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September 19, 2012

File No. 052043-0000

Ms. Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Matters Regarding Aloha Station Trust and Informal Objection to Grant of Applications for Assignment of License for WOR(AM) (BAL-20120816AAQ) and for Renewal of License for WHTZ(FM) (BRH-20060201AAU)

Dear Ms. Dortch:

We represent Connoisseur Media of Long Island, LLC ("Connoisseur"), which holds the Commission licenses for commercial radio stations WHLI(AM), Hemstead, NY (FIN 38337), WBZO(FM), Bay Shore, NY (FIN 60245); WIGX(FM), Smithtown, NY (FIN 29260), and WKJY(FM), Hemstead, NY (FIN 38338), all of which are located in the Nassau-Suffolk, NY Arbitron Metro Survey Area. Commercial broadcast radio stations WALK(AM), Patchogue, NY (FIN 10136) and WALK-FM, Patchogue, NY (FIN 10137), the Commission licenses for which are held by the Aloha Station Trust ("AST"), are also in the Nassau-Suffolk Metro.

Despite the fact that AST was intended to be a temporary licensee, holding radio licenses for a period of six months, a large number of radio stations have languished in AST for over four years. Connoisseur takes seriously its obligations as a Commission licensee to serve the public interest, convenience and necessity, and is interested in assuring that other licensees, particularly in markets in which Connoisseur operates, do the same. This letter is to direct the Commission's attention to apparent non-compliance by AST and by Clear Channel Communications, Inc. and certain of its subsidiaries (collectively, "Clear Channel"), with their obligations as Commission licensees.

Background

In January 2008, the Commission granted its consent to the transfer of control of Clear Channel Communications, Inc. from its public shareholders to certain private equity funds. As a condition to its consent, and in order to comply with the Commission's ownership rules, the Commission required that the licenses for 52 radio stations owned by Clear Channel and its subsidiaries (the "Trust Stations") be assigned to AST, an entity formed by Clear Channel for the express purpose of selling those stations to third parties.[1] Such licenses were assigned to AST contemporaneously with the consummation of the transfer of control of Clear Channel on July 30, 2008. Included among the Trust Stations are WALK(AM) and WALK-FM (collectively, "WALK").

The Trust Agreement between Clear Channel and AST (the "Trust Agreement") provides that AST is to deliver to Clear Channel each month a report as to the status of AST's efforts to dispose of the Trust Stations. If the divestiture of the Trust Stations was not completed within six months of consummation (i.e., by January 30, 2009) a report on the status of such divestiture containing certain specific information was to be provided by AST to Clear Channel.[2] As a condition to its consent, the Commission required that such six-month report be delivered to the Commission as well. A copy of that status report, filed with the Commission on January 30, 2009 (the "AST Status Report"), is attached hereto as Exhibit A.

According to the AST Status Report, after six months, only two of the 52 Trust Stations had been sold, and an additional four were the subject of pending assignment applications before the Commission. As of the present time, there are still 20 full power radio stations held by AST and awaiting sale. There are no applications pending before the Commission to assign any of those licenses, nor is Connoisseur aware of any agreements which have been announced under which any of those remaining Trust Stations are to be sold.

Clear Channel and AST have Failed to Divest the Trust Stations as Contemplated by the Commission in the Divestiture Order

In the Divestiture Order, the Commission encouraged AST to consummate the sale of all the Trust Stations within six months of consummation of the transfer of control of Clear Channel. As noted above, by that six-month date, AST had entered into agreements to sell only six of the 52 Trust Stations.

AST admitted in the AST Status Report that its performance during the first six months after consummation had been disappointing.[3] AST blamed its disappointing performance on the state of the economy generally, and the broadcast radio industry specifically, in late 2008 and early 2009, citing declining revenues and the unavailability of credit as key causes of a near stagnant market for radio stations.[4] AST stated that if conditions in the radio markets were to improve, it could more aggressively pursue transactions for stations located in major markets.[5]

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1 *Shareholders of Clear Channel Communications, Inc.*, 23 FCC Rcd 1421 (2008) (the "Divestiture Order")

2 Section 4(g) of the "Second Revised Exhibit C: Trust Agreement" included as part of Attachment 5 to the application in File No. BAL-20070619ABU.

