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Memorandum

16 December 2016

From Simon Firth/Caird Forbes-Cockell/Craig Hilts/Brenda DiLuigi

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iHeartCommunications, Inc.

Executive summary

iHeartCommunications, Inc. (formerly known as Clear Channel Communications, Inc.) (“**iHeart**”) is the issuer of certain 5.50% Senior Notes due 2016 (the “**Notes**”), which are scheduled to mature on December 15, 2016. A principal amount of \$57.1 million of the Notes (the “**CC Holdings Notes**”) are now held by Clear Channel Holdings, Inc (“**CC Holdings**”), a wholly-owned subsidiary of iHeart. iHeart has announced that, while it repaid the Notes that are not held by CC Holdings, and will continue to pay interest on the CC Holdings Notes, it did not repay the principal amount of the CC Holdings Notes. This is because iHeart wishes to ensure that the aggregate principal amount of certain notes issued by iHeart (which include the Notes) does not fall below \$500 million, so as to avoid triggering a “springing lien” in favour of certain debtholders of iHeart. There is no indication that iHeart lacks the capacity to make the relevant payment.

iHeart has not taken this action unilaterally but has discussed it with CC Holdings in advance. Furthermore, CC Holdings has confirmed that it does not currently intend to seek to collect the principal amount due on the CC Holdings Notes (or request the trustee for the Notes to do so) or exercise any remedy for the non-payment of such principal. It can therefore be concluded that CC Holdings has consented to iHeart’s proposal and so has waived its right to the payment of such principal amount until such time as it elects to exercise its right to receive such payment. In the absence of such consent, the payment by iHeart on December 15, 2016 would have been distributed pro rata to all the holders of the notes (including CC Holdings) because the Indenture governing the Notes provides that all notes of any series are equally and ratably entitled to the benefits under them and, under the Trust Indenture Act of 1939, the right of a holder of the Notes to receive payment of the principal or interest due under the Notes cannot be impaired without the consent of that holder.

The effect of this is that the principal amount of the CC Holdings Notes has not become due for the purposes of the “Failure to Pay” Credit Event under the 2014 ISDA Credit Derivatives Definitions (the “**Definitions**”), and will not become due until CC Holdings makes such an election. Accordingly, there is no Failure to Pay as a result of such non-payment.

1 Introduction

The Notes are governed by a Senior Indenture (the “**Legacy Note Indenture**”) dated as of October 1, 1997 between iHeart and The Bank of New York, as Trustee (the “**Trustee**”). A principal amount of \$250,000,000 of Notes was originally issued. However, \$57.1 million of the

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Notes was subsequently purchased by CC Finco, LLC ("**CC Finco**"), an indirect wholly-owned subsidiary of iHeart. This is clear from iHeart's annual report on Form 10-K for the fiscal year ended December 31, 2015 filed with the U.S. Securities and Exchange Commission (the "**SEC**"), which stated (on page 63) that:

"During the period of October 1, 2014 through December 31, 2014, CC Finco repurchased via open market transactions a total of \$177.1 million aggregate principal amount of notes, comprised of \$57.1 million of iHeartCommunications' outstanding 5.5% Senior Notes due 2016 and \$120.0 million of iHeartCommunications' outstanding 10.0% Senior Notes due 2018, for a total purchase price of \$159.3 million, including accrued interest. The notes repurchased by CC Finco were not cancelled and remain outstanding".

This purchase of Notes by CC Finco was also referenced in the Proxy Statement made available by iHeartMedia, Inc in April 2016, pursuant to Section 14(a) of the Securities Exchange Act of 1934. This Proxy Statement also stated that such Notes remain outstanding.

According to a Form 8-K filed with the SEC by iHeart on December 13, 2016 (the "**Form 8-K**"), attached as Appendix 1, the notes held by CC Finco are now held by CC Holdings, Inc. According to a Petition for Declaratory Judgment filed by iHeart in the District Court of Bexar County Texas on December 12, 2016 (the "**Texas Petition**"), attached as Appendix 2, CC Holdings acquired its Notes from CC Finco on or around January 4, 2016.

The Prospectus Supplement dated December 13, 2004 relating to the Notes (the "**Prospectus Supplement**") states that the Notes were to be issued in the form of one or more global securities that were to be deposited with The Depository Trust Company (the "**DTC**") (and held for the account of its participants, including Euroclear or Clearstream). We understand that the DTC originally assigned a single CUSIP number to the Notes but, following the purchase of Notes by CC Finco, the DTC assigned an additional CUSIP number to some of the Notes. We assume that this additional CUSIP number relates to the CC Holdings Notes.

The scheduled maturity date of the Notes was December 15, 2016. On December 13, 2016, iHeart publicly disclosed in the Form 8-K that it does not intend to repay the CC Holdings Notes on such date (although it will continue to pay interest on those Notes). In contrast, the other Notes have been repaid (see Appendix 3).

The Definitions include, within the list of Credit Events, "Failure to Pay". Section 4.5 of the Definitions provides that this means:

"after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure".

This memorandum considers whether, on the basis of the facts described above, a Failure to Pay has occurred, where iHeart is specified as the Reference Entity under a credit default swap governed by either English law or New York law that incorporates the Definitions but is otherwise on standard terms. Terms defined in the Definitions have the same meanings in this memorandum.

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2 Obligations

The initial question that arises is whether the Notes qualify as “Obligations”. The term “Obligation” is defined, in Section 3.1 of the Definitions, as:

- “(a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in Section 3.13 (Method for Determining Obligations); and
- (b) the Reference Obligation”.

Section 3.13 of the Definitions provides that, to constitute an “Obligation”, an obligation of the Reference Entity must be “described by the Obligation Category specified in the related Confirmation” and have “each of the Obligation Characteristics, if any, specified” in that Confirmation.

In the present case, we have assumed that the Obligation Category is “Borrowed Money”, namely:

“any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit)”.

We have also assumed that no Obligation Characteristics are specified.

It is clear from the Prospectus Supplement that the Notes were subscribed for cash. The obligations they represent are therefore for the payment or repayment of borrowed money. The Notes are direct obligations of iHeart (as the Reference Entity) and so they constitute Obligations for the purposes of the Definitions.

This is true of the CC Holdings Notes, as well as the other Notes. This is because the fact that the debt represented by any Notes is owed to a subsidiary does not prevent the Notes from constituting obligations of the Reference Entity.

3 Application of the Failure to Pay provision

3.1 Requirements

For there to be a Failure to Pay in the present case:

- (a) there must have been a failure by iHeart to make, when and where due, any payments under the Notes in accordance with the terms of the Notes at the time of such failure;
- (b) the failure must have been in an aggregate amount of not less than the Payment Requirement; and
- (c) the failure must continue to exist after the expiration of “any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period)”.

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3.2 Payments “due”

3.2.1 Factual position

As explained in paragraph 1 above, iHeart did not make the payment of principal that is scheduled to be made in respect of the CC Holdings Notes on December 15, 2016. The question that arises is whether this failure is a failure to make such payment “when and where due ... in accordance with the terms of such [Notes] at the time of such failure”. Although the word “due” is sometimes synonymous with the word “outstanding”, in this context, it is clear that it means *payable*.

According to the publicly available information referred to in paragraph 1 above, the CC Holdings Notes have not been, and it is not clear when they are intended to be, cancelled. However, it does not necessarily follow that the payments that were scheduled to be made on them were “due” because, if CC Holdings has waived its right to receive such payments, or has agreed with iHeart a deferral of the date on which such payment is to be made, there will not have been a failure to make any such payments “when and where due”.

Direct evidence of the factual position on this point is limited. However, in our opinion, certain inferences can be drawn from the terms of the Legacy Note Indenture and the publicly available information.

As noted above, the Notes are scheduled to mature on December 15, 2016. iHeart disclosed in the Form 8-K that, with the exception of the CC Holdings Notes, all other holders would be paid in full at maturity on December 15, 2016, for a total principal payment of \$192.9 million. On December 16, 2016, iHeart confirmed the repayment of the \$192.9 million principal amount.

As regards the CC Holdings Notes, the Texas Petition¹ states that:

“iHeart advised CC Holdings that it will not repay the Outstanding 2016 Legacy Notes on the scheduled maturity of the 2016 Legacy Notes, December 15, 2016, but will continue to pay interest on those notes. CC Holdings, in turn, advised that iHeart that it did not currently intend to pursue remedies in relation to the Outstanding 2016 Legacy Notes.”

