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Private Equity, Private Media

Ronald V. Bettig

Recent dramatic increases in private equity (PE) control of publicly-traded media companies raise a number of serious concerns for communications scholars, media consumers, and active citizens. The effects of PE activities include increased concentration in an already highly concentrated communications industry, a shift of control of media from Wall Street to PE firms, and a tougher time for media workers. Furthermore, PE firms are literally private—as in secret—hence the general public remains largely uninformed about PE buyouts of media firms. Issues include the control of capital in the U.S. and globally, and the ways in which this control shapes media content and form. Finally, since PE firms do not have to file reports with the Securities and Exchange Commission, valuable information upon which radical political economists have traditionally relied to investigate relationships between capital and communications also has become private. This essay explores and analyzes the entry of PE into the communications system with four compelling examples.

In June of 2007, the billionaire corporate raider Carl C. Icahn declared that the "golden age of private equity financing" had peaked (Heath 2007, D1). The earlier bursting of the housing bubble and subsequent credit crunch beginning in August 2007 seemed to confirm Icahn's proclamation. However, a front page headline in the business section of the *New York Times* in October of the same year declared: "For Private Investment, the Party Isn't Over" (Anderson 2007, sec. C1). The story was accompanied by a color photo-illustration of a stereotypical "suit" wearing a party hat and blowing up a green balloon. Anderson suggested that "perhaps the hats, balloons and streamers should not be put away just yet."(C1). Even after the housing crisis and credit crunch, the *Economist* (2008, 80) announced in a May 2008 editorial that the "Rumours of the death of private equity are proving to be greatly exaggerated."

Private equity firms have deeply ensconced themselves within the global capitalist system and provided a major outlet for reinvesting surplus capital. Private equity now touches our daily lives, from the fast food we eat, the music we listen to, the movies we see, the toys with which our children play, the tools and hardware we use, and the extent to which we patronize retail chains and dollar stores. Investors have paid special attention to the media as a site of investment, and are increasingly reshaping ownership and control of the media. It is the duty of critical political economists to pay attention to this reshaping of media and ownership and con-

trol with the social totality in mind. Private equity is a mechanism for redistributing wealth upwards, exacerbating the already high level of concentration of wealth in the U.S. It also affects the performance and content of the media. In this essay, I examine private equity deals involving three media industries: music (the Warner Music Group, EMI); radio (Clear Channel, Cumulus); and the Tribune Company concerning the newspaper industry. The purpose of the work is to inform debates about whether media and democracy can be achieved within a capitalist system. The essay concludes with an analysis of PE within one of the major historical crises facing capitalism beginning in 2007.

The Theory and Application of the Political Economy of Communications

The primary approaches to the political economy of communications in the U.S. can be traced back to its founders—Dallas Smythe, Herbert Schiller and Thomas Guback (Mosco 1996, 77-78). Smythe's work stands out for its pioneering nature in bringing critical political economy and mass communications together. Schiller's work has inspired many generations of critical political economists around the world. Richard Maxwell (2003, 5) describes Schiller's method as one of "listening in" on discourses generated by members of the ruling class. Schiller's sources ranged from the mainstream business and trade press and government documents to judicial hearings in which only financial analysts and political economists were interested. Maxwell describes Schiller's work as providing counter hegemonic readings of these texts and his method as being "empirical interpretive" (4). He mastered the art of reading works flowing through official channels against the grain and using the voices of the establishment to damn themselves. Thomas Guback's work (c.f. 1979; 1985; 1986; 1987) on the ownership and control of the U.S. and global film industries involves not only listening in, but also burrowing into corporate annual reports, filings with the Security and Exchange Commission, Congress, and the business and trade presses to reveal patterns of ownership and control.[1] Guback demonstrated the power of political economy when it utilizes both structural and systemic approaches, illustrating how the logic of capitalism, in sync with the state on both instrumental and structural levels, shaped the output of the Hollywood film industry into a global hegemonic--medium selling the U.S. way of life (i.e., individualism, capitalism as the end of history, and consumerism). This essay follows in the tradition of these scholars. I will be both "listening in" and burrowing into a wide range of texts regarding private equity while primarily reading against the grain. The method, far from being anecdotal or reportorial, involves both inductive and deductive reasoning; i.e., a dialectical analysis that moves from the general and abstract to the specific and concrete. Following Marx, it examines how the logic of capitalism takes on specific forms within the overall dynamic nature of this particular way of organizing economic life.

This endeavor raises a question: Why should we bother with studies of institutional structures and systems when their empirically demonstrative "effects" seem more urgent and tangible? Political economists argue that to understand the content

and effects of the media, it is necessary to begin at the point of production, i.e. context. Private equity control of media companies is part of an evolving form of media ownership and control and its ramifications are significant. I will begin by defining private equity and its implications for media scholars and the socio-economic totality, then move to examine specific private equity deals involving the media to illustrate its effects on what we read, see and hear.

What is Private Equity?

Doug Henwood (2007, 2) defined private equity funds as "pools of capital raised from institutional investors like pension funds and very rich individuals, all gathered together to do deals" that take publicly-traded firms private. In the 1980s, they were referred to as "leveraged buyouts" or LBOs, until the term took on understandably negative connotations as depicted in the film *Wall Street* (1987). The primary strategies of PE managers involve serious cost-cutting, including eliminating jobs and selling off unprofitable assets while squeezing out as much profit as they can from what is left. After turning "distressed" companies around the PE firms sell them wholesale to other buyers yielding proceeds much higher than the initial costs of the buyout. In other cases, they sell the company back to the public—not in the socialist sense, but rather through stock markets. As the cost cutting and sell-offs occur, private equity managers pay themselves large fees, waiting for what Henwood calls "the magic" to kick in (2).

In 2007, there were about 3000 private equity firms operating worldwide; mostly U.S.-based, though Asian and European firms had begun catching up. Of the 3000 firms, a handful dominated the scene (Henwood 2007, 2). The giants in the U.S. include The Carlyle Group (closely associated with the national security state); Kohlberg Kravis Roberts (KKR); The Blackstone Group; Texas Pacific Partners; Madison Dearborn Partners; Lee Equity Partners; Apollo Management; and Oaktree Capital Management. Most of the large Wall Street investment houses also hold special in-house private equity groups included in their larger portfolios.