3 AST Status Report at p. 2.

4 AST Status Report at p. 2 and pp. 5-6.

5 AST Status Report at p. 5.

It has now been more than four years since the consummation of the transfer, and AST has sold only 30 of the 52 Trust Stations, 11 of which were sold back to Clear Channel itself. In the nearly four years since AST delivered the AST Status Report, conditions in the market for the sale of radio stations have improved significantly.[6] Numerous major radio transactions have been completed in this time frame.[7] Numerous other medium-sized transactions also have been completed.[8] Connoisseur itself completed the acquisition of its stations in the Nassau-Suffolk Metro from Barnstable Broadcasting in July, 2012.[9]

The divestiture trust established in the Divestiture Order was never intended to be a long-term or permanent arrangement. The Commission's admonition to AST to sell all of the stations within six months was indicative of the Commission's expectation that all of the stations would be sold promptly. There are good reasons why stations should not be allowed to languish in trust indefinitely. No caretaker trustee could be expected to compete aggressively with other media in the market, and such competition is a key element of a station's statutorily-required duty to serve the public interest. The inherent uncertainty of a station's status in trust prevents the station from hiring or retaining the best employees, prevents its entry into long term contracts and the implementation of any meaningful long-term planning generally, and eliminates the profit motive since all profits from the Trust Stations accrue to Clear Channel.[10] The Commission has explicitly recognized the competitive risks of divestiture trusts, and has stated that such trusts are to be only of temporary duration.[11] Clear Channel itself, in fact, cited those very cases as its authority for the

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6 See Declaration of Michael Bergner, attached hereto as Exhibit B (the "Bergner Declaration").

7 For example, Cumulus Media's acquisition of Citadel Broadcasting in 2011, Hubbard Radio's acquisition of certain Bonneville International stations in 2011, and the station exchange between Cumulus and Townsquare Media in 2012.

8 For example, CBS' sales of stations to a number of broadcasters, such as Palm Beach Broadcasting (File No. BALH-20120410ADX), Alpha Broadcasting (File No. BALH-20090813ABJ) and Wilks Broadcasting (File No. BALH-20081230ADA).

9 FCC File Nos. BALH-20120329AHF, BALH-20120329AGT, and BAL-20120329AGK.

10 See Trust Agreement, Section 6(b).

11 See, *e.g.*, *Shareholders of AMFM Inc.* 15 FCC Rcd 16062, 16072 (2000) (Approving a six-month divestiture trust, and noting that the use of divestiture trusts does not alleviate competitive concerns, and such concerns are mitigated only where the trust is of temporary duration). See also, *Stockholders of Infinity Broadcasting Corporation*, 12 FCC Rcd 5012, 5041-42 (1996) (Noting competitive concerns, approving trust limited to six-month duration, and stating that "trusts should not be used as a mechanism for warehousing stations in excess of statutory limits on radio ownership that could otherwise be sold to potential competitors."); *Shareholders of Jacor Communications, Inc.*, 14 FCC Rcd 6867, 6893-98 (MM Bur. 1999).

establishment of the AST trust arrangements which enabled it to consummate its going private transactions in 2008.[12]

At this point, AST's performance in selling the Trust Stations has gone well beyond "disappointing." The sheer length of time that it has taken AST to sell only half of the stations in trust begs the question of whether Clear Channel is making a good faith effort to comply with the Divestiture Order. The Trust Agreement, which Clear Channel and AST submitted to the Commission as part of the application for consent for Clear Channel to divest the Trust Stations to AST, a key condition to its being able to consummate its going private transaction, provides that AST "shall have the power, authority *and obligation* to consummate a sale or sales of each of the [Trust] Stations *as soon as reasonably practicable* ... at prices that render to [Clear Channel] the maximum consideration *reasonably attainable*."[13] This is what Clear Channel and AST effectively promised the Commission they would do: sell the Trust Stations as soon as reasonably practicable, at the best price reasonably attainable, and that is the appropriate standard for the Commission to apply in making a determination as to whether Clear Channel and AST have complied with their obligations to the Commission, or whether they have conspired to delay and thwart the process of selling the Trust Stations.[14]

