RADIO'S PREMIER MANAGEMENT & MARKETING MAGAZINE

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MANAGERS' ROUNDTABLE

SUPERSTAR PROFILE

HAMAN JEFF MARCUS

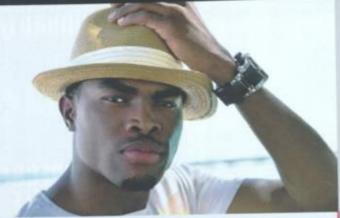
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Forecast for 2016: ASCAP MEMBERS KEEP TOPPING THE CHARTS



19 OF THE TOP 20
BILLBOARD'S SONGS OF SUMMER CHART
#1 "Cheerleader" by OMI

ASCAP writers: OMI, Clifton Dillon, Ryan Dillon, Sly Dunbar

8+ OF THE TOP 10
BILLBOARD HOT 100 FOR THE PAST 36 WEEKS

#1 for 5 weeks: "The Hills" by The Weeknd

ASCAP writers: The Weeknd, Ahmad Balshe, Emmanuel Nickerson



CURRENT #1 HITS FROM EVERY GENRE

#1 HOT COUNTRY SONGS
"Strip It Down" by Luke Bryan

ASCAP writer: Jon Nite #1 HOT RAP SONGS "Hotline Bling" by Drake

ASCAP writers: Drake, Tony Rich

#1 HOT ROCK SONGS
"Ex's & Oh's" by Elle King

ASCAP writer: Dave Bassett #1 HOT DANCE/ELECTRONIC SONGS

"Lean On" by Major Lazer & DJ Snake

ASCAP writers:

Diplo, DJ Snake, Martin Bresso, Philip Meckseper

Data based on Billboard Charts for 11/07/2015

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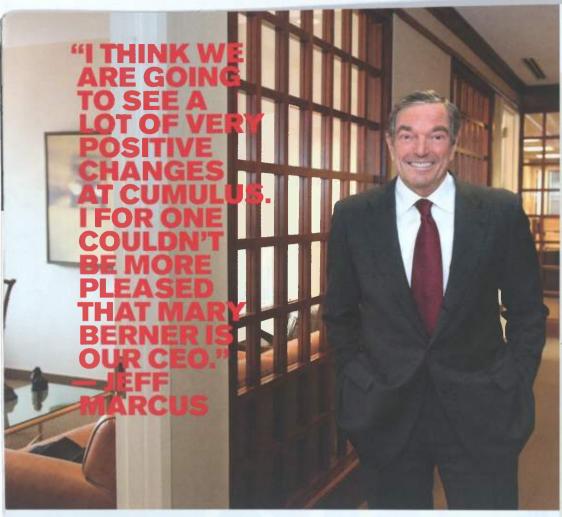
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INTHE ISSUE

06 FROM THE CHAIRMAN
Ad Blocking And The One-Legged Stool

0

10 THE WIZARD OF ADS

By Roy Williams
"You're Just Trying To Sell Radio Ads"

12 SALES MANAGEMENT

7 Steps To Building Consistent Revenue

13 MANAGERS' CORNER

14 PUBLISHER'S DIALOGUE

By Publisher Deborah Parenti Marketplace Measurement & Monetization Neal Schore

16 SUPERSTAR PROFILE

Tom Langmyer, E.W. Scripps

18 DIGITAL

By Spike Santee I Tried Digital Once, And It Didn't Work

19 DIGITAL

By Ryan Wrecker How To Build A Better Podcast

21 COVER STORY

By Editor-in-Chief Ed Ryan A New Day At Cumulus Jeff Marcus

29 SPECIAL REPORT

Is Anyone Investing In Radio?

36 STATION PROFILE

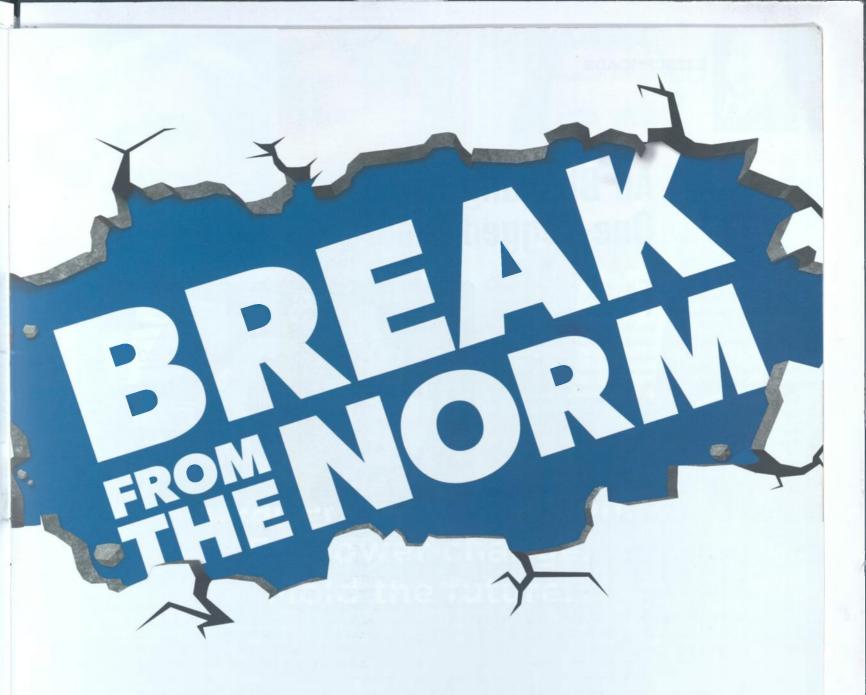
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38 BLAST FROM THE PAST

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Ad Blocking And The One-Legged Stool

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he latest version of Apple's mobile iOS allows ad blocking. And to further complicate matters for Internet marketers, Apple is moving full force into ad-blocking technology - which particularly matters because of the vast number of people using iPhones. On top of that, experts say Internet usage today is mostly mobile - 70 percent-80 percent or even higher. Of course, Apple won't be blocking its own advertising, and there are some who assume the courts will eventually get involved if it presses for too much control.

A large number of marketers have shifted major portions of their budgets to Internet and social media marketing, which has sadly hurt radio, newspapers, television, and other ad-supported media. But with the growing popularity of ad blocking (and the growing unpopularity of intrusive targeted ads), those marketers may soon discover that having all their eggs in one basket could be costing them customers, and that may help them realize an important principle of marketing: There's a lot of vulnerability in relying on a one-legged stool.

Last year I attended an important marketing conference where one of the speakers reminded us that laws change, conditions change, and audiences change, and that reliance on any single thing is not only foolish, it can cost you your business. He went on to tell the story of how he had millions invested in infomercials, but the laws regulating them changed overnight, killing a big portion of his business. Internet advertisers may find that the ads that have been working for them before are not getting through because of ad blocking. And they will be forced to find — or return to — ad mediums that do get through.

Just a couple of months ago, an app appeared briefly in the App Store that claimed to be able to block ads in native apps like Facebook on the iPhone. It's since been removed, reportedly based on privacy concerns, but if a similar app without those issues were to be approved, it could bring ad-supported apps like Facebook, Twitter, Pinterest, and Instagram quickly to their knees. And of course any similar move by Google for Android devices could devastate the online advertising market.



The radio industry should consider communicating this message to marketers: You cannot block a radio ad playing on a radio, and more than 90 percent of all Americans are still using radio. It also can't hurt to remind them of the vulnerability of the single-legged marketing stool.

Will ad blocking help media like radio that have lost revenues to digital? Some experts are predicting that this technology will ultimately alter the face of digital advertising. And remember, Apple is now in the content business as well with its news service, which, frankly, is a pretty slick aggregator of your favorite news sources. It captures those sources' news, but blocks their ads. My guess is that these new technologies will drive "native advertising"— advertorial disguised as regular content—through the roof.

Ad blocking isn't going to get consumers to go back to television or newspapers; there is already better technology available and in wide use. But the portion of local radio listening being done online is still small (though growing), and that means radio ads will still reach the majority of consumers.

Could this be a boon for radio? It's a long shot, but I wouldn't rule it out. And clearly it's another opportunity to talk about radio's strengths and why it's worth considering in this new, ad-block-friendly environment.

B. ERIC RHOADS, CHAIRMAN



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MARCH 22, 2016

8:00 a.m.-12:30 p.m. Exhibit Setup

1:00-2:30 p.m.

Registration (Exhibit Area)

2:30-2:40pm

Opening Remarks

Eric Rhoads, Chairman/CEO, Radio Ink Deborah Parenti, Publisher, Radio Ink

4:40-5:10 p.m.

Tomorrow's Talent: Where Are They,

How Do You Find Them?

How is Hispanic radio developing talent? After decades of importing talent from outside the U.S., many believe the next great personalities will be native-born. And with a shrinking number of on-air positions, where do you find, and how do you develop, the next superstar — particularly with today's limited budgets? Meanwhile, syndicated programming continues to grow. What are the pros and cons, and how does a station maximize marketing and revenue opportunities with syndicated personalities?

2:40-3:20pm

Keynote

3:20-4:00pm

How the 2016 Elections Will Impact Hispanic Radio's Rottom Line

Targeting Latino voters has never been more crucial than in this election. Skyrocketing trends in population growth and the continuing issue of immigration make it clear that targeting these voters is paramount to local, state, and national office-seekers. Hispanics will vote, and that influence will help shape and determine much of the policy and the country over the next four years. Radio's historic connection to political activism makes it highly important in delivering candidate messages and getting out the vote. Also, younger Hispanics are avid listeners, which gives radio a strategic advantage in reaching that voting bloc. That's why projections are for major spending on the medium. The challenge is making sure candidates unfamiliar with crafting for the nuances of Hispanic radio listeners know where to turn and how to maximize their outreach with radio. Our panel of experts will offer their insight on how to use your station's marketing expertise to gain a bigger piece of the 2016 political pie.

4:00-4:40pm

Multicultural Millennial Marketing: Is Radio on Their Radar?

Fact: Millennials, those highly influential and trend-setting consumers, are just as likely to be multicultural. They have money to spend, if you reach them where they live. Hint: Millennials overindex on digital, social, and mobile media usage, and none so much as Hispanic millennials. For example, 42% of Hispanic millennials access the Internet solely through their mobile devices vs. 10% for the total population. How can your station stay on top — and ahead — of the curve with millennials? Give us 40 minutes and our panel will give you the strategy you may be overlooking in your marketing..

4:40-5:10pm

Radio's Talent Pool: How Deep - How Shallow - Are the Waters?

Amid shrinking local budgets and fewer available on-air positions, how and where are Hispanic radio's next superstars being Amid shrinking local budgets and fewer available on-air positions, how and where are Hispanic radio's next superstars being developed? And how important is that to maintaining Hispanic radio's edge against other formats that are appealing to its audience, as well as digital and nontraditional sources competing for share of ears? Meanwhile, syndicated programming continues to grow, opening additional marketing and revenue opportunities. This session will take a deep dive into programming issues that are impacting bottom lines today and investment strategies tomorrow.