The billionaires who owned and ran U.S. PE firms were among the richest individuals and families in the nation, according to the Forbes 400 annual list (Special report 2007). In 2006 they included (in descending order):

#40: Stephen Schwarzman, co-founder of Blackstone (worth $7.8B)
#57: Henry Kravis, co-founder of KKR (worth $5.5B)
#57: George Roberts, co-founder of KKR (worth $5.5B)
#82: Leon Black of Apollo Management (worth $4B)
#105: David Bonderman, co-founder of Texas Pacific (worth $3.3B)
#135: James Coulter, co-founder of Texas Pacific (worth $2.8B)
#165: William Conway co-founder of Carlyle Group (worth $2.8B)
#165: Daniel D'Aniello, co-founder of Carlyle Group (worth $2.5 B)
#165: Peter Peterson, co-founder of Blackstone (worth $2.5B)
#165: David Rubenstein, co-founder of Carlyle (worth $2.5B)
#239: Joshua Harris of Apollo Management (worth $2B)

#239:Thomas Lee of Lee Equity Partners (worth $2B)
#317: Hamilton James, of Blackstone (worth $1.5B)
#317: Jerome Kohlberg Jr., co-founder of KKR (worth $1.5B)
#317: Marc Rowan, of Apollo Management (worth $1.5 billion)
#361: Bruce Karsh, co-founder of Oaktree, (worth $1.4B)
#361 Howard Marks, co-founder of Oaktree (worth $1.4B).

At the turn of the twenty-first century, these billionaire investors held investments in almost every sector of the U.S. economy, including the media. They also reigned among the most powerful members of what G. William Domhoff (1974) called the "power elite:" the active arm of the ruling class that identifies the short- and long-term term interests of capital, then develops a consensus and works to shape economic and public policy accordingly. For Big Money moguls, the consensus regarding private equity capital is to keep it private—both ownership and operations—and to take advantage of legal structures such as limited partnerships and tax laws to keep their activities out of the purview of government officials and the public.

Private equity firms, using partnerships, seek to leverage their buyouts by using other people's money for debt financing, in most cases funding from investment banks. The more PE firms borrow from banks, the richer the payoff in the end. In the late 1980s, up to 90 percent of an average PE buyout involved borrowed money. The credit crunch beginning in August 2007 reduced that amount to 50 percent but PE activities did not immediately show signs of slowing (Segura, Jr. 2008, 17). Investment banks, in turn, were still packaging PE debt to sell or "syndicate" it to individual investors in the form of collateralized debt obligations (CDOs). The banks collect fees for originating the loan and then spread the risk via CDOs, keeping only a small share of private equity debt in any given firm. Banks also protect themselves from exposure by forming limited liability partnerships when they enter a PE deal, meaning that if an acquired firm goes bankrupt, it will only lose the equity that the deal was intended to generate. The CDOs in turn, are insured, with speculators betting for and against the expected return of the acquired company. Both PE and banks hope for the "magic," especially the former. When a distressed company is successfully "turned around" and sold, PE firms are first in line for 20 percent of profits generated by the sale. The goal, therefore, is in the turn around, and it is here that the pressure on media operations and content begin to be felt.

Why Should We Care About Private Equity Control of the Media?

Here I would like to outline six significant ramifications of PE control of the media and communications systems. The first three utilize the concept of spatialization, a tendency in capitalism to annihilate both space and time as it always must be expanding (e.g. like a shark that must keep moving or die). The next two points of analysis shift to the text and media coverage of PE and its increasing ability to frame its existence and role in financial markets in a positive manner. The last con-

cern is how PE control over the media inhibits scholars of media and communications industries.

First, private equity investors, like all capitalists, are forced to follow the logic of the capitalist system. This system is dynamic, but ultimately contains a built-in bias toward concentration (Bowles and Edwards 1992, 229-232). The logic of capital, i.e., the structural determinations of capitalist agency, drives both territorial and market domination in the pursuit of profit. Oligopolies have gained the power to bring planning into the market, allowing them to control output, determine prices, and divide regional markets. These same structural determinations shape the cultural industry, and therefore the human goals and desires the media teach us. The media also skillfully shape demand so that what they offer does not necessarily respond to what is truly needed in terms of human intellectual and artistic creativity and civic participation. For Mosco (1996, 175), concentration is part of the larger capitalist-driven process of spatialization: *"the institutional extension of corporate power in the communications industry"* (emphasis in original). According to *Advertising Age*'s list of 100 leading media companies in 2006, the ten largest accounted for 55.6 percent of the $287 billion earned by the top 100. Time Warner alone collected nearly 12 percent of the revenues (Johnson 2007, S1). Such levels of concentration belie the argument that media ownership and content is more diverse in the digital age. Indeed, the PE firms involved in the cases below have as their central goal tying traditional media content and brand names to new digital platforms. This has already begun with a number of companies, for example, offering prime-time network television programs via the digital web or even cell phones. Ad-supported shows offered via the web are "free." Of course, when we speak of advertiser-supported free content, we ignore the hidden costs of advertising. By dividing the U.S. population by the total population the costs of advertising per individual is roughly $1000 (the U.S. population in 2007 was roughly 300 million while ad expenditures were round $300 billion). Consumers pay inflated prices to pay for the advertising of homogenous brand-name goods in addition to the monopoly prices. They also pay the additional monopoly price tied to advertiser-cultivated brand loyalty. Access to more outlets appears to be satisfying a genuine social need whether there are 500 cable channels or fifteen brands of shampoo produced by just three firms. Media conglomerates, through their intricate financial dealings end up producing multiplicity, like shampoos containing the same ingredients, rather than genuine diversity. The media and communications companies now in the hands of PE and their bankers have become beholden to their insistence on exploiting the untapped value held in the vaults. Furthermore, most media properties changing hands have solid brands that can be exploited through online ventures to attract users already familiar with a company's products, such Disney. Of course, brands are designed to serve as barriers to market entry. It takes very deep pockets to introduce a new brand, especially in sectors producing homogeneous products. This reflects the state of the media today.

A second reason for exposing the role of PE firms in the media is their celebration of the latest "big deal." With 24-hour business cable, talking heads and business commentators interpreting business stories for their audiences, PE firms prefer to be out of the spotlight of Wall Street and regulators. They justify their opaque-

ness on the grounds that private firms need not think quarter to quarter but can take a longer term view. Whether it be automobiles or media, they claim that they have the patience to let projects develop, producing better products. In the high finance world of PE, "long term" really means three to five years. Once the assets and profits have reached anticipated levels of two to three times their purchase price they are sold and again the PE firms take the first twenty percent of the profits. Sometimes this strategy sours and the company is split up and sold for the best revenues that can be made on original investments. Hence, PE firms must actually answer to the Wall Street investment banks that provide their debt-financing. In the Clear Channel case below, the banks were forced to follow through on their loan obligations or face enormous fines.

