

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re: IHEARTMEDIA, INC., <i>et al.</i> , ¹ Debtors.	§ § § § § § §	Chapter 11 Case No. 18-31274 (MI) (Jointly Administered)
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**DEBTORS’ MOTION FOR
ENTRY OF AN ORDER AUTHORIZING AND
APPROVING THE DEBTORS’ 2019 INCENTIVE PLANS**

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

A HEARING WILL BE HELD ON THIS MATTER ON DECEMBER 11, 2018, AT 9:00 AM (CT) BEFORE THE HONORABLE MARVIN ISGUR, 515 RUSK STREET, COURTROOM 404, HOUSTON, TEXAS 77002.

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) respectfully state as follows in support of this motion (this “Motion”):²

¹ Due to the large number of Debtors in these chapter 11 cases, for which joint administration has been granted, a complete list of the Debtors and the last four digits of their tax identification, registration, or like numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.primeclerk.com/iheartmedia>. The location of Debtor iHeartMedia, Inc.’s principal place of business and the Debtors’ service address is: 20880 Stone Oak Parkway, San Antonio, Texas 78258.

² A description of the Debtors’ businesses, the reasons for commencing the chapter 11 cases, and the relief sought from the Court to allow for a smooth transition into chapter 11 are set forth in the *Declaration of Brian Coleman, Senior Vice President and Treasurer of iHeartMedia, Inc., in Support of Chapter 11 Petitions and First Day Motions*, filed on March 15, 2018 [Docket No. 25].

Preliminary Statement

1. As set forth in the *Debtors' Motion for Entry of An Order Authorizing and Approving the Debtors' 2018 Incentive Plans* (the "Initial Motion") [Docket No. 606], the Debtors undertook a thorough and deliberative process to develop the incentive plans for 2018 that were approved by the Debtors' Compensation Committee (as defined below). The Debtors then incorporated certain changes made following discussions with the Debtor's senior lenders (the "Term Loan / PGN Group"), the Official Committee of Unsecured Creditors (the "Committee"), and the Office of the United States Trustee for the Southern District of Texas (the "U.S. Trustee"). Ultimately, the Court approved the plans on June 7, 2018 and June 19, 2018 [Docket. Nos. 917, 971]³ (the "2018 IPN" and "2018 IPI," respectively, and together the "2018 Incentive Plans"). While the Debtors' long-term prospects look strong, the 2019 calendar year is a time of transition, and the ongoing demands placed upon the Debtors' senior executive team (collectively, the "Senior Executives") and certain of the Debtors' non-insider workforce (collectively, the "Non-Insider Employees") during and exiting these chapter 11 proceedings have been, and will no doubt continue to be, significant.

2. Accordingly, there remains an important need for the implementation of incentive plans for 2019 while the chapter 11 cases are ongoing. Among other things, the Senior Executives and Non-Insider Employees have continued to operate the Debtors' businesses throughout the chapter 11 process in a highly competitive and challenging industry. With confirmation of the Debtors' plan of reorganization and a path to emergence from chapter 11 in sight, maintaining a highly motivated workforce is as important as ever. Continuing to incentive these critical

³ See *Order Authorizing and Approving the Debtors' 2018 Incentive Plan for Non-Insiders* [Docket No. 917]; *Order Authorizing and Approving the Debtors' 2018 Incentive Plan for Insiders* [Docket No. 971].

employees with market-based compensation programs that are consistent with historical compensation opportunities is necessary to the Debtors' continued operational success.⁴

3. This Motion seeks approval of the Debtors' employee compensation programs for 2019, which are substantially similar to the 2018 Incentive Plans. As the 2018 Incentive Plans draw to an end, the Debtors seek to renew the 2018 Plans in substantially similar form, with the only material change being updated OIBDAN targets for 2019 that will continue to encourage and reward exceptional performance by all participants in the 2019 Incentive Plans (as defined below). The 2019 Incentive Plans (as defined below) will remain in place unless and until terminated and replaced following emergence from chapter 11—if the effective date of a chapter 11 plan of reorganization occurs before December 31, 2019, participants will receive a prorated portion of their bonus award as appropriate under the program.

4. Specifically, the Motion seeks the approval of: (a) the 2019 Incentive Plan for Insiders (the "2019 IPI") attached as **Exhibit 1** to **Exhibit A**, which will include the Debtors' 11 Senior Executives; and (b) the 2019 Incentive Plan for Non-Insiders (the "2019 IPN" and together with the 2019 IPI, the "2019 Incentive Plans"), attached as **Exhibit 2** to **Exhibit A**, which will include approximately 815 Non-Insider Employees.⁵ The 2019 Incentive Plans are substantially similar to the 2018 Incentive Plans, which themselves are generally consistent with the Debtors' historical incentive-compensation practices (with certain adjustments discussed herein), consistent with the Debtors' historical compensation levels, similar to those compensation opportunities available at similar companies in the Debtors' industry, compliant with the Bankruptcy Code, and

⁴ See Tr. of Hr'g., Jun 19, 2019, 61:18-61:19. ("I find that [the 2018 Incentive Plans] are appropriate incentives. I find they were carefully designed. I find that they are incentivizing.")

⁵ The IPN includes an additional 100 participants (and approximately \$4.47 million of target awards) based on recent acquisitions and hiring.

designed to continue driving the Debtors' operational excellence for the benefit of all stakeholders.

The 2019 Incentive Plans, which are more fully described below, can be summarized as follows:

Program	Number of Participants	Potential 2019 Cost⁶	Payment Timing
2019 Incentive Plan for Insiders	11	\$22.1 million	Quarterly
2019 Incentive Plan for Non-Insiders	815	\$60 million	Quarterly

5. Given the Debtors' current financial condition and near-term restructuring goals, the Debtors seek approval of the 2019 Incentive Plans, which largely continue the Company's 2018 Incentive Plans structure with appropriate modifications made to the IPN Participants and the OIBDAN metrics.⁷ Specifically, the OIBDAN metrics were updated to continue to be challenging for the Incentive Plan Participants, which encourages and rewards exceptional performance and focuses key employees on value-maximization for all stakeholders. Also, the population of IPN Participants was increased to account for business acquisitions and recent hires. In short, the 2019 Incentive Plans continue to be challenging and offer total potential award amounts consistent with those paid under the court-approved 2018 Incentive Plans.

6. Just like the 2018 Incentive Plans, the Debtors followed a robust process to approve the 2019 Incentive Plans and ensure that they satisfy the applicable standards while still meeting the Debtors' incentivizing goals. The Debtors incorporated the advice of their advisors, including

⁶ These figures assume each Participant receives his or her "target" award. At "target" performance levels, the total cost of the Debtors' 2018 IPI was \$22.1 million (comprised of the \$16.6 million under the 2018 IPI for the remainder of 2018 and the \$5.5 million previously paid in February 2018 relating to the first quarter of 2018), and the total cost of the Debtors' 2018 IPN was \$55.5 million.

⁷ OIBDAN (the "Performance Metric") is an important economic measure of the Debtors' ongoing efforts to capture value in the current economic environment. OIBDAN, like EBITDA, is a proxy for analyzing the cash a firm can generate from operations regardless of capital structure and taxes and is therefore useful as a tool in designing restructurings, mergers and acquisitions, and recapitalizations, and for valuing firms on a total enterprise value basis. OIBDAN differs from EBITDA because its starting point is operating income, not earnings, and therefore does not include non-operating income, which tends not to recur year after year. OIBDAN includes only income gained from regular operations, ignoring items such as impairments, gains or losses on disposals of assets or financing activities, interest, FX changes or tax treatments.

their compensation consultant Willis Towers Watson Delaware, Inc. (“Willis Towers Watson”), financial advisor Alvarez & Marsal North America, LLC (“A&M”), and legal counsel Kirkland & Ellis LLP, to develop incentive plans that are market-based, consistent with competitive practices, and compliant with the Bankruptcy Code. The financial projections used to create the Performance Metrics were approved by the Board of Directors of iHeartMedia, Inc. (the “Board”) and the 2019 Incentive Plans were approved by the Compensation Committee of the Board (the “Compensation Committee”) after a thorough and deliberate process. Additionally, with respect to the Debtors’ 11 Senior Executives, market-based bonuses will be awarded if—and only if—the Debtors meet profitability targets, designed to be both stretch goals and within management’s control, which will generate substantial value for the Debtors’ constituencies, particularly their creditors.

7. The Debtors file this Motion now and are seeking approval of the 2019 Incentive Plans before the end of 2018 because the Debtors believe it is important to provide direction and incentive goals to employees in advance of the start of 2019. Such timing will set expectations for the Debtors employees, from the outset of the performance period, of the court-approved performance targets and compensation opportunities.

8. In short, the Debtors’ 2019 Incentive Plans will continue to be challenging and incentivizing, and cheaper, on a relative basis,⁸ than the 2018 Incentive Plans. For the reasons stated herein, the Debtors respectfully submit that the 2019 Incentive Plans are an exercise of the Debtors’ sound business judgment, satisfy the legal standards set forth in the Bankruptcy Code

⁸ Total direct compensation under the 2018 IPI was 3% above the median for the Debtors’ industry. *See* the Initial Motion at ¶ 33. However, total direct compensation under the 2019 IPI is 21% below the median for the Debtors’ industry. *See* Georgeson Declaration at ¶ 18.

and the applicable case law, and respectfully request the Court authorize the Debtors to implement the 2019 Incentive Plans.

Relief Requested

9. The Debtors seek entry of an order, substantially in the form attached hereto as **Exhibit A** (the “Order”), authorizing and approving the 2019 Incentive Plans. In support of this motion, the Debtors submit the *Declaration of Zach Georgeson, Director of Executive Compensation at Willis Towers Watson, in Support of the Debtors’ Motion for Entry of an Order Approving the Debtors’ 2019 Incentive Plans* (the “Georgeson Declaration”), attached hereto as **Exhibit B**.

Jurisdiction and Venue

10. The United States Bankruptcy Court for the Southern District of Texas (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and the *Order of Reference to Bankruptcy Judges (District Court General Order 2012-6)*, dated May 24, 2012 (the “Standing Order”). The Debtors confirm their consent, pursuant to rule 7008 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

11. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

12. The bases for the relief requested herein are sections 105(a), 363(b), 363(c), 503(c), 507, 1107, and 1108 of title 11 of the United States Code (the “Bankruptcy Code”), Bankruptcy Rule 6004, and rule 9013-1 of the Bankruptcy Local Rules for the Southern District of Texas (the “Bankruptcy Local Rules”).

The Debtors' 2019 Incentive Plans

I. Summary of Key Features

13. As described more fully in the Initial Motion, in addition to base salary, the Debtors have historically compensated their workforce with a combination of incentive-based programs to facilitate the Debtors' achievement of superior financial and operational results, as well as retention-based programs to encourage non-insider employees to remain employed with the Debtors. As approved by the Compensation Committee, the 2019 Incentive Plans include the following key features:⁹

Key Terms of Incentive Plans		
Element	2019 IPI	2019 IPN
Participation	<ul style="list-style-type: none"> • Chairman & CEO • President, COO & CFO • Executive Vice President, General Counsel, & Secretary • President, National Sales and Marketing Partnerships • President, Markets Group • CFO & Senior Vice President of Corporate Finance, iHM • President, iHeartRadio and iHeartMedia Networks • Senior Vice President, Treasurer • Chief Information Officer • Executive Vice President and Deputy General Counsel • Senior Vice President, Chief Accounting Officer, & Assistant Secretary 	<ul style="list-style-type: none"> • The 2019 IPN will include approximately 815 Non-Insider Employees
Form of Payment	<ul style="list-style-type: none"> • Quarterly cash payments 	<ul style="list-style-type: none"> • Quarterly cash payments

⁹ This summary of the 2019 Incentive Plans is for illustrative purposes only and is qualified in its entirety by the terms of the 2019 IPI and the 2019 IPN, copies of which are annexed hereto as **Exhibit 1** and **Exhibit 2** to the Order, respectively.

Key Terms of Incentive Plans		
Element	2019 IPI	2019 IPN
Award Opportunities	<ul style="list-style-type: none"> • 2019 IPI program opportunities would be provided as continuation of prior incentive opportunities • 2019 IPI awards would be calibrated to provide 12 months of incentive opportunities (<i>i.e.</i>, four quarters, from January 2019 to December 2019, with 25% of the opportunity payable at the end of each respective quarter) 	<ul style="list-style-type: none"> • 2019 IPN program opportunities would be provided as continuation of prior incentive opportunities • 2019 IPN awards would be calibrated to provide 12 months of incentive opportunities (<i>i.e.</i>, four quarters, from January 2019 to December 2019, with 25% of the opportunity payable at the end of each respective quarter).
Performance Ranges and Payout Potential	<ul style="list-style-type: none"> • Based 100% on OIBDAN: <ul style="list-style-type: none"> • Awards for eight Senior Executives will be based on Consolidated OIBDAN (as defined below) • Awards for the remaining three Senior executives will be based on Segment OIBDAN (as defined below) 	<ul style="list-style-type: none"> • 50% based on Segment OIBDAN (OIBDAN targets for particular groups would be specific by business segment) with payments subject to management discretion if performance targets not achieved • 50% based on management discretion and will be evaluated quarterly based on participant performance (with managers being able to reallocate bonus amounts not awarded to other Non-Insider Employees)
Performance Ranges and Payout Potential	<ul style="list-style-type: none"> • 100% of award is based on target OIBDAN goals, threshold and maximum payouts corresponding to achievement of 85% and 115% of target OIBDAN goals (\$0 of payments if less than 85% of target OIBDAN is achieved) • If 85% of the performance metric is achieved (the “threshold” level), then the 2019 IPI participant will receive a corresponding installment 2019 IPI payment of 50% of the target award. If 115% of the performance metric is achieved (the “maximum” level), then the 2019 IPI participant will receive a corresponding installment 2019 IPI payment of 150% of the target award. Linear interpolation of the 2019 IPI Payment will be applied for achievement of the performance metric between the threshold level and maximum level 	<ul style="list-style-type: none"> • 50% of award is based on target OIBDAN goals, threshold and maximum payouts corresponding to 85% and 115% of target, respectively • If 85% of the performance metric is achieved (the “threshold” level), then the 2019 IPN participant will receive a corresponding installment 2019 IPN payment of 50% of the target award. If 115% of the performance metric is achieved (the “maximum” level), then the 2019 IPN participant will receive a corresponding installment 2019 IPN payment of 150% of the target award. Linear interpolation of the 2019 IPN Payment will be applied for achievement of the performance metric between the threshold level and maximum level • However, management has discretion to award payments even if performance targets are not met (unlike the 2019 IPI)

Key Terms of Incentive Plans		
Element	2019 IPI	2019 IPN
Cost (assuming achievement of target performance levels)	<ul style="list-style-type: none"> Approximately \$22.1 million 	<ul style="list-style-type: none"> Approximately \$60 million
Performance Measurement and “Catch-up” Mechanism	<ul style="list-style-type: none"> Performance would be measured at the end of each Period (as defined below), cumulative catchup payouts would be trued up relative to cumulative performance <ul style="list-style-type: none"> <i>i.e.</i>, at the end of the year, participants will receive the greater of (i) the sum of actual payments or (ii) the IPI outcome once measured on a cumulative basis 	<ul style="list-style-type: none"> Same as IPI
Program Treatment Upon Emergence from Chapter 11	<ul style="list-style-type: none"> If the effective date of a chapter 11 plan of reorganization occurs before December 31, 2019, participants will receive a prorated portion of their bonus award as appropriate under the program 	<ul style="list-style-type: none"> Same as IPI

14. Similar to the 2018 Incentive Plans, the 2019 Incentive Plans contemplate tailoring the use of OIBDAN to each Incentive Plan participant’s (each, a “Participant”) role. Specifically, eight of the 2019 IPI Participants will have their performance measured against the OIBDAN of all segments of iHM (*i.e.*, the iHM Segment and the Outdoor Segment (“Consolidated OIBDAN”)) because their roles are important drivers of the performance of both of those segments. However, three of the 2019 IPI Participants, and each of the 2019 IPN Participants, will have their performance measured solely on the OIBDAN of the iHM Segment (“Segment OIBDAN,”) because their roles are important drivers of only Segment OIBDAN.

15. Consistent with past practices, the Debtors focused on fine-tuning their compensation structure to confirm that they provided appropriate and market compensation at all levels of their workforce. After undertaking a comprehensive top-down approach to budgeting and forecasting their business models (as described in the Initial Motion), the Debtors calibrated

their compensation plans and metrics for 2019 to confirm that they are appropriately incentivizing and in compliance with the Bankruptcy Code.