5:10-5:30pm

Medallas de Cortez Awards Presentation

Presentation of the 7th annual awards, dedicated solely to Hispanic radio. Who will this year's winners be? Who will receive the Lifetime Achievement Award? Don't miss this always moving ceremony.

5:30-7:00pm

Cocktail Reception

MARCH 23, 2016

7:45-8:30am

Continental Breakfast

8:30-9:10am

Hispanic's "Three R's": Radio, Revenue, and Results

In spite of all the competition, Hispanic radio continues to be one of the most powerful ways of to reach Latinos. What's the "secret salsa" behind that? And what are the challenges to maintaining and growing radio dollars in a challenging marketing environment? We'll hear from all sides — client, agency, and a station that is getting it right — with tips and ideas you can take to back to your sellers tomorrow.

9:10-10:00am

Update, Streaming and Copyright Issues & Other Legal Challenges

Significant developments in Washington will impact your pocketbook and your station's financial success in the near and long-term future. The FCC is about to make it much easier for AMs to get on FM through easier access to FM translators, and it's about to get easier to attract investors from outside the U.S. through a major easing of foreign ownership and investment rules. There are also the legal ramifications of certain advertising categories, such as marijuana, e-cigarettes, fantasy sports, and gambling. Can you take those ad dollars, or are the legal risks too great? Will Washington pull back advertising deductions in the tax code? What about the cost of streaming on the Internet? Will the royalties you pay to a host of organizations go up or remain unchanged? Finally, there are ratings issues: Voltair has sent shock waves through the PPM world, so much so that Canada outlawed it. What will happen in the U.S? Unless you have a clear, unclouded crystal ball, you need to attend this session.

10:00-10:15am

Break

10:15-11:00am

Measuring Up the Measurement: Dealing With Voltair, PPM and Programmatic

Over the past year, controversy has erupted surrounding the impact of a new device, Voltair, on ratings produced by Nielsen's Portable People Meter technology. And that's on top of the already myriad issues Hispanic broadcasters have raised for years over measurement methodology. And in buying circles, there's a lot of buzz about the introduction of programmatic buying for radio. What's the potential for this automated approach to a medium that revolves so heavily around community involvement and local promotions, especially among Hispanic broadcasters? Warning: This session may produce some very lively discussion and exchanges. But it will also open the door to lots of compelling conversation!

11:00-11:10am

Información Romper

11:10am-Noon

Local Direct Strategies: 10 Ideas for Making Money

Our panel of sales gurus from Hispanic and non-Hispanic stations will present 10 easy-to-execute sales ideas that can translate into more revenue for your station tomorrow. You'll hear lots of innovative ways to combine your digital and radio assets into creative client opportunities that can lead to bigger shares and stronger marketing ties. This is one session you can't afford to miss.

Noon-1:15pm

Lunch

1:15-2:20pm

Smarter Digital Strategies

It's no secret that Hispanic consumers index among the highest in terms of digital use in almost every category. For example, a recent survey showed that more than three quarters (77%) of Hispanics own a smartphone, compared to 70% of non-Hispanics, and 54% own a tablet, as opposed to 49% of non-Hispanics (Specific Media and SMG Multicultural's Millward Brown). But how well are you harnessing the power of your station's digital platforms to turn these avid consumers into profitable assets at your bottom line? Are you engaging them across all options and all devices, or are you offering fractured bits and pieces with no common glue? This panel will present top experts from outside the radio box who will enlighten, educate and connect the dots between what you are doing today — and where you should be going tomorrow, literally as soon as you get back to your station.

2:20-2:30pm

Información Romper

2:30-3:15pm

Advertising Super Session

3:15-4:00pm

Group Head SUPER SESSION Roundtable

Hispanic radio's leadership sounds off with their vision and outlook for the future of the industry. What they say is always a revelation — and a window into what to expect tomorrow.

4:00-4:10pm

Closing Remarks

*Sessions and times subject to change.

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'You're Just Trying To Sell Radio Ads'

hey say, "One picture is worth a thousand words." I say platitudes are not proof.

They say, "It's not what you say, but how you say it that matters." I say every person is entitled to their own opinion, but not their own facts.

They say, "But it's been scientifically proven that 93 percent of all human communication is nonverbal."

I say, "Show me the study." And please, for the love of God, don't pretend to quote Dr. Albert Mehrabian, because not one person who has quoted Mehrabian to me has ever read any of his books.

In Mehrabian's earliest book, Silent Messages (1971), he speculated that during moments of extreme word/gesture contradiction, the words themselves contribute about 7 percent of the meaning we perceive, while tone of voice contributes about 38 percent and the rest — 55 percent — is body language. But Mehrabian makes it plain that these estimates pertain only to moments when 1) a speaker is describing their feelings and emotions, and 2) their physical gestures and tone of voice contradict their words.

When a person is holding up their middle finger as they say, "Yeah, I love you, too," don't trust the words, trust the finger.

When it became obvious that sales trainers were grievously misquoting him, Mehrabian said for the record in 1994, "Unless a communicator is talking about their feelings or attitudes, these equations are not applicable."

To communicate information, you must say what you mean. To communicate emotions, you must mean what you say, or your gestures and tone of voice will give you away.

"I've been told we remember more of what we see than what we hear."

You've been told wrong. In fact, quite the opposite has been proven in a number of verified studies; auditory memory is far more reliable than visual memory. Dr. Josef Albers, while head of the art department at Yale University, wrote an important book about visual processing called Interaction of Color (Yale University Press).

In the opening chapter of that book, Albers illustrates the deficiencies of visual memory by citing a variety of examples, then writes, "What does this show? First, it is hard to remember distinct colors. This underscores the important fact that the visual memory is very poor in comparison with our auditory memory. Often the latter is able to repeat a melody heard only once or twice."

What allows humans to communicate so richly is our unique ability to attach complex meanings to sounds. In fact, the written word has no meaning until it has been translated into the spoken word it represents.

"But I've been told that everything we've ever seen is stored somewhere in our brain and that under hypnosis we can remember all of it."

Matt Crenson, a science writer for the Associated Press, responds, "We often imagine our memories faithfully storing everything we do. But there is no mechanism in our heads that stores sensory perceptions as a permanent, unchangeable form. Instead, our minds use a complex system to convert a small percentage of what we see into nothing more than a pattern of connections between nerve cells. Researchers have learned that this system can be fooled. Ask a witness, 'How fast were the cars going when they smashed into each other?' and they will name a much higher speed than if they are asked, 'How fast were the cars going when they made contact?" - Matt Crenson, Los Angeles Times, Dec. 10, 2000

Although Crenson didn't identify the "researchers" he was quoting, I recognized the study as a Loftus & Palmer experiment reported by Dr. Alan Baddeley in his 1999 book, Essentials of Human Memory. In that experiment, groups of people were asked to watch video of a collision between two cars. Viewers who were asked, "How fast were the cars going when they smashed into each other?" gave answers averaging 40.8 mph and reported having seen broken glass. But the group who were asked, "How fast were the cars going when they made contact?" reported speeds averaging only 31.8 mph and remembered no broken glass, even though both groups watched the same video just moments before the questions were asked.

When you change one word in a sentence — particularly if that word is a verb — you will often change what a person remembers having seen.

Broca's area of the brain is the gateway to the "visuospatial sketchpad," more commonly known as "the mind's eye." It's one of three functions of working memory located in the dorsolateral prefrontal cortex. Good ad writers know how to use this link to implant memories of events that never happened.

Want to give it a try?

Slowly read the following words to a friend, allowing one or two seconds between each word, then ask your friend to repeat back to you all the words they can remember: bed, rest, awake, tired, dream, wake, snooze, blanket, doze, slumber, snore, nap, peace, yawn, drowsy.

The average person will be able to remember about half the words. But according to Matt Crenson, 55 percent will swear they remember the word "sleep," a word that isn't even on the list.

"Well, I still say a picture is worth a thousand words."

Find a wordless image that you believe communicates the word "trust." Show it to 1,000 people. Ask each of them to write down the word they believe that picture is communicating. You'll find that not one person will write the word "trust."

The point-and-click graphic interface is what distinguished Apple computers from keystroke-based DOS computers. "But in 1985, after finding that pretty but unlabeled icons confused customers, the Apple Computer Human Interface Group adopted the motto, 'A word is worth a thousand pictures,' and a descriptive word or phrase was added beneath all Macintosh icons."
—Alan Charlesworth, Digital Marketing: A Practical Approach

"Well, I still say that we remember more of what we see than what we hear."

Would you be willing to trust the opinion of Professor Stephen Pinker, whose research on vision, language, and social relations was awarded prizes by the National Academy of Sciences, the Cognitive Neuroscience Society, and the American Psychological Association? He's also received eight honorary doctorates as well as numerous prizes for his books The Language Instinct, How the MindWorks, The Blank Slate, and The Better Angels of Our Nature. Prospect magazine listed Pinker among "The World's Top 100 Public Intellectuals," Foreign Policy named him one of its "100 Global Thinkers," and Time magazine put him on its list of "The 100 Most Influential People in the World Today." Would you be willing to trust the opinion of Stephen Pinker?

"No, I'm sure he's just trying to sell radio."

Yeah, I love you, too.

Roy H. Williams is president of Wizard of Ads Inc. E-mail: roy@ wizardofads.com.



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MATTSUNSHINE SALES MANAGEMENT

7 Steps To Generating Consistent Revenue

he holy grail of sales is predictable revenue. But predictable revenue isn't easy to accomplish. To get there takes a consistent approach to following your sales process, and measuring performance at every step.

What Is The Process?

This sales process is called "how selling," and it changes the conversation. Teach salespeople to stop talking about why their product is so great, and instead help them change the conversation to focus on how to use their product and resources to help their customers get the ROI they need.

For decades, "why selling" was the only type of selling media salespeople did. We were all taught to show prospects and clients all the great things about our audience while highlighting the new features we were rolling out. Here's the problem: Buying has changed dramatically—but selling has not.

Your clients are much more informed now. A few minutes on Google lets them get all the demographic information they want, as well as the complete history of your company and its competitors.

In order to be successful, selling must change too. That's why "how selling" is so effective. "How sellers" become invaluable resources for their clients, and that's a critical first step in building a repeatable process.

This system involves seven critical steps.

7 Steps To The How Selling Process

Step 1. FIND. This first step is all about prospecting. Whether you have a marketing department generating prospects for your sales department or you are asking your salespeople to find prospects on their own, this first step is a critical part of the sales process. A good sales department has a steady flow of leads or prospects that they are constantly able to evaluate and nurture.

Step 2: SELECT. There's not enough time in the day to chase down every prospect that pops up. A disciplined approach is necessary for success. That's why it is very important to always use the exact same criteria when separating the good prospects from the not-so-good ones. Having a set ideal customer profile will help you make sure that minimum criteria are established for each prospect.

Step 3: APPROACH. Once a salesperson has the prospect in sight, the next step is to secure an appointment. In today's world, getting an appointment is hard work, so planning your approach is key to success. Technology like caller ID, e-mail, and voicemail has made it easier than ever for prospects and clients to avoid a meeting, so, to secure



a quality appointment, salespeople need to offer a solid, valid business reason to meet.

