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July 20, 2018

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Received-FCC
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Bureau / Office

RE: Aloha Station Trust, LLC
Bi-Annual Report

Dear Ms. Dortch:

This office is counsel to the Aloha Station Trust, LLC ("Trust"), the licensee, in the capacity of a trustee, of certain radio stations divested by affiliates and subsidiaries of Clear Channel Communications, Inc. ("Clear Channel") pursuant to Commission consent in *Existing Shareholders of Clear Channel Communications, Inc. (Transferors) and Shareholders of Thomas H. Lee Equity Fund VI, L.P., Bain Capital (IX), L.P., and BT Triple Crown Capital Holdings III, Inc. (Transferees) et al.*, 23 FCC Rcd 1421 (2008) ("Merger Order").

Under the terms of the Trust Agreement that the Trust entered into with Clear Channel, the Trust agreed to provide Clear Channel with a Status Report on the Trust's efforts to sell the radio stations under its control. In the ordering clauses to the Merger Order, the Trust was directed to provide a copy of the Status Report to the Commission upon delivery of the Status Report to Clear Channel[1]. 23 FCC Rcd at 1437.

While neither the Trust Agreement nor the Commission's Merger Order made such reporting a continuing obligation on the Trust's part, the Trust believes that it is appropriate to keep the Commission apprised of its actions and it is providing the attached Bi-Annual Report dealing with the Trust's activities in furtherance of its mandate during the preceding six months.

1 Clear Channel has subsequently changed its name to iHeartMedia, Inc. and is now a debtor-in-possession pursuant to the Bankruptcy Code.

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Should there be any questions in regard hereto, please communicate with the undersigned.

Respectfully submitted,

Barry A. Friedman

Enclosure

cc: Mr. Albert Shuldiner, Audio Division (By Hand)
Richard Bodorff, Esq.
Ms. Jeanette Tully

MEMORANDUM

DATE: **July 18, 2018**

TO: **Jeanette Tully, Aloha Station Trust, LLC ("Aloha Trust")**

CC: **Barry Friedman, Thompson Hine LLP**

FROM: **MVP Capital LLC**

RE: **Update on Sales Effort for Stations in the Aloha Trust**

This Memorandum provides a further update concerning the sales effort and process undertaken in order to comply with the FCC's Order requiring Clear Channel Communications, Inc. ("Clear Channel") to divest fifty-two (52) radio stations (the "Stations") by assigning them to the Aloha Station Trust, LLC ("Aloha Trust") as a divestiture vehicle. This Memorandum follows similar updates submitted to the Aloha Trust.

Background

In connection with its acquisition by a private equity group co-led by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P., Clear Channel was required by the FCC to place the Stations into a divestiture trust for eventual divestiture. To comply with this requirement, Clear Channel assigned the Stations to the Aloha Trust, which, along with Clear Channel, have in turn retained the services of MVP Capital Advisors, LLC ("MVP") to initiate a broad sales process to sell the Stations for fair market value.

Marketing Process

The Aloha Trust and Clear Channel engaged MVP to market the Stations in July 2008, in advance of the closing of the transaction involving Clear Channel, which occurred later that month. After preparing the necessary marketing materials and compiling a prospect list for each Station, MVP began contacting potential buyers in late August / early September 2008. MVP initially identified and contacted approximately 275 potential buyers of one or more of the Stations, and we continue to identify and contact potential buyers on an on-going basis. To-date, we have had discussions with over 200 potential prospects and have signed Non-Disclosure Agreements ("NDA") with approximately 150 prospective buyers. Those parties that executed an NDA were then granted access to an on-line data room which contains standard due diligence materials. Given the vast array of assets, number of potential bidders, and general trading market conditions, we did not feel it was appropriate to set a formal bid deadline. Rather, we have been encouraging, and continue to encourage, bidders to submit offers on properties as they are ready and, more importantly in today's climate, when they have the financing firmly in place.

M&A Market

Throughout the term of the Aloha Trust, we have encountered some of the most difficult times for the economy and the radio broadcasting industry. While the economy has recovered, the radio broadcasting industry, for economic and non-economic reasons, has not.

