Collection: Deaver, Michael
Folder Title: Personnel 1983 H-R [JOS-KEN]
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Marvin Josephson has learned his lessons well: Sell high, buy low. For his stockholders, alas, it may work the other way.

BW 7/21

Timing is everything

we should own

By Jeffrey A. Trachtenberg

NOBODY CAN SAY Marvin Josephson isn't smart. Back in February 1983 his Josephson International—an odd assemblage of radio stations, an office furniture business plus the talent agency that started it all—made a public offer of 1.3 million shares of stock in the company, including 300,000 belonging to Josephson. Investors snapped it up at 15⅝. Later that year the stock got as high as 19¾. By last December, though, it was down to 6½. Now Josephson is considering a move to take Josephson International private through a leveraged buyout at approximately $10 a share, or about $50 million in all. Marvin Josephson still owns 29% of the 4.9 million outstanding shares.

Considering where the stock has been, the stockholders may be lucky to get $10. But then why the drop from nearly 20? Well, in January 1984 Josephson got into the brokerage business by snapping up the 104-year-old firm of Herzfeld & Stern, paying $17.5 million and initially putting in another $20 million in working capital. Some Wall Streeters were saying the acquisition would add at least $2 million to the bottom line.

It didn't work out that way. With the stock market going nowhere much of the time since Josephson acquired it, Herzfeld & Stern has lost more than $5 million pretax as part of Josephson International. Result: In fiscal 1984 (ended last June 30) the firm earned only $680,000, or 13 cents per share, against $6.6 million, or $1.46 a share, the year before. In the first half of fiscal 1985 it earned $22,000, against a $3.2 million gain the year before. So Josephson hopes to take back the company at a time when its stock price and earnings are depressed.

Marvin Josephson has not yet made a formal offer. But news of his interest in taking his company private leaked out, driving the stock up to about 8½ last month. At that point Josephson issued a one-page release stating he was working on a deal to go private with Boston Ventures, a private investment firm.

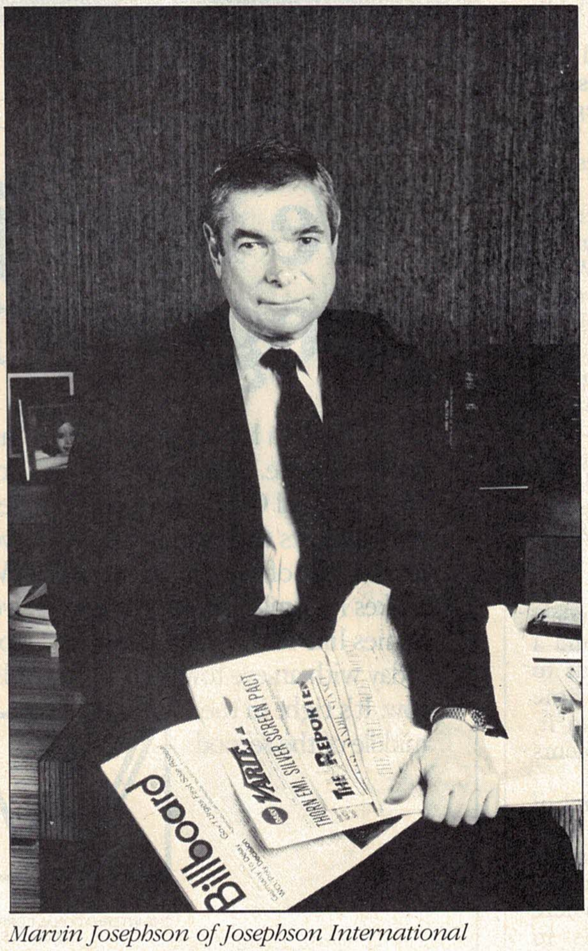
"It would be a great deal for Marvin, because I estimate the true book value at about $15 a share, and in two years Josephson International should be doing much better," says Mary Farrell, a vice president with Paine Webber. "Herzfeld & Stern had loads of internal problems, and I question whether the company knew what it was buying. The brokerage firm is the single reason the stock has been driven so low on the market."

Farrell thinks shareholders should be less than thrilled with a $10 offer. "They are getting shafted," she says. She isn't alone. Getting a handle on a company in such disparate lines of work is an uncertain business at best. The well-known broadcast industry analyst Paul Kagan (who also has a stock position in Josephson) sees it this way: Value the talent agency at seven times the average annual seven-year operating profit of $8 million (or $56 million), the office design division at two times acquisition price (or $52 million), the radio stations about eight times 1984 cash flow of $4.9 million (or $40 million), Herzfeld & Stern at Josephson's total investment price of $37 million. That's $185 million altogether. Subtract $83 million in net debt, and then divide the remaining $102 million by 5.4 million shares and options. That leaves the per-share value at $18.90, or almost twice what Josephson is offering. "His offer is ridiculous," Kagan says.

Marvin Josephson should not be underestimated. A onetime CBS attorney, he put together International Creative Management in the mid-1970s by merging other agencies like the International Famous Agency and Creative Management Associates. Today its 2,500-client list includes actor Burt Reynolds, rock group Culture Club, singer Tom Jones, writer Tom Wolfe and comedian Eddie Murphy.

Small-fry pay for their own mistakes. Some executives, in the right circumstances and at the right time, can make their shareholders pay. ■

Michael Abramson



Marvin Josephson of Josephson International
Who pays for the mistakes?

ground to individual prescriptions. The deal fell through, but it opened Wood's eyes to a new market. So Orco began making semifinished lenses. Moving to intraocular lenses was a logical, if technically difficult step.

Wood has so far resisted the temptation to expand into the wrong markets, like contact lenses. Contacts look like a natural fit in Orco's product mix. But Wood steered clear of them. "We have never felt comfortable that we had a significant technological advance that would justify the expense of development and setting up a marketing organization for contact lenses," he explains. It's a good thing. Even Syntex Corp., the big drugmaker, has had difficulty competing against the likes of Bausch & Lomb and CooperVision.

Compare that with Wood's entry into intraocular lenses. In 1982 IOLs were also being made by the likes of Revlon and 3M. But only Orco's lens, like the human eye, filtered out ultraviolet light. Both Revlon and 3M have lost substantial market share.

Wood is about to test his basic theories again. Orco has begun shipping what Wood believes is a major innovation in eyeglass lenses: a highly durable, scratch-resistant, thinner and lighter-weight plastic lens. Wood will attempt an end run of optical labs and sell his new lens directly to eyeglass dispensers. It will be priced at a 20% premium—justified, Wood hopes, by its comfort and visual clarity.

Launching LiteStyle, as the lens is named, will be an expensive undertaking. To handle distribution Wood added about $7 million to long-term debt in acquiring Omega Optical last August. Omega, the largest U.S. wholesale optical laboratory, has a sales staff experienced in calling on retailers. Another $10 million in debt may be added to finance a new plant to produce the lenses. There will also be an extensive advertising campaign to build brand awareness. Still, Wood has a $24 million cash hoard with which to play.

Wood is not without his worries: "This is a major undertaking, and a lot of things have to occur for us to accomplish our sales goals. Anytime you take a pilot line and expand it, you are going to have some problems you didn't anticipate."

That, of course, is just the kind of sensible remark you want to hear from a high-tech entrepreneur—most of whom are only too willing to bet the company. On Wall Street, where the Optical Radiation name is in lights, the betting is heavily in Wood's favor.—**Kathleen K. Wiegner**

Josephson

Direct dial 212 556- 5610

do a card & then send to me man

PERSONAL

January 20, 1984

Mr. Michael K. Deaver
Assistant to the President and
Deputy Chief of Staff
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mike:

I enjoyed meeting with you at breakfast this morning.

As promised, I enclose some material on our company: the 1983 Annual Report, the 1984 First Quarter report and the press releases announcing our acquisition of Herzfeld & Stern.

I would very much like to pursue our conversation whenever you are ready to do so whether that is before or after November.

Kindest personal regards.

Sincerely,

Marvin

MARVIN JOSEPHSON
Chairman

MJ/bl

Josephson International Inc.

40 West 57th Street
New York, New York 10019

ear Shareholder:

our check, in payment of our 38th consecutive uarterly dividend, is enclosed. The dividend, the rate of $0.10 per share, is payable Novem- er 15, 1983, to shareholders of record November Last month the directors, reflecting the finan- al success of the company, announced their tention to raise the annual dividend rate 25%, om the current annual rate of $0.40 per share, $0.50. The first dividend at the new quarterly te of $0.12½ per share will be paid in Feb- ary 1984.

First quarter records were set this year for erating revenues, operating and net income, d earnings per share. Operating revenues in- eased 67%, from last year's $27,688,000, to a rst quarter record of $46,235,000. Operating come increased 42%, from $3,247,000, to a rst quarter record of $4,605,000. Net income creased 36%, from $1,385,000, to a first quarter record of $1,890,000, while earnings per share rose 6%, from last year's $0.34 (on an average of 4,118,000 common shares and equivalents), to a first quarter record of $0.36 (on an average of 5,270,000 common shares and equivalents).

The increase in the average number of common shares and equivalents outstanding is mainly the result of our public offering of 900,000 shares in March 1983. First quarter results include the operations of Rucker Fuller and Wilson Business Products, which joined our Design and Furnishings Group in September 1982 and March 1983, respectively. Net income for the period also reflects the carrying charges on the $60,000,000 issue of Subordinated Debentures we sold in May 1983.