Step 4: DEFINE. Once the salesperson has the appointment, it is critical that they don't just show up and pitch (that's the old way). They must do their homework first and arrive with valuable insights they can share, along with many well-thought-out topics and questions to discuss. The main goal of this step is to discover the opportunity and confirm that it will be of value to the client.

Step 5: SOLVE. With a clear understanding of what the challenge or opportunity is for the prospect or client (as defined in Step 4), the salesperson is now ready to solve. When done right, this crucial step is what allows the seller to go back to the client with confidence that their idea will work and garner real results.

Step 6: CONFIRM. This is the step in which the salesperson closes the deal. In this system, there is no need for a hard sell. If you have completed the earlier steps the right way, this step in the sequence is simply about getting the sign-off on the proposal.

Step 7: DELIVER. It's time to get results! No doubt you want revenue to grow year over year, and that means client attrition has to decrease. The only good way to ensure this is to make sure that the advertising is actually working and that your clients are getting results.

Follow these seven steps, and you're on your way to establishing a sales process and culture that will generate consistent and predictable revenue.

Matt Sunshine is managing partner of the Center for Sales Strategy.

E-mail: mattsunshine@csscenter.com

How is radio going to get revenue growing again?



Marsha Landess Station Manager Radio One Richmond, VA mlandess@radio-one.com

We need to be having real conversations with our clients about their real issues, not ours. Once we know what they are trying to accomplish, it is up to us to recommend the

best use of our assets. Whether it is on-air, online, on-site, mobile, or ideally, a combination, it is up to us to meet and exceed their goals. Creative ideas and promotions are what set us apart. My favorite days are when we have client meetings with our sales team, programming team, and marketing team to brainstorm ideas together. Now that is a productive meeting! We will sit for an hour and throw ideas up on a board and never once talk about a rating point. When it is all said and done, if a great message or idea reaches a sufficient number of people, a sufficient number of times, it will work! If it works, the client will happily renew!

The days of clients "trying" radio for a week need to be banished. We need to be able to say no, and in the long run, we will win. It only takes one unhappy client to say, "Radio doesn't work," and guess what: They were right. It wasn't sold to them the proper way. A focus on training our sales teams to talk to their clients about their business instead of our business will help grow our revenue.



Mike Savage General Manager Purdue University WBAA-AM & FM & HD2/West Lafayette, IN savage4@purdue.edu

Community engagement is the key. Whether it's broadcasting a local event, hosting a public forum, or showcasing up-

and-coming local talent, radio managers must find ways to capitalize on local engagement and then measure that progress. Here's an example: In the past year, WBAA doubled its locally produced news content by adding more long-form feature stories and public-affairs programming, like our weekly interview series Ask the Mayor. We now have a much greater profile in those communities and new sponsors, thanks to the increase in local content. Be local, have a conversation, and engage our communities that we serve — those are the keys to success in our ever-changing broadcasting environment.



Matt Spaulding VP/Market Manager Cumulus Media Ann Arbor, MI matt.spaulding@cumulus.com

I am not going to act as if I understand the complexities of every market, every station, and every manager. What I can say is, my market's revenue has grown and will continue to grow. As managers, we have accepted responsibilities. Good or bad, I make no excuses and I own the results. Our markets' performances are reflections of us, so own your market. Know that at the end of the day, every day, there was not one more thing that you could have accomplished, not one more client meeting you could have attended, and not one more ounce of energy you could have put into the success of your team, market, or company. I believe that if we truly own our responsibilities and leave everything we have in the ring every day, uniformly, the score cards will reflect our efforts.



Keith Lawless VP/Market Manager Cox Media Group Tampa keith.lawless@coxinc.com

A sound marketing plan for customers that presents a blended solution. It isn't that radio is presenting a less effective solution today versus yesterday, it is that there are so

many other marketing options out there. Radio must continue to be presented as a solution that produces results. In many markets, the digital spend is more than five times the radio spot spend. The total solution provider at your station will grow their business significantly, and they need to make sure radio is part of that solution.



John Fullam Senior VP Greater Media Philadelphia

To provide advertisers a clear return on investment. We also need to find new ways to activate and engage — utilizing social and digital capabilities — the millions of consumers who spend two hours a day listening





Kathy Stinehour VP/General Manager Radio One Detroit

We need to create social media content we can monetize for our stations and our clients. We have to become more serious and more committed to understanding and utilizing the power of social media. We need

to be a viable part of the action instead of a spectator.



Marketplace Measurement & Monetization

riton recently announced an agreement to provide local digital audio metrics to all of iHeartMedia's stations. I spoke with Triton Digital CEO Neal Schore about the impact this might have on radio's ability to better monetize local digital audiences.

How does this change the game overall? Will other groups follow?

Marketplace unification is here, fortunately just as the opportunity is expanding. IHeart selecting Webcast Metrics Local to measure and monetize their local audience validates WCM metrics as the trusted standard for streaming audio advertising transactions. With the integration of digital metrics into stewardship systems like Mediaocean and Strata, and widespread buy-side utilization, iHeart will now increase monetization through traditional, digital, and programmatic channels. IHeart, along with other subscribing broadcasters or publishers, will capitalize by monetizing their growing digital audience in the rapidly growing digital-audio marketplace.

We are in active conversations with many publishers, domestically and around the globe, regarding participation in Webcast Metrics and the digital-audio monetization revolution. It's becoming increasingly clear to the supply and demand sides of the marketplace that Webcast Metrics is accountable and supports monetization. Webcast Metrics is census-based, no panels or estimates, which is expected for digital monetization and appreciated for rapid acceptance. You can expect Triton to have additional client announcements soon.

Tell us a little about Webcast Metrics and what it means to local radio stations.

Webcast Metrics Local is a market-specific version of our national Webcast Metrics audience-measurement platform. WCML helps stations monetize their local audiences, which is a huge revenue opportunity. According to research issued by Borrell Associates, local radio stations' total digital ad revenues are expected to grow 18 percent, to \$583 million, in 2015.

How big is the growth in digital listening, and what are the projections moving forward? How does that currently compare with traditional listening?

WEBCAST METRICS

Average Quarter Hour (AQH): The average number of listeners within the MSA, demographic, and daypart, to a particular station/channel/service comprised of sessions with a minimum of five aggregate minutes within each clock-hour 15-minute period.

Cume: The number of unique listeners within the specified MSA, demographic, and daypart to a particular station/channel/service for at least five aggregate minutes.

Average Time Spent Listening (ASL) (ATSL): The average time a unique listener within the specified MSA, demographic, and daypart spent listening to a particular station/channel/service. Calculated as Total Listening Hours with the specified MSA, demographic and day-part divided by the number of unique listeners within the specified MSA, demographic, and daypart. (TLH/CUME = TSL.)

Total Listening Hours (TLH): Total number of hours that the station/publisher has streamed during sessions with a duration of at least one minute in total and any duration within the reported time period.

Active Sessions (AS): Number of sessions that were active, with a duration of at least one minute in total and any duration within the reported time period.

Average Active Sessions (AAS): Average Active Sessions represents the total listening hours divided by the number of hours in the reported time period.

Sessions Started (SS): The number of different requests for streams (i.e., stream requests) with a duration of at least one minute in total and any duration within the reported time period.



Digital listening is booming. According to the 2015 Infinite Dial study, an estimated 143 million people listen to online radio each month, and 79 percent of measured Internet radio listening is through a mobile device.

How much time does a user need to be connected to a stream in order to be counted in Webcast Metrics, compared to the traditional five minutes for radio?

There is something for everyone within Webcast Metrics. Metrics aimed at the digital space, such as AAS, AS, SS, and ATSL, require at least one minute of listening. We also provide traditional broadcast metrics that require five minutes of aggregate listening per quarter hour.

Is there a way in which these metrics will be combined with traditional measurement at some point in the future? Any timetable on when that might happen?

We believe that certain metrics can be compared to and combined with over-the-air metrics right now. For example, AQH is calculated in the same way whether the listener is tuning in over the air or to the stream. If we keep the other factors constant (e.g., geography, base populations, timing of the data collection or survey) any ratings derived can be added together. This gives both buyers and sellers the maximum flexibility to design effective campaigns.

Deborah Parenti is publisher for Streamline Publishing, Inc. E-mail: parenti@aol.com.



SUPERSTAR SPUTLIGHT

Tom Langmyer is vice president and general manager for Milwaukee Radio and vice president of News/Talk/Sports for the E.W. Scripps Radio Division. He's worked in radio since age 14, so that gives him over 30 years of experience at radio stations all over the country, in all formats. He's a highly respected manager in the industry and in 2015 was *Radio Ink*'s Radio Wayne Award winner for General Manager of the Year. What does it take to be a strong leader over decades in the radio industry? Let's find out.

RI: What attracted you to radio?

Langmyer: From the time I was a kid, I was fascinated by radio's ability to connect one-on-one and to take you anywhere. Whether it was hearing the music and personalities on great Top 40 stations like WLS, WABC, CKLW, and WKBW; listening to the great heritage full service stations like KMOX, WSM, WGN, WJR, KDKA, WBZ, and WBEN; or being riveted to others like CFRB, KYW, and WCBS – these stations transported me all over North America. Radio was and is magic. And the radio experience can be fuller today with all the media tools at our disposal.

RI: What is the key to being a successful general manager today?

Langmyer: There are actually several keys to being a successful general manager. However, much depends on

the organization of which you're a part. There are some roles where one can be very successful managing systems and details, keeping all the trains running on time through the impeccable execution of a predetermined corporate playbook. There are other companies that expect their general managers to make decisions and actually run the businesses, while holding them accountable for leadership, ideas, innovation, and earnings results. I prefer the latter. Being a general manager in that latter world requires leadership skills, integrity, vision, imagination, ambition, a strong work ethic, courage, and determination. Coaching the team as a general manager is also more critical now than ever.

RI: What is your philosophy on sales?
Langmyer: These are exciting times, with

tremendous opportunity in sales. The vision for selling, now more than ever, must include a process that starts much further "upstream" than the competing media.

It involves a more sophisticated and solutions-based approach, leading to stronger results for the advertiser - as opposed to relying solely on audiencedelivery metrics and just calling it a day. It's truly about understanding advertiser needs and delivering on listener/user engagement for true advertiser results. Of course, relationships are critical to the mix. But in the end, we're in the business of moving product. I want our sellers focused on potential and current advertisers' business challenges first, before touting our brands, ratings, etc. From there, we move to developing creative solutions and partnerships to move advertisers' product.

RI: How do you find and hire the best people?

Langmyer: We often hear the talent pool is more shallow than it once was. Reality is, the pool has simply shifted to additional places, and we need to move to deeper water. There are terrific, smart, focused people looking for opportunity. We're finding great sellers from a variety of backgrounds, beyond traditional media sales.

But make no mistake, there are themes that are critical for any seller, no matter the background. Ambition, work ethic, creativity, and energy top the list. Transactional selling can be handled programmatically, but radio can only grow with true solutions-based sellers. Successful air talent today are really multi-media stars. We mutually benefit by building their brands. Many of these future stars are very passionate, and talented enough to move beyond their "basements" to a broader and fuller platform, radio. It's up to us to search "basements"!

