

UNITED STATES OF AMERICA  
FEDERAL COMMUNICATIONS COMMISSION

BROADBAND AND NEW MEDIA STRATEGIES FOR MINORITY  
RADIO

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Tuesday, January 26, 2010

1 PARTICIPANTS:

2 Introduction of Workshop:

3 CAROLYN FLEMING-WILLIAMS  
4 Senior Deputy Director Office of Communications  
5 Business Opportunities Federal Communications  
6 Commission

7 RICK WADE  
8 Senior Adviser and Deputy Chief of Staff  
9 Department of Commerce

10 Panelists:

11 MARIO ARMSTRONG  
12 Radio Host, XM/Sirius radio, USTalkNetwork.com,  
13 WYPR & WEAA

14 ERIC BROYLES  
15 Founder and CEO, Megree, Inc.

16 FRANK FLORES  
17 Chief Revenue Officer and General Manager, Spanish  
18 Broadcasting Systems

19 ANITA STEPHENS GRAHAM  
20 Partner, Opportunity Capital Partners

21 ZEMIRA JONES  
22 President/CEO of All American Management Group,  
Inc.

JAMES L. WINSTON  
Executive Director, National Association of  
Black-Owned Broadcasters (NABOB)

CANDIDA MOBLEY-WRIGHT  
President, Voices, Inc.

FRANK MONTERO  
Co-Managing Partner with the law firm Fletcher,  
Heald & Hildreth

1 PARTICIPANTS (CONT'D):

2 CLEVELAND SPEARS  
3 Producer/Radio Host/General Manager, iM4radio  
4 Broadcasting Network

5 LORIS ANN TAYLOR  
6 Executive Director, Native Public Media

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1 P R O C E E D I N G S

2 MS. FLEMING-WILLIAMS: First I'd like to  
3 welcome you, our roundtable participants and our  
4 audience, to OCBO's Roundtable on Broadband and  
5 New Media Strategies for Minority Radio, a very  
6 important and critical topic for all of us. I  
7 hope that our roundtable, that you've had an  
8 opportunity to look at the agenda and the full  
9 bios of all of the participants here as well as  
10 some of the questions that we will be addressing  
11 this morning. I've been told that we have a very  
12 aggressive agenda this morning. We're going to  
13 try to get through the topics as efficiently as we  
14 can.

15 We view this as an opening conversation  
16 so we hope that this is just the beginning. We'll  
17 be seeing you back here again or in our office  
18 again to continue discussing these topics and very  
19 important issues and hopefully lead to some  
20 successful business strategies and successful  
21 business models.

22 In the interests of time I'm going to

1       briefly introduce each of you around our square  
2       here. Then we'll launch into very brief opening  
3       remarks and then we'll launch into our roundtable.  
4       I will begin with my guest co-moderator Rick  
5       Wade. He is the Senior Adviser and Deputy Chief  
6       of Staff of the Department of Commerce, and we're  
7       very honored to have him with us here today. He  
8       has had a long and distinguished career in public  
9       service starting in various positions in the State  
10      of South Carolina. He was a senior adviser in the  
11      presidential campaign of President Barack Obama,  
12      so welcome.

13               Mario Armstrong I understand is caught  
14      in traffic and we hope that he will be able to  
15      join us at some point this morning. By way of  
16      background, he is both a radio and TV host. He is  
17      founder of a new social network called  
18      TechTechBoom.com and has a keen interest in  
19      technology and how we're able to use that to  
20      advance not only our youth but to advance our  
21      media.

22               We're happy that Geoffrey Blackwell was

1 able to join us. He is the Director of Strategic  
2 Relations and Minority Business Development of  
3 Chickasaw Nation Industries Inc. As such his  
4 responsibilities include the integration of  
5 emerging technology, and he also serves on the  
6 Advisory Counsel of Native Public Media, a project  
7 of the National Federation of Community  
8 Broadcasters. To him I say welcome back. He is a  
9 former FCC employee as well as a member of the  
10 Commission's Diversity Federal Advisory Committee  
11 so he really needs no introduction to the FCC.

12 We have Eric Broyles. Eric is founder  
13 and CEO of Megree Inc., a social networking  
14 utility that's focusing on our connectedness  
15 particularly with respect to nonprofits and  
16 humanitarian organizations. His was formerly with  
17 AOL and also a telecommunications attorney.  
18 Welcome, Eric.

19 We have next to Eric, Frank Flores. He  
20 is General Manager and Chief Operating Officer of  
21 Spanish Broadcasting Systems. To you we say  
22 bienvenidos. One of his duties is to oversee the

1 revenue and profit of all of the Spanish  
2 Broadcasting System's radio stations. In this  
3 case he has a real bottom line interest in the  
4 discussion that will be taking place this morning.  
5 Unfortunately Anita Stephens Graham has come down  
6 with the flu and won't be able to join us this  
7 morning but has promised to provide her comments  
8 in a written statement so that we have the benefit  
9 of over 20 years' experience in the private equity  
10 industry and she's involved with a lot of radio  
11 transactions.

12 We have Zemira Jones. He is president  
13 and CEO of the All American Management Group, a  
14 company whose mission is the very thing that we  
15 will be addressing today, transforming traditional  
16 radio and its brand strength into a multiplatform  
17 business strategy. He is also a veteran of the  
18 broadcasting industry. He's served as a VP of  
19 Operations with Radio One, so we welcome you as  
20 well and all of your expertise.

21 Switching now to my right we have James  
22 Winston who is the dean of African American radio.

1 He is the Executive Director and General Counsel  
2 of the National Association of Black-Owned  
3 Broadcasters. He also serves on the Commission's  
4 Federal Advisory Committee and really has been  
5 OCBO's go-to person whenever we've dealt with  
6 issues involving radio because of his knowledge  
7 and experience representing the owners and members  
8 of NABOB. Welcome, and again no stranger to the  
9 FCC.

10 Candida Mobley-Wright is President of  
11 Voices Inc., a radio production and syndication  
12 company with programming which reaches a wide  
13 syndicate of radio stations. Her focus is on  
14 creative ad strategies that educate, inspire and  
15 uplift. Welcome.

16 Frank Montero is currently co-managing  
17 partner of Fletcher Heald & Hildreth and again no  
18 stranger to the Commission. He is on the  
19 Diversity FACA as well as being a former Director  
20 of OCBO and has participated many times in our  
21 workshops and roundtables here at the Commission.

22 Cleveland Spears is General Manager and



1 Program Director of iM4radio. He has an  
2 innovative radio format that builds online radio  
3 stations and produces media content for them, and  
4 he is only accessible on the internet, so we  
5 welcome him back. He's also been a friend to OCBO  
6 and participated on many of our panels before.

7 When it comes to radio we thought about  
8 something that the great writer and American  
9 humorist Mark Twain once said. When he heard a  
10 report that he had recently died he said, "Rumors  
11 of my demise have been greatly exaggerated." We  
12 hope it is the same with radio. For a while radio  
13 has been beaten, battered and bruised over these  
14 many years. It still stands and continues to  
15 provide an important outlet for local news,  
16 entertainment and programming. What is clear  
17 however is that digital and interactive  
18 technologies, satellite radio, internet, iPods,  
19 are changing the traditional business model and  
20 rewriting the landscape for all of communications  
21 and entertainment.

22 Just to give you a little bit of the

1 statistics, and I'm sure you can fill me in here  
2 as well, in 2006 radio advertising accounted for  
3 \$20.1 billion of total advertising revenue and  
4 internet advertising accounted for \$16.9 billion.  
5 Just 1 year later however for the first time in  
6 history, internet advertising surpassed radio when  
7 it climbed to \$21.7. In 2008 internet ad revenue  
8 rose even higher. While this trend is continuing  
9 and the gap in advertising dollars is widening, it  
10 is expected that radio ads will still command  
11 \$22.2 to \$22.8 billion in the years 2010 and 2011,  
12 respectively. In spite of this shift in  
13 advertising dollars, in 2008 90 percent of all  
14 percent of all consumers aged 12 and over listen  
15 to radio at least once a week, a higher  
16 penetration rate than television, magazines,  
17 newspapers or the internet, so that's very  
18 important to keep in mind.

19 Today radio must compete with a myriad  
20 of communications platforms that did not exist a  
21 mere two decades ago. If radio is to survive in  
22 this new business climate, it must be Darwinian.

1 It has to adopt and it has to change. It's clear  
2 that what traditional radio embodied in format,  
3 service and outreach to the listening audience of  
4 the last decade is not what radio is going to look  
5 like in the future if it is to thrive. Radio's  
6 unique ability to respond to and remain relevant  
7 to the local community it serves may very well be  
8 its secret to survival. As the former Speaker of  
9 the House Tip O'Neill said, "All politics is  
10 local" and we say no format is better able to keep  
11 its hands on the pulse of the community than local  
12 radio. So we find that today's successful radio  
13 stations are embracing the internet and high-def  
14 radio to stay connected with their listening  
15 audience. These stations have used the internet  
16 to establish websites, newsletters, et cetera, and  
17 other kinds of collaborations to maintain and  
18 expand their audience. They have coordinated  
19 on-air advertising campaigns with their online  
20 advertising efforts.

21 We have assembled today a distinguished  
22 panel of experts from various fields to talk about

1 the current state of radio just where we are  
2 today, where radio is headed, where it should be  
3 headed and now stations can position themselves to  
4 adopt some of the successful practices that are  
5 redefining this medium and create innovative  
6 models to breathe new life into this industry.

7 With that I'm going to ask Rick to start  
8 us off with just a little bit of diagnosis. Where  
9 are we? What is the current state of radio?  
10 Let's lay out the foundation.

11 MR. WADE: Let me first say thank you as  
12 well to Carolyn. I look forward to being with you  
13 this morning. I do want to emphasize as well the  
14 importance of this conversation. At the  
15 Department of Commerce many of you may be aware  
16 that the Department of Commerce along with the  
17 Department of Agriculture's Rural Utility Service  
18 are engaged now in the Obama administration's  
19 effort to deploy broadband infrastructure and  
20 increase access across the country and we're in  
21 that process as we speak. So we're very, very  
22 interested in this topic not just from a

1       communications perspective and our ability to have  
2       broadband technology across America but also from  
3       a business perspective and the ability to maintain  
4       and sustain minority radio as job creators and  
5       thriving business across our country.

6               So we thought off with an assessment, a  
7       sort of state of play of minority radio in America  
8       and why is it in trouble, small local minority  
9       radio. A number of issues obviously that we would  
10      need to discuss whether it's consolidation,  
11      obviously access to capital, collateralization,  
12      competition from new media such as the internet,  
13      et cetera. As Carolyn talked about, the shift in  
14      advertising dollars, what is the extent of the  
15      advertising revenue from radio to the internet.  
16      And also how long will we expect that trend to  
17      continue and what is the significant impact.

18             Jim, let's start with you. I think you  
19      have been obviously a pioneer and integral part  
20      and leader in this whole space. Why is small  
21      local community radio in trouble and what is the  
22      current state of play?

1                   MR. WINSTON: There obviously are many  
2 different facets that are going on in local radio.  
3 What you saw for the past decade was a  
4 consolidation of media ownership in radio and in  
5 order to reduce costs for those consolidated  
6 groups many group owners began doing syndicated  
7 programming to reduce costs which took away a lot  
8 of the local news, information and talent from  
9 local radio. Then you have the current recession  
10 which has also had a very significant impact.  
11 When retailers aren't selling they stop  
12 advertising, when they stop advertising radio  
13 suffers greatly because it depends more than most  
14 other advertising media on local sales, so radio  
15 has taken a hit there. We've got the unique  
16 situation of the rating service. There's only one  
17 rating service in the top 105 radio markets,  
18 Arbitron. They are changing the way they measure  
19 radio in the top 50 markets. They've done 33  
20 markets already where they've gone from diary  
21 measurements to the Personal People Meter which  
22 has caused the ratings for minority formatted

1 radio stations in the top 33 markets anyway to  
2 plunge dramatically, so we've seen that impact on  
3 radio. There are a lot of different things  
4 impacting radio right now and the loss of  
5 advertising to the internet is a part of that. I  
6 think when you look at all of those things  
7 happening at the same time you see a radio  
8 industry that's under significant pressure and is  
9 going to require some new thinking in terms of how  
10 we continue to go forward and are successful?