Clear Channel and AST have Failed in Particular to Divest the Most Competitively Significant of the Trust Stations

Judged by the standard of selling the Trust Stations as soon as reasonably practicable at the maximum price reasonably attainable, Clear Channel and AST have failed dismally. While as noted above, the economy and the market for the sale of radio stations have improved, and while other companies, including Connoisseur, which are not even subject to a Commission directive to sell stations, have managed to consummate numerous transactions, AST and Clear Channel appear to have sold mostly poor performing stations or "sticks" (*i.e.*, stations sold only for their broadcast facilities and not as going concerns). Of the 19 license assignment transactions filed with the Commission by AST which did not involve a sale back to Clear Channel, none of the stations had

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12 See, *e.g.*, Application on FCC Form 315 of AMFM Radio Licenses, LLC (FCC File No. BTC - 20061212BZV) at Exhibit 18-1, *Overview of Multiple Ownership.*

13 Trust Agreement, Section 4(a)(emphasis added).

14 This is not the first time the failure of Clear Channel and AST to sell stations held in trust has been questioned. 3 Daughters Media has filed petitions to deny against license renewal applications for stations held by Clear Channel and AST in the Roanoke Virginia market, alleging that Clear Channel has used the trust arrangements with AST as a means to warehouse stations that Clear Channel could not own. See *Petition to Deny*, filed September 1, 2011 (File Nos. BRH-20110531ABG, ABH, AGK, AKB, AKT, AKW and ALB).

estimated revenues of more than $1.85 million (and most were well below that figure), aside from two stations in the San Jose, California market, each of which was sold for its "stick" value.[15]

The "crown jewels" of the Trust Stations are WALK and to a lesser extent the Frederick, MD stations; WFRE(FM) and WFMD(AM).[16] These are the Trust Stations which are potentially powers in their respective markets, and have the greatest potential competitive significance. There is no need to hypothesize as to why Clear Channel has caused AST to continue to hold these stations. Whatever the reason, holding back and failing to use commercially reasonable efforts to sell certain stations, as Clear Channel and AST appear to have done, would be a breach of Clear Channel's and AST's obligations to the Commission. Nothing in the Divestiture Order, or in any of the documents filed by Clear Channel and AST with the Commission, contemplates that Clear Channel and AST will do anything other than sell the Trust Stations as soon as reasonably practicable. Nothing permits Clear Channel to cherry pick stations that it will hold, and others that it will sell. In fact, WALK and WFRE/WFMD are among the stations which AST and Clear Channel should have sold first, due to their significant revenues and competitive profile. Instead, they continue to languish in the trust where they cannot be the genuine competitive forces in their respective markets that they could be if operated by an actual broadcaster.

The Commission Should Investigate Clear Channel's and AST's Efforts to Sell the Trust Stations

Connoisseur respectfully requests that the Commission investigate Clear Channel's and AST's efforts to sell the Trust Stations. If the Commission's pronouncements regarding the temporary nature of divestiture trusts are to have any meaning at all, and if such trusts are not to become merely devices by which broadcasters shed unwanted stations and retain others, the Commission should aggressively pursue a full understanding of Clear Channel and AST's efforts to sell the Trust Stations.

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15 Based on BIA 2011 estimated revenues. KSJO(FM), San Jose, CA, formerly an Alternative Rock station, was sold as a "stick" and changed to an Ethnic format station broadcasting in Spanish and Asian languages. While KUFX(FM), San Jose, CA was a classic rock station, and remained such following its acquisition by Entercom Communications, Entercom's principal interest in KUFX appears to have been not the station itself, but its classic rock format which Entercom began simulcasting on its San Francisco station, KUZX. KSJO and KUFX are comparable facilities in that both are Class B FM stations, their transmitter sites are approximately ten miles apart, and both are licensed to San Jose, CA. Both stations sold within weeks of each other in late 2010 for approximately the same price (KSJO for $9.25 Million and KUFX for $9 Million). Given the similarities between the facilities of the two stations, and their comparable sales prices, it is reasonable to assume that KUFX sold for its "stick price" as well.