RI: What can radio do to bring more young people into the business?

Langmyer: There are so many opportunities in radio for people starting their careers. The attraction must involve a plan for training and growth, driven by giving potential hires some real perspective. Working with schools that have multi-media programs is an important place for us to get in front of potential candidates. Speaking to classes on the overall media-consumption mix always brings radio to the forefront - and helping people plan their careers, with radio on the map, is up to us. It's often those special students that come up after an inspiring class to learn more about a career in our business.

The mindset of young people is typically shaped by their own media experience. Think of how many people get really jazzed about 20 people reading their blog, 100 followers, or having a few hundred "friends" on social media. They're blown away when they learn their words and works can literally be heard by thousands or hundreds of thousands on radio. They just don't know it. It's up to us to lead them to the gold!

RI: What are your biggest challenges, and how do you overcome them?



Tom Langmyer



Scripps VP/Radio Steve Wexler, Wexler's wife, Amy, with Tom Langmyer and his wife, Mary.

Langmyer: One of the biggest challenges has been to identify great talent, sellers, and our next leaders - but they're out there. As a business, we've spent more time with technological fixes used to create operational efficiencies than we have on attracting and focusing on truly dynamic, broadly interested, and interesting people. We're in the content and advertising business, yet selling has become more programmatic, versus direct and solutions-based. Programming has become more about operational distribution systems than providing compelling products created by smart, adventurous, and dynamic people. The business overall has more of an "operational" feel now - and that attracts mostly operational kinds of people.

That said, I am very excited about the next generation of people we will attract to our business. I'm not going to the "operational shelf" to find people who are great sellers, leaders, and content creators. Instead, it's about digging hard and hiring really broad-based, smart people who know how to communicate and are excited to learn, grow, and lead in our business.

I'm amazed at the bandwidth of those entering the workforce today. They want to do well — and they do well with feedback. They crave learning, being coached, and receiving the praise that goes with a job well done. To that end, we have a great mix of seasoned and new people who are sellers, talent, and emerging leaders in our organization. You can just feel the energy it creates. I would put our Milwaukee team up against anyone, anywhere.

RI: Give us a success story you've had with a station over the past year you are most proud of.

Langmyer: I am very excited about what we're doing in Milwaukee. We've built a brand-new country station, KTI Country. What's most rewarding for our team is that we have built it from scratch and are making it a 24-hour, truly live and local station and a multi-platform media play. KTI Country is "Wisconsin proud," active in the community and on the streets. We're connecting in a grass-roots way, and truly making friends, one town at a time. The station operates in real time and is not shaken out of a national corporate box. KTI is brand-new, and it's already surpassing ratings and revenue expectations, because it was designed and built by our great team in Milwaukee, for Milwaukee - and it's staffed by real humans in Milwaukee.

RI: What keeps you up at night?

Langmyer: My mind spins on innovating, looking for ways to grow people — wanting to make things better for the company, and thinking about how to use the power we have to make our world a better place. I'm kept up at night thinking about ways to teach and inspire great sales talent, product people, and our next great leaders.

Reach out to Tom at tom.langmyer@scripps.com



SPIKESANTEE

I Tried Digital Once, And It Didn't Work

QUICKREAD

- If a sales team's skills aren't upgraded for digital, customers won't get the results they want.
- More searches are now made on mobile devices than on desktops, and the search terms are different.
- Broadcast ads build awareness that makes digital and search advertising more powerful.

talk with hundreds of local business owners every month about their advertising activities. Usually one of my first questions is about

what types of advertising they are using and how they feel about the results they're getting. I have learned to expect to hear, "I tried radio once, and it didn't work."

But more and more, I hear local business owners say, "I tried digital once, and it didn't work," or, "I tried mobile once, and it didn't work."

Radio companies are upgrading their sales inventory to include the latest array of digital advertising components for good reason. Local advertising spend is forecast to increase, with most of the growth going to digital and mobile.

It's one thing to upgrade your product line, but without a corresponding upgrade to the sales team's skills and knowledge base, we will only add to the ranks of local business owners who say, "I tried digital once, and it didn't work."

Google confirms that smartphone searches now exceed desktop searches. That means digital strategies based on the desktop experience are quickly becoming irrelevant. As consumers gain the ability to search for information using spoken questions rather than typed terms, there is a shift in the words being used in the search.

Search phrases with the words who, what, where, when, and how were up 61 percent in 2015. The word where was already one of the most popular words in search on desktop devices, but in mobile search, it's the dominant word.

Spend any time with a millennial, and you will clearly see the shift. They simply ask their smartphones, "Where is the nearest Starbucks?"

We in radio sales have a unique advantage over digitalonly salespeople in that we have the dominant reach medium to drive brand awareness. With brand awareness come search phrases that include the brand name instead of a product category: "Where is the nearest Starbucks?" versus "Where is the nearest coffee shop?"

The alarm company Protection One advertised with Mike & Mike on ESPN Radio. After six months of B2B advertising, Protection One saw a 100 percent increase in its commercial brand awareness. That's a radio success story right there.

But just because Protection One doubled its commercial brand awareness doesn't mean it sold any alarm systems. Each business owner needed an event to trigger their need or desire for a new alarm system. Perhaps the

business owner is unsatisfied with their current provider or they have a new building, or perhaps they can save money

on insurance.

In the modern-day decision journey, when consumers have a triggering event, they turn to search to help them decide. Protection

One experienced an 80 percent increase in search-lead generation for the company after the Mike & Mike campaign.

That's what we have to sell as radio broadcasters with a digital

platform. We can drive emotional brand awareness and engagement long before the triggering event ever happens. That brand awareness becomes a search result as consumers use search as a phone book; they know your advertiser's name, now they want to contact them. So to get more of those digital sales clicking your way, here are five things you need to do now:

- Develop a broadcast-first strategy, and discourage the sale of digital-only products — unless it's an add-on to a current advertiser's on-air strategy or you are completely sold out of airtime.
- Create new sales materials that illustrate the impact of a broadcast-first strategy on your customer's digital efforts. Tell the radio-reach and personal-engagement story.
- Design a new look to your sales materials so they look more like a modern website than a radio station PowerPoint. Reduce the clutter and use colorful icons and images.
- Recognize that the field of digital-only sellers is already crowded and that your broadcast-first plan may be in addition to the customer's existing digital strategy.
- Write a sales script for your sales team, and make sure everyone learns it and uses it.

Digital won't replace the brand-building power of radio, and radio won't replace the features of search. The smart radio salesperson is the one who learns how to describe the benefits of using both to drive brand awareness for our customers.

We are moving forward from traditional media into the new world of digital and mobile and who knows what after that. If we don't upgrade our understanding of how advertising really works, if we keep on doing what we've always done, there will be more people every day who say, "I tried that, and it didn't work."

Reach Spike Santee at spike@spikesantee.com.



How To Build A Better Podcast

t's not a coincidence that NPR is the reigning king of digital audio. Right now, six of the top 10 podcasts on iTunes are produced by the public radio network. One of NPR's newest shows, Hidden Brain, launched in September and is already one of the top 20 downloads in the medium.

The model NPR uses may seem complicated, but it can be described in a simple formula: Network Exposure + Quality Storytelling + Passionate Talent + Focused Topics = Great Content. And great content means success.

NPR has leveraged 26.3 million weekly over-the-air listeners into 77.6 million monthly downloads. It's offering the audience a service they love — and it's paying off. The difference between NPR and your station's podcast efforts, aside from audience reach, could be simply that they're producing content outside of the traditional broadcast model, and you're not. You should be. We all should.

Hidden Brain host Shankar Vedantam says the approach the podcast takes isn't brand-new. "I'm taking an existing field that I'm familiar and comfortable and knowledgeable about and putting it into a new medium," he says. He also points that that lots of preparation went into the Hidden Brain launch: "You're planning for a marathon, not for a sprint."

How did a podcast that just launched become so successful so quickly?

Shankar points to the time devoted to planning each podcast, and to his background as NPR's science correspondent and as a writer and reporter: "It's two days of work, but it's building on 12 years of preparation."

Think about your personalities' experience, and how that plays a huge part in the content of their shows. But remember, great content needs to be deeper than that; it also has to reflect the listeners' interests and experience. As Shankar observes, "I think there's an illusion that many of us have, that the things we enjoy are the things that everyone is going to enjoy. We project our feelings and biases and aspirations on our audiences."

Storytelling is an art, but storytelling without direction is just rambling.

NPR is having tremendous success in the podcast medium, and radio has the ability to replicate that success. Here are a few points I learned from Shankar that you can incorporate into your own successful podcast:

Much as in the film industry, segments are not necessarily recorded in order. Shankar sticks to a schedule and works on six to 10 podcasts at once, so there's no downtime.

Content is more than just whatever you can find on the Internet. It has to offer meaning, and a personal touch.

Hidden Brain's target demographic is a younger and more diverse listener, hopefully outside those who already listen to NPR's on-air shows.

Look for ideas that stretch your mind, or introduce your audience to a new perspective.

Keep in mind the everyday experiences of your audience, and make your content relatable.

And be sure not to underestimate the power of your broadcast platform: You have an audience that wants more of what makes your station unique, and that starts with talented people.

Ultimately, the goal is to generate additional digital revenue. Work with your sales staff to find sponsors that can be incorporated into the podcasts.

Your strongest selling point: Listeners who seek out your podcasts will be extremely attentive to what the talent is expressing and highly engaged with that content. They are taking action so they can listen. These are not passive listeners.

That's a unique advantage for stations that have built a digital audience: You'll have listeners personally invested in your content. And it's why advertisers are increasing budgets to spend more money on podcasting.

Ryan Wrecker programs WOWO Radio in Fort Wayne, IN. You can reach him on Twitter @ RyanWrecker and also at ryanwrecker@gmail.com.

QUICKREAD

- The one thing that will build a strong podcast audience is great content.
- Creating that content means time dedicated to planning and preparation.
- Talents' experience combined with focused, highquality content will attract the truly engaged listeners advertisers crave.



While Forecasting 2016, Take A Peek At Our 2015.