The Form 8-K states as follows:

“Clear Channel Holdings, Inc. (“CCH”), a wholly-owned subsidiary of iHeartCommunications, owns \$57.1 million aggregate principal amount of iHeartCommunications’ 5.50% Senior Notes due 2016 (the “Senior Notes due 2016”). On December 9, 2016, a special committee of independent directors of the Company decided to not repay the \$57.1 million principal amount of the Senior Notes due 2016 held by CCH when the notes mature on December 15, 2016. On December 12, 2016, iHeartCommunications informed CCH that it does not intend to repay the \$57.1 million principal amount of the Senior Notes due 2016 held by CCH when the notes mature on December 15, 2016. CCH informed iHeartCommunications that, while it retains its right to exercise

¹ *iHeartCommunications, Inc., f/k/a Clear Channel Communications, Inc., et al. v. The Bank of New York, n/k/a The Bank of New York Mellon Corporation*, Cause No. 2016CI21289.

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remedies under the indenture governing the Senior Notes due 2016 (the “Legacy Note Indenture”) in the future, it does not currently intend to, and it does not currently intend to request that the trustee, seek to collect principal amounts due or exercise or request enforcement of any remedy with respect to the nonpayment of such principal amount under the Legacy Note Indenture. As a result, \$57.1 million of the Senior Notes due 2016 will remain outstanding, and the granting of certain additional security interests to certain of iHeartCommunications’ lenders and the holders of iHeartCommunications’ priority guarantee notes will not occur. iHeartCommunications intends to repay in full the other \$192.9 million of Senior Notes due 2016 held by other holders on December 15, 2016, and intends to continue to pay interest on the Senior Notes due 2016 held by CCH for so long as such notes continue to remain outstanding.”

The Texas Petition, in which both iHeart and CC Holdings are named as plaintiffs, was filed on December 12, 2016 – three business days prior to the scheduled maturity date of the Notes.

It is clear from these disclosures that the non-payment by iHeart was not a unilateral action on the part of iHeart. Not only has it been discussed in advance with CC Holdings but also the statements made in the Texas Petition were expressly adopted by CC Holdings by virtue of its being named a plaintiff. This suggests that CC Holdings has consented to the proposed non-payment. This consent is also evident from the Form 8-K. As noted in the extract set out above, “CC Holdings informed [iHeart] that, while it retains its right to exercise remedies under the indenture governing the Senior Notes due 2016 (the “Legacy Note Indenture”) in the future, it does not currently intend to and does not currently intend to request that the trustee, seek to collect principal amounts due or exercise or request enforcement of any remedy with respect to the non-payment of such principal amount under the Legacy Note Indenture”.

In our opinion, it can be inferred from this that CC Holdings has waived its right to receive the payment of principal scheduled to be made in respect of the CC Holdings Notes on December 15, 2016, while retaining the right to require such payment to be made in the future. In other words, it has consented to the principal payment being deferred.

This conclusion is consistent with iHeart’s commercial objectives. The Texas Petition explains that:

“3. ... iHeart has an outstanding series of bonds, known as the 2016 Legacy Notes (defined below), which have a scheduled maturity of December 15, 2016. If all of the 2016 Legacy Notes were repaid at maturity, then the total amount of all outstanding Legacy Notes would drop below \$500 million. Under certain of iHeart’s loan agreements, that would trigger a “springing lien” under which certain (but not all) of iHeart’s debtholders would obtain additional collateral in assets of iHeart and many of its subsidiaries, including the Guarantor Plaintiffs (defined below), to secure their loans.

4. This situation places iHeart between the proverbial rock and a hard place: iHeart debtholders who would obtain the additional collateral have

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demanded that the springing lien be triggered. By contrast, iHeart debtholders who would not obtain the additional collateral have demanded that the springing lien not be triggered. iHeart therefore finds itself in a position where it likely faces litigation no matter what action it takes.

5. Given the competing interests involved, on or about October 5, 2016, the iHeart Board of Directors voted to establish a special committee of independent directors (the “Independent Special Committee”) who have no financial interest in the springing lien. On or about December 9, 2016, the Special Committee decided that it would be in the best interests of the Company and its stakeholders, and that the Company had the ability under its debt documents, to preserve the status quo. The Special Committee therefore decided that the Company would not repay at maturity approximately \$57 million in 2016 Legacy Notes (the “Outstanding 2016 Legacy Notes”). As a result, more than \$500 million of Legacy Notes remain outstanding (and will remain outstanding after December 15, 2016, when iHeart pays off the rest of the 2016 Legacy Notes). Therefore, under the relevant debt documents, the springing lien will not occur at this time.”

iHeart’s commercial objective, therefore, was to ensure that the CC Holdings Notes remain outstanding, not to engineer a default on such Notes.

3.2.2 Effect on iHeart’s obligations

Under New York law, which governs the Legacy Note Indenture and the Notes, when a debt holder grants a waiver prior to the date that payments were due and where the debtor had a contractual right to waive or defer payments, no breach or default comes into existence.² In addition, pursuant to Section 508 of the Legacy Note Indenture, a holder of the Notes may consent to impair its otherwise absolute and unconditional right to payment.

The creation of a separate CUSIP for the CC Holdings Notes further suggests that there was a plan which would allow for separate and potentially different treatment of the CC Holdings Notes compared to the other Notes. Such a mechanism would allow for the payment in full to the holders of the \$192.9 million principal amount of Notes. Because the Legacy Note Indenture requires all notes of any series to be “equally and ratably entitled to the benefits hereof with respect to such series without preference, priority or distinction”, the consent of CC Holdings is required in order for iHeart to withhold payments to it.

Section 316(b) of the Trust Indenture Act of 1939 (the “TIA”) similarly provides that “the right of any holder of any indenture security to receive payment of the principal of and interest on such indenture security, on or after the respective due dates expressed in such indenture security... shall not be impaired or affected without the consent of such holder.” A recent decision by the District Court for the Southern District of New York interpreting this provision clearly stated that a minority holder of indenture securities cannot be forced to accept postponement of a claim to principal absent its explicit

² *LaSalle Bank National Ass’n. v. Citicorp Real Estate, Inc.*, No. 01 Civ. 4389 (AGS), 2002 WL 181703, *6 (S.D.N.Y. Feb. 5, 2002).

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consent.³ Absent such consent and special payment mechanics, the payment made by iHeart on December 15, 2016 would be distributed pro rata to holders of the full principal amount of Notes, including CC Holdings.

As noted above, the publicly available information suggests that CC Holdings agreed, prior to the time at which the payment of principal would have been due on its Notes, to waive its right to payment on such Notes on the scheduled maturity date. In our opinion, this has resulted in the deferral of the maturity of the CC Holdings Notes, and thus iHeart's payment obligation. Therefore, as a result of the arrangement between iHeart and CC Holdings, rather than the principal amount of the CC Holdings Notes becoming due on the scheduled maturity date, iHeart does not have an obligation to pay such principal amount until CC Holdings elects to exercise its right to receive the payment from iHeart.

3.2.3 Implications under the Definitions

As a result of the waiver, the payment of principal was not "due" to CC Holdings, within the meaning of Section 4.5 of the Definitions, and will not become due unless and until CC Holdings elects to exercise its right to receive the payment. Under these circumstances, keeping the CC Holdings Notes outstanding is not a "Failure to Pay" under the Definitions.

Stepping back from the strict legal analysis, we would also note that, having regard to the commercial purpose of the Definitions, this is not a situation in which a "Failure to Pay" should occur. iHeart has the means with which to pay the CC Holdings Notes. There is no indication – from iHeart's SEC filings or otherwise – that iHeart lacks the capacity to pay the principal amount that would have otherwise been due on the CC Holdings Notes.⁴ It has agreed to continue to service the CC Holdings Notes (as to interest and eventually payment of principal or cancellation as an intragroup holding). As noted above, the Texas Petition and the Form 8-K clearly explain that iHeart's purpose for causing CC Holdings to waive its right to receive payment of principal on the scheduled maturity date – i.e. to cause the CC Holdings Notes to remain outstanding – is to avoid iHeart having an obligation to grant certain additional security interests in favor of certain of its other lenders and other note holders under the "springing lien" covenant in the agreements governing such indebtedness. In fact, the stated purpose of the Texas Petition is for iHeart and its affiliates, including CC Holdings, to obtain a declaration from the Texas court that iHeart's course of action is appropriate under the applicable agreements governing its indebtedness.