While PE remains can be a high risk investment, money managers take an enormous cut for their services in setting up the deals and handling the funds, roughly two percent of the assets they manage (Anderson and Sorkin 2007, C1). The management fees are taxed at ordinary income rates and 20 percent of profits from the funds are taxed at the capital gains rate of 15 percent rather than the nominal corporate rate of 35 percent. This issue came into the limelight in the latter half of 2007, when Congress was forced to address millions of taxpayers facing increases in their federal tax bill under the Alternative Minimum Tax (AMT). The AMT was originally passed by Congress in 1969 to prevent the top 155 richest families from using deductions and loopholes to avoid paying federal income taxes. Since it was not indexed to inflation, 21 million taxpayers (some making as little as $50,000) faced tax bills rising up to $2,000.

The Bush administration counted on the AMT to increase tax revenues, which were expected to produce $1 trillion by 2010 (Andrews, 2007). The House of Representatives tried to tie AMT tax relief to the elimination of tax breaks provided to PE funds, hedge funds and other partnerships and by imposing the higher corporate tax rate of 35 percent. At the same time, the Senate acted to suspend the AMT but was not willing to raise taxes on private equity and other funds, including corporate revenues stashed in tax-free havens. Once again, government policy favored the upper income strata at the expense of everyone, increasing the gap between the rich and the poor. In 2009, Congress and President Barack Obama retained the AMT but refused to guarantee its future existence.

Here again we encounter the role of the state and policy interventions by the power elite. Wall Street investment and banking houses began to use campaign contributions, lobbying and the revolving door between Big Business and government to protect their special interests. PE had enjoyed the support of the state in its spatialization process of extending and expanding market opportunities. The media played up the AMT but buried the links to higher taxes on PE management fees. Finally of course, the state found it necessary for intervention into an inherently crisis-prone economic system to save it from failure, a lesson well-learned during the Great Depression. In 2008, the Federal Reserve backed a $30 billion loan to JP Morgan Chase to buy the failing investment house Bear Stearns in order to prevent a financial melt-down in summer 2008. The Federal Reserve claimed that such a failure by an investment house would have rippled throughout the global economic system and generates financial chaos. The Fed's intervention to save an investment

bank was largely unprecedented but did generate calls for the right to regulate private equity and hedge funds in return for the bailout. Bear Stearns' exposure occurred in the housing mortgage sector as with many financial institutions. The collapse of Lehman Brothers in 2008 signaled that Wall Street investment houses and banks had become "too big to fail" and more government intervention would be required. The contradiction between the Fed's bailout of Big Money as opposed to the average home owner forced Congress and the Bush White House to offer some relief--but not enough to stem the massive transfer of wealth from the bottom 90 percent of the population, for whom home equity is the primary form of wealth. The exacerbation of the economic crisis due to sub-prime mortgage lending forced thousands of home owners to face foreclosure and bankruptcy. The liquidation of home equity, of course, leads to individuals and families becoming tenants, at best, or homeless at worst.

A third impact of private equity is the bottom line for workers. Spatialization also affects the institutional structures that shape the labor force. Under capitalism, labor is seen as a cost of business; therefore capitalists have continuously sought to remove human beings from the productive process. One means of replacing the amount of living labor is through mechanization and digitalization. This also has the benefit of reducing class conflict as machines cannot go on strike. Another way of lowering labor costs is by re-locating and outsourcing work to areas where labor is cheap. This is the logic of capital that has transformed the U.S. labor force from an industrial working class to service workers. Most workers are faring less well in the transformation from blue collar to corporate uniforms. At the same time there are also a handful of others, those working in the financial service sector that have done quite well despite the credit crunch stretching for 2007 and beyond (Anderson, 2008, C9). A front page story in the *New York Times* (Haughney and Konigsberg 2008, A1) was simply headlined "Even when times get tough, the ultra rich keep spending." According to Standard & Poor's, PE firms controlled companies employing seven percent of the workforce in 2007 (Pearlstein 2007). The top 20 PE firms employed more than 4 million workers (Candaele 2007, M5). Since the goal of PE firms is to "re-tool" companies, workers tend to be the first to feel the effects of "operations changes" through staff cuts and outsourcing as illustrated below. For example when Clear Channel went private it eliminated local disc jockeys and EMI eliminated one-third of its workforce.

Another goal is to challenge any unions standing in the way of job cuts, wages and benefits. For example, contracts between the Big Three U.S. auto producers (General Motors, Ford and Chrysler) and the United Automobile Works (UAW) have traditionally begun with negotiations between the UAW and one of the Big Three. The resulting contract was then adopted by the remaining two carmakers. In 2007, the UAW picked General Motors to begin negotiations. This time around however, the terms of the contract were not uniformly adopted after Cerberus Capital Management took Chrysler private in May 2007. Cerberus took a tougher stance with the union, resulting in a contract that exposed Chrysler workers to greater job insecurity than those at the other two firms. Under PE, Chrysler began immediate job cuts. The bargaining power of capital against labor echoes throughout the economy as public firms take operational tips from PE firms in the treatment of labor.

Similarly, when the Toll brothers McClatchy chain took over the Knight-Ridder newspaper group, the second largest in the U.S., their first move was to sell unionized newspapers despite their flagship status: the *Philadelphia Enquirer*, *The Minneapolis Star Tribune*, and the *San Jose Mercury*. All three were newspapers at which the labor force was unionized.

A fourth concern is the general lack of knowledge about private equity and its various siblings, financial instruments based on fictitious capital rather than actual goods. News of these financial instruments is relegated to the business pages in communities where there is wealth. Their role in shaping the structure of the media is not connected to the arts and entertainment sectors in the press. Some public attention was paid by those worried about having to pay the alternative minimum tax. Congress began calling for legislation to make PE more transparent. European governments also raised concerns about the lack of transparency of PE and the matter drew attention at meetings of the Group of Seven. In 2005, private equity was involved in one-third of all European mergers and acquisitions (Curtis 2006, 10). Banks followed the lead of the PE firms, taking higher risks, for example in mortgage-based instruments in search of greater rewards that fueled the housing bubble. The media, in the meantime, helped inflate the bubble with celebratory stories about people buying their first homes, re-financing at lower rates, and rising equity values reinforcing the "American Dream" (much as they helped inflate the dot.com bubble). As the major global investment houses and large banks were writing down billions in losses from the bubble burst and credit crunch, their PE divisions appeared to be largely unaffected. They were, however, hit with some flak. Activists made PE a personal matter when they rallied outside the 28-room Park Avenue home of Henry Kravis of KKR. The protest was documented in *The War on Greed: The Homes of Henry Kravis*, a 2007 documentary that compared the lifestyle of the very rich, where multiple home-ownership is a given, to everyone else, where again, home equity is the primary source of wealth. The PE industry responded to the increasing flak by setting up a trade association, the Private Equity Council, to work on public relations and lobbying government.

