

## Cuomo Probes Stock Sales at Arbitron

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New York Attorney General Andrew Cuomo is investigating whether executives at Arbitron Inc. improperly sold company stock in advance of the radio-ratings firm's disclosure of news that hurt its share price.

Mr. Cuomo's office is focused on seven executives who sold a total of about \$8 million in stock last year before the company disclosed a delay in the rollout of its electronic ratings system for radio, a person familiar with the matter said. That disclosure and a related earnings warning contributed to a 15% drop in the company's shares in one day.

The insider-trading probe follows litigation Mr. Cuomo and the New Jersey attorney general filed this month alleging that Arbitron's new ratings system, the Portable People Meter, undercounts minority listening, which the company denies.

"We have begun a review of stock sales made before the Portable People Meter delay announcement in November 2007," Alex Detrick, a spokesman for Mr. Cuomo, said in a prepared statement. "The review is in its early stages and any allegations of insider trading should be taken as only that -- just allegations. It remains to be seen where the facts will lead."

Mr. Cuomo's office is looking at whether Arbitron executives -- presumably aware that criticisms over sample audiences for the People Meter could cause a delay in its rollout -- continued to issue positive statements about the system and sold stock before announcing that the company would push back the introduction of the People Meter in several big cities.

An Arbitron spokesman said the company is cooperating with the inquiry, which it mentioned briefly at an earnings conference call last week and in a securities filing earlier in the month. The company declined to comment further for this article.

The sales by Arbitron insiders grew particularly active in the weeks before the company's Nov. 26 announcement that it would delay the People Meter rollout and cut the company's earnings forecast for 2007 and 2008 as a result. The company's shares plunged after the announcement.

Pierre Bouvard, the New York company's president of sales and marketing, sold shares valued at more than \$2 million in total in October and November 2007, and about \$90,000 in September. Those sales were made under a stock-sale plan adopted in September, according to securities filings. Owen Charlebois, president of research and development, sold roughly \$1.5 million in stock in October, but none in September. Linda Dupree, an executive vice president, sold roughly \$2 million in stock over October and November, but none in September. Ms. Dupree's sales were based on a stock-sale plan adopted in late October. Filings don't indicate a plan for Mr. Charlebois.

Chief Executive Stephen Morris sold about \$300,000 a month in September through November, but public filings indicate the sales were based on a stock-sale plan adopted in 2006.

A lawyer for Mr. Bouvard declined to comment. Lawyers for Ms. Dupree, Mr. Charlebois and Mr. Morris said their clients were cooperating with the investigation.

Mr. Cuomo's office is pursuing the investigation under New York state's Martin Act, which spells out a broad definition of securities fraud and can be used to pursue civil and criminal penalties. The 1921 law has become a

hammer in recent years for New York prosecutors in cracking down on securities manipulation and misleading stock research on Wall Street. Most recently, Mr. Cuomo used the law to investigate Wall Street firms' handling of auction-rate securities.

In the Arbitron case, prosecutors are expected to examine trading documents, email messages and other records in the period immediately leading up to the trades. Robert Ray, a defense lawyer at Pryor Cashman LLP in New York who isn't involved in the case, said the Arbitron executives could be given a chance to explain why their stock sales were legitimate. In addition to the prescheduled stock-sale plans, "there's a whole host of possible innocent explanations," he said.

Arbitron ratings, the radio industry's equivalent to the Nielsens for television, have come under fire in recent years. Even in the largest markets, Arbitron had relied on listeners keeping paper-and pencil diaries, which critics said didn't give a full picture of radio listening. The process also took weeks to tabulate, which meant statistics came out months after the programming aired. Such criticism helped spur Arbitron to introduce the People Meter, a pager-sized device that panelists wear and that electronically tracks radio listening.

Many radio-industry executives have said that better, more timely data would boost on-air radio advertising revenue, which has hovered around \$20 billion annually for years and looks set to decline this year. The markets with the People Meter have generally shown declines in stations favored by minorities. As a result, some radio companies, such as Spanish Broadcasting System, have cried foul. Such critics of the People Meter want changes such as larger sample sizes.

Arbitron has said that listeners tend to round up in making diary entries but that the People Meter automatically records more-precise listening data. Ethnic minorities tend to listen to radio more than nonminorities do, so the People Meter's lower figures could fall more heavily on minority ratings.

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