A. Timing of Payments and Estimated Costs.

16. Under the 2019 Incentive Plans, performance is measured at the conclusion of each fiscal quarter (each, a “Period”) and awards are paid, if earned, based on the Debtors’ performance during each Period (*i.e.* starting January 1, 2019 and ending March 31, 2019; starting April 1, 2019 and ending June 30, 2019; starting July 1, 2019 and ending September 30, 2019; and starting October 1, 2019 and ending December 31, 2019). Award opportunities for each Period correspond to threshold, target, and stretch performance goals established for each of the Performance Metrics and are set at 85%, 100%, and 115% of the target goal, respectively. A “catch-up” mechanism, described below, encourages the 2019 Incentive Plan Participants to continue to strive for excellence even if performance falls short in an earlier Period.

17. The actual goals for the Performance Metrics are summarized in the table attached hereto as **Exhibit C**. The performance goal levels for each of the Performance Metrics were determined based on the Debtors’ long-term financial projections (the “Financial Projections”) set forth in the *Disclosure Statement Relating to the Fourth Amended Joint Chapter 11 Plan of Reorganization of iHeartMedia, Inc. and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 1484] (as may be amended, supplemented, or otherwise modified from time to time, the “Disclosure Statement”).

B. The Performance Goals and Catch-Up Mechanism.

18. If the threshold performance for one Period is not achieved, no amounts will be paid on account of that Period specifically; to continue incentivizing the 2019 Incentive Plan Participants, however, performance will also be measured cumulatively (*i.e.*, from January 1,

2019) through the end of each Period. Accordingly, if performance falls below threshold or target levels in a given Period but in the aggregate meets cumulative target or maximum levels due to outperformance in a subsequent Period, participants will receive a “catch-up” payment at the end of each Period (but not to exceed the cumulative target payment at the end of that Period), as applicable. At the end of the year, participants would have received the greater of (a) the sum of actual payments or (b) the 2019 Incentive Plan outcome once measured on a cumulative basis. Awards that have been paid would not be subject to a “clawback” to the extent any cumulative targets were not achieved.

C. No Guarantee That Performance Metrics Will Be Satisfied.

19. Notably, there is no guarantee that the Debtors will meet any of the Performance Metrics in this business environment.¹⁰ The 2019 Incentive Plans (which are substantially similar to the 2018 Incentive Plan approved by the Compensation Committee) thus use these targets to ensure that such goals are “stretch” goals that incentivize and reward excellent performance. A number of risks could cause results to differ materially from the OIBDAN targets. Among other things, such risks include increased operational costs and decreased advertising revenues associated with parties concerned about doing business with a chapter 11 debtor.¹¹

20. Moreover, broader economic conditions may also result in the Debtors’ inability to meet the OIBDAN targets. Nonetheless, it is the Debtors’ (and the Compensation Committee’s) belief and expectation that these OIBDAN targets represent the critical value drivers that are most

¹⁰ See Tr. of Hr’g., Jun. 19, 2018, 59:1-59:4 (“And it’s really uncontroverted from the evidentiary record that that business environment that iHeart faces is facing adversity from general industry issues for non-digital companies.”).

¹¹ See Tr. of Hr’g. Jun. 19, 2019, 59:20 59:22 (“[T]he bankruptcy case itself drives down the ability to earn income for the company or OIBDAN for the company.”).

directly within the control of the 2019 Incentive Plan Participants and that through strong performance (and only through strong performance), some or all of these targets could be hit.

D. Award Opportunities Under the 2019 IPI.

21. The 2019 IPI is substantially identical in structure to the 2018 IPI.¹² The 2019 IPI provides award opportunities for the 11 Senior Executives. Each eligible employee's annual target award is determined based on their peer employees, their role in, and contributions to, the organization, and competitive market data. Similar to the 2018 IPI, the Debtors will make payments under the 2019 IPI on a quarterly basis and only if the Debtors achieve certain challenging performance goals based on the OIBDAN targets. If the Performance Metrics are not met for a given quarter, the 2019 IPI provides that the participants may still earn the full amount of the target payments from that quarter if the cumulative year-to-date performance for subsequent quarters results in the Debtors achieving the year-to-date OIBDAN and cost metrics goals.

22. The Senior Executives and their total annual award opportunities can be summarized as follows:

¹² See *Order Authorizing and Approving the Debtors' 2018 Incentive Plans for Insiders* [Docket No. 971].

Incentive Plan for Insiders			
Senior Executive	Threshold Award Opportunity (50% of Target Award)	Target Award Opportunity	Maximum Award Opportunity (150% of Target Award)
Chairman & Chief Executive Officer	\$4,650,000	\$9,300,000	\$13,950,000
President, Chief Operating Officer & Chief Financial Officer	\$2,650,000	\$5,300,000	\$7,950,000
Executive Vice President, General Counsel, & Secretary	\$450,000	\$900,000	\$1,350,000
Other Senior Executives (8) ¹³	\$3,311,250	\$6,622,500	\$9,933,750
Total Award Opportunity	\$11,061,250	\$22,122,500	\$33,183,750

23. The 11 Senior Executives have been intimately involved in managing the Debtors' business and restructuring efforts. Throughout the chapter 11 process, the Senior Executives have not only continued to perform their preexisting job functions, but have also taken on increased responsibilities as a result of the chapter 11 filing. The Senior Executives' responsibilities have grown to include developing and implementing the Debtors' reorganization strategy, participating in Court hearings and meetings with stakeholders and other parties, reviewing court filings and required reports, and responding to creditor inquiries and requests from the U.S. Trustee—all in addition to their other daily responsibilities and duties.¹⁴

24. In its review of the 2019 IPI, Willis Towers Watson compared the award opportunities against other executive compensation programs within the industry and other companies of similar size, specifically with respect to the types of metrics, payout ranges, and individual award opportunities, as well as conducted a benchmarking analysis of the compensation

¹³ The names, titles, and award amounts are identical to those in the 2018 IPI, which were provided to the U.S. Trustee, counsel to the Committee, and the RSA parties.

¹⁴ See Tr. of Hr'g. Jun. 19, 2018, 59:1-59:7 ("But the 11 people here have all sorts of people down below them, and they need to worry about motivating those people ... and that the case itself is not disruptive to what the revenues of the company will be. It's something that management can manage, but management can't eliminate that as a factor.").

levels for the Senior Executives. The analysis provided by Willis Towers Watson confirmed that the 2019 IPI is consistent with market practice and provide a reasonable award opportunity to Senior Executives given the facts and circumstances of the Debtors' restructuring efforts.¹⁵ Willis Towers Watson also concluded that total direct compensation for the Senior Executives under the 2019 IPI will be 9% above the 25th percentile and 9% below the 50th percentile of media industry market data, on average, at target performance levels, and that level is reasonable in light of competitive market practices for similar companies.¹⁶

25. If the "target" Performance Metric is achieved, the estimated total cost of the 2019 IPI will be approximately \$22.1 million.¹⁷

E. The 2019 IPN Award Opportunities.

26. The 2019 IPN is substantially identical in structure to the IPN that was approved by the Court in 2018.¹⁸ The 2019 IPN provides award opportunities to the Non-Insider Employees (approximately 815 employees) whose knowledge and experience are essential to both preserving operational stability and maximizing estate value. These employees include highly trained personnel with considerable knowledge of the Debtors' operations that would be significantly difficult to replace without a negative effect on the Debtors' business.

27. Under the 2019 IPN, 50% of the award opportunity is based on quarterly and annual Segment OIBDAN performance targets and 50% of the award opportunity is based on

¹⁵ See Georgeson Decl. ¶ 24.

¹⁶ See Georgeson Decl. ¶ 18; see also Tr. of Hr'g. Jun. 19, 2018, 60:10-60:12 ("If we don't approve some sort of a [Senior Executive incentive] plan, that the total compensation to these 11 people will be 51 percent below the twenty-fifth percentile in the industry.").

¹⁷ The total allocation from iHM to CCOH on account of the 2019 Incentive Plans is projected to be \$3.6 million for 2019.

¹⁸ See Order Authorizing and Approving the Debtors' 2018 Incentive Plans for Non-Insiders [Docket No. 917].

management discretion.¹⁹ While the Debtors considered implementing a plan for these 815 employees that resulted in payments based solely on employees staying with the company (*i.e.*, a traditional retention program, which is often used in chapter 11 cases), the Debtors instead have put in a program that utilizes the same performance metrics that apply to the Senior Executives, thereby aligning all participants' interests.

28. Willis Towers Watson compared target award opportunities under the 2019 IPN with similarly paid employees in the media industry and found the award levels to be within the range of observed market practice.²⁰ The Debtors' 2019 IPN is substantially similar to the 2018 IPN. The only differences are as follows:

- the population of participants was increased to account for recent business acquisitions and new hires;
- the total award amount was proportionally increased to account for the increase in participants; and
- the OIBDAN targets were updated to reflect the Debtors' 2019 projections, which are the same as those projections set forth in the Disclosure Statement.

29. The Debtors believe the 2019 IPN is integral to the operation of the Debtors' business. The 2019 IPN aligns employees' interests with those of the Debtors, and therefore the Debtors' stakeholders, generally by linking payments under the plan to overall profitability of the Debtors' operations based on the OIBDAN targets and individual performance contributions as determined by management.

¹⁹ Provides ability to grant 0% to 100% for individual plan participants, with managers being able to re-allocate bonus amounts not awarded to other employees in the group (subject to a maximum payment to any one individual of 150% of their target award).

²⁰ See Georgeson Decl. ¶ 29.

30. If the “target” Performance Metric is achieved, the estimated total cost of the 2019 IPN will be approximately \$60 million.²¹

Basis for Relief

31. The Debtors respectfully request that the Court grant this Motion for two primary reasons. *First*, the 2019 Incentive Plans are an ordinary-course continuation of the Debtors’ prepetition compensation practices that constitute a sound exercise of the Debtors’ business judgment and are in the best interests of the Debtors’ estates. *See, e.g., In re Dana Corp.*, 358 B.R. 567, 581 (Bankr. S.D.N.Y. 2006). *Second*, the 2019 Incentive Plans comply with the requirements of sections 503(b) and (c) of the Bankruptcy Code. The 2019 Incentive Plans’ performance metrics for the Senior Executives are “stretch” goals that are primarily incentivizing and tied to financial performance objectives that are directly aligned with the ultimate interests of all stakeholders. For that reason, payments under the 2019 Incentive Plans are fully justified by the facts and circumstances of the Debtors’ chapter 11 cases.

I. The 2019 Incentive Plans Constitute Ordinary Course Transactions Authorized By Section 363(c) Of The Bankruptcy Code.

32. Section 363(c)(1) of the Bankruptcy Code grants the Debtors flexibility to engage in ordinary course transactions without unneeded oversight by creditors or the Court, while also providing creditors an opportunity to challenge non-ordinary transactions. *See In re Dana Corp.*, 358 B.R. 567, 580 (Bankr. S.D.N.Y. 2006). Pursuant to section 363(c)(1) of the Bankruptcy Code:

[The Debtor] may enter into transactions ... in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.

11 U.S.C. § 363(c)(1).

²¹ The total allocation from iHM to CCOH on account of the 2019 Incentive Plans is projected to be \$3.6 million for 2019.

33. The Debtors submit that the 2019 Incentive Plans are ordinary course transactions. The 2019 Incentive Plans are generally consistent with the Debtors' prepetition incentive compensation programs, substantially similar to the 2018 Incentive Plans, cover hundreds of employees, are similar to programs within the industry generally, and were previously approved by the Court. Accordingly, the Debtors believe that the payments under the 2019 Incentive Plans in these chapter 11 cases are ordinary course transactions. In the interests of certainty and transparency, however, the Debtors are requesting Court approval of the 2019 Incentive Plans.

34. Courts have developed a two-prong test to determine "ordinariness" under section 363(c) of the Bankruptcy Code. *In re Roth Am., Inc.*, 975 F.2d 949, 952 (3d Cir. 1992) (discussing the analysis of transactions on a horizontal and vertical basis); *see also In re Nellson Nutraceutical, Inc.*, 369 B.R. 787, 797 (Bankr. D. Del. 2007) (same). The vertical test focuses on whether the transaction is ordinary for the particular debtor, based on the debtor's past practices and viewed from the perspective of a hypothetical prepetition creditor. *See In re Lavigne*, 114 F.3d 379, 385 (2d Cir. 1997). The horizontal test, in contrast, focuses on an "industry-wide perspective" in which the debtor's business is compared to other like businesses. *Id.* ("whether the postpetition transaction is of a type that other similar businesses would engage in as ordinary business.").

35. The 2019 Incentive Plans satisfy both the vertical and horizontal prongs of the "ordinariness" requirements of the Bankruptcy Code. The 2019 Incentive Plans represent the continuation of the Debtors' historical compensation practices and are substantially similar to incentive plans existing at similar companies. The 2019 Incentive Plans' hallmarks—the use of performance metrics, the participants in the programs, and the total levels of compensation—have remained consistent on a yearly basis. The Debtors' usage of performance metrics as benchmarks

for awards in employee incentive plans for several years, and in similar form, supports that the 2019 Incentive Plans is within the ordinary course of business for the Debtors. *See Nellson*, 368 B.R. at 803 (finding that compensation plans were in the ordinary course where “[c]onsistent with the Debtors’ pre-petition practices . . . [incentive compensation] must be viewed as a whole. It consists of two parts: the establishment of ‘aspirational goals’ in the early part of the year; and a review at the end of the year to consider whether those goals have been met.”). The implementation of the 2019 Incentive Plans, notwithstanding certain changes for 2019, therefore reflects a continuation of prepetition practices that takes into account the Debtors’ financial performance and particular business objectives. *See Dana Corp.*, 358 B.R. at 571 (finding that because a debtor’s postpetition incentive plan was a “refinement” of historical practices, the proposed program was within the ordinary course); *In re Glob. Home Prods.*, 369 B.R. 778, 786 (Bankr. D. Del. 2007) (finding that proposed compensation programs were “not ‘new’ compensation programs but, instead, [were] nearly identical to plans previously used, and approved by a compensation committee and board of directors.”).

36. The *Dana* case is illustrative. In *Dana*, the court found that certain prepetition modifications to the Debtor’s ordinary course bonus plan, which reduced the number of participating employees from roughly 2,000 to 1,368 and replaced prepetition performance measures with EBITDA targets better suited to a company operating under chapter 11, was still ordinary course under section 363(c) of the Bankruptcy Code. *See Dana*, 358 B.R. at 581; *see also In re Nellson Nutraceutical, Inc.*, 369 B.R. 787 (Bankr. D. Del. 2007) (analyzing debtor’s alteration of short term compensation plan and finding that it remained ordinary course under section 363(c)); *In re Glob. Home Prods., LLC*, 369 B.R. 778 (Bankr. D. Del. 2007) (same). Here, the 2019 Incentive Plans use OIBDAN, a metric commonly used by the Debtors to measure

their financial performance, in calculating payouts to Senior Executives and Non-Insider Employees.²² While the Debtors previously changed the payments under the 2018 Incentive Plan to quarterly payments (instead of annual payments),²³ the Compensation Committee in 2018 determined that this modification better aligned the 2018 Incentive Plans with the Debtors' situation for a number of reasons, including that more frequent payments would build confidence in the Debtors long-term prospects, eliminate the discounting that employees would do if the payment were promised to come at the end of the restructuring, and keep employees focused for future quarters even if a particular quarter missed the targets for unexpected reasons or reasons outside of the employee's control. These factors continue to hold true in 2019.

II. The 2019 Incentive Plans Are an Exercise of the Debtors' Sound Business Judgment and Is Also Appropriate Under Section 363(b) of the Bankruptcy Code.

37. Even if the 2019 Incentive Plans are not ordinary course transactions, the Debtors respectfully submit that the 2019 Incentive Plans constitute a sound exercise of the Debtors' business judgment under section 363(b)(1) of the Bankruptcy Code and valid non-ordinary course transactions that this Court should approve.

38. Section 363(b)(1) of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). To approve the use of estate property under section 363(b)(1) of the Bankruptcy Code, the Fifth Circuit requires a debtor to show that the decision to use the property outside of the ordinary course of business was based on the debtor's business judgment. *See In re ASARCO, L.L.C.*, 650 F.3d 593, 601 (5th Cir. 2011) ("[F]or a debtor-in-possession or

²² See Tr. of Hr'g., Jun. 19, 2018, 60:24-61:3 ("The fact that this is designed based on OIBDAN, rather than on discretionary factors or individual performance factors, provides warmth to my heart because it is the right way to do it.").