11 MR. WADE: Others in terms of the state  
12 of play or diagnosis?

13 MS. MOBLEY-WRIGHT: This is a  
14 conversation that I have had with Jim in the past  
15 and one that I spoke briefly with Mr. Reed and  
16 others at the FCC. One of the big challenges as  
17 an advertising agency that I see in working with  
18 stations as they cry out for more advertising  
19 dollars, and this is in both radio and in minority  
20 print, one thing that I constantly bring up to  
21 them is there are advertising dollars available in  
22 the federal government. The federal government is

1 one of the top 50 advertisers in our country and  
2 in the year 2000 President Clinton signed an  
3 executive order, and the reason this happened is  
4 because as you'll remember there was a gentleman  
5 who threatened to sue the federal government  
6 because of a bill that was initiated during the  
7 Nixon administration in which a certain percentage  
8 of all the federal government advertising dollars  
9 were supposed to be targeted to minority media.  
10 They did a study and they out of the \$4 billion  
11 that was spent, and I have some quotes here, that  
12 money was from DOD, Treasury, HHS, Interior, the  
13 National Aeronautics and Space Administration, I'm  
14 looking at \$4 billion that over a 5-year period  
15 DOD which accounted for more than 50 percent of  
16 these advertising dollars spent less than 2  
17 percent of its advertising dollars to  
18 minority-owned broadcasters. So from my  
19 perspective because I do a lot of advertising in  
20 the government space, these are dollars that are  
21 very difficult to get targeting minority  
22 communities and they have an impact on the



1 effectiveness of those advertising campaigns as  
2 they affect minority communities. So that's  
3 something to look at when you're starting to talk  
4 about broadband and broadband usage and how the  
5 marketing and communication and outreach dollars  
6 are going to be spent as they are used to educate  
7 minority communities. So it solves two issues.  
8 It's an educational issue as well as a minority  
9 media spend issue.

10 MS. FLEMING-WILLIAMS: Frank, you look  
11 like you want to jump in here.

12 MR. FLORES: If I can chime in, I agree  
13 with what the speakers have been saying. Right  
14 now there are probably about three different  
15 layers of movement happening in and around the  
16 radio industry all of which are changing the  
17 dynamics of where radio fits in and what its  
18 competition is, and combined they've made up at  
19 least over the past say 8 to 10 years or maybe 6  
20 to 8 years this perfect storm for particularly  
21 minority radio. You have more recently obviously  
22 the economic downturn which has driven down

1 valuations of these proprieties. It's hit the  
2 advertising dollars hard because remember, to take  
3 one example, think of car dealerships and think of  
4 how badly the car dealerships have been hit, so  
5 those advertising dollars are drying up. What I'm  
6 hearing frequently is the receivables are trailing  
7 longer and longer. People used to pay in 15 days  
8 are paying in 30 days, people who are paying in 30  
9 days are paying in 60 days so that's then putting  
10 pressure for these broadcasters under their  
11 existing loan covenants.

12 At the same time you have completely  
13 aside from the recession which I also should  
14 mention that the recession has hit particularly  
15 with the minority audience and I know I can speak  
16 for the Latino audience, it's hit their audience  
17 very hard in the pocketbook. So at the same time  
18 you have these broader tectonic plates moving with  
19 the entry of all these new vehicles for delivery  
20 of content and there's a perception I think on the  
21 part of the investment community and loan  
22 community that radio is not worth it anymore, the

1 capital was always difficult to begin with but now  
2 it's gotten critical as far as the ability to  
3 access capital for some of these existing  
4 broadcasters to keep their operations going.

5 Then you have as Jim pointed out this  
6 attack going on by service providers whether it's  
7 the Personal People Meter which has dramatically  
8 changed the way a lot of these stations' ratings  
9 are being monitored. You've got the record  
10 industry trying to impose a performance royalty on  
11 the radio stations. So they're kind of being hit  
12 in all directions. But they do have several  
13 things still going for them. Radio as long as  
14 it's in the dashboard still holds a very, very  
15 valuable place as far as being able to access  
16 their listenership. Radio particularly with the  
17 example of Spanish radio, many of those listeners  
18 still get their news content information from free  
19 over-the-air radio. Radio tends to be a first  
20 mover where you have a migrating population in the  
21 late 1990s and early 2000s where you had an  
22 explosion in the Latino population in the

1 southeast, in the Carolinas, in Georgia, in  
2 Alabama, also in the Midwest in Ohio, in Michigan,  
3 and frequently radio was one of the first movers  
4 to go into those new communities, frequently AM  
5 radio. A lot of times it's religious AM radio,  
6 but they're some of the first movers that are  
7 there other than the print media to establish a  
8 hub around which this newly landed migrant  
9 population can create a community to provide local  
10 information and that's an invaluable service, but  
11 it is under attack right now no doubt.

12 MS. FLEMING-WILLIAMS: Zemira?

13 MR. JONES: I think Frank gave a great  
14 overview and Jim and Candida brought up some very  
15 important points. I've just come in from the  
16 front. I've been running radio stations for over  
17 20 years and been in business for 30 and I've run  
18 just about every format in the south, all the  
19 urbans, the news talks, the country, all the rock  
20 formats, jazz, kids' radio, ESPN, so I've seen  
21 what's happening to the business that I live.  
22 What's not unique is that all businesses go

1 through these life cycles and we have to remember  
2 that, the introduction, growth and maturity of the  
3 client stages. Some industries, some companies,  
4 find ways to reset the clock to a new value  
5 proposition and that's what we have to do. So the  
6 whole idea that radio could die or is going away  
7 just shows that maybe we don't understand that  
8 business life cycles are a very real part of our  
9 economy.

10 That being said, it is a regulated  
11 industry and so the bottom line if nothing else is  
12 remembered from what I say, the spectrum of radio  
13 needs to be protected because we need that  
14 spectrum protection for a lot of key reasons.

15 One, with the love of high tech going on right  
16 now, we forget that low tech has equal power and  
17 so high tech and low tech work together to form a  
18 very cohesive bond serving the community and the  
19 economy. Frank touched on it but I really wanted  
20 to echo what he was saying.

21 Second, we have to remember how we got  
22 here. We got here because the business did very

1 well. I'll speak as a small member of the radio  
2 community. I'll be talking about myself as well  
3 as everyone else. We enjoyed a tremendous run  
4 with radio and it's a legacy industry. Here is an  
5 industry that was kicking off 40 to 60 percent  
6 margins for years and enjoying a very exclusive  
7 right to serve the community and we want to  
8 continue that right. But what we didn't do was we  
9 didn't invest in the future of our medium. The  
10 medium is ubiquitous. It is romantic in our  
11 economy. People have fallen in love with it and  
12 taken it for granted. What happened was that we  
13 felt it will always be there and because we were  
14 ubiquitous, we are ubiquitous and, yes, we do  
15 still have over 90 percent of our audience still  
16 intact. Other media can't say that. So we have  
17 really served our community well in that regard.  
18 But in the last business cycle in the 1990s we  
19 were in that maturity to early decline stage and  
20 one of the things that helped us was once  
21 consolidation was allowed through the telecom bill  
22 it lulled us to sleep. What we started to do was

1 continue that same trajectory, we didn't invest in  
2 the future, we became ingratiated with the legacy  
3 of radio, in love with our past strength and we  
4 didn't plan for our future. We didn't invest in  
5 it not only from a technology standpoint but in a  
6 human condition we did not retool our own people.

7 Right now there are sea-level  
8 executives, general managers, salespeople,  
9 promotions people, people on the air who are  
10 serving the community having ingratiated  
11 themselves to the marketplace but they don't have  
12 the skills to compete in today's market. We are  
13 going to have to reset the clock. When I was  
14 talking about moving to a new position in the  
15 value chain, if you look at the stress fractures  
16 in our industry, we can do that but it's going to  
17 take a yeoman's effort internally in the industry,  
18 at the Commission to protect the spectrum as well  
19 as reinvesting the profits that are remaining  
20 which are not very much.

21 I'll say one last thing because you  
22 raised an interesting point about revenue. Four

1 years ago the advertising revenue for radio was  
2 about \$20 to \$21 billion. In 2009 most of the  
3 reports that I've been getting and tracking, it's  
4 closer to \$13 billion; \$13.3 billion was the last  
5 number that I heard. That is a huge swing in a  
6 4-year period. So you have stations having  
7 double-digit declines year over year, quarter by  
8 quarter, 20 percent, 15 percent year-over-year  
9 declines from the prior year. Yes, the covenants  
10 of most of these major groups and small operators  
11 have crashed and burned. There has to be a major  
12 reset and it takes the financial community as well  
13 as the regulatory community and broadcast owners  
14 themselves.

15 MR. BROYLES: As a follow-on to Zemira's  
16 comment, I'm also reminded of another witty quote  
17 by Mark Twain on death. It was a slight on my  
18 hometown, Cincinnati. He said, "When I die I hope  
19 it's in Cincinnati because I won't find out about  
20 it for 20 years." I think that that statement, to  
21 follow-on on Zemira's comment, how small local  
22 radio broadcasters lived in Cincinnati when it



1 came to understanding media consumption patterns  
2 of individuals. When you look at the emerging  
3 technologies of the internet, wireless devices and  
4 all sorts of technology, solely focusing on it as  
5 competition there should have been a little more  
6 effort in terms of collaboration and I think that  
7 if you take a look back in history that that is  
8 one of the big issues of why you see some of these  
9 small and local radio companies struggling now is  
10 that consumers had a major shift in the way they  
11 received information, news, entertainment, it was  
12 a big shift and there was no requisite variety  
13 between how the operators responded to what was  
14 going on in the environment. I think that you  
15 touched on that with the product life-cycle  
16 matters and that I think is one of the reasons.  
17 I'll talk a little bit more as we get down about  
18 how we thought about those things 12 years ago at  
19 AOL in terms of looking at how consumers received  
20 information.

21 MR. MONTERO: I want to say one other  
22 thing. I agree with almost everything that

1 everybody said about the radio business up until  
2 now. I think that the radio operators got fat and  
3 lazy. I think they were lulled into thinking that  
4 it was never going to change, that it was always  
5 going to be the same even though they saw that  
6 happened to the print industry with the advent of  
7 the internet with internet users being able to get  
8 anything that's in print free online. We didn't  
9 think that could happen to us and we were fat and  
10 we were lazy and we weren't innovative enough.

11 Now I think it's time for us to smell  
12 the coffee. The good thing about it is that radio  
13 still remains a highly, extremely viable source of  
14 music, news and information. Frank talked about  
15 Hispanic radio stations because that's the  
16 business that I'm in. I can tell you that it's a  
17 good business for us because in the eve of the  
18 2010 census and we believe when the dust clears on  
19 that you're going to see even a greater percentage  
20 of Hispanics living in the U.S. mainland and  
21 you're going to see that the marketing power that  
22 we have is virtually still untapped.

1       Unfortunately, when budgets are crunched, the  
2       first ones to go are black and Hispanic radio  
3       stations. That hasn't changed. The first ones to  
4       go in an economy is the business that we're in.  
5       We're the first ones to feel it.

6                 That dopy movie that was made, that  
7       Austin Powers movie where he claimed he lost his  
8       mojo, I think we lost our mojo. We lost the  
9       sexiness of what the radio stations are all about.  
10       Now we find ourselves backpedaling and  
11       counterpunching and it's a shame because we're  
12       still as you mentioned before well over 90-percent  
13       penetration in all homes. You can't get into a  
14       car without putting on the radio. In Hispanic  
15       communities we are still the primary source of  
16       news and information and language. So we're not  
17       going away anytime soon. We just need to look at  
18       the model and say we've got to do it a little bit  
19       differently.

20                 MS. FLEMING-WILLIAMS: We've heard the  
21       contributing factors of variety, we've heard  
22       consolidation of the industry, we've heard about

1 the advertising dollars maybe not being aware of  
2 the some of the sources of advertising revenue,  
3 the life cycle, the loss of mojo, so there are a  
4 variety of contributing factors. The telecom act  
5 of 1996 should have been a warning bell, a wakeup  
6 call that was perhaps missed by a lot of folks so  
7 that we've laid the foundation.