On October 24 we announced an agreement to purchase Herzfeld & Stern for $17,500,000, cash, over and above the capital of the current Herzfeld & Stern partners. The 103-year-old brokerage-investment banking house has fourteen offices on the Atlantic Seaboard and in Europe. The acquisition is in line with our previously announced strategy of remaining a diversified service organization. We view the transaction, which is expected to close at the beginning of January, as a cornerstone of our efforts to build a financial services group as our fourth line of business. Working with the current managers of the firm, we expect to broaden Herzfeld & Stern's line of products and services and to expand its investment banking activities.

We expect the acquisition to contribute positively, from its inception, to the growth of the company.

Finally, we are pleased to announce that, as of January 17, 1984, our common stock will become part of the NASDAQ National Market System (NMS). With our entry onto NMS, last-sale prices and up-to-the-minute trading volume will be available throughout the trading day. After January 17 our stock prices will be found in the NMS stock table, which appears in a wider selection of newspapers than the OTC listings in which we are now included. The table provides the same high, low, and closing actual transaction prices (as well as 52-week highs and lows) as for listed securities.

Sincerely,

Alvin H. Schulman
President
November 15, 1983

nformation copy only—
No dividend check enclosed

Josephson International Inc.

(Unaudited)
(in thousands except per share data)

First Quarter Ended September 30,	*1983*	*1982*
Operating Revenues	$46,235	$27,688
Net Income	$ 1,890	$ 1,385
Earnings Per Share	$ 0.36	$ 0.34
Average Shares and Equivalents Outstanding	5,270	4,118

Josephson International Inc.

40 West 57th Street
New York, New York 10019

First Quarter Report September 30, 1983

Josephson

For: Josephson International Inc.

From: Rubenstein, Wolfson & Co., Inc.
220 E. 42nd Street - NYC 10017
212/661-4343
Contact: Stanley E. Rubenstein

Josephson Contact: Alvin H. Schulman, President
212/556-5614

FOR IMMEDIATE RELEASE

JOSEPHSON COMPLETES HERZFELD & STERN ACQUISITION

NEW YORK, NY, Jan. 3 ... Josephson International Inc. (NASDAQ: JSON) has completed the acquisition of Herzfeld & Stern, it was announced today by Marvin Josephson, chairman and chief executive officer. The 104-year-old Herzfeld & Stern is a leading brokerage and investment banking house with 14 offices on the Atlantic Seaboard and in Europe.

Herzfeld & Stern, Inc. will continue to operate independently under the day-to-day direction of former Herzfeld & Stern partners Tom Cohen and Steven Seiden, who have been managing the business. Mr. Cohen and Mr. Seiden said that the just-completed transaction provides the opportunity for Herzfeld & Stern to take advantage of the substantial financial resources of the Josephson company, to broaden the line of Herzfeld & Stern's products and services and to expand its investment banking activities. Herzfeld & Stern, Inc. will have an initial capitalization in excess of $20 million.

Mr. Josephson noted that the acquisition is in line with Josephson International's announced strategy of rounding out its diversified service organization with a cornerstone acquisition in the financial services industry.

Through several separate subsidiaries, the Josephson Company provides talent agency and management services in all areas of the entertainment and literary worlds. The Josephson radio station group serves Detroit;

-more-

Tidewater, Virginia; Columbus, Ohio; and Milwaukee. The Josephson design and furnishings group includes five companies in Los Angeles, San Diego, San Francisco, Houston and Minneapolis/St. Paul.

# # #

For: Josephson International Inc.

From: Rubenstein, Wolfson & Co., Inc.
220 E. 42nd Street - NYC 10017
212/661-4343

FOR IMMEDIATE RELEASE

JOSEPHSON INTERNATIONAL TO ACQUIRE HERZFELD & STERN

NEW YORK, NY, Oct. 24 ... Josephson International Inc. (NASDAQ: JSON) will acquire Herzfeld & Stern, it was announced today by Marvin Josephson and by Paul A. Cohen, Senior Partner of Herzfeld & Stern. The purchase price is $17,500,000, cash, over and above the capital of the Herzfeld & Stern partners. The 103-year-old Herzfeld & Stern is a leading brokerage-investment banking house with fourteen offices on the Atlantic Seaboard and in Europe.

Mr. Josephson and Mr. Cohen announced that Herzfeld & Stern would remain independent and under the day-to-day control of current Herzfeld & Stern partners, including Tom Cohen and Steven A. Seiden, who are presently managing its business. Paul Cohen stated that Herzfeld & Stern viewed the transaction as an opportunity to take advantage of the considerable financial resources of the Josephson company, to broaden the line of Herzfeld & Stern's products and services, and to expand its investment banking activities.

Mr. Josephson pointed out that the acquisition was in line with his company's previously announced strategy of remaining a diversified service organization and that he viewed the acquisition as a cornerstone of the company's efforts to build a financial services group as its fourth line of business.

Through several separate subsidiaries, the Josephson company provides talent agency and management services in all areas of the entertainment and literary worlds. The Josephson radio station group serves Detroit: Tidewater, Virginia: Columbus, Ohio: and Milwaukee.

The Josephson design and furnishings group includes five companies in Los Angeles, San Diego, San Francisco, Houston and Minneapolis/St. Paul.

The definitive acquisition agreement, which was signed today, contains various closing conditions, including federal, state, and stock exchange regulatory requirements, and is expected to be completed in about 60 days.

# # #

Josephson Contact: Alvin H. Schulman, President
212/556-5600

RW&Co. Contact: Stanley E. Rubenstein or
Harold Wolfson
212/661-4343

Josephson

1983 Annual Report

Josephson International Inc.
40 West 57th Street
New York, N.Y. 10019

Contents

The Company's Businesses

Talent Agency Group
The Company's talent agency group represents clients in all areas of the entertainment industry and literary world. The Company's talent agency business is one of the two largest in the world.

Radio & Television Group
The Company's radio and television group produces the Captain Kangaroo television program and operates radio stations serving Detroit, Tidewater Virginia, Columbus, Ohio, and Milwaukee.

Office Planning, Design, and Furnishings Group
The Company's office design and furnishings group provides a three-phase, fully integrated service for its clients, consisting of space planning, office design, and furnishings distribution. The group's subsidiaries operate in California, Texas, and Minneapolis/St. Paul.

Josephson®

1983 Highlights

Fiscal 1983 was an exciting growth year for the Company. Records were set in:

- Operating revenues: 92% higher than the previous year
- Net income: 30% higher than fiscal 1982
- Earnings per share: 17% higher than last year
- Financial resources provided from operations: 50% higher than fiscal 1982

During the year the Company acquired three new subsidiaries: two in the Office Planning, Design, and Furnishings Group, and an FM radio station in Milwaukee, Wisconsin.

Proceeds from two underwritings netted the Company approximately $70 million:

- March 1983 sale of 900,000 shares of common stock
- May 1983 sale of $60 million face amount of subordinated Debentures

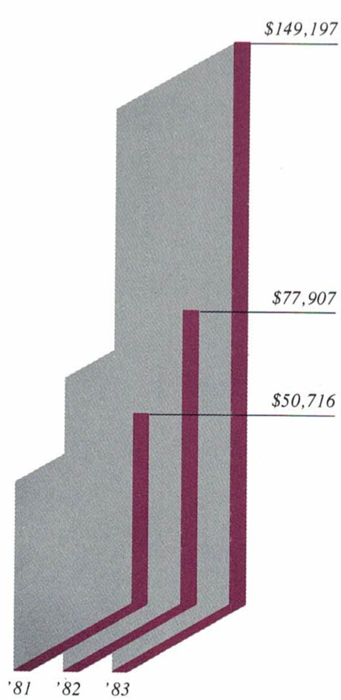
Financial Highlights*

(in thousands except per share and shareholder data)

For The Year Ended June 30	*1983*	*1982*	*1981*	*1980*	*1979*
Operating revenues	$149,197	$77,907	$50,716	$36,911	$36,980
Net income	6,625	5,100	5,075	3,616	5,230
Net income per share	$1.46	$1.25	$1.10	$0.70	$1.02
Weighted average number of common shares and equivalents outstanding	4,542	4,067	4,622	5,166	5,146
Total assets	130,760	52,300	33,954	32,223	34,565
Long term obligations:					
Senior long-term debt	2,966	11,931	3,000	2,000	4,813
Subordinated debentures	58,920	—	—	—	—
Redeemable convertible preferred stock	—	—	—	902	902
Dividends per common share	$0.40	$0.35	$0.30	$0.30	$0.30

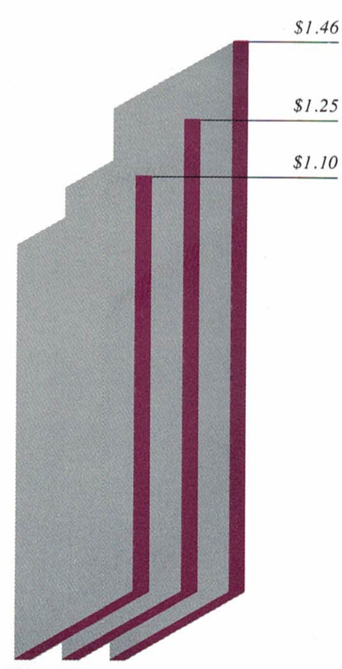
**Adjusted for a two-for-one stock split November 1981.*
There were approximately 700 shareholders of record at June 30, 1983.
Net income for 1983, 1982, and 1981 includes gains on the sale of securities of $185,000 ($.04 per share), $440,000 ($.11 per share), and $1,000,000 ($.22 per share), respectively.

