



May 14, 2018

Marlene H. Dortch, Esq.
Secretary
Federal Communications Commission
445 12th Street SW
Washington DC 20554

Re: FCC Incubator Proposal, MB Docket No. 17-289

Dear Ms. Dortch:

I understand that the Commission is looking for ways to encourage new entry into the broadcast industry, particularly for small businesses and those owned by minorities and women. As a female radio station owner of Hawaiian descent and a 19-year veteran of the broadcast industry, I would like to share some of the challenges I've faced to secure acquisition and growth capital in broadcast radio—challenges I continue to face as I work towards expanding my station group.

I serve as Chief Executive Officer and President of 'Ohana Media Group, LLC ('Ohana), licensee of three AM and eight FM radio stations in the Astoria, Oregon, Wasilla, Alaska and Anchorage, Alaska markets.¹ I purchased my first nine stations out of receivership in April 2011. I was only able to purchase my first stations because: (i) the stations were in receivership; (ii) I had substantial personal savings; and (iii) in addition to my full-time employment in the broadcast industry, I was involved in some successful real estate ventures outside of radio which provided an additional equity source to draw from to help finance my first station purchase. I used a combination of cash and lines of credit to raise approximately \$500,000 for the initial 9-station purchase plus another \$500,000 of working capital to launch my radio business. I acquired two additional stations later that year from a lender who had foreclosed the year prior. With my savings depleted by my initial station buy, there was no way I could have purchased the two additional stations with cash, but I was able to acquire them by assuming the seller's note from the lender.

¹ Before I founded 'Ohana, I held a variety of executive positions at New Northwest Broadcasters, LLC, including Chief Executive Officer (2009–2012) and Executive Vice President and Chief Financial Officer (1999–2009). As a licensed Certified Public Accountant (CPA) for Deloitte & Touche I worked on a portion of the initial public offering for Entercom Communications Corp as an Audit Manager.

I believe that, absent the combination of being in the right place at the right time and being willing to risk all of my personal savings to enter the industry as an owner, I would still be an executive at someone else's station group. Paying cash for failing stations was the only viable way for me to enter the business. There was no other source of funding available to me. In fact, even after two full years of successful operations, I struggled to find a lender who would work with me despite strong performance improvement and profitability. I went to eleven different banks before I found one willing to help me secure a Small Business Administration (SBA) loan to help fund our continued operations.² Banks that have not previously made loans to broadcast businesses are reluctant to work with our industry. Hesitation arises because banks do not understand the industry's revenue stream, prefer to make loans to businesses with hard assets/collateral, and do not allocate any collateral value to the FCC license, which means in the eyes of banks the FCC license has no asset value. In addition to many banks' lack of knowledge about the broadcast industry, I faced other hurdles as a woman seeking a loan. One bank even refused to meet with me unless my husband was present, even though he does not have a role as a principal or employee with 'Ohana and has never worked in the broadcast industry.

Most small businesses, especially those owned by minorities and women, can only enter the industry by purchasing one or more struggling stations. Often, the target station is geographically distant from the center of its local market, operating at a lower power level than some of its competitors, and/or operating in the bottom third of the market in terms of advertising revenue and audience share. As a prospective owner, you identify a underperforming stations that have the potential for success under a different format or management. You see a path forward in which the station breaks even, becomes profitable, and generates revenues that can be used to repay loans, make improvements, or invest in additional stations. Banks, however, focus primarily on just two factors: the loan applicant's collateral, and the profit a business will generate to pay off the loan. Minority and female owners are at a significant disadvantage in satisfying these criteria because they often lack sufficient personal assets to collateralize the loan. Moreover, because the target station is struggling, its income statement will often show a zero or negative cash flow, making it difficult to convince a bank that the station will generate revenue to repay the loan. Relatedly, sellers often perceive small business owners, particularly minorities and women, as not having reliable sources of funds. There have been instances in which I was prepared to purchase a property and had the necessary funding, but was undercut by a buyer who offered less. His lower offer was more attractive because he was able to pay cash.

From my experience, I believe that access to capital is a significant barrier to entry for those trying to purchase their first broadcast stations and for small broadcasters trying to acquire additional stations. Regulatory reforms that create incentives for established broadcasters to provide needed financial and technical support to new entrants will help foster a more diverse broadcast industry.

² Even if an aspiring owner makes it through the process to secure an SBA loan, the advantage of these loans is that the SBA guarantees them, which protects the banks' interests. They are not easier for a small business to obtain or repay—they are made at market interest rates, and there are significant up-front fees associated with the loans.

Please do not hesitate to contact me with any questions.

Sincerely,

/s/

Trila Bumstead
Chief Executive Officer and President
‘Ohana Media Group, LLC