8 I wanted to ask Geoffrey if there are  
9 any differences. You're dealing with sovereign  
10 nations when you talk about Native American radio.  
11 What is their status? Have they been affected to  
12 the same extent by some of the contributing  
13 factors that have already been laid out?

14 MR. BLACKWELL: Thank you. First I want  
15 to say thank you, Carolyn, Mr. Wade and Mr. Reed  
16 for inviting me to participate. I am here on  
17 behalf of Loris Ann Taylor, the Executive Director  
18 of Native Public Media. Unfortunately, record  
19 rain and record snowfall in northern Arizona  
20 conspired against her ability to be able to be  
21 here. I really appreciate your question because  
22 to continue with this, I'm pinch-hitting for Loris

1 and I think to continue that analogy, there are  
2 some curveballs being thrown around the table to  
3 our experience that are a little both difficult to  
4 relate to and very recognizable at the same time.

5           When you asked the question about why is  
6 it in trouble, in Indian country we think when has  
7 there been a time when we haven't been in trouble?  
8 Native communities with few exceptions are  
9 cyclically impoverished, remote, economically  
10 distressed, low demographic communities that have  
11 significant geopolitical challenges and not just  
12 terrain challenges when you're talking about  
13 deployment of communications. Certainly Mr.  
14 Winston, Mr. Montero and Mr. Jones, we can relate  
15 directly to the things that you're talking about  
16 in terms of the changing field, changing  
17 tectonics, the kinds of things that changes at a  
18 national level have significant ripple effects in  
19 remote America.

20           Certainly I think one way to try to  
21 relate here is something that you led me to,  
22 Carolyn, with your question. Native broadcasters

1 are community broadcasters. Native Public Media  
2 is a project of the National Federation of  
3 Community Broadcasters and there is a significant  
4 reason for that. There are very few commercial  
5 stations, with all that having been said about the  
6 challenges of the economy in Indian country, the  
7 34 stations that are members of Native Public  
8 Media are all community licenses. They are  
9 institutions of tribal governments, of tribal  
10 communities, of Native Nations. They are anchor  
11 institutions. Yes, there are challenges, there  
12 are troubles, but when it comes to terrestrial  
13 radio on tribal lands, there is a bright future.  
14 Maybe it's as simple as it's good to be the only  
15 game in town when there are few games in town. I  
16 said there are 34 stations. When the Commission  
17 opened its FM noncommercial educational license  
18 window in 2007, there were about 50 applications  
19 from tribal nations doubling the network  
20 potentially in Indian country and many of those  
21 construction permits have already been granted.

22 We certainly have the same challenges in

1 terms of something that Frank said in terms of  
2 accounts receivable deadlines. They're certainly  
3 getting longer whether your revenue is ad revenue  
4 or whether it comes from a community. But it's a  
5 time I think when with some of the commonalities I  
6 want to reach out to my colleagues here and say  
7 welcome to Indian country. Welcome to the  
8 challenges of getting assets to be able to develop  
9 an economy. That having been said, Native  
10 broadcasters also I will continue in the time we  
11 have to try to relate directly to our discussion  
12 here because these are institutions of  
13 governments, these are institutions. We cannot  
14 have a step backward. We can't afford a step  
15 backward in an environment where we have a 5 to 8  
16 percent broadband penetration rate. It will be  
17 terrestrial radio stations that will help be the  
18 drivers of that new technology, new media, media  
19 2.0. So some of these problems, it would have  
20 been wonderful to have been ahead of, but others I  
21 think there's some commonality here that's being  
22 experienced by the Native Nations and their

1       broadcasters as well. Thank you.

2                   MS. FLEMING-WILLIAMS: Thank you. I'd  
3       like to welcome Mario Armstrong. He's made it  
4       through the traffic hurdles. As a reminder, he's  
5       both a radio and TV host, a founder of a number of  
6       organizations and very keenly interested and aware  
7       of the technology and where we are and where we're  
8       headed. He's the co-founder of a social  
9       networking utility, TechTechBoom. I just like  
10      saying that. Welcome. We were just laying the  
11      foundation and talking about the current status  
12      and I think we've thrown out a lot of the  
13      contributing factors that have led to the current  
14      state of radio. The purpose of this session is  
15      not to talk about the problems because there are  
16      many. We want to recognize, and I think a few of  
17      you also touched on the fact, even with all of the  
18      odds, radio is still here. So we're moving on to  
19      the segment of questions to talk about how radio  
20      still rises even today.

21                   I think some key examples from recent  
22      times is the current national initiative for



1        Census 2010. I hear PSAs. I think there probably  
2        could be more of them in terms of their ad revenue  
3        for that initiative. But who else can read the  
4        local community, those folks who would otherwise  
5        not participate at all, except local radio? I've  
6        heard PSAs, I've heard rap songs, et cetera.  
7        There's nobody who could do that for us but us.

8                Another example taken from the recent  
9        tragedy in Haiti where there is a small radio  
10       station in New York, Radio Soleil. I've never  
11       heard of Radio Soleil. There were the only radio  
12       station or one of the only radio stations  
13       broadcasting throughout the earthquake and  
14       thereafter. I understand people were lined up  
15       around the block trying to get in to get  
16       information about their loves ones in Haiti.  
17       Those are just two examples of the many, many  
18       examples of why radio must continue and why it's  
19       still relevant.

20               I think we want to explore how can radio  
21       capitalize on some of these unique abilities and  
22       make the case that they merit investment. Maybe

1 they need to talk about innovative business models  
2 and strategies, but radio has something unique to  
3 offer. How can that case be strongly made?

4 MS. MOBLEY-WRIGHT: I'll speak up  
5 because our company is a beneficiary of Census  
6 2010. We are placing the local spot radio and TV  
7 as a subcontractor to GlobalHue and one of the  
8 benefits of the limited dollars that are being  
9 spent in minority radio, we're doing black  
10 outreach which includes African American,  
11 Caribbean and Haitian communities, is the ability  
12 to cross-promote on a local level. So you have  
13 your broadcast, whatever your spot, PSAs, and your  
14 interviews, but then you have the local remotes so  
15 that you can press even deeper into those  
16 communities with local remotes, promotions being  
17 done. So that creates a whole nother local of  
18 synergy of education and motivation that will come  
19 out of those kinds of campaigns. That's what  
20 radio offers. You're doing what we call  
21 grassroots ad well as tree top outreach which is  
22 the kind of campaigning that you'll need to get

1 people motivated to fill out their census forms,  
2 so that's a primary example.

3 MS. FLEMING-WILLIAMS: Is there a weight  
4 or value when you go in for financing given to  
5 that aspect of local radio?

6 MR. JONES: Not really. If anyone knows  
7 of someone, I'll leave my card.

8 MS. FLEMING-WILLIAMS: There's goodwill.

9 MR. FLORES: Can I just say something?  
10 The census brings about a kind of special set of  
11 circumstances and I'm going to explain it to you.  
12 As the person who fronts SBS radio stations across  
13 the country, I met with GlobalHue and I met with  
14 Daisy Esposito who is the Spanish end of the  
15 advertising agency that's responsible for placing  
16 some of the local dollars in our markets. I said  
17 to them I am going to do something over and above.  
18 Why? Because I think it is incredibly important  
19 for us to get the right read on this. I think  
20 it's critically important for us to make sure that  
21 our listeners are opening their doors for the  
22 census takers, because as you know, there are so

1 many of us who come from so many different  
2 countries, they don't trust the government. So we  
3 have a problem with that, and that becomes our  
4 problem because if you've got undocumented  
5 individuals who are still buying products and  
6 services, who are still spending a crapload of  
7 money in the economy, but you're not getting  
8 credit for it, we're not getting credit for it so  
9 that marketplace is at a loss there.

10 I met with them and said we will go over  
11 and above what we would do for any client, but the  
12 proviso is don't expect this for your car  
13 companies or McDonald's. Don't come back and tell  
14 me you did this campaign for this one. This is  
15 different. It is our chance to really make a  
16 difference, and if we can make a difference  
17 demographically to show truly what our audience is  
18 all about, truly how big it is, you know what,  
19 that can only mean more money to the marketplace.

20 MR. MONTERO: I agree. On the census  
21 point, Frank tell me if you agree with this, but  
22 it is commonly believed that the 1990 census was a

1 watershed moment for investment into the Hispanic  
2 market, especially the media market, because in  
3 the 1980s when nobody really paid attention to  
4 Hispanic media, Univision was a small sleepy  
5 company being run by Hallmark, and suddenly when  
6 the 1990 census came out it was the first time  
7 that it was predicted that by the turn of the  
8 century the Hispanic market would be the largest  
9 ethnic minority in the country. It's not a  
10 coincidence that the amount of capital that  
11 started flowing into Hispanic media in the early  
12 1990s in the wake of the 1990 census shot up  
13 dramatically, SBS IPO, Univision IPO, Heftel  
14 Broadcasting IPO. It just exploded during that  
15 period.

16           Having said that, will the upcoming  
17 census drive a dramatic change in investment in  
18 Hispanic media or African American media? I don't  
19 know. Do you know where you could see it? Keep  
20 you eye on South Asian media. You're seeing real  
21 fast growth as radio stations are going to in band  
22 on channel terrestrial digital. You're seeing

1 some of those digital channels and they're being  
2 brokered by Pakistani formats, Indian formats,  
3 East Asian formats. In New York City you're  
4 seeing real big growth in Russian formats. If the  
5 census were to show dramatic increases in those  
6 demographics then you could certainly see a  
7 situation where the census drives interest and  
8 investment in markets that perhaps the investment  
9 community didn't have their eye on just like they  
10 didn't really have their eye on the Hispanic  
11 community in the 1980s.

12 MR. BLACKWELL: Carolyn, I think one of  
13 the strengths of minority radio regardless of  
14 which sector of the minority community we're  
15 talking about is that it is largely cultural.  
16 We're talking about cultural programming and  
17 cultural broadcasting. That is certainly one of  
18 the strengths of Native radio is that it it's  
19 cultural preservation, it's cultural exercise.  
20 The 565 tribal Native nations in the United  
21 States, each one has its own unique history and  
22 language and tradition and of the 34 nations that

1 have stations, it's not just an exercise looking  
2 backwards, but it's an exercise looking forward  
3 taking these new technological mediums and  
4 utilizing them in a way to create new cultural  
5 practices and new cultural experiences.

6 In advocating for ourselves in this  
7 place and in other places where we're looking to  
8 collateralize our assets, that is one of our  
9 greatest assets is that we speak with an authentic  
10 voice to our communities. That is not to be  
11 underestimated.

12 MR. WADE: I'm very curious about this.  
13 This is fascinating to hear the dialogue around  
14 the census obviously which is a Commerce effort  
15 that we are engaged in right now. I'm also  
16 interested, and perhaps Mario can contribute here,  
17 is there anything generational that we can learn  
18 from in terms of the use of online strategies?  
19 During the previous presidential campaign I think  
20 we learned a lot in having been a part of a number  
21 of those conversations on how we use online  
22 strategies, how we engage Generation Xers and

1 others and how does that add value in our efforts  
2 to sustain radio as a business and have we made  
3 that transition and shift to what is quite frankly  
4 something we can't avoid? I'm curious about your  
5 thoughts in that regard?

6 MR. ARMSTRONG: First of all, thank you  
7 so much for having me here today and contributing  
8 to this awesome panel of brain and intellect power  
9 that you have here. As it relates to your point,  
10 you're absolutely right. When I go out and speak  
11 to the youth of today about technology and this is  
12 across the country and in some places Europe or  
13 Switzerland and Korea, just to give you a sense of  
14 what's going on, I'm pulling up a stream right now  
15 live from a radio station right from my iPhone.  
16 This is an iPhone application and it's going to go  
17 into the programming that's on the air right now  
18 in just a second here. My point is these are the  
19 devices that the generation is carrying, these  
20 devices and others, and what we are seeing is that  
21 by 2013 the access to the internet is going to be  
22 dominated by these handheld devices and not by



1 desktop computers. So that means we have an  
2 opportunity because we can access the content  
3 anytime, anywhere.