Operating Revenues
(millions of dollars)



Operating Income
(millions of dollars)

Earnings per Share
(dollars)



Letter to Shareholders

Dear Shareholder:

Fiscal 1983 was a year of substantial achievement for the Company and fiscal 1984 promises more of the same.

1983 Financial Results

The numbers speak for themselves. Fiscal year revenues advanced 92%, from $77,907,000 to a record $149,197,000. Earnings rose 30%, from $5,100,000 to a record $6,625,000, while earnings per share increased 17%, from $1.25 in fiscal 1982 (on 4,067,000 shares and equivalents), to a record $1.46 (on 4,542,000 shares and equivalents).

Another meaningful indicator of the Company's achievements is financial resources provided during the year from operations, which increased 50% from the $6,050,000 registered in fiscal 1982 to a record $9,093,000 this year.

Fourth quarter results also set records in all categories. Revenues rose 107%, from $21,668,000 in the fourth quarter of fiscal 1982, to $44,887,000. Earnings advanced 46%, from $845,000 to $1,230,000, while per share earnings for the quarter were $0.23 (on 5,261,000 shares and equivalents), as compared to $0.20 (on 4,070,000 shares and equivalents) for the comparable period last year, an increase of 15%. Financial resources provided during the quarter from operations increased approximately 50% from that of the prior year's fourth quarter.

Particularly outstanding contributions for the year were made by International Creative Management, Inc. and ICM Artists, Ltd. in the Talent Agency Group and the stations that serve Detroit and Columbus, Ohio in the Radio Group. As you may have read, International Creative Management (ICM for short) closed out a great year by concluding an agreement on behalf of Eddie Murphy with Paramount Pictures that guarantees the gifted actor and comedian $15,000,000.

1983 Acquisitions

The fiscal year opened with the acquisition of General Office Products in Minneapolis-St. Paul (actually closed June 29, 1982).

In September 1982 Rucker Fuller was added to the Josephson Design and Furnishing Group and in March 1983 Wilson Business Products became the fifth component of a group of companies that is now an important factor in the distribution of office furnishings in the United States.

In June 1983 FM radio station WMGF-FM, Milwaukee, became the seventh radio station in our Radio and Television Group.

1983 Financings

In March 1983 the Company sold 900,000 new shares of its common stock to the public and in May 1983 the Company sold $60,000,000 in face amount of 12.5% subordinated debentures (due 2003). Proceeds from the two underwritings netted the Company about $70,000,000 and stimulated increased investor interest, not just among individuals but among institutions as well.

The public float of the Company's stock increased by more than 1,500,000 shares and the number of registered shareholders increased 55%.

Fiscal 1984 Acquisition Activity to Date

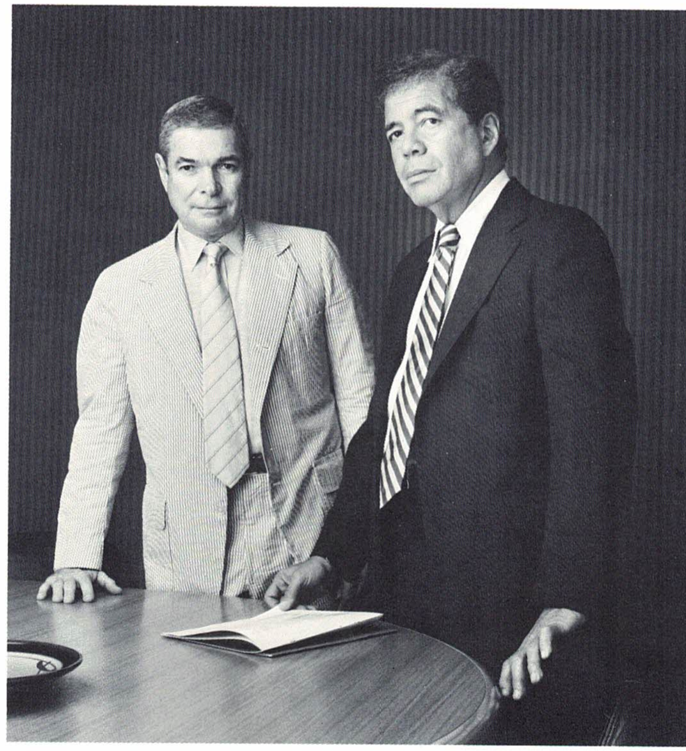
In August 1983 we established a fourth agency in our Talent Agency Group, Ziegler Associates, Inc. That subsidiary is headed by Evarts Ziegler, who had his own talent agency for some twenty-five years before joining us.

Prospects for Fiscal 1984

We expect another strong year. The dimensions of our growth will be impacted by the timing and size of any

Television
The television activities of our clients encompass almost every aspect of programming—from entertainment series and specials to news, sports, and public affairs. The agencies also aid in bringing together essential creative elements of a project during its conceptual phase. They assist producers and directors in script development, offer casting guidance for a program or series, and negotiate broadcast commitments.

Among the special presentations for both network and cable television, with which our clients were involved last year were: "Air Supply in Concert", "The Carol Burnett/Placido Domingo Special", "Motown 25, Yesterday, Today & Forever", "The Eddie Murphy Special", "Willie Nelson in Concert", and the "Robin Williams Special." "Grandpa, Will You Run With Me?" was nominated for an EMMY.



Mr. Josephson with Ralph S. Mann, ICM Chairman

Personal Appearances
Our clients include the top attractions in the entertainment world. These "name" artists appear live in spectacular nationwide tours and single engagements, such as outdoor festivals that can draw as many as 100,000 fans. We represent "platinum record" rock stars and other contemporary music groups, country and western singers, comedians, vocalists and instrumentalists. Included among our clients with major tours during the past year were Adam Ant, "Culture Club", Daryl Hall & John Oates, Tom Jones, "Loverboy", Bette Midler, Linda Ronstadt, Bob Seger, Rick Springfield, and James Taylor.

Legitimate Stage, Publications, Commercials
We represent playwrights, performers, directors, choreographers and designers on Broadway and throughout the country. Clients are currently appearing in the new hit productions of "My One and Only" and "La Cage Aux Folles". Our Oscar winning client Ben Kingsley has just opened on Broadway in "Edmund Kean". Long-running Broadway successes that we represent, including "Dreamgirls", "Joseph and the Amazing Technicolor Dreamcoat", and "Nine", will soon launch national touring companies.

Our literary agency is the country's largest, represent-

ing authors of hardcover and paperback books, magazine articles, and plays. Successful works produce steady royalties for the authors and commissions for the agency as film, stage, foreign, paperback, and reprint rights are developed. Some of our clients' recent best sellers include Berke Breathed's "Bloom County", Nora Ephron's "Heartburn", Shirley MacLaine's "Out on a Limb", Durk Pearson and Sandy Shaw's "Life Extension", and Victoria Principal's "The Body Principal".

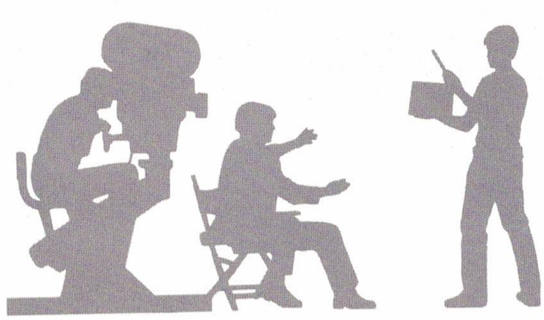
Our ability to maximize client opportunities is exemplified by the cooperation of a number of ICM departments in representing Dr. Seuss, the author of the popular children's book series, in the licensing of his stories and characters to Coleco Industries for use in videogames and for toys.

Mr. Josephson (seated right), with Evarts Ziegler, President, Ziegler Associates, Inc.; Jeffrey Berg, President, ICM; and Mort Viner, President, Chasin-Park-Citron Agency

The commercials department functions in three areas. It serves not only clients who work primarily in commercials but also those who primarily work in other areas but who wish to work in commercials; and it discovers and encourages new talent who begin in the commercials field, some of whom move on to other areas.

News and Public Affairs

Our news and public affairs department represents television, radio news, and sports commentators and producers who work with national networks and local stations throughout the country. Among them are John Chancellor, Linda Ellerbee, Don Hewitt, Peter Jennings, Jim McKay, Roger Mudd, Charles Osgood, Jane Pauley, Harry Reasoner, Leslie Stahl, and Garrick Utley.



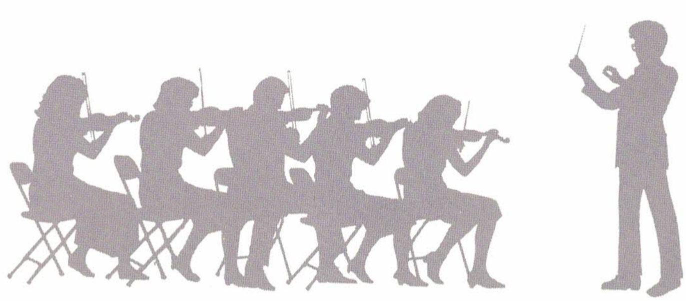
Mr. Schulman and Sheldon Gold, President, ICM Artists

ICM Artists, Ltd.
ICM Artists, Ltd. manages an impressive roster of classical musicians (both soloists and ensembles), symphony orchestra conductors, and ballet artists. It also acts as an impresario, presenting major cultural and entertainment attractions on tour both in the United States and overseas. In its management capacity ICM Artists, Ltd. receives a commission for its services. When presenting a tour as an impresario, its profit is the difference between the cost of presenting the attraction and the tour receipts.

