

## Americas DC Meeting Statement December 21, 2016

### Summary

The DC met on December 21, 2016 to consider whether a Failure to Pay Credit Event had occurred with respect to iHeart Communications, Inc. (f/k/a Clear Channel Communications, Inc.) (the **Reference Entity**) as a result of the failure by the Reference Entity to make a USD 57.1 million payment with respect to certain 5.50% Senior Notes due 2016 (the **2016 Legacy Notes**).

On December 23, 2016, the DC Resolved that the Coverage Election for the DC Question should include both Updated 2003 Transactions and 2014 Transactions.

The DC Resolved that with respect to both 2014 Transactions and Updated 2003 Transactions:

- (a) a Failure to Pay Credit Event occurred on December 20, 2016 with respect to the Reference Entity;
- (b) the Credit Event Resolution Request Date was (i) December 20, 2016 for 2014 Transactions and Updated 2003 Transactions with a Scheduled Termination Date of December 20, 2016 and (ii) December 21, 2016 for Updated 2003 Transactions with a Scheduled Termination Date after December 20, 2016; and
- (c) a Restructuring Credit Event did not occur with respect to the Reference Entity.

Each capitalized term used but not defined in this Meeting Statement has the meaning given to it in the Credit Derivatives Determinations Committees Rules (January 20, 2016 version) (including in the 2014 Definitions and the Updated 2003 Definitions, each as defined therein) (the **DC Rules**).

### Background

The 2016 Legacy Notes were issued pursuant to a supplemental indenture dated December 16, 2004 between the Reference Entity and The Bank of New York Mellon Corporation (f/k/a The Bank of New York) (the **Trustee**) (the **Supplemental Indenture**, and together with the Senior Indenture dated October 1, 1997 between the Reference Entity and the Trustee (the **Senior Indenture**), the **Indenture**). By their terms, the 2016 Legacy Notes "mature and the principal thereof shall be due and payable, together with all accrued and unpaid interest thereon, on December 15, 2016".<sup>1</sup> There is no grace period under the terms of the 2016 Legacy Notes for a failure to pay principal.<sup>2</sup>

As described in a Form 8-K filed with the Securities and Exchange Commission on December 13, 2016 (the **Form 8-K**),<sup>3</sup> a special committee of independent directors of the Reference Entity decided not to repay at maturity USD 57.1 million of the 2016 Legacy Notes held by Clear Channel Holdings, Inc. (**CCH**), a Reference Entity affiliate (the 2016 Legacy Notes held by CCH, the **Relevant 2016 Legacy Notes**).

On December 20, 2016, the Trustee issued a notice (the **Trustee Notice**) to all holders of the 2016 Legacy Notes stating that "CCH agreed to waive any rights to collect payment on, and consent to non-payment on, [the Relevant 2016 Legacy Notes], at the same time as principal is paid to all other holders of the [2016 Legacy

<sup>1</sup> Supplemental Indenture at Section 1.01 (available at: <https://www.sec.gov/Archives/edgar/data/739708/000095013404019500/d21022exv10w1.txt>).

<sup>2</sup> Senior Indenture at 501(2) (available at: <https://www.sec.gov/Archives/edgar/data/739708/0000739708-97-000022.txt>).

<sup>3</sup> Available at: <https://www.sec.gov/Archives/edgar/data/739708/000119312516791577/d310088d8k.htm>

Notes] pursuant to Section 301 of the [Senior Indenture] or otherwise (provided, however, that CCH did not waive its underlying right to be repaid on [the Relevant 2016 Legacy Notes]) [...].

## **Failure to Pay**

Section 4.5 of the 2014 Definitions provides that a "Failure to Pay" Credit Event 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."