4           So that opens up a whole other  
5 opportunity that I think has really been  
6 overlooked for quite some time and it's time that  
7 we pay attention to what tools people are  
8 utilizing and where they're utilizing these tools  
9 to get access to the content that they're looking  
10 for. One thing that I'm not really seeing because  
11 many of the youth today are looking for these  
12 types of programs that could be more geared toward  
13 them on these devices that offer them all types of  
14 opportunities, to share the content, to move it  
15 from one place to another, to be able to save it  
16 and be listen to it later, to favorite it and  
17 share it to a friend, all types of transactions  
18 can take place on these devices when you're  
19 acquiring the content. But what I'm not really  
20 seeing to a large degree is the mobile application  
21 development of a lot of local and minority- owned  
22 radio stations. In other words, developing

1 applications for these mobile devices. This is a  
2 total revenue stream opportunity, number one.  
3 Number two, it's an empowering marketing vehicle  
4 for how you can reach these audiences. So you  
5 take those combinations, and number three, the  
6 analytics that you can derive from what people do  
7 on these devices, what they're clicking on, how  
8 long are they on it, what calls to action do they  
9 engage with, all of these things are very, very  
10 powerful analytics that I would throw up against  
11 PPM any day to challenge whether those analytics  
12 can provide better than what Arbitron and others  
13 are putting out there.

14           When you see these statistics that I'm  
15 not making up, when you clearly see more and more  
16 people carrying these devices, what I hear from  
17 people that are telling me they're listening to a  
18 program from their favorite station back in  
19 Baltimore but they now live in California, that's  
20 incredible so that they can still remain in tuned  
21 to what's happening locally to the areas that they  
22 care about the most. So I think the internet

1 obviously is really what is the groundwork and  
2 broadband connectivity and adoption is clearly the  
3 issue that we need to get to. One of the things  
4 that we've noticed if you look at Pew internet  
5 research and others, Hispanics and African  
6 Americans consume more media on handheld devices  
7 than any other ethnicity. That is an amazing  
8 statistic that we cannot ignore and I'm frankly  
9 tired of us being consumers of it and not creators  
10 of it and I think the opportunity now is for us to  
11 look at creation to benefit. I think of iM4 Radio  
12 and others that are in that space and I want to  
13 see mobile development in that space.

14 MR. BROYLES: To follow-up on what Mario  
15 said, here is a specific example of how when you  
16 look at again the changing media consumption  
17 patterns and its impact on radio, one of the things  
18 that the internet allows is it allows people to  
19 get information and entertainment in the long  
20 tail. So you can get to a level of granularity  
21 with respect to entertainment and news that's  
22 impossible via radio or television broadcast or

1 any other just because you don't have the  
2 capacity. For example, it's one thing to say I  
3 like karate. It's another thing to say I want to  
4 watch Moo Duk Kwan, Tai Kwan Do, Tang Soo Do so  
5 that the internet allows people to really target  
6 very, very pointed areas. An opportunity exists  
7 for radio. Radio is going to always relevant and  
8 particularly to local content and that's an  
9 important piece. What radio operators can do is  
10 drive some of this more granular content onto  
11 their broadband platforms, their mobile  
12 applications if they develop those which could be  
13 done, or websites. That's just one simple  
14 example. You see that now where WTOP will say if  
15 you want to hear about this news go to our  
16 website. On their online presence or their new  
17 media platforms they're empowered to just dig down  
18 deeper and more specific to where consumers want  
19 to get information and that's why Twitter and  
20 Facebook and these other social networking  
21 platforms, they get people very granular  
22 information that you can't get through mass media

1 programming.

2 MR. FLORES: I also think that we're  
3 closer to it than other media have been in terms  
4 of closer to looking at these things as  
5 opportunities. In today's "New York Times" they  
6 were talking about the Apple Tablet and in the  
7 lead article it says, "Apple Tablet: Print Media's  
8 Hope for a Payday." Print media, you want to talk  
9 about an industry that's taken it in the shorts in  
10 the last few years, print media has really been  
11 almost laid to rest. They're hoping that this new  
12 device which Apple is going to be pitching the  
13 living crap out of is going to be another entrée  
14 for them to get that missing audience that they  
15 lost by being able to charge for content. What  
16 Eric says is that we're still local content  
17 providers. We need to bridge that gap between  
18 what's happening especially in the younger  
19 generation. The younger generation doesn't look  
20 at radio as a viable tool. They think about it,  
21 they might listen to it, but they'll never admit  
22 they're listening to it.

1 MS. MOBLEY-WRIGHT: It's not cool  
2 anymore.

3 MR. FLORES: It is not cool. There was  
4 an article last week, I think it was in the  
5 "Times" again, and they were talking about the  
6 Kaiser Foundation study. They were talking about  
7 they did a study from 8- to 18-year- olds. Some  
8 incredible things were talked about in this study.  
9 Seventy-six percent of 8- to 18-year-olds have an  
10 iPod or an MP3 that they listen to about 2-1/2  
11 hours a day. The reason why I'm saying this is  
12 when they were talking about how electronically  
13 connected they are to all of these different  
14 devices to get music, information, what have you,  
15 radio wasn't mentioned in this article at all.  
16 Radio was not mentioned once, and I went over it  
17 four or five different times. Now I find out when  
18 you get into it a little bit more that the 2-1/2  
19 hours of music listening that they're listening  
20 to, 32 minutes is radio. That was buried some  
21 place but it wasn't in the original article. That  
22 is a commentary on where we're at. We're just not

1 that especially that 8- to 12-year-old, the 8- to  
2 15-year- old, and we've got to get back there.

3 MR. MONTERO: There is definitely a  
4 perception of a problem with radio and it's funny  
5 because it's not cool to listen to radio that you  
6 hear on the part of teenagers and preteens is very  
7 much like what you're hearing from banks and hedge  
8 funds and investment companies. They're in  
9 lockstep. Radio is not cool anymore. The funny  
10 thing is, and this came up last year when I was at  
11 the BIA Financial forecast and I did an informal  
12 poll with my daughters. I've got a 14-year-old  
13 and I've got an 11-year-old so they're right in  
14 the sweet spot. I noticed that when they're  
15 sitting in my car that the first thing they say  
16 is, Dad, get that old foggy music off. I want to  
17 hear in the case of my 14-year-old Hot 99.5. So  
18 I'm sitting there and I'm thinking to myself this  
19 is the same 14-year-old who says that radio is  
20 really not cool, but yet she knows the frequency,  
21 she knows the format, and then when I talk to her  
22 a little later and she's listening to the songs on

1 her iPod, I went up to her and I said, Anita, I'm  
2 just curious. When you download a song off the  
3 iPod, how do you know which song to download?  
4 Which ones do you get? How do you find out about  
5 it? She says, a couple of ways. Stuff my friends  
6 listen to, but mostly I hear it on the radio.

7 MS. FLEMING-WILLIAMS: It's got to be  
8 something cool.

9 MR. MONTERO: But here's the thing.  
10 Unless she's sitting in the car and she's not  
11 driving yet, she's not listening to the radio. So  
12 your point to having the applications so that this  
13 content can get to the devices that they are  
14 plugged into is critically important.

15 MS. FLEMING-WILLIAMS: I want to  
16 follow-up that point about the coolness, what is  
17 more cool than more listening to the radio over  
18 the internet? What is more cool than iM4 radio?

19 MR. SPEARS: IM4radio Broadcasting  
20 Network is a direct result of what Mario was  
21 talking about. The problem is content. They want  
22 more content. They're tired of the same five



1 songs. Most people are tired of the same five  
2 songs every 19 minutes. That's the problem.  
3 People are looking for something different. I'm  
4 fairly new to the industry. I've been on -- radio  
5 for 10 years and iM4radio was created 7 years ago  
6 out of the need that people wanted different  
7 content. We're totally online. We're not an FM  
8 station and we're not a terrestrial station at  
9 all. We're not a satellite station. We're  
10 online, and just like Mario said you can access  
11 online. There was a teenager who created the  
12 Fstream app or the iPhones so people can tune in  
13 and listen through their phones, so that's where  
14 it is and that's where we are. We're working with  
15 the census to reach people through their phones  
16 because unlike a radio, you go everywhere with  
17 your phone, to the bathroom with the phone. Your  
18 phone is everywhere with you and that's where we  
19 are right now. We have to meet people where they  
20 are and that's the phone.

21 MR. JONES: These are excellent points  
22 but I want to make sure that we don't get caught

1 up in the moment and forget the lesson that we  
2 didn't get the last time. Radio is constantly  
3 being talked about as a technology and there is  
4 technology built into the business, but it is not  
5 the technology. This is one of the distinctions I  
6 think that has allowed to miss opportunities.  
7 Radio has always been a human condition. It's  
8 always been about the people behind the microphone  
9 and not just the microphone. An earlier question  
10 was what's unique about radio and urban and  
11 Hispanic radio? The credibility of radio has much  
12 less to do with the music that's being played, and  
13 has everything to do with the personality behind  
14 that microphone. They have developed a trust with  
15 the community. That's why it works. That trust  
16 is transformative and it can be reemployed into  
17 any platform and extended into any platform, and  
18 that's one of the unique powers that we still have  
19 as an opportunity.

20 When one of Frank's personalities gets  
21 on the air and say something, anything that goes  
22 on right after or just before what he says or she

1 says is much more powerful to that audience than  
2 it is when it's sent out electronically on a  
3 platform. We are right now as a country enamored  
4 by technology. We're drunk with it. It causes us  
5 to miss the deeper value and deeper truth. When  
6 radio started out as a medium in the 1920s it was  
7 really about the personalities and it continued  
8 that way. We're really a human search engine if  
9 you think about it. If you think about the power  
10 of what our medium is, there are hundreds of  
11 thousands of records out there and some  
12 personality, some programmer decides these 40 will  
13 be a hit and they end up being a hit. What's up  
14 with that? What happens is the credibility of the  
15 humans behind it and their band presence that  
16 makes radio unique, makes it super local, and  
17 that's what we can export to other media. Yes, I  
18 believe what Mario is saying is absolutely true.  
19 For example, as for the African American audience,  
20 over 56 percent of them are under the age of 35  
21 and 30 percent are under the age of 18. They have  
22 long since gone away from the old transistor to

1 the new transistor that Mario just showed us.  
2 That is the transistor radio of today and  
3 tomorrow. This coming year there will be \$560  
4 million spent just in mobile advertising and  
5 that's going to grow exponentially.

6 MR. WADE: I know we're going to take a  
7 break in just a few minutes, but from a pure  
8 business model and if we're talking about how do  
9 we sustain radio stations today and in the future,  
10 this type of hybrid operation, online paired with  
11 current traditional radio, is that where investors  
12 want you to go and the advertising dollars are  
13 currently? Frank you talked about this earlier,  
14 isn't this shift absolutely necessary if you are  
15 to sustain yourselves financially from a purely  
16 business model, isn't that what the advertising  
17 and other investors want?

18 MR. FLORES: Rick, if you're talking to  
19 a captive audience which I really do believe that  
20 urban and Hispanic broadcasters are talking to, it  
21 is imperative that you embrace the new technology,  
22 you bundle it up, you find some great synergistic

1 connections to it and then you sell it back to  
2 them because you're selling back to a marketer or  
3 an advertiser who knows little about your audience  
4 because they're looking at you as the expert in  
5 that. So why not do all of that? That's what  
6 we're trying to do. We're trying to bundle up TV,  
7 radio, internet, bring it all to an advertise and  
8 say you want entrée into this marketplace which  
9 you don't understand and you don't speak their  
10 language and you don't understand the culture, you  
11 don't need to. We're going to be the bridge to  
12 that and we're going to show you how to do it and  
13 we're going to do this cross-platform kind of  
14 service for you so that you can really appreciate  
15 the dynamics of that marketplace and get  
16 everything that you need to get out of it so that  
17 you do need to go that way.

18 MR. WINSTON: May I throw out a  
19 question? Obviously this a trend that's been  
20 developing over several years and we discuss this  
21 at NABOB conferences quite frequently. What I  
22 hear from my members because we bring in experts

1 to talk about internet platforms for radio, and  
2 what I hear from my members again and again is  
3 that the revenues are not tracking the needed  
4 investment so that the problem you have is that  
5 when you start investing in higher-technology  
6 activities for your radio station, you can't  
7 justify it on a revenue basis. I was interested  
8 in hearing from Frank and Zemira who have been on  
9 the frontlines there that the large part of the  
10 reluctance of radio to embrace these new  
11 technologies is not because they don't see them  
12 developing and don't understand that they are  
13 there, but the problem is they can't convert that  
14 into revenue sufficient to cover those new  
15 investments and those ongoing operating costs of  
16 having skilled people on staff to operate these  
17 higher-tech functions. I'd like to get some  
18 response from the guys on the frontline about  
19 that.