16 WALK had revenues of $11.825 Million, and WFRE/WFMD had revenues of $3.6 Million, per BIA 2011 revenue estimates.

It has been nearly four years since the AST Status Report was filed, so the first step would be to refresh the status record. Specifically, the Commission should, at a minimum, ask the following questions of Clear Channel and AST:

- The Trust Agreement calls for AST to provide monthly reports to Clear Channel on the status of its efforts to sell the Trust Stations. Has AST been doing so? AST should provide to the Commission all such reports prepared after the AST Status Report to demonstrate its efforts to comply with its obligation to sell the Trust Stations.

- Has AST received any offers for the Trust Stations that were below the minimum price set by Clear Channel under the Trust Agreement? Radio stations sold as going concerns are typically priced on the basis of a multiple of broadcast cash flow ("BCF"). A fair market value for recent transactions is generally considered to be in the range of 6-7 times BCF.[17] Have there been any offers for Trust Stations at or above that range which were subsequently rejected? If so, why were they rejected?

- If Clear Channel has set a price for Trust Stations above that typical market multiple of BCF, and that pricing floor resulted in an offer having been rejected, why has Clear Channel determined that such stations should be valued above the customary market price, and how is that determination consistent with Clear Channel's obligation to facilitate sales of Trust Stations as soon as reasonably practicable and at the maximum price reasonably attainable?

In the past, the Commission has seemed reluctant to inquire as to the circumstances surrounding the failure of parties to divest stations held in temporary divestiture trusts, allowing those parties to provide self-serving statements about the challenging economic environment and the market for the sale of radio stations.[18] This unfortunately has led to a situation where, despite the Commission's concerns as expressed on numerous occasions regarding the adverse competitive impact of stations being held in divestiture trusts, broadcasters have come to believe that the purported six-month limitations on such trusts are essentially meaningless, and stations can be held in trust indefinitely. Connoisseur urges the Commission to put some teeth into its pronouncements, and fully investigate Clear Channel's and AST's efforts to sell the Trust Stations.

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17 See Bergner Declaration.

18 See, *e.g.*, *Letter dated July 22, 2011 re WMGL(FM)*, 26 FCC Rcd 10328, 10334-35. Such assertions of poor market conditions ring hollow for at least two reasons. First, the market for the sale of radio stations has improved markedly. Second, the market sets a price for all assets, and at some point a seller must take the market as he finds it, not as he would like it to be.

The Commission Should Allow Clear Channel and AST no More than an Additional Six Months to Divest all Stations Remaining in Trust

The Commission initially afforded Clear Channel and AST six months to sell the Trust Stations. That is the typical period for such a trust to divest itself of radio stations.[19] Clear Channel and AST have taken more than eight times the allotted period and, excluding stations sold back to Clear Channel, have sold less than half of the stations initially placed in trust. When used properly, the divestiture trust is a useful tool to enable compliance with the Commission's multiple ownership rules in large multi-station transactions. When abused as a device by which stations are merely warehoused, however, it makes a mockery of the Commission's rules, policies and pronouncements regarding competition and the public interest.

The basis for the Commission's multiple ownership rules is that competition among broadcast stations is critical to assure that stations in a given local market serve the public interest. Where a party willfully fails to observe a Commission directive to divest stations held in trust, that failure constitutes a violation of those rules. Connoisseur respectfully requests that the Commission order Clear Channel and AST to sell the remaining Trust Stations within six months, and to provide that the failure to do so will result in violation of the Commission's radio multiple ownership rules. If, after the expiration of that six-month period, there remain Trust Stations for which applications requesting consent to assignment have not been filed with Commission, the Commission should issue to Clear Channel and AST an Order to Show Cause why the licenses for those remaining stations should not be revoked for willful failure to comply with the rules of the Commission and an express Commission order.[20]

The Commission Should Satisfy Itself that Clear Channel's Actions with Regard to the Trust Stations do not Raise Candor Issues before Acting on Pending Licensing Applications Involving Clear Channel

Connoisseur notes that Clear Channel currently has pending before the Commission two licensing applications in a market in which Connoisseur also owns stations: an application for consent to acquire the license for station WOR(AM), New York, NY,[21] and an application for renewal of the license for station WHTZ(FM), Newark, NJ,[22] both in the New York, NY Metro.[23] If Clear Channel has willfully failed to pursue sales of Trust Stations without good reason, it has breached its commitments made to the Commission to co-operate with AST to cause the sale of the Trust Stations as soon as reasonably practicable at the maximum price reasonably attainable. Given

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19 See, e.g., *Shareholders of AMFM, Inc.*; *Stockholders of Infinity Broadcasting Corporation*; and *Shareholders of Jacor Communications, Inc.*, cited *supra* at note 8.

