

## **REPORT OF THE MEDIA ISSUES SUBCOMMITTEE**

**September 16, 2009**

Submitted By Diane Sutter, Chair

The Media Issues Subcommittee of the FCC Advisory Committee on Diversity for Communications in the Digital Age had its first meeting via phone on June 24, 2009. The committee reviewed the media issues raised at the full committee meeting on May 7, 2009 and discussed other potential subjects for the subcommittee to consider. The group identified three areas which it determined would be the focus for the subcommittee's activities. Each member of the subcommittee voted for the issues they felt were most important for the group to address.

The Subcommittee met again in person in Washington, DC, and by phone, again on July 22, 2009 to review the findings. The three areas which were determined to be the most important for the group to address were: Funding for Acquisitions, EEO and PPM. The members of the subcommittee were divided into three Task Forces to address each of the aforementioned areas in more detail.

Chairs were appointed for each Task Force. Susan Patrick serves as the Chair of Funding for Acquisitions, Jane Mago serves as the Chair of the EEO Task Force and Jenny Alonzo serves as the Chair of the PPM Task Force. Throughout the summer months each of the Task Forces met on their own to gather additional information on each of their topics.

The Subcommittee had its most recent meeting, via phone, on September 11, 2009 to hear and consider reports from each of the Task Forces about their activities and plans. The EEO Task Force discussed enforcement of the existing FCC regulations and what other ways EEO might be addressed by the FCC in the future. One member of the Task Force has submitted a proposal for the group to consider. They are continuing to review the recommendation and have further discussions. They are not, at this time, prepared to make a recommendation to the full committee as they need more time to consider alternatives.

The PPM Task Force has been focusing on understanding the methodology being used by Arbitron for the PPM and the implications for minority radio stations. One of the priorities for this Task Force is to understand how the data is captured and used. In their fact-finding mission, the Task Force reached out the Media Ratings Council (MRC), Arbitron and Nielsen.

A conference call was held with the members of the PPM Task Force and the MRC. During the call the MRC gave the Task Force a report on their structure, operations and the criteria they use for their work. The MRC was forthcoming in their discussions but

also have asked the Task Force to maintain appropriate confidentiality with the details of the information that was shared.

There has been no response from Arbitron. Nielsen informed the Task Force that they are still early in their process to get a personal radio ratings measurement tool to market. They did say they plan to model it after their television system.

The Task Force is continuing its fact-finding and has no specific recommendation for the full committee at this time.

The Funding for Acquisitions Task Force is looking at a number of ideas and ways to assist getting more diversity in ownership. What we all already know is that the current state of financing for media transactions is dire. Obviously, the current economic conditions have had a severe chilling effect on funding for all media transactions, not just those involving women and minorities.

However, over the last decade, at least, a trend has developed where large regional and national lenders specializing in media transactions have dominated the landscape. These lenders have a sophisticated approach that accommodates the nuances of media transactions, particularly those involving the transfer of an FCC broadcast or other authorized license that may not, by statute, be securitized. These more sophisticated lenders have developed very successful methods of protecting themselves and providing for collateral of ownership interests, collateralization of sale proceeds from stations, etc., versus having a direct security interest in FCC licenses.

However, also over time, these lenders familiar with media transactions have sought out larger and larger transactions and have also tended to focus on providing financing primarily to the largest owners of media outlets. In the current environment, these are also the lenders that have disappeared from the transaction market.

While these lenders have not made a concerted effort to exclude women and minority owned media by the very nature of focusing on larger transactions and owners with multiple media outlets, the result has been a severe lack of financing opportunities over the past many years that are available to smaller media outlets and start-up companies, which also encompass many women and minority owned companies.

In the scope of media transaction financing, there has always been a significant lack of lenders focusing on transactions under \$20 million and an even more significant lack of local and regional lenders that are willing to lend to media outlets. Most local and regional banks are asset based lenders and when the FCC license is excluded as collateral, the banks decline to make the loan due to a lack of measurable “hard assets.”

Based on anecdotal accounts, it appears that one major reason for the hesitancy on the part of local and regional lenders to participate is the confusion and perceived lack of ability to securitize FCC licenses—often a company’s most valuable asset.

In the past the FCC has authorized initiatives to educate these local and regional lenders on the legal procedures that do comply with current FCC regulations, which enable the lenders to gain sufficient security in a media company to offset the specific lack of securitization in the FCC licenses themselves. As noted above, there are commonly used and accepted methods to accomplish this—but a move to educate lenders is needed. Many local and regional banks are not inclined to lend to media outlets as they do not understand the process and have limited experience with the uniqueness of lending to the media.

While such an education initiative would likely benefit all media outlets of smaller to medium size, more information and education of these smaller and regional banks would definitely benefit potential women and minority owners as well as helping to provide capital for the expansion of existing women and minority owned companies.

The Funding Acquisition Task Force is currently working on an outline of educational topics and information that would be useful to such lenders as well as secondary initiatives that would encourage more financial resources being available to minority-owned broadcasters and media outlets.

The Task Force for Funding Acquisitions, and the Media Issues Subcommittee as a whole, recommends to the full FCC Advisory Committee that information and resources be gathered, created and assembled to provide detailed information on the specifics of lending to broadcasters, how non-asset based lending can and has been done; to compile a list of existing broadcast lenders to be used as references and to develop a database that would include that information which the FCC would help publicize and promote to assist the financing for new entrants, women and minorities of broadcast facilities.

The Task Force plans to subsequently provide the full FCC Advisory Committee with a more specific plan in the near future.

Each of the Task Forces plans to continue working on the issues it has identified to provide more information in subsequent reports.

Thank you.