²³ Two of the Senior Executives (the Chairman and Chief Executive Officer as well as the President, Chief Operating Officer and Chief Financial Officer), however, were in a quarterly payment program during 2017.

trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business.”) (quoting *Institutional Creditors of Cont’l Air Lines, Inc. v. Cont’l Air Lines, Inc.* (*In re Cont’l Air Lines*), 780 F.2d 1223, 1226 (5th Cir. 1986)).

39. The business judgment rule shields a debtor’s management’s decisions from judicial second guessing. See *Comm. of Asbestos-Related Litigants v. Johns-Manville Corp.* (*In re Johns-Manville Corp.*), 60 B.R. 612, 615–16 (Bankr. S.D.N.Y. 1986) (a “presumption of reasonableness attaches to a debtor’s management decisions” and courts generally will not entertain objections to the debtor’s conduct after a reasonable basis is set forth). Accordingly, once a debtor articulates a valid business justification, the Court should review that request under the business judgment rule. See *In re Gulf Coast Oil Corp.*, 404 B.R. 407, 415 (Bankr. S.D. Tex. 2009) (noting that a debtor in possession has the discretionary authority to exercise business judgment given to an officer or director of a corporation). The business judgment rule protects certain debtor decisions—such as the Debtors’ adoption of the 2019 Incentive Plans—from reevaluation by a court with the benefit of hindsight. See *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985) (“More exacting scrutiny would slow the administration of the debtor’s estate and increase its cost, interfere with the Bankruptcy Code’s provision for private control of administration of the estate, and threaten the court’s ability to control a case impartially.”). Thus, if a debtor’s actions satisfy the business judgment rule, then the transaction in question should be approved under section 363(b)(1) of the Bankruptcy Code.

40. Courts consider some or all of the following factors when determining if a compensation proposal and the process for developing it were an exercise of the Debtors’ sound business judgment:

- a. Is there a reasonable relationship between the plan proposed and the results to be obtained, *i.e.*, . . . in the case of a performance incentive, is the plan calculated to achieve the desired performance?
- b. Is the cost of the plan reasonable in the context of the debtor's assets, liabilities and earning potential? Is the plan or proposal consistent with industry standards?
- c. Is the scope of the plan fair and reasonable; does it apply to all employees; does it discriminate unfairly?
- d. What were the due diligence efforts of the debtor in investigating the need for a plan; analyzing which employees need to be incentivized; what is available; what is generally applicable in a particular industry? Did the Debtor receive independent counsel in performing due diligence and in creating and authorizing the incentive compensation?

Dana, 358 B.R. at 576-77 (collecting cases).

41. Here, there is no question that an articulable business purpose exists to implement the 2019 Incentive Plans—to properly incentivize the Senior Executives and Non-Insider Employees—and that implementation of the 2019 Incentive Plans is a sound exercise of the Debtors' business judgment.

42. **First**, each of the plans awards compensation based on the employees' satisfaction of specific performance targets for the Debtors overall and/or relevant to the employees' areas of expertise and responsibility. For example, payments under the 2019 IPI are based on the Debtors' overall success and profitability; *i.e.*, the achievement of the Board-approved OIBDAN targets. Further, the Senior Executives are in positions that are most integral to the Debtors' restructuring process, including right-sizing the Debtors' capital structure as well as improving operational and financial performance. As a result, the Senior Executives' incentive compensation is designed to drive the Debtors' desired financial performance. Likewise, the Non-Insider Employees are integral to the day-to-day operation of the Debtors' business. Therefore it is essential that the

Non-Insider Employees receive competitive pay and are properly incentivized to achieve the Debtors' financial, operational, and restructuring objectives.

43. **Second**, the cost of the 2019 Incentive Plans is reasonable for the size and earnings potential of the Debtors. The total cost of the 2019 Incentive Plans is included in the Debtors' current operating budget and, based on Willis Towers Watson's review, target and maximum costs fall within the range of observed market practice. Additionally, it is clear that the Debtors' restructuring initiatives have placed significant additional demands on the Senior Executives and Non-Insider Employees, making the provision of appropriate, market-based compensation and incentives essential to the success of the Debtors' restructuring efforts.

44. **Third**, the 2019 Incentive Plans have a broad scope, reaching over 826 of the Debtors' most senior employees, and eligibility under the programs is based on objective, non-discriminatory criteria. Employees participate in the 2019 Incentive Plans based on their job titles, areas of responsibility, and functions within the Company. Similarly, key Senior Executives participate in the 2019 IPI based on their titles and executive functions, which, in turn, are selected based on standards and expectations common to companies of the Debtors' size and within the industry.

45. **Finally**, the Debtors worked collaboratively with A&M to develop the Financial Projections, which was approved by the Board. The 2019 IPI is substantially similar to the 2018 IPI that was subject to significant diligence by the Debtors and their advisors and approved by the Compensation Committee, an independent committee of the Board, based on the advice of a third-party consultant, Willis Towers Watson.

46. Implementing the 2019 Incentive Plans is a sound exercise of the Debtors' business judgment and is in the best interests of the Debtors, their estates, and their stakeholders. The

Debtors are adhering to the compensation structures that have historically been maintained and have achieved their intended purposes.

47. Incentive plans similar to those described herein are common in large, complex chapter 11 cases such as these. Courts routinely have recognized that such programs can be an efficient means of maximizing value for a debtor's estate and, accordingly, have approved them. *See, e.g., In re CJ Holding Co.*, No. 16-33590 (Bankr. S.D. Tex. Nov. 4, 2016) (approving incentive plan based on financial and operational metrics); *In re Heartland Automotive Holdings, Inc.*, No. 08-40047 (DML) (Bankr. N.D. Tex. Jun. 20, 2008) (approving debtors' incentive plan based on EBITDA metrics); *In re Kitty Hawk, Inc.*, No. 07-44536 (RFN) (Bankr. N.D. Tex. Dec. 5, 2007) (approving debtors' incentive plan employing metrics related to collection of accounts receivable); *In re Vanderra Res., LLC*, No. 12-45137 (DML) (Bankr. N.D. Tex. Nov. 30, 2012) (same); *In re Scotia Development, LLC*, No. 07-20027 (RSS) (Bankr. S.D. Tex. Aug. 24, 2007) (approving management incentive plan with performance targets).²⁴ Accordingly, the Debtors submit that the implementation of the 2019 Incentive Plans is a sound exercise of the Debtors' business, is in the best interests of the Debtors, their estates, and all parties in interest in these chapter 11 cases, and should be approved.

III. The Incentive Compensation Programs Are Permissible under Section 503(c) of the Bankruptcy Code.

48. The Senior Executives are "insiders" within the meaning of section 101(31) of the Bankruptcy Code, and therefore the 2019 Incentive Plans implicate, but also satisfy, the requirements of section 503(c) of the Bankruptcy Code, which restricts compensation transfers or payments made by the Debtors to the extent that such payments are outside the ordinary course of

²⁴ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this motion. Copies of these orders are available upon request to the Debtors' counsel.

business. *See* 11 U.S.C. § 503(c). This section focuses primarily on payments to “insiders.” *See, e.g., Dana*, 358 B.R. at 575. Specifically, sections 503(c)(1) and (c)(2) of the Bankruptcy Code prohibit the allowance and payment of sums to “insiders” for: (a) the purposes of inducing such persons to remain with the business, absent satisfying certain stringent standards; and (b) severance, absent satisfying equally stringent standards. *Id.* Finally, section 503(c)(3) of the Bankruptcy Code permits a non-ordinary course incentive plan if it is “justified by the facts and circumstances of the case.” 11 U.S.C. § 503(c)(3).

A. Sections 503(c)(1) and (c)(2) Do Not Apply to the Incentive Compensation Plans or Payments Thereunder.

49. On their face, sections 503(c)(1) and (c)(2) of the Bankruptcy Code only apply to insiders, and accordingly, if applicable, would apply only to the 2019 IPI, which covers the Debtors’ 11 Senior Executives.

50. In addition, to the extent that the Senior Executives under the 2019 IPI are “insiders,” section 503(c)(1) of the Bankruptcy Code applies only to compensation plans that are primarily retentive in nature. Here, the primary purpose of each of the 2019 Incentive Plans is to *incentivize* the recipients—*i.e.*, the plans are a “‘pay for value’ plan that offers incentives based on performance rather than a ‘pay to stay’ plan.” *In re Res. Cap., LLC*, 478 B.R. 154, 170–71 (Bankr. S.D.N.Y. 2012) (“When a plan is designed to motivate employees to achieve specified performance goals, it is primarily incentivizing, and thus not subject to section 503(c)(1).”); *In re Hawker Beechcraft, Inc.*, 479 B.R. 308, 313 (Bankr. S.D.N.Y. 2012). Moreover, an incentive-based bonus plan “may contain some retentive effect” without being deemed to be wholly “retentive rather than incentivizing in nature.” *In re Patriot Coal Corp.*, 492 B.R. 518, 531 (Bankr. E.D. Mich. 2013) (citing *In re Velo Holdings, Inc.*, 472 B.R. 201, 209 (Bank. S.D.N.Y. 2012)); *see also In re Glob. Home Prods., LLC*, 369 B.R. at 785 (“The entire analysis changes if

a bonus plan is not primarily motivated to retain personnel or is not in the nature of severance.”). Here, the milestones and targets triggering the incentives must force the participants to stretch and cannot be compared to “lay-ups” for the ease by which the participants could achieve the targets. *See Dana Corp.*, 358 B.R. at 583; *see also Hawker Beechcraft*, 479 B.R. at 313, n.7.

51. The primary effect of the 2019 Incentive Plans is to incentivize the Senior Executives and Non-Insider Employees in a manner that will benefit the Debtors’ business as a whole and, as a result, all stakeholders. Toward that end, the Board-approved OIBDAN targets are aggressive financial targets, which the Company may not achieve. Accordingly, the 2019 IPI is anything but a “pay to stay” plan and, the performance goals are certainly not “lay-ups.” The Debtors crafted the benchmarks for each performance metric based on their Financial Projections. Historically, the Debtors’ forecasts—such as the Financial Projections—have challenged senior management to meet ambitious goals that often were not met. Similarly, the Financial Projections will be particularly challenging as the Debtors’ industry is a complicated industry that is in the middle of a significant transition and subject to intense competition from all types of new challengers.

52. Similarly, section 503(c)(2) of the Bankruptcy Code that limits severance payments to insiders does not apply on its face, as none of the 2019 Incentive Plans constitute “severance” within the meaning of the statute. *See Dana*, 358 B.R. at 576 (defining severance as compensation for termination of employment).

53. Accordingly, the Debtors respectfully submit that the restrictions of sections 503(c)(1) and 503(c)(2) of the Bankruptcy Code are not applicable to the relief requested by this Motion with respect to the 2019 IPI.

IV. The Incentive Compensation Programs Are Justified By the Facts and Circumstances of These Chapter 11 Cases.

54. As discussed above, the Debtors believe that implementing the 2019 Incentive Plans is an ordinary course transaction and thus merely constitutes an exercise of the Debtors' business judgment. To the extent that any portions of the 2019 Incentive Plans are not, however, in the ordinary course of the Debtors' business, the 2019 Incentive Plans are nonetheless appropriate and justified under the facts and circumstances of these chapter 11 cases, as required under section 503(c)(3) of the Bankruptcy Code.

55. Section 503(c)(3) of the Bankruptcy Code, in its relevant part, prohibits certain transfers made to officers, managers, consultants, and others that are not justified by the facts and circumstances of the case. *See* 11 U.S.C. § 503(c)(3). Many courts have held that this standard is essentially the same as the business judgment standard applied under section 363(b) of the Bankruptcy Code. *See In re Velo Holdings, Inc.*, 472 B.R. at 212 (“Courts have held that the ‘facts and circumstances’ language of section 503(c)(3) creates a standard no different than the business judgment standard under section 363(b.)”); *Dana Corp.*, 358 B.R. at 576; *Global Home Prods.*, 369 B.R. at 783 (“If [the proposed plans are] intended to incentivize management, the analysis utilizes the more liberal business judgment review under § 363.”); *In re Mesa Air Grp.*, No. 10-10018, 2010 WL 3810899, at *4 (Bankr. S.D.N.Y. Sept. 24, 2010); *In re Nobex Corp.*, No. 05-20050, 2006 WL 4063024, at *2 (Bankr. D. Del. Jan. 19, 2006). Other courts, however, including the Northern District of Texas, have determined that section 503(c)(3) of the Bankruptcy Code is intended to give the court a greater role, requiring that the court make its own determination that the transaction will serve the interests of creditors and the debtor's estate. *See In re Pilgrim's Pride Corp.*, 401 B.R. 229 (Bankr. N.D. Tex. 2009). The 2019 Incentive Plans—which are substantially identical in structure to the 2018 Incentive Plans—are justified by

the facts and circumstances of these chapter 11 cases, whether the Court examines the programs under the business judgment standard or the heightened standard mandated by *Pilgrim's Pride*. Under the *Pilgrim's Pride* standard, a court should make this determination based on whether the proposed compensation program is justified based on the facts and circumstances of a particular chapter 11 case. *Id.*

56. To the extent that section 503(c)(3) of the Bankruptcy Code applies to either of the 2019 Incentive Plans, the Debtors believe that the 2019 Incentive Plans satisfy section 503(c)(3) of the Bankruptcy Code because both are appropriately tailored to meet the Debtors' need to: (a) incentivize employees to strive for strong operational performance during the pendency of these chapter 11 cases; and (b) drive the 2019 Incentive Plan Participants to stretch for value-driving operational and financial objectives designed to maximize value for the benefit of all creditors and the Debtors' estates.

57. The 2019 Incentive Plan Participants—subject to reaching the stretch targets in the 2019 Incentive Plans—are incentivized to meet the Performance Metrics to increase their overall compensation.²⁵ And indeed, the Debtors have offered incentive-based compensation programs to their Senior Executives and Non-Insider Employees for years, with award amounts determined predominantly by company performance measures. Further, the general structure of the 2019 Incentive Plans aligns with industry and market standards.²⁶ In determining whether a compensation plan satisfies the justified-by-the-facts standard under section 503(c)(3) of the Bankruptcy Code, courts consider several factors, including: (a) whether the plan is calculated to achieve the desired performance; (b) whether the cost of the plan is reasonable in the context of a

²⁵ See Georgeson Decl. ¶¶ 24, 29.

²⁶ See Georgeson Decl. ¶¶ 24, 29; *Blitz U.S.A. Inc.*, 475 B.R. at 215.

debtor's assets, liabilities, and earning potential; (c) whether the scope of the plan is fair and reasonable or discriminates unfairly among employees; (d) whether the plan is consistent with industry standards; (e) whether the debtor performed due diligence in investigating the need for the plan; and (f) whether the debtor received independent counsel in performing due diligence, creating, and authorizing the plan. *See Glob. Home Prods.*, 369 B.R. at 786; *see also Dana Corp.*, 358 B.R. at 576–77. As set forth below, each of these factors favors approval of the 2019 Incentive Plans in this case:

- a. The 2019 Incentive Plans are Calculated to Achieve the Desired Performance. The 2019 Incentive Plans are designed to achieve value-driving financial objectives in order to maximize value for stakeholders in a challenging time for the Debtors' business.²⁷ The 2019 Incentive Plans contemplate the Debtors meeting certain OIBDAN targets. The payments under the 2019 Incentive Plans are tailored to motivate the Senior Executives and the Non-Insider Employees to successfully drive the initiatives necessary to attain these goals.²⁸ Indeed, these metrics were specifically chosen as both critical to achieving the desired performance here (maximization of value for all stakeholders) and also within the direct control of the 2019 Incentive Plan participants.
- b. The Cost of the 2019 Incentive Plans Is Reasonable. The estimated total cost of the 2019 Incentive Plans at target payout levels is approximately \$82.07 million in the aggregate.²⁹ These costs are reasonable in the context of the Debtors' assets, liabilities, and earning potential.³⁰ The total target cost in the aggregate amounts to 0.35% of the Debtors' estimated revenue for the 2019 IPI,³¹ and 0.95% for the 2019 IPN.³² Further, under the 2019 Incentive Plans, the Debtors' aggregate target total direct compensation for the 2019 IPI Participants, reflecting the sum of base salaries and target annualized award opportunities, would be positioned 21% percent below the median of the media industry.³³ And if the Debtors fail to meet the

²⁷ *See* Georgeson Decl. ¶¶ 24, 29.

²⁸ *See* Georgeson Decl. ¶¶ 14–18, 24, 29.

²⁹ The total allocation from iHM to CCOH on account of the 2019 Incentive Plans is projected to be \$3.6 million for 2019.

³⁰ *See* Georgeson Decl. ¶ 19.

³¹ *See* Georgeson Decl. ¶¶ 23–24.

³² *See* Georgeson Decl. ¶¶ 28–29.