The Updated 2003 Definitions contain the same substantive definition.<sup>4</sup>

Taking the elements of this definition in turn:

(a) *"after the expiration of any applicable Grace Period"*

Because no contractual grace period applies to the Relevant 2016 Legacy Notes (as noted above), the DC determined that a grace period of 3 Grace Period Business Days should be deemed to apply pursuant to Section 1.46(c) of the 2014 Definitions and Section 1.12(a)(iii) of the Updated 2003 Definitions. The DC noted that Section 1.46(c) of the 2014 Definitions and Section 1.12(a)(iii) of the Updated 2003 Definitions are identical and specifically provide that "unless 'Grace Period Extension' is specified as applicable in the related Confirmation, such deemed Grace Period shall expire no later than the Scheduled Termination Date".<sup>5</sup>

The definition of "Grace Period Business Day" in both the 2014 Definitions and the Updated 2003 Definitions provides, generally speaking, that the "Business Day" convention specified for the relevant Obligation governs. Given the definition of "Business Day" in the Indenture and the requirement in the Supplemental Indenture that funds be paid in New York, the DC determined that with respect to the Relevant 2016 Legacy Notes, a "Grace Period Business Day" should be read to mean a "New York Business Day" for both 2014 Transactions and Updated 2003 Transactions.

Given the above, the DC determined that:

- (i) for 2014 Transactions, the deemed Grace Period expired, and the relevant payment failure occurred prior to midnight (Greenwich Mean Time)<sup>6</sup>, on December 20, 2016;
- (ii) for Updated 2003 Transactions with a Scheduled Termination Date of December 20, 2016, the deemed Grace Period expired and the relevant payment failure occurred on December 20, 2016<sup>7</sup>; and
- (iii) for Updated 2003 Transactions with a Scheduled Termination Date after December 20, 2016, the deemed Grace Period expired at midnight (Eastern Standard Time) on

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<sup>4</sup> Section 4.5 of the 2014 Definitions refers to "the Reference Entity"; the corresponding section of the Updated 2003 Definitions refers to "a Reference Entity". The DC does not view this difference as material to the analysis.

<sup>5</sup> "Grace Period Extension" is not applicable to Transactions specifying the North American Corporate / Standard North American Corporate Transaction Type.

<sup>6</sup> See Section 1.50 of the 2014 Definitions.

<sup>7</sup> See Section 1.12(a)(iii) of the Updated 2003 Definitions (stating that the deemed Grace Period can expire no later than the Scheduled Termination Date).

December 20, 2016, and therefore the relevant payment failure occurred on December 21, 2016.

Based on Publicly Available Information submitted to the DC and on the basis that the DC did not receive any Publicly Available Information indicating that the relevant payment failure had been remedied, the DC determined that for both 2014 Transactions and Updated 2003 Transactions, the relevant payment failure had occurred and was continuing after the deemed Grace Period for the Relevant 2016 Legacy Notes had expired.

(b) *"failure by the Reference Entity to make, when and where due, any payments"*

As noted in the "Background" section above, the Indenture states that the Relevant 2016 Legacy Notes mature on December 15, 2016 and that all principal and accrued but unpaid interest becomes "due and payable" on such date.

The Indenture requires that any change in a payment date or the maturity date of the 2016 Legacy Notes be effectuated by a supplemental indenture.<sup>8</sup> No supplemental indenture or similar amendment agreement was made publicly available to the DC in connection with the DC Credit Event Question, and therefore the DC determined that the Indenture provisions discussed above continue to control the date on which principal on the 2016 Legacy Notes became "due and payable".

Furthermore, the DC noted that according to the Trustee Notice, CCH has in fact asserted that it is owed an amount of principal in respect of the Relevant 2016 Legacy Notes and is reserving the right to claim such amount in the future, notwithstanding the fact that CCH has agreed not to pursue remedies for non-payment at this time. Similarly, the Form 8-K indicates that the Reference Entity continues to view its payment obligations on the Relevant 2016 Legacy Notes as "outstanding". The DC viewed this as further support for the notion that December 15, 2016 was the date on which the relevant payment of principal was "due and payable" and that such date had not been modified or deferred by agreement between the Reference Entity and any noteholder.

