refunding thereof is not superior in right of payment to the subordinated debt securities.

DESCRIPTION OF JUNIOR SUBORDINATED DEBT SECURITIES

The following description of Clear Channel's junior subordinated debt securities summarizes the general terms and provisions of its junior subordinated debt securities to which any prospectus supplement may relate. Clear Channel will describe the specific terms of the junior subordinated debt securities and the extent, if any, to which the general provisions summarized below may apply to any series of its junior subordinated debt securities in the prospectus supplement relating to that series.

Clear Channel may issue its junior subordinated debt securities from time to time, in one or more series under a junior subordinated indenture, between Clear Channel and The Bank of New York, as junior subordinated trustee, or another junior subordinated trustee named in a prospectus supplement. The junior subordinated indenture is governed by New York law. The form of junior subordinated indenture is filed as an exhibit to the registration statement.

GENERAL

The junior subordinated debt securities will be unsecured, junior subordinated obligations of Clear Channel. The junior subordinated indenture does not limit the amount of additional indebtedness Clear Channel or any of its

subsidiaries may incur. Since Clear Channel is a holding company, Clear Channel's rights and the rights of its creditors, including the holders of junior subordinated debt securities, to participate in the assets of any subsidiary upon the latter's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors, except to the extent that Clear Channel may itself be a creditor with recognized claims against the subsidiary.

The junior subordinated indenture does not limit the aggregate principal amount of indebtedness which may be issued thereunder and provides that junior subordinated debt securities may be issued thereunder from time to time in one or more series. The junior subordinated debt securities are issuable in

one or more series pursuant to a board resolution or an indenture supplemental to the junior subordinated indenture. Clear Channel will issue junior subordinated debt securities from time to time and offer its junior subordinated debt securities on terms determined by market conditions at the time of sale.

In the event junior subordinated debt securities are issued to a Clear Channel Trust or a trustee of a Clear Channel Trust in connection with the issuance of preferred securities by that Clear Channel Trust, the junior subordinated debt securities subsequently may be distributed pro rata to the holders of the preferred securities in connection with the dissolution of the Clear Channel Trust upon the occurrence of the events described in the applicable prospectus supplement. Only one series of junior subordinated debt securities will be issued to a Clear Channel Trust or a trustee of a Clear Channel Trust in connection with the issuance of preferred securities by that Clear Channel Trust.

You should refer to the applicable prospectus supplement for the following terms of the junior subordinated debt securities offered hereby:

- the designation, aggregate principal amount and authorized denominations of the junior subordinated debt securities;
- any limit on the aggregate principal amount of the junior subordinated debt securities;
- the date or dates on which the junior subordinated debt securities will mature;
- the annual interest rate or rates of the junior subordinated debt securities, or the method of determining the rate or rates;
- the date or dates on which any interest will be payable, the date or dates on which payment of any interest will commence and the regular record dates for the interest payment dates;
- the terms of any mandatory or optional redemption, including any provisions for any sinking, purchase or other similar funds or repayment options;
- the currency, currencies or currency units for which the junior subordinated debt securities may be purchased and the currency, currencies or currency units in which the principal, any premium and any interest may be payable;
- if the currency, currencies or currency units for which the junior subordinated debt securities may be purchased or in which the principal, any premium and any interest may be payable is at Clear Channel's election or the purchaser's election, the manner in which the election

may be made;

- if the amount of payments on the junior subordinated debt securities is determined by an index based on one or more currencies or currency units, changes in the price of one or more securities or changes in the price of one or more commodities, the manner in which the amounts may be determined;

- the extent to which any of the junior subordinated debt securities will be issuable in temporary or permanent global form, or the manner in which any interest payable on a temporary or permanent global security will be paid;

- the terms and conditions upon which the junior subordinated debt securities may be convertible into or exchanged for common stock, preferred stock, or indebtedness or other securities included in this document;

- if the junior subordinated debt securities are to be deposited as trust assets in a Clear Channel Trust, the name of the applicable trust;

- if the junior subordinated debt securities are to have an interest deferral feature, the terms relating to this feature;

- information with respect to book-entry procedures, if any;

- a discussion of the federal income tax, accounting and other special considerations, procedures and limitations with respect to the junior subordinated debt securities; and

- any other specific terms of the junior subordinated debt securities not inconsistent with the junior subordinated indenture.

If Clear Channel sells any of the junior subordinated debt securities for one or more foreign currencies or foreign currency units or if the principal of, premium, if any, or interest on any series of junior subordinated debt securities will be payable in one or more foreign currencies or foreign currency units, we will describe the restrictions, elections, federal income tax consequences, specific terms and other information with respect to the issue of junior subordinated debt securities and the currencies or currency units in the applicable prospectus supplement.

Unless specified otherwise in the prospectus supplement, the principal of, premium on and interest on the junior subordinated debt securities will be payable, and the junior subordinated debt securities will be transferable, at the corporate trust office of the junior subordinated indenture trustee in New York, New York. However, Clear Channel may make payment of interest at its option by check mailed on or before the payment date to the address of the person entitled to the interest payment as it appears on the registry books of Clear Channel or its agents.

Unless specified otherwise in the prospectus supplement, Clear Channel will issue the junior subordinated debt securities only in fully registered form and in denominations of $1,000 and any integral multiple of $1,000. No service charge will be made for any transfer or exchange of any junior subordinated debt securities, but Clear Channel may, except in specific cases not involving any transfer, require payment of a sufficient amount to cover any tax or other governmental charge payable in connection with the transfer or exchange. Unless specified otherwise in the prospectus supplement, Clear Channel will pay

interest on outstanding junior subordinated debt securities to holders of record on the date 15 days immediately prior to the date the interest is to be paid.

GLOBAL SECURITIES

Clear Channel may issue junior subordinated debt securities of a series in whole or in part in the form of one or more global securities that will be deposited with or on behalf of a depositary identified in the prospectus supplement relating to that series. Clear Channel may issue global securities only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual junior subordinated debt securities represented thereby, a global security may not be transferred except as a whole by the depositary for the global security to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary or any nominee of the depositary to a successor or any nominee.

The specific terms of the depositary arrangement relating to a series of junior subordinated debt securities will be described in the prospectus supplement relating to that series.

CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

The junior subordinated indenture prohibits Clear Channel's consolidation with or merger into any other corporation or the transfer of its properties and assets substantially as an entirety to any person, unless:

- the successor corporation is organized and existing under the laws of the United States, any State thereof or the District of Columbia, and expressly assumes by a supplemental indenture the punctual payment of the principal of, premium on and interest on, all the outstanding junior subordinated debt securities and the performance of every covenant in the junior subordinated indenture to be performed or observed on Clear Channel's part;

- immediately after giving effect to the transaction, no event of default has happened and is continuing; and

- Clear Channel has delivered to the junior subordinated indenture trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance or transfer and the supplemental indenture comply with the foregoing provisions relating to the transaction.

In case of any consolidation, merger, conveyance or transfer, the successor corporation will succeed to and be substituted for Clear Channel as obligor on the junior subordinated debt securities, with the same effect as if it had been named as Clear Channel in the junior subordinated indenture. The junior subordinated indenture and the junior subordinated debt securities do not contain any covenants or other provisions designed to protect holders of junior subordinated debt securities in the event of a highly leveraged transaction involving Clear Channel or any subsidiary.

EVENTS OF DEFAULT; WAIVER AND NOTICE OF DEFAULT; JUNIOR SUBORDINATED DEBT SECURITIES IN FOREIGN CURRENCIES

An event of default when used in a junior subordinated indenture will mean any of the following as to any series of junior subordinated debt securities:

- default for 90 days in payment of any interest on the junior subordinated debt securities;

- default in payment of principal or any premium at maturity;

- default in payment of any sinking or purchase fund or similar obligation;

- default by Clear Channel in the performance of any other covenant or warranty contained in the junior subordinated indenture for the benefit of that series which has not been remedied for a period of 90 days after notice is given; or

- events of Clear Channel's bankruptcy, insolvency and reorganization.

A default under Clear Channel's other indebtedness will not be a default under the junior subordinated indenture and a default under one series of junior subordinated debt securities will not necessarily be a default under another series.

The junior subordinated indenture provides that if an event of default described in the first three bullet points above or under the fourth bullet point above with respect to less than all series of junior subordinated debt securities then outstanding has occurred and is continuing with respect to any series, either the junior subordinated indenture trustee or the holders of not less than 25% in aggregate principal amount of the junior subordinated debt securities of the series then outstanding, each series acting as a separate class, may declare the principal or, in the case of original issue discount securities, the portion specified in the terms thereof, of all outstanding junior subordinated debt securities of that series and the accrued interest to be due and payable immediately. The junior subordinated indenture further provides that if an event of default described in the fifth bullet point above or under the fourth bullet point above with respect to all series of junior subordinated debt securities then outstanding has occurred and is continuing, either the junior subordinated debt trustee or the holders of at least 25% in aggregate principal amount of all junior subordinated debt securities then outstanding, treated as one class, may declare the principal or, in the case of original issue discount securities, the portion specified in the terms thereof, of all junior subordinated debt securities then outstanding and the accrued interest to be due and payable immediately. However, upon certain conditions the declarations may be annulled and past defaults, except for defaults in the payment of principal of, premium on, or interest on, the junior subordinated debt securities and in compliance with certain covenants, may be waived by the holders of a majority in aggregate principal amount of the junior subordinated debt securities of that series then outstanding, subject to the consent of the holders of the preferred securities and the common securities of any Clear Channel Trust as required by its declaration of trust in the event that the junior subordinated debt securities are held as assets of the Clear Channel Trust prior to a security exchange.

When used with respect to the junior subordinated debt securities which are held as trust assets of a Clear Channel Trust pursuant to the declaration of trust of the Clear Channel Trust, the term security exchange means the distribution of the junior subordinated debt securities held by the Clear Channel Trust in exchange for the preferred securities and the common securities of the Clear Channel Trust in dissolution of the Clear Channel Trust pursuant to the declaration of trust of the Clear Channel Trust.

Under the junior subordinated indenture, the junior subordinated indenture trustee must give notice to the holders of each series of junior subordinated

debt securities of all uncured defaults known to it with respect to that series within 90 days after a default occurs. The term "default" includes the events specified above without notice or grace periods. However, in the case of any default of the type described in the fourth bullet point above, no notice may be given until at least 90 days after the occurrence of the event. The junior subordinated debt trustee will be protected in withholding notice if it in good faith determines that the withholding of notice is in the interests of the holders of the junior subordinated debt securities, except in the case of default in the payment of principal of, premium on, or interest on, any of the junior subordinated debt securities, or default in the payment of any sinking or purchase fund installment or analogous obligations.

No holder of any junior subordinated debt securities of any series may institute any action under either indenture unless:

- the holder has given the junior subordinated indenture trustee written notice of a continuing event of default with respect to that series;

- the holders of not less than 25% in aggregate principal amount of the junior subordinated debt securities of that series then outstanding have requested the junior subordinated indenture trustee to institute proceedings in respect of the event of default;

- the holder or holders have offered the junior subordinated indenture trustee reasonable indemnity as the trustee may require;

- the junior subordinated indenture trustee has failed to institute an action for 60 days after the notice, request and indemnity have been made as described above; and

- no inconsistent direction has been given to the junior subordinated indenture trustee during the 60-day period by the holders of a majority in aggregate principal amount of junior subordinated debt securities of the series then outstanding, subject to the consent of the holders of the preferred securities and the common securities of any Clear Channel Trust as required by its declaration of trust in the event that the junior subordinated debt securities are held as assets of the Clear Channel Trust prior to a security exchange.