3.3 Payment Requirement

Section 4.9 of the Definitions states that, unless the Confirmation provides otherwise, the Payment Requirement is \$1,000,000. It follows that if, contrary to our view, there will be a failure by iHeart to make, when and where due, any payments under the Notes, the failure will exceed the Payment Requirement.

³ *Marblegate Asset Management v. Education Management Corp.*, 14 Civ. 8584 (KPF). 2015 WL 386743 (S.D.N.Y. June 23, 2015)

⁴ iHeart is required to file periodic reports with the SEC pursuant to the U.S. Securities Exchange Act of 1934. Such obligations require iHeart to disclose all material information to investors and it may be inferred from the lack of disclosure relating to an inability to pay, that iHeart has the capacity to do so.

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3.4 Grace Period

Assuming that “Grace Period Extension is not specified in the Confirmation as being applicable, “Grace Period” means “the applicable grace period with respect to payments under and in accordance with the terms of [the] Obligation in effect as of the date as of which such Obligation is issued or incurred”, except that:

“if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that ... such deemed Grace Period shall expire no later than the Scheduled Termination Date”.

Although not specifically defined, the normal meaning of the term “grace period” is the period that has to elapse before a person to whom an obligation is owed may exercise certain remedies in respect of that obligation. The “applicable” grace period, for the purposes of the Definitions, is probably the grace period (if any) that applies to the payment that was scheduled to be made but which has not been made. In the present case, this is the payment of principal (together with accrued interest) that was scheduled to be made on December 15, 2016.

In the present case, there are no temporal restrictions on the exercise by the Noteholders of their remedies following a default in the payment of principal at maturity. Accordingly, in our opinion, no grace period is applicable to such principal under the terms of the Notes. A Grace Period of three Grace Period Business Days (i.e. three days on which commercial banks and foreign exchange markets are generally open to settle payments in New York) is therefore deemed to apply, except in relation to transactions where the Scheduled Termination Date falls before the end of that period, when the Grace Period will expire on the Scheduled Termination Date.

It follows that if, contrary to our view, there was a Potential Failure to Pay on December 15, 2015, a Failure to Pay would occur at the end of the third New York business day after that date (or, if earlier, on the Scheduled Termination Date).

4 Conclusions

The agreement by CC Holdings, prior to the time at which the payment of principal would have been due on its Notes, to waive its right to payment on the Notes on the scheduled maturity date, means that the CC Holdings Notes are not “due” for the purposes of Section 4.5 of the Definitions, even though they remain outstanding. If they are not due, then there is no Failure to Pay.

This also seems to us to be the right economic conclusion. In the present case, there has been a manufactured series of events, carefully orchestrated by iHeart not to cause the springing lien to come into effect. It is not the result of an inability on the part of iHeart to pay its debts. It would be regrettable if a Failure to Pay occurred as a result of an arrangement such as the present between a Reference Entity that by its own admission can pay its obligations and one of its wholly-owned subsidiaries.

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5 Authority to make publicly available

We confirm that a copy of this memorandum may be provided for information purposes only to the members of any Credit Derivatives Determinations Committee that is constituted under the DC Rules to consider the issues contemplated by it, and that it may be made publicly available. However, we accept no responsibility or legal liability to any person, other than the client at whose request it was prepared, in relation to its contents.

Appendix 1

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 8, 2016

IHEARTCOMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction
of incorporation)

001-09645
(Commission
File Number)

74-1787539
(I.R.S. Employer
Identification No.)

**200 East Basse Road, Suite 100
San Antonio, Texas 78209**
(Address of principal executive offices)

Registrant's telephone number, including area code: (210) 822-2828

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

Decision Regarding the Company's 5.50% Senior Notes due 2016

Clear Channel Holdings, Inc. ("CCH"), a wholly-owned subsidiary of iHeartCommunications, Inc. (the "Company"), owns \$57.1 million aggregate principal amount of the Company's 5.50% Senior Notes due 2016 (the "Senior Notes due 2016"). On December 9, 2016, a special committee of independent directors of the Company decided to not repay the \$57.1 million principal amount of the Senior Notes due 2016 held by CCH when the notes mature on December 15, 2016. On December 12, 2016, the Company informed CCH that it does not intend to repay the \$57.1 million principal amount of the Senior Notes due 2016 held by CCH when the notes mature on December 15, 2016. CCH informed the Company that, while it retains its right to exercise remedies under the indenture governing the Senior Notes due 2016 (the "Legacy Note Indenture") in the future, it does not currently intend to, and it does not currently intend to request that the trustee, seek to collect principal amounts due or exercise or request enforcement of any remedy with respect to the nonpayment of such principal amount under the Legacy Notes Indenture. As a result, \$57.1 million of the Senior Notes due 2016 will remain outstanding, and the granting of certain additional security interests to certain of the Company's lenders and the holders of the Company's priority guarantee notes will not occur. The Company intends to repay in full the other \$192.9 million of Senior Notes due 2016 held by other holders on December 15, 2016, and intends to continue to pay interest on the Senior Notes due 2016 held by CCH for so long as such notes continue to remain outstanding.

For as long as the Company has at least \$500 million of legacy notes outstanding, including the \$57.1 million of Senior Notes due 2016 currently held by CCH, it will not have an obligation to grant certain additional security interests in favor of certain of its lenders and its priority guarantee note holders (or the holders of its legacy notes) under the "springing lien" described in the agreements governing that indebtedness, and the limitations existing with respect to the existing security interests will remain in place until up to 60 days following the date on which not more than \$500 million aggregate principal amount of the legacy notes remain outstanding.

Texas Litigation

On December 12, 2016, the Company initiated an action against the indenture trustees under the indentures governing the Company's priority guarantee notes and Citibank, N.A. as administrative agent under the Company's term loans, which is styled as *iHeartCommunications, Inc., f/k/a Clear Channel Communications, Inc., et al. v. U.S. Bank National Association, et al.*, and an action against the indenture trustee under the Legacy Note Indenture, which is styled as *iHeartCommunications, Inc., f/k/a Clear Channel Communications, Inc., et al. v. The Bank of New York, n/k/a The Bank of New York Mellon Corporation*, in the District Court of Bexar County, Texas (the "Texas Court"). The Company is seeking a declaration by the Texas Court that (i) the \$57.1 million of Senior Notes due 2016 held by CCH are outstanding and will remain outstanding until they are canceled or repaid, and (ii) the Company and the other plaintiffs will not be obligated to grant the "springing lien" to certain holders of the Company's debt and will not be obligated to do so unless and until 60 days after there is an additional repayment or cancellation of legacy notes such that the amount of legacy notes outstanding falls to \$500 million or less.

On December 13, 2016, iHeartMedia, Inc., the parent company of the Company, issued a press release announcing the decision regarding the Senior Notes due 2016 and the Texas litigation. A copy of the press release is attached as Exhibit 99.1 hereto. In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01 of this report, including Exhibit 99.1, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall such information, including Exhibit 99.1, be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

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(d) Exhibits.

The following documents are filed herewith:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of iHeartMedia, Inc., dated December 13, 2016 (incorporated by reference to Exhibit 99.1 to iHeartMedia, Inc.'s Current Report on Form 8-K filed on December 13, 2016).

SIGNATURES

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

IHEARTCOMMUNICATIONS, INC.

Date: December 13, 2016

By: /s/ Lauren E. Dean
Lauren E. Dean
Vice President, Associate General Counsel and
Assistant Secretary

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of iHeartMedia, Inc., dated December 13, 2016 (incorporated by reference to Exhibit 99.1 to iHeartMedia, Inc.'s Current Report on Form 8-K filed on December 13, 2016).