³³ *See* Georgeson Decl. ¶ 18.

performance goals set forth in the 2019 IPI, the 2019 Incentive Plan participants are not entitled to receive the related awards.

- c. The Scope of the 2019 Incentive Plans Is Fair and Reasonable. The scope of the 2019 Incentive Plans is fair, reasonable, and does not discriminate unfairly among 2019 Incentive Plan participants. The 2019 Incentive Plan Participants were carefully selected as those that could drive the company performance and represent all of the “insiders” of the Debtors as well as certain critical Non-Insider Employees.
- d. The 2019 Incentive Plans Are Consistent with Market Practices. The Debtors’ compensation advisors at Willis Towers Watson, including Mr. Georgeson, worked with the Compensation Committee, the Debtors’ management, and other advisors to ensure that the 2019 Incentive Plans, which are substantially similar to the 2018 Incentive Plans are similar in structure, number, and scope to those of other companies in the media industry and companies operating in chapter 11.³⁴ In conducting their analysis, Mr. Georgeson and his team reviewed 12 executive incentive plans implemented by other companies in the media industry.³⁵ Based on this data, Mr. Georgeson concluded that the design, structure, and award opportunities available under the 2019 Incentive Plans are reasonable and consistent with industry benchmarks.³⁶
- e. The Debtors Performed Due Diligence in Developing the 2019 Incentive Plans. As discussed above, the Debtors actively sought the advice of their advisors at Willis Towers Watson in assessing the 2019 Incentive Plans, as well as the advice of their legal advisors at Kirkland & Ellis and financial advisors at A&M. The Compensation Committee reviewed and evaluated the 2019 Incentive Plans and their metrics based on the input of the Debtors’ management and independent advisors. As a result of these efforts, the Debtors concluded that: (i) it was critical to implement the 2019 Incentive Plans to ensure the competitiveness of the Debtors’ compensation practices; (ii) the 2019 Incentive Plans are reasonable and consistent with market practice and industry standards; and (iii) the 2019 Incentive Plans are appropriately tailored to incentivize financial outperformance by the Debtors’ leadership team, thus positioning the Debtors for long-term success.
- f. The Debtors Received Independent Counsel in Developing the 2019 Incentive Plans. Willis Towers Watson, A&M, and Kirkland & Ellis advised the Compensation Committee and management team regarding the development and implementation of the 2019 Incentive Plans. The

³⁴ See Georgeson Decl. ¶¶ 24, 29.

³⁵ See Georgeson Decl. ¶ 15.

³⁶ See Georgeson Decl. ¶ 24.

Compensation Committee evaluated all aspects of the 2019 Incentive Plans before ultimately approving them on November 13, 2018. On these facts, the Debtors submit that they have received sufficient counsel regarding the 2019 Incentive Plans. *See Borders Grp.*, 453 B.R. at 477 (noting that a debtor receives sufficient counsel when it receives counsel from its retained compensation consultants, counsel, and other advisors).

58. For these reasons, the Debtors respectfully submit that implementation of the 2019 Incentive Plans is a sound exercise of the Debtors' business judgment and a proper use of the Debtors' resources, is justified by the facts and circumstances of these chapter 11 cases and therefore satisfies the requirements of section 503(c)(3) of the Bankruptcy Code. The Debtors believe that the implementation of the 2019 Incentive Plans will motivate the Senior Executives and Non-Insider Employees to the ultimate benefit of all parties in interest. Accordingly, the Debtors respectfully request that the Court enter the Order approving and authorizing the implementation of the 2019 Incentive Plans.

Waiver of Bankruptcy Rule 6004(a) and 6004(h)

59. To implement the foregoing successfully, the Debtors request that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the 14-day stay period under Bankruptcy Rule 6004(h).

Notice

60. Notice of the hearing on the relief requested in the Motion has been provided by the Debtors in accordance and compliance with Bankruptcy Rules 4001 and 9014, as well as the Bankruptcy Local Rules, and is sufficient under the circumstances. Without limiting the foregoing, due notice was afforded, whether by facsimile, electronic mail, overnight courier or hand delivery, to parties in interest, including: (a) the U.S. Trustee; (b) counsel to the Committee; (c) the agent for the Debtors' receivables based credit facility; (d) the agent for the Debtors' term loan credit

facility; (e) the indenture trustees for the Debtors' priority guarantee notes, 14.0% senior notes due 2021, 6.875% senior notes due 2018, and 7.25% senior notes due 2027; (f) counsel to an ad hoc group of lenders under the Debtors' term loan credit facility and priority guarantee noteholders; (g) counsel to an ad hoc group of lenders under the Debtors' term loan credit facility; (h) counsel to an ad hoc group of holders of 6.875% senior notes due 2018 and 7.25% senior notes due 2027; (i) counsel to an ad hoc group of holders of 14.0% senior notes due 2021; (j) the Office of the United States Attorney for the Southern District of Texas; (k) the state attorneys general for states in which the Debtors conduct business; (l) the Internal Revenue Service; (m) the Securities and Exchange Commission; and (n) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

No Prior Request

61. No prior request for the relief sought in this Motion has been made to this or any other court.

[Remainder of page intentionally left blank]

WHEREFORE, the Debtors respectfully request that the Court enter the Order, substantially in the form attached hereto as **Exhibit A**, granting the relief requested in this Motion and granting such other and further relief as is appropriate under the circumstances.

Houston, Texas
November 20, 2018

/s/ Patricia B. Tomasco

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Certificate of Service

I certify that on the November 20, 2018, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Patricia B. Tomasco

Patricia B. Tomasco

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
IHEARTMEDIA, INC., <i>et al.</i> , ¹	§	
	§	Case No. 18-31274 (MI)
	§	
Debtors.	§	(Jointly Administered)
	§	
	§	

**ORDER AUTHORIZING AND
APPROVING THE DEBTORS' 2019 INCENTIVE PLANS**

(Relates to Docket No. ____)

Upon the motion (the "Motion")² of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of an order (this "Order"), authorizing and approving the Debtors' 2019 Incentive Plans, all as more fully set forth in the Motion; and upon the Georgeson Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is permissible pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other

¹ Due to the large number of Debtors in these chapter 11 cases, for which joint administration has been granted, a complete list of the Debtors and the last four digits of their tax identification, registration, or like numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at <https://cases.primeclerk.com/iheartmedia>. The location of Debtor iHeartMedia, Inc.'s principal place of business and the Debtors' service address is: 20880 Stone Oak Parkway, San Antonio, Texas 78258.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the “Hearing”); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. The 2019 IPI is approved in its entirety; *provided that*, notwithstanding anything to the contrary in the amended form of the 2019 IPI, the 2019 IPI shall be modified as described herein (and as otherwise set forth in the amended form of the 2019 IPI attached hereto as

Exhibit 1):

- i. The Debtors may not (a) modify the Consolidated OIBDAN or Segment OIBDAN targets, (b) modify the award opportunity levels, or (c) add participants to the 2019 IPI unless (1) the Committee provides prior written consent or (2) this Court otherwise approves such action;
- ii. After the end of each applicable Quarter (as defined in the 2019 IPI), the Debtors shall provide the Committee and the U.S. Trustee with calculations with respect to Consolidated OIBDAN and Segment OIBDAN, including any and all supporting documentation for the calculations outlined in the definitions of Consolidated OIBDAN and Segment OIBDAN under each of the 2019 IPI, including detailed line build ups for any adjustments (*e.g.*, restructuring expenses), for the Committee’s and U.S. Trustee’s review no less than three (3) business days in advance of each payment under the 2019 IPI;
- iii. No payments shall be made in excess of the “target” amounts (the “Excess Payments”) for each of Q1, Q2, and Q3 (on either a quarterly or cumulative basis) until the conclusion of Q4; *provided that* any such Excess Payments may be made following the conclusion of Q4 only to the extent such Excess Payments are earned on a cumulative basis in Q4 in accordance with, and subject to the terms and conditions of, the 2019 IPI; and
- iv. The 2019 IPI shall continue until December 31, 2019 unless earlier terminated at the end of the relevant quarter immediately following the

effective date of a chapter 11 plan of reorganization that occurs prior to December 31, 2019.

3. The 2019 IPN is approved in its entirety; *provided that*, notwithstanding anything to the contrary in the amended form of the 2019 IPN, the 2019 IPN shall be modified as described herein (and as otherwise set forth in the amended form of the 2019 IPN attached hereto as

Exhibit 2):

- i. The Debtors may not (a) modify the Segment OIBDAN targets, (b) modify the award opportunity levels unless (1) the Committee provides prior written consent or (2) this Court otherwise approves such action; *provided that* the Debtors shall, solely with respect to the 2019 IPN, consult with the Committee before adding any participants, including notice of proposed payment amounts;
- ii. After the end of each applicable Quarter (as defined in the 2019 IPN), the Debtors shall provide the Committee and the U.S. Trustee with calculations with respect to Segment OIBDAN, including any and all supporting documentation for the calculations outlined in the definitions of Segment OIBDAN under the 2019 IPN, including detailed line build ups for any adjustments (*e.g.*, restructuring expenses), for the Committee's and U.S. Trustee's review no less than three (3) business days in advance of each payment under the 2019 IPN; and
- iii. The 2019 IPN shall continue until December 31, 2019 unless earlier terminated at the end of the relevant quarter immediately following the effective date of a chapter 11 plan of reorganization that occurs prior to December 31, 2019.

4. The Debtors are authorized to take all actions necessary to implement the 2019 Incentive Plans on the terms and conditions set forth in the Motion, including making any payments that come due pursuant to the terms thereof during these chapter 11 cases and without the need for further Court approval.

5. Notwithstanding anything to the contrary contained herein, any payment to be made, and any relief or authorization granted hereunder, shall not conflict with, and shall be subject to, the requirements imposed on the Debtors under the terms of any order authorizing the use of cash collateral (the "Cash Collateral Order") and the budget approved thereunder (the "Budget")

and nothing herein shall alter the rights of the secured parties under the Cash Collateral Order or the Budget, as applicable. To the extent that there may be any conflict between the terms of this Order, the terms of the Cash Collateral Order or the Budget, the terms of the Cash Collateral Order or the Budget, as applicable, shall govern.

6. Notwithstanding the relief granted herein or any action taken hereunder, nothing contained in this order shall create any rights in favor of, or enhance the status of, any claim held by any employee or other person or entity.

7. The banks and financial institutions on which checks will be drawn or electronic payment requests made in payment of the amounts approved herein are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this order.

8. Notice of the Motion satisfies the requirements of Bankruptcy Rule 6004(a).

9. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

10. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Order in accordance with the Motion.

11. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Dated: _____, 2018
Houston, Texas

MARVIN ISGUR
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

2019 Incentive Plan for Insiders

iHEARTMEDIA, INC.
2019 KEY EMPLOYEE INCENTIVE PLAN

1. Purpose. This iHeartMedia, Inc. (the “Company”) 2019 Key Employee Incentive Plan (as it may be amended, the “Plan”) is designed to align the interests of the Company and certain key employees of the Company Group.

2. Adoption of the Plan. The Company, intending to be legally bound, hereby adopts the Plan effective as of January 1, 2019 (the “Effective Date”). The Plan shall be in effect from the Effective Date and shall continue until December 31, 2019 unless earlier terminated in accordance with Section 8(e) before December 31, 2019 (the “Term”). The expiration of the Term shall not in any event reduce or adversely affect any amounts due to any Participant hereunder.

3. General. The compensation provided under this Plan is intended to be in addition to all other compensation payable to Participants under any employment agreement or incentive plan or program in effect with the Company or any of its direct or indirect subsidiaries; provided, however that, notwithstanding the foregoing, the compensation provided under this Plan is the only cash-based incentive compensation opportunity granted to Participants in respect of 2019.

4. Definitions. For purposes of this Plan:

(a) “Board” means the Company’s Board of Directors.

(b) “Cause” means “Cause” as defined in any employment agreement between the Participant and the Company or any of its subsidiaries or, if no such agreement exists or such term is not defined therein, “Cause” means: (i) the Participant’s willful breach or habitual neglect of assigned duties by the Company, including compliance with any policy of the Company; (ii) the Participant’s conviction (including any plea of nolo contendere) of any felony or crime involving dishonesty or moral turpitude; (iii) any act of personal dishonesty knowingly taken by the Participant in connection with the Participant’s responsibilities as an employee and intended to result in the Participant’s personal enrichment or the enrichment of any other person or entity; (iv) bad faith conduct that is materially detrimental to the Company; (v) the Participant’s inability to perform the Participant’s duties due to alcohol or illegal drug use; (vi) any act or omission by the Participant which is of substantial detriment to the Company because of the Participant’s intentional failure to comply with any statute, rule or regulation, except any act or omission the Participant believes in good faith to have been in or not opposed to the best interest of the Company (without an intent to gain, directly or indirectly, a profit to which the Participant was not legally entitled) and except that Cause shall not mean bad judgment or negligence other than habitual neglect of duty; or (vii) any other act or failure to act or other conduct which is determined by the Committee, in its sole discretion, to be demonstrably and materially injurious to the Company, monetarily or otherwise.

(c) “Committee” means the Compensation Committee of the Board.

(d) “Company Group” means the Company and its direct and indirect subsidiaries.

(e) “Consolidated OIBDAN” means the following as determined for the applicable Quarter or cumulatively across multiple Quarters (i) operating income of the Company and its consolidated subsidiaries (the “Consolidated Group”) as defined by Generally Accepted Accounting Principles, plus (ii) depreciation expense for the Consolidated Group, plus (iii) amortization expense for the Consolidated Group, plus (iv) impairment charges for the

Consolidated Group, plus (v) restructuring expenses for the Consolidated Group (including but not limited to severance, certain bonus compensation identified in the 2019 budget, professional fees incurred in connection with litigation and the Company's and the other related Debtors' bankruptcy cases and lease cancellation and renegotiation expenses), plus (vi) rent expenses related to any sale/leaseback transactions for the Consolidated Group and plus (vii) foreign exchange impact. The Committee shall determine Consolidated OIBDAN for the applicable measurement period within sixty (60) days of the end of the period in a manner consistent with the Company's past practice and the 2019 budget for determining Consolidated OIBDAN for bonus purposes.

(f) "Disability" means "Disability" as defined in any employment agreement between the Participant and the Company and any of its subsidiaries or, if no such agreement exists or such term is not defined therein, "Disability" means the Participant's inability to perform, by reason of physical or mental incapacity (i) such Participant's duties or obligations to the Company or any of its subsidiaries for 180 days in any twelve (12)-month period after taking into account reasonable accommodations as required by applicable law or (ii) in such a manner as to qualify for permanent benefits under the long-term disability insurance policy of any member of the Company Group.

(g) "Good Reason" means "Good Reason" as defined in any employment agreement between the Participant and the Company or any of its subsidiaries or, if no such agreement exists or such term is not defined therein, "Good Reason" means either of the following, in each case, without the Participant's consent: (i) a reduction of 20% or more of the Participant's annual base salary as in effect on the Effective Date or as the same may be increased from time to time, or (ii) a relocation of the geographic location of the Participant's principal place of employment by more than fifty (50) miles from the principal place of business. The occurrence of an event that would otherwise constitute Good Reason will cease to be an event constituting Good Reason, if the Participant does not timely provide notice to the Company within thirty (30) days of the date on which the Participant first becomes aware of the occurrence of that event. The Company shall have fifteen (15) days following receipt of the Participant's written notice in which to correct in all material respects the circumstances constituting Good Reason, and the Participant must terminate employment within thirty (30) days following expiration of the Company's fifteen (15)-day cure period. Otherwise, any claim of such circumstances constituting "Good Reason" shall be deemed irrevocably waived by the Participant.

(h) "Participant" means each of the individuals listed on Exhibit 1 hereto.

(i) "Participation Agreement" means the agreement between the Company and a Participant granting a Participant the opportunity to earn a Quarterly Performance Bonus under this Plan and in the form attached hereto as Schedule B.

(j) "Performance Goals" means, as applicable, the Performance Measures set forth on Schedule A, as follows:

- (i) Quarterly Threshold Performance Goals;
- (ii) Quarterly Target Performance Goals;
- (iii) Quarterly Maximum Performance Goals;
- (iv) Cumulative Threshold Performance Goals;
- (v) Cumulative Target Performance Goals; and

(vi) Cumulative Maximum Performance Goals.

(k) “Performance Measure” means the performance metric set forth in a Participant’s Participation Agreement that is used to determine the Participant’s Quarterly Performance Bonus, which shall be either Consolidated OIBDAN (in millions) or Radio Segment OIBDAN (in millions).