20 See Section 312(a) and (c) of the Communications Act of 1934, as amended, *47 U.S.C. 312 (a) and (c),* and Section 1.91 of the Commission's Rules, *47 CFR 1.91.*

21 FCC File BAL-20120816AAQ.

22 FCC File BRH-20060201AAU.

23 Nassau and Suffolk Counties, NY, where Connoisseur's stations are located, are embedded in the New York, NY Metro.

the questions surrounding Clear Channel's compliance with its obligations to facilitate the sale of the Trust Stations, and the possibility that further investigation into this matter could result in information that would bear upon Clear Channel's truthfulness and candor in its dealings with the Commission, the Commission should not act on those applications until it has had an opportunity to investigate the extent to which Clear Channel has failed to fulfill its obligations with regard to the sale of the Trust Stations. For these reasons, Connoisseur objects to the grant of those applications pending such an investigation and review by the Commission.[24]

Very truly yours,

David D. Burns
of LATHAM & WATKINS LLP

cc: Peter Doyle, Esq.
Chief, Audio Division
Federal Communications Commission

Jeffrey D. Warshaw
Connoisseur Media LLC

Gregory Masters, Esq.
Wiley Rein LLP
Counsel to Clear Channel

Barry Friedman, Esq.
Thompson Hine LLP
Counsel to AST

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24 This letter constitutes an informal objection to those applications under Section 73.3587 of the Commission's Rules, 47 C.F.R 73.3587.

DECLARATION OF JEFFREY D. WARSHAW

I, Jeffrey D. Warshaw, CEO of Connoisseur Media LLC, the parent company of Connoisseur Media of Long Island, LLC, declare under penalty of perjury that I have read the foregoing letter, and the statements contained therein are true and correct to the best of my knowledge, information and belief.

September 18, 2012

Jeffrey D. Warshaw

EXHIBIT A

AST Status Report

THOMPSON HINE — ATLANTA · BRUSSELS · CINCINNATI · CLEVELAND · COLUMBUS · DAYTON · NEW YORK · WASHINGTON, D.C.

January 30, 2009

FILED/ACCEPTED

JAN 30 2009

Federal Communications Commission
Office of the Secretary

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

RE: Aloha Station Trust, LLC
Six-Month 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. 23 FCC Rcd at 1437.

In compliance with the notification requirement, the Trust is hereby tendering its Status Report to the Commission with a copy to the Chief of the Audio Division of the Media Bureau.

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

Respectfully submitted,

Barry A. Friedman

Enclosure

cc: Mr. Peter Doyle, Audio Division (By Hand and E-Mail Delivery)
Doc Bodensteiner, Esq.
Ms. Jeanette Tully

Barry.Friedman@ThompsonHine.com Phone 202.973.2789 Fax 202.331.8330

REPORT OF THE
ALOHA STATION TRUST, LLC
UPON COMPLETION OF SIX MONTHS OF SERVICE AS TRUSTEE
OF CERTAIN RADIO STATIONS FORMERLY LICENSED TO AFFILIATES
AND SUBSIDIARIES OF CLEAR CHANNEL COMMUNICATIONS, INC.

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.,[1] 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.[2]

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 between the parties and the consent of the Commission[3], for the purpose of facilitating the sale of the Grandfathered Stations by Aloha Trust.

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)

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1 *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.

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

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

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 and this Report is being submitted within six months thereof.

In addition, the Commission, in granting the requested assignment of licenses to the 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.

The remainder of this Report addresses the directives contained in the Trust Agreement, in turn, below.

I. Preliminary Statement

Initially, the Aloha Trust and its Manager wish to express their disappointment with the results they have achieved to date in disposing of the radio station assets assigned to the Aloha Trust by Clear Channel. When the negotiations leading up to the creation of the Aloha Trust commenced, now nearly two years ago, the economic situation, in general, and affecting the radio industry, in particular, were quite different. No one expected the macroeconomic conditions that have occurred and the absence of liquidity in the lending markets.