During 1983 ICM Artists toured productions of Mummenschanz, The Vienna Choir Boys, and the Warsaw Philharmonic Orchestra, and at this moment is presenting a tour of the Maurice Bejart "Ballet of the 20th Century."

Talent Agency Personnel Changes
Following a long and distinguished career as an executive with Chasin-Park-Citron, which he helped found, George Chasin has become a consultant to the Josephson Group of companies. We are grateful to have his continuing support. Herman Citron, also a founder of the company, has been named Chairman of the Board of CPC. Mort Viner, who has been with the agency almost 20 years, has been elected President and Chief Executive Officer.

As mentioned in the Letter to Shareholders, the Talent Agency Group expanded in August 1983, with the addition of Ziegler Associates. The agency, headed by Evarts Ziegler will continue to represent, as it has for many years, an important roster of authors and screen and television writers.



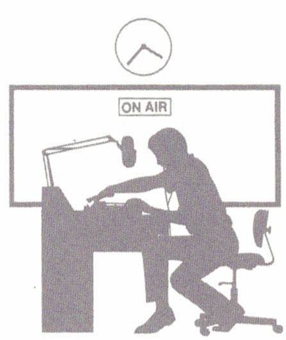
Radio Stations

The professional staff at our radio stations combines sensitivity to local audience tastes with sound management practices. As a result, market share and profitability have reached new highs at our FM and AM stations serving Detroit, the Tidewater Virginia area, and Columbus, Ohio.

Our management practices reflect the belief that good marketing techniques are largely transferable from one area of the country, or one station, to another. Attention to client needs, responsiveness to community affairs, and creation of flexible advertising vehicles are the key to success. We also believe that a first-rate sales effort will enable a station to gain a larger share of market revenues than its share of the listening audience.

That premise held true in Detroit, the nation's sixth largest radio market, as

Radio Group Vice Presidents Jim Brooker (Operations) and Lorraine Golden (Sales) with Ed Christian (seated), Executive Vice President, Radio Group Manager

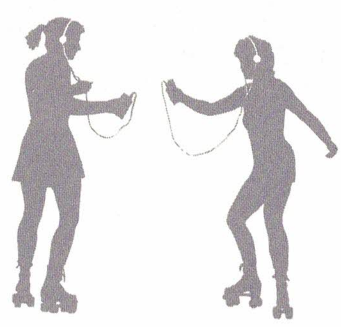


WNIC-FM and AM continued to increase audience share and revenues. Those stations, programmed in an adult contemporary format, rank first in the market with all adults 25-49, according to the most recent Arbitron survey, and share approximately 10% of market revenues.

WNIC-FM and AM have become an integral part of the Detroit community, due to the accessibility of the stations' executives and their willingness to support charitable and other activities that concern its audience. WNIC's leadership in the "Toys for Tots" campaign, sponsored by the U.S. Marine Corps, is a good example.

WNOR-FM and AM, Norfolk, Virginia, have established themselves as dominant forces in the Tidewater radio market, the country's 31st largest. Audience share and revenues increased substantially over 1982. The FM station, programmed with

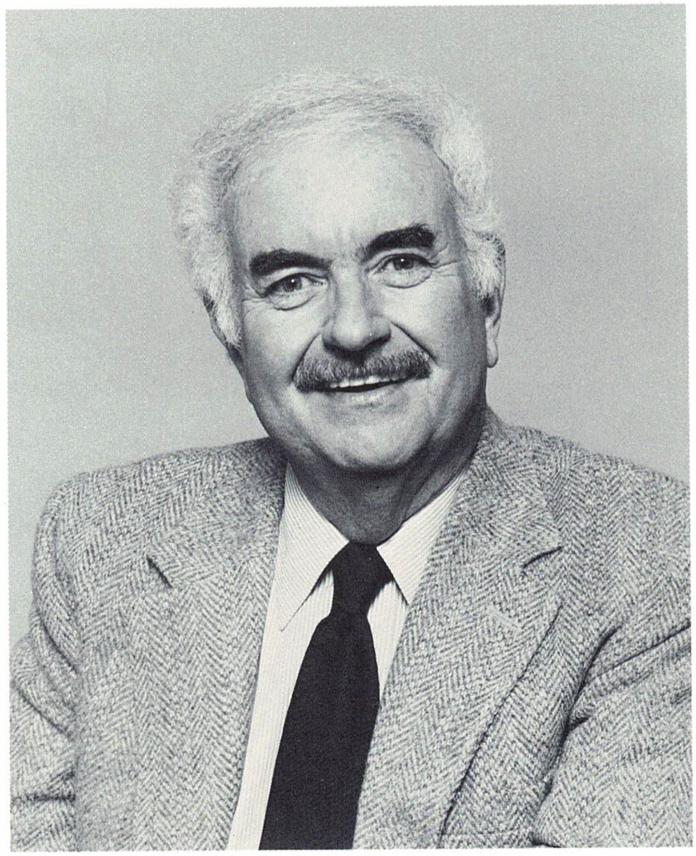
General Managers
Steve Joos (Columbus),
Tom Joerres (Milwaukee), and
Jack Rattigan (Norfolk)



album-oriented rock music, ranks first with adults 18-44. The AM station, which provides music and public affairs programs for the black community, had its best year ever, with billings up 100% over 1982.

We are particularly pleased with our Columbus stations, WSNY-FM and WVKO-AM. We entered this market (the 28th largest in the U.S.) with a new adult contemporary format for the FM station in August 1982. We also significantly enhanced the AM facility, which serves the black community and is the highest rated AM station in the Columbus market. The results have been excellent. In less than a year, our Columbus stations more than tripled their advertising revenues and share of listening audiences.

In June 1983 we acquired WMGF-FM in Milwaukee, Wisconsin, the nation's 23rd largest radio market. We are now fine-tuning its adult contemporary programming format and building a group of sales professionals. We have relocated the studios to completely refurbished facilities in downtown Milwaukee, where the staff will be closer to the advertising and business communities.

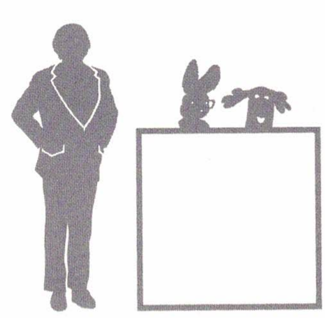


Robert Keeshan, President, Robert Keeshan Associates, Inc.

Future acquisitions in the radio station field will probably be concentrated on stations not currently achieving their full potential. We will continue to look for opportunities in which our ability to recruit and retain skilled people and provide necessary development capital will have significant impact on operations and profits.

Television

We are especially proud of Robert Keeshan, who's "Captain Kangaroo" show won the "EMMY" award for outstanding children's television programming for the fifth time in 1983. Mr. Keeshan is the star of the show, and also president of our subsidiary that produces it. Captain Kangaroo has been seen on CBS continuously since 1955.



Office Planning, Design, and Furnishings Group

Our decision to enter the modern office design and furnishings business in 1981 stemmed from our desire to create a major organization involved in professional marketing and distribution. With the acquisition of our fifth subsidiary, Wilson Business Products of Houston, Texas, in March 1983 we believe we have reached that goal.

The companies of the Group now have annualized sales of more than $150 million from offices in Los Angeles, San Francisco, San Diego, Minneapolis, Houston, and Dallas. Each company is a leader in its market and provides a full range of integrated capabilities to its customers.

The companies' central activity is the development of the total modern office envi-

Chief Executive Officers Sid Kastner (United Business Interiors), Ed Fucik (Southwest Business Interiors), and Jack Boss (General Office Products Company)

ronment. It is driven by a number of factors, including:

- emerging electronic office technology.
- the need for better use of costly office space.
- enhanced working conditions to increase employee productivity.
- new office construction.

Customers include well-known firms in a variety of industries, including finance, aerospace, petroleum, and real estate.

The companies in the group offer four services:

Space programming: identification of a client's current and future raw space needs, including optimal office adjacencies.