MVP in 2015, YTD by the Numbers

48 \$1B 28

of Deals

Transaction Value

Years in Business

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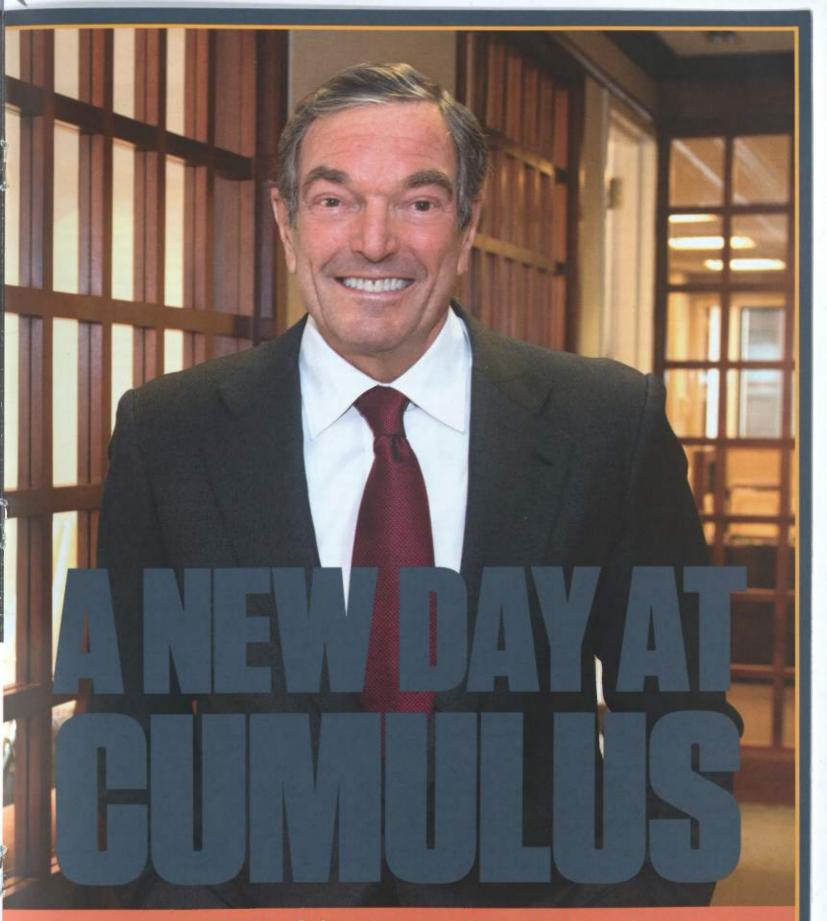
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Chairman of the Board Jeff Marcus leads change at radio's second-largest company

The 2015 Radio Show was being held in the city of Atlanta, which just happens to be home to Cumulus Media headquarters. And on day one of the Radio Show, the big news was not about keynote speakers, programmatic panels, or radio's place on the dashboard. It was about Lew and John Dickey being pushed out of Cumulus by the company's board of directors. Cumulus' stock was tanking, revenue was weak, and once-strong radio brands across the country were lifeless. A few billion dollars in looming debt added to the board's concerns. The decision had been made: It was time for a change.

Radio unknown Mary Berner would be taking over as CEO, tasked with turning the company around. Speculation that Berner would take the company into bankruptcy was the buzz in Atlanta, but Berner sent out an employee e-mail, soon followed up with a webcast, that helped ease those concerns. The response among the managers Radio Ink spoke to after the webcast was positive, but only time will tell if Berner can turn Cumulus around, get revenue up, and get the debt down.

Jeff Marcus is chairman of Cumulus' board (of which Lew Dickey remains a member). And Marcus was the driving force behind the change in CEO from Lew Dickey — whom Marcus calls a friend — to Mary Berner. It was Marcus' journey around the country, visiting stations, that helped him decide that new leadership was in order.

Of course, Jeff Marcus is not new to radio; back in 1998, he and Tom Hicks merged Chancellor and Capstar, forming Chancellor Media, making it at the time the largest radio company in the world, with 463 radio stations in 105 markets and \$1.6 billion in annual revenue.

Here are the details about why Marcus and the board pushed Lew Dickey out and brought in Mary Berner at Cumulus, and what Marcus sees in store in the days and years ahead.

RI: Why did you invest in radio? What did you like about radio, to get involved in it? MARCUS: At Crestview, we looked at radio for a long time. As you know, I was involved in the radio business back in the '90s, so I have a long history in radio. We began to look at it again around 2008, when prices were still pretty high. A few years after that, valuations had come down and it became compelling.

We were approached by Lew Dickey, who thought that there was an opportunity to consolidate the radio space. We liked Lew and decided to move forward. We like radio because it is a mass-medium-reach business, and it is the lowest cost for the advertisers in terms of reaching that audience. It's free, it's easy, and it's enduring. With prices down to a level that we found it attractive, we wanted to invest.

RI: What is different about the radio business today, from the eyes of the investor, compared to your days in AM/FM? WARCUS: It might be easier to answer that by asking, What's the same? The business has certainly changed a lot. One just has to look at how consumers listen to music to understand that there are huge differences. We also thought there would be an opportunity to take advantage of the disruptive technologies that were at that time just getting started but now have gained traction.

RI: How else does the investment community look at radio differently today? MARCUS- I think that radio has a unique opportunity, with its ubiquitous bullhorn, to be the centerpiece of the new digital technologies and to have a great role in the digital world. Radio can also be the centerpiece for events. We've seen some of the companies in our business take advantage of these opportunities and do very well.

RI: Does the investment community believe all these new digital companies that they're investing in — and that aren't turning a profit — are going to replace industries like radio?

MARCUS: No, I don't think that's a commonly shared perception. There certainly are competing technologies out there today that weren't there back in the '90s, when I first became involved in the radio business. But radio is still very relevant, and radio still gets the

predominant share of ear. There are many ways to listen to music and other audio features, but radio still gets the predominant share of listening.

RI: Is national scale important in radio?

MARCUS: I think national scale is
important to be able to attract national
advertisers. National advertisers are very
much like any advertiser, in that they
want to effectively reach their audience.
IHeartMedia has shown that, with their
ubiquity, they are very effective in
attracting a large share of the national
advertiser universe. They have done a
very good job with this.

RI: Next year will be the 20th anniversary of consolidation (after the Telecom Act of 1996). Has consolidation been good for radio?

marcus: I think it has been a very good thing for the industry, because I think, with the advent of the new and competing technologies, that scale in the radio business really matters. Advertisers being able to take advantage of scale has been good for radio, and it has been good for listeners.

RI: Should there be more consolidation?
MARCUS: We are seeing everything get bigger. It seems like every day we see an announcement of a big merger in one industry or another. All industries seem to be scaling up. As there is more and more competition in marketplaces, scale really does matter.

and who do you think we're going to see investing, in the radio industry, next year and a few years down the line?

MARCUS: Well, that's an interesting question because radio is, right now, going through a change, and Cumulus is no exception. How we end up depends on how we are able to navigate the changing times. That will determine whether or not new investors will emerge. A lot of investors right now are taking a wait-and-see attitude.

RI: Other than yourself, who is investing.

But radio companies, by their nature, are very good free-cash-flow businesses, and investors look for yield on investment, and the radio industry can certainly provide that. But radio has to prove itself through this transition period before widespread interest will return.

RI: Radio executives constantly talk about the number of listeners we have and all these ROI studies keep coming out, yet revenue is consistently flat. What's it going to take to get the revenue up in the industry? MARCUS: I think getting away from relying only on the traditional radio business is very important. If you look at listening, if you look at radio's share of the advertising pie, and if you look at all of the important metrics, they're ebbing down slowly. They're not going down in a dramatic fashion, but still they're ebbing down. So in order to counter that, radio has to come up with something new.

That something new is digital and events. The most successful companies in radio right now are actually showing some revenue gains in these areas and are doing quite well. As the radio industry embraces new technologies and is able to monetize them, we will see interest in the radio business increase.

Rt: Is there is a serious way to monetize digital?

marcus: With younger people in particular, digital is becoming ever more important. We are all experimenting with different models. We are all trying different approaches, and I think that we will settle on something that will make sense for radio listeners and for radio advertisers and will prove out in the economic model.

RI: In 2008, you got involved with Cumulus again. What were your first thoughts about Cumulus back then?

MARCUS: Lew Dickey approached us at first about participating with Cumulus in trying to buy the radio assets of Susquehanna. They had some cable assets and some radio assets, and Lew was interested in buying the radio assets. We felt that prices were too high at the time, but Lew prevailed in that process, with two other private equity firms. They created a sidecar vehicle through Cumulus Media that was called Cumulus Media Partners.

That did not work out as planned because they paid too much for the stations. Then, a couple of years later, Lew came back to us, indicating that radio stations' prices had fallen into a range that he hoped we would find compelling. It was that second approach that interested us, once prices of radio stations had fallen to a level that we thought was compelling.

"The challenge is to get the company turned around and be able to refinance the debt when it becomes due. That's why we decided to make the management changes when we did, because we just didn't see the results getting better."

RI: 50 then Citadel was back on the table?

through a restructuring. As a result, it was owned by some unnatural equity holders; these were entities that had previously owned the debt and came out owning the equity after the restructuring. Lew approached the Citadel board and the management team, and neither was interested in making a deal. It was quite a long process that ultimately involved going directly to the owners of Citadel to determine if they would be interested in selling, and ultimately they were.

RI: Were you on the Cumulus board at the time?

MARCUS: No, I was not. We had made an informal arrangement with Lew in 2010, wherein if he were to find an appropriate acquisition candidate, we would be willing to back him and put money into Cumulus. The initial concept was to do it as a sidecar investment, as the Susquehanna deal had been fashioned.

But when Citadel became a reality, we decided that structure wasn't the right way to do it, so we asked Lew to roll everything up into Cumulus Media. We thought that made the most sense, and that's what happened. We completed the Citadel merger in September of 2011, and the stations from Susquehanna, Citadel, and Cumulus Media all became the new Cumulus Media, and that's when we invested.

RI: Obviously, at the time, you thought the company was headed in the right direction.

MARCUS: The thesis was that Citadel, having gone through a restructuring and having gone through a period of benign neglect, would be ripe for turnaround. There were some very good assets within Citadel, a strong network as well as many fine radio stations. The investment thesis was that the management of Cumulus could turn these underperforming stations around and the company would become a powerhouse.

Rt: That thesis didn't work out?

marcus: No, it didn't. We did not get the results that we expected, and instead of the Citadel stations rising to where we hoped they would, quite the opposite happened. The combined company has not yet been able to hit on all cylinders.

RI: Why do you think that was?

MARCUSE Cumulus is comprised of



some very powerful brands and some wonderful heritage stations that have been around for a long time. The old Cumulus was a collection of small-market radio stations, and Susquehanna was a group of 10 or 12 radio stations in larger markets. We took the nucleus of what was Cumulus and added a platform that was significantly larger and made that into one company. There were a lot of integration issues, and I think that the management team that was running the old Cumulus was simply not up to the task of running a much larger company.

RI: When Dial Global/Westwood One came along, did you think that was a good deal?

MARCUS: The thesis on Dial Global was that it would fit perfectly with the legacy Cumulus radio network and the network assets we received in the Citadel merger.

All together, we would become a radio network that would rival Premiere in terms of its size and its scope. Understanding that scale is important and scale matters, we thought that this would work out very well. What we have in Westwood One is a network with over 170 programs and services serving 8,700 radio stations. It's a powerful brand and a powerful platform, but so far it hasn't fulfilled its potential.

RI: At what point did the board feel that there needed to be a new management direction?

on September 16, 2011. We had very high hopes for the company. We set out to harvest the synergies that were laid out in the merger projections and to turn the acquired stations around. It always

takes time, and somehow it always takes longer than one expects.

So we went through 2012, and the results were disappointing. I don't think that any of us were satisfied with the results in 2012, but we had high hopes for 2013. I was the lead director at the time.