The result of these economic problems has resulted in, as will be noted below, the inability of the Aloha Trust and its chosen broker to locate ready, willing and able buyers to acquire more than a handful of Aloha Trust stations. There is simply an imbalance between the number of able buyers and willing sellers. The Aloha Trust's best hope is that lending markets will expand and buyers will reappear in the coming months.

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

A. Initial Marketing Efforts

In July 2008, prior to consummation of the Clear Channel Transfer of Control, the Aloha Trust and Clear Channel 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. In August and September 2008, MVP prepared marketing materials, compiled a prospect list for each Grandfathered Station, and began reaching out to potential buyers. In addition, information concerning Aloha Trust and the Grandfathered Stations is prominently displayed on the home page of MVP's Internet site.[4]

To date, MVP, as reported in the attached Statement of MVP (Exhibit A), has identified and contacted approximately 260 potential buyers. Approximately half of the prospective buyers that were contacted have followed up with MVP by requesting the required Non-Disclosure Agreement ("NDA"). Of that group, approximately 75 prospects subsequently have returned the NDA to MVP, at which point 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 encouraged bidders to submit offers at such time as they have secured appropriate financing and are in a position to move forward with any proposed transaction.

B. Transaction Progress

1. Completed Transactions

Subsequent to the *Merger Order* and prior to formation of Aloha Trust, Clear Channel consummated the sale of the following Grandfathered Stations: WGUY(FM), Dexter, Maine (FIN 28685); WFZX(FM), Seaport, Maine (FIN 59505); and KLEN(FM), Cheyenne, Wyoming (FIN 5991). The result was that these Stations did not come under the control of the Aloha Trust upon consummation of the requested assignment of licenses.

Clear Channel also consummated the sale of Station KBKO-FM, Bakersfield, California (FIN: 28847) as a result of which the Commission granted its consent to the assignment of the license for Station KDFO(FM), Delano, California (FIN: 64607) from the Aloha Trust to Clear Channel, which assignment has been consummated.

4 *See* www.mediaventurepartners.com/

Since its formation, Aloha Trust has consummated the sale of the following Grandfathered Station: WBUK(FM), Ottawa, Ohio (FIN 40172).

2. Pending Transactions

Prior to formation of Aloha Trust, Clear Channel entered into an Asset Purchase Agreement for the sale of Grandfathered Station WBFN(AM), Battle Creek, Michigan (FIN 37462). The WBFN assignment is pending at the FCC in File No. BAL-20081014ABR.

Since its formation, the Aloha Trust has entered into Asset Purchase Agreements for sale of the following Grandfathered Stations: WGIP(AM), Exeter, New Hampshire (FIN 53386) (File No. BAL-20090106AER); WROO(FM), Green Cove Springs, Florida (FIN 68760) (File No. BALH-20081016AET); and WALC(FM), Charleston, South Carolina (FIN 72377) (File No. BALH-20081125ANZ). Both the WROO and WALC assignments have been consented to by the FCC, but have not yet been consummated. The WGIP assignment application is pending before the Commission.

In summary, sales of the following Grandfathered Stations, for which contracts have been executed, are currently outstanding:

- WBFN(AM), Battle Creek, Michigan (FIN 37462);
- WGIP(AM), Exeter, New Hampshire (FIN 53386);
- WROO(FM), Green Cove Springs, Florida (FIN 68760); and
- WALC(FM), Charleston, South Carolina (FIN 72377).

Clear Channel has advised the Aloha Trust that, after reviewing market and technical changes, that certain Stations that were assigned to the Aloha Trust no longer need to be treated as Grandfathered Stations on the basis that further Clear Channel ownership or control would not violate the Commission's local radio multiple ownership rules. As a result, the Aloha Trust has sought Commission consent to assign back to Clear Channel the following Stations:

Station W252AC, Syracuse-Camillus, New York (FIN: 25016) (File No. BALFT-20080901AAS)

Station WQOL(FM), Vero Beach, Florida (FIN: 67604) (File No. BALH-20080821ADM)

Station KFSO-FM, Visalia, California (FIN: 2099) (File No. BALH-20081205ACX)