20 MS. FLEMING-WILLIAMS: Just let me say  
21 that we are being streamed and one of the  
22 questions coming across was who's going to pay for

1 the investment.

2 MR. BLACKWELL: To answer your question  
3 from the Native perspective, if we don't, nobody  
4 else will, and that goes to the point of who's  
5 going to pay for it. We are not drunk with  
6 technology in Indian country. The 1990 census was  
7 a watershed for Indian country because it  
8 demonstrated such an extreme need for  
9 communications. It illustrated less than a  
10 50-percent telephone penetration rate in Indian  
11 country. That rose to just under 70 percent in  
12 the 2000 decennial census. And we have a  
13 broadband penetration rate to run the kinds of  
14 applications and mobile devices we're talking  
15 about that's estimated around 5 to 8 percent.  
16 That comes from discussions among tribal leaders  
17 from across the United States. So we have an  
18 environment where we're trying to build and  
19 sustain these Native radio stations that are still  
20 very relevant because they are one of the few  
21 games in town. They do increasingly play a public  
22 safety and homeland security type of role as well.

1 But trying to engage a new generation that is most  
2 definitely adaptive, we're some of the most highly  
3 adaptive societies in the history of the world in  
4 Indian country. We have always used the best of  
5 what we've learned from our neighbors and others,  
6 and that certainly includes modern technologies  
7 and communications technologies.

8 It is also still an environment that is  
9 so strong culturally that it is a place where word  
10 of mouth can still be very reliable, where the  
11 mother network is still some place where you can  
12 really learn what's going on. I agree with Mr.  
13 Spears when he says it's all about individualism,  
14 it's about the ability to find and make what is  
15 otherwise being broadcasting chosen for you,  
16 making it relevant to yourselves. On tribal lands  
17 in order to be able to do that, we have to find  
18 business models that are sustainable and in Indian  
19 country sustainable does not always mean  
20 profitable. That is why so many tribal  
21 governments themselves have become their own  
22 carriers of last resort, their own providers,



1 their own broadcasters. Nobody else will do it  
2 for them.

3           There's another significant reason why  
4 we have to engage with new platforms,  
5 internet-based platforms, that reservations and  
6 tribal lands have not always been the easiest  
7 places to live, the best place to find a job, the  
8 best place to educate children or raise your  
9 family and we have significant urban and suburban  
10 native populations. Just as Mr. Armstrong was  
11 saying, how do I stay in touch with my people back  
12 in Baltimore? It's the same exact question for  
13 tribal people, how do we stay back in touch with  
14 folks who are at Rocky Boy out on Navajo or where  
15 my family is from in Oklahoma or Nebraska? I look  
16 forward to the time where we're going to talk  
17 about business models because we've done some  
18 studies. Native Public Media and the New America  
19 Foundation has done a study that has proven some  
20 fundamental truths that apply in this environment  
21 but I'll wait until that time.

22           MS. FLEMING-WILLIAMS: I'd like to get

1 any more thoughts on who's going to pay and then  
2 we're going to take a break.

3 MR. JONES: Growth is what the investors  
4 are looking for. They want to be sure that they  
5 can get three times plus out of it whether they're  
6 a debt or an equity player and radio hasn't been  
7 able to in the current model to demonstrate that.  
8 Radio has obviously been going in the other  
9 direction. But there's a reset opportunity and  
10 embedded in the noise, one of the things that  
11 we're seeing is that we've gone in the 1970s from  
12 I would say broadcasting to target marketing to  
13 niche marketing to one- to-one marketing to now  
14 it's nanomarketing. There was a new MIT study  
15 that just came out that was saying how this  
16 nanomarketing and advertising is starting to show  
17 diminishing returns on profitability to the  
18 advertisers. It's already starting that we have  
19 gotten to minute in our targeting that the ROI is  
20 not as lucrative as it was just 18 months.

21 We also see I think a big truth coming in  
22 that says hope for radio and that's in Twitter. We

1 all can get information on the internet ourselves.  
2 Just about anything we ca want we can find  
3 ourselves. We don't need anyone else anymore  
4 thanks to Google and others. But if I want to  
5 follow you, Rick, there are thousands of people who  
6 would like to follow you and do what you say just  
7 because you put it out there because credibility is  
8 much more important just access to information and  
9 that's why radio has always had a real power. So  
10 using technology to export that not only in  
11 traditional over the air but combine that with new  
12 technology online as Mario was talking about is a  
13 great combination. That tension is coming back.  
14 That's why you're seeing people following people  
15 and not just going out using technology for  
16 information and using that to monetize and  
17 switching to new models that I'm sure we'll talk  
18 about will give radio an opportunity for a  
19 renaissance.

20 MR. FLORES: I think we've come around  
21 full circle. We started by talking about the  
22 problems that minority and local radio stations

1 have when we talked and the tough economy, we  
2 talked about the rating services and how they've  
3 affected us. Now we get down to the nitty- gritty  
4 in terms of how do we expand our business, how do  
5 we stay viable in the face of all of this new  
6 technology. I'm not from the south unless you  
7 call the South Bronx the south, but they have a  
8 saying that says it's hard to think about draining  
9 the swamp when you're up to your ass in  
10 alligators, so most of us are up to our asses in  
11 alligators. We're trying to see what it is that  
12 we could do to survive year to year while still  
13 trying to expand our business, while still trying  
14 to say we want to be viable and profitable in the  
15 year 2015, so how do we get there? Right now on  
16 this present course, the way the old model was  
17 isn't going to work.

18 MR. SPEARS: I think what has to happen  
19 is that people really have to pay attention to  
20 like Mr. Winston said what's out there? Who's  
21 doing this new style of radio? People, the  
22 gatekeepers, the powers that be, have to listen to

1 new ideas. You have a broadcasting network, you  
2 have individuals such as Mario who's working with  
3 youth. They know exactly what's going on. We  
4 have our finger on the pulse. The station has  
5 been around for 7 years. Like I said, we don't do  
6 any terrestrial streaming. We're totally online.  
7 We have 106,000 listeners on a budget of less than  
8 \$10,000 per month for 6 years. It's time for  
9 people to pay attention to what's already here.  
10 It's here. We're doing it. Mario is doing it.  
11 People have to pay attention.

12 MR. ARMSTRONG: I'd like to piggyback  
13 off of what Cleveland is saying, and just so it's  
14 clear, I live in so many different areas of  
15 content generation. Just to give you a quick  
16 understanding, I'm weekly on CNN delivering  
17 content for them, I'm on satellite radio  
18 delivering content for them, I'm on NPR, Public  
19 Radio which is not commercial radio as we know,  
20 then I'm on KOIS with Russ Parr, I'm on Tom  
21 Joyner, then we're on the internet, and then I'm  
22 doing podcasting. My point with saying all of

1 this is that I get to see so many different models  
2 and so many different uses and adoption and  
3 techniques that it's interesting that I can't  
4 foresee how radio can survive if it does not go to  
5 a hybrid model. When you ask the question who  
6 needs to pay, there's a lot of confusion. You've  
7 just heard some stats and figures from someone  
8 who's doing it. There is a lot of confusion and  
9 misperception as to what it costs to make these  
10 types of things take place and I think we get so  
11 focused on how much money is it going to take. I  
12 understand the issue that we need to generate  
13 revenue, but at what point do you reinvest in  
14 yourself to say we need to change? No one else is  
15 going to do it for us. There are grant  
16 opportunities that these stations don't go after  
17 because they haven't really looked at that  
18 particular model. But when you look at that, I  
19 cannot foresee why when the cost of entry is  
20 really in practicality so low to get engaged. The  
21 answers that you hear back will be we don't have  
22 the staff. I get that and I've met with some of

1 those folks and I understand it, but have the  
2 really, really researched what it takes to pull it  
3 off? And are we talking about a whole overhaul or  
4 are we talking about a phased approach? Are we  
5 willing to experiment with our medium to find new  
6 ways to develop new programming? We've heard  
7 personalities, we've heard that drive content,  
8 we've heard local, we've heard focused, all of  
9 those things. We are seeing more rock stars on  
10 the internet today when some of the multimillion  
11 people who we are paying for these radio shows.  
12 Why is that? Because of some of the things that  
13 Zemira just pointed out. People want to follow  
14 people who have great content, not necessarily  
15 personality-driven stuff anymore. Obviously  
16 personality works well and you need that for  
17 entertainment purposes to some extent, but the  
18 content trumps that and rises above all that.  
19 People will listen to a more horrible podcast  
20 before they listen to a well-invested radio show  
21 that they do not like and that's just the reality.

22 I have people who are taking devices and

1 bypassing the radio in the car. They're bypassing  
2 radio. They don't even think. iPod, bypass.

3 MS. FLEMING-WILLIAMS: On that point,  
4 Mario, I think you've set us up to take a little  
5 break. We can think about how we can get folks  
6 back on the track and not bypassing radio in our  
7 next segment. Let's take about a 10-minute break.

8 (Recess)

9 MS. FLEMING-WILLIAMS: We've laid the  
10 foundation and we've talked about what works and  
11 what doesn't work, and now we're on the precipice  
12 of the future and the future is now. In the  
13 entertainment world we've heard about so-called  
14 collabos, artists will team with other artists to  
15 extend their reach into a new demographic or to  
16 expand their sales, et cetera. This is a concept  
17 that we think that others in the media should  
18 think about. We've talked about it generally when  
19 we've talked about hybrids between traditional  
20 radio and some of the new platforms and new  
21 country technology. I want to kick off this part  
22 of our session with are there examples of



1 broadband's use today? What are radio stations  
2 doing today to engage in new technologies and new  
3 platforms? What examples are out there? I know  
4 it's not a hybrid, but certainly we have the  
5 example of a purely streamed network and maybe,  
6 Cleveland, you can talk about your formatting.  
7 What's a typical programming session or  
8 programming for iM4 radio?

9 MR. SPEARS: The typical radio is very  
10 different from what you normally would see on  
11 regular radio. We run off of a TV schedule. Our  
12 on-air personalities are not on the air every day  
13 4 hours a day which enables us to be able to  
14 provide fresher content. People pay attention a  
15 little bit more with our on-air personalities. We  
16 have about 34 right now out of our Largo location.  
17 That can be everything from soul music to talk to  
18 rock, everything, we pretty much play it and  
19 that's what people are paying attention to.

20 MS. FLEMING-WILLIAMS: Mario, what are  
21 you seeing that's happening today?

22 MR. ARMSTRONG: Beyond what I've already

1 mentioned earlier?

2 MS. FLEMING-WILLIAMS: You can reiterate  
3 all of that. You have some radio stations who are  
4 engaged in using some other platforms.

5 MR. ARMSTRONG: Absolutely. You have  
6 radio stations using more and more different  
7 platforms, but what I'm seeing and I mentioned  
8 this earlier and I think is definitely a solution  
9 as something that we should start to focus on and  
10 is the mobile development of our content. What I  
11 mean by that is either making our websites mobile  
12 or making applications made of applications.  
13 There's a difference between the mobile web and  
14 making your website accessible on a mobile device,  
15 and a clear difference in creating an app that has  
16 a set of features and functionality that runs on  
17 these types of mobile devices. I think as we  
18 pointed out earlier, ad spending is increasing in  
19 the mobile space. Zemira pointed out some  
20 specific figures. I've spoken with some of the  
21 companies that do advertising or help companies  
22 advertise their brand on mobile devices and that

1 is clearly growing. If you look at the recent  
2 events, albeit a disaster of the event that it was  
3 with Haiti, you saw an empowerment of people using  
4 their mobile devices to get engaged.