Appendix 2

3 cits pps/sac3

FILED
12/12/2016 9:30:51 PM
Donna Kay McKinney
Bexar County District Clerk
Accepted By: Laura Rodriguez

CAUSE NO. 2016CI21286

IHEARTCOMMUNICATIONS, INC., f/k/a
CLEAR CHANNEL COMMUNICATIONS,
INC., AMFM BROADCASTING, INC.,
AMFM OPERATING INC., CITICASTERS
LICENSES, INC., CAPSTAR RADIO
OPERATING COMPANY, CC BROADCAST
HOLDINGS, INC., CHRISTAL RADIO
SALES, INC., CINE GURANTORS II, INC.,
CITICASTERS CO., CLEAR CHANNEL
BROADCASTING LICENSES, INC.,
IHEARTMEDIA+ENTERTAINMENT, INC.,
IHM IDENTITY, INC., CLEAR CHANNEL
HOLDINGS, INC., CLEAR CHANNEL
INVESTMENTS, INC., IHEARTMEDIA
MANAGEMENT SERVICES, INC., CLEAR
CHANNEL MEXICO HOLDINGS, INC.,
CRITICAL MASS MEDIA, INC., KATZ
COMMUNICATIONS, INC., KATZ MEDIA
GROUP, INC., KATZ MILLENNIUM SALES
& MARKETING INC., KATZ NET RADIO
SALES, INC., M STREET CORPORATION,
PREMIERE NETWORKS, INC.,
TERRESTRIAL RF LICENSING, INC., CC
LICENSES, LLC, CLEAR CHANNEL REAL
ESTATE, LLC, AMFM BROADCASTING
LICENSES, LLC, AMFM RADIO
LICENSES, LLC, AMFM TEXAS, LLC,
AMFM TEXAS BROADCASTING, LP,
AMFM TEXAS LICENSES, LLC, CAPSTAR
TX, LLC, CC FINCO HOLDINGS, LLC,
CLEAR CHANNEL METRO, LLC, TTWN
NETWORKS, LLC, TTWN MEDIA
NETWORKS, LLC,

Plaintiffs,

v.

U.S. BANK NATIONAL ASSOCIATION,
WILMINGTON TRUST, NATIONAL
ASSOCIATION, f/k/a WILMINGTON
TRUST FSB, CITIBANK, N.A.,

Defendants.

IN THE DISTRICT COURT OF

BEXAR COUNTY, TEXAS

438th **JUDICIAL DISTRICT**

PETITION FOR DECLARATORY JUDGMENT

1. Plaintiff iHeartCommunications, Inc., formerly known as Clear Channel Communications, Inc. (“iHeart” or the “Company”), is a leading media company based in San Antonio that owns more than 850 radio stations throughout the country. iHeart also operates an outdoor advertising business through its subsidiary, Clear Channel Outdoor Holdings, Inc.

2. iHeart’s capital structure includes several different categories of debt. Some of iHeart’s debt was incurred in connection with a 2008 leveraged buyout transaction (the “LBO”) in which iHeart was acquired by investment funds sponsored by two private equity firms. Some of iHeart’s debt was incurred before the LBO, and some of iHeart’s debt was incurred after the LBO. In total, iHeart and its subsidiaries are financed by more than \$20 billion in debt.

3. iHeart’s various categories of debt have different (and sometimes conflicting) economic interests. As a result, today, iHeart finds itself facing competing and mutually exclusive demands from different categories of stakeholders. iHeart has an outstanding series of bonds, known as the 2016 Legacy Notes (defined below), which have a scheduled maturity of December 15, 2016. If all of the 2016 Legacy Notes were repaid at maturity, then the total amount of all outstanding Legacy Notes would drop below \$500 million. Under certain of iHeart’s loan agreements, that would trigger a “springing lien” under which certain (but not all) of iHeart’s debtholders would obtain additional collateral in assets of iHeart and many of its subsidiaries, including the Guarantor Plaintiffs (defined below), to secure their loans.

4. This situation places iHeart between the proverbial rock and a hard place: iHeart debtholders who would obtain the additional collateral have demanded that the springing lien be triggered. By contrast, iHeart debtholders who would not obtain the additional collateral have

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demanded that the springing lien not be triggered. iHeart therefore finds itself in a position where it likely faces litigation no matter what action it takes.

5. Given the competing interests involved, on or about October 5, 2016, the iHeart Board of Directors voted to establish a special committee of independent directors (the “Independent Special Committee”) who have no financial interest in the springing lien. On or about December 9, 2016, the Special Committee decided that it would be in the best interests of the Company and its stakeholders, and that the Company had the ability under its debt documents, to preserve the status quo. The Special Committee therefore decided that the Company would not repay at maturity approximately \$57 million in 2016 Legacy Notes (the “Outstanding 2016 Legacy Notes”). As a result, more than \$500 million of Legacy Notes remain outstanding (and will remain outstanding after December 15, 2016, when iHeart pays off the rest of the 2016 Legacy Notes). Therefore, under the relevant debt documents, the springing lien will not occur at this time.

6. iHeart hereby seeks a declaration that, under the relevant debt documents, the Outstanding 2016 Legacy Notes will remain outstanding until they are canceled or repaid. iHeart additionally seeks a declaration that it has not granted, and has no obligation to grant, any of its debtholders the springing lien on any of its assets. Confirming that the status quo has been preserved will provide critical market certainty.¹

¹ iHeart has named as Defendants the Trustees and Administrative Agent who are assigned the powers and obligations to represent the interests of some of iHeart’s creditors under the contracts governing that debt. iHeart does not contend that Defendants have committed any misconduct, but iHeart has named them as Defendants because, under the relevant debt agreements, they can pursue remedies against iHeart on behalf of the creditors for whom they serve as Trustee or Administrative Agent.

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I.

PARTIES

7. Plaintiff iHeartCommunications, Inc. is a Texas corporation with its corporate headquarters and principal place of business in San Antonio, Texas.

8. Plaintiff AMFM Broadcasting, Inc. is a Delaware corporation with its principal place of business in San Antonio, Texas. AMFM Broadcasting, Inc. is an indirect, wholly owned subsidiary of iHeart.

9. Plaintiff AMFM Operating Inc. is a Delaware corporation with its principal place of business in San Antonio, Texas. AMFM Operating Inc. is an indirect, wholly owned subsidiary of iHeart.

10. Plaintiff Citicasters Licenses, Inc. is a Texas corporation with its principal place of business in San Antonio, Texas. Citicasters Licenses, Inc. is an indirect, wholly owned subsidiary of iHeart.

11. Plaintiff Capstar Radio Operating Company is a Delaware corporation with its principal place of business in San Antonio, Texas. Capstar Radio Operating Company is an indirect, wholly owned subsidiary of iHeart.

12. Plaintiff CC Broadcast Holdings, Inc. is a Nevada corporation with its principal place of business in San Antonio, Texas. CC Broadcast Holdings, Inc. is an indirect, wholly owned subsidiary of iHeart.

13. Plaintiff Christal Radio Sales, Inc. is a Delaware corporation with its principal place of business in San Antonio, Texas. Christal Radio Sales, Inc. is an indirect, wholly owned subsidiary of iHeart.

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14. Plaintiff Cine Guarantors II, Inc. is a California corporation with its principal place of business in San Antonio, Texas. Cine Guarantors II, Inc. is an indirect, wholly owned subsidiary of iHeart.

15. Plaintiff Citicasters Co. is an Ohio Corporation with its principal place of business in San Antonio, Texas. Citicasters Co. is an indirect, wholly owned subsidiary of iHeart.

16. Plaintiff Clear Channel Broadcasting Licenses, Inc. is a Nevada corporation with its principal place of business in San Antonio, Texas. Clear Channel Broadcasting Licenses, Inc. is an indirect, wholly owned subsidiary of iHeart.

17. Plaintiff iHeartMedia+Entertainment, Inc. is a Nevada corporation with its principal place of business in San Antonio, Texas. iHeartMedia+Entertainment, Inc. is an indirect, wholly owned subsidiary of iHeart.

18. Plaintiff iHM Identity, Inc. is a Texas corporation with its principal place of business in San Antonio, Texas. iHM Identity, Inc. is a wholly owned subsidiary of iHeart.

19. Plaintiff Clear Channel Holdings, Inc. is a Nevada corporation with its principal place of business in San Antonio, Texas. Clear Channel Holdings, Inc. is a wholly owned subsidiary of iHeart.

20. Plaintiff Clear Channel Investments, Inc. is a Nevada corporation with its principal place of business in San Antonio, Texas. Clear Channel Investments, Inc. is a wholly owned subsidiary of iHeart.

21. Plaintiff iHeartMedia Management Services, Inc. is a Texas corporation with its principal place of business in San Antonio, Texas. iHeartMedia Management Services, Inc. is a wholly owned subsidiary of iHeart.

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22. Plaintiff Clear Channel Mexico Holdings, Inc. is a Nevada corporation with its principal place of business in San Antonio, Texas. Clear Channel Mexico Holdings, Inc. is an indirect, wholly owned subsidiary of iHeart.

23. Plaintiff Critical Mass Media, Inc. is an Ohio corporation with its principal place of business in San Antonio, Texas. Critical Mass Media, Inc. is an indirect, wholly owned subsidiary of iHeart.