(c) *"in an aggregate amount of not less than the Payment Requirement"*

For purposes of the Standard North American Corporate Transaction Type, the Payment Requirement is USD 1 million. The DC determined that the submitted Publicly Available Information described a failure to pay in excess of this amount.

(d) *"under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure"*

The DC determined that the Relevant 2016 Legacy Notes constitute borrowed money obligations of the Reference Entity and therefore constitute "Obligations" for purposes of the Failure to Pay Definition under both the 2014 Definitions and the Updated 2003 Definitions.

As noted above, based on the submitted Publicly Available Information, the DC did not view the payment terms of the Relevant 2016 Legacy Notes to be amended in any way. Therefore the terms of the Relevant 2016 Legacy Notes "at the time of such failure" remain as set out in the

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<sup>8</sup> See Section 902(1) of the Senior Indenture.

Indenture, and the payment of principal on the Relevant 2016 Legacy Notes was due on December 15, 2016.

Having considered the above, the DC Resolved that a Failure to Pay Credit Event had occurred with respect to the Reference Entity in relation to both 2014 Transactions and Updated 2003 Transactions.

### **Credit Event Resolution Request Date**

The term "Credit Event Resolution Request Date" means "with respect to a DC Credit Event Question, the date as publicly announced by the DC Secretary that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was **effective** and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question" (emphasis added).<sup>9</sup>

The term "DC Credit Event Question" is in turn defined to mean "a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event for purposes of the Credit Derivative Transaction **has occurred**" (emphasis added).<sup>10</sup>

The DC was of the view that a DC Credit Event Question must relate to an event that "has occurred" in order for such DC Credit Event Question to be "effective" for purposes of the "Credit Event Resolution Request Date" definition. The DC further determined, as noted above, that the earliest date on which the Failure to Pay could have occurred was (a) December 20, 2016 for 2014 Transactions and Updated 2003 Transactions with a Scheduled Termination Date of December 20, 2016 and (b) December 21, 2016 for Updated 2003 Transactions with a Scheduled Termination Date after December 20, 2016.

As a result, the DC determined that the Credit Event Resolution Request Date was (a) December 20, 2016 for 2014 Transactions and Updated 2003 Transactions with a Scheduled Termination Date of December 20, 2016 and (b) December 21, 2016 for Updated 2003 Transactions with a Scheduled Termination Date after December 20, 2016.

### **Restructuring**

A "Restructuring" Credit Event is defined in pertinent part to include the "deferral of a date [...] for the payment of principal" with respect to an Obligation, if such deferral occurs "in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date and the date as of which such Obligation is issued or incurred."<sup>11</sup>

As noted above, the DC determined that the submitted Publicly Available Information did not contain any evidence of a deferral of principal payment obligations. To the contrary, the DC noted that the Form 8-K and the Trustee Notice indicate that both the Reference Entity and relevant holder (CCH) view the principal amount of the Relevant 2016 Legacy Notes to have become due and payable as of December 15, 2016, and that the Trustee

<sup>9</sup> Section 1.30 of the 2014 Definitions. The corresponding definition in the Updated 2003 Definitions is substantially similar with respect to the quoted text. See Section 1.24 of the Updated 2003 Definitions.

<sup>10</sup> Section 1.26 of the 2014 Definitions. The corresponding definition in the Updated 2003 Definitions is substantially similar with respect to the quoted text. See Section 1.24 of the Updated 2003 Definitions.

<sup>11</sup> Section 4.7(a) of the 2014 Definitions. The corresponding definition in the Updated 2003 Definitions is substantially similar with respect to the quoted text. See Section 4.7(a) of the Updated 2003 Definitions.

Notice states that CCH is reserving its rights with respect to the unpaid portion of the Relevant 2016 Legacy Notes.

Further, the DC did not identify any Publicly Available Information that would support the notion that all holders of the 2016 Legacy Notes were bound by CCH's decision to forebear on the exercise of remedies.

For the above reasons, the DC Resolved that no Restructuring Credit Event had occurred in relation to either 2014 Transactions or Updated 2003 Transactions.