The year 2008 marked the commencement of the severe economic downturn followed by a slow and prolonged recovery, with markets recently surpassing pre-recession highs. The radio broadcasting industry has recovered somewhat, but has, at the same time, faced other changes in the media and advertising markets that have altered radio broadcasting in ways that we could not have foreseen and which appear to represent a permanent structural change in advertising-supported media.

The merger and acquisition marketplace for radio during recent years is one that has been difficult to navigate. During 2013 and 2014, there was a flood of middle-market deal activity with over $1.5 billion of announced transactions in 2014 alone. Much of this activity was driven by former lenders liquidating portfolios of assets they had gained direct or indirect control of as a result of the 2008-2009 financial crisis. In addition, there were a few active and well-capitalized consolidators looking to aggregate assets quickly during this time of historically low valuations. In addition, stabilizing revenue trends, availability of capital (particularly debt) and rationalized seller expectations spurred activity.

In 2015, a notable lack of available inventory combined with a shallow buyer pool led to a slow deal environment with one of the lowest levels of overall trading volume in several years. In fact, according to SNL Kagan, radio deal volume in 2015 was one of the slowest since the financial crisis in 2008-2009. The Alpha / Digity transaction comprised roughly a third of the total radio deal volume in 2015. Excluding that deal, 2015 marked the lowest radio deal volume in at least 15 years.

In 2016, U.S. radio station M&A volume was just $525 million, the lowest level since 1982. Even more striking is the fact that the Beasley-Greater Media deal (and subsequent Charlotte spins), accounted for more than half of that total deal volume. Excluding that single deal, the total deal volume for the entire year would have been only approximately $250 million. Further, translators (and translator construction permits) accounted for nearly $50 million of that total.

The year 2017 started with optimism in the radio industry as 2016 yielded the first increase in ad revenue since 2013. However, that optimism didn't last long as, despite steady listenership, many operators faced mid-single digit overall revenue declines in Q1 2017, driven by double digit declines in national advertising.

The merger of Entercom Communications and CBS Radio represented the only exception to the slowdown in radio M&A. With an enterprise value of nearly $2.9 billion at a valuation of ~8x cash flow, the transaction was the largest in the sector since 2006 and accounted for nearly 90% of radio deal volume in 2017. The transaction was a cash-less merger of the two companies – there was no new cash invested to acquire assets. Entercom has emerged as the second largest operator in the industry and is well-positioned to redeploy proceeds from required divestitures in a buyer's market.

Aside from the Entercom / CBS merger, there were only a handful of other sizable deals in 2017. In February, Beasley sold its Greenville, NC cluster to Curtis Media for $11 million. In May, Emmis sold KPWR-FM in Los Angeles to an in-market buyer (Meruelo Group) for $82.75 million and Saga acquired Apex Media's Charleston, SC cluster for $23 million. In September, Dick Broadcasting acquired 20 stations across three smaller, southeastern markets from Alpha for $20 million and Educational Media Foundation acquired KSWD (FM) from Entercom for $55 million.

Overall, 2017 was a continuation of flat revenue trends, limited equity capital, limited visibility for the medium and long-term future of the business, and uncertainty over the fate of some of the largest players in the sector, leading to a small and apprehensive buyer pool. Late in the year, Cumulus filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code to restructure its debt. iHeart followed Cumulus into a Chapter 11 proceeding in March of 2018

As for 2018, radio station ad revenues have been sluggish so far due to a weak national spot ad market, which has contributed flat-to-down core growth in the first quarter. Local ad pacing has been better with midterm political expected to pick up in the second half of the year. Based on first-quarter results, ad pacings in the second quarter and expectations for the second half of 2018, analysts project the radio station industry to rebound slightly on improving local ad trends and the influx of second-half 2018 political ad spend. However, political advertising is not an annual event and has inconsistent applicability, with some states and localities benefiting more than others and with television benefiting far more than radio. Further, there is the likelihood that, as with other forms of media advertising, that political advertisers will move more of their spending to web-based advertising, including social media.