24. Plaintiff Katz Communications, Inc. is a Delaware corporation with its principal place of business in New York, New York. Katz Communications, Inc. is an indirect, wholly owned subsidiary of iHeart.

25. Plaintiff Katz Media Group, Inc. is a Delaware corporation with its principal place of business in New York, New York. Katz Media Group, Inc. is an indirect, wholly owned subsidiary of iHeart.

26. Plaintiff Katz Millennium Sales & Marketing Inc. is a Delaware corporation with its principal place of business in New York, New York. Katz Millennium Sales & Marketing Inc. is an indirect, wholly owned subsidiary of iHeart.

27. Plaintiff Katz Net Radio Sales, Inc. is a Delaware corporation with its principal place of business in New York, New York. Katz Net Radio Sales, Inc. is an indirect, wholly owned subsidiary of iHeart.

28. Plaintiff M Street Corporation is a Washington corporation with its principal place of business in San Antonio, Texas. M Street Corporation is an indirect, wholly owned subsidiary of iHeart.

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29. Plaintiff Premiere Networks, Inc. is a Delaware corporation with its principal place of business in San Antonio, Texas. Premiere Networks, Inc. is an indirect, wholly owned subsidiary of iHeart.

30. Plaintiff Terrestrial RF Licensing, Inc. is a Nevada corporation with its principal place of business in San Antonio, Texas. Terrestrial RF Licensing, Inc. is an indirect, wholly owned subsidiary of iHeart.

31. Plaintiff CC Licenses, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. CC Licenses, LLC is an indirect, wholly owned subsidiary of iHeart.

32. Plaintiff Clear Channel Real Estate, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. Clear Channel Real Estate, LLC is an indirect, wholly owned subsidiary of iHeart.

33. Plaintiff AMFM Broadcasting Licenses, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. AMFM Broadcasting Licenses, LLC is an indirect, wholly owned subsidiary of iHeart.

34. Plaintiff AMFM Radio Licenses, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. AMFM Radio Licenses, LLC is an indirect, wholly owned subsidiary of iHeart.

35. Plaintiff AMFM Texas, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. AMFM Texas, LLC is an indirect, wholly owned subsidiary of iHeart.

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36. Plaintiff AMFM Texas Broadcasting, LP is a Delaware limited partnership with its principal place of business in San Antonio, Texas. AMFM Texas Broadcasting, LP is an indirect, wholly owned subsidiary of iHeart.

37. Plaintiff AMFM Texas Licenses, LLC is a Texas limited liability company with its principal place of business in San Antonio, Texas. AMFM Texas Licenses, LLC is an indirect, wholly owned subsidiary of iHeart.

38. Plaintiff Capstar TX, LLC is a Texas limited liability company with its principal place of business in San Antonio, Texas. Capstar TX, LLC is an indirect, wholly owned subsidiary of iHeart.

39. Plaintiff CC Finco Holdings, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. CC Finco Holdings, LLC is a wholly owned subsidiary of iHeart.

40. Plaintiff Clear Channel Metro, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. Clear Channel Metro, LLC is a wholly owned subsidiary of iHeart.

41. Plaintiff TTWN Networks, LLC is a Delaware limited liability company with its principal place of business in San Antonio, Texas. TTWN Networks, LLC is an indirect, wholly owned subsidiary of iHeart.

42. Plaintiff TTWN Media Networks, LLC is a Maryland limited liability company with its principal place of business in San Antonio, Texas. TTWN Media Networks, LLC is an indirect, wholly owned subsidiary of iHeart.

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43. The Plaintiffs named in paragraphs 8- 42 are collectively referred to as the “Guarantor Plaintiffs.” The Guarantor Plaintiffs are guarantors under each of the Priority Guarantee Note Indentures and the Credit Agreement (defined below).

44. Defendant U.S. Bank National Association (“U.S. Bank”) is the trustee for four series of Priority Guarantee Notes: the 9% Priority Guarantee Notes due in 2019 (the “9% 2019 Notes”), the 11.25% Priority Guarantee Notes due in 2021 (the “11.25% 2021 Notes”), the 9% Priority Guarantee Notes due in 2022 (the “9% 2022 Notes”), and the 10.625% Priority Guarantee Notes due in 2023 (the “10.625% 2023 Notes”). U.S. Bank is a federally chartered national banking association with its main office and principal place of business in Cincinnati, Ohio. U.S. Bank has offices in Texas, and any Notice under the Priority Guarantee Note Indentures is to be provided to U.S. Bank’s office in Dallas, Texas. *See* PGN Indenture § 13.02.² U.S. Bank may be served at 425 Walnut Street, Cincinnati, Ohio 45202.

45. Defendant Wilmington Trust, National Association, f/k/a Wilmington Trust FSB is the trustee for one series of Priority Guarantee Notes: the 9% Priority Guarantee Notes due in 2021 (the “9% 2021 Notes”). Wilmington Trust FSB was a federally chartered savings bank with its principal place of business in Maryland. During 2011, Wilmington Trust FSB converted into a federally chartered national banking association named Wilmington Trust, National Association. Also in 2011, Wilmington Trust, National Association merged with M&T Bank, National Association, and the combined entity took the name Wilmington Trust, National Association (“Wilmington”). Wilmington (which is a defendant herein) is a federally chartered national banking association with its main office and principal place of business in Wilmington,

² *See* Exhibit 4.1 to iHeartCommunications, Inc.’s February 26, 2015 Form 8-K (<https://www.sec.gov/Archives/edgar/data/739708/000119312515064772/d881870dex41.htm>).

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Delaware. Wilmington may be served at 1100 North Market Street, Wilmington, Delaware 19801.

46. Defendant Citibank, N.A. (“Citibank”) is the Administrative Agent for the Term Loans. Citibank is a federally chartered national banking association with its main office and principal place of business in Sioux Falls, South Dakota. Citibank may be served at 701 East 60th Street North, Sioux Falls, South Dakota 57104.

II.

JURISDICTION AND VENUE

47. The Court has personal jurisdiction over each Defendant pursuant to the Texas long-arm statute, Tex. Civ. Prac. & Rem. Code § 17.041 *et seq.* Defendants have engaged in significant contacts with Texas, and have purposefully availed themselves of the privilege of doing business in Texas, by agreeing to serve as Trustee or Administrative Agent for debt issued by a Texas corporation and by performing its contractual obligations in the State of Texas.

48. Venue is proper in Bexar County, Texas, pursuant to Texas Civil Practice & Remedies Code § 15.002(a), because all or a substantial part of the facts giving rise to Plaintiffs’ claims occurred in Bexar County, Texas, where iHeart is headquartered.

III.

DISCOVERY LEVEL

49. Pursuant to Rule 190.4 of the Texas Rules of Civil Procedure, Plaintiffs intend to conduct discovery under Level 3.

IV.

NATURE OF THE CASE

I. The Relevant Series Of Debt

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50. Three categories of iHeart’s debt are at issue in this action. *First*, iHeart’s Term Loans were incurred in conjunction with the LBO. *Second*, iHeart’s Priority Guarantee Notes (“PGNs”) were issued in five separate series, each year from 2011 through 2015. *Third*, iHeart has a series of debt obligations predating the LBO that are known as “Legacy Notes.” Holders of these three types of debt are herein called the “Existing Notes Condition Creditors.” iHeart and its subsidiaries also have billions of dollars in other debt.

51. iHeart’s Term Loans are governed by a Credit Agreement dated May 13, 2008, which was amended and restated on February 23, 2011, and was subsequently amended several times (the “Credit Agreement”).³ The Guarantor Plaintiffs are guarantors under the Credit Agreement.

52. iHeart is the Issuer of five series of PGNs, each of which is governed by a contract called an Indenture (collectively, the “PGN Indentures”): (a) the 9% Priority Guarantee Notes due in 2019; (b) the 9% Priority Guarantee Notes due in 2021; (c) the 11.25% Priority Guarantee Notes due in 2021; (d) the 9% Priority Guarantee Notes due in 2022; and (e) the 10.625% Priority Guarantee Notes due in 2023.⁴ iHeart issued one series of PGNs each year,

³ See Exhibit 10.1 to Clear Channel Communications, Inc.’s February 24, 2011 Form 8-K (<https://www.sec.gov/Archives/edgar/data/739708/000119312511045599/dex101.htm>).