We had Crestview as the largest investor, and had two of the seven directors. We had a lot of confidence in Lew and the management team and believed they would be able to fulfill the promise of the merger. We focused on certain strategic transactions, such as the sale of smaller radio stations to Townsquare Media and the purchase of Dial Global. We also created the Nash brand. There were a number of different initiatives that were designed to make the platform more effective and to drive

"I think that with the focus on programming, the focus on ratings, the focus on giving people something they want to listen to, we can reignite these brands. We had some very talented people in the station groups and some great stations, but we weren't letting people do their jobs."

us to scale. And so in many ways, the company was a moving target.

But at the same time, we found the ratings in the various radio stations continuing down, not up. We also saw our market share deteriorate, as well as our broadcast cash flow deteriorating. It took a few years of disappointing results until the board decided that the company's direction wasn't changing and that a change in management was necessary.

RI: Did you know Mary Berner before all of this started to happen?

MARCUS: Following the Citadel merger, there were seven directors on the board. One of the directors was Trey Sheridan, who had been there from almost the beginning. He was a representative of an investor entity that owned shares

in Cumulus. Trey's firm began to go in a different direction, and the Cumulus investment was no longer central to their portfolio, and at that point, he decided to go off the board.

The Cumulus nominating committee, of which I am the chairman, retained the services of a national search firm to find a director to replace him. We interviewed a number of very capable candidates, Mary being among them. She really was the standout person, and we appreciated her long and successful experience in advertising-supported media and magazines and her track record as a very strong and confident operator. We invited Mary to join the board, and she began her board service in May of this year.

RI: When you started to go around to see

the stations and the employees, how were they doing at the time?

what was to go out and see for myself what was happening in the individual station groups. I asked Lew not to accompany me, because I wanted to have a different kind of conversation with the station personnel. If Lew or any of the other operating executives were with me, it would be a different meeting. As the former CEO of Chancellor Media, I wanted to see for myself how the business was really running.

I laid out a schedule that would take me to some of the largest markets and some of the smaller markets. The problems I found during those visits were very consistent across all the markets. We had some very talented people in the station groups and

some great stations, but we weren't letting people do their jobs. We had a command-and-control system in Atlanta that was designed to rein people in and to make their lanes so narrow that they didn't really have an opportunity to operate.

I will give you an example. I was in one of our largest markets, speaking to the market manager, who is a successful veteran of the radio business, and I asked him about programming. He expressed a concern to me that one of his program directors was having trouble getting permission to play some songs that he thought were appropriate for the market. He had made the request to Atlanta, and Atlanta was sitting on the request. Not a good situation.

I was just so surprised, because we have these talented people that we hire into the company, and we vet them very carefully to make sure they have the right experience. And then we make sure that they have the right acumen and they know how to do their jobs. Then we put them out in the markets, and we don't let them do their jobs. And that makes no sense at all. I saw this throughout the markets. It was a consistent theme. The command-and-control system in Atlanta was getting in the way of doing business. It had become more of a burden than a benefit.

Ri: The headline for our cover is going to be "A New Day at Cumulus." Is it a new day at Cumulus with Mary Berner in charge? What can we expect?

Absolutely. It's a new day, and a new era. Mary is a breath of fresh air. The best news at Cumulus right now is that Mary Berner is the CEO. She is a tremendous leader. Her first day on the job, she did a webcast to our 5,700-plus employees, and I have to say she was absolutely pitch-perfect and really did an outstanding job in answering questions.

Before she even became the CEO, she sent out an electronic survey asking people about their concerns, and thousands of people answered. Questions such as "What do you want to see me do? What do you want to see me not do? What are your concerns on a day-to-day basis?" She read every single one of the responses. She addressed the general themes in this initial webcast.

Now she's been out, going to the markets, talking to the people, trying to understand the issues and the problems.



"The best news at Cumulus right now is that Mary Berner is the CEO. She is a tremendous leader."

— Jeff Marcus

Remember, Mary also was the chairperson of the board's operations subcommittee. Even before becoming CEO, she was tasked with and conducted a study on what was happening within the company in terms of what was going right and what was going wrong. So Mary started off with a very good background with respect to what has to happen in the company to effect positive change.

I think that Mary is tremendously energized, and she is tremendously organized. Her skills are exactly those that we need at Cumulus. She is an operator's operator. She knows how to run a business. She knows how to empower people and hold them accountable. I think we are going to see a lot of very positive changes at Cumulus. I for one couldn't be more pleased that she is our CEO.

RI: What's job number one right now?

MARCUS: Job number one is

understanding the problem. Mary is in
the process of getting her hands around
what exactly are the problems, and
then she will point people in the right
direction.

Ric is Nash part of the plan moving forward? MARCUS: Nash is very much part of the plan. As Cumulus has the largest country platform in the United States, there is a natural role for Nash. What Nash is and how Nash works is in the process of being determined, but the Nash brand itself has potential to be an important programming element of Westwood One and our owned-and-operated radio stations.

RI: What about the Nash Icon music label?
MARCUS: I really can't say at this time. I
want to leave that up to Mary to make
that determination.

RI: Rdio?

MARCUS: Well, I think Rdio was a good try. The model that Rdio embraces, which Spotify has successfully proven out, is a very good model. The access to songs, and lots of them, and being able to curate your own music and curate your own radio stations, and to have the ability to access as opposed to owning the music, is very much where technology is going. But Rdio has to raise its profile to become part of the digital conversation. When this

technology is spoken about in the press, you rarely hear about Rdio.

I think Rdio has to take every opportunity to make itself into a relevant player in what is a highly competitive pureplay digital marketplace. I don't fault anyone at Cumulus for going in that direction and investing in a medium that involved no capital outlay but achieved an equity position through the running of ads on the air. We continue to believe in the value of delivering content digitally.

RI: Sweetjack?

Sweetjack was something we tried. We made an investment. It wasn't a particularly large investment, and it was something that at the time was very much in vogue, but it fell out of favor quickly. When you're in a business and an industry that is transitioning, you have to try a lot of things. The key to success is not betting the whole company on one new effort, but making small forays and testing. One toe into the water, and then a foot, but it's important to not jump in until something has really proven itself out. Rdio and Sweetjack were things that we tried. Unfortunately, they didn't work out, but it was worth trying.

I think that right now, Cumulus is in the process of looking around and seeing how other radio companies are doing with the various initiatives they are trying. Some have been successful, and some have not. I think at this point, we are dedicated to becoming fast followers of successful strategies.

RI: You mentioned that Cumulus has some powerful radio brands, and that's for sure. Do you feel confident that you will be able to reignite those brands?

about radio, and I learned this back in 1994 when I joined the board of Chancellor Media, was that radio does have the ability to turn around quickly. A radio station can go from worst to first in a market much faster than a television station can. I think that with the focus on programming, the focus on ratings, the focus on giving people something they want to listen to, we can reignite these brands.

Brands really stand for something. One only has to listen to WPLJ in New York right now and hear how we're restoring that brand to what it once stood for. It went off the tracks for a while, but now it is coming back, and the ratings are improving. The same is true with so many of our heritage stations and our big brands throughout the country.

The thing that is so interesting is that, looking across the company, we saw the same thing happening over and over again, market after market. It's not the fault of the local markets, it was the fault of the command-and-control system in Atlanta. When one has a problem and one is digging oneself into a hole, the first thing to do is to stop digging. With the changes that we're making at the company, we've stopped the digging and are now in the process of rebuilding.

RI: How comfortable do you feel about being able to address the debt?

covenants; it is a covenant-light debt structure. Our debt is not due for three to four years. So right now, although the debt looms in front of us, and it is not something we take lightly, we have a lot of liquidity and we have a lot of running room. The challenge is to get the company turned around and be able to refinance the debt when it becomes due.

That's why we decided to make the management changes when we did, because we just didn't see the results getting better. I think that once we begin to post better results, investors up and down the capital structure are going to feel very differently about this company.

Ri: Do you feel you need all those stations and you'll keep all the stations that you have?

have a big platform. We have 460 radio stations in 90 markets. Not all of them are within large clusters. I will tell you that we love each and every one of our radio stations, and right now we have no plans to change anything, but obviously this is an iterative process and we will make decisions about that over time as conditions warrant.

RI: One of the things that people seemed to focus on when Mary Berner was hired was the Reader's Digest reorganization. How do you address employees when they read that? Is that off the table?

MARCUS: I really think it is. I think that Mary's webcast energized the team and gave everyone tremendous confidence.

A new era and a new day have come to Cumulus. Mary has been out in the markets. She actually walked into station groups and received a standing ovation. People have said this is the first time they've seen anybody from corporate. People have said this is the first time they've received an e-mail from the CEO of the company. People have said that this really is a new day at Cumulus.

The facts around Mary's experience at Reader's Digest show that she was a great success. She was brought in to fix a situation that was inherently bad. Private equity owners of Reader's Digest had overlevered the company and had a belief that they could sell certain assets, and in doing so, they would could pay due debt. This was right before the financial crisis. When the financial crisis hit, they weren't able to sell those assets at the prices they expected, and the debt couldn't be serviced out of existing operations.

When we spoke to people on the board at Reader's Digest, including two individuals who held the role of chairman, they only had the highest praise for Mary. They all mentioned Mary's leadership ability, her ability to coalesce a team around her, and her ability to turn operations around. We looked at this a lot, and carefully, and it was very apparent to us that Mary Berner was the right person for the job.

Rt: Three or four years from now, what will people be saying about Cumulus?

will be saying, "What a great comeback. It was a tough situation, but they've done a great job." It will be hats off to Mary Berner and her team.

RI: What do you want the employees to know about the next few years, the next few days, the next few months?

thing is for people to know that this is a new era at Cumulus, where talented people will be empowered and be able to do their jobs to the best of their abilities. They will be given every tool necessary to do so, and they will be held accountable.





n terms of station trading, 2015 was a moderate year for radio. It's an industry with years of flat revenue and languishing stocks — not exactly the exciting world of tech, or even television, for that matter. But at least life isn't as bad for radio executives as it is for our colleagues in print.

So what does 2016 look like? Our panel of experts broke out their crystal balls to give us their thoughts on stations that might become available in 2016, where financing would come from if stations were approached by a buyer, Wall Street's view of the radio industry, what

might happen to radio's two biggest companies, and how they believe radio can get revenue grow-

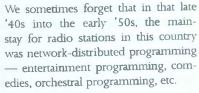
Meet our financial experts: David Schutz, president at Hoffman Schutz Media Capital; Bill Fanning, managing director at Media Venture Partners; George Reed, managing director of Media Services Group; and Drew Marcus, managing partner and portfolio manager of Sugarloaf Rock Capital.

DAVID SCHUTZ, president at Hoffman Schutz Media Capital, has been in the industry as a financial appraiser and adviser since 1973. His full-time vocation has been as an adviser to financial institutions, high-net-worth individuals, equity funds, and now various hedge funds and commercial banks. His primary work is providing fairness opinions for these sources of capital that are looking at investments in the broadcast radio and television industry.

RI: If you were to advise somebody about the radio industry today, what would you tell them?

