



MORE is better than less.

Dear Friends:

We hope everyone enjoyed a wonderful summer. Here at Szabo Associates in Atlanta, it's finally cooled down a bit, the leaves are changing, school is back in session, and pumpkin spice is again everybody's favorite flavor.

The media industry feels like it's transforming faster than ever, and as a result, so is the regulation that guides it. In this issue, we dive into how oversight is shifting at both the federal and state levels and what media companies can do to protect themselves from potential legal pitfalls.

Szabo Associates, as part of Altus Receivables Management, in August again participated in the annual Lekotek 5K Run in Atlanta to raise money to help children with disabilities learn through the power of play.

At the end of September, we attended the Georgia Association of Broadcasters' GABCON – and its attendant awards show, the Gabbys. On Nov. 12, I'll be attending the MFM & NMCP National Media Credit Conference in New York City. I look forward to seeing some of you there!

Randy Neff, President
Szabo Associates

Regulation, Revenue and Risk: What Media Companies Need to Know About Today's Advanced Advertising

Advertising is in the midst of a revolution. Where once it was a business of relationships between buyers and sellers that required face-to-face negotiation, handshake deals, insertion orders, and post-campaign analysis, it is now a business of automation, on-the-fly changes and in-progress assessments. While relationships remain critical, much of today's workflow is automated and it's only going to become more so. Even advertising creative, which can now be generated by artificial intelligence (AI), can sometimes happen without much of a human touch.

What remains the same is federal and state regulators' interest in ensuring fair advertising practices for consumers. As a result, heightened scrutiny from federal agencies, state attorneys general, and digital oversight bodies can directly impact media sellers' cash flow and credit risk. When a regulatory body decides to investigate or prosecute advertising practices or campaigns, the media company sitting at the end of the chain can face such unpleasant consequences as payment freezes, chargebacks, or prolonged legal disputes.

While advertising compliance is perhaps not the most glamorous of pursuits, it is critical that local, regional, and national media sellers stay on top of it to protect revenue, strengthen contracts, and minimize collection exposure.

Regulating Advertising at the Federal Level.

There are two federal agencies that oversee advertising: the Federal Trade Commission (FTC) and the Federal Communications Commission (FCC).

As more and more advertising has moved into the automated, programmatic, and digital realms, the FTC has increased its focus on deceptive advertising, fake reviews, and undisclosed influencer sponsorships, and on whether these things are generated by AI.

While many of these fraudulent practices predominantly take place on digital or social media platforms, local media companies are not exempt, especially as they migrate to programmatic systems and expand their purviews into digital realms. Local radio and television broadcasters must consider both agencies' standards when it comes to advertising. The FTC primarily focuses on truth in advertising, with its website noting that "under the law, claims in advertisements must be truthful, cannot be deceptive or unfair, and must be evidence-based." For its part, the FCC makes sure that broadcasters uphold their public interest obligations as a prerequisite of maintaining their federal spectrum licenses.

For local TV and radio broadcasters, the standard of liability in these cases is fairly broad, only requiring that they "knew or should have known" that an advertising campaign that aired on their platforms included fraudulent or misleading elements. While the government does not mandate that broadcasters precisely audit every advertisement that crosses their airwaves, if a radio or TV station is found in any way to have known that an ad is false or deceptive – or if they have already received an explicit warning from either fed-

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eral agency and they continued to air the ad anyway – they can be found directly liable for its contents. Moreover, continuing to air the ad in question can endanger a station's FCC license, invite civil enforcement, and practically guarantee that the account will become uncollectible bad debt.

Specific content is covered by FTC and FCC rules. On-air talent, including deejays and talk-show hosts, must explicitly disclose to viewers if they have been paid to try or to endorse any product, company or service, according to the FTC's endorsement rules. The FCC requires stations to disclose if broadcast time is paid for or furnished and who paid for it. Failure to air these disclosures can result in fines and breach-of-content claims from advertisers if the omitted disclosure renders an advertising claim non-compliant.

The FCC regulates political advertising more closely than typical commercial speech, although with the loosening of rules around who can spend money and how much, those rules have gotten somewhat less stringent.

Under Section 315 of the Communications Act, stations cannot censor any ads placed by legally qualified political candidates, no matter how they may feel about the content. Because of that, stations have immunity from prosecution regarding these ads. Conversely, third-party, political action committee (PAC), and issue ads are not protected from censorship, and stations have the right to inspect, edit, or even outright reject third-party creative from these providers. If these types of ads are found to contain false, deceptive, or defamatory claims, it opens the local station to the possibility of being sued.

As local radio and television broadcasters expand their traditional linear offerings into digital platforms, apps, social media, podcasts, streaming, and dynamic ad insertion, they are governed by the same rules as all digital platforms. The FTC provides no safe harbor

for broadcasters when they are delivering advertisements across digital products.

An increasing challenge for broadcasters is the rise of cross-platform advertisements that air both on a station group's over-the-air outlets as well as on its digital platforms. In these cases, when an ad on a digital platform gets flagged for a privacy or disclosure violation, advertising agencies can freeze payment on the entire invoice, not just the digital portion. That puts broadcast revenue at risk even if the compliance issue in question occurred solely on a digital or streaming platform.