Year-to-date radio deal volume through May 31, 2018 came in at $241 million, generally higher than 2015-2017 levels of $207 million, $106 million and $306 million, respectively (note: 2017 level excludes the Entercom-CBS deal). However, one quarter of the 2018 deal volume was represented by Emmis' divestiture of its St. Louis cluster to Hubbard and Entercom for a combined $60 million. There have been four other deals over $10 million in 2018 including each of Merlin Media's divestitures of Chicago stations to Educational Media Foundation and Cumulus, Connoisseur Media's sale of New Jersey stations to Townsquare and Ingstad's sale of assets in Washington state to Stephens.

Deal multiples in today's market remain around ~6.5x Broadcast Cash Flow ("BCF"), the standard metric on which radio transactions are priced. Aside from a few unique circumstances, most players in the industry have become comfortable with trading multiples in the 6-7x BCF range. We have seen premium multiples in select cases, such as consolidation plays, that lead to expected cost efficiencies post-closing, or top-quality assets in larger markets (i.e. KPWR in LA), with less desirable assets trading at a discount to that range.

The buyer pool remains thin for sellers of stick assets, which trade on a per-pop valuation basis, with the exception of some in-market operators and niche / religious broadcasters. Educational Media Foundation has been the dominant acquirer of stick assets over the past two years and has largely driven valuations for the asset class. Larger-market FM stick assets typically garner a valuation of $2-$4 per pop, with smaller markets, or partial market signals, receiving a discount commensurate with size. AM sticks trade, when they do trade, at a significant discount to that range as the buyer pool for AM assets today is extremely thin.

While radio is no longer viewed as a "growth" business as it once was, radio could be viewed, if there was a buyer pool, as a yield play owing to today's diminished trading multiples. However, as previously noted, we are not seeing evidence of new buyer entrants from outside the radio industry, evidencing to us the declining interest of the marketplace in traditional advertising-supported media and skewing the sales marketplace to favor buyers over sellers. The counter to that would be that if we see any sort of meaningful deregulation from the FCC (i.e. elimination of the sub-caps), that could spur further consolidation activity and presumably a lift in multiples.

Progress Since Creation of the Aloha Trust

Despite the broader market conditions, the Aloha Trust has made significant progress in disposing of its portfolio. To date, the Aloha Trust has successfully closed, through MVP, on the sale of twenty-six (26) Stations.

- December 2008: WBUK (FM) serving the Lima, OH radio metro to Blanchard River Broadcasting Company
- January 2009: WALC (FM) serving the Charleston, SC radio metro to Radio Training Network, Inc.
- February 2009: WROO (FM) serving the Jacksonville, FL radio metro to Flagler County Broadcasting, LLC
- March 2009: WGIP (AM) serving the Portsmouth-Dover-Rochester, NH radio metro to Aruba Capital Holdings, LLC
- May 2009: WWDG (FM) serving the Syracuse, NY radio metro to Foxfur Communications LLC
- May 2009: WURH (FM) serving the Hartford, CT radio metro to Red Wolf Broadcasting Corp.
- March 2010: KCNL (FM) serving the San Jose, CA radio metro to Principle Broadcasting Network, LLC
- September 2010: KFMK (FM) serving the Austin, TX radio metro to CRISTA Ministries
- February 2011: KUFX (FM) serving the San Jose, CA radio metro to Entercom
- February 2011: KSJO (FM) serving the San Jose, CA radio metro to Principle Broadcasting Network, LLC
- February 2011: WDKZ (FM) & WLBW (FM) serving the Salisbury-Ocean City, MD radio metro to Educational Media Foundation
- May 2011: WKEY (FM) & WKEZ (FM) serving the Florida Keys, FL radio metro to the Great Marathon Radio Company
- July 2011: KHLR (FM) serving the Little Rock, AR radio metro to Signal Media
- November 2011: WZCH (FM) serving the Macon, GA radio metro to Educational Media Foundation
- January 2012: WKRD (FM) serving the Louisville, KY radio metro to Southern Belle
- May 2012: KTPI (FM) & KAVL (AM) serving the Lancaster, CA metro to RZ Radio
- June 2012: WHER (FM) serving the Laurel-Hattiesburg, MS metro to Telesouth Communications
- July 2012: WPBH (FM) serving the Panama City, FL metro to Omni Broadcasting

