Thank you for including me in this forum. CIT’s media and communications finance group was established twenty years ago, in 1988. Since then, we have provided senior secured lending to the media/broadcast and telecommunications industries on an uninterrupted basis. We have lent through previous economic downturns and are continuing to do so today. In fact, we have lent to, and have loans outstanding to, several companies that are represented by people who are in attendance here today.

We continue to have an active telecommunications lending practice. By virtue of the higher economic hurdle and the more capital intensive nature of acquiring a telecom or wireless company, new entrants into these areas face a steep slope in an already uphill task. From a lending perspective, the ability of new entrant to gain access to capital, while still difficult, is more likely in the acquisition of broadcasting properties. I will therefore largely confine my comments to the broadcast arena. But, many of my comments also will be applicable to telecommunications situations.

There are many variables in the current environment that are directly affecting the ability of all new entrants, not just minorities and women, in attaining equity capital and debt. The economic slow down is impacting the health of existing media companies as well as many of the financial
institutions that serve them. This is resulting in a pull back of capital, both equity and debt. Many financial institutions are facing well publicized financial difficulties. As a result credit is scarce. In addition, the endemic problem of reduced advertising spending is forcing lending institutions to carefully evaluate extending loans. During economic downturns, lenders prefer to lend to established companies with historical financial performance that have been tested through previous downturns.

Another concern for lenders is the fundamental change in the consumption of traditional media. The rapid growth of alternative media is diluting the absolute share of the advertising pie. It is difficult for current equity investors and lenders today to evaluate how much of the recent revenue declines is attributable to the poor economy, and what part is due to a permanent change in media consumption. As a result, there is a noted decrease in enterprise valuations and more conservative extension of credit by lenders. The point is that this only compounds the challenge of women and minorities wishing to gain access to capital.

It is extremely difficult to obtain a senior secured loan in an amount less the $5 million from traditional communications lenders. There are few financial institutions willing to make loans at that level. The reason, in normalized
times, the level of due diligence required to extend a loan of $5 million is the same as $25 Million. In addition, a smaller loan implies the purchase of a limited number of stations, which in turn raises the risk of competitive threats. To solve this issue, broadcasters need to attract community banks.

Presently, most financial institutions lending to broadcasters have highly specialized practices devoted to the space. These lenders have done significant diligence in gaining comfort in the regulatory and competitive environment in lending to broadcasting.

Many smaller banks do not have the resources to fully evaluate the regulatory environment associated with extending a broadcast loan, and they are particularly hesitant because of the present inability to collateralize the broadcaster’s principal asset, the broadcast license issued by you. A key point to ease this issue and attract community banks would be to allow lenders to obtain direct security interests in FCC-issued licenses. This would allow these banks to extend commercial loans to broadcasters in the same manners in which they lend to other industries; by collateralizing the important assets. The securing of the licenses also should allow lenders to exercise remedies in an expedited manner as they would under the uniform commercial code. While these lenders still have to gain comfort with the
financial aspects of broadcasters, at least they would face a uniform environment with respect to perfection of a security interest.

To summarize, the present lending environment is difficult and there are profound changes occurring in the broadcast economic model. However, there will continue to be lenders like CIT serving the industry. The challenge of women and minorities is to understand these issues and present solid business plans that ease the potential concerns of lenders.

Thank you.