A fifth concern is the general lack of public knowledge about who controls capital in the U.S. and globally. The business press serves business people who have a stake in reading it and have the implicit knowledge of what the texts mean for them and how to take action to increase their economic advantages. The effects of PE range from everyday consumers of goods and media to people fortunate enough to have a stake in pension funds. On rare occasions a story about the effects of PE firms makes news, such as a Sunday front-page, below the mast story in the *New York Times* on Habana Health Care, a PE firm that specialized in taking nursing homes private. Its *modus operandi* is all too familiar: buy up distressed properties, cut costs, increase profits and sell them back for major gains (Duhhig, 2007). The article concludes that by many regulatory benchmarks, residents living in Habana properties were worse off than before the buyouts. Staffing shortages have long been a problem for the nursing home industry; cutting back even further is like sending the elderly and disabled to warehouses to be stored until they die.

A sixth and final ramification regarding the expansion of the PE industry and its foray into media and communications industries is the effect it has on political

economy researchers and others seeking to understand the relationship between media and capital. Private equity firms have not been required to provide detailed reports to either the Securities and Exchange Commission, shareholders, or the public. These reports are precisely the kind of data political economists rely upon to make the linkages between capital and communications. PE activities create a private pool of private information. One illustration is a valuable set of tables compiled by the Center for Public Integrity that lists the top telecommunications, media and technology companies by industry. The table on the top four record companies reports total albums sold in 2006 by each company, but the 2005 total parent company revenues are "NA" (not available) for the EMI Group (Well connected, 2007). It is the political economist who seeks to alert the citizenry about the handful of individuals and organizations that control the world's wealth, the power that comes with it, and the control of knowledge and information, in order to extend the radical critique of capitalism and search for the weak links that might lead to intervention into the very heart of the system. Such resistance is especially important when it comes to building a genuinely democratic media system, one that truly belongs to the public.

Private Equity, Private Media: Done Deals

Here I would like to turn to five private equity deals conducted in three different media sectors—recorded music, broadcast radio, and newspapers--during the first decade of the twenty-first century. These deals put two of the four major record companies into private hands, increased concentration in the radio business, and brought about negative effects on the operations of two of the nation's leading daily newspapers. My sources are primarily the business press, trade publications, and corporate and government documents. Again, following Schiller these sources are read against the grain to illustrate the processes of spatialization in order to examine the ways in which the PE deals were actually covered by the business press. It is imperative to note once again that the data on PE deals and firms is hard to come by. This makes the work of critical political economists all the more difficult.

The Music Recording Business

This section addresses the music recording and publishing businesses and uses the concept of spatialization to examine the transformation of an industry forced to change by developments in communications technology. The music recording industry remains oligopolistic, as it has been for most of its history when five or six firms controlled roughly 85 percent of music output, but profitability has declined since the beginning of the century. The emphasis on spatialization as a process allows political economic researchers to provide a historical context to explain existing structures and practices within capitalism more generally, or as an industry sector in this case. Since we are dealing with processes, the organizational and industrial structures and processes described below will certainly have changed by the

time the essay reaches readers. But the larger logic of capital will remain firmly in place.

At the beginning of fall 2008, four companies controlled the global music industry: Universal Music Group, a subsidiary of Vivendi SA sold 27.7 percent of CDs in 2007; Sony, which bought out Bertelsmann's 50 percent share of its joint venture that summer to take a 22.9% share in 2007 CD sales; the Warner Music Group with 20.8 percent; and EMI with a 10.8% share (Christman 2008, 17; Taylor 2008, 16).

In 2007, Time Warner sold off the Warner Music Group (WMG), including Warner/Chapple Music Publishers (the world's second largest music publisher with over one million songs), to Edgar Bronfman Jr. for $2.6 billion in cash. Time Warner, seeking to reduce the enormous debt load left over from its purchase of AOL in 2001, held what has been aptly called a giant "corporate garage sale" (Kirkpatrick 2003, C1). Other properties sold included a half stake in Comedy Central, a stake in DirecTV, the Atlanta Hawks basketball team, and the Atlanta Thrashers hockey team. When the sale was over Time Warner had reduced its debt load from $30 billion to $10 billion (Kirkpatrick 2003, C1).

Bronfman's investor group included a number of private equity firms, including Thomas H. Lee Partners, Bain Capital, and Providence Equity Partners. Their offer topped that of the EMI Music Group of London. The terms of the sale left Time Warner with the corporate title "Warner Music" and the right to buy back up to 19 percent of WMG under certain conditions. For Bronfman, the purchase was part of a personal mission to revive his reputation after squandering most of the Bronfman family fortune made from its ownership of Seagram. Bronfman had entered into a series of bad deals including the purchase of Universal's film and music division. This, in turn, led to the merger of Seagram and Vivendi, where Bronfman did a poor job of heading the music division, leading to his resignation in 2002.

By early 2005 investors began asking for their money back, as the company's performance was dragged down by general industry woes and a heavy debt load. In May WMG announced it was going public again with an initial public offering (IPO) of 32.6 million shares to be traded on the New York Stock Exchange. In 2007 WMG laid off 400 employees while watching its stock prices drop 50 percent as music industry CD sales continued to decline and digital sales failed to stem the bleeding (Knopper 2007, 15). Bronfman returned to the stock market with an IPO of $600 million, with just $7 million (roughly one percent) going to WMG. This outraged members of the rock band Linkin Park, who threatened to stop making music since most of the dividends would be used to pay off private investors such as Bain and Lee. For Bronfman and WMG, the "magic" apparently was not kicking in.