The holders of a majority in aggregate principal amount of the junior subordinated debt securities of any series affected and then outstanding, subject to the consent of the holders of the preferred securities and the common securities of any Clear Channel Trust as required by its declaration of trust in the event that the junior subordinated debt securities are held as assets of the Clear Channel Trust prior to a security exchange, will have the right, subject to limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the junior subordinated indenture trustee or exercising any trust or power conferred on the junior subordinated indenture trustee with respect to the series of junior subordinated debt securities. The junior subordinated indenture provides that if an event of default occurs and is continuing, the junior subordinated indenture trustee will be required to use the degree of care of a prudent person in the conduct of the person's own affairs in exercising its rights and powers under the indenture. The junior subordinated indenture further provides that the junior subordinated indenture trustee will not be required to expend or risk its own funds in the performance of any of its duties under the indenture unless it has reasonable grounds for believing that repayment of the funds or adequate indemnity against the risk or liability is reasonably assured to it.

Clear Channel must furnish to the junior subordinated indenture trustee within 120 days after the end of each fiscal year a statement signed by one of its officers to the effect that a review of its activities during the year and

of its performance under the junior subordinated indenture and the terms of the junior subordinated debt securities has been made, and, to the best of the knowledge of the signatories based on the review, Clear Channel has complied with all conditions and covenants of the indenture through the year or, if Clear Channel is in default, specifying the default.

If any junior subordinated debt securities are denominated in a currency other than that of the United States, then for the purposes of determining whether the holders of the requisite principal amount of junior subordinated debt securities have taken any action as described in this prospectus, the principal amount of the junior subordinated debt securities will be deemed to be that amount of United States dollars that could be obtained for the principal amount on the basis of the spot rate of exchange into United States dollars for the currency in which the junior subordinated debt securities are denominated as of the date the taking of the action by the holders of the requisite principal amount is evidenced to the junior subordinated indenture trustee as provided in the junior subordinated indenture.

If any junior subordinated debt securities are original issue discount securities, then for the purposes of determining whether the holders of the requisite principal amount of junior subordinated debt securities have taken any action described in this prospectus, the principal amount of the junior subordinated debt securities will be deemed to be the portion of the principal amount that would be due and payable at the time of the taking of the action upon a declaration of acceleration of maturity thereof.

MODIFICATION OF THE JUNIOR SUBORDINATED INDENTURE

The junior subordinated indenture provides that Clear Channel and the junior subordinated indenture trustee may, without the consent of any holders of junior subordinated debt securities, enter into supplemental indentures for the purposes, among other things, of adding to Clear Channel's covenants, adding additional events of default, establishing the form or terms of any series of junior subordinated debt securities or curing ambiguities or inconsistencies in the indenture or making other provisions. However, no supplemental indenture for the purposes identified above may be entered into if to do so would adversely affect the interest of the holders of any series of junior subordinated debt securities.

With specific exceptions, the junior subordinated indenture or the rights of the holders of the junior subordinated debt securities may be modified by Clear Channel and the junior subordinated indenture trustee with the consent of the holders of a majority in aggregate principal amount of the junior subordinated debt securities of each series affected by the modification then outstanding, subject to the consent of the holders of the preferred securities and the common securities of any Clear Channel Trust as required by its declaration of trust in the event that the junior subordinated debt securities are held as assets of the Clear Channel Trust prior to a security exchange, but no modification may be made without the consent of the holder of each outstanding junior subordinated debt security affected, subject to the consent of the holders of the preferred securities and the common securities of any Clear Channel Trust as required by its declaration of trust in the event that the junior subordinated debt securities are held as assets of the Clear Channel Trust prior to a security exchange, which would:

- change the maturity of any payment of principal of, or any premium on, or any installment of interest on any junior subordinated debt security;

- reduce the principal amount of or the interest or any premium on any

junior subordinated debt security;

- change the method of computing the amount of principal of or interest on any date;

- change any place of payment where, or the currency in which, any junior subordinated debt security or any premium or interest is payable;

- impair the right to sue for the enforcement of any payment on or after the maturity thereof or, in the case of redemption or repayment, on or after the redemption date or the repayment date;

- reduce the percentage in principal amount of the outstanding junior subordinated debt securities of any series where the consent of the holders is required for any modification, or the consent of the holders is required for any waiver of compliance with the provisions of the junior subordinated indenture or specific defaults and their consequences provided for in the indenture; or

- modify any of the provisions of specific sections of the junior subordinated indenture, including the provisions summarized in this section, except to increase any percentage or to provide that other

provisions of the indenture cannot be modified or waived without the consent of the holder of each outstanding debt security affected thereby.

SATISFACTION AND DISCHARGE OF THE JUNIOR SUBORDINATED INDENTURE; DEFEASANCE

The junior subordinated indenture will generally cease to be of any further effect with respect to a series of junior subordinated debt securities if Clear Channel delivers all junior subordinated debt securities of that series, with limited exceptions, for cancellation to the junior subordinated indenture trustee or all junior subordinated debt securities of that series not previously delivered for cancellation to the junior subordinated indenture trustee have become due and payable or will become due and payable or called for redemption within one year, and Clear Channel has deposited with the junior subordinated indenture trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all the junior subordinated debt securities, no default with respect to the junior subordinated debt securities has occurred and is continuing on the date of the deposit, and the deposit does not result in a breach or violation of, or default under, the junior subordinated indenture or any other agreement or instrument to which Clear Channel is a party.

Clear Channel has a "legal defeasance option" under which it may terminate, with respect to the junior subordinated debt securities of a particular series, all of its obligations under the junior subordinated debt securities and the junior subordinated indenture. In addition, Clear Channel has a "covenant defeasance option" under which it may terminate, with respect to the junior subordinated debt securities of a particular series, its obligations with respect to the junior subordinated debt securities under specified covenants contained in the junior subordinated indenture. If Clear Channel exercises its legal defeasance option with respect to a series of junior subordinated debt securities, payment of the junior subordinated debt securities may not be accelerated because of an event of default. If Clear Channel exercises its covenant defeasance option with respect to a series of junior subordinated debt securities, payment of the junior subordinated debt securities may not be accelerated because of an event of default related to the specified covenants.

Clear Channel may exercise its legal defeasance option or its covenant defeasance option with respect to the junior subordinated debt securities of a

series only if:

- Clear Channel deposits in trust with the junior subordinated indenture trustee cash or debt obligations of the United States of America or its agencies or instrumentalities for the payment of principal, premium and interest with respect to the junior subordinated debt securities to maturity or redemption;

- Clear Channel delivers to the junior subordinated indenture trustee a certificate from a nationally recognized firm of independent public accountants expressing their opinion that the payments of principal and interest when due will provide cash sufficient to pay the principal, premium, and interest when due with respect to all the junior subordinated debt securities of that series to maturity or redemption;

- 91 days pass after the deposit is made and during the 91-day period no default described in the fifth bullet point under "-- Events of Default; Waiver and Notice of Default; Junior Subordinated Debt Securities in Foreign Currencies" above with respect to Clear Channel occurs that is continuing at the end of the period;

- no default has occurred and is continuing on the date of the deposit;

- the deposit does not constitute a default under any other agreement binding on Clear Channel;

- Clear Channel delivers to the junior subordinated indenture trustee an opinion of counsel to the effect that the trust resulting from the deposit does not constitute a regulated investment company under the Investment Company Act of 1940;

- Clear Channel has delivered to the junior subordinated indenture trustee an opinion of counsel addressing specific federal income tax matters relating to the defeasance; and

- Clear Channel delivers to the junior subordinated indenture trustee an officers' certificate and an opinion of counsel stating that all conditions to the defeasance and discharge of the junior subordinated debt securities of that series have been complied with.

The junior subordinated indenture trustee will hold in trust cash or debt obligations of the United States of America or its agencies or instrumentalities deposited with it as described above and will apply the deposited cash and the proceeds from deposited debt obligations of the United States of America or its agencies or instrumentalities to the payment of principal, premium, and interest with respect to the junior subordinated debt securities of the defeased series.

CONCERNING THE JUNIOR SUBORDINATED INDENTURE TRUSTEE

The junior subordinated indenture trustee for the junior subordinated debt securities will be identified in the relevant prospectus supplement. In specific instances, Clear Channel or a bona fide holder of junior subordinated debt securities for at least six months or, at any time, the holders of a majority of the then outstanding principal amount of a series of junior subordinated debt securities issued under the junior subordinated indenture may remove the junior subordinated indenture trustee with respect to a series of junior subordinated debt securities (or, in the event of bankruptcy or insolvency of the junior subordinated indenture trustee, with respect to all junior subordinated debt securities) and Clear Channel may appoint a successor junior subordinated indenture trustee. The junior subordinated indenture trustee may become the

owner or pledgee of any of the junior subordinated debt securities with the same rights, subject to conflict of interest restrictions, it would have if it were not the junior subordinated indenture trustee. The junior subordinated indenture trustee and any successor trustee must be a corporation organized and doing business as a commercial bank or trust company under the laws of the United States or of any state thereof, authorized under those laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 and subject to examination by federal or state authority. Subject to applicable law relating to conflicts of interest, the junior subordinated indenture trustee may also serve as trustee under other indentures relating to debt securities or junior subordinated debt securities issued by Clear Channel or its affiliated companies and may engage in commercial transactions with Clear Channel and its affiliated companies. The initial junior subordinated indenture trustee under the junior subordinated indenture is The Bank of New York, who currently serves as Clear Channel's transfer agent and registrar for the common stock and is a lender to Clear Channel under its credit facilities.

CERTAIN COVENANTS OF CLEAR CHANNEL APPLICABLE TO THE JUNIOR SUBORDINATED DEBT SECURITIES

If junior subordinated debt securities are issued to a Clear Channel Trust in connection with the issuance of preferred securities by the Clear Channel Trust, Clear Channel covenants in the junior subordinated indenture that, so long as the preferred securities of the Clear Channel Trust remain outstanding, Clear Channel will not declare or pay any dividends on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any common stock or preferred stock or make any guarantee payments with respect thereto if at the time:

- Clear Channel will be in default with respect to its guarantee payments or other payment obligations under the related guarantee;

- an event of default with respect to the junior subordinated debt securities has occurred; or

- Clear Channel has given notice of its election to defer payments of interest on the junior subordinated debt securities by extending the interest payment period as provided in the terms of the junior subordinated debt securities and the period, or any extension thereof, is continuing.

However, the foregoing restrictions will not apply to:

- dividends, redemptions, purchases, acquisitions, distributions or payments made by Clear Channel by way of issuance of shares of its capital stock;

- any declaration of a dividend under a shareholder rights plan or in connection with the implementation of a shareholder rights plan, the issuance of Clear Channel's capital stock under a shareholder rights plan or the redemption or repurchase of any right distributed pursuant to a shareholder rights plan;

- payments of accrued dividends by Clear Channel upon the redemption, exchange or conversion of any preferred stock as may be outstanding from time to time in accordance with the terms of the preferred stock;

- cash payments made by Clear Channel in lieu of delivering fractional shares upon the redemption, exchange or conversion of any preferred stock

as may be outstanding from time to time in accordance with the terms of the preferred stock;

- payments under the guarantees; or

- purchases of common stock related to the issuance of common stock or rights under any of Clear Channel's benefit plans for its directors, officers or employees, or related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan.