5           Why I'm saying that is because that's  
6 also setting the stage for micropayments, it's  
7 also setting the stage for people being  
8 comfortable using their phones to make financial  
9 transactions whether that be consuming content or  
10 donations. So I think we're at that tipping point  
11 and we need to take advantage of the fact that our  
12 audiences, Native American, Hispanic or Latino and  
13 African American are using these devices more so  
14 than others on the mobile web and capitalizing on  
15 the adoption of us as content providers leveraging  
16 these tools. So I think from that perspective I'm  
17 seeing specific examples like NPR which has an  
18 iPhone application that is a specific app that  
19 they've created. Then I've seen smaller stations  
20 like WTMD in the Baltimore market create its own  
21 iPhone application and we're talking probably  
22 about \$4- to \$5,000 iPhone app because I know we

1 went through some hard figures. Obviously these  
2 things can go to \$20- or \$30,000 depending on the  
3 functionality of what we're looking for. But you  
4 can get into the game of mobile streaming and  
5 mobile content providing for under or around 5K.

6 MR. WINSTON: May I ask a question? As  
7 I expected, I was going to learn a lot here.  
8 Mario, when you say create an app I assume when  
9 you said that somebody created an app for the  
10 iPhone it's one of these situations where you go  
11 to the iPhone store and you download that app.

12 MR. ARMSTRONG: Correct.

13 MR. WINSTON: Why would each station  
14 need to create its own app? I thought you were  
15 saying that there was an app and that you could go  
16 to the Apple store and get and then your station  
17 could access that app and be accessible to the  
18 world.

19 MR. ARMSTRONG: What I'm saying is that  
20 each station should create its own defined  
21 application unless you have an ownership group.  
22 Then it makes sense for the ownership group to

1 look at creating one application where you can  
2 access all the different stations that it owns.

3 MR. BROYLES: Jim, you could think of  
4 the app like a low-power television station. It's  
5 solely targeted to your programming and it would  
6 be an app. I concur. The mobile app that we  
7 built for the product that my company is launching  
8 later this quarter, we spent about \$50,000 and  
9 that's a complex technology where we're close to  
10 seven figures for the web-based application, but  
11 for the mobile we spent about \$50,000 and it's  
12 very complex. It's going to show how everyone in  
13 the world is connected. Whether you are in our  
14 system or not, it maps it out. So you and I meet  
15 and we punch in each other's name, that  
16 application as complicated as it is, although it  
17 piggybacks, it's API to our more expensive  
18 web-based application, it still was a \$50,000 app.

19 MR. ARMSTRONG: API is an application  
20 program interface.

21 MR. BROYLES: Thanks, Mario.

22 MR. ARMSTRONG: At the end of the day

1       it's a snippet of code that you place onto your  
2       application.

3               MR. BROYLES:   You can tell the  
4       professionals here.

5               MR. ARMSTRONG:   I just wanted to make  
6       sure it was clear.   I thought your point was well  
7       raised and I just wanted to make sure.

8               MR. MONTERO:   I've heard several  
9       stations or station groups within a particular  
10      market looking to create their own micro social  
11      networking site within the given market where  
12      people sign up.   Many stations as you know already  
13      will frequently have Facebook groups or Twitter  
14      feeds either from the station or the part of their  
15      on-air personalities, but they're creating social  
16      network sites that may be unique to San Antonio or  
17      some place like that and will have feeds of  
18      activities of interest within that given community  
19      tying into the station and maybe having a live  
20      feed from the station.   But they also tie into  
21      their advertisers and not just banners or links to  
22      the advertisers' websites which, Mario, as you

1 pointed out is great, immediate feedback to those  
2 advertisers of who is coming to their site and how  
3 they're getting there because they're getting  
4 there from the social networking site.

5 But they're also using it as a vehicle  
6 to be able to print or download anything from  
7 coupons for those advertisers, concert ticket  
8 giveaways, be the fourth caller. You don't go to  
9 the station anymore. If you're the fourth caller  
10 you just download the tickets right from the  
11 social networking site and you may have to  
12 subscribe to the social networking site because  
13 some of those activities are only available to  
14 those who are participating in the social  
15 networking site which pulls them in even that much  
16 more. And then taking that social networking site  
17 and creating an app so that you can download it  
18 onto your iPhone or your PDA and be able to access  
19 it or download podcasts with the audio off of your  
20 PDA.

21 MS. FLEMING-WILLIAMS: Does that make a  
22 case for some of the big ISPs like Comcast or

1 Verizon or even the big search engines like Google  
2 or Yahoo to make an investment in these sorts of  
3 collaborations? Is that part of a case to be made  
4 for investment?

5 MR. ARMSTRONG: There's a case to be  
6 made if they want to make some money.

7 MS. FLEMING-WILLIAMS: Is there a  
8 because incentive for them?

9 MR. ARMSTRONG: That's what I mean.  
10 There's a case to be made because of if you look  
11 at the lack of broadband adoption in this country  
12 and there's a bunch of other things that need to  
13 be dealt with and I know that we already have an  
14 FCC plan and this February we'll be hearing more  
15 about that National Broadband Plan. Right?

16 MS. FLEMING-WILLIAMS: Or thereabouts.

17 MR. ARMSTRONG: What was that?

18 MS. FLEMING-WILLIAMS: Yes.

19 MR. ARMSTRONG: I'll keep my comment  
20 really short and brief on this. The point is  
21 absolutely because you have areas of the country  
22 that they can say what they want, but the



1 providers have not decided to go into certain  
2 areas because of certain types of infrastructure  
3 that's not available or that needs to be built out  
4 and there's a significant cost to doing that  
5 construction and I get all that. And when you  
6 have a certain amount of houses or a certain  
7 population that they don't really foresee possibly  
8 as a money-generating revenue scenario, they call  
9 it redlining. I'm not suggesting anyone is doing  
10 that, but it's just weird to me that we don't have  
11 full broadband adoption across the country  
12 accessible.

13           What that does bring into play though is  
14 something that we need to look at as a solution.  
15 Forget the wired. Why aren't we thinking about  
16 wireless? For example, 4G or YMAX technologies or  
17 evolutions of even what you hear a lot about, 3G  
18 technologies. I was just at CES 2 years ago and  
19 so this is actually in just this last year, but  
20 the one thing I want to share with you is internet  
21 in the vehicle will be here and is here to some  
22 degree, but will be here in the mainstream very

1       shortly. The pieces of the puzzle are there.  
2       Once you have something like YMAX, and for those  
3       who do not know, that is like a 30-mile-wide  
4       radius of a WiFi hotspot. So imagine being able  
5       to drive around your city and have that type of  
6       connectivity without dropping that connectivity.  
7       You could not be tuning into frequencies. You  
8       could be tuning into internet addresses on the  
9       dial in vehicles coming.

10               MR. SPEARS: Just add to that, actually  
11       that's happening right now. We've got a young  
12       people who are figuring out a lot of things at our  
13       station and what we're doing is a little mechanism  
14       that we have right here. You're probably familiar  
15       with it. This is plugging into a phone. Some  
16       cars have auxiliary jacks right now in their cars  
17       so people are able to listen in their cars through  
18       a simple auxiliary jack plugged into their phone  
19       into the car so our station and other stations are  
20       able to be listened to right now just from  
21       something that simple.

22               MS. MOBLEY-WRIGHT: Carolyn, the point

1 that you left off with before we took our break,  
2 that question was never really dealt with. You  
3 asked who is going to pay for it? In listening to  
4 what Mario said with regard to the Googles, the  
5 Yahoos and the implications of broadband as they  
6 enter into these communities and that whole idea  
7 of redlining that you threw out there, where is  
8 the value in the investment? When you look at  
9 e-commerce and when you look at the numbers that  
10 are always being thrown out with regard to  
11 minority populations and all of that, why wouldn't  
12 the Googles and Verizons, et cetera, want to make  
13 those investments also? Mario just threw it out  
14 there so quickly, but there are grants that are  
15 available. Not to beat up on our government  
16 again, but there's a woman, Linda Smith. I'm  
17 going to quote her from the book "Who Moved My  
18 Cheese" -- the new cheese is government cheese and  
19 it's green now. There is money available and the  
20 problem is that we don't know how to access those  
21 grants and get that information so that the  
22 station owners can take advantage of perhaps money

1 that the federal government makes available. But  
2 if a case can be built for those investors whether  
3 it's the federal government or whatever for  
4 eCommerce as good corporate citizens for the  
5 educational aspects of broadband, it seems to me  
6 that the investment opportunities should be there  
7 for those who are brilliant enough to put those  
8 packages together to include those elements it  
9 would seem to me.

10 MR. BLACKWELL: The because opportunity  
11 is the ability to reach the majority of Americans  
12 who are not served by mainstream media in the  
13 Native American context. In many places tribal  
14 nations are local drivers of economies because of  
15 their unique status and the unique types of  
16 businesses that they can engage in and the fact  
17 that they make good local partners for economic  
18 drivers.

19 I'm of the opinion and I agree with  
20 Mario and Cleveland have said. I think that  
21 there's going to be a point in time of where  
22 they've led us in this discussion. There's going

1 to be a point in time where this amazing explosion  
2 of technology is going to come back around full  
3 circle to where people are looking what is the  
4 good content? What is the actual content? What  
5 is the authentic content? I'm a reluctant early  
6 adopter personally. I tend to fall in love with  
7 devices. I'm very envious with what's going on  
8 over here on the table. But when I find something  
9 that works, I'm constantly looking for who is  
10 reporting on this the best? Who's telling the  
11 best story? Who's actually digging into this and  
12 getting the information to me. That goes from all  
13 sorts of different news sources that come into my  
14 household.

15 It is also an environment in Indian  
16 country because of the lack of basic services,  
17 it's the ability of these companies some of which  
18 you mentioned to get in on the ground floor in the  
19 creation of the backbone of a network that will be  
20 a new economic driver for rural America. And  
21 there is precedent. I wanted to bring the group's  
22 attention to a study that I mentioned earlier.

1 This is the first ever study on broadband in  
2 Indian country. It was undertaken by Native  
3 Public Media and the New America Foundation. It's  
4 entitled "New Media Technology and Internet Use in  
5 Indian Country: Quantitative and Qualitative  
6 Analyses." The discussion at this point, we've  
7 led up to what's the value proposition? What's  
8 the business model going to look like if we're  
9 using terrestrial radio as the backbone branching  
10 off into new media platforms and what role do the  
11 big majority firms, bit search engine firms or  
12 others, play in this? One of the fundamental  
13 truths of tribal lands is a real lesson in demand  
14 aggregation for broadband use.

15 The other that we're never going to  
16 succeed in a national census is sheer numbers. We  
17 have a very low population base in remote America,  
18 so for any communications service to survive or to  
19 even approach profitability, it has to aggregate  
20 demand, and Native Public Media and the New  
21 America Foundation in their study here lays out in  
22 many places in Indian country where that demand

1 aggregation has begun with anchor institutions,  
2 the anchor institutions that are unique to our  
3 insular communities, our governments, our  
4 educational institutions, or health and safety and  
5 welfare institutions. In many places those radio  
6 stations are regarded as one of those institutions  
7 in nation building in trying to bring together the  
8 demand for a critical infrastructure in certain  
9 places. There's a very good example of what you  
10 were talking about, Mario, the creation of an app  
11 or a new platform. The Coeur d' Alene tribe in  
12 northern Idaho is a very good example of how  
13 certain federal programs have been utilized  
14 aggregating demand building off of a community  
15 technology center now growing into a  
16 residential-based service that has a media  
17 component to it. A couple of years ago they  
18 launched a native YouTube called Rescast, and  
19 that's res as in reservation and not resolution.  
20 It is a very good example of the type of  
21 authentic, true content programming that will be  
22 relevant.

1                   One thing that's fascinating about  
2 Indian country is that it is fascinating. Anytime  
3 somebody makes a movie or does a report or  
4 program, "Dances With Wolves" is off the chart in  
5 terms of people who attended wanting to learn more  
6 about it. We've got a culture that is entirely  
7 engageable by these new technological mediums.

8                   MS. FLEMING-WILLIAMS: When you talk  
9 about the new technology and how it's being  
10 incorporated, we want to make sure that if there  
11 are things that the government can be doing to  
12 advance or to eliminate or reduce if there's a  
13 market entry barrier. For instance, someone has  
14 suggested that the copyright laws may act as a  
15 barrier and radio stations have to pay the costs,  
16 they're too cumbersome if they are laws that  
17 restrict how they can stream content, how they can  
18 use content. I'd like to step back for a moment  
19 to see if there are any institutional or  
20 regulatory or statutory barriers there that the  
21 government could look at as a way of advancing and  
22 opening new markets.