Schutz: It's once again going through a profound evolution. There is a paradigm shift underway — there have been others in the history of the industry. The Internet represents a challenge to the industry akin to what the advent of broadcast television was in the late 1940s.

> '40s into the early '50s, the mainstay for radio stations in this country was network-distributed programming - entertainment programming, comedies, orchestral programming, etc.







- DAVID SCHUTZ

There was a primary problem that prevented broadcasters from using recorded music as we freely do today, and that was the absence of broad-form copyright agreements, ASCAP and BMI, etc. The situation was so dire that in the late 1940s until about 1950, as the national networks, NBC, CBS, announced that they were going to take their prime evening radio network — because radio was a medium that still had its audience primarily in the evenings and in the living room — and was going to move them over to this new service called television.

Radio broadcasters were absolutely frightened. What were they going to do for programming? In fact, there were situations — this was how dire the industry perceived things to be in the face of television — that a number of owners turned in their licenses for good, full-time AM facilities. Of course, AM was the name of the game at the time. That's how dire it seemed. I think we have to look at that in perspective as we see the challenges that the Internet provides to radio broadcasters today. It is the advent of the Internet and the advent of alternative sources for recorded music available now on demand.

RI: How does radio survive that?

Schutz: Radio survives by reinventing itself. My personal opinion is that it has to reinvent itself as a local medium. Sometimes we lose sight of the fundamentals of what the radio industry is. In my opinion, it's primarily a local promotional vehicle. We talk collectively about a "radio industry" as if there is a high degree of standardization, but I maintain that this remains primarily a local business.

There are standard items that afford some efficiencies when you have regional-group stations operating together, but in the end, this is one of the most efficient local promotion vehicles for the purveyors of goods and services in a local and regional area. One of the opportunities I have had in the last two years in particular is looking at a lot of smaller stations in unrated markets. The reason for that is, these are established broadcasters who are seeking to refinance or to make modest additions to their existing station portfolios, and they are seeking loans from banks on the order of anywhere from around \$1.5 million up to \$5 million.

Even in the best of times, that was a difficult marketplace to find commercial lenders, because truth be told, from a banker's perspective, it takes as much due diligence and loan development and documentation to originate a \$500,000 loan as a \$50 million loan. It is just a couple of decimal places.

So what's happened is, these smaller broadcasters in unrated markets have had to turn to their local bankers. I've been contacted and done assignments for these bankers, and it has been really refreshing to look at what's happening in these smaller markets, where radio is still alive and very well, functioning in its traditional business model, which is providing local information.

Some of that is news, but a lot of that is just banter by musical hosts, DJs talking about, "Hey, did you hear what happened at that city council meeting last night?" or, "Did you check out the new band playing over at such-and-such club?" That kind of banter has a great deal of significance. No longer is radio the sole gateway to music discovery.

No longer is it a question of trying to listen until your favorite song is played. Now we are accustomed to getting music on demand. But what we can't get on demand, or can't get from any

source other than a local broadcaster, is that source of localized content and context.

The challenge for broadcasters is going to be to maintain their traditional, let's call it "over-the-air" serial feed of programing but to combine it with an ability to catch segments, short periods, or short packages of this localized banter, most likely in a unit that not longer than three minutes. That's going to be the key to servicing the millennials.

But back to the small-market analogy I am finding in the Midwest, and some smaller Eastern markets, broadcasters say the economic recession of 2008 through 2010, but they are still profitable and they are operating at margins in the 20 percent 30 percent area. And one small cluster of stations, I will simply say in the Midwest, that I worked with this spring was preparing to add a fifth full-time local news person. This is a group of about 12 stations operating in unrated areas in the Missouri, Illinois, Indiana area.

RI: One of the things we've heard for the last decade is that we need to have scale in order to compete with SiriusXM or TV or whoever. Is that a failed model for radio?

Schutz: I would say to look at the experience of the two large companies that have attempted it. They have certainly had difficulties. In the short term, it appears to have provided cash flows that helped them weather the depression (depression, with a "D") that basically affected both the broadcast radio and TV industries, beginning with the economic meltdown.

There are few industries that have been as severely impacted as ad-supported mass media, particularly radio and TV. The model is still valid, but I think it has to be taken back to its local roots. That's why I am very intrigued — they are not a client of mine, so I am simply looking through the window from outside — by what Alpha Media is attempting. Again, live and local. To me, that is paramount.

The advent of the hard drive in this industry in the 1980s seemed like a revolution, and the broadcasters saw the simplicity it afforded—this was before even voicetracking really came in—and the belief was that we could pull a fast one on our audience, that they won't realize that they are listening to a computer. The previous alternatives were huge 10.5-inch hubs of reel-to-reel tape that were being played back and basically shipped around the country.

Unfortunately, while that provided a boost to the profitability of the enterprise, it didn't take long for our listeners to tacitly become aware that in fact they were listening to an automated music service. As other on-demand music services became available via the Internet, it is no surprise that some of them decided to jump off purely to obtain music.

RI: Do you think Larry Wilson's Alpha Media will be public a year from now?

Schutz: From what I read, I believe it will be. Larry is a really good broadcaster. He understands this business.

RI: IHeart and Cumulus: How do they get out of their debt?

Schutz: That's going to be a difficult one. I don't follow either company, so, again, I am looking through the window. It would appear that it will be all but impossible for them to pay off their existing debt at face value. On the other hand, most of their debt, I understand, has been purchased by institutions. It's no longer "blue-

30 | RADIO INK | November 16, 2015

haired widows" buying it as a source of security, as they might have RI: For 2016, what are your predictions? Will there be 40 years ago.

What I suspect you will probably see is some type of negotiated arrangement, perhaps with pre-packaged bankruptcy, but ultimately, it will be a swap of debt for equity, similar to what Citadel did when it had a relatively speedy trip through reorganization.

RI: Do they retain all their stations? Or do some become

Schutz: That's the question everyone's asking. Let's look at iHeart. There is such a high degree of centralization that when you look

at the smaller-market properties, you have to wonder — even as you look at the reported accounting cash flow for a geographic cluster of stations, is this something that is indicative of the probability that a standalone buyer would expect?

In other words, how many of the routine business functions, like traffic, sales, and management, have been assumed by the larger consolidated entity and will be fairly costly to reproduce or re-create from scratch by a hypothetical standalone buyer? That's going to be the real problem for potential spinoffs from iHeart, and presumably from Cumulus.

RI: How does radio get its revenue growing again?

Schutz: It has to show its value. RAB is making some gallant attempts in this regard. But one of the things, by my observation, is that the industry seems to have become involved again in a very dangerous downward spiral of rate-cutting in medium and larger rated markets.

RI: If somebody came to you and said, "I want to buy a cluster of stations," where would they get the money?

Schutz: The money is a problem. It makes me sound like a truly old man, which, of course, in my mind, I don't perceive myself to be, but I have seen cycles of this. This would be my third cycle I've seen in the industry since I first became involved in the financial side in the early to mid-'70s. What we have now is a dearth of debt lenders to the industry.

RI: So is now a good time to buy?

Schutz: I think it is a case-by-case basis. Again, this goes back to being a local business. It depends on the particular situation. We start with the fundamentals — the relative health of the market. Is it growing? Is it dependent on one or two prime economic engines, or one or two employers? What's the level of competition? Is there a relative lack of competition from other ad-supported media? Is there an area where no billboards are permitted? Is it an area where weekly shoppers just are not feasible in the last elements of print hanging on?

In terms of radio, what's the local radio competition? What is the inherent strength of the over-the-air facilities that you are buying? Do they have a situation where they have a natural structural dominance? Do you own the only three class CMs in the market? Is 40 percent of the cluster's revenue still dependent on an old-line so-called fullservice AM signal? Is the audience for that aging out? That would be a detrimental factor.

a lot of stations bought and sold? And what will radio's revenue increase be, if any, excluding political?

Schutz: I think revenues will be more or less flat, perhaps a lowsingle-digit increase; we're speaking maybe 1 percent. In terms of inventory, I'm not a broker. I certainly have seen, particularly in the last six months, a real dropoff in the transactional volume, which leads me to question just what is causing that and whether there is going to be pent-up inventory coming to the marketplace.



"I think it's hard to argue that alternative mediums for listeners as well as for advertisers have not hurt the business. Radio's share of the pie has continued to shrink."

- BILL FANNING

BILL FANNING is managing director at Media Venture Partners. He's worked on more than 50 successfully closed transactions across many indus-

tries, including serving as adviser on buy- and sell-side M&A transactions, as well as a variety of corporate financing engagements including private equity and debt financings. He's also collaborated on numerous valuations or appraisals across traditional media and telecom for operators, investors, and lenders.

RI: What is the vibe out there? What are people talking about when they talk about radio?

Fanning: "Cautious" would be the right word. Most folks are having a flat to slightly down year in terms of revenue, and obviously there is a lot of focus on some of the larger companies in the industry with balance-sheet issues. Also, the management shakeup at Cumulus is unsettling. We do see some pockets of strength in some markets; we have a couple of clients that are up significantly for the year. So there are areas of growth out there, but overall, it is relatively flat.

RI: If you were to look into your crystal ball, how do you see the debt playing out for the two major companies over the next few years?

Fanning: It's a great question. I think, quite frankly, when Cumulus changed its CEO, there was an initial expectation that there would be some immediate M&A activity, selling assets.

However, both Cumulus and iHeart, despite having significant levels of leverage, do have some runway — their debt deals are light on covenants and their maturities are off quite a way into the future. But they are dependent at this point on their ability to continue to roll maturities and access the capital markets in the next two to three



years to continue the way they have been operating. In the absence of major changes, it would be tough for them to grow their way out of their balance-sheet issues any time in the foreseeable future.

RI: The runway these days is only useful if sales go up, right? Otherwise it's just kicking the the can down the road.

Fanning: With some growth you can find a solution, but we just haven't seen that yet, at least recently. They would need significantly more growth than we have seen recently to fix the balance-sheet issues. Otherwise they are wholly dependent on capital markets being forgiving and allowing them to keep rolling over the existing debt.

RI: With those two companies and how they're doing, does that have an impact on the industry among the people you talk to?

Fanning: Yes, it does. I think there is a sense that, if two of the largest companies in the industry are in trouble from a balance-sheet perspective, things are not good. IHeart has actually put up some very decent operating numbers, but that is not so much the case recently with Cumulus. From an investor's perspective, when you look at a sector to invest in, you are going examine the lead players' performance. Your assessment is going to be in no small part dependent on the viability of companies like that. From a public investor's perspective, with so little equity value in Cumulus, and iHeart being private, there is not enough critical mass to attract either research coverage or public investors.

RI: What do you think we are going to see in terms of deals in 2016?

Fanning: There will be continuing M&A activity. We don't think it's going to be as robust as we've seen in the last three or so years; with the exception of Digity, even 2015 has been slow. Most of the private companies formed during the last cycle that had become over-levered were then basically taken over by the banks, who then sold those assets.