Moreover, advertisers facing civil penalties or disgorgement demands (being forced to surrender all profits earned through false, deceptive, or non-compliant advertising) often halt payments to vendors – whether agency or inventory provider – claiming their campaigns were rendered useless or compromised. Media companies also risk becoming “uncompensated intermediaries” if an agency or advertiser defaults while tied up in a civil investigation.

The Pros and Cons of AI in Advertising.

Another relatively new problem is the rapid proliferation of AI that can be used to produce ad creative, whether that's synthetic voiceovers, hyper-realistic deepfakes, or automated claim generation. The ability to create and insert these items at speed has far outpaced traditional clearance workflows, causing media sellers to need AI to track the AI that is flowing across their networks. To that end, claims of copyright infringement, right-of-publicity lawsuits, or unsubstantiated AI-generated product claims can lead to immediate cease-and-desist orders. When that happens, media sellers are likely to face demands of make-goods, bill credits, or just a flat-out refusal to honor the rest of the contracted invoice balance.

The FCC has similar requirements around political advertisements. Sponsored content or AI-generated political assets must be disclosed to viewers or stations can face fines and administrative holds.

Current State Approaches.

While federal agencies like the FTC

and FCC focus on broad policy guidance, state legislatures and state attorneys general (AGs) are filling the regulatory void with binding statutes, explicit disclosure mandates, and strict liability frameworks. State attorneys general and legislatures are aggressively pursuing digital ad transparency, user data privacy violations, and predatory targeting practices. State-level injunctions and clawback actions can quickly disrupt campaigns running across multiple states. Receivables tied to cross-platform or multi-state buys become difficult to collect if some campaign components are flagged or suspended by state regulators.

For example, states are moving faster than the federal government to eliminate “drip pricing”—the practice of advertising a low base rate and adding mandatory fees late in the checkout or booking process – something probably every consumer has encountered when completing tasks online such as booking a flight or reserving a rental car.

States such as California (SB 478) and Colorado (HB 25-1090) have enacted legislation enforcing strict pricing transparency laws. Advertisers in these states are legally prohibited from displaying “\$100 + fees” if mandatory charges bring the total to \$125. The total, unavoidable price must be the primary headline figure in all promotional copy.

Bipartisan coalitions of state AGs (including New York, New Jersey, Tennessee and California) are actively suing industries that use hidden delivery, convenience, resort, or service fees under existing State Unfair and Deceptive Acts and Practices (UDAP) statutes. In addition, these UDAP statutes are being legally applied across a wide swath of activities, expediting these states' ability to prosecute perceived bad actors without a need to enact new legislation.

AI and ELVIS in Advertising.

State legislatures have enacted specific restrictions on AI-generated content in advertising. More than 30 states require clear audio and visual disclaimers on advertisements containing synthetic

media or deepfakes. States such as Colorado and Washington also mandate embedded “metadata tags” within digital ad files to verify authenticity.

Statutes such as Tennessee’s ELVIS Act (Ensuring Likeness Voice and Image Security) create property rights for an individual’s voice and likeness. If an advertiser uses an AI-cloned voice or likeness in a commercial without authorization, the affected party can sue both the advertiser and the media entities that distributed it.

Multiple states enforce strict disclaimer rules or blanket bans on synthetic media in political and issue advertising near election windows, with private rights-of-action allowing candidates to seek immediate court injunctions against media outlets that run non-compliant spots.

Along those lines, state AGs are also targeting deceptive user interface designs and “negative option” subscription marketing, requiring that terms for subscription-based products, recurring billing, or auto-renewals be displayed clearly alongside the call to action—not buried in hyperlinks or fine print. Under state consumer protection rules, canceling a recurring service must be as simple as signing up (e.g., if a customer subscribes via a single click on a mobile app, they

must be able to cancel with equal ease).

State-level enforcement can be even more hazardous for media companies than federal regulatory proceedings. Under certain state consumer protection statutes, such as Colorado’s pricing law, non-compliant businesses can be forced to refund all fees collected, along with up to 18% in statutory annual interest penalties. And state AGs frequently target every link in the distribution chain when investigating deceptive local campaigns. If an agency goes under or faces a state-issued freeze, media sellers without updated indemnity clauses can be forced to bear the cost of uncollectible airtime.

Practical Legal and Compliance Strategies.

With modern media platforms proving to be potential legal minefields, media sellers must work with legal counsel to update all documents and contracts – such as insertion orders and master service agreements – to indemnify themselves from having to take responsibility for an advertiser or an agency’s wrong-doing.

Key updates to consider include:

Explicit Indemnification: Ensure advertisers and agencies explicitly warrant that all creative assets (including AI-generated content, en-

dorsements, and claims) comply with FTC, FCC, and state regulations, holding the media organization harmless from regulatory fines. Should legal defense be required, the advertiser and/or agency is required to cover all fees, regulatory fines, civil judgments and settlements.