Nonetheless, WMG pursued integration with various digital platforms and partners including selling singles and albums without digital rights management (DRM) with Universal and Sony, through Amazon.com, MySpace (owned by News Corp.), mobile carriers and others. EMI joined the other three record majors in establishing services to compete with iTunes, which controlled 70 percent of the download market, essentially making it a monopoly (i.e., a dominant buyer in the market). iTunes held the power to set prices and demand DRM formatting (Bruno

2008, 7). WMG's overall strategy was to exploit the more profitable digital formats as physical formats declined. In the first two quarters of 2008, digital sales generated 23 percent of the music division's revenues (about par for the majors). Meanwhile Madonna left the label for Live Nation Inc. Bronfman pioneered a new approach toward musicians by treating them in a manner "almost like [the] venture-capital business" (Pandy 2008, C3). If artists seemed to be asking too much they could simply go elsewhere. If they wielded enough star power. The rest of the bands were out of luck. Following the practices of the popular music industry of the 1930s and 1940s, WMG decided it would rather create artists from scratch and leverage their bargain power with bands from the outset than deal with established stars. The good news for WMG, despite its lack of profitability into 2008, was precisely the growth in the online sector. Together with other software providers, WMG began to steer consumers toward legal music services to begin competing with music freely shared through peer-to-peer programs.

EMI and Terra Firma Capital Partners

After several attempts to merge with one of the other major record companies, EMI agreed to be taken private by Terra Firma Capital Partners in July 2007 for $4.8 billion. EMI had several major recording stars signed to its labels (Capitol, EMI Music, and Virgin), but its primary value came from ownership of the world's largest published music catalog. The Britain-based Terra Firma, controlled by Guy Hands, was also one of Europe's largest owners of movie theaters. Speaking to the Royal Television Society in September 2007, Hands proclaimed that Terra Firma's strategy was to "look for the worst business we can find in the most challenged sector, and we get really happy if it's really, really bad. We're just hoping that EMI is as bad as we think it is" (Gallo 2007).

The first step in Terra Firma's business plan for EMI was to oust existing management and members of the board of directors, replacing them with its own people. The company was restructured to make operations more centralized and streamlined. Some divisions were merged and others cut back. The second strategy involved considerable cost cutting, including 2000 jobs (one-third of its workforce). EMI reviewed artist contracts with the bottom-line in mind. Like WMG, it allowed several major acts—including the Rolling Stones, Radiohead and Paul McCartney—to sign elsewhere. One of the industry's perks was that artist and repertoire (A&R) personnel were supported to freely scout for new talent nationwide. Talent searches were severely curbed as EMI became fixated with minimizing costs and maximizing revenues in evolving music markets. A third strategy involved "partnering" with artists selling less than 200,000 albums; that is, providing initial production, distribution and marketing services, all the while billing musicians for such services. Partnering tends to expose *artists* but not necessarily record companies to potential losses if a recording does not sell.[2] Finally EMI admitted that it would continue to focus on blockbusters: the multi-million sellers, which still remain the industry's real cash cows. This suggested, of course, that listeners could expect more of the same.

Buying up large music and movie libraries seen as undervalued assets is not a

new trend. In the 1960s, several media companies were bought by large conglomerates involved in several different lines of business. For example, Gulf + Western added Paramount Pictures and Simon & Schuster's publishing house to a bevy of properties ranging from auto parts to zinc mills (Bagdikian 2000, 28). The logic of owning a piece of the pie in several industry sectors is to maintain steady revenue streams as these various economic sectors cycle up and down. However, the very size of such conglomerates and the production of a wide array of unrelated goods produces inherent inefficiencies. By the mid-1990s, most conglomerates with holdings in the media had been transformed into media conglomerates. In 2007, among the media Big Five (Time Warner, Disney, News Corp., National Amusements including Viacom and CBS, and General Electric), only GE remained a conglomerate involved in several lines of business, including NBC and Universal Studios (Bettig, 2007).

Terra Firma reflects GE in its diverse holdings. In 2008, it owned shares in over 30 companies in the U.S. and Europe including the Waste Recycling Group, Phoenix Inns, and the Odeon Cineplex chain, refurbished homes, and seller through Annington Homes. In 2008, it was the world's third largest aircraft leaser (Terra Firma, 2008). Such conglomeration gave EMI the room to continue losing money until it became profitable or salable. Even though it was the first label to release its music without DRM, the other three majors decided to follow EMI and make their catalogs more available to legitimate media outlets, i.e. those paying royalties. They concluded that DRM-free music had enough market potential and joined forces with digital providers other than iTunes. Still, digital markets have not generated enough revenue to stop the hemorrhaging at EMI. Hands had exposed around 30 percent of Terra Firma's total portfolio in a bad deal. Still strategizing on how to exploit musical talent Hand, proposed that EMI artists should be linked to brand-name products. This would allow EMI to spread the risk of building stars from scratch with the financial help of advertisers. We would expect that the more successful bands under such a system will be those that can be appropriately packaged. Star musicians could face contract provisions such as the ones used during the Studio Era in Hollywood, which governed everything including the off-screen behavior if actors and film stars. By avoiding risky artists, EMI will continue to contribute to homogenous musical output for which the industry is constantly criticized.

The Business of Radio

Clear Channel Moves to Go Private

When the Telecommunications Act of 1996—a backroom, communications industry-written act—became law, the effects of deregulation in the radio industry were immediately felt. The law eliminated restrictions on the number of radio stations a broadcaster could own, and hence the overriding logic of capitalism toward economic concentration kicked in. Clear Channel Communications emerged as a dominant force during this period of expanding radio chains. By the time Clear Channel

had spent $30 billion dollars to acquire over 1200 radio stations, it controlled as many as seven in single markets; sixty percent of the rock radio stations in the U.S.; concert venues closely synergized with its radio stations (which refused to promote artists playing in non-Clear Channel venues); equity stakes in 240 international radio stations; outdoor advertising companies with 910,000 display locations worldwide; fifty television stations; and spot advertising reaching more than 3,000 radio and TV stations. Clear Channel dubbed itself a specialist in "gone from home" entertainment and information services for local communities, when in fact its radio stations were largely programmed from network headquarters in San Antonio, Texas. Its total audience reached 145 million, roughly 75 percent of the adult population (Adler n.d.).