- December 2013: WPHR (FM) serving the Ft. Pierce-Stuart-Vero Beach, FL metro to R&S Radio, LLC
- September 2014: WALK (AM) & WALK (FM), serving the Nassau-Suffolk, NY metro to Qantum Communications (who in turn agreed in a simultaneous and contingent transaction to sell the assets to Connoisseur Media)
- July 2016: WISM (FM), serving the Eau Claire, WI metro to Mid-West Family Broadcasting
- November 2017: WBFA (FM), serving the Columbus, GA metro to RCG Media

Additionally, the Aloha Trust also has agreed to a price for the sale of WWRW(FM) in Lexington, KY with a qualified buyer and is negotiating an APA. Our intention is to come to a final agreement on terms and complete the deal documentation in short order thereafter, subject to FCC consent. Additionally, we are considering offers for a few of the other Stations held by the Aloha Trust. MVP has been in active negotiations on a pair of Stations in Frederick, MD, the most valuable and attractive of the remaining Aloha Trust Stations. MVP continues to work to identify and negotiate with prospective buyers and to try to deliver to the Aloha Trust fair market value for the remaining Stations' assets.

BI-ANNUAL REPORT OF THE ALOHA STATION TRUST, LLC UPON COMPLETION OF THE LATEST SEMI-ANNUAL PERIOD OF SERVICE AS TRUSTEE OF CERTAIN RADIO STATIONS FORMERLY LICENSED TO AFFILIATES AND SUBSIDIARIES OF CLEAR CHANNEL COMMUNICATIONS, INC.[1]

As a condition of its approval of the transfer of control ("Transfer of Control") of Clear Channel Communications, Inc. ("Clear Channel") from the public shareholders of Clear Channel to the shareholders of the private equity funds, Thomas H. Lee Equity Fund VI, L.P. and Bain Capital (CC) IX, L.P.,[2] the Federal Communications Commission (the "Commission") directed Clear Channel to divest Clear Channel's grandfathered interests in a number of stations ("Grandfathered Stations") in order to avoid violating the Commission's multiple ownership rules upon consummation of the Transfer of Control.[3]

In compliance with this condition, on July 30, 2008, Clear Channel transferred its interest in the Grandfathered Stations to Aloha Station Trust LLC ("Aloha Trust"), pursuant to a Trust Agreement ("Trust Agreement") by and among the parties and the consent of the Commission[4], for the purpose of facilitating the sale of the Grandfathered Stations by Aloha Trust.

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1 Clear Channel Communications, Inc. has subsequently been renamed iHeart Media, Inc. It has recently entered into reorganization pursuant to Chapter 11 of the Bankruptcy Code. For purposes of this Report, Aloha Trust will continue to refer to the entity as Clear Chanel Communications, Inc.

2 *See Existing Shareholders of Clear Channel Communications, Inc. (Transferors) and Shareholders of Thomas H. Lee Equity Fund VI, L.P., Bain Capital CC (IX), L.P., and BT Triple Crown Capital Holdings III, Inc. (Transferees) et al.*, 23 FCC Rcd 1421 (2008) ("*Merger Order*"). The Merger Order conditionally approved the transfer of control of the following Clear Channel subsidiaries: Ackerley Broadcasting – Fresno, LLC; Ackerley Broadcasting Operations, LLC; AMFM Broadcasting Licenses, LLC; AMFM Radio Licenses, LLC; AMFM Texas Licenses Limited Partnership; Bel Meade Broadcasting Company, Inc.; Capstar TX Limited Partnership; CC Licenses, LLC; CCB Texas Licenses, L.P.; Central NY News, Inc.; Citicasters Co.; Citicasters Licenses, L.P.; Clear Channel Broadcasting Licenses, Inc.; Jacor Broadcasting Corporation; and Jacor Broadcasting of Colorado, Inc.

3 *See* 47 C.F.R. § 73.3555 Note 4. The Grandfathered Stations are listed in Appendix B and Appendix C to the *Merger Order*.