In addition, if junior subordinated debt securities are issued to a Clear Channel Trust in connection with the issuance of preferred securities by the Clear Channel Trust, for so long as the preferred securities of the Clear Channel Trust remain outstanding, Clear Channel has agreed:

- to remain the sole direct or indirect owner of all the outstanding common securities issued by the Clear Channel Trust and not to cause or permit the common securities to be transferred except to the extent permitted by the declaration of the Clear Channel Trust; provided that any of Clear Channel's permitted successors under the junior subordinated indenture may succeed to Clear Channel's ownership of the common securities; and

- to use reasonable efforts to cause the Clear Channel Trust to continue to be treated as a grantor trust for federal income tax purposes, except in connection with a distribution of junior subordinated debt securities.

SUBORDINATION

The junior subordinated debt securities will be subordinated and junior in right of payment to Clear Channel's other indebtedness to the extent set forth in the applicable prospectus supplement.

The payment of the principal of, premium, if any, and interest on the junior subordinated debt securities will be subordinated in right of payment to the prior payment in full of all of Clear Channel's senior indebtedness and will rank equally with its trade creditors. No payment on account of principal of, premium, if any, or interest on the junior subordinated debt securities and no acquisition of, or payment on account of any sinking fund for, the junior subordinated debt securities may be made unless full payment of amounts then due for principal, premium, if any, and interest then due on all senior indebtedness by reason of the maturity thereof, by lapse of time, acceleration or otherwise, has been made or duly provided for in cash or in a manner satisfactory to the holders of the senior indebtedness. In addition, the junior subordinated indenture provides that if a default has occurred giving the holders of the senior indebtedness the right to accelerate the maturity thereof, or an event has occurred which, with the giving of notice, or lapse of time, or both, would constitute an event of default, then unless and until that event has been cured or waived or has ceased to exist, no payment on account of principal, premium, if any, or interest on the junior subordinated debt securities and no acquisition of, or payment on account of a sinking fund for, the junior subordinated debt securities may be made. Clear Channel will give prompt written notice to the junior subordinated indenture trustee of any default under any senior indebtedness or under any agreement pursuant to which senior indebtedness may have been issued. The junior subordinated indenture provisions described in this paragraph, however, do not prevent Clear Channel from making a sinking fund payment with junior subordinated debt securities acquired prior to the maturity of senior indebtedness or, in the case of default, prior to the default and notice thereof. Upon any distribution of Clear Channel's assets in

connection with its dissolution, liquidation or reorganization, all senior indebtedness must be paid in full before the holders of the junior subordinated debt securities are entitled to any payments whatsoever. As a result of these subordination provisions, in the event of Clear Channel's insolvency, holders of the junior subordinated debt securities may recover ratably less than Clear Channel's senior creditors.

For purposes of the description of the junior subordinated debt securities, the term senior indebtedness means the principal of and premium, if any, and interest on the following, whether outstanding on the date of execution of the junior subordinated indenture or incurred or created after the execution:

- Clear Channel's indebtedness for money borrowed by it, including purchase money obligations with an original maturity in excess of one year, or evidenced by securities, notes, bankers' acceptances or other corporate debt securities or similar instruments issued by Clear Channel other than the junior subordinated debt securities;

- obligations with respect to letters of credit;

- Clear Channel's indebtedness constituting a guarantee of indebtedness of others of the type referred to in the preceding two bullet points; or

- renewals, extensions or refundings of any of the indebtedness referred to in the preceding three bullet points unless, in the case of any particular indebtedness, renewal, extension or refunding, under the express provisions of the instrument creating or evidencing the same, or pursuant to which the same is outstanding, the indebtedness or the renewal, extension or refunding thereof is not superior in right of payment to the junior subordinated debt securities.

DESCRIPTION OF PREFERRED STOCK

Clear Channel's board of directors may issue up to 2,000,000 shares of Class A preferred stock and up to 8,000,000 shares of Class B preferred stock. Either class of preferred stock may be issued in one or more series, and the rights, preferences, privileges and qualifications of the preferred stock may be fixed by the board of directors without any further vote or action by the shareholders. However, shares of Class B preferred stock will not be entitled to more than one vote per share when the shares are voted as a class with common shareholders. In addition, the board of directors and management of Clear Channel have undertaken not to issue, without prior shareholder approval, Class B preferred stock:

- for any defensive or anti-takeover purpose;

- to implement any shareholders' rights plan; or

- with features intended to make any attempted acquisition of Clear Channel more difficult or costly.

However, the restrictions do not apply to the 2,000,000 shares of Class A preferred stock which are currently authorized.

The issuance of either class of preferred stock could decrease the amount of earnings and assets available for distribution to common shareholders. In addition, the issuance of either class of preferred stock could adversely affect the rights and powers, including voting rights, of common shareholders and may have the effect of delaying, deferring or preventing a change in control of Clear Channel. No shares of either class of preferred stock have ever been issued. The particular terms of any series of preferred stock will be described in the applicable prospectus supplement.

DESCRIPTION OF COMMON STOCK

Clear Channel's board of directors has the authority to issue up to 1,500,000,000 shares of common stock. As of September 30, 2003, 615,300,743 shares of common stock were outstanding. Common shareholders are entitled to one vote per share on all matters submitted to a vote of shareholders. In addition, common shareholders may receive dividends, if any, on a pro rata basis that may be declared from time to time by the board of directors from legally available funds. However, the payment of any

dividends on shares of common stock would be subject to the payment of any preferential dividends on any preferred stock that may be outstanding. Upon liquidation, dissolution or winding up of Clear Channel, common shareholders are entitled to share ratably in any assets available for distribution to shareholders after payment of all Clear Channel's obligations and all preferential distributions payable of the holders of any shares of preferred stock then outstanding.

Common shareholders do not have cumulative voting rights or preemptive or other rights to acquire or subscribe to additional, unissued or treasury shares. The shares of common stock currently outstanding are, and the shares of common stock offered hereby will be, upon issuance thereof, validly issued, fully paid and nonassessable.

REPURCHASE AGREEMENT

In May 1977, Clear Channel and several of its shareholders at the time, including L. Lowry Mays and B.J. McCombs, entered into a Buy-Sell Agreement restricting the disposition of the outstanding shares of common stock owned by L. Lowry Mays and B.J. McCombs and their heirs, legal representatives, successors and assigns. The Buy-Sell Agreement provides that in the event that L. Lowry Mays, B.J. McCombs or their heirs, legal representatives, successors and assigns desire to dispose of their shares, other than by disposition by will or intestacy or through gifts to the party's spouse or children, the shares must be offered for a period of 30 days to Clear Channel. Any shares not purchased by Clear Channel must then be offered for a period of 30 days to the other parties to the Buy-Sell Agreement. If all of the offered shares are not purchased by Clear Channel or the other parties to the Buy-Sell Agreement, the party offering his shares may sell them to a third party during the following 90-day period at a price and on terms not more favorable than those offered to Clear Channel and the other parties. In addition, L. Lowry Mays, B.J. McCombs or their heirs, legal representatives, successors and assigns may not individually or in concert with others sell any shares so as to deliver voting control to a third party without providing in any sale that all parties to the Buy-Sell Agreement will be offered the same price and terms for their shares. All shares of Clear Channel common stock owned by Mr. McCombs have been released from the terms of the Buy-Sell Agreement. The Buy-Sell Agreement will continue in effect following any offering under this prospectus and may preserve the control of the present principal shareholders.

SHAREHOLDERS AGREEMENT

In October 1999, Thomas O. Hicks and seven entities affiliated with Hicks, Muse, Tate & Furst Incorporated (referred to as the Hicks Muse shareholders) entered into a Shareholders Agreement with L. Lowry Mays and 4-M Partners, Ltd. (referred to as the L. Mays shareholders), as well as Clear Channel. The Shareholders Agreement imposes standstill and transfer restrictions on the shareholders and obligates the Hicks Muse shareholders to take various actions regarding regulatory approvals. Generally, the applicability of a standstill or

transfer restriction can be waived with respect to the Hicks Muse shareholders if a majority of the independent Clear Channel directors approve the proposed action. Similarly, the applicability of a standstill or transfer restriction can be waived with respect to the L. Mays shareholders if a majority of the entire Clear Channel board (not including L. Lowry Mays, if applicable) approve the proposed action.

The Shareholders Agreement imposes standstill restrictions on the Hicks Muse shareholders and the L. Mays shareholders regarding their acquisition of Clear Channel voting securities and their rights to initiate and participate in business combination transactions, tender and exchange offers, and proxy or consent solicitations. In general, pursuant to the standstill restrictions, the Hicks Muse shareholders on the one hand and the L. Mays shareholders on the other hand agreed not to, directly or indirectly:

- beneficially own, in the aggregate, an amount of Clear Channel voting securities exceeding 20% of the total Clear Channel voting securities outstanding at any time;

- acquire or attempt to acquire assets of Clear Channel or its subsidiaries;

- carry out or participate in a solicitation of proxies or consents or initiate any shareholder proposal or election contest with respect to voting securities of Clear Channel or its subsidiaries;

- take action to convene a Clear Channel shareholders' meeting or effect a written consent action by Clear Channel shareholders;

- commence or participate in a tender or exchange offer for Clear Channel voting securities or any business combination transaction involving Clear Channel, except for several specified situations;

- request or solicit any third party to make a tender or exchange offer for Clear Channel voting securities or a business combination transaction involving Clear Channel;

- make a proposal to the Clear Channel board to effect a business combination transaction;

- except with respect to bona fide estate planning activities, deposit Clear Channel voting securities into a voting trust or subject Clear Channel voting securities to voting agreements, or grant a proxy with respect to Clear Channel voting securities to any person not designated by the Clear Channel board;

- form, join or participate in a "group" as defined in Section 13(d)(3) of the Exchange Act for the purpose of taking any action restricted or prohibited under the Shareholders Agreement;

- disclose publicly any intention, plan or arrangement inconsistent with standstill agreements or other provisions of the Shareholders Agreement; or

- discuss, negotiate or make arrangements with a third party or advise, aid, abet, solicit, induce, encourage, or provide financing for any action restricted by the Shareholders Agreement.

The above restrictions do not apply to actions taken by L. Lowry Mays in

his capacity as an officer or director of Clear Channel.

For purposes of the Shareholders Agreement, voting securities include Clear Channel common stock and other Clear Channel securities entitled to vote, in addition to options, rights, warrants and other securities convertible into or exercisable for Clear Channel common stock or other securities entitled to vote in an election of directors.

In addition to the standstill restrictions, the Shareholders Agreement imposes restrictions on dispositions of Clear Channel voting securities by the Hicks Muse shareholders and the L. Mays shareholders. Neither the Hicks Muse shareholders and their affiliates nor the L. Mays shareholders may sell Clear Channel voting securities to a third party who would beneficially own after the sale more than 20% of the outstanding Clear Channel voting securities, except:

- with the approval of the requisite number of Clear Channel directors;

- in connection with a tender or exchange offer or business combination transaction recommended by the requisite number of Clear Channel directors;

- in connection with a tender or exchange offer that is accepted by a majority of the holders of the Clear Channel voting securities subject to the tender or exchange offer, excluding the shareholders who are party to the Shareholders Agreement and their affiliates; or

- if the transfer occurs by operation of law in connection with a business combination transaction.