Station WMAX-FM, Holland, Michigan (FIN: 27471) (File No. BALH-20081205ACF)

Station KTEG(FM), Santa Fe, New Mexico (FIN: 53652) (File No. BALH-20081205ACW)

Station KYRK(FM), Houma, Louisiana (FIN: 34528) (File No. BALH-20081205ACS)

Station WAKS(FM), Akron, Ohio (FIN: 49952) (File No. BALH-20081205ACY)

Station WJRR(FM), Cocoa Beach, Florida (FIN: 51983) (File No. BALH-20081205ACT)

Station WOLL(FM), Hobe Sound, Florida (FIN: 32969) (File No. BALH-20081205ACU)

The W252AC and WQOL assignments have been consented to by the Commission and consummated and the other assignments are pending before the Commission. A petition to deny has been filed against the WOLL assignment.

Additionally, MVP is currently in discussions with multiple potential buyers for a number of the remaining Grandfathered Stations. MVP is continually identifying and negotiating with prospective buyers in an effort to deliver Aloha Trust fair market value for the Grandfathered Stations.

III. Conditions Impeding Sale of the Grandfathered Stations

The current macroeconomic situation is the most turbulent and difficult in recent memory and has had a significant and negative impact on the advertising market and on the values of radio stations that are dependent on advertising as their revenue base. Two key factors have slowed the pace of broadcast radio transactions to a crawl.[5] First, the radio industry has faced declining revenue for the last several years and the declining revenue has accelerated in 2008 and into 2009. These revenue difficulties have largely stemmed from the loss of total advertising dollars and the diversion of remaining advertising dollars to other media (e.g., online).

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5 According to a research note issued on January 13, 2009 by Mark Fratrik, Ph.D., a Senior Vice President of BIA Advisory Services, the number of radio stations sold in 2008 was down 26.7% and the total value of those stations sold was down 50.7% from the prior year's totals. The total value figure was the lowest in the last decade and the number of sales was the second lowest in that same time period.

Second, the current, widespread economic downturn has significantly exacerbated the already-troubled market conditions facing broadcast radio. The unprecedented turbulence in the capital markets has made credit virtually non-existent. 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. Most of the industry's larger companies are currently facing the very real possibility of near-term covenant violations and/or default on their senior debt, with no ability to refinance. Further, the uncertainty around the outlook for 2009-2010 has caused potential buyers to be extremely cautious in utilizing any cash that they do have on hand. As a result, the radio transaction volume has slowed to a trickle. The only deals that are getting done are small in scale (sub-$10 million), and often involve some sort of swap or seller financing.

All of this is evidenced by the transactions that the Trust has undertaken which involve sales prices of less than $1 million and buyers who are able to self-finance for various reasons including being institutions operating in the service area, religious organizations, or financially qualified individuals.

III. Recommendations

Aloha Trust recommends, considering the unusual economic circumstances that have presented themselves during the term of the Trust, that the Trust remain in existence and that the Trust continues to use MVP to market the remaining Grandfathered Stations and target prospective buyers. If conditions in the trading environment improve, MVP can be expected to be able to more aggressively pursue transactions involving the Grandfathered Stations located in the major markets. In the meantime, Aloha Trust recommends that MVP concentrate on sales of

Grandfathered Stations in smaller markets that fall within the sub-$10 million transaction framework.

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

Respectfully submitted,

THE ALOHA STATION TRUST, LLC

By: Jeanette Tully
Jeanette Tully
Manager

EXHIBIT A

MEMORANDUM

DATE: **January 23, 2009**

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

CC: **Barry Friedman, Thomson Hine & Flory, PLL**

FROM: **Media Venture Partners LLC**

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

This memo provides an update of 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 Trust as Trustee (the "Trustee").

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 trust for eventual divestiture. To comply with this requirement, Clear Channel assigned the Stations to the Aloha Trust, which, along with Clear Channel, has in turn hired Media Venture Partners, LLC ("MVP") to initiate a broad sales process to sell the Stations for fair market value.