⁴ Citations to the PGN Indentures are to the Indenture dated February 26, 2015, for the 10.625% Priority Guarantee Notes due in 2023. See *supra* note 2. The cited provisions are substantively identical in each of the PGN Indentures. The other PGN Indentures are available online. See <https://www.sec.gov/Archives/edgar/data/739708/000119312512435679/d430045dex41.htm> (Indenture for 9% Priority Guarantee Notes due in 2019); <https://www.sec.gov/Archives/edgar/data/739708/000119312511045599/dex41.htm> (Indenture for 9% Priority Guarantee Notes due in 2021); <https://www.sec.gov/Archives/edgar/data/739708/000119312513085024/d494377dex41.htm> (Indenture for 11.25% Priority Guarantee Notes due in 2021); <https://www.sec.gov/Archives/edgar/data/739708/000119312514337618/d787106dex41.htm> (Indenture for 9% Priority Guarantee Notes due in 2022).

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from 2011 through 2015. The Guarantor Plaintiffs are guarantors under each of the PGN Indentures.

53. iHeart's debt obligations that predate the LBO are called the "Legacy Notes." There are three series of Legacy Notes that are outstanding as of the date of this Petition: (a) the 5.5% Senior Notes due 2016 ("2016 Legacy Notes"); (b) the 6.875% Senior Notes due 2018 ("2018 Legacy Notes"); and (c) the 7.25% Senior Notes due 2027 ("2027 Legacy Notes").

54. Each series of Legacy Notes was issued pursuant to a Senior Indenture dated October 1, 1997 (the "Legacy Indenture"). The Legacy Indenture sets out the general obligations and rights of iHeart and the Legacy Noteholders, and governs each series of Legacy Notes.

55. Each series of Legacy Notes was further issued pursuant to an additional supplemental indenture or officer certificate. The 2016 Legacy Notes were issued on December 16, 2004, in the amount of \$250 million, pursuant to a supplemental indenture. The scheduled maturity date of the 2016 Legacy Notes is December 15, 2016.

56. The 2018 Legacy Notes were issued on June 16, 1998, pursuant to a supplemental indenture. The 2018 Legacy Notes have a total amount outstanding of \$175 million and are scheduled to mature June 15, 2018.

57. The 2027 Legacy Notes were issued on October 15, 1997, pursuant to a certificate signed by iHeart's Senior Vice President and Chief Accounting Officer. The 2027 Legacy Notes have a total amount outstanding of \$300 million and are scheduled to mature on October 15, 2027.

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II. Contractual Provisions Regarding The Springing Lien

58. The Legacy Indenture, Credit Agreement, and PGN Indentures each have contractual provisions that address the circumstances under which iHeart is obligated to grant the springing lien.

59. The Legacy Noteholders do not have a security interest in any of iHeart's assets, but the Legacy Indenture provides that, under certain circumstances, they are entitled to share in certain security interests provided to other creditors. Specifically, Section 1006 of the Legacy Indenture,⁵ entitled "Limitation on Mortgages," limits the ability of iHeart to grant other creditors a security interest or mortgage on specified assets of iHeart and its subsidiaries, referred to in this Petition as the "Springing Lien Collateral": stock or indebtedness in certain iHeart subsidiaries, and certain assets of iHeart's subsidiaries (the Guarantor Plaintiffs) defined as "Principal Property."⁶ Under the Legacy Indenture, iHeart cannot grant a security interest (referred to in this Petition as the "Springing Lien") in the Springing Lien Collateral to other creditors such as the PGN noteholders and Credit Agreement lenders (apart from an exception that permits limited security interests) "without in any such case making effective provision whereby all of the [Legacy Notes] Outstanding shall be directly secured equally and ratably with such Debt." Legacy Indenture § 1006.

60. The Term Loans and PGNs do not have a security interest in the Springing Lien Collateral. At the time of the LBO, there were approximately \$5 billion of Legacy Notes

⁵ See Exhibit 4.2 to Clear Channel Communications, Inc.'s September 30, 1997 Form 10-Q (<https://www.sec.gov/Archives/edgar/data/739708/0000739708-97-000022.txt>).

⁶ Section 1006 has an exception, not relevant here, which allows a security interest in Principal Property so long as that interest, and any other Permitted Mortgage, does not exceed 15% of the total consolidated stockholders' equity of the Company. Any such security interest that has previously been granted is not included in the term "Springing Lien Collateral" as used herein.

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outstanding. Rather than seek a security interest in the Springing Lien Collateral in connection with the LBO transaction, which would have resulted in Legacy Noteholders receiving equal and ratable security, the Term Loan Lenders agreed that they would receive the Springing Lien only when there were \$500 million or less of the Legacy Notes outstanding (which they defined in the Credit Agreement governing the Term Loans as the “Existing Notes Condition”). When iHeart subsequently issued PGNs during the period from 2011-2015, the PGN Noteholders were placed on similar footing as the Term Loan Lenders.

61. Specifically, the Credit Agreement provides that iHeart shall grant the Springing Lien to the Term Loan Lenders within 60 days of “satisfaction of the Existing Notes Condition.” Credit Agreement § 1.01 (“Collateral and Guarantee Requirement” definition). The “Existing Notes Condition” is satisfied upon “the repayment of [Legacy] Notes such that no more than \$500,000,000 aggregate principal amount of [Legacy] Notes remains outstanding.” *Id.* (“Existing Notes Condition” definition).

62. Similarly, the PGN Indentures require iHeart to grant the Springing Lien to the PGN Noteholders within “60 days after the Springing Lien Trigger Date.” PGN Indenture § 4.18(b). The “Springing Lien Trigger Date” occurs when “the aggregate principal amount of the Legacy Notes outstanding is \$500,000,000 or less.” *Id.* § 1.01 (“Springing Lien Trigger Date” definition).⁷

63. Under these debt contracts, the obligation to grant the Springing Lien to the Term Loan Lenders and PGN Noteholders, which actual grant in turn creates the obligation to grant equal and ratable security to the Legacy Noteholders, is triggered 60 days after the amount of

⁷ For simplicity, this Petition uses “Existing Notes Condition” to refer to the condition that triggers the obligation to grant the Springing Lien within 60 days under both the Credit Agreement and the PGN Indentures.

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Legacy Notes “outstanding” falls to \$500 million or less. The Term Loan Lenders, PGN Noteholders, and Legacy Noteholders are collectively referred to as the “Existing Notes Condition Creditors.”

64. If the obligation to grant the Springing Lien is triggered, then iHeart and many of its subsidiaries, including some or all of the Guarantor Plaintiffs, will need to grant additional collateral in their assets to some of iHeart’s creditors.

III. The Outstanding 2016 Legacy Notes

65. As of the date of this Petition, December 12, 2016, there are \$725 million of Legacy Notes outstanding: \$250 million of 2016 Legacy Notes, \$175 million of 2018 Legacy Notes, and \$300 million of 2027 Legacy Notes.

66. Clear Channel Holdings, Inc. (“CC Holdings”), a wholly owned subsidiary of iHeart, holds \$57.1 million of the 2016 Legacy Notes (the “Outstanding 2016 Legacy Notes”). The Outstanding 2016 Legacy Notes were acquired by CC Finco, LLC (“CC Finco”), an indirect, wholly owned subsidiary of iHeart, on or around October 23, 2014, in open market transactions. On or around January 4, 2016, CC Holdings acquired the Outstanding 2016 Legacy Notes from CC Finco.

67. iHeart disclosed CC Finco’s acquisition of the Outstanding 2016 Legacy Notes in a Securities and Exchange Commission filing on October 28, 2014, stating: “During the period of October 1, 2014 through October 27, 2014, CC Finco repurchased via open market transactions a total of \$57.1 million aggregate principal amount of iHeart’s outstanding 5.5% Senior Notes due 2016 for a total purchase price of \$55.5 million, including accrued interest.

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The notes repurchased by CC Finco were not cancelled and remain outstanding.”

iHeartCommunications, Inc., SEC Form 10-Q, at 11 (Oct. 28, 2014).⁸

68. The Legacy Note Indenture defines the term “Outstanding” to refer to any securities that were “authenticated and delivered under this Indenture, except: (i) such Securities theretofore canceled by the Trustee . . . ; (ii) such Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent . . . ; and (iii) such Securities in exchange for . . . which other Securities have been authenticated and delivered” Legacy Indenture § 1.01. The Outstanding 2016 Legacy Notes still have not been cancelled, redeemed, exchanged, or retired. They remain outstanding. From October 2014 through the present, iHeart has continued to make scheduled interest payments on the Outstanding 2016 Legacy Notes to CC Finco and, later, CC Holdings.