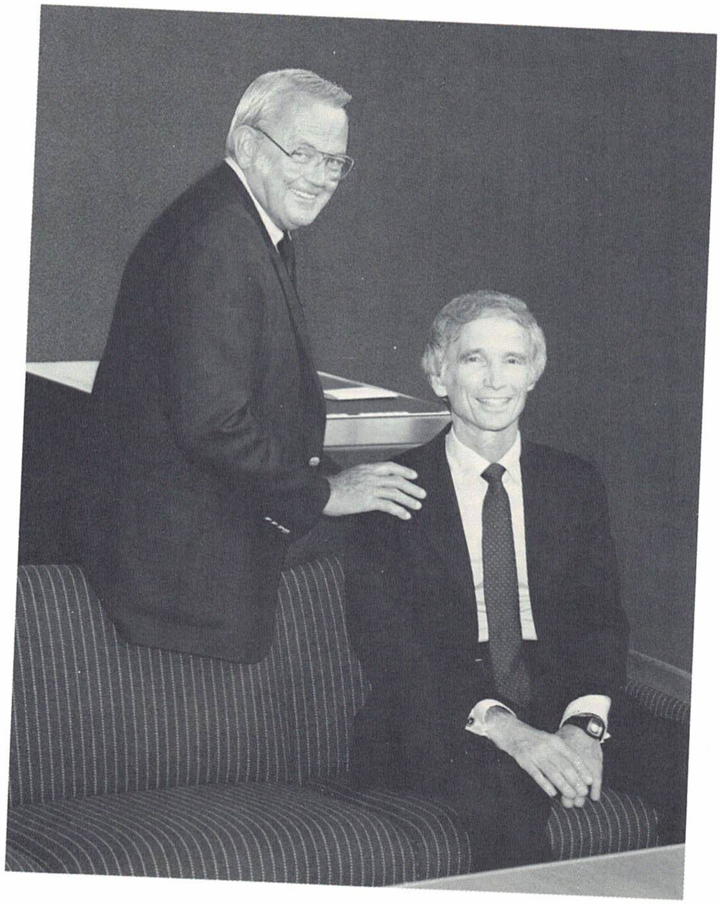
Space planning: development of a phased plan to meet those needs.

Office design: implementation of the plan to develop an attractive work environment and create specifications for furnishings.

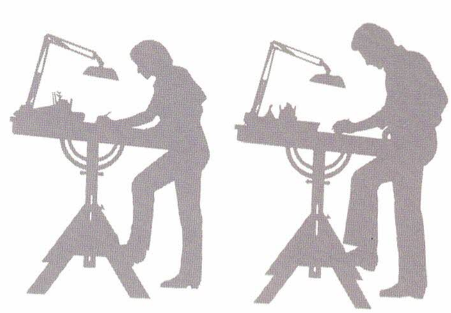
Office furnishings: product purchasing and resale, delivery and installation, as well as fulfilling the ongoing service requirements of clients.

Frequently our companies will provide customers with all these services, since the functional tasks are interrelated and one flows smoothly from another.

The Group's subsidiaries enjoy an excellent reputation for their professional approach to the business. They are non-exclusive dealers representing many of the largest manufacturers of quality office furniture. Our managers have a wealth of knowledge about the industry and the geographic markets their companies serve. Consider, for example, that the seven Group executives pictured in this report have a cumulative



Chief Executive Officers Jack Brown (Rucker Fuller Company) and Preston Moore (Wilson Business Products)



total of almost 200 years of experience in the business.

The value of that expertise was dramatically underscored by our Minneapolis subsidiary, General Office Products, when a fire gutted one of the city's major banks last year. Our executives worked around-the-clock with officers of the bank, helping them to relocate their operations to temporary facilities. We were proud to have played an important role in helping the bank to reopen for business within 72 hours after the fire.

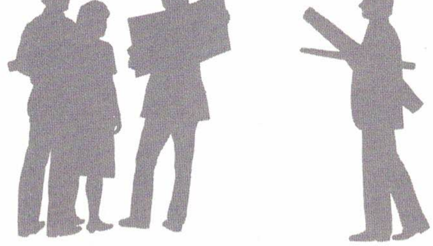
We have recently taken steps to maximize the Group's capabilities on a broader basis. Our three California companies have developed a joint, concentrated marketing effort to expand the potential of their current business and to identify new business opportunities. Our San Francisco company is opening a second office in the East Bay area, where many corporations are relocating.

Wilson Business Products is opening new offices in Dallas and Austin, Texas to provide statewide service and to develop new marketing initiatives. Wilson, like General Office Products, sells and distributes office supplies in addition to its design and furnishings business. Each is the leading office supply company in its market.

Ray Riffle, President of Wilson Business Products and Larry Evans, Executive V.P. of Rucker Fuller Company

Having created one of the largest office design and furnishings organizations in the U.S. in slightly more than two years, we are now addressing the Group's management development and succession requirements. Our new corporate personnel executive will play a major role in this area. At the same time, we are continuing to enhance the financial management and control systems at the subsidiaries.

Our goal is to maintain the distinct, entrepreneurial spirit that built each of the five companies, while providing capital and administrative support for continuing, profitable growth.



Operations and Planning

The letter to shareholders refers to an increase in corporate staff to help us manage and monitor our expanding operations. We have already hired key executives in the computer systems, tax and personnel fields. Their primary functions will be to provide support services to our operating subsidiaries.

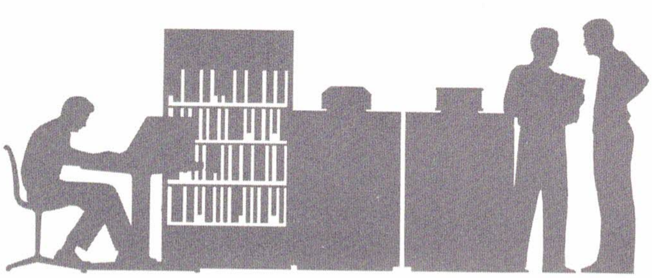
Peter Crowell, most recently with the CBS owned-and-operated television stations, will be working with our operating personnel in the selection and installation of computer systems that will provide them with the information they need in the successful conduct of the operations for which they are responsible. Robert Moses joined us from Anglo Energy, Ltd. and will head our tax planning and compliance functions. Bettye Baldwin, who is leaving a senior management position with the Home Life Insurance Company to join us, will provide an "in-house" capability in recruiting, career development, and programs for the benefit of our most important resource, people.

We expect soon to fill another important position

Paul J. Forrest, Treasurer and Michael Cooperman, Controller

closely related to the monitoring of our businesses: internal audit.

New computerized financial information systems are currently being installed at the talent agency and office planning and design subsidiaries. Full computerization of the commercial traffic control and accounting functions in the radio station group is scheduled to begin in the second and third quarters of the current fiscal year.



Consolidated Statement of Income

(in thousands except per share data)

Year ended June 30,	*1983*	*1982*	*1981*
Operating revenues:			
Office design and furnishings	$96,983	$35,926	$11,151
Talent agency commissions	40,651	34,166	33,794
Radio and television	11,563	7,815	5,771
	149,197	77,907	50,716
Operating expenses:			
Cost of office furnishings and supplies sold	70,914	26,829	8,267
Compensation	42,269	27,235	22,561
Occupancy	5,299	3,231	2,225
Professional fees	2,459	2,632	1,733
Communications & data processing	2,378	1,399	1,243
Other	11,022	6,228	6,186
	134,341	67,554	42,215
Operating income	14,856	10,353	8,501
Interest expense—net	(1,735)	(608)	(334)
Dividend income	39	39	300
Gain on sale of equity securities	391	630	1,457
Income before taxes	13,551	10,414	9,924
Taxes on income	6,926	5,314	4,849
Net income	$ 6,625	$ 5,100	$ 5,075
Earnings per share of common stock and common stock equivalents*	$ 1.46	$ 1.25	$ 1.10
Weighted average number of shares and equivalents outstanding*	4,542	4,067	4,622

**As adjusted for a two-for-one stock split in November 1981*

The notes to consolidated financial statements are an integral part of these statements.

Consolidated Balance Sheet

Assets *June 30,*	*1983*	*1982*
	(in thousands)	
Current Assets:		
Cash	$ 2,297	$ 493
Short term investments at amortized cost, which approximates market	45,994	1,250
Trade receivables, net of allowance for doubtful accounts ($995,000 and $811,000, respectively)	23,798	13,620
Office furnishings and supplies	10,735	4,769
Other current assets	2,659	2,095
	85,483	22,227
Fixed Assets, net of accumulated depreciation	17,221	8,316
Cash in banks, held for clients (see contra)	3,226	1,567
Deferred charges and other assets	4,432	2,676
Equity securities, at cost (market value 1982—$2,231,000)		2,172
Identified intangibles, net of accumulated amortization	2,984	1,218
Excess of cost over fair value of net assets of businesses purchased, net of accumulated amortization	17,414	14,124
	$130,760	$52,300

Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 7,197	$ 6,335
Accrued compensation	6,127	2,729
Estimated taxes on income	2,269	2,338
Deposits received—furnishings	1,960	722
Other current liabilities	3,651	1,329
	21,204	13,453
Senior long-term debt	2,966	11,931
Subordinated debentures	58,920	
Amounts held for clients (see contra)	3,226	1,567
Other liabilities	1,227	824
Commitments and contingencies		
	87,543	27,775
Stockholders' Equity:		
Common stock, par value five cents; 15,000,000 shares authorized; issued 7,200,000 and 6,174,000, respectively	360	309
Capital in excess of par value	18,404	4,731
Reinvested earnings	33,012	28,044
Treasury stock, at cost	(8,559)	(8,559)
	$130,760	$52,300