The Hicks Muse shareholders also agreed that, with respect to dividends or distributions of equity interests of any Hicks Muse shareholder that is a corporation, partnership or other entity, the Hicks Muse shareholder will notify Clear Channel at least ten days before effecting the dividend or distribution.

The agreement also provides that, with respect to votes by all security holders or votes with respect to which security holders have votes entitled to be counted separately as a class, the number of shares that any Hicks Muse or L. Mays shareholder will be entitled to vote in its sole discretion will not exceed one

vote fewer than 20% of the aggregate number of votes entitled to vote, less the number of shares entitled to be cast by the remaining Hicks Muse or L. Mays shareholders, respectively.

The Hicks Muse shareholders also agreed that they and their affiliates will divest assets, terminate existing relationships and contractual arrangements and take other actions, as necessary to prevent interests in other media-related ventures held by the Hicks Muse shareholders and their affiliates from hindering Clear Channel's future acquisitions of additional media holdings and pursuit of media-related relationships and activities. However, Clear Channel has agreed that these obligations do not require divestiture of various designated assets then held by the Hicks Muse shareholders and their affiliates, nor do the obligations require divestiture of assets other than radio and television assets located in the U.S. and outdoor advertising located anywhere in the world but South America. These obligations continue until interests in other media-related ventures held by the Hicks Muse shareholders and their affiliates are not attributable to Clear Channel under the rules and regulations of the Federal Communications Commission, any antitrust agency or any other governmental authority.

Except for the Hicks Muse shareholders' obligations to take various actions regarding regulatory approvals, the Shareholders Agreement will terminate on August 30, 2005, upon agreement of the parties to the Shareholders Agreement, or upon a person or group unaffiliated with the Hicks Muse or L. Mays shareholders owning more than 50% of Clear Channel's voting securities, whichever occurs first. Prior to termination, the Shareholders Agreement will continue in effect following any offering in this prospectus and may preserve the control of the present principal shareholders.

TEXAS BUSINESS COMBINATION LAW

Clear Channel is governed by the provisions of the Texas Business Corporation Act. The act imposes a special voting requirement for the approval of specific business combinations and related party transactions between public corporations and affiliated shareholders unless the board of directors of the corporation approves the transaction or the acquisition of shares by the affiliated shareholder prior to the affiliate shareholder becoming an affiliated shareholder. The act prohibits specific mergers, sales of assets, reclassifications and other transactions between shareholders beneficially owning 20% or more of the outstanding stock of a Texas public corporation for a period of three years following the shareholder acquiring shares representing 20% or more of the corporation's voting power unless two-thirds of the unaffiliated shareholders approve the transaction at a meeting held no earlier than six months after the shareholder acquires that ownership. A vote of shareholders is not necessary if the board of directors approves the transaction or approves the purchase of shares by the affiliated shareholder before the affiliated shareholder acquires beneficial ownership of 20% of the shares, or if the affiliated shareholder was an affiliD VALIGN="bottom" WIDTH="7%">

Beneficial Ownership

Beneficial Owner

Number of Shares

Percent of Total

Greater than 5% Stockholders

Isis Pharmaceuticals, Inc.(1)

2855 Gazelle Court
Carlsbad, CA 92010

7,074,500

16.4
%

AstraZeneca AB
SE-431 83 Molndal
Sweden

6,250,000

14.5
%

Alnylam Pharmaceuticals, Inc.
300 Third Street, 3rd Floor
Cambridge, MA 02142

6,150,500

14.2
%

Aventis Holdings, Inc.
c/o Sanofi
54, rue La Boétie
75414 Paris France

5,053,779

11.7
%

Glaxo Group Limited(2)

980 Great West Road Brentford, Middlesex TW8 9GS United Kingdom	3,373,209	7.6 %	
FMR LLC(3) 245 Summer Street Boston, Massachusetts 02210	6,266,598	14.5 %	
Named Executive Officers and Directors			
David Baltimore, Ph.D.(4)	209,372	*	
Bruce L.A. Carter, Ph.D.(5)	21,249		

*			
Mark G. Foletta(6)	11,666	*	
*			
John Maraganore, Ph.D.(7)	6,150,500	14.2 %	
Stelios Papadopoulos, Ph.D.(8)	191,561	*	
B. Lynne Parshall(9)	7,074,500	16.4 %	
William H. Rastetter, Ph.D. (10)	10,000	*	
Douglas Williams, Ph.D. (11)			

14,166

*

Kleanthis G. Xanthopoulos, Ph.D.(12)

1,057,798

2.4
%

Garry E. Menzel, Ph.D.(13)

466,508

1.1
%

Neil W. Gibson, Ph.D.(14)

201,789

*

David L. Szekeres

0

*

All current executive officers and directors as a group (11 persons)(15)

14,942,601

33.4
%

* Less than one percent.

(1) Includes 25,000 shares that Stanley T. Crooke, M.D., Ph.D. has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(2) Includes 1,426,172 shares of our common stock issuable upon the conversion of $5,704,687.99 of outstanding principal plus accrued interest underlying an amended and restated convertible note at a price of $4.00 per share, based on interest accrued through April 8, 2014.

(3) Fidelity Management & Research Company (Fidelity), 245 Summer Street, Boston, Massachusetts 02210, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 4,409,227 shares or 10.554% of our Common Stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 4,409,227 shares owned by the Funds. Fidelity SelectCo, LLC (SelectCo), 1225 17th Street, Suite 1100, Denver, Colorado 80202, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the

Investment Advisers Act of 1940, is the beneficial owner of 1,828,371 shares of our Common Stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940 (the SelectCo Funds). Edward C. Johnson 3d and FMR LLC, through its control of SelectCo, and the SelectCo Funds each has sole power to dispose of the 1,828,371 owned by the SelectCo Funds. The ownership of one investment company, Fidelity Growth Company Fund, amounted to 3,362,181 shares or 8.048% of the Common Stock outstanding. Fidelity Growth Company Fund has its principal business office at 245 Summer Street, Boston, Massachusetts 02210. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds Boards of Trustees. Pyramis Global Advisors Trust Company (PGATC), 900 Salem Street, Smithfield, Rhode Island, 02917, an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Exchange Act, is the beneficial owner of 29,000 shares or 0.069% of our Common Stock as a result of its serving as investment manager of institutional accounts owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole dispositive power over 29,000 shares and sole power to vote or to direct the voting of 29,000 shares of Common Stock owned by the institutional accounts managed by PGATC as set forth above.

(4) Includes 209,372 shares that Dr. Baltimore has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(5) Includes 21,249 shares that Dr. Carter has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(6) Includes 11,666 shares that Mr. Foletta has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(7) Represents 6,150,500 shares held by Alnylam. Dr. Maraganore is an officer and director of Alnylam and therefore may be deemed to have voting or investment power over the shares held by Alnylam. Dr. Maraganore disclaims beneficial ownership over the shares held by Alnylam, except to the extent of his proportionate pecuniary interests therein as a stockholder of Alnylam.

(8) Includes 191,561 shares that Dr. Papadopoulos has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(9) Represents 7,074,500 shares beneficially owned by Isis Pharmaceuticals, Inc. Ms. Parshall is an officer and director of Isis and therefore may be deemed to have voting or investment power over the shares beneficially owned by Isis. Ms. Parshall disclaims beneficial ownership over the shares beneficially owned by Isis, except to the extent of her proportionate pecuniary interests therein as a stockholder of Isis.

(10) Includes 10,000 shares that Dr. Rastetter has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(11) Includes 14,166 shares that Dr. Williams has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(12) Includes 80,216 shares held by The Xanthopoulos Family Trust dated September 30, 2011, of which entity Dr. Xanthopoulos is the sole trustee. Also includes 976,395 shares that Dr. Xanthopoulos has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(13) Consists of 466,508 shares held by the Dr. Menzel and Mary E. Henshall Family Trust dated July 29, 2010, of which trust Dr. Menzel is a trustee. Dr. Menzel resigned in June 2013.

(14) Includes 80,000 shares held by Dr. Gibson and 121,789 shares that Dr. Gibson has the right to acquire from us within 60 days of February 7, 2014 pursuant to the exercise of stock options.

(15) Includes the shares described in notes (4) through (12) and note (14).

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires the Company s directors and executive officers, and persons who own more than ten percent of a registered class of the Company s equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2013, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with; except that one report, covering an aggregate of one transaction, was filed late by Dr. Gibson.

EXECUTIVE COMPENSATION

For the year ended December 31, 2013, our principal executive officer, our one other current executive officer and our one former executive officer (the Named Executive Officers), were:

Kleanthis G. Xanthopoulos, Ph.D., our President and Chief Executive Officer;

Neil W. Gibson, Ph.D., our Chief Scientific Officer; and

Garry E. Menzel, Ph.D., our former Chief Operating Officer and Executive Vice President, Finance. Dr. Menzel resigned on June 21, 2013.

SUMMARY COMPENSATION TABLE

The following table shows for the fiscal years ended December 31, 2013 and December 31, 2012, compensation awarded to, paid to, or earned by, the Named Executive Officers.

SUMMARY COMPENSATION TABLE FOR FISCAL 2013 AND 2012

Name and Principal Position	Year	Salary ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Kleanthis G. Xanthopoulos, Ph.D., President and Chief Executive Officer	2013	600,000	1,676,823	360,000	4,540	2,641,363
	2012	515,500	648,387	348,478	4,368	1,517,003
Neil W. Gibson, Ph.D., Chief Scientific Officer	2013	350,000	762,195	110,250	4,832	1,227,277
	2012	332,153	481,351	107,950	3,986	927,183
Garry E. Menzel, Ph.D., Former Chief Operating Officer and Executive Vice President, Finance(4)	2013	167,708				167,708
	2012	327,659	430,002	140,566	5,488	903,715

(1) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the option awards granted during 2013 and 2012, as applicable, computed in accordance with Financial Accounting Standard Board ASC Topic 718 for stock-based compensation transactions, or ASC 718. Assumptions used in the calculation of these amounts are included in Note 10 to the Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. These amounts do not reflect the actual economic value

that will be realized by the Named Executive Officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options.

(2) Amounts shown represent performance bonuses earned for 2013 and 2012, which were each paid in a cash lump sum in the first quarter of 2014 and 2013, respectively.

(3) Amounts shown represent term life insurance, long-term disability insurance paid by us on behalf of the Named Executive Officers and matching contributions we paid under the terms of our 401(k) plan. All of these benefits are provided to the Named Executive Officers on the same terms as provided to all of our regular full-time employees in the United States. For more information regarding these benefits, see below under Perquisites, Health, Welfare and Retirement Benefits.

(4) Dr. Menzel resigned on June 21, 2013.

Annual Base Salary

The compensation of our Named Executive Officers is generally determined and approved by our Compensation Committee, who recommends their decisions to our Board of Directors. Our Board of Directors, without members of management present, ultimately ratifies and approves all compensation decisions. Our Compensation Committee approved the following 2013 base salaries for our Named Executive Officers, which became effective on January 1, 2013.