In late 2006 Bain Capital Partners and Thomas H. Lee Partners began negotiations to take Clear Channel private. Bain and Lee offered $19.5 billion, including the assumption of $8 billion in debt in a deal originally to close by the end of 2007. It was the largest PE deal involving the media at the time. Clear Channel postponed shareholder votes twice during 2007 to stave off stockholder resistance (Clear Channel 2007). Then it began selling off assets to reduce debt, halt the decline of share prices and profits, and keep Bain and Lee interested. Assets sold included live entertainment venues, 448-smaller-market radio stations and 42 TV stations in 24 markets. In May 2007 Providence Equity Partners bought radio and TV stations from Clear Channel for $1.2 billion, less than 10 percent of the company's 2005 revenue (Thiruvengadam 2007). The sale of venues produced capital losses that were offset by spinning-off broadcasting properties, resulting in "very efficient after-tax proceeds" according Clear Channel's CEO at the time, Mark Mays (Lieberman 2006, B4). Clear Channel then partnered with Google, guaranteeing the popular search engine a portion of thirty-second spots on Clear Channel stations.

Bain and Lee announced their intention to remain the nation's largest radio company with stations in the richest markets. Despite their intentions, shaky credit markets lead to an extension of the date on which a party might terminate the deal to July 2008. In the meantime, the five banks that were providing debt capital tried to back out as the credit market tightened. Both the equity firms, Bain and Lee, as well as Clear Channel sued the five banks for breach of contract. The banks backed down but also managed to bring down the price of the total deal from $19.4 to $18 billion. Of course, private equity ownership and control is not likely to increase the already narrow range of diversity on Clear Channel stations. It is doubtful that the company will change its overt, conservative political orientation. Foege's book the *Right of the Dial*, a close historical analysis of the company, led him to conclude that "Clear Channel is indeed to blame for much of what it has been accused" (cited in Steinberg, 2008, 9) The conservative trend in AM radio, particularly right-wing talk shows, is now moving to FM stations.

Cumulus Follows the Leader

Cumulus Media Inc., the second largest radio broadcaster in the U.S. (far behind Clear Channel) owned about 350 radio stations in 67 U.S. markets in 2006. Cumulus also held joint ventures with 34 stations in 8 markets, with revenues of $334

million, 90 percent of which came from local and regional advertising in 2007 (Yucan, Bryan F. 2007, 5). Cumulus focused on middle-range markets with a few larger market stations. Forty percent of the company's stock was owned by chair and CEO Lewis Dickey and his family. In July 2007, Dickey agreed to merge with Merrill Lynch Global Private Equity, while Merrill Lynch Capital Corp. agreed to assume Cumulus's debt, bringing the total value of the deal to $1.3 billion. In September 2007, Bank of America said it would step in to provide the debt financing since Merrill Lynch had been hit hard by the August credit crunch (Bank of America eventually bought Merrill Lynch in 2009 as the sub-prime mortgage crisis dragged down the value of the latter. The deal was set to close in early 2008 with Lewis Dickey remaining as CEO and chair along with brother, John as co-chief operating officer. Cumulus would continue to carve out its niche in mid-market stations and combine operations to cut costs. It also planned to take over smaller so -called distressed radio operations and promised to bring listeners higher quality programming as it took over small local independent radio stations or chains. But it counted on the spread of Big Box stores to increase advertising revenue. Big Box advertising raises advertising costs in monopolistic newspaper markets making it difficult for independent businesses to compete. The result is more homogenous goods from Big Box stores, and from centralized radio programming operations (Cumulus, 2006).

Cumulus' venture into the PE market was dashed in May 2009, the $1.3 billion deal was too rich for Merrill Lynch Global and it pulled out as the radio advertising market and consumer spending slowed down. Merrill Lynch paid Cumulus $15 million to terminate the deal. The company continued to be traded on the NASDAQ but control remained in the hands of Lewis Dickey and his family with 33.8 percent of its shares. Bank of America acquired roughly five percent of the company's stock through its private equity division and the right to appoint a member of the board (Cumulus 2008, 30). Dramatic decline in stock prices signaled that the family and its investors needed to trim costs, combine operations, and outsource to again become an attractive property. Its commitment to quality radio was, at best, an afterthought.

Tribune Company goes to Zell

My final case study focuses on the entry of PE into the newspaper business. This is another industry in transition, as it moves rapidly from print to digital formats. Like the music and radio industries, newspapers have been determined by Wall Street to be declining assets. Declining asset values do not imply that newspapers are unprofitable. Indeed, this had become a myth perpetuated by the business press. Newspapers and radio stations traditionally profited handsomely from their monopolistic positions within the larger media system, between 20 and 40 percent up to the turn of the century. Newspapers generally enjoy a local monopoly, giving them heavy clout with advertisers and the ability to engage in monopoly pricing. Radio stations have been formatted to target particular demographics to enhance the effectiveness of advertising contained within the broadcasts. Radio chains dominate certain markets. Local radio news is cycled through each station and ed-

ited according to the targeted audience. While it is true that these industries no longer produce the super profits that they once generated, they are certainly not bleeding to death. Still, in a supposed democracy two of the very central media for achieving an informed citizenry are quickly fading into the cyber world. Yet profit is still to be made through print media.

With a long history of generating profit from distressed real estate, Chicago real estate magnate Samuel Zell (number 68 on the Forbes 400 list in 2008, worth $5 billion [Forbes 400 2008] dismissed the industry's whining about its morbidity and announced in 2007 that he was taking the Tribune Company private. Zell realized that there was still much profit to squeeze out of the company.

At the time, The Tribune Co. owned 11 newspapers, including the *Chicago Tribune* and the *Los Angeles Times*; TV stations in 23 major markets, including Chicago and Los Angeles; the Chicago Cubs Major League Baseball team with its storied history and loyal fans; and a 25 percent stake in Comcast Sportsnet Chicago. Problems for the Tribune Co. began after its acquisition of Times Mirror Company in 2000. First, subscriptions and advertising revenues continued to decline as did those of the newspaper industry as a whole. Next, Wall Street investors and the Chandler family, former owners of Times Mirror and now Tribune shareholders, began to complain about poor performance of the company even with a 20 percent profit margin (Seelye 2006, C1). Finally, the company also drew bad publicity when the publisher of the *Los Angeles Times* was ousted for refusing to carry out executive orders to cut editorial staffers. The paper's editor left soon after being similarly disgusted with the parent company's heavy hand.