Consolidated Statement of Changes in Financial Position

Year ended June 30,	1983	1982	198
		(in thousands)	
Financial resources were provided by:—			
Operations:			
Net income	$ 6,625	$ 5,100	$ 5,07
Depreciation and amortization	2,292	1,374	72
Net gain on sale of equity securities	(185)	(440)	(1,00
Tax benefit from loss carry-forwards			18
Other non-cash items	361	16	
	9,093	6,050	4,98
Repayment of preferred stockholder loan			87
Exercise of stock options	855	36	66
Proceeds from sale of equity securities, net of tax	2,357	485	12,66
Net proceeds from sale of common stock	12,810		
Net proceeds from sale of subordinated debentures	56,775		
	81,890	6,571	19,19
Financial resources were used for:—			
Business acquisitions, net of working capital acquired of $10,400,000 in 1983, $1,400,000 in 1982 and $3,400,000 in 1981:			
Fixed, intangibles, and other assets	11,404	3,676	1,97
Obligations assumed	(2,413)		
Excess of cost over fair value of net assets of businesses purchased	3,670	951	6,23
Purchase of fixed assets	1,300	1,303	49
Purchase of equity securities		2,172	
Cash dividends	1,657	1,369	1,33
Decrease (increase) in senior long term debt	11,376	(8,931)	(1,00
Purchase of company's stock			
Common		1,889	4,93
Redeemable convertible preferred			1,53
Other—net	(609)	1,408	
	26,385	3,837	15,50
Increase in working capital	$55,505	$ 2,734	$ 3,68
Increase (decrease) in components of working capital were:			
Cash	$ 1,804	$ (478)	$ 16
Short term investments	44,744	335	69
Trade receivables	10,178	6,504	3,34
Office furnishings and supplies	5,966	3,888	88
Other current assets	564	484	(8
Net change in current assets	63,256	10,733	5,01
Accounts payable	862	4,282	79
Accrued compensation	3,398	1,459	(30
Estimated taxes on income	(69)	1,497	(1
Deposits received—furnishings	1,238	430	29
Other current liabilities	2,322	331	56
Net change in current liabilities	7,751	7,999	1,32
Increase in working capital	$55,505	$ 2,734	$ 3,68

The notes to consolidated financial statements are an integral part of these statements.

Consolidated Statement of Stockholders' Equity

(in thousands)

	Common stock		Treasury stock		Capital in excess of par value	Reinvested earnings
	Shares	*Amount*	*Shares*	*Amount*		
June 30, 1980	5,942	$298	1,206	$1,732	$ 4,562	$20,575
Net income for the year						5,075
Purchase of treasury shares			816	4,938		
Stock options exercised	226	11			650	
Amortization of stock compensation expense					59	
Dividends on common stock						(1,337)
Repurchase of convertible preferred stock					(635)	
June 30, 1981	6,168	309	2,022	6,670	4,636	24,313
Net income for the year						5,100
Purchase of treasury shares			263	1,889		
Stock options exercised	6				36	
Amortization of stock compensation expense					59	
Dividends on common stock						(1,369)
June 30, 1982	6,174	309	2,285	8,559	4,731	28,044
Net income for the year						6,625
Stock options exercised	126	6			849	
Amortization of stock compensation expense					59	
Issuance of common stock	900	45			12,765	
Dividends on common stock						(1,657)
June 30, 1983	7,200	$360	2,285	$8,559	$18,404	$33,012

The company is authorized to issue 1,000,000 shares of preferred stock and 10,000 shares of convertible preferred stock, none of which is outstanding at June 30, 1983.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Principles of consolidation:

The consolidated financial statements include the accounts of Josephson International Inc. and its subsidiaries (the "Company"), all of which are wholly owned. Intercompany accounts and transactions have been eliminated. Certain reclassifications from prior years' financial statements have been made for comparative purposes.

Revenue recognition:

Office Design and Furnishings revenues are generally recorded as income upon the delivery of furnishings and supplies to customers. Installation fee revenues are recognized when installations are completed. Design fee revenues are recognized based on the percentage of the project that is completed.

Talent Agency commissions are recorded as income when they become due to the Company under terms of the Company's representation agreements with its clients. Generally, commissions are payable by clients upon their receipt of payments for performance of services or upon the delivery or use of material created by them. Commissions on profit or gross receipt participations are recorded upon determination of the amounts.

Radio and Television revenues are recorded upon the broadcast of advertisements or programming.

Office furnishings and supplies:

Office furnishings and supplies are purchased and held for sale. They are stated at the lower of cost (based on the first-in, first-out method) or market.

Identified intangible assets:

Identified intangibles consist of intangible assets obtained during recent acquisitions, which have determinable useful lives.

The value of these assets is being amortized over periods from nine months to seventeen years. Accumulated amortization amounted to $204,000 and $31,000 at June 30, 1983 and 1982, respectively.

Excess of cost over fair value of businesses purchased:
The excess of cost over net assets of businesses purchased prior to November 1, 1970 ($5,079,000) is not being amortized since there is no present indication of limited life or diminished value. The remaining amount ($14,438,000) is being amortized over periods from fifteen to forty years. Accumulated amortization amounted to $2,103,000 and $1,723,000 at June 30, 1983 and 1982, respectively.

Note 2 Sale of Common Stock
On March 3, 1983, the Company completed a public offering of 1,300,000 shares of its Common Stock, of which 900,000 shares were sold by the Company and 400,000 shares by two of the Company's officers and directors. The net proceeds to the Company from the sale of the 900,000 shares were approximately $12,800,000. If the sale had been consummated July 1, 1981, earnings per share would have been $1.40 and $1.20 for the fiscal years ended June 30, 1983 and 1982, respectively.

Note 3 Acquisitions
Fiscal 1983 Acquisitions:
On September 23, 1982, the Company acquired all the outstanding capital stock of Rucker Fuller Company, an office design and furnishings firm located in San Francisco, California. The acquisition cost of approximately $6,000,000 exceeded the fair value of net assets by approximately $2,320,000.

On March 2, 1983, the Company acquired Wilson Business Products, Systems & Services, Inc. (Wilson), a Houston, Texas office design and furnishings and supplies firm. In a related transaction, International Creative Management, Inc., a wholly-owned subsidiary, acquired from an affiliated partnership of Wilson the land and building in which Wilson's headquarters, offices, showroom, support services, and warehouse are located. The aggregate consideration for both transactions was approximately $16,000,000, including the assumption of indebtedness of approximately $2,500,000, which is secured by the land and the building. The total acquisition cost approximated the fair value of the net assets acquired.

On June 2, 1983, the Company purchased substantially all the assets of radio station WMGF-FM, Milwaukee, Wisconsin for $3,200,000, which exceeded the fair value of the net assets by $704,000.

Fiscal 1982 Acquisitions:
As of October 1, 1981, the Company purchased all the outstanding capital stock of Southwest Business Interiors (SBI), a San Diego, California company engaged in space planning, office design, and furnishings. The total acquisition cost of $603,000 approximated the fair value of net assets acquired.

On May 14, 1982, the Company purchased substantially all the assets of radio stations WSNY-FM and WVKO-AM, Columbus, Ohio, for $2,675,000, which exceeded the fair value of net assets by $330,000.

On June 29, 1982, the Company acquired all the outstanding capital stock of General Office Products Company (GOP), a Minneapolis, Minnesota office design, and furnishings and supplies firm, for a cash price of $2,630,000, which exceeded the fair value of net assets by $508,000. The purchase agreement calls for payout to the selling shareholders of an amount equal to 65% of the after-tax profits of GOP earned during the three year period July 1, 1982 to June 30, 1985. The fiscal 1983 accrual for this payout was approximately $220,000.

Pro-forma Effects of the Acquisitions:
If all of the above acquisitions had been consummated July 1, 1981, unaudited pro-forma consolidated operating revenues, net income, and earnings per share would have been $199,106,000, $7,059,000, and $1.55, respectively, for the fiscal year ended June 30, 1983 and $212,078,000, $6,504,000, and $1.60, respectively, for the fiscal year ended June 30, 1982.

Note 4 Debt
On May 13, 1983, the Company issued $60,000,000 of 12.5% Subordinated Debentures due 2003 at a discount of approximately $1,082,000. The Subordinated Debentures are redeemable at the Company's option; provided that no redemption

may be effected prior to May 15, 1988 directly or indirectly using funds borrowed at an interest cost of less than 12.75% per annum. Annual mandatory sinking fund payments of $5,400,000 commencing on May 15, 1993, are calculated to retire 90% of the issue prior to maturity. The Indenture contains certain restrictions on the payment of cash dividends. As of June 30, 1983, $10,662,000 of reinvested earnings remained available for the payment of cash dividends.

On May 25, 1983, the Company repaid in full all sums outstanding under, and subsequently cancelled, its revolving and term credit agreement with two banks. During the fiscal years ended June 30, 1983 and 1982, the maximum amounts borrowed under the credit agreement were $25,000,000 and $11,700,000, respectively, with interest generally at the prime rate or less.

Ten banks have agreed to establish lines of credit with the Company aggregating $60 million. Interest on borrowings under the lines will not exceed each bank's prime rate. The Company has agreed to maintain balances with the lending banks or, at its option, to pay certain fees in lieu of the balances. No borrowings under these lines of credit were outstanding at June 30, 1983.

Note 5 Fixed Assets

Fixed assets at cost are summarized below:

June 30,	*1983*	*1982*	*Estimated Useful Lives*
	(dollars in thousands)		
Land	$ 3,646	$ 1,336	
Buildings	6,009	527	10-33 years
Furniture and fixtures	10,538	6,905	5-10 years
Leasehold improvements	3,983	2,911	Period of leases
Telephone equipment	1,444	1,242	12 years
Computer equipment	951	595	5 years
	26,571	13,516	
Less:			
Accumulated depreciation and amortization	9,350	5,200	
	$17,221	$ 8,316	

Depreciation and amortization expense for the 1983, 1982, and 1981 fiscal years was $1,725,000, $1,045,000, and $628,000, respectively, and is generally computed using the straight-line method.