(l) “Qualifying Termination” means a termination of a Participant’s employment with the Company and its subsidiaries due to death or Disability, by the Company without Cause or by the Participant for Good Reason.

(m) “Quarter” means each of the following periods: January 1, 2019 through March 31, 2019 (“First Quarter”); April 1, 2019 through June 30, 2019 (“Second Quarter”); July 1, 2019 through September 30, 2019 (“Third Quarter”); and October 1, 2019 through December 31, 2019 (“Fourth Quarter”).

(n) “Quarterly Performance Bonus” means, in the case of any Participant, the incentive bonus, if any, payable to such Participant under Section 6(a) and, to the extent applicable, Section 6(b) of the Plan in respect of the applicable Quarter.

(o) “Radio Segment OIBDAN” means the following as determined for the applicable Quarter or cumulatively across multiple Quarters: OIBDAN calculated for the Radio Segment only in the same manner as Consolidated OIBDAN minus (i) corporate expenses reclassified to the “corporate segment” for external reporting purposes, plus (ii) Katz OIBDAN reclassified to “other segment” for external reporting purposes. The Committee shall determine Radio Segment OIBDAN for the applicable measurement period within sixty (60) days of the end of the period in a manner consistent with the Company’s past practice and the 2019 budget for determining Radio Segment OIBDAN for bonus purposes.

(p) “Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(q) “Target Bonus” means a Participant’s target bonus amount in respect of each Quarter as set forth in the Participant’s Participation Agreement.

5. Eligible Participants. Only the individuals set forth on Exhibit 1 hereto shall be Participants under the Plan and eligible to receive a Quarterly Performance Bonus with respect to each Quarter hereunder.

6. Terms of Participation.

(a) Subject to the provisions of this Plan, each Participant shall earn an incentive bonus as of the end of each Quarter in an amount (which may be \$0.00) as determined in accordance with Schedule A, to the extent an applicable Performance Goal has been attained for such Quarter.

(b) In addition to being measured on a Quarterly basis, each Performance Measure shall be measured cumulatively at the end of each of the Second, Third, and Fourth Quarters.

(i) Second Quarter Catch-Up: Subject to the provisions of this Plan, each Participant shall earn, in addition to any incentive bonus payable for the Second Quarter pursuant to Section 6(a) above, an incentive bonus in an amount, if positive, equal to (i)

the Quarterly Performance Bonus payable, if any, based on achievement, as applicable, of the Cumulative Threshold Performance Goal or the Cumulative Target Performance Goal, in either case, as of the end of the Second Quarter in an amount as determined in accordance with Schedule A, minus (ii) the aggregate Quarterly Performance Bonuses actually paid or payable to the Participant (other than on a cumulative basis) in respect of the First Quarter and Second Quarter.

(ii) Third Quarter Catch-Up: Subject to the provisions of this Plan, each Participant shall earn, in addition to any incentive bonus payable for the Third Quarter pursuant to Section 6(a) above, an incentive bonus in an amount, if positive, equal to (i) the Quarterly Performance Bonus payable, if any, based on achievement, as applicable, of the Cumulative Threshold Performance Goal or the Cumulative Target Performance Goal, in either case, as of the end of the Third Quarter in an amount as determined in accordance with Schedule A, minus (ii) the aggregate Quarterly Performance Bonuses actually paid or payable to the Participant (other than on a cumulative basis) in respect of the First Quarter, Second Quarter, and Third Quarter.

(iii) Fourth Quarter Catch-Up: Subject to the provisions of this Plan, each Participant shall earn, in addition to any incentive bonus payable for the Fourth Quarter pursuant to Section 6(a) above, an incentive bonus in an amount, if positive, equal to (i) the Quarterly Performance Bonus payable, if any, based on achievement, as applicable, of the Cumulative Threshold Performance Goal, the Cumulative Target Performance Goal or the Cumulative Maximum Performance Goal as of the end of the Fourth Quarter in an amount as determined in accordance with Schedule A, minus (ii) the Quarterly Performance Bonuses actually paid or payable to the Participant (other than on a cumulative basis) in respect of the First Quarter, Second Quarter, Third Quarter, and Fourth Quarter.

Schedule C hereto contains examples of the application of this Section 6(b).

(c) Any Quarterly Performance Bonus required to be paid under this Plan shall be paid on a fully-vested basis by the Company as soon as reasonably practicable after the Certification Date (as defined below), but in any event no later than the sixtieth (60th) day after the end of the applicable Quarter; provided, however, that, notwithstanding the foregoing, any Quarterly Performance Bonus in respect of the Fourth Quarter may only be paid upon the first to occur of (i) the completion of the annual financial statement audit (the "Audit") and (ii) December 31, 2019 unless the Audit is delayed past February 28, 2020 and the reason for the delay in completing the Audit is the result of open issues that are not expected to impact the calculation(s) of Radio Segment OIBDAN or Consolidated OIBDAN, as applicable, in which case the Quarterly Performance Bonus shall be paid prior to the completion of the Audit and no later than February 28, 2020.

(d) In order to earn a Quarterly Performance Bonus under the Plan in respect of any Quarter, a Participant must remain employed by a member of the Company Group through and including the last day of the applicable Quarter. A Participant whose employment with the Company Group terminates for any reason other than a Qualifying Termination prior to the last day of the applicable Quarter shall forfeit the right to any Quarterly Performance Bonus in respect of that Quarter.

(e) In the event a Participant's employment with the Company Group terminates due to a Qualifying Termination prior to the end of the applicable Quarter, the Participant shall be paid on a fully-vested basis, a pro rata portion of the Quarterly Performance Bonus that would otherwise be paid in respect of that Quarter, if any, required to be made under the Plan in respect of the

applicable Quarter, with such pro rata portion determined based on the number of days the Participant remained an employee of the Company Group during the applicable Quarter.

7. Performance Goals. Promptly after the end of each Quarter (but in any event within 60 days of the end of the Quarter) (such actual date, the “Certification Date”), the Committee shall certify the degree to which the applicable Performance Goals have been achieved or exceeded and the amount, if any, payable to each Participant hereunder subject to the terms and conditions contained herein.

8. Plan Administration. This Plan shall be administered by the Committee. The Committee is given full authority and discretion within the limits of this Plan to establish such administrative measures as may be necessary to administer and attain the objectives of this Plan and may delegate the authority to administer the Plan (but not to make determinations of Consolidated OIBDAN or Radio Segment OIBDAN) to an officer of the Company. The Committee shall have full power and authority to construe and interpret this Plan and any interpretation by the Committee shall be final, conclusive and binding on all Participants and shall be accorded the maximum deference permitted by law.

(a) All rights and interests of the Participants under this Plan shall be non-assignable and nontransferable, and otherwise not subject to pledge or encumbrance, whether voluntary or involuntary, other than by will or by the laws of descent and distribution. In the event of any sale, transfer or other disposition of all or substantially all of the Company’s assets or business, whether by merger, stock sale, consolidation or otherwise, the Company may assign this Plan.

(b) Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Company Group, and the Company may require that the Participant, as a condition precedent to such payment, execute a receipt and release to such effect.

(c) Payment of amounts due under the Plan shall be provided to the Participant in the same manner as the Participant receives his or her regular paycheck or by mail at the last known address of the Participant in the possession of the Company, at the discretion of Committee. The Company will deduct all applicable taxes and any other withholdings required to be withheld with respect to the payment of any award pursuant to this Plan.

(d) The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any award provided for hereunder.

(e) The Company, in its sole discretion, shall have the right to amend or terminate this Plan at any time; provided that in no event shall any amendment or termination adversely affect the rights of the Participants regarding any Quarterly Performance Bonus for a Quarter that has commenced as of the date of such action without the prior written consent of the affected Participants. Subject to the foregoing, the Plan shall terminate upon the satisfaction of all obligations of the Company or its successor entities hereunder.

(f) Nothing contained in this Plan shall in any way affect the right and power of any member of the Company Group to discharge any Participant or otherwise terminate his or her employment at any time or for any reason or to change the terms of his or her employment in accordance with the terms of his or her employment agreement, as applicable, in any manner.

(g) Except as otherwise provided under this Plan, any expense incurred in administering this Plan shall be borne by the Company.

(h) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision hereof.

(i) The Plan and each Participation Agreement shall be construed, regulated, interpreted and administered according to the laws of the State of Texas, without regard to conflict of law principles. Any persons or corporations who now are or shall subsequently become parties to the Plan shall be deemed to consent to this provision.

(j) The Plan is intended to either comply with, or be exempt from, the requirements of Section 409A. To the extent that the Plan is not exempt from the requirements of Section 409A, the Plan is intended to comply with the requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent. Notwithstanding the foregoing, in no event whatsoever shall any member of the Company Group be liable for any additional tax, interest, income inclusion or other penalty that may be imposed on a Participant by Section 409A or for damages for failing to comply with Section 409A.

IN WITNESS WHEREOF, iHeartMedia, Inc. has caused the Plan to be signed by its duly authorized officer as of the date first set forth above.

IHEART MEDIA, INC.

By: _____
Name:
Its:

SCHEDULE A

Bonus Amounts, Performance Measures and Goals

Quarters Ending March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019:

Portion of the Target Bonus Payable if Quarterly and/or Cumulative Threshold Performance Goal* Achieved:	50%
Portion of the Target Bonus Payable if Quarterly and/or Cumulative Target Performance Goal* Achieved:	100%
Portion of the Target Bonus Payable if Quarterly and/or Cumulative Maximum Performance Goal* Achieved:	150%
Portion of the Target Bonus Payable if Achievement is Between Quarterly and/or Cumulative Threshold and Maximum Performance Goals (subject to the terms and conditions of <u>Section 6(b)</u>):	Linear interpolation between 50% and 150%

* The applicable percentage for cumulative performance is applied to a Participant's aggregate Target Bonuses through the end of the applicable Quarter.

(i) **Performance Measure:** CONSOLIDATED OIBDAN (in Millions)

Quarter Ending:	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Quarterly Threshold Performance Goal	\$206	\$394	\$383	\$471
Quarterly Target Performance Goal	\$242	\$464	\$451	\$554
Quarterly Maximum Performance Goal	\$278	\$534	\$519	\$637
Cumulative Threshold Performance Goal	N/A	\$600	\$983	\$1,454
Cumulative Target Performance Goal	N/A	\$706	\$1,157	\$1,711
Cumulative Maximum Performance Goal	N/A	\$812	\$1,331	\$1,968

(ii) **Performance Measure:** RADIO SEGMENT OIBDAN (in Millions)

Quarter Ending:	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Quarterly Threshold Performance Goal	\$145	\$247	\$263	\$298
Quarterly Target Performance Goal	\$170	\$290	\$309	\$350
Quarterly Maximum Performance Goal	\$196	\$334	\$355	\$403
Cumulative Threshold Performance Goal	N/A	\$391	\$654	\$951
Cumulative Target Performance Goal	N/A	\$460	\$769	\$1,119
Cumulative Maximum Performance Goal	N/A	\$529	\$884	\$1,287

SCHEDULE B

TO: {PARTICIPANT NAME}

FROM:

DATE: _____, 2019

RE: Participation Agreement under the iHeartMedia, Inc. 2019 Key Employee Incentive Plan

1. We are pleased to advise you that you will be eligible to receive a Quarterly Performance Bonus pursuant to the iHeartMedia, Inc. (the “*Company*”) 2019 Key Employee Incentive Plan (as it may be amended, the “*Plan*”). Terms used herein with initial capital letters have the meanings set forth in the Plan and this Participation Agreement shall be, in all respects, subject to the terms and conditions of the Plan. A copy of the Plan as in effect of the date hereof has been furnished to you and you agree to be bound by the terms and conditions of the Plan and this Participation Agreement. In the event of any conflict between the terms and conditions of this Participation Agreement and the Plan, the terms and conditions of the Plan shall control.
2. Quarterly Performance Bonus. Your Target Bonus amount in respect of each Quarter is \$_____.
3. Quarterly Performance Bonus Performance Measure. Your Quarterly Performance Bonus payments are calculated based on the achievement of [Consolidated OIBDAN] [Radio Segment OIBDAN] Performance Goals.
4. Payment Schedule. Except as otherwise provided for in Section 6(c) of the Plan with respect to the Fourth Quarter, your Quarterly Performance Bonus amount, if any, will be paid to you on a fully-vested basis by the Company no later than the sixtieth (60th) day after the end of the applicable Quarter and otherwise in accordance with and subject to the terms and conditions of the Plan.

Nothing contained in the Plan shall in any way affect the right and power of any member of the Company Group to discharge or otherwise terminate your employment at any time or for any reason. Your rights under this Participation Agreement and any interest in or right to the Quarterly Performance Bonus payment, if any, may not be transferred or assigned by you, other than by will or by the laws of descent and distribution. The Company will deduct all applicable taxes and any other withholdings required to be withheld with respect to the payment of any award pursuant to the Plan.

The Company intends for the Quarterly Performance Bonus payment to either comply with, or be exempt from, the requirements of Section 409A. To the extent that the Quarterly Performance Bonus is not exempt from the requirements of Section 409A, the Quarterly Performance Bonus is intended to comply with the requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent. Notwithstanding the foregoing, in no event whatsoever shall any member of the Company Group be liable for any additional, tax, interest, income inclusion or other penalty that may be imposed on you by Section 409A or for damages for failing to comply with Section 409A. You are hereby advised to consult immediately with your tax

advisor regarding the tax consequences of the Quarterly Performance Bonus payments including, without limitation, any possible tax consequences in connection with Section 409A.

We greatly appreciate your contributions to the Company and look forward to working together with you towards the Company's future successes. If you have any questions regarding this Participation Agreement, please contact [] in Human Resources at [].

IHEART MEDIA, INC.

By: _____
Name:
Its:

SCHEDULE C

The following examples demonstrate the application of Section 6(b) of the Plan:

- Example 1: The Company achieves the Quarterly Threshold Performance Goal for the Second Quarter. In this case, Participants would earn 50% of the Target Bonus payable in respect of the Second Quarter.
- Example 2: Same as in Example 1 and the Company exceeds the Quarterly Target Performance Goal for the Third Quarter such that cumulative performance as of the end of the Third Quarter meets the Cumulative Target Performance Goal for the Third Quarter. In this case, Participants would earn 100% of the Participant's Target Bonus for the Third Quarter, plus the Participants would earn an additional amount equal to (a) the sum of 100% of the Target Bonus for each of the First Quarter, Second Quarter, and Third Quarter minus (b) the sum of the Quarterly Performance Bonus actually paid or payable to Participants in respect of the First Quarter, Second Quarter, and the Quarterly Performance Bonus payable to Participants in respect of the Third Quarter.
- Example 3: Same as in Example 2 and the Company exceeds the Quarterly Target Performance Goal for the Third Quarter such that cumulative performance as of the end of the Third Quarter exceeds the Cumulative Target Performance Goal for the Third Quarter. In this case, Participants would earn 100% of the Participant's Target Bonus for the Third Quarter, plus the Participants would earn an additional amount (if any) equal to (a) the sum of 100% of the Target Bonus for each of the First Quarter, Second Quarter, and Third Quarter minus (b) the sum of the Quarterly Performance Bonus actually paid or payable to Participants in respect of each of the First Quarter and Second Quarter, and the Quarterly Performance Bonus payable to Participants in respect of the Third Quarter ((a) minus (b), the "Catch-Up"); provided that the amount of the Catch-Up (if any) may not exceed the Cumulative Target Performance Bonus for the Third Quarter.
- Example 4: Same as in Example 3 and the Company performs sufficiently to meet or exceed the Cumulative Maximum Performance Goal for the Fourth Quarter. In this case, Participants would earn 150% of the Target Bonus for the Fourth Quarter plus an amount equal to (a) the sum of 150% of the Target Bonus for each of the First Quarter, Second, Third and Fourth Quarters minus (b) the sum of the Quarterly Performance Bonus actually paid or payable to Participants in respect of the First Quarter, Second Quarter and Third Quarter, and the Quarterly Performance Bonus payable to Participants in respect of the Fourth Quarter.

EXHIBIT 1

- (a) Robert Pittman
- (b) Richard Bressler
- (c) Steven Macri
- (d) Robert Walls, Jr.
- (e) Brian Coleman
- (f) Steve Mills
- (g) Paul McNicol
- (h) Scott Hamilton
- (i) Tim Castelli
- (j) Greg Ashlock
- (k) Darren Davis

Exhibit 2

2019 Incentive Plan for Non-Insiders

iHEARTMEDIA, INC.
2019 KEY EMPLOYEE RETENTION PLAN

1. Purpose. This iHeartMedia, Inc. (the “Company”) 2019 Key Employee Retention Plan (as it may be amended, the “Plan”) is designed to align the interests of the Company and certain key employees of the Company Group.