1                   MR. MONTERO: I couldn't agree more. I  
2 think a major problem for adaptation of the  
3 internet as an alternate means to deliver  
4 real-time content over the internet has been the  
5 copyright laws. As Jim pointed out, who's going  
6 to pay for it? It's not just paying out the  
7 infrastructure needed for the delivery, but it's  
8 also paying these additional copyright royalty  
9 fees. Where you saw this in fact, as many of you  
10 know, in the past year there was a proposal or a  
11 bill on the Hill that would have required radio  
12 stations to pay performance royalties for  
13 over-the-air broadcasts and there was a huge  
14 concern about that because with the radio industry  
15 being in the state that it is that having to pay  
16 that performance royalty on top of the royalties  
17 that they already pay to the composers of the  
18 music under AFCAP and BMI and Publishers and SECAC  
19 that it was going to be the straw that would break  
20 the camel's back. It was pointed out that  
21 stations already pay royalties for streaming. Why  
22 shouldn't they pay royalties for over-the-air

1 broadcasts? My response to that is it is  
2 precisely the royalties for streaming that is  
3 preventing many stations from streaming at all.

4 MS. FLEMING-WILLIAMS: Maybe that's an  
5 area that really needs some intense study and  
6 maybe a proposal in terms of modifications to the  
7 existing copyright laws.

8 MR. MONTERO: I certainly thing so, and  
9 I would be inclined to think that many of the  
10 radio broadcasters sitting around this table would  
11 agree.

12 MR. JONES: I would agree. I can tell  
13 you that that was one of the major hindrances in  
14 our investing in advancement in the 1990s. We  
15 looked at it and said we would like to be there,  
16 but we can't afford to be there. And the  
17 ambiguity that was around what could come up in  
18 the future, there was too much risk in getting  
19 into the internet. But I would like to say that  
20 the OCBO has a great opportunity to broker a  
21 partnership. Radio has credibility that's  
22 unmatched and that's why we aren't losing the

1 audience that other media is losing. What we  
2 don't have is the dexterity of broadband.  
3 Broadband in minority communities doesn't have the  
4 credibility. So here you have one entity without  
5 the credibility and the other one without the  
6 technology. If we put them together and having  
7 strategic partnerships, radio can help adoption  
8 rates exponentially. Radio can be a great  
9 salesman for doing that because in African  
10 American communities in the United States, one of  
11 the problems with adoption is there's no  
12 credibility. Why should I buy into it? It hurts  
13 our whole economy in the community because  
14 broadband is one of the pathways to education,  
15 broadband is one of the pathways to employment, et  
16 cetera. So it becomes in the public interest to  
17 help radio be a champion for broadband and also  
18 that can be part of the funding opportunity to  
19 help radio make that transition from where it is  
20 now.

21 I want to make sure that not only people  
22 but people listening why it's so difficult to make

1 that transition. I'm a big fan of Mario's. I was  
2 part of a company that invited Mario to be in one  
3 of our operations early on to bring talent, and  
4 you're going to hear a lot more from young men  
5 like Mario. One of the challenges was Marion  
6 wasn't in the room, we had these meetings in  
7 boardrooms and on the seventh floor of Radio One.

8 MR. ARMSTRONG: They wouldn't let me in.  
9 I was knocking on the door.

10 MR. JONES: You didn't read the email?  
11 The challenge here is that 4 or 5 years ago radio  
12 was at \$20 to \$21 billion. It's now at \$13  
13 billion. That's all radio. Black radio is even  
14 worse than that. I want to make sure we get this  
15 because it has affected the Native American  
16 community as well as the Latino community in the  
17 same ways. You had the economy and then you have  
18 the Personal People Meter which really was a  
19 dragon slayer and it really hurt urban radio even  
20 more because 100 rating points that we're selling  
21 under the diary model shifted to 70 rating points  
22 so that an advertiser who was buying 100 ratings

1 before, all of a sudden for that same audience the  
2 measurement says you only have 70 rating points so  
3 I'll just reduce your budget. It wasn't 70 rating  
4 point. It was the same audience. But the  
5 difference was like if you're driving a car and  
6 you're driving 70 miles an hour because you're  
7 going by miles per hour and then all of a sudden  
8 you go to Europe and you're driving at 125 and 125  
9 kilometers is equal to 70 miles an hour. That  
10 same speed is just a different measurement but the  
11 ad community did not look at it that way and they  
12 discounted urban radio. So now urban radio is  
13 fighting just to keep the bank away and it can't  
14 invest in its future because it's fighting for  
15 survival every day. So it can't hire the young  
16 bright minds like the Marios that it wants to hire  
17 because it can't afford it. And because we see  
18 it. I asked the CEO of Google about 5 years ago  
19 what do you think we should do if you were in my  
20 place running radio and not where you are not but  
21 knowing what you know? He told me I'd hire young  
22 people. At the time I understood it

1       intellectually but I only got it emotionally about  
2       3 to 4 years later. That was the most brilliant  
3       single thing he could do.

4               Public Radio is further ahead than  
5       commercial radio. Public Radio gets it. Maybe  
6       they're smarter than us. I'm going to try to make  
7       some calls later. But I've been studying what  
8       they're doing and it's fascinating. It's a  
9       glimpse of what commercial radio is doing and  
10      later we can talk about some of those models, but  
11      that's a glimpse of it. It's just that we see  
12      some models we can execute. There are companies  
13      that are creating apps for mobile for mobile right  
14      now and for radio right now. I think Fred Jacobs  
15      Media has one that's excellent for it. They just  
16      launched a brilliant app for C-SPAN that  
17      catapulted C-SPAN about 3 or 4 months ago. So  
18      there are a lot of new things are going that are  
19      very interesting, but we can't get there from here  
20      as broadcasters.

21              MS. FLEMING-WILLIAMS: What can  
22      commercial radio learn? Are there things that you

1 can learn from the NPRs of the world?

2 MR. MONTERO: It's interesting that you  
3 mentioned NPR because you're right, NPR is ahead,  
4 but NPR is a content provider. NPR doesn't own  
5 radio stations. They have affiliates, but because  
6 they don't own radio stations, they're like PBS  
7 that doesn't own TV stations. It was easier I  
8 think for them to see that this is just a pipe.  
9 These radio stations that are affiliated with us  
10 are just one of many pipes and so they could see  
11 the big picture of we have to look for other pipes  
12 or we have to always be making sure our content  
13 whether it's in the form of an app or what have  
14 you is constantly on the cutting-edge pipes,  
15 whereas many existing minority radio broadcasters  
16 whether it's Radio One or whether it's SBS, they  
17 own their radio stations and they have content.  
18 Increasingly I think you're going to start pushing  
19 the envelope, we already are, of what is radio? I  
20 could ask this question about TV. What is TV? If  
21 you have a TV station and you have local content  
22 on your TV station but the vast majority of your

1 viewers are getting you over cable, are you a TV  
2 station or are you a cable channel? Does it  
3 matter? Is it really all about the content or is  
4 it about the FCC license that you have to have to  
5 broadcast over the airways?

6 MS. FLEMING-WILLIAMS: I think Jim wants  
7 to respond to that.

8 MR. WINSTON: Frank has just put his  
9 finger on the dichotomy that you live with if  
10 you're a broadcaster which is that you have  
11 content to provide but you also have a fixed cost  
12 of that tower, that studio, those monthly electric  
13 bills to broadcast. So the problem is that from a  
14 consumer viewpoint, they don't care how they  
15 receive your content, but you bought a radio  
16 station, you went to the bank and you borrowed X  
17 amount of money and you gave them a business  
18 model. The model said I need to spend X amount of  
19 money every month to maintain the hardware, I need  
20 to pay X number of people every month salaries to  
21 keep the content flowing out of the hardware, and  
22 those costs are fixed. So when the industry



1 changes and the value of your pipe goes down and  
2 the advertisers are paying you less for the value  
3 of the pipe, the costs of the pipe don't change  
4 and that's the problem. Yes, we can take the  
5 content and put it on other platforms, but we  
6 bought a business model that says this is the  
7 amount of revenue that has to come in to maintain  
8 the pipe and that's the situation we're in. We  
9 can't lay off the engineers and the people who  
10 make the pipe work and that is why looking at  
11 other models, if they produce less revenue to  
12 sustain the pipe they're not the answer.

13 MR. MONTERO: The paradox is the fact  
14 that it's frequently this increasingly  
15 depreciating pipe that's the one asset that the  
16 lender wants to look at it because if you go to  
17 him and you said I want a loan, what's the  
18 collateral? What can I secure this loan with?  
19 It's an internet site. It's content. That's all  
20 well and good, but I want a piece of real estate,  
21 a studio and a tower, and to the extent that I get  
22 an FCC license so that at least I have something

1 that I can sell if you don't pay your loan off.  
2 Frequently for the broadcaster it is those  
3 tangible assets that enable what little money  
4 that's coming in to come in.

5 MR. JONES: And the most tangible asset  
6 of all of those is the stick value of the radio  
7 station and that's being devalued by the  
8 investors.

9 MR. MONTERO: Right. The signal.

10 MR. JONES: They no longer recognize the  
11 stick value at the same rate that they did just 5  
12 years ago.

13 MR. BLACKWELL: At what point does that  
14 cause you to reevaluate what's being put through  
15 the pipe?

16 MR. WINSTON: The problem is it's not a  
17 content issue, that's the problem.

18 MR. BLACKWELL: It never becomes one?

19 MR. WINSTON: I don't think that you can  
20 say to X radio station in Washington, D.C. you're  
21 playing these songs and you're generating this  
22 much advertising revenue from this much audience.

1 If you stop playing these songs and play this  
2 content over here, your revenue is going to go up  
3 because there's no model to support that. Radio  
4 has been doing X number of things on different  
5 formats for X number of years. They've tried a  
6 variety of different formats. Certainly if you're  
7 an Hispanic station or a black station, you've  
8 only got expertise in that particular format so  
9 you can't say the content needs to change  
10 radically in a way that I'm not an expert in doing.  
11 So if the content is going to stay the same and  
12 the revenues are going to decrease and I still got  
13 to pay the same amount to run the station, the  
14 problem is my fixed cost plus what I owe to the  
15 bank because the bank and I got together and we  
16 said this is what we can expect in revenues, this  
17 is the costs we've got, this is what the loan is  
18 going to run. So when the revenues change and  
19 those fixed costs don't change, then you and the  
20 bank are at loggerheads.

21 MS. FLEMING-WILLIAMS: Suppose you could  
22 talk about you not only have your fixed model but

1 you have expanded eyes and ears because you now  
2 are on different platforms and you're expanding  
3 either your demographics or your reach within a  
4 certain demographic because now your station is  
5 accessible on a cell phone? One of the digital  
6 applications that has been talked about here at  
7 the agency is FM chips in the cell phone. I think  
8 Mario mentioned that as well. It's been talked  
9 about mainly in the context of public safety and  
10 homeland security and I think abroad in Europe and  
11 Asia it's a common thing. But that may be  
12 something that is another platform if you can go  
13 to the advertiser or if you can go to the bank and  
14 say we have X amount of ears plus we're now  
15 accessible by X amount because of this new pipe or  
16 new platform.

17 MR. WINSTON: I'll make just one comment  
18 and then I'll turn it over to the experts. What  
19 has happened from what my members tell me is that  
20 the value that the advertiser places on that  
21 additional platform, when all the stations created  
22 websites and they ran out to advertisers and said

1       you're going to get X number of listeners that  
2       Arbitron says I have, but I'm driving those  
3       listeners to my website and then you're going to  
4       get all these views on the website. The  
5       advertiser said there is no track record of me  
6       getting a benefit from driving your listeners to  
7       the website so until I see a financial benefit  
8       from that, I am not willing to pay or I'm only  
9       willing to pay a fraction of what I pay for a  
10      radio spot because I have a history of seeing  
11      benefit from that. So what's happened is how do  
12      you get the revenue to catch up with the  
13      investment in those new technologies and that's  
14      been the problem. We can invest or we could  
15      invest, we got the additional problem now that  
16      instead of hiring people we're laying people off,  
17      so Zemira talked about you need smart young minds  
18      who are internet savvy and the bank is saying you  
19      got 25 people on payroll, you're running X deficit  
20      every month, I want the payroll to be 18 people  
21      and you say but I want to hire two people to do  
22      internet work then they're going to say you'd

1 better reduce it down to 16 people. So you got  
2 this tug of war between how you generate new  
3 income at a time when you don't have the revenue  
4 to cover the investment in doing that.