4 *See* FCC File No. BAL-20070619ABU, et al.

Section 4(g) of the Trust Agreement provides that, if, after six months from the date of consummation of the Trust Agreement, Aloha Trust has not sold all of the Grandfathered Stations, Aloha Trust must deliver to Clear Channel a status report ("Report") describing Aloha Trust's efforts to sell the Grandfathered Stations. Specifically, Section 4(g) of the Trust Agreement directs Aloha Trust to (i) set forth its efforts to sell the Grandfathered Stations; (ii) explain why sales of all the Grandfathered Stations have not yet been consummated; and (iii) offer recommendations to facilitate sale of the remaining Grandfathered Stations. The transfer of the Grandfathered Stations to the Aloha Trust occurred on July 30, 2008.

In addition, the Commission, in granting the requested assignment of licenses to Aloha Trust, imposed the following requirement on the parties (Order at p. 1437):

> IT IS FURTHER ORDERED THAT, in the event that The Aloha Station Trust, LLC has not consummated the sale of each broadcast station that it holds in trust within six months of the acquisition of such station by The Aloha Station Trust, LLC, the trustee of The Aloha Station Trust, LLC SHALL SUBMIT to the Commission (with a copy by email to peter.doyle@fcc.gov) a true and complete copy of the report described in the fourth sentence of Section 4(g) of the form of Trust Agreement submitted with the Merger Agreement.

On January 30, 2009 Aloha Trust submitted a Report to the Commission.

While neither the Trust Agreement nor the Merger Order speaks to further reports on the part of Aloha Trust, Aloha Trust, believing that it is appropriate to keep the Commission regularly apprised of its administration of its efforts, has decided to prepare and submit the instant Report. The purpose of this Report is to update the Commission as to the actions of Aloha Trust during the six months that commenced on February 1, 2018 and to report on Aloha Trust's continued efforts to undertake the sale of the Grandfathered Stations.

In the portions of this Report below, Aloha Trust will address the directives contained in the Trust Agreement, as they apply to the preceding six months of Aloha Trust's operations and the Aloha Trust's efforts to dispose of the remaining Grandfathered Stations.

I. **Preliminary Statement**

Aloha Trust, despite its efforts to do so, has continued to be unable to accomplish the disposal of all of the remaining radio station assets assigned to Aloha Trust by Clear Channel. That it has been unable to do so is not a reflection of Aloha Trust's desire or efforts to achieve its goals but of the economic situation affecting the economy and the advertising marketplace in general and the radio broadcasting industry in particular. All of these elements have created a weak market for broadcast station acquisitions that has been present throughout Aloha Trust's term and continues, for the most part unchanged, to this day. As Aloha Trust has reported in prior submissions and as is evident from the radio station marketplace today, there remains a short supply of ready, willing and able radio station buyers, an absence of lenders willing to finance potential radio station buyers in general and an advertising marketplace with significant reductions owing to the economy and the impact of the expanding digital medium, centered on the Internet, as a growing competitor for all forms of advertising.

Figures from media analysts bear out that while the radio station transaction market has improved, its improvement is selective and involves the larger media ownership groups and major radio markets. In this regard, the broadcast media market research firm, SNL Kagan, in a press release issued on January 2, 2018, reported that broadcast station deal volume, in 2017, reached its highest numbers since 2014. While much of the deal volume involved television stations, there was a 23% growth in radio station transactions. However, when the report is analyzed beyond its headline numbers, one quickly finds that 80% of the 2017 deal volume involved the single merger of Entercom and CBS Radio, which itself did not involve any cash payment whatsoever. Much of the remainder in deal volume involved divestitures from the Entercom merger required by the FCC's local radio multiple ownership rules. As for transactions dealing with smaller markets and individual radio stations, the transaction market does not appear to having improved considerably, either in numbers or pricing metrics.

On July 2, 2018, SNL Kagan reported on the radio station transaction market for the second quarter of 2018. Radio station transactions totaled $102.3 million, which SNL Kagan characterized as "steady but slow movement." As we have noted above, much of the deal volume consisted of a few major transactions. When those transactions are factored out, SNL Kagan reported that "the deal market displayed a rather slow pace." In fact, if two major transactions were excluded, the deal volume "would have been the lowest since the fourth quarter of 2016."