Name	2013 base salary
Kleanthis G. Xanthopoulos, Ph.D.	$ 600,000
Neil W. Gibson, Ph.D.	350,000
Garry E. Menzel, Ph.D.	350,000

Annual Performance-Based Bonus Opportunity

In addition to base salaries, our Named Executive Officers are eligible to receive annual performance-based cash bonuses, which are designed to provide appropriate incentives to our executives to achieve defined annual corporate goals and to reward our executives for individual achievement towards these goals.

The annual performance-based bonus each Named Executive Officer is eligible to receive is based on (1) the individual s target bonus, as a percentage of base salary, (2) a company-based performance factor, or CPF, and (3) an individual performance factor, or IPF. The actual performance-based bonus paid, if any, is calculated by taking into consideration the executive s annual base salary, target bonus percentage, percentage attainment of the CPF and percentage attainment of the IPF. There is no designated proportion of the bonus attributed to the CPF and the IPF and there is no maximum bonus percentage or amount established for the Named Executive Officers and, as a result, the bonus amounts vary from year to year based on corporate and individual performance. At the end of the year, our Compensation Committee approves the extent to which we achieved the CPF. The extent to which each individual executive achieves his or her IPF is determined based on our Chief Executive Officer s and management s review and recommendation to our Compensation Committee, except the Chief Executive Officer s and our executives do not make recommendations with respect to their own achievement, and our Compensation Committee makes the final decisions with respect to each IPF. Additionally, our Compensation Committee has the discretion to determine the weighting of each of the goals that comprise the CPF and IPF. Our Compensation Committee may award a bonus in an amount above or below the amount resulting from the calculation described above, based on other factors that our Compensation Committee determines, in its sole discretion, are material to our corporate performance and provide appropriate incentives to our executives, for example based on events or circumstances that arise after the original CPF and IPF goals are set. Our Compensation Committee did not exercise this discretion in awarding the bonuses in 2013.

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Pursuant to their employment agreements or offer letters, each Named Executive Officer is eligible to receive a target bonus represented as a percentage of base salary, or a target bonus percentage, which is subject to modification from time to time. Each Named Executive Officer s target bonus percentage for 2013 is set forth below:

Name	Target bonus (%)
Kleanthis G. Xanthopoulos, Ph.D.	60
Neil W. Gibson, Ph.D.	30[(1)]
Garry E. Menzel, Ph.D.	30

(1) Commencing in 2014, the target bonus percentage for Dr. Gibson was increased to 35%.

The CPF and IPF goals are determined by our Compensation Committee and communicated to our Named Executive Officers each year, prior to or shortly following the beginning of the year to which they relate. The CPF is composed of several goals that relate to our annual corporate goals and various business accomplishments which vary from time to time depending on our overall strategic objectives, but relate generally to achievement of discovery, clinical, regulatory and manufacturing milestones for clinical development candidates, financial factors such as raising or preserving capital and performance against our operating budget and business development goals related to *micro*RNA therapeutics. The IPF is composed of factors that relate to each Named Executive Officer s ability to drive his or her own performance and the performance of his or her direct employee reports towards reaching our corporate goals. The proportional emphasis placed on each goal within the CPF and IPF may vary from time to time depending on our overall strategic objectives and our Compensation Committee s subjective determination of which goals have more impact on our performance.

For 2013, the CPF overall goals were (1) selecting a clinical candidate, (2) positioning the Company to file two regulatory filings to commence clinical trials and (3) completing the year with at least $105.9 million in cash. The IPF goals varied by individual and included maintaining a leading position in *micro*RNA research, accelerating efforts in *micro*RNA therapeutic development, supporting our growth with additional capital, licenses and brand recognition, fostering a culture of value and creating and building good processes and policies. Our Chief Executive Officer s IPF goals are tied more closely with our CPF goals, as our Chief Executive Officer has a direct impact on our corporate performance.

During 2013, we achieved our CPF goals in full as we selected our clinical candidate, positioned the Company for the filings of two regulatory filings and concluded the year with at least $105.9 million in cash. In November 2013, our Compensation Committee approved a CPF achievement of 100% which our Compensation Committee believed was appropriate because we had achieved (or were then on track to achieve with respect to our year-end cash goal) our objectives relating to all of our CPF goals. Based on Dr. Xanthopoulos review and recommendation with respect to Dr. Gibson, human resources recommendations with respect to Dr. Xanthopoulos and Dr. Gibson, and our Compensation Committee s deliberations with respect to Dr. Xanthopoulos and Dr. Gibson s individual performance against the IPF, our Compensation Committee and Board of Directors approved performance-based bonus amounts of $360,000 for Dr. Xanthopoulos , in recognition of his ability to lead and develop the organization towards the goal of nominating our clinical candidate, positioning the Company for two regulatory filings in 2014 and completing the year as budgeted. Our Compensation Committee approved a performance-based bonus for Dr. Gibson in the amount of $110,250, which reflected his ability to complete preclinical studies that permitted the nomination of a clinical candidate, position the company for two clinical programs, continue the progress made on our preclinical programs, continue efforts to achieve our collaborators research goals, thereby strengthening these relationships and driving us toward our key strategic goal of achieving proof of concept on RG-101 and nominate additional clinical candidates.

Dr. Menzel did not receive a performance-based bonus for 2013 because he resigned in June 2013.

Long-Term Incentive Compensation

Our long-term, equity-based incentive awards are designed to align the interests of our Named Executive Officers and our other employees, non-employee directors and consultants with the interests of our stockholders.

Because vesting is based on continued service, our equity-based incentives also encourage the retention of our Named Executive Officers through the vesting period of the awards.

We use stock options as the primary incentive for long-term compensation to our Named Executive Officers because they are able to profit from stock options only if our stock price increases relative to the stock option s exercise price. We generally provide initial grants in connection with the commencement of employment of our Named Executive Officers and annual retention grants at or shortly following the end of each year.

Prior to 2012, we have granted all stock options pursuant to our 2009 Equity Incentive Plan (the 2009 Plan), the terms of which are described below under Equity Compensation Plans and Other Benefit Plans 2009 Equity Incentive Plan. All options granted under the 2009 Plan were granted at no less than the fair market value of our common stock on the date of grant of each award. Beginning in October 2012, all stock options are granted pursuant to our 2012 Equity Incentive Plan (the 2012 Plan), the terms of which are described below under Equity Compensation Plans and Other Benefits Plans 2012 Equity Incentive Plan. All options granted under the 2012 Plan are granted at the fair market value of our common stock on the date of grant.

All of our stock option grants typically vest over a four-year period and may be granted with an early exercise feature allowing the holder to exercise and receive unvested shares of our stock, so that the employee may exercise and have a greater opportunity for gains on the shares to be taxed at long-term capital gains rates rather than ordinary income rates. Beginning in late 2013, our Compensation Committee decided to grant options that vest based on our achievement of specific company goals, which we believe further aligns our Named Executive Officer s interests with our company goals and the interests of our stockholders. In addition, our Compensation Committee has approved certain grants of options to our Named Executive Officers containing accelerated vesting provisions upon an involuntary termination (both termination without cause and resignation for good reason) as well as upon certain material change in control transactions. Our Compensation Committee believes these accelerated vesting provisions reflect current market practices, based on the collective knowledge and experiences of our Compensation Committee members (and without reference to specific peer group data), and allow us to attract and retain highly qualified executive officers. In addition, we believe these accelerated vesting provisions will allow our Named Executive Officers to focus on closing a transaction that may be in the best interest of our stockholders even though the transaction may otherwise result in a termination of their employment and, absent such accelerated vesting, a forfeiture of their unvested equity awards. Additional information regarding accelerated vesting provisions for our Named Executive Officers is discussed below under Employment Agreements with Executive Officers.

On December 12, 2013, our Compensation Committee awarded annual retention grants to Dr. Xanthopoulos in the form of an option to purchase 220,000 shares of common stock and to Dr. Gibson in the form of an option to purchase 100,000 shares of common stock each of which has an exercise price of $6.13 per share. The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2015 and 1/48th of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.

In addition, our Compensation Committee granted performance-based stock option awards in the amount of 220,000 shares of common stock to Dr. Xanthopoulos and 100,000 shares to Dr. Gibson. The performance-based grants will commence vesting only upon achievement of three specified future corporate goals. The three goals relate to achievement of specified outcomes concerning our current and future clinical development plans and must be achieved by December 31, 2017. A designated portion of the shares subject to each option are attributable to each goal. Determination of achievement of each goal will be determined by our Compensation Committee and upon such determination, 50% of the shares attributable to such goal will vest and the remaining shares attributable to the goal shall vest in equal installments on a monthly basis thereafter such that all shares shall be vested within two years of the achievement of the goal, provided that the option holder continues to provide services to us through such dates.

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Health and Welfare Benefits

Our Named Executive Officers are eligible to participate in all of our employee benefit plans, including our medical, dental, vision, group life and disability insurance plans, in each case on the same basis as other employees. We provide 401(k) matching contributions as discussed in the section below entitled Equity Compensation Plans and Other Benefit Plans 401(k) Plan.

We do not provide perquisites or personal benefits to our Named Executive Officers. We do, however, pay the premiums for term life insurance and long-term disability for all of our employees, including our Named Executive Officers. None of our Named Executive Officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

Outstanding Equity Awards at Fiscal Year End.

The following table shows for the fiscal year ended December 31, 2013, certain information regarding outstanding equity awards at fiscal year end for the Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2013

		Option Awards(1)(2)				
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
Kleanthis G. Xanthopoulos, Ph.D.	02/09/2009[3]	667,783			$ 0.38	02/09/2019
	01/01/2010[4]	134,635	2,865		$ 0.38	01/01/2020
	01/03/2011[5]	54,687	20,313		$ 1.74	01/03/2021
	02/09/2012[7]	59,894	65,106		$ 2.66	02/09/2022
	12/11/2012[8]		150,000		$ 4.44	12/11/2022
	12/12/2013[9]		220,000		$ 6.13	12/12/2023
	12/12/2013[10]			220,000	$ 6.13	12/12/2023
Neil W. Gibson, Ph.D.	04/18/2011[6]	58,333	129,167		$ 1.74	04/18/2021
	05/31/2012[7]	17,855	19,420		$ 2.66	02/09/2022
	12/11/2012[8]		112,500		$ 4.44	12/11/2022
	12/12/2013[9]		100,000		$ 6.13	12/12/2023
	12/12/2013[10]			100,000	$ 6.13	12/12/2023
Garry E. Menzel, Ph.D. [11]						

(1) All of the options granted prior to October 4, 2012 were granted under the 2009 Plan and were granted with a per share exercise price equal to the fair market value of one share of our common stock on the date of grant, as determined in good faith by our board of directors with the assistance of a third-party valuation expert. All of the options granted on or after October 4, 2012 were granted under the 2012 Plan and were granted with a per share exercise price equal to the fair market value of our common stock on the date of grant. The terms of the 2009 Plan and the 2012 Plan are described below under Equity Compensation Plans and Other Benefit Plans.

(2) The vesting of the options accelerates upon a change in control or upon the termination of employment of the named executive officer by us without cause or by the officer for good reason, as described below under Employment Agreements with Named Executive Officers.