2. Adoption of the Plan. The Company, intending to be legally bound, hereby adopts the Plan effective as of January 1, 2019 (the “Effective Date”). The Plan shall be in effect from the Effective Date and shall continue until December 31, 2019 unless earlier terminated in accordance with Section 8(e) before December 31, 2019 (the “Term”). The expiration of the Term shall not in any event reduce or adversely affect any amounts due to any Participant hereunder.

3. General. The compensation provided under this Plan is intended to be in addition to all other compensation payable to Participants under any employment agreement or incentive plan or program in effect with the Company or any of its direct or indirect subsidiaries; provided, however that, notwithstanding the foregoing, the compensation provided under this Plan is the only cash-based incentive compensation opportunity granted to Participants in respect of 2019.

4. Definitions. For purposes of this Plan:

(a) “Board” means the Company’s Board of Directors.

(b) “Cause” means “Cause” as defined in any employment agreement between the Participant and the Company or any of its subsidiaries or, if no such agreement exists or such term is not defined therein, “Cause” means: (i) the Participant’s willful breach or habitual neglect of assigned duties by the Company, including compliance with any policy of the Company; (ii) the Participant’s conviction (including any plea of nolo contendere) of any felony or crime involving dishonesty or moral turpitude; (iii) any act of personal dishonesty knowingly taken by the Participant in connection with the Participant’s responsibilities as an employee and intended to result in the Participant’s personal enrichment or the enrichment of any other person or entity; (iv) bad faith conduct that is materially detrimental to the Company; (v) the Participant’s inability to perform the Participant’s duties due to alcohol or illegal drug use; (vi) any act or omission by the Participant which is of substantial detriment to the Company because of the Participant’s intentional failure to comply with any statute, rule or regulation, except any act or omission the Participant believes in good faith to have been in or not opposed to the best interest of the Company (without an intent to gain, directly or indirectly, a profit to which the Participant was not legally entitled) and except that Cause shall not mean bad judgment or negligence other than habitual neglect of duty; or (vii) any other act or failure to act or other conduct which is determined by the Committee, in its sole discretion, to be demonstrably and materially injurious to the Company, monetarily or otherwise.

(c) “Committee” means the Compensation Committee of the Board.

(d) “Company Group” means the Company and its direct and indirect subsidiaries.

(e) “Consolidated OIBDAN” means the following as determined for the applicable Quarter or cumulatively across multiple Quarters (i) operating income of the Company and its consolidated subsidiaries (the “Consolidated Group”) as defined by Generally Accepted Accounting Principles, plus (ii) depreciation expense for the Consolidated Group, plus (iii) amortization expense for the Consolidated Group, plus (iv) impairment charges for the Consolidated Group, plus (v) restructuring expenses for the Consolidated Group (including but not limited to severance, certain bonus compensation identified in the 2019 budget, professional fees incurred in connection with litigation and the Company’s and the other related Debtors’ bankruptcy cases and lease cancellation and renegotiation expenses), plus (vi) rent

expenses related to any sale/leaseback transactions for the Consolidated Group and plus (vii) foreign exchange impact. The Committee shall determine Consolidated OIBDAN for the applicable measurement period within sixty (60) days of the end of the period in a manner consistent with the Company's past practice and the 2019 budget for determining Consolidated OIBDAN for bonus purposes.

(f) "Disability" means "Disability" as defined in any employment agreement between the Participant and the Company and any of its subsidiaries or, if no such agreement exists or such term is not defined therein, "Disability" means the Participant's inability to perform, by reason of physical or mental incapacity (i) such Participant's duties or obligations to the Company or any of its subsidiaries for 180 days in any twelve (12)-month period after taking into account reasonable accommodations as required by applicable law or (ii) in such a manner as to qualify for permanent benefits under the long-term disability insurance policy of any member of the Company Group.

(g) "Good Reason" means "Good Reason" as defined in any employment agreement between the Participant and the Company or any of its subsidiaries or, if no such agreement exists or such term is not defined therein, "Good Reason" means either of the following, in each case, without the Participant's consent: (i) a reduction of 20% or more of the Participant's annual base salary as in effect on the Effective Date or as the same may be increased from time to time, or (ii) a relocation of the geographic location of the Participant's principal place of employment by more than fifty (50) miles from the principal place of business. The occurrence of an event that would otherwise constitute Good Reason will cease to be an event constituting Good Reason, if the Participant does not timely provide notice to the Company within thirty (30) days of the date on which the Participant first becomes aware of the occurrence of that event. The Company shall have fifteen (15) days following receipt of the Participant's written notice in which to correct in all material respects the circumstances constituting Good Reason, and the Participant must terminate employment within thirty (30) days following expiration of the Company's fifteen (15)-day cure period. Otherwise, any claim of such circumstances constituting "Good Reason" shall be deemed irrevocably waived by the Participant.

(h) "Participant" shall have the meaning ascribed thereto in Section 5 hereof.

(i) "Participation Agreement" means the agreement between the Company and a Participant granting a Participant the opportunity to earn a Quarterly Performance Bonus under this Plan and in the form attached hereto as Schedule B.

(j) "Performance Goals" means, as applicable, the Performance Measures set forth on Schedule A, as follows:

- (i) Quarterly Threshold Performance Goals;
- (ii) Quarterly Target Performance Goals;
- (iii) Quarterly Maximum Performance Goals;
- (iv) Cumulative Threshold Performance Goals;
- (v) Cumulative Target Performance Goals; and
- (vi) Cumulative Maximum Performance Goals.

(i) "Performance Measure" means the performance metric set forth in a Participant's Participation Agreement that is used to determine the Participant's Quarterly Performance Bonus, which shall be Radio Segment OIBDAN (in millions).

(j) “Qualifying Termination” means a termination of a Participant’s employment with the Company and its subsidiaries due to death or Disability, by the Company without Cause or by the Participant for Good Reason.

(k) “Quarter” means each of the following periods: January 1, 2019 through March 31, 2019 (“First Quarter”); April 1, 2019 through June 30, 2019 (“Second Quarter”); July 1, 2019 through September 30, 2019 (“Third Quarter”); and October 1, 2019 through December 31, 2019 (“Fourth Quarter”).

(l) “Quarterly Performance Bonus” means, in the case of any Participant, the incentive bonus, if any, payable to such Participant under Section 6(b) and, to the extent applicable, Section 6(c) of the Plan in respect of the applicable Quarter, which shall consist of the sum of (i) the Discretionary Component and (ii) the Performance Component earned for such Quarter in accordance with Section 6(a) hereof.

(m) “Radio Segment OIBDAN” means the following as determined for the applicable Quarter or cumulatively across multiple Quarters: OIBDAN calculated for the Radio Segment only in the same manner as Consolidated OIBDAN minus (i) corporate expenses reclassified to the “corporate segment” for external reporting purposes, plus (ii) Katz OIBDAN reclassified to “other segment” for external reporting purposes. The Committee shall determine Radio Segment OIBDAN for the applicable measurement period within sixty (60) days of the end of the period in a manner consistent with the Company’s past practice and the 2019 budget for determining Radio Segment OIBDAN for bonus purposes.

(n) “Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(o) “Target Bonus” means a Participant’s target bonus amount in respect of each Quarter as set forth in the Participant’s Participation Agreement.

5. Eligible Participants. Each person designated by the Committee shall be a Participant under the Plan and eligible to receive a Quarterly Performance Bonus with respect to each Quarter hereunder.

6. Terms of Participation.

(a) Each Participant’s Quarterly Performance Bonus shall consist of two components: (i) up to 50% of a Participant’s Target Bonus shall be earned and payable in the discretion of the Company if the Participant is employed at the end of the applicable Quarter (the “Discretionary Component”) and (ii) 50% of a Participant’s Target Bonus shall be earned and payable in accordance with Sections 6(b) and 6(c) hereof (the “Performance Component”). Notwithstanding anything to the contrary contained herein, the aggregate amount of Quarterly Performance Bonuses that may be paid to all Participants in respect of each Quarter shall not exceed \$14,993,042.80 (in each case, the “Aggregate Target”), unless the Company exceeds the target level of Radio Segment OIBDAN for such Quarter. In the event the Company exceeds the target level of Radio Segment OIBDAN for a Quarter, the Aggregate Target shall be increased to \$22,489,564.00 for each Quarter if the Company achieves or exceeds the maximum level of Radio Segment OIBDAN for such Quarter, with the Aggregate Target being determined using straight line interpolation for performance between the target and maximum level of Radio Segment OIBDAN for such Quarter.

(b) Subject to the provisions of this Plan, each Participant shall earn the Performance Component of a Quarterly Performance Bonus as of the end of each Quarter in an amount as determined in accordance with Schedule A, to the extent an applicable Quarterly Performance Goal has been attained for such Quarter. Notwithstanding the foregoing but subject to Section 6(a), in the event the Company has not achieved the Quarterly Performance Goals established for a particular Quarter, the Committee may elect to pay some or all of the Performance Component to a Participant as of the end of any Quarter as determined in the Committee’s discretion. Promptly after the end of each Quarter (but in any event within 60 days of

the end of the Quarter), the Committee shall certify the degree to which the applicable Performance Goals have been achieved and the amount payable to each Participant hereunder with respect to the Performance Component.

(c) In addition to being measured on a Quarterly basis, each Performance Measure shall be measured cumulatively at the end of each of the Second, Third and Fourth Quarters.

- (i) Second Quarter Catch-Up: Subject to the provisions of this Plan, each Participant shall earn, in addition to any portion of the Discretionary Component and any portion of the Performance Component payable for the Second Quarter pursuant to Section 6(b) above, a Performance Component incentive bonus in an amount, if positive, equal to (i) the Quarterly Performance Bonus payable, if any, based on achievement, as applicable, of the Cumulative Threshold Performance Goal or the Cumulative Target Performance Goal, in either case, as of the end of the Second Quarter in an amount as determined in accordance with Schedule A, minus (ii) the aggregate Quarterly Performance Bonuses actually paid or payable to the Participant (other than on a cumulative basis) in respect of the First Quarter and Second Quarter.
- (ii) Third Quarter Catch-Up: Subject to the provisions of this Plan, each Participant shall earn, in addition to any portion of the Discretionary Component and any portion of the Performance Component payable for the Third Quarter pursuant to Section 6(b) above, a Performance Component incentive bonus in an amount, if positive, equal to (i) the Quarterly Performance Bonus payable, if any, based on achievement, as applicable, of the Cumulative Threshold Performance Goal or the Cumulative Target Performance Goal, in either case, as of the end of the Third Quarter in an amount as determined in accordance with Schedule A, minus (ii) the aggregate Quarterly Performance Bonuses actually paid or payable to the Participant (other than on a cumulative basis) in respect of the First Quarter, Second Quarter, and Third Quarter.
- (iii) Fourth Quarter Catch-Up: Subject to the provisions of this Plan, each Participant shall earn, in addition to any portion of the Discretionary Component and any portion of the Performance Component payable for the Fourth Quarter pursuant to Section 6(b) above, a Performance Component incentive bonus in an amount, if positive, equal to (i) the Quarterly Performance Bonus payable, if any, based on achievement, as applicable, of the Cumulative Threshold Performance Goal, the Cumulative Target Performance Goal or the Cumulative Maximum Performance Goal as of the end of the Fourth Quarter in an amount as determined in accordance with Schedule A, minus (ii) the Quarterly Performance Bonuses actually paid or payable to the Participant (other than on a cumulative basis) in respect of the First Quarter, Second Quarter, Third Quarter, and Fourth Quarter.

Schedule C hereto contains examples of the application of this Section 6(c).

(d) Any Quarterly Performance Bonus required to be paid under this Plan shall be paid on a fully-vested basis by the Company as soon as reasonably practicable after the Certification Date (as defined below), but in any event no later than the sixtieth (60th) day after the end of the applicable Quarter; provided, however, that, notwithstanding the foregoing, any Quarterly Performance Bonus in respect of the Fourth Quarter may only be paid upon the first to occur of (i) the completion of the annual financial statement audit (the "Audit") and (ii) December 31, 2019 unless the Audit is delayed past February 28, 2020 and the reason for the delay in completing the Audit is the result of open issues that are not expected to impact the calculation(s) of Radio Segment OIBDAN, in which case the Quarterly Performance Bonus shall be paid prior to the completion of the Audit and no later than February 28, 2020.

(e) In order to earn a Quarterly Performance Bonus under the Plan in respect of any Quarter, a Participant must remain employed by a member of the Company Group through and including the last day of the applicable Quarter. A Participant whose employment with the Company Group terminates for any reason other than a Qualifying Termination prior to the last day of the applicable Quarter shall forfeit the right to any Quarterly Performance Bonus in respect of that Quarter.

(f) In the event a Participant's employment with the Company Group terminates due to a Qualifying Termination prior to the end of the applicable Quarter, the Participant shall be paid on a fully-vested basis, a pro rata portion of the Quarterly Performance Bonus that would otherwise be paid in respect of that Quarter, if any, required to be made under the Plan in respect of the applicable Quarter, with such pro rata portion determined based on the number of days the Participant remained an employee of the Company Group during the applicable Quarter.

7. Performance Goals. Promptly after the end of each Quarter (but in any event within 60 days of the end of the Quarter) (such actual date, the "Certification Date"), the Committee shall certify the degree to which the applicable Performance Goals have been achieved or exceeded and the amount, if any, payable to each Participant hereunder subject to the terms and conditions contained herein.

8. Plan Administration. This Plan shall be administered by the Committee. The Committee is given full authority and discretion within the limits of this Plan to establish such administrative measures as may be necessary to administer and attain the objectives of this Plan and may delegate the authority to administer the Plan (but not to make determinations of Consolidated OIBDAN or Radio Segment OIBDAN) to an officer of the Company. The Committee shall have full power and authority to construe and interpret this Plan and any interpretation by the Committee shall be final, conclusive and binding on all Participants and shall be accorded the maximum deference permitted by law.

(a) All rights and interests of the Participants under this Plan shall be non-assignable and nontransferable, and otherwise not subject to pledge or encumbrance, whether voluntary or involuntary, other than by will or by the laws of descent and distribution. In the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, stock sale, consolidation or otherwise, the Company may assign this Plan.

(b) Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Company Group, and the Company may require that the Participant, as a condition precedent to such payment, execute a receipt and release to such effect.

(c) Payment of amounts due under the Plan shall be provided to the Participant in the same manner as the Participant receives his or her regular paycheck or by mail at the last known address of the Participant in the possession of the Company, at the discretion of Committee. The Company will deduct all applicable taxes and any other withholdings required to be withheld with respect to the payment of any award pursuant to this Plan.

(d) The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any award provided for hereunder.

(e) The Company, in its sole discretion, shall have the right to amend or terminate this Plan at any time; provided that in no event shall any amendment or termination adversely affect the rights of the Participants regarding any Quarterly Performance Bonus for a Quarter that has commenced as of the date of such action without the prior written consent of the affected Participants. Subject to the foregoing, the Plan shall terminate upon the satisfaction of all obligations of the Company or its successor entities hereunder.

(f) Nothing contained in this Plan shall in any way affect the right and power of any member of the Company Group to discharge any Participant or otherwise terminate his or her employment at any time or for any reason or to change the terms of his or her employment in accordance with the terms of his or her employment agreement, as applicable, in any manner.

(g) Except as otherwise provided under this Plan, any expense incurred in administering this Plan shall be borne by the Company.

(h) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision hereof.

(i) The Plan and each Participation Agreement shall be construed, regulated, interpreted and administered according to the laws of the State of Texas, without regard to conflict of law principles. Any persons or corporations who now are or shall subsequently become parties to the Plan shall be deemed to consent to this provision.

(j) The Plan is intended to either comply with, or be exempt from, the requirements of Section 409A. To the extent that the Plan is not exempt from the requirements of Section 409A, the Plan is intended to comply with the requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent. Notwithstanding the foregoing, in no event whatsoever shall any member of the Company Group be liable for any additional tax, interest, income inclusion or other penalty that may be imposed on a Participant by Section 409A or for damages for failing to comply with Section 409A.

* * * * *

IN WITNESS WHEREOF, iHeartMedia, Inc. has caused the Plan to be signed by its duly authorized officer as of the date first set forth above.

IHEART MEDIA, INC.