Joint and Several Liability

Exceptions: Structure contract terms so that regulatory non-compliance by the advertiser waives standard sequential liability, allowing the media company to pursue both agency and advertiser directly for any unpaid airtime or digital space.

Short-Form Disclaimer

Clearance: Include clear provisions establishing that the media seller reserves the right to reject, modify, or halt non-compliant creative without breaching the contract or triggering rate penalties.

Absolute Right to Reject or Terminate

Contracts must grant the media seller the sole discretion to reject, edit, or immediately pull any creative that raises compliance red flags or is targeted by a regulatory inquiry, without breaching the contract, triggering rate penalties or owing make-goods.

Anti-Clawback & Dispute

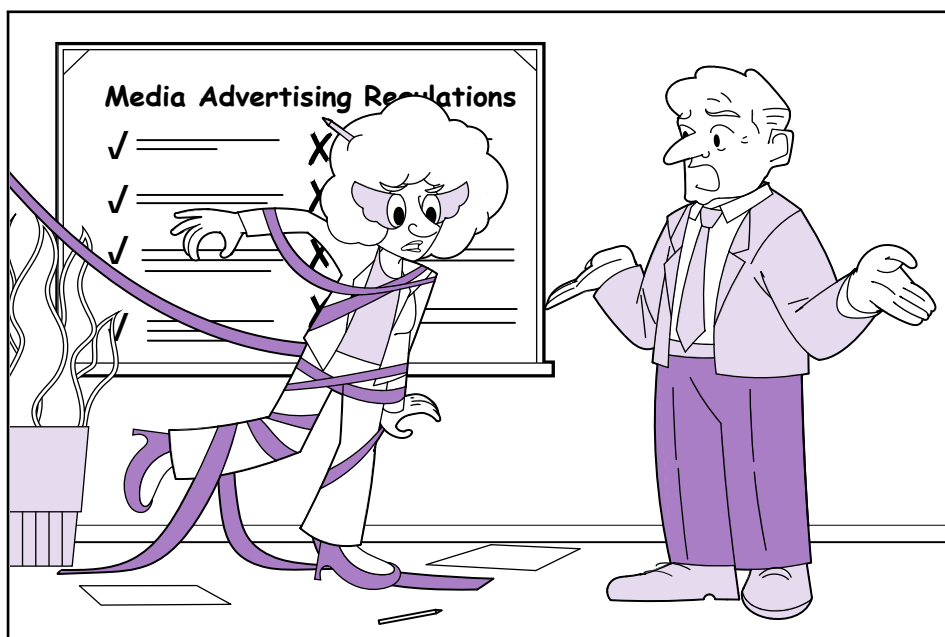
Time Limits: To prevent post-broadcast revenue reversals, insertion order terms should establish that all proofs of performance and invoices become final within 15 to 30 days. After that window closes, buyers waive any right to offset, charge back, or claw back payments for served impressions.

Short Credit Terms for High-

Risk Categories: Emerging high-risk ad categories, such as influencer-backed podcasts, AI-driven campaigns, emerging financial platforms, and health and wellness products all warrant adjusted credit terms. Options include requiring payment upfront or offering shorter credit terms, such as 15 days or weekly.

“Notice & Halt” Red-Flag

Protocol: Establish an immediate operational trigger: if a formal FTC warning letter, state AG inquiry, or substantiated com-



Sales Guy: “Oh no, Flo, what happened?”

Flo: “I was trying to make my way through all this new red tape and I got tangled up!”

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petitor challenge is received regarding an active campaign, traffic systems must place an automated hold on the schedule until legal counsel clears it. Continuing to air spots after formal notice has been received forfeits safe-harbor defenses.

Sponsorship Identification (FCC/FTC): Maintain automated airchecks, audio logs, and time-stamped run sheets proving that on-air personalities delivered required sponsorship disclosures during live reads or native segments.

Audit Trails: Retain time-stamped logs of creative clear-

ance approvals alongside invoices to refute post-campaign non-compliance disputes.

Insurance and Liability Coverage. Finally, even if everything listed above has been covered, media companies should still consider carrying commercial insurance that includes comprehensive media liability coverage. This would cover advertising injury, copyright infringement, right of publicity/voice-likeness claims, and commercial defamation. Adding policy riders that account for potential costs in the event of regulatory investigations or third-party subpoenas layers in even more security.

Risk Management Equals Cash-Flow Preservation. Regulatory compliance is an essential exercise in risk management and cash-flow preservation for media

companies. By anticipating how regulatory actions can create credit risk and payment friction, media finance professionals can update contract protections, tighten credit screening, and insulate their organizations from avoidable bad debt – whether that’s on a single station, a TV or radio station ownership group or a broad regional network.

Managing such regulatory and credit risks is no longer just a legal formality—it is a necessary financial strategy. By proactively strengthening legal contracts, enforcing strict operational compliance protocols, and securing comprehensive liability insurance, media sellers can effectively insulate themselves from payment disputes, safeguard their revenue, and ensure long-term stability. ♦