

# GREY VALUE MANAGEMENT, LLC

## ACKERLY / CLEAR CHANNEL TRADE

### Ackerley (AK) / Clear Channel (CCU) Spread Trade Enhanced by CCU Call Sale \$0.14 Out-of-the-Money 1 Day before Expiration

The AK/CCU merger spread was trading at \$0.07 - an insubstantial unlevered return. However, one day before expiration it was possible to put the spread on - that is, buy AK and short the buyer CCU - by selling the CCU 50 strike call expiring the following day for \$0.40. This meant that you would be putting on the short leg of the trade (CCU) at \$50.40 (\$50 strike + \$0.40 in call premium), effectively locking in the spread at \$0.26, or 1.5% gross / 33% annualized. The only risk was that CCU would not close above \$50 at expiration, with the result that rather than locking in the spread you would simply be long AK. However, the \$0.40 that you would collect seemed a more than adequate cushion to exit the trade on Monday at no significant loss in the event that you were naked long AK at Monday's open.

For the spread trade to work, CCU had to rise only \$0.14 (at which price the call you sold would be executed and you would effectively be short CCU against your long AK position). This position was taken on the assumption that the deal would close, the only remaining hurdle thereto being FCC regulatory approval.

Average Spread	\$0.26
Gross Return on Trade	1.5%
Timeframe	~ 30 days

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