By: _____

Name: _____

Its: _____

SCHEDULE A**Bonus Amounts, Performance Measures and Goals**

Quarters Ending March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019:

Portion of the Performance Component Payable if Quarterly and/or Cumulative Threshold Performance Goal Achieved:	50%
Portion of the Performance Component Payable if Quarterly and/or Cumulative Target Performance Goal Achieved:	100%
Portion of the Performance Component Payable if Quarterly and/or Cumulative Maximum Performance Goal Achieved:	150%
Portion of the Performance Component Payable if Achievement is Between Quarterly and/or Cumulative Threshold and Maximum Performance Goals (subject to the terms and conditions of Section 6(c):	Linear interpolation between 50% and 150%

* The applicable percentage for cumulative performance is applied to a Participant's aggregate Performance Component through the end of the applicable Quarter.

(i) **Performance Component: 50% of Target Bonus**

Performance Measure: Radio Segment OIBDAN (in Millions)

Quarter Ending:	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Quarterly Threshold Performance Goal	\$145	\$247	\$263	\$298
Quarterly Target Performance Goal	\$170	\$290	\$309	\$350
Quarterly Maximum Performance Goal	\$196	\$334	\$355	\$403
Cumulative Threshold Performance Goal	N/A	\$391	\$654	\$951
Cumulative Target Performance Goal	N/A	\$460	\$769	\$1,119
Cumulative Maximum Performance Goal	N/A	\$529	\$884	\$1,287

(ii) **Discretionary Component: 50% of Target Bonus**

SCHEDULE B

TO: {PARTICIPANT NAME}

FROM:

DATE: _____, 2019

RE: Participation Agreement under the iHeartMedia, Inc. 2019 Key Employee Retention Plan

We are pleased to advise you that you will be eligible to receive a Quarterly Performance Bonus pursuant to the iHeartMedia, Inc. (the "**Company**") 2019 Key Employee Retention Plan (as it may be amended, the "**Plan**"). Terms used herein with initial capital letters have the meanings set forth in the Plan and this Participation Agreement shall be, in all respects, subject to the terms and conditions of the Plan. A copy of the Plan as in effect of the date hereof has been furnished to you and you agree to be bound by the terms and conditions of the Plan and this Participation Agreement. In the event of any conflict between the terms and conditions of this Participation Agreement and the Plan, the terms and conditions of the Plan shall control.

1. Quarterly Performance Bonus. Your Target Bonus amount in respect of each of each Quarter is \$_____.
2. Quarterly Performance Bonus Performance Measure. Your Quarterly Performance Bonus payments are calculated as follows: (i) 50% is based on the achievement of Radio Segment OIBDAN and (ii) 50% is based on the discretion of the Company if you are employed at the end of the applicable Quarter.
3. Payment Schedule. Except as otherwise provided for in Section 6(c) of the Plan with respect to the Fourth Quarter, your Quarterly Performance Bonus amount, if any, will be paid to you on a fully-vested basis by the Company no later than the sixtieth (60th) day after the end of the applicable Quarter and otherwise in accordance with and subject to the terms and conditions of the Plan.

Nothing contained in the Plan shall in any way affect the right and power of any member of the Company Group to discharge or otherwise terminate your employment at any time or for any reason. Your rights under this Participation Agreement and any interest in or right to the Quarterly Performance Bonus payment, if any, may not be transferred or assigned by you, other than by will or by the laws of descent and distribution. The Company will deduct all applicable taxes and any other withholdings required to be withheld with respect to the payment of any award pursuant to the Plan.

The Company intends for the Quarterly Performance Bonus payment to either comply with, or be exempt from, the requirements of Section 409A. To the extent that the Quarterly Performance Bonus is not exempt from the requirements of Section 409A, the Quarterly Performance Bonus is intended to comply with the requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent. Notwithstanding the foregoing, in no event whatsoever shall any member of the Company Group be liable for any additional, tax, interest, income inclusion or other penalty that may be imposed on you by Section 409A or for damages for failing to comply with Section 409A. You are hereby advised to consult immediately with your tax advisor regarding the tax consequences of the Quarterly Performance Bonus payments including, without limitation, any possible tax consequences in connection with Section 409A.

We greatly appreciate your contributions to the Company and look forward to working together with you towards the Company's future successes. If you have any questions regarding this Participation Agreement, please contact [] in **Human Resources** at [].

IHEART MEDIA, INC.

By: _____
Name: _____
Its: _____

SCHEDULE C

The following examples demonstrate the application of Section 6(c) of the Plan:

- Example 1: The Company achieves the Quarterly Threshold Performance Goal for the First Quarter. In this case, the Participant would earn 50% of the Performance Component payable in respect of the First Quarter, plus the amount of the Discretionary Component, if any, determined by the Company.
- Example 2: Same as in Example 1 and the Company exceeds the Quarterly Target Performance Goal for the Third Quarter such that cumulative performance as of the end of the Third Quarter meets the Cumulative Target Performance Goal for the Third Quarter. In this case, the Participant would earn the Performance Component payable in respect of the Third Quarter based on the percentage achieved over Target for the Third Quarter plus an amount equal to (a) the sum of 100% of the Performance Component for each of the First Quarter, Second Quarter, and Third Quarter minus (b) the sum of the Quarterly Performance Bonus actually paid or payable to the Participant in respect of each of the First Quarter and Second Quarter, and the Performance Component of the Quarterly Performance Bonus payable to the Participant in respect of the Third Quarter. The Participant would also earn the amount of the Discretionary Component, if any, in respect of the Third Quarter determined by the Company.
- Example 3: Same as in Example 2 and the Company exceeds the Quarterly Target Performance Goal for the Third Quarter such that cumulative performance as of the end of the Third Quarter exceeds the Cumulative Target Performance Goal for the Third Quarter. In this case, Participants would earn the Performance Component payable in respect of the Third Quarter calculated based on the extent to which the Company exceeds the Quarterly Target Performance Goal for the Third Quarter, plus the Participant would earn an additional amount (if any) equal to (a) the sum of 100% of the Performance Component payable in respect of each of the First Quarter, Second Quarter, and Third Quarter minus (b) the sum of the Performance Component of the Quarterly Performance Bonus actually paid or payable to the Participant in respect of the First Quarter, Second Quarter, and the Performance Component of the Quarterly Performance Bonus payable to the Participant in respect of the Third Quarter. The Participant would also earn the amount of the Discretionary Component, if any, in respect of the Third Quarter determined by the Company.
- Example 4: Same as in Example 3 and the Company exceeds the Quarterly Maximum Performance Goal for the Fourth Quarter to the extent necessary to meet or exceed the Cumulative Maximum Performance Goal for the Fourth Quarter. In this case, Participants would earn 150% of the Performance Component payable in respect of the Fourth Quarter plus an amount equal to (a) the sum of 150% of the Performance Component payable in respect of each of the First Quarter, and Third and Fourth Quarters minus (b) the sum of the Performance Component of the Quarterly Performance Bonus actually paid or payable to the Participant in respect of the First Quarter and Third Quarter and the Performance Component of the Quarterly Performance Bonus payable to the Participant in respect of the Fourth Quarter. The Participant would also earn the amount of the Discretionary Component, if any, in respect of Fourth Quarter determined by the Company.

Exhibit B

Georgeson Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
IHEARTMEDIA, INC., <i>et al.</i> , ¹	§	
	§	Case No. 18-31274 (MI)
Debtors.	§	(Jointly Administered)
	§	

**DECLARATION OF ZACHARY GEORGESON,
SENIOR DIRECTOR AT WILLIS TOWERS WATSON,
IN SUPPORT OF THE DEBTORS' MOTION FOR ENTRY OF
AN ORDER APPROVING THE DEBTORS' 2019 INCENTIVE PLANS**

I, Zachary P. Georgeson, hereby declare under penalty of perjury:

1. I am a Senior Director at Willis Towers Watson Delaware Inc. ("Willis Towers Watson"). In November 2016, iHeartMedia, Inc. ("iHM" or "iHeartMedia"), one of the above captioned debtors and debtors in possession (the "Debtors"), engaged Willis Towers Watson to provide compensation consulting services both before and after the commencement of these chapter 11 cases. I am familiar with the pre and postpetition structure of the Debtors' compensation programs, including the 2019 Incentive Plan for Insiders ("2019 IPI") and 2019 Incentive Plan for Non-Insiders ("2019 IPN," and together with the 2019 IPI, the "2019 Incentive Plans") as it is set forth in the *Debtors' Motion for Entry of an Order (I) Authorizing and Approving the Debtors' 2019 Incentive Plans* (the "Motion"), filed contemporaneously herewith.

2. I submit this declaration (this "Declaration") in support of the Motion. Except as otherwise indicated, I have personal knowledge of all facts in this Declaration, based on my review

¹ Due to the large number of Debtors in these chapter 11 cases, for which joint administration has been granted, a complete list of the Debtors and the last four digits of their tax identification, registration, or like numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at <https://cases.primeclerk.com/iheartmedia>. The location of Debtor iHeartMedia, Inc.'s principal place of business and the Debtors' service address is: 20880 Stone Oak Parkway, San Antonio, Texas 78258.

of the Debtors' operations and finances, my research into compensation practices for companies in the media industry and those that have recently filed for chapter 11 protection, and information supplied to me by members of the Debtors' management team and the Debtors' other advisors. For the reasons described below, it is my opinion that the Debtors' 2019 Incentive Plans are reasonable and consistent with market practice both for companies in the media industry and those in chapter 11. If called upon to testify, I could and would testify competently to the facts and opinions set forth herein.

Background and Qualifications

3. I received my Bachelor's degree in Finance from Indiana University Bloomington in 2002. After working at Deloitte Consulting LLP and Capital H Group, I joined Willis Towers Watson in 2008 and have since been employed by Willis Towers Watson.

4. Willis Towers Watson is an international professional services firm that offers a wide variety of services to public and private clients, including expert analysis of executive and management compensation. Willis Towers Watson designs and delivers solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Willis Towers Watson focuses on four key business segments: corporate risk and brokering; human capital and benefits; exchange solutions; and investment, risk, and reinsurance.

5. My responsibilities at Willis Towers Watson have primarily involved providing consulting services to mid- and large-sized companies, specifically with regard to executive compensation. I routinely work with public and private companies in various industries regarding compensation philosophy, pay competitiveness, incentive plan design, and other compensation-related analyses. I have worked with numerous *Fortune 1000* companies, and have participated

in the development and design of over 100 management and employee incentive plans for companies in and outside of bankruptcy.

6. I am highly experienced in executive, management, and employee compensation with over 15 years of experience in the field. During this time, I have worked closely with a range of companies undergoing a financial restructuring in developing a variety of pre and postpetition compensation arrangements, including compensation plans and programs for senior executive and non-executive employees. Specifically, I have led or co-led the review and design of key employee incentive plans, key employee retention plans, and other, similar plans in a number of chapter 11 cases, including Aegean Marine, American Airlines, American Tire Distributers, Appvion, Aspect Software, Bonanza Creek, Caesars Entertainment Operating Company, Chaparral Energy, Conexant, Cumulus Media, Dex Media, Energy Future Holdings, EXCO Resources, Fairway Market, GenOn Energy, Gymboree, Horsehead Holding Corp., Keystone Automotive, Longview Power, MolyCorp, Muzak, Neff, Petroflow, Platinum Energy Solutions, RadioShack, Reader's Digest Association, Republic Airways, Sabine Oil & Gas, Samson Resources, Southeastern Grocers, Takata, Tops Markets, Visteon, Westmoreland Coal Company, and Xerium Technologies.

Willis Towers Watson's Collaboration with the Debtors

7. Since Willis Towers Watson was retained by iHeartMedia in November 2016, I have familiarized myself with the Debtors' operations, unique business, and restructuring challenges. At the start of our engagement, Willis Towers Watson discussed with the Debtors and their advisors the Debtors' operational history, financial performance, restructuring process, and various issues regarding the Debtors' workforce and employee programs. Willis Towers Watson reviewed the structure of the Debtors' existing base salary and primary incentive programs, paying

specific attention to the various performance metrics, participating employees, payout frequency, and target payout levels.

8. My approach for evaluating the 2019 Incentive Plans was generally consistent with my approach for evaluating the Court-approved 2018 Incentive Plans² (as further described in my May 28, 2018 declaration³). The Debtors performed significant due diligence in developing the 2019 Incentive Plans, and my team and I collaborated with the Debtors' management and other outside advisors in reviewing and advising on the 2019 Incentive Plans. Specifically, my team and I: (a) reviewed the approved award opportunities under the 2019 IPI for reasonableness; and (b) reviewed the approved design, structure and award opportunities of the 2019 IPN for reasonableness. I understand that the material details of 2019 Incentive Plans were presented to, and approved by, the Compensation Committee (the "Compensation Committee") of iHeartMedia's Board of Directors (the "Board of Directors"). The primary goal in the course of these interactions with the Debtors and its advisors was to provide an independent assessment of the Debtors' 2019 Incentive Plans that drew directly upon relevant market data as well as my experience in designing comparable programs for similarly-situated companies.

Incentive Plans: Prepetition History

9. During my work with the Debtors, I learned that, prior to 2017, the Debtors maintained annual and long-term incentive programs that were designed to provide, in a highly competitive environment, reasonable market-based compensation for its key employees to incentivize the creation of long-term value for stakeholders. In late 2016, the Debtors and the

² See Debtors' Motion for Entry of An Order Authorizing and Approving the Debtors' 2018 Incentive Plans (the "Initial Motion") [Docket No. 606].

³ See the Initial Motion, at Exhibit B (the "Initial Declaration").

Compensation Committee (in consultation with Willis Towers Watson and other advisors) went through a rigorous process to review and refine their compensation programs to reflect the restructuring realities and evolving priorities of the organization. In January 2017, and in connection with iHM's depressed stock price, negligible value of outstanding equity awards, and uncertainty around iHM's ultimate restructuring path and its resulting impact on operations, the Compensation Committee approved (1) prepaid retention bonus agreements and awards for certain senior managers subject to clawback and (2) a quarterly performance bonus program for 2017 tied to the achievement of certain performance goals for two executives (the Chairman and Chief Executive Officer and the President, Chief Operating Officer and Chief Financial Officer). In February 2018, and prior to the commencement of these chapter 11 cases, the Compensation Committee approved the payment of target-level quarterly bonus payments for the first quarter of 2018 to the senior executives (which are subject to clawback if the senior executives leave the company without good reason prior to March 31, 2019). In March 2018, the Debtors initiated their bankruptcy proceedings and subsequently received Court approval of the 2018 Incentive Plan for Insiders ("2018 IPI") and 2018 Incentive Plan for Non-Insiders ("2018 IPN," and together with the 2018 IPI, the "2018 Incentive Plans") which were intended to cover the remainder of calendar year 2018 (as further described in the Initial Declaration).

Incentive Plans: Postpetition Overview

10. Pursuant to the Motion, the Debtors now seek to continue making payments under the Court-approved 2018 Incentive Plans for calendar year 2019. The 2019 Incentive Plans are generally consistent with the design of the awards approved by the Court for 2018, with the only substantive differences being: (i) the 2019 IPI is designed to cover all four fiscal quarters of 2019 rather than three fiscal quarters, resulting in a proportional increase in absolute cost; (ii) there have

been limited changes in participation and opportunities in the 2019 IPN due to merger and acquisition activity, and employee hiring, promotion and termination, resulting in increases in absolute cost and participation; (iii) the first quarter payments for the 2019 IPN will be subject to performance, rather than paid at target, resulting in an increase in potential absolute maximum cost and (iv) the Debtors have developed more challenging OIBDAN performance goals for the four quarters of 2019 and have used a narrower threshold to maximum performance spread. In summary, both the 2019 IPI and the 2019 IPN contain postpetition performance metrics and incentive compensation related to the first, second, third, and fourth quarters of 2019. The 2019 IPI provides eleven members of the Debtors' executive leadership team with the opportunity to earn quarterly incentive-based cash awards if the Debtors achieve pre-established OIBDAN goals. The 2019 IPN provides 815 participants with the opportunity to receive quarterly incentive-based cash awards based upon a combination of (a) the achievement of quarterly OIBDAN goals and (b) individual performance. The 2019 Incentive Plans represent a continuation of various prepetition compensation practices, with certain modifications to reflect the realities of the Debtors' restructuring and the Debtors' incentive compensation goals and overall philosophy. Participants are eligible to participate in only one of these programs.

Overview of the 2019 IPI

11. As detailed below, the participants in the 2019 IPI include the eleven senior executives of the Debtors (collectively, the "2019 IPI Participants"). It is my understanding that these officers are generally responsible for the overall strategy and direction of the Debtors' enterprise as a whole.