Zell, self-dubbed "The Grave Dancer," beat out several other suitors for all or part of the Tribune Company (Littleton 2007b, 1) and finally prevailed in August 2007 when the Chandler Trusts voted to approve the $8.2 billion deal. Other shareholders also voted in favor of the deal even though it would leave the company with a $13 billion debt load once terms were settled. The plan was divided into two phases. Phase one required the Tribune Co. to borrow $7 billion from Citigroup, JPMorgan Chase, and Merrill Lynch to buy back company stock. Zell leveraged only $315 million in capital toward the deal and was given the option to acquire 40 percent of the company with a future $500 million investment (Littleton, 2007a). Phase two, the lynchpin of the financing scheme, was an Employee Stock Ownership Plan (ESOP) under which Tribune employees would own most of the equity in the company through their retirement plans. Pension payouts would be made on a tax-free basis resulting in major long-term savings for the PE owned company. This required borrowing another $4.2 billion (Miller, 2007). While the ESOP gave employees the bulk of the ownership in the company (not in the socialist sense) they would not control it. Indeed, there was a distinct separation between ownership and control, with Zell holding the latter. The union managed one seat on the board, not one of its own members but rather a consultant working for GreatBanc Trust Inc. whose role it was to manage the retirement money and future payouts to workers. Meanwhile, the workers' pension was transformed into speculative capital and subject to the whims of capital markets.

Workers were aware that the ESOP exposed them to a potential Enron situation in which employees were left with no pensions after the company collapsed since

they were tied up with speculative capital. Thus the Teamster's Union opposed the deal. Zell argued that worker ownership would "motivate" workers as owners rather than employees. Still, the need to pay off debt required cutting jobs and squeezing out more labor from those who remained. In a Marxist sense, Tribune workers became complicit in their own exploitation. Furthermore, they became obligated to produce media content precisely to maximize profit and minimize risk rather than to inform or enlighten. Perhaps tellingly, the Tribune Co. began cutting assets with the sale of the Sunset Boulevard studio where Warner Brothers shot *The Jazz Singer*. Next in line for the chopping block was the Chicago Cubs.

There were two major hurdles complicating the consummation of this deal by year's end 2007. The Tribune Company and other media firms found themselves in similar predicaments and worked closely to overcome them. First the bursting of the housing bubble began the credit crunch leading the so-called Great Recession. Higher interest rates drove up the cost of the deal as the banks themselves struggled with huge write-downs due to large investments in the sub-prime mortgage market. This tied up money that had freely flowed into the PE sector. The second hurdle was regulatory and involved Federal Communication Commission (FCC) regulations restricting cross-ownership of newspapers and television and radio stations in the same market. The Tribune Company had benefited from a grandfather clause in Chicago, where it already owned both a newspaper and TV station (WGN) when the rules were adopted in 1974. The Tribune Company also enjoyed cross-ownership waivers granted by the FCC in other markets, including New York, Hartford and the Miami-Fort Lauderdale area. Under pressure from Big Media in fall 2007, FCC chair Kevin J. Martin announced an ambitious plan to ease cross-ownership restrictions (Labaton 2007b, A1). Martin failed to gain a consensus among FCC commissioners, due in part to resistance from Congress (where members suddenly became concerned about the effects of media concentration, most notably in local markets on how the media covered them at home), and in part to the efforts of media reform activists (whose ranks were inspired by the experience of fighting former FCC commissioner Michael Powell's efforts to do the same). Nonetheless, Zell turned to the FCC and in early December received a temporary exemption from the cross-ownership rules.

Meanwhile, FCC chair Martin set aside his efforts to repeal the cross-ownership rules, and set out to appear concerned about media concentration by marshalling a mid-December FCC vote by a margin of 3-2 to cap cable ownership at 30 million subscribers. The minority Democrats voted against the rule, arguing that it was too lenient. Indeed, the rule to limit cable concentration allowed the industry's leader, Comcast, room to add three million more subscribers. FCC commissioner Jonathan S. Adelstein warned that these efforts were a subterfuge for Martin's deregulatory ambitions to further deregulate Big Media (Labaton, 2007a). Adelstein was right. Martin immediately moved to repeal the 36 year-old cross-ownership rules in the top 20 markets, winning with a 3-2 majority among the FCC commissioners. Despite rumblings from Congress, Martin knew he had White House support and any legislation attempting to re-instate the rules would be vetoed. Two days after the FCC ruling, Zell closed the deal and immediately named himself CEO and chairman of the board. He installed new managers and board members from his own

team, including Brian L. Greenspun of the Greenspun Corporation that owned several publications including the *Las Vegas Sun*, where Greenspun was the editor (Perez-Pena 2007, C4). Despite the FCC's repeal, the company would have to sell either a newspaper or television station in the Hartford, CT area since it was not a top-twenty market. A small price to pay for the gains Martin achieved for Big Media as a whole. Zell did sell off 97 percent of *Newsday*, a well respected newspaper publication, to Cablevision Systems Corporation in early 2008. The Tribune Company kept the other 3 percent in order to take advantage of the "partnership.

More Private Equity Media down the Pipe or in the Pipeline

There are several other cases of private equity and private media worth exploring for a full understanding of the deal-making and consequences thereof. In broadcasting, for example, Univision Communications, Inc., the nation's largest Spanish-language media company with 114 TV and radio stations, was taken private in 2007 by four PE firms (Texas Pacific, Providence Equity Partners, Madison Dearborn Partners and Thomas H. Lee Partners), along with the Saban Entertainment Group for $13.7 billion. In the film industry, banks and other investors turned to direct financing of projects by-passing the major producer/distributors. Joel Silver, producer of *Lethal Weapon* and *The Matrix*, signed a deal with a group of financiers for $220 million to make 15 movies; Ivan Reitman, director of *Animal House* and *Ghostbusters*, agreed to make 10 low-cost films backed by Merrill Lynch. Tom Cruise and partner Paula Wagner attempted to revive United Artists, a unit of MGM, bringing in private investors to restore the glory of the studio of old (Holson 2006, A1). Wall Street began to slowly re-create the Studio Era (1930-1950) during which financiers ultimately determined what kinds of movies should be made to produce a return on their investments, i.e. conservative, conformist and disengaged from the larger socio-political reality of the time (Huettig 1944; Wasko 2001).

An extremely interesting case involves the privatization of The Reader's Digest Association. The intricacies of the deal are beyond the scope of this essay but merit close analysis due to the company's enormous global footprint. PE activities in the educational book publishing industry left just three players, one of which, Houghton, became the property of the PE firm Riverdeep. As always, oligopolistic markets result in monopoly pricing to generate monopoly profits. In this case, it will be students will be pay the ones paying higher prices. Moreover, the dominance of three educational publishers clearly limits students' ability to explore to the best and most diverse literature in their classes.