(3) The options are exercisable in full as of the grant date and vest at the rate of 25% of the total number of shares subject to the option on January 1, 2010 and 1/48th of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.

(4) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2011 and 1/48th of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.

(5) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2012 and 1/48th of the total number of shares subject to the option on the first of each month thereafter, provided that the option holder continues to provide services to us through such dates.

(6) The options vest at the rate of 25% of the total number of shares subject to the option on April 18, 2012 and 1/48th of the total number of shares subject to the option on the 18th day of each month thereafter, provided that the option holder continues to provide services to us through such dates.

(7) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2013 and 1/48th of the total number of shares subject to the option on the first day of each month thereafter, provided that the option holder continues to provide services to us through such dates.

(8) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2014 and 1/48th of the total number of shares subject to the option on the first day of each month thereafter, provided that the option holder continues to provide services to us through such dates.

(9) The options vest at the rate of 25% of the total number of shares subject to the option on January 1, 2015 and 1/48th of the total number of shares subject to the option on the first day of each month thereafter, provided that the option holder continues to provide services to us through such dates.

(10) The option is subject to vesting based on achievement of three designated performance goals relating to achievement of specified outcomes concerning our current and future clinical development plans. Upon achievement of a goal, 50% of the shares attributable to such goal vests and thereafter the remaining shares attributable to the goal vest in equal installments on a monthly basis thereafter such that all such shares are fully vested within two years of the vesting commencement date, provided that the option holder continues to provide services to us through such dates. The terms of the performance-based awards are further described above under Long Term Compensation .

(11) Dr. Menzel resigned on June 21, 2013. In accordance with the terms of his options, all options that had not vested as of his resignation were automatically cancelled and returned to the 2012 Plan, and all unexercised options that remained outstanding three months following his resignation were forfeited and returned to the 2012 Plan. Dr. Menzel purchased an aggregate of 354,666 shares upon exercise of stock options during 2013.

We did not engage in any repricings or other modifications or cancellations to any of our Named Executive Officers outstanding equity awards during 2013.

Employment Agreements with Named Executive Officers

All of our Named Executive Officers have employment agreements with us that provide that their employment is at will and may be terminated at any time by the executive or by us with or without cause and without notice. The employment agreements provide for certain base salary, target bonus and severance payments to our Named Executive Officers as follows:

Employment agreement with Dr. Xanthopoulos. In June 2012 we entered into an amended and restated employment agreement with Dr. Xanthopoulos, which replaced and superseded his previous employment agreement from 2008. Pursuant to his amended and restated employment agreement, Dr. Xanthopoulos was paid an initial annual base salary of $515,500 and was eligible to receive an annual performance bonus based on a target amount of 40% of his annual base salary. Dr. Xanthopoulos base salary and target bonus percentage are subject to modification from time to time at the discretion of the Board of Directors. For 2013, Dr. Xanthopoulos annual base salary and target bonus percentage were $600,000 and 60%, respectively.

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If we terminate Dr. Xanthopoulos employment without cause (other than due to his death or complete disability) or if Dr. Xanthopoulos resigns for good reason at any time other than during the one month prior to a change in control and the 12 months following a change in control, we are obligated to pay Dr. Xanthopoulos, subject to receiving an effective release and waiver of claims from him, (1) a severance payment equal to 18 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) continued health benefits at our cost for 18 months and (3) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination. Half of the total amount of the severance payment described in (1) above will be paid in a lump sum payment upon termination and half of the total amount of the severance payment will be paid in equal installments over a 12-month period following Dr. Xanthopoulos termination of employment.

If we terminate Dr. Xanthopoulos employment without cause (other than due to his death or complete disability) or if Dr. Xanthopoulos resigns for good reason, in each case within one month prior to or within 12 months following a change in control, in lieu of the severance payments described above, we are obligated to pay Dr. Xanthopoulos, subject to receiving an effective release and waiver of claims from him, (1) a lump sum severance payment equal to 24 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) a lump sum payment equal to two times the target amount of Dr. Xanthopoulos annual performance bonus payable for the year of termination, (3) continued health benefits at our cost for 18 months and (4) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination.

Employment agreement with Dr. Gibson. In June 2012 we entered into an employment agreement with Dr. Gibson, which replaced and superseded his previous offer letter agreement from 2011. Pursuant to his employment agreement, Dr. Gibson is paid an annual base salary of $350,000 and in 2013 was eligible to receive an annual performance bonus based on a target amount of 30% of his annual base salary. Dr. Gibson s annual base salary and target bonus percentage are subject to modification from time to time at the discretion of the Board of Directors.

If we terminate Dr. Gibson s employment without cause (other than due to his death or complete disability) or if Dr. Gibson resigns for good reason at any time other than during the one month prior to a change in control and the 12 months following a change in control, we are obligated to pay Dr. Gibson, subject to receiving an effective release and waiver of claims from him, (1) a lump sum severance payment equal to 12 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) continued health benefits at our cost for 12 months and (3) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination.

If we terminate Dr. Gibson s employment without cause (other than due to his death or complete disability) or if Dr. Gibson resigns for good reason, in each case within one month prior to or within 12 months following a change in control, in lieu of the severance payment described above, we are obligated to pay Dr. Gibson, subject to receiving an effective release and waiver of claims from him (1) a lump sum severance payment equal to 12 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) a lump sum payment equal to the target amount of Dr. Gibson s annual performance bonus payable for the year of termination, (3) continued health benefits at our cost for 12 months and (4) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination.

Employment agreement with Dr. Menzel. In June 2012 we entered into an amended and restated employment agreement with Dr. Menzel, which replaced and superseded his previous employment agreement from 2008. Pursuant to his amended and restated employment agreement, Dr. Menzel was paid an initial annual base salary of $327,659 and was eligible to receive an annual performance bonus based on a target amount of 30% of his annual base salary. For 2013, Dr. Menzel s annual base salary was $350,000, paid on a prorated basis for the portion of the year he was employed by us. The amended and restated agreement provided for severance benefits similar to those described above for Dr. Gibson, except that the agreement provided that if we terminated Dr. Menzel s employment without cause (other than due to his death or complete disability) or if

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Dr. Menzel resigned for good reason, in each case within one month prior to or within 12 months following a change in control, we were obligated to pay Dr. Menzel, subject to receiving an effective release and waiver of claims from him (1) a lump sum severance payment equal to 18 months of base salary in effect at the time of termination (ignoring any decrease that forms the basis for a resignation for good reason), (2) a lump sum payment equal to two times the target amount of Dr. Menzel s annual performance bonus payable for the year of termination, (3) continued health benefits at our cost for 12 months and (4) vesting acceleration of all outstanding options or other equity incentive awards, as of such termination. Dr. Menzel s employment agreement with us terminated on June 21, 2013 when he resigned his employment and Dr. Menzel was not entitled to or paid any severance or other benefits in connection with his resignation.

None of the Named Executive Officers employment agreements provide for the gross up of any excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the Code). If any of the payments under the employment agreements would constitute a parachute payment within the meaning of Section 280G of the Code, subject to the excise tax imposed by Section 4999 of the Code, the employment agreements provide for a best-after tax analysis with respect to such payments, under which the executive will receive whichever of the following two alternative forms of payment would result in the executive s receipt, on an after-tax basis, of the greater amount of the transaction payment notwithstanding that all or some portion of the transaction payment may be subject to the excise tax: (i) payment in full of the entire amount of the transaction payment, or (ii) payment of only a part of the transaction payment so that the executive receives the largest payment possible without the imposition of the excise tax.

For purposes of the employment agreements, cause generally means an executive officer s: (i) commission of any felony or crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) attempted commission of, or participation in, a fraud or act of dishonesty against us; (iii) intentional, material violation of any contract or agreement between the executive officer and us or of any statutory duty owed to us; (iv) unauthorized use or disclosure of our confidential information or trade secrets; or (v) gross misconduct.

For purposes of the employment agreements, good reason means voluntary resignation of employment with us within 90 days of the occurrence of one or more of the following undertaken by us without such executive officer s consent, after we fail to remedy the condition within a 30-day cure period (i) our material breach of the employment agreement; (ii) a material reduction of the executive s base salary; (ii) a material reduction of the executive s authority, duties or responsibilities; or (iii) a relocation of the facility that is the executive s principal place of business to a location that requires an increase in the executive s one-way driving distance by more than 35 miles.

For purposes of the employment agreements, change in control generally means one or more of the following events (i) the acquisition of more than 50% of our combined voting power other than by Alnylam or Isis; (ii) a consummation of a merger, consolidation or similar transaction in which our stockholders cease to own outstanding voting securities representing more than 50% of the voting power of the parent or the surviving entity immediately following the merger; or (iii) a consummated sale, lease, exclusive license or other disposition of all or substantially all of our consolidated assets (other than to an entity of which more than 50% of the voting power is owned immediately following such disposition by our stockholders).

Compensation Recovery Policies

The Board of Directors and the Compensation Committee have not determined whether they would attempt to recover bonuses from our executive officers if the performance objectives that led to the bonus determination were to be restated, or found not to have been met to the extent originally believed by the Board of Directors or the Compensation Committee. However, as a public company subject to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, if we are required as a result of misconduct to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, our Chief

Executive Officer may be legally required to reimburse us for any bonus or other incentive-based or

equity-based compensation they receive. In addition, we will comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and will adopt a compensation recovery policy once final regulations on the subject have been adopted.

Equity Compensation Plans and Other Benefits Plans

2009 Equity Incentive Plan.

Our Board of Directors adopted and our stockholders approved the 2009 Plan in January 2009 for eligible employees, directors and consultants. The terms of the stock option agreements, including vesting requirements, were determined by our Board of Directors, subject to the provisions of the 2009 Plan. Options granted under the 2009 Plan generally vest over four years and are exercisable after they have been granted and up to ten years from the date of grant. The exercise price of the incentive stock options must equal at least 100% of the fair market value of our common stock on the date of grant. Following our initial public offering in October 2012, no additional awards have been or will be granted under the 2009 Plan, and all awards granted under the 2009 Plan that are repurchased, forfeited, expire or are cancelled become available for grant under the 2012 Plan in accordance with its terms. However, all stock options granted under the 2009 Plan prior to the initial public offering continue to be governed by the terms of the 2009 Plan.

2012 Equity Incentive Plan.

The 2012 Plan, which became effective in connection with our initial public offering in October 2012, provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Code, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation, or collectively, stock awards, all of which may be granted to employees, including officers, and to non-employee directors and consultants. Additionally, the 2012 Plan provides for the grant of performance cash awards. ISOs may be granted only to employees, subject to certain limitations. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Our Board of Directors, or a duly authorized committee thereof, has the authority to administer the 2012 Plan. Our Board of Directors has delegated its authority to administer the 2012 Plan to our Compensation Committee under the terms of our Compensation Committee s charter. Our Board of Directors may also delegate certain authority to one or more of our officers. Our Board of Directors or its authorized committee is referred to herein as the plan administrator.

Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2012 Plan was the sum of (i) 1,500,000 shares, plus (ii) the 731,781 shares reserved for issuance under our 2009 Plan at the time our 2012 Plan became effective, plus (iii) any shares subject to stock options or other stock awards granted under our 2009 Plan that would have otherwise returned to our 2009 Plan (such as upon the expiration or termination of a stock award prior to vesting). Additionally, the number of shares of our common stock reserved for issuance under our 2012 Plan automatically increases on January 1 of each calendar year, beginning on January 1, 2013 and continuing through and including January 1, 2022, by 4% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our Board of Directors. The maximum number of shares that may be issued upon the exercise of ISOs under our 2012 Plan is 3,000,000 shares. The exercise price for an incentive stock option or a non-qualified stock option cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted typically vest over a four-year period and the term can be up to ten years. As of December 31, 2013, there were 710,534 shares available for future grants under the 2012 Plan. On January 1, 2014, pursuant to the terms of the 2012 Plan, the number of shares available for issuance under the 2012 Plan automatically increased by 1,671,493 shares.

Stock options are generally granted with an exercise price equal to the fair market value of our common stock on the date of grant, vest at the rate specified by the plan administrator and may have a term up to a maximum of 10 years.

Unless the terms of an optionee s stock option agreement provides otherwise, if an

optionee s service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the optionee may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionee s service relationship with us, or any of our affiliates, ceases due to disability or death, or an optionee dies within a certain period following cessation of service, the optionee or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately upon the termination of the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionee may designate a beneficiary, however, who may exercise the option following the optionee s death.

Corporate transactions. In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our Board of Directors may deem appropriate; or
- make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award over (b) the exercise price otherwise payable in connection with the stock award.

Under the 2012 Plan, a corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 50% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change in control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us, that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change in control. For example, a stock award may provide for accelerated vesting

upon the participant s termination without cause or resignation for good reason in connection with a change in control. In the absence of such a provision, no such acceleration of the stock award will occur. Under the 2012 Plan, a change in control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity; or (iii) a consummated sale, lease or exclusive license or other disposition of all or substantially of our consolidated assets.

2012 Employee Stock Purchase Plan.

Additional long-term equity incentives are provided through the 2012 Employee Stock Purchase Plan (the ESPP), which became effective in connection with our initial public offering in October 2012. The ESPP is

intended to qualify as an employee stock purchase plan within the meaning of section 423 of the Code. Our Board of Directors has delegated its authority to administer the ESPP to our Compensation Committee. Under the ESPP, all of our regular employees (including our Named Executive Officers) may participate and may contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of our common stock. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, we may specify offerings with a duration of not more than six months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which our common stock will be purchased for employees participating in the offering. Unless otherwise determined by our Compensation Committee, shares are purchased for accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of the fair market value of our common stock on the first date of an offering or (b) 85% of the fair market value of our common stock on the date of purchase. As of December 31, 2013, there were 460,283 shares available for future issuance under the ESPP. On January 1, 2014, pursuant to the terms of the ESPP, the number of shares available for issuance under the ESPP automatically increased by 417,873 shares.

401(k) Plan

All of our full-time employees in the United States, including our Named Executive Officers, are eligible to participate in our 401(k) plan, which is a retirement savings defined contribution plan established in accordance with Section 401(a) of the Code. Pursuant to our 401(k) plan, employees may elect to defer their eligible compensation into the plan on a pre-tax basis, up to the statutorily prescribed annual limit of $17,500 in 2013 (additional salary deferrals not to exceed $5,500 are available to those employees 50 years of age or older) and to have the amount of this reduction contributed to our 401(k) plan. We provide a $0.25 match for every dollar our employees elect to defer up to 6% of their eligible compensation. In general, eligible compensation for purposes of the 401(k) plan includes an employee s wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with us to the extent the amounts are includible in gross income, and subject to certain adjustments and exclusions required under the Code. The 401(k) plan currently does not offer the ability to invest in our securities.

Potential Payments Upon Termination or Change in Control

Each of our Named Executive Officers are eligible to receive severance and change in control benefits under the terms of their employment agreements described above under Employment Agreements with Named Executive Officers. Additionally, stock options granted to our Named Executive Officers are subject to the change in control provisions set forth in the 2009 Plan and the 2012 Plan, as applicable and as further described above under Equity Compensation Plans and Other Benefit Plans.

Equity Compensation Plan Information

The following table provides information as of December 31, 2013, with respect to shares of our common stock that may be issued under our existing equity compensation plans:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrant, and rights	(b) Weighted-average exercise price of outstanding options, warrant, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders:			
2009 Equity Incentive Plan	2,486,469(1)	$ 1.11	
2012 Equity Incentive Plan	3,111,737(1)	$ 5.74	710,534
2012 Employee Stock Purchase Plan			460,283
Equity compensation plans not approved by stockholders:			
None			

(1) All shares issuable upon exercise of options.

DIRECTOR COMPENSATION

The following table shows for the fiscal year ended December 31, 2013 certain information with respect to the compensation of all non-employee directors of the Company:

DIRECTOR COMPENSATION FOR FISCAL 2013

Name	Fees Earned or Paid in ($)	Option Awards	All Other Compensation ($)(2)	Total ($)

	Cash ($)	($)[1]		
David Baltimore, Ph.D.	37,224	99,478[2]	28,422[8]	162,400
Bruce L.A. Carter, Ph.D.	43,372	99,478[3]		141,478
Mark Foletta	36,071	205,527[4]		239,545
John Maraganore, Ph.D.				
Stelios Papadopoulos, Ph.D.	49,458	99,478[5]		148,936
B. Lynne Parshall				
William H. Rastetter, Ph.D.	27,234	236,952[6]		262,827
Douglas Williams, Ph.D.	32,000	99,478[7]		131,478

(1) Amounts listed represent the aggregate grant date fair value amount computed as of the grant date of each option awarded during 2013 in accordance with ASC 718. Assumptions used in the calculation of these amounts are included in Note 10 to the Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Our directors will only realize

compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Our directors will only realize compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options.

(2) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Baltimore on June 10, 2013 under our director compensation policy. As of December 31, 2013, an aggregate of 225,000 shares were outstanding under all options to purchase our common stock held by Dr. Baltimore.

(3) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Carter on June 10, 2013 under our director compensation policy. As of December 31, 2013, an aggregate of 62,000 shares were outstanding under all options to purchase our common stock held by Dr. Carter.

(4) Represents options to purchase an aggregate of 47,500 shares of our common stock granted to Mr. Foletta under our director compensation policy, consisting of his initial option grant to purchase 30,000 shares granted to Mr. Foletta on January 30, 2013 and his annual option grant to purchase 17,500 shares of our common stock granted to Mr. Foletta on June 10, 2013. As of December 31, 2013, an aggregate of 47,500 shares were outstanding under all options to purchase our common stock held by Mr. Foletta.

(5) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Papadopoulos on June 10, 2013 under our director compensation policy. As of December 31, 2013, an aggregate of 220,000 shares were outstanding under all options to purchase our common stock held by Dr. Papadopoulos.

(6) Represents options to purchase an aggregate of 47,500 shares of our common stock granted to Dr. Rastetter under our director compensation policy, consisting of his initial option grant to purchase 30,000 granted to Dr. Rastetter on April 1, 2013 and his annual option grant to purchase 17,500 shares of our common stock granted to Dr. Rastetter on June 10, 2013. As of December 31, 2013, an aggregate of 47,500 shares were outstanding under all options to purchase our common stock held by Dr. Rastetter.

(7) Represents the annual option grant to purchase 17,500 shares of our common stock granted to Dr. Williams under our director compensation policy on June 10, 2013. As of December 31, 2013, an aggregate of 47,500 shares were outstanding under all options to purchase our common stock held by Dr. Williams.

(8) Represents the aggregate grant date fair value amount under ASC 718 of an option to purchase 5,000 shares of our common stock granted to Dr. Baltimore on June 10, 2013 for service as a member of our scientific advisory board. The shares subject to this award vest at the rate of 25% of the original number of shares on the first anniversary of the June 10, 2013 vesting commencement date and 1/48th of the original number of shares on each monthly anniversary thereafter, provided that Dr. Baltimore continues to provide services to us through such dates.

Directors who are also employees do not receive cash or equity compensation for service on our Board of Directors in addition to the compensation payable for their service as our employees. In addition, our non-employee directors who are affiliated with our founding stockholders, Alnylam and Isis, do not receive cash or equity compensation for service on our Board of Directors.

We have a non-employee director compensation policy, or our director compensation policy, that became effective following our initial public offering. Under our director compensation policy, our Compensation Committee determines individual non-employee members of our Board of Directors who will be eligible to receive compensation and who we refer to as our Eligible Directors. For 2013, our Compensation Committee determined that our Eligible Directors would be non-employee members of our Board of Directors who were not beneficial owners of five percent or more of our stock. Accordingly, during 2013, the Eligible Directors that received cash and/or equity compensation under the director compensation policy in 2013 were Dr. Baltimore, Dr. Carter, Mr. Foletta, Dr. Papadopoulos, Dr. Rastetter and Dr. Williams.

Pursuant to our director compensation policy, we provide cash compensation in the form of an annual retainer of $32,000 to each of our Eligible Directors. We also pay an additional annual retainer of $10,000 to the Chairman of our Audit Committee, $5,000 to other independent Eligible Directors who serve on our Audit Committee, $10,000 to the chair of our Compensation Committee, $5,000 to other independent Eligible Directors

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who serve on our Compensation Committee, $7,500 to the chair of our Nominating and Corporate Governance Committee and $2,500 to other independent Eligible Directors who serve on our Nominating and Corporate Governance Committee. We have reimbursed and will continue to reimburse our non-employee directors for travel, lodging and other reasonable expenses incurred in attending meetings of our Board of Directors and committees of our Board of Directors.

In December of 2013, our Compensation Committee recommended, and our Board of Directors approved, an increase in some components of the annual compensation paid to Eligible Directors commencing in 2014. Under the revised policy, we will provide cash compensation in the form of an annual retainer of $32,000 to each of our Eligible Directors and $60,000 to our Chairman of the Board. The additional annual retainer to the Chairman of the Audit Committee was also increased to $20,000. All other compensation remain unchanged as set forth above.

Each Eligible Director who is first elected to our Board of Directors is granted an option to purchase 30,000 shares of the Company s common stock on the date of his or her initial election to our Board of Directors. In addition, on the date of each annual meeting of the Company s stockholders, each Eligible Director is eligible to receive an option to purchase 17,500 shares of common stock. Such initial and annual options will have an exercise price per share equal to the fair market value of the common stock on the date of grant.

Each initial option and annual option granted to such Eligible Directors described above will vest and become exercisable with respect to one-third of the shares subject to the option on the one year anniversary of the date of grant and the balance of the shares will vest and become exercisable in a series of 24 equal monthly installments thereafter, such that the option is fully vested on the third anniversary of the date of grant, subject to the Eligible Director continuing to provide services to us through such dates. The term of each option granted to an Eligible Director is 10 years. The options are granted under our 2012 Plan, the terms of which are described in more detail above under Equity Compensation Plans and Other Benefit Plans 2012 Equity Incentive Plan.

TRANSACTIONS WITH RELATED PERSONS

We describe below transactions and series of similar transactions, since January 1, 2013, with respect to which we were a party, will be a party, or otherwise benefited, in which:

- the amounts involved exceeded or will exceed $120,000; and
- a director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

We also describe below certain other transactions with our directors, executive officers and stockholders. We believe that the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm s-length transactions.