69. As noted above, \$250 million in 2016 Legacy Notes have a scheduled maturity of December 15, 2016. If iHeart repaid all \$250 million of the 2016 Legacy Notes on December 15, 2016, then the amount of Legacy Notes outstanding would decline to \$475 million. That would trigger the Existing Notes Condition, such that iHeart would be obligated to grant the Springing Lien to the Existing Notes Condition Creditors within 60 days, or by February 13, 2017.

70. iHeart’s creditors have expressed opposing views regarding whether the Springing Lien is required to or should be granted to the Existing Notes Condition Creditors. Some of the Existing Notes Condition Creditors have told iHeart or iHeart’s agents that they believe that the Springing Lien must be granted. Some Existing Notes Condition Creditors have suggested that they would sue iHeart if the Springing Lien is not granted within 60 days of December 15, 2016, and indicated that they had retained counsel to bring such a lawsuit.

⁸ See <https://www.sec.gov/Archives/edgar/data/739708/000073970814000079/10-Q.htm#Note1>.

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Industry publications likewise have speculated that iHeart would face litigation from creditors if the Existing Notes Condition is not triggered.

71. Some of iHeart's other creditors have expressed the opposite view to iHeart or iHeart's agents, and have asserted that iHeart is permitted to engage in a transaction that would result in the Springing Lien not being granted. At least one such creditor has indicated that it would be damaged if the Springing Lien is granted to the Existing Notes Condition Creditors and has suggested that it would sue iHeart if the Springing Lien is granted. Industry publications likewise have speculated that iHeart would face litigation from creditors if the Springing Lien is granted.

72. Because of the opposing views and the competing interests of iHeart's stakeholders, on or around October 5, 2016, as amended or clarified on December 8, 2016, iHeart's Board of Directors unanimously enacted a resolution creating the Independent Special Committee and granting it sole authority to decide whether to trigger the occurrence of the Existing Notes Condition. The Independent Special Committee is comprised of iHeart directors who have no financial interest in whether the Springing Lien is granted.

73. The Independent Special Committee retained legal and financial advisors and evaluated potential options. On or around December 9, 2016, the Independent Special Committee decided that the Company would not repay at maturity the Outstanding 2016 Legacy Notes, which would have the effect of iHeart not being obligated to grant the Springing Lien. The Independent Special Committee determined that this arrangement would be in the best interests of the Company and its stakeholders.

74. iHeart advised CC Holdings that it will not repay the Outstanding 2016 Legacy Notes on the scheduled maturity of the 2016 Legacy Notes, December 15, 2016, but will

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continue to pay interest on those notes. CC Holdings, in turn, advised iHeart that it did not currently intend to pursue remedies in relation to the Outstanding 2016 Legacy Notes. As a result, even after the scheduled maturity of the 2016 Legacy Notes, more than \$500 million of Legacy Notes will remain outstanding.

IV. iHeart Has No Obligation To Grant The Springing Lien

75. iHeart has no obligation (and will have no obligation after it pays off the remaining 2016 Legacy Notes on December 15, 2016) to grant the Springing Lien to the Existing Notes Condition Creditors. iHeart's subsidiaries (including the Guarantor Plaintiffs) have no obligation to grant any collateral pursuant to the Springing Lien.

76. Because iHeart will not pay off the Outstanding 2016 Legacy Notes on December 15, 2016, those notes are outstanding (and will remain outstanding after December 15, 2016). They will continue to be held by CC Holdings, until such time as they are repaid or canceled.

77. Under the plain language of iHeart's debt agreements, the Outstanding 2016 Legacy Notes are outstanding and will remain outstanding until they are paid off in full or canceled. All issued debt that has not been repaid or canceled or exchanged – including debt held by affiliates of the Issuer – remains outstanding.

78. Moreover, for administrative purposes, debt held by iHeart's subsidiaries is and has always been treated as outstanding. The trustee and paying agent of the Legacy Notes maintains records of the notes outstanding and includes the notes held by CC Holdings as outstanding. iHeart pays interest on the notes held by its subsidiaries in the same manner as it does other outstanding notes. The various trustees and agents of iHeart's other debt also treat and have historically treated debt held by iHeart subsidiaries as outstanding. In addition, the

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Outstanding 2016 Legacy Notes have been listed as assets on the books and records of iHeart and its subsidiaries, including the financial statements of Finco and CC Holdings.

79. Therefore, after iHeart pays off the remaining 2016 Legacy Notes on December 15, 2016, there will be \$532.1 million of Legacy Notes outstanding: the \$57.1 million Outstanding 2016 Legacy Notes, \$175 million of 2018 Legacy Notes, and \$300 million of 2027 Legacy Notes.

80. Because the amount of Legacy Notes outstanding will remain above \$500 million, the Existing Notes Condition will not be triggered, and iHeart will have no obligation to grant the Springing Lien to the Existing Notes Condition Creditors.

V. The Current Controversy Surrounding The Springing Lien

81. A live controversy exists regarding whether the Outstanding 2016 Legacy Notes remain outstanding for purposes of determining whether the Existing Notes Condition is met, and whether the Springing Lien must be granted to the Existing Notes Condition Creditors after December 15, 2016.

82. This controversy is imminent, and is not speculative or hypothetical.

83. As Trustee or Administrative Agent under the relevant debt agreements, Defendants have certain powers and obligations to represent the interests of the creditors and under certain circumstances pursue certain remedies regarding the relevant debt documents.

84. This controversy involves Defendants because they will need to know the impact of the decision not to pay off the Outstanding 2016 Legacy Notes upon the contractual provisions governing the Springing Lien in order to carry out their powers and obligations lawfully.

CAUSE OF ACTION

DECLARATORY JUDGMENT (all Defendants)

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85. Plaintiffs incorporate the allegations of the preceding paragraphs as if the same were fully set forth herein.

86. Pursuant to Texas Civil Practice & Remedies Code § 37.003, Plaintiffs seek a declaratory judgment.

87. An actual, justiciable controversy exists involving Plaintiffs and Defendants.

88. The controversy is a real and substantial controversy involving genuine conflict of tangible interests, and affects the rights and status of the parties.

89. A declaratory judgment would resolve the controversy.

90. The controversy concerns the status of the Outstanding 2016 Legacy Notes and Plaintiffs' obligations with respect to the Springing Lien.

91. This controversy is imminent and requires this Court's resolution.

92. The Outstanding 2016 Legacy Notes are outstanding and will remain outstanding unless and until they are canceled or repaid.

93. Plaintiffs will not be obligated to grant the Springing Lien to the Existing Notes Condition Creditors, unless and until 60 days after there is an additional repayment or cancellation of Legacy Notes such that the amount of Legacy Notes outstanding falls to \$500 million or less.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray that the Court:

(a) Declare that the Outstanding Notes are outstanding and will remain outstanding until they are canceled or repaid;

(b) Declare that Plaintiffs are not obligated to grant the Springing Lien to the Existing Notes Condition Creditors and will not be obligated to do so unless and until 60 days after there

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is an additional repayment or cancellation of Legacy Notes such that the amount of Legacy Notes outstanding falls to \$500 million or less.

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December 12, 2016

Respectfully submitted,

/s/ Lamont A. Jefferson

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CIVIL CASE INFORMATION SHEET

CAUSE NUMBER (FOR CLERK USE ONLY): _____ COURT (FOR CLERK USE ONLY): _____

STYLED iHeart Communications, Inc., et al. v. U.S. Bank National Association, et al.

(e.g., John Smith v. All American Insurance Co; In re Mary Ann Jones; In the Matter of the Estate of George Jackson)

A civil case information sheet must be completed and submitted when an original petition or application is filed to initiate a new civil, family law, probate, or mental health case or when a post-judgment petition for modification or motion for enforcement is filed in a family law case. The information should be the best available at the time of filing.