12. The 2019 IPI contains the following primary design features:

- (a) Corporate Insider Participants: The 2019 IPI includes the following eight participants that have corporate-based roles at the Debtors:

- (1) Chairman & CEO;
 - (2) President, COO & CFO;
 - (3) CFO iHM & SVP Corp. Finance iHM;
 - (4) EVP, GC & Secretary;
 - (5) SVP Treasurer;
 - (6) CIO iHM;
 - (7) EVP and Deputy GC; and
 - (8) SVP CAO & Ast. Secretary.
- (b) Operating Insider Participants: The 2019 IPI includes the following three participants, that have operating segment-based roles at the Debtors:
- (1) President, National Sales & Marketing Partnerships;
 - (2) President, Markets Group; and
 - (3) President, iHR & iHM Networks.
- (c) 2019 IPI Awards: 2019 IPI awards will be in cash (each award, an “IPI Payment”) payable in four installments upon the conclusion of each of four quarterly performance periods set forth below, based on the achievement of specified quarterly performance metrics for each such period, and subject to continued employment of the participant through each such time.
- (d) Performance Periods: The first, second, third, and fourth fiscal quarters of 2018 (*i.e.*, January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31, respectively). Achievement of performance for each period will be considered independently of performance for other periods.
- (e) Performance Metrics: The 2019 IPI is based 100% on OIBDAN metrics. As further described in the Motion, Corporate Insider Participants are measured on iHM Consolidated OIBDAN, while Operating Insider Participants are measured on iHM Segment OIBDAN.
- (f) Performance and Payout Ranges: The performance metric for the applicable quarter must be achieved at a minimum of 85% (the “threshold” level) for the corresponding installment of the 2019 IPI Payment to be paid, with a maximum award amount payable for the corresponding installment if the performance metrics are achieved at 115% or more (the “maximum” level). Linear interpolation of the 2019 IPI Payment will be applied for

achievement of performance metrics between the threshold and maximum levels, as shown below.

	Threshold	Target	Maximum
Achievement % of Performance Metric Target	85%	100%	115% or more
Payout % of Target Award	50%	100%	150%

- (g) Performance Measurement and True-Up: The OIBDAN metrics will be measured each performance period, but trued-up relative to cumulative performance at the end of the year. This enables underperformance in one performance period to be made up by outperformance in the later performance period if cumulative performance targets for the entire twelve months are achieved. At the end of 2019, 2019 IPI participants will be entitled to the greater of (i) the sum of payments actually earned, and (ii) the outcome if measured on a cumulative basis (considering all of Q1, Q2, Q3, and Q4). An award is not subject to “clawback” if the cumulative targets are not reached.
- (h) Timing of Payout: Payments under the 2019 IPI will be paid as soon as reasonably practicable after the end of the applicable performance period, but no later than 60 days after the end of the Quarter.
- (i) Plan of Reorganization Impact: If a chapter 11 plan becomes effective prior to December 31, 2019, the 2019 Incentive Plan participants shall be entitled to retain any earned awards and shall receive a pro rata portion of the award for the performance period in which the chapter 11 plan becomes effective.

13. If approved, the 2019 IPI would provide aggregate (for all participants) threshold, target, and maximum opportunities of approximately \$11.06 million, \$22.12 million, and \$33.18 million, respectively, to be earned for performance through the end of December 2019. The individual award opportunities available to each participant under the 2019 IPI are summarized as follows:

Individual 2019 IPI Values				
Participant's Title	Below Threshold Award Opportunity	Threshold Award Opportunity	Target Award Opportunity	Maximum Award Opportunity
Chairman & CEO	\$0	\$4,650,000	\$9,300,000	\$13,950,000
Pres., COO & CFO	\$0	\$2,650,000	\$5,300,000	\$7,950,000
EVP, GC & Secretary	\$0	\$450,000	\$900,000	\$1,350,000
Eight Other Senior Executives	\$0	\$3,311,250	\$6,622,500	\$9,933,750
Total Award Values	\$0	\$11,061,250	\$22,122,500	\$33,183,750

Analysis of Total Direct Compensation for 2019 IPI Participants

14. In assessing the reasonableness of the 2019 IPI, I worked with my team to analyze competitive target total direct compensation—an industry-standard benchmark that includes the sum of base salary, target annual bonus awards, and long-term incentive grant values—for all participants in the 2019 IPI (the “2019 IPI Participants”). A critical initial step in this analysis was to define the relevant market for talent.

15. *First*, as a reference point for competitive compensation levels for the Debtors’ five highest paid executives, my team and I, in consultation with the Compensation Committee, developed a set of 12 comparable companies operating in the media industry (collectively, the “Media Peer Companies” and each, a “Media Peer Company”) in light of a number of factors, including scope of operations and industry relevance. The Media Peer Companies include: AMC Entertainment Holdings, Inc., Discovery Communications, Inc., IAC/InterActiveCorp, Liberty Interactive/QVC Group, Lions Gate Entertainment Corp., Live Nation Entertainment, Inc., Netflix, Inc., Nielsen Holdings plc, Scripps Networks Interactive, Inc., Sirius XM Holdings Inc., TEGNA Inc., and The Interpublic Group of Companies, Inc. I also understand that these Media Peer

Companies are reasonably likely to compete with the Debtors for executive talent. Next, my team and I matched the Debtors' five highest paid 2019 IPI Participants to executives at the Media Peer Companies with either similar positions and comparable roles and responsibilities or similar ordinal pay ranking (*e.g.*, 4th highest paid executive). My team and I then developed competitive target total direct compensation benchmarks based on the most recent proxy disclosures from each Media Peer Company

16. ***Second***, as a reference point for the compensation of the six remaining 2019 IPI Participants (as proxy data are generally only available for the five highest paid executive officers), Willis Towers Watson matched the positions of such participants to counterparts in the 2018 Willis Towers Watson CDB Media Industry Executive Survey, based on Willis Towers Watson's understanding of each participant's job duties and responsibilities within the Debtors' organization. My team and I then developed revenue size-adjusted target total direct compensation survey data for each survey benchmark.

17. ***Finally***, my team and I compared the Debtors' annualized threshold, target, and maximum total direct compensation (reflecting the sum of base salary and the threshold, target, and maximum 2019 IPI opportunities) for the 2019 IPI Participants to target total direct compensation data for equivalent positions from the competitive market data.

18. If the Debtors do not receive approval from the Court for the 2019 IPI, total direct compensation for the 2019 IPI Participants will only reflect current base salaries, and thus total direct compensation would fall 70 percent below the 25th percentile of the media industry, on average. This outcome could significantly undermine the Debtors' ability to motivate their senior management to achieve desired business objectives. Assuming the 2019 IPI is approved, annualized 2019 target total direct compensation for all 2019 IPI Participants in aggregate would be

approximately 9 percent above the 25th percentile and 21 percent below the 50th percentile of the media industry. The Debtors' maximum total direct compensation, inclusive of maximum 2019 IPI opportunities, would be positioned 23 percent below media industry 75th percentile target total direct compensation levels, on average. To be clear, this maximum level outcome reflects a scenario where the Debtors significantly outperform the target OIBDAN goals and thereby earn the maximum amount of potential incentive compensation from the 2019 IPI, and nevertheless, the total direct compensation for 2019 IPI Participants still would be below the 75th percentile of the media industry. These outcomes are summarized in the table below:

Total Direct Compensation for 2019 IPI Participants

Total Direct Compensation (TDC) for 2019 IPI Participants			
TDC Outcome	Relation to 25th Percentile of Market TDC	Relation to 50th Percentile of Market TDC	Relation to 75th Percentile of Market TDC
Base Salaries Only (No IPI Payments)	70% below	78% below	84% below
Base Salaries Plus <u>Threshold</u> IPI Payout	31% below	50% below	64% below
Base Salaries Plus <u>Target</u> IPI Payout	9% above	21% below	43% below
Base Salaries Plus <u>Maximum</u> IPI Payout	48% above	8% above	23% below

19. Based on the results of these benchmarking analyses and my experience in other incentive compensation arrangements implemented in chapter 11 cases, I believe the 2019 IPI and the threshold, target, and maximum 2019 annualized total direct compensation levels are reasonable in light of competitive market practice for companies, like the Debtors, that operate in the media industry. I would also note that the Debtors' competitive positioning has deteriorated as compared to my 2018 analysis (i) due to increases in competitive market pay levels and (ii) because the January 2017 prepaid retention awards will no longer be subject to clawback as of January 2019, and have

therefore been excluded from my analysis of ongoing compensation opportunities. Critically, the absence of an incentive opportunity for the 2019 IPI Participants could significantly undermine the current competitiveness of the Debtors' ongoing compensation structure (as it would be comprised of just base salary), which in turn could negatively impact the Debtors' ability to motivate current management to achieve desired business objectives, as well as the Debtors' ability to attract other skilled senior executives.

Analysis of the 2019 IPI Structure

20. When reviewing the Debtors' various compensation plans, I recommended linking incentives to financial metrics that would serve the interests of the Debtors' key stakeholders. To that end, the 2019 IPI relies exclusively on achieving OIBDAN performance goals.

21. To assess the reasonableness of the design of the 2019 IPI, I analyzed the incentive plans of two groups of companies that are similarly situated to the Debtors. *First*, I analyzed executive incentive compensation plans offered by the Peer Companies, in keeping with the Debtors' and the Compensation Committee's historical focus on media industry practices. *Second*, I reviewed incentive plans authorized and approved in chapter 11 cases involving the following 12 companies (the "2019 IPI Chapter 11 Peers") from various industries that had annual revenues between \$2 billion \$12 billion: Alpha Natural Resources; Avaya Inc.; Eastman Kodak; Energy Future Holdings Corp.; Exide Technologies; FirstEnergy Solutions Corp.; NII Holdings, Inc.; Peabody Energy Corporation; RadioShack; SunEdison; Toys "R" Us Inc.; and Westinghouse Electric Company LLC. In conducting this analysis, I also relied upon my significant consulting experience in the analysis and design of post-petition incentive plans generally at dozens of other companies.

22. The general structure of the 2019 IPI comports with the findings of my review of annual incentive plans of the 2019 IPI Chapter 11 Peers and the Debtors' Media Peer Companies.

The following are key observations from my review of the aforementioned companies:

- a. Postpetition incentive plans are typically are paid in cash;
- b. Metrics customarily include profit-based metrics, such as OIBDAN or EBITDA (92% of Media Peer Companies and 50% of 2019 IPI Chapter 11 Peers);
- c. The concept of threshold and maximum payout levels (as a percentage of target) are reasonable and common design features among both the Media Peer Companies and the 2019 IPI Chapter 11 Peers. The median disclosed range of payouts for threshold to maximum for the Media Peer Companies was 0%-200% of target and the median disclosed range of payouts for threshold to maximum for the 2019 IPI Chapter 11 Peers was 50%-150% of target; and
- d. 75% of the 2019 IPI Chapter 11 Peers used non-annual performance metrics, with quarterly performance periods being common (given the shortened time horizon of the restructuring process).

23. As shown in the table below, in order to measure the reasonableness of the total cost of the 2019 IPI, my team and I reviewed the proposed target and maximum cost of the 2019 IPI expressed as a percentage of the Debtors' revenue relative to the maximum costs of the approved postpetition incentive plans of the 2019 IPI Chapter 11 Peers. In doing so, I observed that the target cost of the 2019 IPI, as a percentage of revenues, was positioned between the 50th percentile and 75th percentile of such companies, while the maximum cost of the 2019 IPI was positioned above the 75th percentile of such companies but within the observed range of market practice, demonstrating that the total cost of the 2019 IPI is appropriate and reasonable given the size of the Debtors' business:

2019 IPI Cost as a Percentage of Revenue			
Peer Group	25th Percentile Market Practice	50th Percentile Market Practice	75th Percentile Market Practice
2019 IPI Chapter 11 Peers	0.21%	0.29%	0.42%
Debtors' <u>Target</u> Program Cost as a Percent of its Revenue: 0.35%			
Debtors' <u>Maximum</u> Program Cost as a Percent of its Revenue: 0.53%			

24. For these reasons, and based on my experience with incentive-based compensation programs employed by companies in chapter 11, I believe the cost and structure of the Debtors' 2019 IPI is reasonable and consistent with market practice.

Analysis of the 2019 IPN

25. Based on the terms as described in the Motion, in evaluating the reasonableness of the 2019 IPN, my team and I analyzed incentive compensation award opportunities (expressed as a percentage of base salary) from Willis Towers Watson's 2018 media industry surveys. I took the following steps to review the proposed award opportunities:

- a. program participants were segmented into base salary tiers, with an average targeted award opportunity calculated by tier;
- b. for each tier, competitive 25th, 50th and 75th percentile total incentive compensation opportunities (as a percentage of base salary) were developed based on similarly paid (on the basis of salary) employees in the media industry;
- c. the Debtors' average annualized award opportunities by tier were compared to market 25th, 50th, and 75th percentile incentive opportunities in the media industry; and
- d. the relationship between the Debtors' proposed award opportunities and the competitive media industry benchmarks noted above was determined.

26. Based on this analysis, I observed that, on average, the Debtors' target award opportunities (as a percentage of base salary) generally were positioned at or below the 25th

percentile of the market. Given this relationship, I believe the 2019 IPN opportunities are reasonable and appropriate in light of competitive market practice.

27. To analyze the total cost of the 2019 IPN, I reviewed annual incentive plans authorized and approved in chapter 11 cases involving the following 9 companies (the “2019 IPN Chapter 11 Peers”) from various industries that had annual revenues between \$1 billion \$12 billion: Cenveo, Inc., Cumulus Media Inc., Exide Technologies, Linn Energy, LLC, Overseas Shipholding Group, Pacific Drilling S.A., Patriot Coal Corporation, Toys "R" Us Inc., Verso Corporation.

28. As shown in the table below, in order to measure the reasonableness of the total cost of the 2019 IPN, my team and I reviewed the proposed target and maximum cost of the 2019 IPN expressed as a percentage of the Debtors’ revenue relative to the maximum costs of the approved postpetition annual incentive plans of the 2019 IPN Chapter 11 Peers. In doing so, I observed that the target cost of the 2019 IPN, as a percentage of revenues, was positioned between the 50th percentile and 75th percentile of such companies and the maximum cost of the 2019 IPN, as a percentage of revenues, was positioned slightly above the 75th percentile of such companies but within the range of observed market practice, confirming that the total cost of the 2019 IPN is appropriate and reasonable given the size of the Debtors’ business:

Postpetition IPN Cost as a Percentage of Revenue				
Peer Group	25th Percentile Market Practice	50th Percentile Market Practice	75th Percentile Market Practice	Maximum Market Practice
2019 IPN Chapter 11 Peers	0.38%	0.73%	1.09%	1.99%
Debtors’ <u>Target</u> Program Cost as a Percent of its Revenue: 0.95%				
Debtors’ <u>Maximum</u> Program Cost as a Percent of its Revenue: 1.19%				

29. Moreover, based on my experience, the structure of the 2019 IPN is also generally consistent with key design elements (such as the frequency of payments, participation levels, and

use of cash) of similar award plans approved on a post-petition basis. I would also note that the proposed 2019 IPN contains performance metrics, which are not always included in non-insider compensation plans, and therefore, the program can be viewed as an incentive plan (as opposed to a pure retention plan), which aligns well with stakeholder interests. For these reasons, and based on my experience with incentive-based compensation programs employed by companies in chapter 11, I believe the individual opportunities, total cost and structure of the Debtors' 2019 IPN is reasonable and consistent with market practice.

Conclusion

30. Based on my education, experience, and the work I have done in this case and in similar cases, I believe that the design, structure, cost, and award opportunities available under the 2019 IPI and 2019 IPN are reasonable given the facts and circumstances of these chapter 11 cases.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: November 20, 2018

/s/ Zachary P. Georgeson

Zachary P. Georgeson

Senior Director

Willis Towers Watson Delaware Inc.

Exhibit C**Performance Metrics**

Period	Consolidated OIBDAN Performance Goals (in millions)			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Quarterly Threshold Performance Goal	\$206	\$394	\$383	\$471
Quarterly Target Performance Goal	\$242	\$464	\$451	\$554
Quarterly Maximum Performance Goal	\$278	\$534	\$519	\$637
Cumulative Threshold Performance Goal	N/A	\$600	\$983	\$1,454
Cumulative Target Performance Goal	N/A	\$706	\$1,157	\$1,711
Cumulative Maximum Performance Goal	N/A	\$812	\$1,331	\$1,968

Period	Segment OIBDAN Performance Goals (in millions)			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Quarterly Threshold Performance Goal	\$145	\$247	\$263	\$298
Quarterly Target Performance Goal	\$170	\$290	\$309	\$350
Quarterly Maximum Performance Goal	\$196	\$334	\$355	\$403
Cumulative Threshold Performance Goal	N/A	\$391	\$654	\$951
Cumulative Target Performance Goal	N/A	\$460	\$769	\$1,119
Cumulative Maximum Performance Goal	N/A	\$529	\$884	\$1,287