These macroeconomic and industry specific problems have been the causes, as we will discuss below, of the inability of Aloha Trust and its chosen broker to locate sufficient numbers of willing and qualified buyers wishing to acquire all of the Aloha Trust stations. There simply exists an imbalance between the number of able buyers and interested and financially able financing sources for these buyers and the number of broadcasters and broadcast stations for sale, with the resulting imbalance preventing Aloha Trust from completing its station disposition efforts. The Commission can readily confirm this from the number of long-form assignments and transfers of control it is presented for consent to. It is the opinion of the Aloha Trust and its broker, which is an entity experienced in the sale of media properties, that while sales levels have improved, the market for radio stations, such as those held by the Aloha Trust, is simply not what it was prior to the 2008 economic downturn and may not return to that level.

While the Aloha Trust's broker has taken note of some improvement in the radio station sales marketplace, when will there be a vibrant marketplace for small market broadcast radio stations is beyond the ability of Aloha Trust to predict. But, as Aloha Trust has noted from its experience, the potential buyers that have been willing and able to acquire Aloha Trust stations have consistently been existing broadcasters, including religious broadcasters, seeking to grow in their current markets, as parties outside the industry do not appear to be interested or financially able to gain entry. The lack of an expanding pool of buyers has prevented Aloha Trust from selling many of its remaining small market and single radio stations that would have, in the past, been sought out by new entrants or radio station employees seeking to join the ownership ranks. Today, however, there are few buyers interested in acquiring either single stations or the small markets that the remainder of the Aloha Trust properties serve.

II. Aloha Trust's Efforts to Sell the Grandfathered Stations

A. Marketing Efforts

Since July 2008, the Aloha Trust and Clear Channel have engaged Media Venture Partners, LLC ("MVP") for purposes of marketing the Grandfathered Stations to prospective buyers. MVP is a nationally recognized brokerage firm specializing in matching buyers and sellers of broadcast radio stations and was selected for its ability to recognize available buyers and arrange for the prompt sale of the Grandfathered Stations. MVP has adhered to industry standards in the broadcast brokerage business in the preparation of marketing materials and solicitation of potential buyers. Information concerning Aloha Trust and the Grandfathered Stations is contained in MVP's Internet site.[5]

To date, MVP, as reported in the attached Statement of MVP (Exhibit A), has identified and continues to contact a large number of potential buyers. Certain of the prospective buyers that were contacted have followed up with MVP by requesting the required Non-Disclosure Agreement ("NDA"). When members of that group have subsequently returned the proferred NDA to MVP, they have been granted access to an on-line data room containing standard due diligence material.

Based on various factors, including the wide array of available assets, the number of potential buyers, and prevailing market conditions, MVP has not established a formal bid deadline. Instead, MVP has and continues to encourage bidders to submit offers at such time as

5 *See* www.mediaventurepartners.com/

they have secured appropriate financing and are in a position to move forward with any proposed transaction.

Aloha Trust has completed the divestiture, by sale, transfer, and gift, of 44 full service radio stations and three FM translator stations, leaving Aloha Trust today with 13 full-service radio stations. Among the stations sold were what, in the opinion of the Aloha Trust, were the more valuable and saleable radio stations in its portfolio. Aloha Trust is now left, with only limited exceptions, with individual radio stations in smaller markets, which are more difficult to find buyers for owing to the limited financial prospects of such stations in a radio market where there are few buyers are seeking to acquire financially uncertain radio station properties.

Moreover, the Aloha Trust has taken note that transactions involve far more time and effort than ever before and potential buyers approach transactions with elements of reluctance that make completing transactions difficult.

B. Transaction Completed in Past Six Months:

During the past six months, the Aloha Trust has not completed any transactions.

C. Transactions in Progress

The Aloha Trust continues to negotiate with an educational institution concerning the sale of Station WWRW(FM), Mount Sterling, Kentucky. The Aloha Trust has also identified several qualified parties interested in the two radio stations it is seeking to dispose of in the Frederick, Maryland radio market and purchase negotiations remain in progress. As the Aloha Trust works through these transactions, it has found that they take longer than previously as the potential buyers have to deal with their own organizational and financial concerns.