The battle for control of Time Warner involving Carl Icahn in 2005 is a compelling case in which one of the biggest financiers in the PE business influenced the behavior of a public firm just by buying up a small percentage of the company's shares—followed by the threat to purchase an even larger number of shares to influence the corporation's direction. Icahn forced Time Warner to buy back $20 million of its own shares, to raise stock prices, and influenced the company to sell off its cable television unit. In a strategy that defies synergistic logic, Time Warner exited the digital distribution market to follow Icahn's insistence that it concentrate

on the production of content. The New York Times Company experienced a minor shareholder revolt following the infusion of private equity through the purchase of Class A common stock by PE. The PE firms began demanding abolition of the existing two-class system in which Class B shares guaranteed the Sulzberger family control over selection of members of the board of directors and therefore general control of the corporation's direction. PE firms sold their shares when the Sulzberger family refused to abolish the two-class system. The case raised important questions about the relationship between private equity holders and journalistic integrity. The Sulzberger family, capitalists for sure, were still beholden to maintaining some semblance of the latter. There is much more research to be done on the implications of private control of public media. So far the findings are profound and troubling with regards to media diversity and intellectual and creative freedom.

Capitalism in Crisis: Is the PE Party Over?

In this essay, I have to examined the changing structure of the media through spatialization and provide a critical textual analysis of the business press. In musical terms, my contribution to the analysis is counter-harmonic, particularly with regard to the celebratory coverage of the business press. Yet, I am an outsider, listening and burrowing into a complex and largely opaque system. Orlando Seguro Jr. (2008, 17-20), writing in *Dollars & Sense*, a monthly magazine devoted to explaining the workings of the U.S. and international capitalist economies from a left position, reveals his findings as an insider (i.e., a former PE trader and now PE consultant). His focus is on how PE firms invest other rich people's money while squandering the pensions of the working class. He documents the advantages provided PE by the regulatory system. The regulatory loopholes, as Segura points out (21), allow private equity managers to be taxed at a lower rate than their secretaries, even though the managers earn more in one day than low-level staff employees earn in one year.

The Great Recession (Depression?)—that according to economists began in December 2007—but was not acknowledged until 2009 when the term first appeared in the press--showed no signs of bottoming out as this essay went to publication. The credit crunch hit private equity firms particularly hard as investors began demanding their money back. The Tribune Co. filed for Chapter 11 bankruptcy in December 2008, despite profits from both its newspaper and television divisions. Zell's fortunes declined as a result of the collapse of real estate prices. The workers' ESOP stake in the company tumbled as the value of the company declined. Under Chapter 11, their pension fund will be last in line as Wall Street investors are in line to be paid off first. It seems likely that Zell was more interested in real estate (the lucrative properties housing both the Tribune Co. and its river-front printing plants, and the *Los Angeles Times*) than the normative values of the fourth estate. The radio chains found themselves in a quagmire, as advertising revenues dropped with the decline in the consumer sector and the migration of advertising to the Internet.

The Obama administration's bailout plans in 2009 attempted to put private equity back into play as part of its trillion dollar plus bailout. The plan involved a public/private auction of packages of so-called toxic assets through which taxpayers plus private equity and other investors would come to the rescue. The intent was to clean up the books and put large investors back into a lending mode. The regulation of private equity, hedge funds and other financial instruments was turned over to the state, yet the filings would remain private and *unavailable to the public*. The plan put the onus on tax payers and private equity players in the driver's seat. Furthermore, the value of toxic assets is immeasurable and as private equity firms were encouraged to participate they insisted that if the plan did not work out, they would walk away from their losses leaving taxpayers with the final bill. At the same time, relieving banks, investment houses, automobile companies, and insurance companies from toxic assets intended to free up remaining credit-worthy divisions of these firms that would once again start lending.

Marx argued that capitalism is prone to crises due to its inherent nature in class struggle and that the class conflict it inevitably creates would ultimately lead to its downfall. He did not anticipate the significant role of the state in propping up the system through depressions and recessions. However, the Great Recession has forced the state to take an ownership stake in the economic system while banking on the good will of U.S. taxpayers to absorb the bad bets made by the corporate and financial institutions. Resistance began to emerge when American International Group received a multi-billion dollar bail out while paying management some $165 million in bonuses. A brief moment of populism pushed Washington to seek to rescind the bonuses but was quickly quashed on the basis of legal technicalities. It quickly became clear that the young Obama administration was already beholden to Wall Street. The essential power of the capitalist class is the investment strike. While the owners of PE firms continue to live their high life styles, they sit on their capital until their gains again become satisfactory. Meanwhile, organized and unorganized labor has been forced to take cutbacks in wages, health benefits, and pensions. The state has been forced to take over the social welfare of such workers creating a fiscal crisis of the state (O'Conner, 1973). As the social safety net sags and tears, more people turn to the state for relief. This leads to further borrowing by the state which in turn, makes credit even tighter. Meanwhile, interest rates on deficit borrowing cut deeper and deeper into the total state's gross domestic product. The Obama administration has sought to blend monetarism with a dose of Keynesianism. It is doubtful if this will work until the capitalist class calls off its investment strike and government spending is directed at actually creating jobs rather than waiting for the trickle down.

This essay is written from a media centric position, and that of a media scholar. I believe we need a greater awareness of how PE affects media production and output and, the ramifications of a further drift toward an entirely privately controlled media system based on the pursuit of profit rather than the promotion of democracy. Indeed, these goals increasingly appear inherently contradictory. We must take advantage of this opportunity—a crack in the window—to begin to establish a true democratic economic, political and social structure. We will no longer pay for war making, Wall Street investors and private health insurance designed to deny us

our benefits. This implies a tax strike as a counter to the capitalist strike. We will continue to take care of our neighbors and communities and pay our due share via financial donations and actual participation in helping those in need. It could be a start.

Notes

1. As a former teaching and research assistant for Thomas Guback, one of my primary duties was to pore over business indices to locate addresses of the headquarters of media firms. Guback then sent requests to each firm asking for annual reports and Security and Exchange documents which he then pored over. The Internet has made the process easier as corporate websites now include links to their annual reports and SEC filings. Still, reading the fine print, where the real facts are buried, remains arduous.
2. During previous acquisitions and mergers in the recorded music industry, the new management cancelled projects that they did not intend to distribute forcing smaller artists to buy back the publishing and recording rights to their own work (sometimes in the tens of thousands) and hope to find another label interested in their music.

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