1. Contact information for person completing case information sheet: Name: Lamont A. Jefferson Address: 112 East Pecan, Suite 1650 City/State/Zip: San Antonio TX 78205 Signature: <i>Lamont Jefferson</i> Email: LJefferson@jeffersoncano.com Telephone: 210.988.1811 Fax: 210.988.1811 State Bar No: 10607800		Names of parties in case: Plaintiff(s)/Petitioner(s): iHeart Communications, Inc. SEE ATTACHED FOR ALL PLAINTIFFS Defendant(s)/Respondent(s): U.S. Bank National Association see attached for remaining Defs	Person or entity completing sheet is: <input checked="" type="checkbox"/> Attorney for Plaintiff/Petitioner <input type="checkbox"/> Pro Se Plaintiff/Petitioner <input type="checkbox"/> Title IV-D Agency <input type="checkbox"/> Other: Additional Parties in Child Support Case: Custodial Parent: Non-Custodial Parent: Presumed Father:	
2. Indicate case type, or identify the most important issue in the case (select only 1):				
Civil		Family Law		
Contract <input type="checkbox"/> Debt/Contract <input type="checkbox"/> Consumer/DTPA <input type="checkbox"/> Debt/Contract <input type="checkbox"/> Fraud/Misrepresentation <input type="checkbox"/> Other Debt/Contract: Foreclosure <input type="checkbox"/> Home Equity—Expedited <input type="checkbox"/> Other Foreclosure <input type="checkbox"/> Franchise <input type="checkbox"/> Insurance <input type="checkbox"/> Landlord/Tenant <input type="checkbox"/> Non-Competition <input type="checkbox"/> Partnership <input type="checkbox"/> Other Contract:	Injury or Damage <input type="checkbox"/> Assault/Battery <input type="checkbox"/> Construction <input type="checkbox"/> Defamation Malpractice <input type="checkbox"/> Accounting <input type="checkbox"/> Legal <input type="checkbox"/> Medical <input type="checkbox"/> Other Professional Liability: <input type="checkbox"/> Motor Vehicle Accident <input type="checkbox"/> Premises Product Liability <input type="checkbox"/> Asbestos/Silica <input type="checkbox"/> Other Product Liability List Product: <input type="checkbox"/> Other Injury or Damage:	Real Property <input type="checkbox"/> Eminent Domain/Condemnation <input type="checkbox"/> Partition <input type="checkbox"/> Quiet Title <input type="checkbox"/> Trespass to Try Title <input type="checkbox"/> Other Property: Related to Criminal Matters <input type="checkbox"/> Expunction <input type="checkbox"/> Judgment Nisi <input type="checkbox"/> Non-Disclosure <input type="checkbox"/> Seizure/Forfeiture <input type="checkbox"/> Writ of Habeas Corpus—Pre-indictment <input type="checkbox"/> Other:	Marriage Relationship <input type="checkbox"/> Annulment <input type="checkbox"/> Declare Marriage Void Divorce <input type="checkbox"/> With Children <input type="checkbox"/> No Children Other Family Law <input type="checkbox"/> Enforce Foreign Judgment <input type="checkbox"/> Habeas Corpus <input type="checkbox"/> Name Change <input type="checkbox"/> Protective Order <input type="checkbox"/> Removal of Disabilities of Minority <input type="checkbox"/> Other:	Post-judgment Actions (non-Title IV-D) <input type="checkbox"/> Enforcement <input type="checkbox"/> Modification—Custody <input type="checkbox"/> Modification—Other Title IV-D <input type="checkbox"/> Enforcement/Modification <input type="checkbox"/> Paternity <input type="checkbox"/> Reciprocal (UIFSA) <input type="checkbox"/> Support Order Parent-Child Relationship <input type="checkbox"/> Adoption/Adoption with Termination <input type="checkbox"/> Child Protection <input type="checkbox"/> Child Support <input type="checkbox"/> Custody or Visitation <input type="checkbox"/> Gestational Parenting <input type="checkbox"/> Grandparent Access <input type="checkbox"/> Parentage/Paternity <input type="checkbox"/> Termination of Parental Rights <input type="checkbox"/> Other Parent-Child:
Employment <input type="checkbox"/> Discrimination <input type="checkbox"/> Retaliation <input type="checkbox"/> Termination <input type="checkbox"/> Workers' Compensation <input type="checkbox"/> Other Employment:	Other Civil <input type="checkbox"/> Administrative Appeal <input type="checkbox"/> Antitrust/Unfair Competition <input type="checkbox"/> Code Violations <input type="checkbox"/> Foreign Judgment <input type="checkbox"/> Intellectual Property <input type="checkbox"/> Lawyer Discipline <input type="checkbox"/> Perpetuate Testimony <input type="checkbox"/> Securities/Stock <input type="checkbox"/> Tortious Interference <input checked="" type="checkbox"/> Other: Declaratory Judgment			
Tax <input type="checkbox"/> Tax Appraisal <input type="checkbox"/> Tax Delinquency <input type="checkbox"/> Other Tax	Probate & Mental Health Probate/Wills/Intestate Administration <input type="checkbox"/> Dependent Administration <input type="checkbox"/> Independent Administration <input type="checkbox"/> Other Estate Proceedings <input type="checkbox"/> Guardianship—Adult <input type="checkbox"/> Guardianship—Minor <input type="checkbox"/> Mental Health <input type="checkbox"/> Other:			
3. Indicate procedure or remedy, if applicable (may select more than 1):				
<input type="checkbox"/> Appeal from Municipal or Justice Court <input type="checkbox"/> Arbitration-related <input type="checkbox"/> Attachment <input type="checkbox"/> Bill of Review <input type="checkbox"/> Certiorari <input type="checkbox"/> Class Action	<input type="checkbox"/> Declaratory Judgment <input type="checkbox"/> Garnishment <input type="checkbox"/> Interpleader <input type="checkbox"/> License <input type="checkbox"/> Mandamus <input type="checkbox"/> Post-judgment	<input type="checkbox"/> Prejudgment Remedy <input type="checkbox"/> Protective Order <input type="checkbox"/> Receiver <input type="checkbox"/> Sequestration <input type="checkbox"/> Temporary Restraining Order/Injunction <input type="checkbox"/> Turnover		
4. Indicate damages sought (do not select if it is a family law case):				
<input type="checkbox"/> Less than \$100,000, including damages of any kind, penalties, costs, expenses, pre-judgment interest, and attorney fees <input checked="" type="checkbox"/> Less than \$100,000 and non-monetary relief <input type="checkbox"/> Over \$100,000 but not more than \$200,000 <input type="checkbox"/> Over \$200,000 but not more than \$1,000,000 <input type="checkbox"/> Over \$1,000,000				

iHeart Communications, Inc., et al v. U.S. Bank National Association, et al

LIST OF PARTIES

PLAINTIFFS:

iHeartCommunications, Inc.
AMFM Broadcasting, Inc.
AMFM Operating Inc.
Citicasters Licenses, Inc.
Capstar Radio Operating Company
CC Broadcast Holdings, Inc.
Christal Radio Sales, Inc.
Cine Guarantors II, Inc.
Citicasters Co.
Clear Channel Broadcasting Licenses, Inc.
iHeartMedia+Entertainment, Inc.
iHM Identity, Inc.
Clear Channel Holdings, Inc.
Clear Channel Investments, Inc.
iHeartMedia Management Services, Inc.
Clear Channel Mexico Holdings, Inc.
Critical Mass Media, Inc.
Katz Communications, Inc.
Katz Media Group, Inc.
Katz Millennium Sales & Marketing Inc.
Katz Net Radio Sales, Inc.
M Street Corporation
Premiere Networks, Inc.
Terrestrial RF Licensing, Inc.
CC Licenses, LLC
Clear Channel Real Estate, LLC
AMFM Broadcasting Licenses, LLC
AMFM Radio Licenses, LLC
AMFM Texas, LLC
AMFM Texas Broadcasting, LP
AMFM Texas Licenses, LLC
Capstar TX, LLC
CC Finco Holdings, LLC
Clear Channel Metro, LLC
TTWN Networks, LLC
TTWN Media Networks, LLC

DEFENDANTS:

U.S. Bank National Association
Wilmington Trust, National Association,
f/k/a Wilmington Trust FSB
Citibank, N.A.

Appendix 3

IHeart Says It Paid External Creditors on 2016 Maturity

2016-12-16 00:36:13.5 GMT

By Emma Orr

(Bloomberg) -- IHeartMedia Inc. said it paid external creditors \$193m on its 2016 bonds as scheduled. The payment doesn't include \$57m owed to the company itself.

* Company spokeswoman commented on the payment in an e-mail

* While the payment complies with a Dec. 15 deadline, the company has said it'll skip repaying the debt which iHeart owns itself. The approach can save the company from having to provide collateral to a group of debtholders who might be inclined to push iHeart toward bankruptcy

* NOTE: IHeart Stratagem Buys More Time While Needling Some