Note 6 Income Taxes

The provision for income taxes consists of the following:

Year Ended June 30,	*1983*	*1982*	*19*
	(dollars in thousands)		
Current:			
Federal	$5,297	$4,138	$3,0
State, city and other	1,747	1,240	1,0
	7,044	5,378	4,1
Deferred:			
Federal	(135)	(28)	4
State, city and other	17	(36)	
	(118)	(64)	4
Charges in lieu of income taxes:			
Tax benefit of net operating loss carry-forwards			1
	$6,926	$5,314	$4,8

The reconciliation of the federal statutory rate to the company effective rate appears below:

	1983	*1982*	*19*
Federal statutory rate	46.0%	46.0%	46.
State and city taxes	5.6	5.6	5.
Other	(0.5)	(0.6)	(2.
Effective rate	51.1%	51.0%	48.

Deferred taxes result principally from the use of cash basis accounting for reporting taxable income of certain operations and the use of accelerated methods of depreciation for tax purposes. Investment tax credits are accounted for under the flow-through method.

Note 7 Lease Commitments

The Company has no significant capital leases. The following is a schedule of future minimum rental payments under operating leases (principally office facilities) that have initial or remaining lease terms in excess of one year as of June 30, 1983:

Year ending June 30:	*Future minimum rental payments*
	(dollars in thousands)
1984	$2,918
1985	2,950
1986	2,776
1987	2,442
1988	2,151
Later years	4,927
Total	$18,164

Rental expense for the fiscal years ending June 30, 1983, 1982, and 1981 was $2,811,000, $1,541,000, and $1,411,000, respectively.

Note 8 Litigation

The Company has been named as a defendant in various legal actions. The amounts sought from the Company in one of the actions related to its talent agency business exceeds the net worth of the Company. The Company believes this action is without merit and that the outcome of all pending legal actions will not have a material adverse effect on the Company's financial position or its results of operations.

Note 9 Stock Options

The Company has two plans pursuant to which options to purchase shares of the Company's common stock may be granted to officers and key employees. Under the terms of the plans, options are granted at fair market value on the date of grant. The options terminate within five to ten years from date of grant. Certain options qualify for preferential tax treatment as Incentive Stock Options.

In addition to options granted under the plans, in the fiscal years 1978 through 1980 the Company granted options to purchase 288,000 shares at prices ranging from $0.40 to $6.69 per share (fair market value at the date of grant $5.81-$6.81 per share).

The Company has guaranteed that certain options will have a minimum value at maturity.

	Options outstanding	*Option price*
Balance outstanding	*(in thousands)*	
June 30, 1980	931	$ 0.40-$ 7.56
Granted	145	5.44- 6.50
Exercised	(227)	2.65- 3.30
Terminated/Repurchased	(231)	0.40- 7.56
Balance outstanding		
June 30, 1981	618	$ 0.40-$ 7.56
Granted	54	6.39- 8.06
Exercised	(6)	6.13
Terminated/Repurchased	(4)	6.13
Balance outstanding		
June 30, 1982	662	$ 0.40-$ 8.06
Granted	52	14.31- 15.69
Exercised	(126)	0.50- 7.56
Balance outstanding		
June 30, 1983	588	$ 0.40-$15.69

The options outstanding at June 30, 1983 were granted to 21 employees between June 30, 1978 and April 8, 1983 at an average price of $6.89. Of these options, 55,000 were exercisable on June 30, 1983; the remainder can be exercised between December 1983 and July 1988. There are 1,153,000 shares of common stock reserved for issuance under the option plans.

Note 10 Pension Plans

The Company's pension plan covers substantially all salaried employees over the age of 25. Until June 30, 1983, UBI, Rucker Fuller and Franklin Communications, Inc. (radio stations WSNY-FM and WVKO-AM in Columbus, Ohio) maintained separate pension plans. As of July 1, 1983, these plans were merged into the Company's plan. Aggregate pension expense was $726,000, $424,000 and $377,000 for 1983, 1982, and

1981, respectively. All pension costs which had been actuarially computed under the aggregate and entry age normal methods are funded as accrued. The actuarial present value of accumulated plan benefits was:

	Aggregate for all plans *(dollars in thousands)*
Vested	$4,291
Non-vested	1,776
Net assets available for benefits	3,403
Assumed rate of return on plan investments	5%-7%
Valuation date	January 1, 1982-June 30, 1982

Note 11 Industry Segments
Financial information for the Company's industry segments, for the years ended June 30, 1983, 1982, and 1981 follows:

	Office design and furnishings	*Talent agency*	*Radio and television*
		(dollars in thousands)	
1983:			
Operating revenues	$96,983	$40,651	$11,563
Operating income	2,804	9,956	2,096
Identifiable assets*	49,348	22,606	15,110
Depreciation & amortization	905	594	793
Capital expenditures	370	483	447
1982:			
Operating revenues	$35,926	$34,166	$ 7,815
Operating income	2,396	7,056	901
Identifiable assets*	21,560	17,977	10,591
Depreciation & amortization	644	487	226
Capital expenditures	821	411	71
1981:			
Operating revenues	$11,151	$33,794	$ 5,771
Operating income	1,140	6,607	754
Identifiable assets*	10,029	17,478	6,402
Depreciation and amortization	128	463	173
Capital expenditures	45	382	64

**Excludes short term investments and marketable equity securities of $41,571,000, $2,172,000, and $45,000 for 1983, 1982, and 1981, respectively. Deferred debt issuance costs of $2,125,000 are also excluded for 1983.*

Report of Independent Accountants

To the Stockholders and Board of Directors
of Josephson International Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders equity and changes in financial position present fairly the financial position of Josephson International Inc. and its subsidiaries at June 30, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended June 30, 1983, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

153 East 53rd Street
New York, New York
August 11, 1983

Price Waterhouse

Selected Quarterly Financial Information

(in thousands except per share data)

	First quarter	Second quarter	Third quarter	Fourth quarter
Fiscal Year 1983				
Operating revenues	$27,688	$38,598	$38,024	$44,887
Operating income	3,247	4,745	3,789	3,075
Net income	1,385	2,240	1,770	1,230
Earnings per share	$0.34	$0.52	$0.39	$0.23
Stock price range: (bid)				
High	10	17⅛	17⅛	19¾
Low	8⅛	8½	14⅛	15
Dividends:				
Common	$0.10	$0.10	$0.10	$0.10
Fiscal Year 1982				
Operating revenues	$17,251	$18,408	$20,580	$21,668
Operating income	2,785	2,596	3,138	1,834
Net income	1,261	1,589	1,405	845
Earnings per share	$0.31	$0.39	$0.35	$0.20
Stock price range: (bid)				
High	6⅞	10⅛	9	10
Low	5⅞	6½	6¾	7⅝
Dividends:				
Common	$0.075	$0.075	$0.10	$0.10

The company's common stock is listed on NASDAQ and traded under the symbol JSON.

Bid prices are interdealer quotations without retail markups, markdowns or other fees or commissions, and do not necessarily represent actual transactions.

Management's Discussion and Analysis

During the year the Company raised $12.8 million in a public sale of 900,000 shares of its common stock and issued subordinated debentures that raised $56.8 million. In addition, the Company acquired Rucker-Fuller Company in September, Wilson Business Products, Systems & Services, Inc. in March, and radio station WMGF-FM in June.

Operating revenues of $149.2 million were almost double the $77.9 million recorded in fiscal 1982 and almost triple the $50.7 million recorded in fiscal 1981. Net income increased to $6.6 million, up 30% over fiscal 1982's $5.1 million and 31% over the 1981 results. Earnings per share were $1.46, up 17% from 1982's $1.25, and up 33% over 1981's $1.10. The sale of 900,000 shares of common stock completed in March increased the average number of outstanding shares and equivalents during fiscal 1983 and reduced earnings per share. Fiscal 1982 results were affected by the Company's stock purchase program, which reduced the average number of outstanding shares and equivalents during the year and increased earnings per share.

Revenues from the three subsidiaries acquired in fiscal 1983 and from General Office Products and the Columbus, Ohio radio stations, which were acquired late in fiscal 1982, contributed approximately 93% of the increase in revenues over fiscal 1982. Excluding these acquisitions, operating revenues increased 19% for the talent agency group and 24% for the radio and television group while operating revenues for the office design and furnishings group decreased 8%, when compared to fiscal 1982. The talent agency group increase results primarily from higher commissions on motion picture gross receipts and profit participations and from increased activities of clients in the television field. The increase in radio operating revenue was caused for the most part by higher rates for commercial advertising on the stations. The office design and furnishings decrease is primarily attributable to lower volume resulting from generally depressed economic conditions in certain markets.

Operating expenses were almost double the fiscal 1982 figures, primarily as a result of the fiscal 1983 and late fiscal 1982 acquisitions. Excluding the acquisitions, operating expenses, exclusive of cost of furnishings and supplies sold, increased 13% over the prior year.

Cost of furnishings and supplies sold increased 164% over fiscal 1982. Excluding the fiscal 1983 and late fiscal 1982 acquisitions, cost of furnishings and supplies sold decreased 9% when compared to the prior year, which corresponds to the reduction in office design and furnishings revenues for the same period.

The Company has substantially expanded its office design and furnishings activities through its recent acquisitions in this industry. Operating profit margins in the office design and furnishings group are generally lower than margins in the Company's other lines of business. Accordingly, while the operating profit margins of the Company's talent agency, radio and television, and office design and furnishings groups have remained relatively stable within each group, the Company's consolidated operating profit margin has been reduced.