Initial Marketing Process

The Aloha Trust and Clear Channel engaged MVP to market the Stations in July 2008, in advance of the closing of the acquisition of Clear Channel, which subsequently 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 has identified and contacted approximately 260 potential buyers of one or more of the Stations. Of the potential buyers contacted, approximately half requested and were sent the required Non-Disclosure Agreement ("NDA"). Of that group, approximately 75 prospects subsequently returned the NDA and were then granted access to an on-line data room which contains standard due diligence material. 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 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.

Current Market Conditions

Simply put, the current market is the most turbulent and difficult radio station trading environment in decades. Two key events or trends have combined to effectively halt the trading market for deals of any significant scale. First, the radio industry has been dealing with declining revenue for the last several years: 2008 will mark the first instance of negative revenue growth in consecutive years in radio's measured history. The industry's revenue difficulties over the past five to seven years have primarily been attributable to a loss of share to other advertising media (i.e. online) but the recent broader economic downturn exacerbated the problem for radio. For instance, total U.S. advertising spending declined over 3% in 2008 and is expected to drop an additional 5% in 2009. However, radio has been hit particularly hard, with a projected 10-15% decline in industry revenue for 2009, primarily due to dramatic cutbacks from two key radio advertisers, automotive and real estate.

Second, the unprecedented turbulence in the capital markets has made credit virtually non-existent. 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-levered with little to no financial flexibility. Most of the industry's larger companies are currently facing the very real possibility of near-term covenant violations and/or default on their senior debt, with no ability to refinance. Further, the uncertainty around the outlook for 2009/2010 has caused potential buyers to be extremely cautious in employing any cash that they do have. As a result, the radio transaction volume has slowed to a trickle, with the deals that are getting done being much smaller in scale (most sub-$10 million) and often involving some sort of swap or seller financing. The total value of radio stations sold in 2008 fell over 50% from 2007.

Progress Since Creation of the Aloha Trust

Given the broader market conditions, the Aloha Trust has made significant progress in disposing of the Stations. To date, the Trust has successfully signed Asset Purchase Agreements ("APA") for the assets of four Stations:

- WROO (FM) serving the Jacksonville, FL radio metro to Flagler County Broadcasting, LLC
- WALC (FM) serving the Charleston, SC radio metro to Radio Training Network, Inc.
- WBUK (FM) serving the Lima, OH radio metro to Blanchard River Broadcasting Company
- WGIP (AM) serving the Portsmouth-Dover-Rochester, NH radio metro to Aruba Capital Holdings, LLC

Also, the Trust is close to signing a Letter of Intent for WWDG (FM) serving the Syracuse, NY radio metro. Additionally, MVP is also in discussions with multiple properties for a number of the remaining Aloha Trust assets. 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 Station assets.

MVP recommends that the Trustee continue to market the Stations until conditions in the trading environment improve and there is more visibility into revenues for 2009/2010.

EXHIBIT B

Bergner Declaration

DECLARATION OF MICHAEL J. BERGNER

I, Michael J. Bergner, do hereby declare, under penalty of perjury, that the following is true and correct to the best of my knowledge, information and belief.

1. I am the principal of Bergner & Co., a nationally-recognized media brokerage and advisory firm. I have been involved in transactions in the media industry since 1987, and have been involved in media transactions valued in excess of $1 Billion over the last twenty years. Those transactions have involved radio, television, internet and print properties, and most of the major broadcasting companies in the United States. I hold a B.A. and J.D. degrees from Tulane Unversity and an L.L.M. degree in taxation from Boston University. I am intimately familiar with the market for the sale of broadcast radio stations in the United States, and am an expert on valuation of radio properties.

2. While the market for the sale of radio stations was depressed in the period between mid-2008 and early 2011, it has improved steadily since then. There is currently greater activity in the market for the sale of radio stations, and greater availability of financing for the purchase of radio stations, than has been the case at any point since that period.

3. Broadcast radio stations sold as going concerns are typically valued on the basis of a multiple of broadcast cash flow ("BCF"), a non-GAAP metric which is commonly used in the broadcast industry.

4. Although prices may vary based on the specific circumstances of any particular transaction, in my experience, in the case of a hypothetical sale of a broadcast radio station or group of stations during the last twelve months, a fair market price would be between six to seven times BCF.

Executed this 17th day of September, 2012 at Boca Raton, Florida.

Michael J. Bergner