III. Conditions Impeding Sale of the Grandfathered Stations

The current situation involving the economy and the radio industry represents the continuation of the most difficult time for the sale of broadcast stations that anyone, including those with long experience in the industry, can recall. Traditional media entities that are dependent on over-the-air advertising, such as radio, have suffered a significant and negative impact as the advertising market has diminished and advertisers have reached out to new forms of advertising such as the Internet, social media, and wireless devices. With the revenue base diminished and dispersed, the pace of broadcast radio transactions has slowed to a crawl. While observers of the broadcast industry expect that the amount of radio advertising will continue to improve, owing to economic growth, overall radio advertising, owing to structural changes in advertising and retailing, may never reach prior levels as advertising dollars that have been diverted to other media and non-media services and, likely, may never return.

The economic downturn of the Great Recession and its impact on lenders who had broadcast stations in their portfolios has significantly exacerbated the already-troubled market conditions facing broadcast radio. The unprecedented turbulence in the capital markets has limited credit availability. Prior to the "credit crunch," which effectively began in late 2007, many operators in the radio space were able to secure substantial amounts of leverage given the general ease of credit availability and the strong recurring cash flow characteristics of the radio business. However, as credit tightened and revenue softened, many operators (and the industry as a whole) found themselves over-leveraged with little to no financial flexibility. Further, the continued uncertainty around the outlook for the economy in general and advertising-reliant businesses, such as radio, in particular, has caused potential buyers to be extremely cautious in utilizing any cash or bank credit that they do have on hand. As a result, the radio transaction volume has slowed in both absolute numbers and dollar value. A review of the trade press and the Commission's own records of assignments and transfers of control evidence the diminished state of the radio broadcast sales marketplace. In fact, the Commission itself has recognized these problems, noting, in particular, the difficulties faced by AM broadcast stations, of which Aloha Trust continues to hold four such Stations. *Revitalization of the AM Radio Service,* 28 FCC Rcd 15221, 15223 (2013).

Given the limited economic value to buyers of most of Aloha Trust's remaining properties, which tend to be single, small stations in smaller markets, it is doubtful that that traditional lenders will have any interest in financing the properties remaining in Aloha Trust, leaving most potential buyers for Aloha Trust properties in a position where they cannot finance any broadcast acquisitions, absent their own funds or non-broadcast assets, such as real property. Aloha Trust, owing to its charge, is not in a position to participate in seller-financing for any transaction.

Despite these problems, Aloha Trust and its broker continue to pursue actively the radio sales market and to identify those parties that are ready, willing and able to pay fair value for the Grandfathered Stations remaining. Aloha Trust remains optimistic that it will be able to enter into formal purchase and sales agreements for the remainder of the Grandfathered Stations held by it.

III. **<u>Recommendations</u>**

Aloha Trust recommends, considering the unusual economic circumstances that have presented themselves during the term of the Trust, that Aloha Trust remain in existence and that Aloha Trust continue to use the valuable services MVP to market the remaining Grandfathered

Stations and target prospective buyers. The great bulk of Aloha Trust's Stations have been sold, including those that Aloha Trust believes had the highest value in its portfolio, and Aloha Trust is hopeful that the remainder, of its far less valuable Stations, will be sold, albeit at a pace that Aloha Trust continues to wish would be faster. The ability of Aloha Trust to sell its Grandfathered Station portfolio remains dependent on the radio trading environment which, if there is improvement will mean that there will be more transactions involving the Grandfathered Stations. In the meantime, Aloha Trust stands committed to working with MVP in pursuing any and all appropriate sales opportunities. Hopefully, this will continue to reduce the number of Grandfathered Stations remaining in Aloha Trust.

If you have any questions regarding the contents of this Report, please do not hesitate to contact me.

Respectfully submitted,

ALOHA STATION TRUST, LLC

By: /s/ Jeanette Tully
Jeanette Tully
Member

Dated: July 20, 2018

EXHIBIT A