Alliance and Collaboration Agreements

Biogen Idec

In August 2012, we entered into a collaboration and license agreement with Biogen Idec, of which company Doug Williams, Ph.D., is the Executive Vice President of Research and Development. Dr. Williams was appointed to our Board of Directors in November 2012. Pursuant to the terms of the collaboration and license agreement, we received

an upfront payment of $750,000 and a subsequent research milestone payment of $250,000 from Biogen Idec, and are eligible to receive additional research milestone payments of up to an aggregate of approximately $1.1 million. In June 2013, we and Biogen Idec amended the collaboration agreement to update the research plan and criteria. Dr. Williams has an indirect interest in these transactions as a result of his stock ownership in Biogen Idec. Dr. Williams beneficial stock ownership in Biogen Idec is disclosed from time to time in Biogen Idec s public filings with the SEC.

Sanofi

In February 2014, we amended and restated our 2012 amended and restated license and collaboration agreement with Sanofi, a greater than 5% stockholder of the Company, extending our strategic alliance with Sanofi. Sanofi concurrently made a $10.0 million investment in our common stock at a purchase price of $7.67 per share, representing the average of the daily volume weighted average price per share of our common stock during the 30 trading days ending on the date immediately preceding the date of the investment. Under the terms of the restated agreement, we have agreed to collaborate with Sanofi to develop and commercialize licensed compounds targeting four *micro*RNA alliance targets initially focused in the field of fibrosis and have granted Sanofi an exclusive license to develop and commercialize products under the alliance. Under the terms of our extended alliance, Sanofi has opt-in rights to our miR-21 preclinical fibrosis program targeting miR-21 for the treatment of Alport Syndrome, our preclinical program targeting miR-21 for oncology indications, and our preclinical programs targeting miR-221/222 for oncology indications, each of which is to be led by us. If Sanofi chooses to exercise its option on any of these programs, Sanofi will reimburse us for a significant portion of our preclinical and clinical development costs and will also pay us an option exercise fee for any such program, provided that $1.25 million of the $2.5 million upfront option fee paid to us by Sanofi in connection with the June 2013 option agreement will be creditable against such option exercise fee. In addition, we are eligible to receive clinical and regulatory milestone payments under these programs and potentially commercial milestone payments. We also continue to be eligible to receive royalties on microRNA therapeutic products commercialized by Sanofi or will have the right to co-promote these products.

Isis Pharmaceuticals, Inc. and Alnylam Pharmaceuticals, Inc.

In October 2011, we amended our amended our amended and restated license and collaboration agreement with Alnylam and Isis which are each greater than 5% stockholders of the Company. In addition, B. Lynne Parshall, one of our directors, is an executive officer of Isis and John M. Maraganore, Ph.D., one of our directors, is a director and an executive officer of Alnylam. Under the agreement, we acquired an exclusive, royalty-bearing, worldwide license, with rights to sublicense, to patent rights owned or licensed by Alnylam and Isis to develop, manufacture and commercialize products covered by the licensed patent rights for use in *micro*RNA compounds which are *micro*RNA antagonists and *micro*RNA therapeutics containing these compounds. In addition, we have certain rights to miR-mimics. Under the agreement, we granted to both Alnylam and Isis a license to practice our intellectual property developed by us to the extent that it is useful specifically to Alnylam s RNAi programs or Isis s single-stranded oligonucleotide programs, but not including *micro*RNA compounds or therapeutics that are the subject of our exclusive licenses from Alnylam and Isis. If an election is made by either Alnylam or Isis (but not both) to opt-in, such party will pay us a one-time fixed payment, the amount of which will depend on whether the first or the second opt-in option was exercised, with a higher amount due if the first opt-in option was exercised. Clinical and regulatory milestones are also payable to us in the event the opt-in election is exercised. Such milestones total $64.0 million in the aggregate if the election is made during the first opt-in period or $15.7 million in the aggregate if the election is made at the second opt-in period. Tiered royalties are payable to us as a percentage of net sales on all products commercialized by the opt-in party. These royalties range from the low to middle single digits depending upon the volume of sales. The opt-in party is also entitled to sublicense the development program to a third party. In such a case, we are also entitled to receive a percentage of the sublicense income received by the opt-in party. The percentage payable depends upon the point at which the opt-in party sublicenses the program and ranges from the low end of the 10 to 20% range to the high end of the 40 to 50% range. The opt-in party is only required to pay the higher of the clinical and regulatory milestones or the sublicense income received in any calendar quarter. The opt-in party is also responsible for all third party payments due under other agreements as a result of the development. In the event both Alnylam and Isis elect to opt-in during either opt-in period, the parties have agreed to work together to amend the development plan to continue development of the project, including funding of such project and assignment of roles and responsibilities. In the event we or one of our strategic alliance partners continues with the development of a program, each of Alnylam and Isis are entitled to royalties as a percentage of net sales. For products that we independently commercialize, these royalties will be in the low single digits. For products commercialized by a

third-party collaborator, the royalties will be either the same percentage of net sales as

described above or, if the sublicense does not provide a specified level of royalties to us or upon our election, a percentage of the sublicense income received by us from the strategic alliance partner and a modified royalty. The modified royalty would be based upon the lower of the single digit percentage discussed above or one third of the royalty received by us after payments made by us to third parties for development, manufacture and commercialization activities under other agreements. In addition, if we sublicense rights to a collaborator, we will be required to pay to each of Alnylam and Isis a percentage of our sublicense income in the mid-single digits. We are also responsible for payments due to third parties under other agreements as a result of our development activities, including payments owed by Alnylam and/or Isis under their agreements. Under the October 2011 amendment, Alnylam and Isis granted us the right to research *micro*RNA mimics under the licensed intellectual property of Alnylam and Isis. In the event we develop a miR-mimic, we must first obtain approval from Alnylam and/or Isis, as applicable, and such approval is subject to the consent of applicable third parties, if any. No additional consideration will be owed by us to Alnylam or Isis for granting approval. We have the right to sublicense our research rights. We granted to both Alnylam and Isis a fully paid up, worldwide and exclusive license to any intellectual property developed by us and useful to their research programs and which are not *micro*RNA antagonists or approved miR-mimics In August 2013, we entered into a further amendment to the agreement. Under the terms of the August 2013 amendment, the parties agreed to our use of certain Alnylam-controlled intellectual property concerning the use and manufacture of GalNAc conjugates (GalNAc Process Technology) on a non-exclusive basis. We will generally not be permitted to sublicense or otherwise transfer the GalNAc Process Technology and other Alnylam licensed intellectual property rights relating to GalNAc conjugate technology without the prior written consent of Alnylam, subject to certain limited exceptions for sublicenses to third party collaboration partners. There were no financial terms related to the amendment.

In December of 2012, we agreed to purchase from Alnylam certain GalNAc materials for use in our research and development programs. During 2013, we purchased a total of $501,000 in such materials.

Dr. Maraganore and Ms. Parshall each have an indirect interest in these transactions as a result of their respective stock ownership in Alnylam and Isis. Dr. Maraganore s and Ms. Parshall s beneficial stock ownership in Alnylam and Isis, respectively, are disclosed from time to time in Alnylam s and Isis s respective public filings with the SEC.

AstraZeneca

In August 2012, we entered into a collaboration and license agreement with AstraZeneca AB, or AstraZeneca, which became a greater than 5% stockholder of our Company following the agreement date. Under the terms of the agreement, we agreed to collaborate with AstraZeneca to identify, research and develop licensed compounds targeting three *micro*RNA alliance targets in the fields of cardiovascular diseases, metabolic diseases and oncology and granted to AstraZeneca an exclusive, worldwide license to thereafter develop, manufacture and commercialize lead compounds designated by AstraZeneca in the course of the collaboration activities against the *micro*RNA alliance targets for all human therapeutic uses. We are responsible for discovery, optimization and development of anti-miR product candidates in each program until the acceptance of an IND or the end of the research term, which extends until the fourth anniversary of the date of the agreement, and may be extended upon mutual written agreement. Following the earlier to occur of the acceptance of an IND in a major market or the end of the research term, AstraZeneca will assume all costs, responsibilities and obligations for further development, manufacture and commercialization of alliance product candidates. We received an upfront payment of $3.0 million and are also entitled to receive preclinical, clinical and commercialization milestone payments of up to $509.0 million in the aggregate for all alliance product candidates. In addition, we are entitled to receive royalties based on a percentage of net sales which will range from the mid-single digits to the low end of the 10 to 20% range, depending upon the product and the volume of sales, which royalties may be reduced in certain limited circumstances.

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Indemnification Agreements

We have entered into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our bylaws. These agreements, among other things, require us to indemnify our directors and executive officers for certain expenses, including attorneys fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of his or her services as one of our directors or executive officers or any other company or enterprise to which the person provides services at our request. We believe that these indemnification agreements, together with the provisions in our bylaws, are necessary to attract and retain qualified persons as directors and officers.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other annual meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other annual meeting materials to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are Regulus Therapeutics Inc. stockholders will be householding the Company s proxy materials. A single Notice will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice or set of annual meeting materials, please notify your broker or Regulus Therapeutics Inc. Direct your written request to Regulus Therapeutics Inc., Attn: Director of Investor Relations, 3545 John Hopkins Court, Suite 210, San Diego, CA 92121. Stockholders who currently receive multiple Notices at their addresses and would like to request householding of their communications should contact their brokers.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

David L. Szekeres
Secretary

April 11, 2014

A copy of the Company s Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2013 is available without charge upon written request to: Corporate Secretary, Regulus Therapeutics Inc., 3545 John Hopkins Court, Suite 210, San Diego, CA 92121.

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REGULUS THERAPEUTICS INC.

3545 JOHN HOPKINS CT., SUITE 210

SAN DIEGO, CA 92121

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge,

51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: M70605-P51265 KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

REGULUS THERAPEUTICS INC. **The Board of Directors recommends you vote FOR all nominees for director listed below:**	**For All**	**Withhold All**	**For All Except**	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
	..	..	..	

1. Election of Directors

Nominees:

01) David Baltimore, Ph.D.	05) B. Lynne Parshall, Esq.
02) Bruce Carter, Ph.D.	06) William Rastetter, Ph.D.
03) Mark Foletta	07) Douglas Williams, Ph.D.
04) Stelios Papadopoulos, Ph.D.	08) Kleanthis Xanthopoulos, Ph.D.

The Board of Directors recommends you vote FOR the following proposal:	**For**	**Against**	**Abstain**
	..	..	..

2. Ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm of the company for the year ending December 31, 2014.

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Proxy Statement, 2013 Annual Report to Stockholders and Form 10-K are available at www.proxyvote.com.

M70606-P51265

REGULUS THERAPEUTICS INC.

Annual Meeting of Stockholders

May 22, 2014 9:00 AM PDT

This proxy is solicited by the Board of Directors

The undersigned hereby appoint(s) Kleanthis G. Xanthopoulos, Ph.D. and David Szekeres and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of Regulus Therapeutics Inc. Common Stock which the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Stockholders of Regulus Therapeutics Inc. to be held May 22, 2014 at the Company s offices located at 3545 John Hopkins Ct., Suite 210, San Diego, CA 92121, with all powers which the undersigned would possess if present at the Meeting.

This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made but the card is signed, this proxy card will be voted FOR the election of all nominees under Proposal 1, FOR Proposal 2, and in the discretion of the proxies with respect to such other business as may properly come before the meeting.

Continued and to be signed on reverse side