Inflation and Other Factors Affecting Operations

Within the talent agency business, inflation tends to increase both expenses and the amounts clients receive for their services and works and, accordingly, the Company's commission revenues. The public acceptance of clients and of the ventures in which they are engaged also affects the clients' earnings and commission revenues. In addition, clients and agents are free to move from agency to agency upon termination of their representation or employment contracts. However, the Company believes that its large client base and wide range of representation activities tend to lessen the possibility of pronounced fluctuations in talent agency revenues.

Radio station revenues (both advertising rates and units sold) are affected in part by the success of the stations in capturing a significant share of their listening markets.

The space planning, office design, furnishings, and office supplies businesses are affected by general economic conditions. A recessionary period may depress new construction, which might result in a reduction in revenues. Certain of the office design and furnishings companies currently are experiencing reduced demand and profitability. Although no prediction can be made as to the impact or duration of such reduced demand and profitability, the Company will attempt to counteract any negative effects through additional sales efforts and continued efforts to control costs.

Acquisitions, Liquidity and Capital Resources

Expenditures of capital on plant and equipment are limited by the service nature of the Company's businesses. The Company's acquisition program required a cash outlay of approximately $22.7 million, $5.9 million, and $11.6 million during fiscal 1983, 1982, and 1981, respectively. Newly acquired subsidiaries required $2.8 million in fiscal 1982 to fund working capital and to repay certain indebtedness that existed prior to acquisition. The repurchase of 1,345,000 shares of common stock and equivalents at an average cost of $6.48 per share required $1.9 million in fiscal 1982 and $6.8 million in fiscal 1981. Investment in marketable securities required $2.2 million in fiscal 1982.

The Company has used four major sources of capital. Financial resources provided from operations (excluding gains on the sale of securities) amounted to approximately $9.1 million in 1983, $6.1 million in 1982, and $5.0 million in 1981. The sale of marketable securities provided cash of $2.6 million, $675,000, and $13.1 million in fiscal 1983, fiscal 1982, and fiscal 1981, respectively. In March 1983 the Company publicly sold 900,000 shares of its common stock, providing $12.8 million of additional capital (see Note 2 to Notes to Consolidated Financial Statements of Josephson International Inc.). The Company issued $60 million of subordinated debentures in May 1983, which provided cash of $56.8 million to the Company. In addition, the Company has arranged lines of credit with ten commercial banks to provide an additional $60 million in available funding. This funding can be used for general corporate purposes, including acquisitions. At June 30, 1983, no borrowings were outstanding under these lines of credit (see Note 4 to Notes to Consolidated Financial Statements of Josephson International Inc.).

Directors and Officers

*John C. Archibald
Vice Chairman

*Samuel C. Cohn
Head of the New York Motion Picture Department of ICM

Michael Cooperman
Controller

Paul J. Forrest
Treasurer

*Marvin Josephson
Chairman and Chief Executive Officer

*Lester Korn
Chairman of the Board and Chief Executive Officer, Korn/Ferry International

*William M. Lendman
President, Glasrock Medical Services Corp.

*Ralph S. Mann
Vice Chairman

Ronald T. Peters
Secretary

*Alvin H. Schulman
President

**Director*

Corporate Headquarters

Josephson International Inc.
40 West 57th Street
New York, NY 10019
(212) 556-5600

Talent Agency Group

International Creative Management, Inc.
40 West 57th Street
New York, NY 10019
(212) 556-5600
and
8899 Beverly Boulevard
Los Angeles, CA 90048
(213) 550-4000

ICM Artists, Ltd.
40 West 57th Street
New York, NY 10019
(212) 556-5600

International Creative Management, Ltd.
388/396 Oxford Street
London W1N 9HE England
(01) 629-8080

Chasin-Park-Citron Agency
9255 Sunset Boulevard
Los Angeles, CA 90069
(213) 273-7190

Ziegler Associates, Inc.
9255 Sunset Boulevard
Los Angeles, CA 90069
(213) 278-0070

Radio and Television Group

Robert Keeshan Associates, Inc.
555 West 57th Street
New York, NY 10019
(212) 581-2512

WNIC-FM/WNIC-AM
Renaissance Communications, Inc.
15001 Michigan Avenue
Dearborn, MI 48126
(313) 846-8500

WNOR-FM/WNOR-AM
Tidewater Communications, Inc.
700 Monticello Avenue
Norfolk, VA 23510
(804) 623-9667

WSNY-FM/WVKO-AM
Franklin Communications, Inc.
4401 Carriage Hill Lane
Columbus, OH 43220
(614) 451-2191

WMGF-FM
Lakefront Communications, Inc.
735 West Wisconsin Avenue
Milwaukee, WI 53233
(414) 271-5511

Office Planning, Design, and Furnishings Group

General Office Products Company
4521 Highway Seven
Minneapolis, MN 55416
(612) 925-7500

Rucker Fuller Company
645 Battery Street
San Francisco, CA 94111
(415) 362-3700
and
3960 Freedom Circle Drive
Santa Clara, CA 95050
(408) 727-8833

Southwest Business Interiors
7480 Convoy Court
San Diego, CA 92111
(714) 565-7622

United Business Interiors
1200 South Olive Street
Los Angeles, CA 90015
(213) 749-6571
and
2300 Michelson Drive
Irvine, CA 92715
(714) 549-7843

Wilson Business Products, Systems and Services, Inc.
6869 Katy Road
Houston, TX 77024
(713) 868-8001
and
InterFirst One
1401 Elm
Suite 3427
Dallas, TX 75202
(214) 744-1000

Corporate Counsel
Paul, Weiss, Rifkind Wharton & Garrison

Transfer Agent and Registrar
The Chase Manhattan Bank (National Association)

Independent Accountants
Price Waterhouse

The next annual meeting of the shareholders of Josephson International Inc. will be held at 11:00 AM, Thursday, October 27, 1983 at the offices of the Company in New York City. A formal notice of the meeting and proxy materials are being mailed to each shareholder.

A copy of the Company's Annual Report to the Securities and Exchange Commission (Form 10-K) may be obtained by writing Paul J. Forrest, Treasurer, Josephson International Inc., 40 West 57th Street, New York, New York 10019

WASHINGTON

July 15, 1983

Dear Mr. Galbraith:

On behalf of Michael Deaver, I would like to thank you for your letter recommending Jim Kellogg for the Urban Mass Transit Administrator with the Department of Transportation.

Your strong endorsement of Mr. Kellogg is very much appreciated, and you will be pleased to know that others have highly recommended him as well. Be assured we will give him every consideration for this position.

With best regards,

Sincerely,

John S. Herrington
Assistant to the President
for Presidential Personnel

Mr. James R. Galbraith
Senior Vice President
Hilton Hotels Corporation
9990 Santa Monica Boulevard
Beverly Hills, California 90212

cc: Michael K. Deaver w/ incoming
Chris Hicks w/ incmoing
Katja Bullock w/ incoming

HILTON HOTELS CORPORATION

James R. Galbraith, Senior Vice President-Corporate Affairs

June 29, 1983

152836

Mr. Michael K. Deaver
Deputy Chief of Staff and
Assistant to the President
The White House
1600 Pennsylvania Ave.
Washington, D. C. 20500

Dear Mike:

I understand Jim Kellogg of Bill Milliken's staff is being considered for the position of Urban Mass Transportation Administrator in the Department of Transportation.

I am sure you recall Jim in connection with our RGA Policy Committee meetings. I have maintained contact with Jim over the years and I certainly recommend him for the DOT position.

Once leaving Governor Milliken's staff, Jim became Deputy Director of the Michigan Department of Transportation and he has also served as Chief Administrative Officer of the State Comprehensive Transportation Fund. He is currently assisting in the transition of the new state administration in Michigan.

I know Jim to be a thoughtful, effective and seasoned professional in the fields of transportation and government and I recommend him highly.

I wish you continued success in your important duties in the White House. Best regards.

Cordially,

Jim

James R. Galbraith

9990 Santa Monica Boulevard Beverly Hills, California 90212 213/277-6203

ID # 152836

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

1983 JUL -7 PM 6 27

- ☐ O - OUTGOING
- ☐ H - INTERNAL
- ☑ I - INCOMING

Date Correspondence received (YY/MM/DD) 83/07/06

NAME OF CORRESPONDENT: James Galbraith

☑ DC Mail Report User Codes: (A) ______ (B) ______ (C) ______

SUBJECT: Jim Kell egg for position of Urban Mass Transportation Ad in DOT

ROUTE TO: Office/Agency (Staff Name)	ACTION: Action Code	Tracking Date YY/MM/DD	DISPOSITION: Type of Response	Code	Completion Date YY/MM/DD
DCS.11	ORIGINATOR	83/07/06		S	83/07/0_
	Referral Note:				
PP Thal	A+R	83/07/06		S	83/07/07
	Referral Note: send reply for MKD's sig - send US copy + keep US posted				
	Referral Note:				
		/ /			/ /
	Referral Note:				

ACTION CODES:
- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:
- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:
Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

COMMENTS:

Keep this worksheet attached to the original incoming letter. Send all routing updates to Central Reference (Room 75, OEOB). Always return completed correspondence record to Central Files. Refer questions about the Correspondence Tracking system to Central Reference, ext. 2590

5/83