5 MR. JONES: Keep in mind -- are doing  
6 less than a half a million uniques and it's hard  
7 to monetize that to any significant degree.

8 MR. FLORES: Speaking as an old radio  
9 guy because I've been in radio almost 30 years,  
10 the radio advertising business has always been the  
11 steak. The internet and all these other things as  
12 they come around have been the sizzle. The sizzle  
13 has gotten more important than the steak,  
14 unfortunately. So when the question was asked all  
15 of these economic stresses that we have on our  
16 business, does that affect the content? Yes and  
17 no. I'll tell you how it affects the content. It  
18 affects the content because where we had a morning  
19 show that had 14 people driving content and making  
20 sure that the five or six people who were on the  
21 air were provided for, now only maybe we have  
22 seven people. Maybe our total personnel has gone

1 from 750 in all of our stations to less than 500.  
2 That affects something down the line. You would  
3 like to think that your on air isn't affected, but  
4 I think you're foolish to think that it won't be.  
5 It affects you somehow.

6 We're not unlike the housing market  
7 where many people bought houses valued at X amount  
8 of dollars on the hope that it was going to  
9 continue to increase in value because most of us  
10 were drunk with that. In the 1980s our stakes  
11 rose 10 to 15 percent as our revenues rose and the  
12 value that banks were putting on your properties  
13 were 20 times cash flow, 18 cash flow. That model  
14 has changed completely and now we're stuck with  
15 people looking at us and saying you might get  
16 eight times cash flow but the cash flow has been  
17 decreased a lot. Now you have FM radio stations  
18 that are being sold in a market for \$70- to \$60  
19 million where 10 years ago you were looking at  
20 \$250- to \$260 million.

21 MR. MONTERO: That goes to your point  
22 that you were saying earlier because you said that

1       broadcasters got lazy because so many of them made  
2       so much money doing nothing other than maybe  
3       buying and flipping a stick at like you said 17 to  
4       18 times cash flow in the late 1990s, when they  
5       took a year or two break in 2000 and 2001 they  
6       were like let's do it again. And now they were  
7       buying at the top of the market and then when the  
8       bottom fell out because everybody figured prices  
9       are never going to do down so I can't care how  
10      much that house is worth now, it's always going to  
11      go up, let's buy it high because it's only going  
12      to go higher, and then the bottom fell out.

13               MS. FLEMING-WILLIAMS: I think Mario has  
14      a comment here.

15               MR. ARMSTRONG: A question and then a  
16      comment. What we're hearing, and it's absolutely  
17      true, I do get a chance to meet with radio  
18      stations and have consulted some media folks in  
19      the past and I've worked with other organizations  
20      to help them try to figure out ways that they can  
21      navigate this economic turbulence that we're in  
22      and leverage technology to help. But James was



1 dead on target and so was Zemira with the issues.  
2 The question that I have for James, Zemira and  
3 Frank then I'll have a comment real quickly is  
4 we're seeing the number continue to go this way  
5 and it's not showing really any signs of going up,  
6 maybe slowing down but certainly it continues to  
7 show signs of doing down. Does everyone agree  
8 with that?

9 MR. MONTERO: Which number? Valuations?  
10 Audience?

11 MR. ARMSTRONG: Revenue. Let's just  
12 stay with revenue for a second. My question is do  
13 you think that the advertising industry can be  
14 changed, the mentality of how they purchase radio,  
15 can that be changed?

16 MR. WINSTON: I'll let the chief revenue  
17 take it or the senior vice president over here.

18 MR. JONES: There was a Forrester study  
19 done just recently where it took 204 of the top  
20 marketers in the United States and asked them  
21 where they're taking their money. Sixty percent  
22 of them said that they were taking their money

1 from traditional radio or traditional media and  
2 moving it to new media. That's a huge number, 60  
3 percent. So as tough as it is today, there is no  
4 short-term meaning in the next 3 to 4 years or the  
5 next couple of years where we see a sea change  
6 back to traditional radio. Marketers have bought  
7 into the fact that that's the place to be. So we  
8 have to change that. What we would like to do is  
9 have it change with the owners who have invested  
10 to much in the medium today. It will change. The  
11 tragedy could be that we don't change in time for  
12 the existing owners and they end up losing their  
13 operations and then all these groups and stations  
14 going into receivership and then the new guy or  
15 gal comes in, buys them at cents on the dollar and  
16 then they execute and turn it around and that's  
17 the worst-case scenario.

18 MR. ARMSTRONG: I'm so glad that you  
19 painted that picture because I think that's proof  
20 in the pudding. I think what we're still dealing  
21 with us what we used to have and what we're trying  
22 to hold onto. I understand the financial issues,

1 but right now we're dealing with a country that  
2 has some of the best talent laid off. Some of the  
3 best talent is available for hire at reduced  
4 rates. People want to work and they can wear  
5 multiple hats. We aren't talking about people who  
6 have one defined line of doing work, people who  
7 are used to being able to straddle across multiple  
8 disciplines and leverage technology across that.  
9 So I really am begging the industry to refocus on  
10 the fat in the payroll if they really are serious  
11 about reinvesting, look at how you can hire people  
12 who are laid off now either as a consultant, no  
13 benefits, freelancer or part-time. I know  
14 countless organizations that do this well for  
15 technology reasons, not necessarily in the radio  
16 business but in the media business. Let me tell  
17 you, I know organizations that don't even have a  
18 person in their office handling their social media  
19 strategy and it's working and they're pennies on  
20 the dollar if you will by now having to try to  
21 find someone and bring them in-house. That's one  
22 point.

1           Number two is how many stations, and  
2 James brought this up and this was so critical,  
3 because you asked how do we prove when the  
4 websites were like we're going to flood the  
5 websites and people are going to flock to this and  
6 we all know that that really didn't take off. It  
7 didn't take off the way it was supposed to. Now  
8 we have banner blindness where people don't even  
9 want to click on banners to some degree within  
10 websites that are doing well. So here's the  
11 thing. I went out to several sales calls with  
12 people trying to pitch my content to sponsors with  
13 radio folks, people nameless, and they positioned  
14 the web as such a secondary, I don't even know if  
15 it was secondary, I think it was just like --

16           MR. JONES: Tertiary.

17           MR. ARMSTRONG: It was like, by the way,  
18 after you do all that we could throw this in.  
19 That mentality has to shift. We are feeding the  
20 advertisers and the brands, we can throw this in,  
21 and when we do that we devalue the exact property  
22 that we're trying to sell.

1                   Lastly I'll say this. I go to some of  
2 these stations and I ask the person running the  
3 business. Have you ever looked at your web  
4 analytics? Some of them don't even know what I'm  
5 talking about. They got a website they invested  
6 in, it was supposed to do X, it didn't, they  
7 refocused back to what they were used to making  
8 money on so they left that alone, and now they  
9 haven't been tracking to James's point what the  
10 website has been doing for the last 3 or 4 years  
11 to now say holy smokes we're doing better on the  
12 web, I don't know, could be, better on the web  
13 than we are actually on-air. And if analytics are  
14 key to getting advertisers to spend money, the web  
15 analytics and mobile analytics, you cannot refute  
16 that proposal when you put it. At that point it  
17 becomes whether or not the ad agency sees value in  
18 working with you, period, end of story. Because  
19 if you put apples to apples down and the money is  
20 budgeted as it is, they're going to spend where  
21 they're going to get the biggest bang for their  
22 buck has been my limited experience, certainly not

1 the same, and I definitely respect Frank and James  
2 and Zemira, they have more experience in that, but  
3 I'm talking about my new experience.

4 MR. FLORES: Let me speak to you about  
5 your new experience and how I feel about that.  
6 You have to look at the timeline, the timeline of  
7 where the internet came about as far as radio  
8 stations are concerned. The advent of the  
9 internet and us having web pages and so on and so  
10 forth came about when we were doing exceedingly  
11 well. It came about in the 1980s. We were making  
12 money hand over fist. What happened with this?  
13 We saw this new little toy, ad do you know what we  
14 called it? Value added. And that's the anchor  
15 and the albatross that's sitting on most radio  
16 stations and their websites. They've sold that to  
17 the advertising community as something that's an  
18 option, a throw-in, value added, no dollars  
19 associated with it.

20 We are now trying to catch up to that.  
21 Some of the innovative things that we've tried to  
22 do, I'll give you an example. We've looked at an

1 industry that's dying which is the record  
2 industry. They're dying so much they're looking  
3 for us to pay the bill which is funny to me, but  
4 that's a whole different story. That's a whole  
5 different panel and I'm not going to get into  
6 that. We've looked at that and we asked is there  
7 a way that we can help? What's affected the  
8 record business more than any other business? The  
9 internet. So what we did on a couple of occasions  
10 is that we've taken a major star who has a record  
11 release and done a webcast on it on all our radio  
12 stations where people have a chance to talk to the  
13 artist and we run that on our radio stations. So  
14 now you have web and you have radio and that's one  
15 way you try to integrate this thing to a sagging  
16 business trying to go back them and saying we're  
17 not the ones who killed you but we can try to help  
18 you out.

19 MR. ARMSTRONG: That's brilliant.

20 MS. FLEMING-WILLIAMS: That's great and  
21 that's exactly the kind of innovation and creative  
22 thinking that we're talking about. We have come

1 to the end of our time here. I'm sure there's  
2 lots more that could be said. I am just thankful  
3 for all of your comments and your expertise to  
4 talk about this. It's very vital and imperative  
5 for minority radio to thrive and to be viable as  
6 an industry. As we said in the beginning, this is  
7 an opening conversation. We didn't expect that we  
8 would solve all of the problems here, but we  
9 certainly have talked about some of the etchings  
10 of what radio will begin to look like in the  
11 future. We want to continue this conversation.  
12 We hope that this is an incentive for all of you  
13 to think about ways that you can marry traditional  
14 radio, as Mario has pointed out, the traditional  
15 value, the legacy of radio and marry that with the  
16 new technology so that it goes forward and that 10  
17 years from now we're talking about a vibrant  
18 industry.

19 We also talked about things that  
20 possibly we could do as regulatory agencies in the  
21 government, if there are statutory things that are  
22 in the way. There are partnerships and



1 collaborations that need to be thought about that  
2 need to be advanced. There are new ways of  
3 thinking. There is an educational mindset that  
4 maybe needs to take place within perhaps  
5 traditional media, new ways of thinking about  
6 doing the same thing.

7           There are lots of challenges out there.  
8 The industry has to be Darwinian. It is adapting,  
9 it is changing and I think that it has a bright  
10 future. And I thank all of you for all of your  
11 comments. We look forward to you continuing with  
12 us in our mission as we advocate for you.

13           MR. WADE: I think you said it very  
14 well. From the Department of Commerce I have been  
15 challenged and want to think through thanks to  
16 this conversation about what is the role of  
17 government as a catalyst? What is this public-  
18 private partnership? Because I'm confident that  
19 that's precisely what it's going to take to help  
20 make this transition. As an agency when you  
21 talked about earlier where we're investing heavily  
22 through our census, how do we make these

1 decisions? Are we really getting the value added  
2 for the investments? What will they look like in  
3 the future across the government? So I'm  
4 challenged to think as well and remain open to  
5 your thoughts and ideas on the government's role  
6 in this process as well. It's been very  
7 beneficial.

8 MS. FLEMING-WILLIAMS: Last but not  
9 least of course we want to thank our new chairman,  
10 Chairman Genachowski, for supporting what we do,  
11 our new commissioners and our new Director of OCBO  
12 Thomas Reed.

13 (Whereupon, the PROCEEDINGS were  
14 adjourned.)

15 \* \* \* \* \*

## 1 CERTIFICATE OF NOTARY PUBLIC

2 I, Carleton J. Anderson, III do hereby  
3 certify that the forgoing electronic file when  
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5 direction; that said transcript is a true record  
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9 proceedings were taken; and, furthermore, that I  
10 am neither a relative or employee of any attorney  
11 or counsel employed by the parties hereto, nor  
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13 of this action.

14 /s/Carleton J. Anderson, III

15

16

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