That workout cycle is about done. What we like to refer as those "unnatural owners" have for the most part exited the business and cleaned up their portfolios. So that source of inventory has dried up, and it's going to be more one-offs and selective sales in 2016. Unless, of course, we see some massive disaggregation from Cumulus or something comparable — which we think is unlikely.

RI: When you see what Alpha is doing, what Larry Wilson is doing, are you surprised at how quickly he's moving? And how he is the only one who really seems to be growing and building another big company?

Fanning: It's pretty amazing what he's been able to do in a relatively short period of time. He's built up a significant base of assets across the country. He had a really good financial sponsor backing him. He has a great track record, so he has been able to get a lot done quickly. There are other buyers out there, but not as many as we would like. Hats off to Larry.

RI: Do you think, or do you hear from people, that digital and the growth of digital and mobile are hurting radio? Fanning: Yes. I think it's hard to argue that alternative mediums for listeners as well as for advertisers have not hurt the business.

Radio's share of the pie has continued to shrink.

I think it's going to be interesting to see what happens over the next couple of years with some of the new Nielsen ROI studies and things like that, as we think that there is a real value proposition for advertisers with radio that probably hasn't been articulated to the large media buyers properly. But it takes time to change mindsets. I think that's starting to occur, led by some of the bigger names and with the help of Nielsen and some of those studies. Hopefully that changes the mindset of the ad buyers out there, but it will take time

RI: If somebody came to you and said they wanted to buy a radio station or a cluster of radio stations, how would you advise them?

Fanning: I think, at the right price, that radio today is still a viable investment opportunity, particularly for a good management team. Getting that equity check is the hardest part today. Debt is certainly available. We heard from a lot of lenders in Atlanta [at the Radio Show] about having money to lend but no place to put it. It's that equity check that is really the hole in the capital-financing structure these days.

Part of that is because traditionally, at least on the private side, the business had been funded by growth-oriented private equity shops. Today, it is not a growth business, and you are just not going to get those types of returns. If you are buying it right, in the six- to seven-times range, with an appropriate capital structure and three to four turns of senior leverage, you will see an attractive yield-based return. So it should attract investors like family offices with longer investment horizons and a tolerance for slightly lower returns than traditional private equity guys.

But we have been saying that for a number of years, and to date, there haven't been too many of those investors that have found their way into radio. There have been a couple, and there have been a lot more that have looked at the space, but not the numbers we were hoping for, given the yields available at today's price points.

RI: Other than Larry Wilson, name someone we're going to be talking a lot about in 2016.

Fanning: Jeff Warshaw. He's got a new equity partner. He's got a great, great set of assets right now and he's a fantastic operator, so I think we are going to see and hear a lot more from Jeff in the next year.

RI: How come being flat these days isn't good enough? It just seems like everybody else is getting pummeled, even TV seems like it's taking a beating now, and radio seems to be flat — but nobody is happy with that.

Fanning: TV has sexier opportunities, whether it from retrans, political, or the reverse auction. Plus, there are significant benefits to scale in the TV business. With scale, an operator has more leverage with the networks, or with the cable MSOs on retrans. Gaining leverage in these two areas has driven billions of dollars in TV deals. But the benefits of scale are less obvious in radio.

RI: What is it going to take for radio to get revenue up again, in your opinion?

Fanning: As I said earlier, the value proposition of radio needs to be better articulated to the large media buyers. That is extremely important, and the numbers are in our favor: Even a small increase

in the share of national ad dollars would make a huge difference in terms of the industry's top line. That's going to be important.

Also, I think continued focus on some of these NTR-type opportunities, event and other things that tie in with the local communities and can be best executed by local radio stations. Those are the drivers that will be key to growing revenue in the future for the industry:

"I think we will probably see a couple of companies making some changes in their portfolio holdings, not unlike what CBS has done and to some extent continues to do. The question is one of timing. It wouldn't surprise me at all to see Cumulus decide to go that route."

- GEORGE REED

GEORGE REED, managing director of Media Services Group, has been actively involved in the broadcasting industry since 1972. He entered the brokerage business with Chapman Associates in 1987 and co-founded Media Services Group in 1989. Since the beginning of Media Services Group, he has completed over a billion dollars in transactions. Reed's practice includes radio and TV station and tower brokerage, valuations, investment banking, and workout-restructuring consulting. He has served as an expert witness in state and federal courts concerning station valuations, and as a court-appointed receiver in a number of projects. Reed owns and operates six radio stations in Charlottesville, VA (Monticello Media), and a cell tower company (USAntenna) with towers in Alabama, Georgia, and South Carolina.

RI: What are you hearing out there, in terms of things that might happen in 2016?

Reed: We are optimistic for 2016. I think there will be some quality inventory coming online. The pricing on radio stations is pretty well firmed up and is pretty visible to both buyer and seller, and the spread between the bid price and the ask price is at a normal level, I think. When that happens and when there is capital on the sidelines, sooner or later the deals will come about.

RI: What gives you hope that there is going to be quality inventory out there?

Reed: Because this year has been slower than many thought. In the general cycle, it seems — people retiring, people dying, companies leaving to raise cash, perhaps — there are a lot of things that can precipitate stations coming onto the market. When you see sort of a prolonged period like we've seen this year, where there hasn't been a great deal of inventory, I think there's sort of a pent-up situation.

What we believe will happen is that come 2016, assuming the economy stays OK or improves somewhat, and assuming that the banks continue to make capital available to prospective buyers, I think we will see some activity after the first of the year.

RI: Who do you think is in a better position these days, a buyer or a seller?

Reed: That's a great question. Right this minute, I would say that because of the lack of inventory, a seller really sort of has the edge, if you will. If there's a seller for good inventory, and by that I mean a cluster with positive cash flow and one or, even better, more markets, there are going to be takers. There will be suitors, and there will be people that make offers that are capable of closing transactions. I would characterize it, at this moment, as something of a sellers' market.

RI: Are we going to see one of the bigger companies peel off some stations to focus on large markets? Or does that still not make financial sense?

Reed: I think we will probably see a couple of companies making some changes in their portfolio holdings, not unlike what CBS has done and to some extent continues to do. The question is one of timing.

It wouldn't surprise me at all to see Cumulus decide to go that route. But it's a new day at the company, and there's new leadership at the top. They're probably taking a look at all options, and they have some work to do in some areas. I don't know if that's a situation that will happen in 2016 or not. When you look at iHeartMedia, one could make an argument that that company might be ripe for more or less going the way of CBS and becoming primarily a large-market company.

RI: With the things that are going on with Cumulus and Voltair/Nielsen, how do investors look at radio?

Reed: I think you could answer that question from two different perspectives. The main perspective is how Wall Street looks at us, when you talk about investments in the radio business, in the publicly traded companies. Right now the story is in some cases not particularly good. It hasn't exactly been a stellar run here of late.

That said, I think there's really an altogether separate radio business, which is those companies that operate in the small and mid-sized markets and some that have some size, but all of which are pretty much private companies. And I think business is pretty good in that world. But the public companies, with their size and scope, get all the headlines, and the headlines have not been particularly favorable of late.

RI: What is it about Larry Wilson that has enabled him to continue to be so successful?

Reed: I have really enjoyed working with him. The most recent transaction we did was the Digity acquisition, and there were three or four other transactions we completed with him this year. Larry is really good at deal-making. People like him. People like to do busi-

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ness with him. He says what he's going to do and then he does it. So there's not a lot of BS, if you will.

He understands the business. He treats people well, his own people as well as people on the other side of the transaction, and he has a great reputation. He's a tough dealmaker, don't get me wrong, but people like working with him. I think that serves him very, very well.

RI: Is that unique in our business?

Reed: Not entirely unique. I guess one of the things you can say about Larry and about Alpha is that Larry has taken those deal-making and station-operating talents — and there are many on both sides

— and he's teamed up with financial backers, and they have decided to build a large, quality company, and that makes them unique. No one else has been really doing that here, certainly not in recent years. It is one-of-a-kind phenomenon, at least in this current time.

RI: If somebody came to you and said, "I want to buy a cluster of stations in a medium market," where would you tell them to get financing?

Reed: You have to break it up into the equity components and the debt components. Those are two very different things, with two very different suppliers of people. Sometimes the equity is friends and family. Many times, particularly if there is some size, the equity is

provided by an institution, a private equity group, or some other type of institutional investor.

You really have to have that first before you are going to get anywhere in terms of A) lining up deals, and B) lining up financing. You can't go to the bank and bank a transaction until you have the transaction under contract and ready to go. There is something of a chicken-and-egg component to this. You first have to line up the equity, and then you go out and contact the lenders that are lending to the broadcast business — and there are several of those, so there are people to talk to. Then it becomes a matter of just negotiating the best pricing you can on both pieces, the equity and the debt.

RI: What is it going to take for radio to get its revenue up in the years moving forward?

Reed: We've had a long run of flat to down. I was talking with somebody about how, unfortunately, flat looks pretty good these days. Again, I go back to what we talked about earlier: My view is that there are two different radio businesses. There are the big companies and the public companies, and then there's everybody else.

In the "everybody else" world, a lot of the guys are showing year-to-year revenue increases and increasing broadcast cash flow, and life is generally pretty good. I think it is really where you get into the larger markets that the business is very transactional. Most of it is ad agency business. Much of it is national business, over which you have little to no control. It is in those markets where the flat-to-down has been more apparent.

I wish I knew the answer to that; I could make big bucks if I knew the answer to that. But I think may be as the companies perhaps become less transactional sellers, I think there is a chance that the revenue could rebuild. If you look at the largest couple of companies, they've reduced the size of their sales forces—there's very little done in terms of direct selling anymore in the large markets. It is pretty much all transactions. This may never happen, but I think unless and until companies decide they are going to get back into the retail direct business, we are going to be at the whim of what the agencies may or may not do, and I am not sure that spells growth.



DREW MARCUS is managing partner and portfolio manager of Sugarloaf Rock Capital. Sugarloaf Rock invests in companies in the technology, media, and telecom sectors, with an emphasis on media. Marcus was vice chairman of global banking at Deutsche Bank, focusing on media and telecommunications, from 2005-2008; before that, he was

managing director, global head of media research, and senior media analyst. During his 20-plus years as an analyst, Marcus covered the radio and TV broadcasting, outdoor, entertainment, and publishing sectors. He has been ranked the number one broadcast analyst in surveys conducted by Institutional Investor and the Wall Street Journal.

RI: Does the investment community care about radio anymore?

Marcus: Radio is a somewhat orphaned sector right now. It is actually more interesting for debt investors than equity investors. On the public equity side, there is just not a lot of market capitalization out there for a lot of investors to put in the effort. In total, there's about a billion and half dollars of public equity value in radio, across all of the public companies. So that's not a lot. Meanwhile, there's \$20 billion-plus of public debt for the radio sector.

RI: How does that compare to TV?

Marcus: The TV station sector has over \$25 billion of public equity value and debt of about the same amount.

RI: Is that just because TV stations are more valuable than radio stations? Or that there is not as much inventory out there?

Marcus: Actually, the sectors don't trade at that different of a multiple. The TV-station sector trades at a median multiple of 8-times, and radio is at 7.9-times. The difference is that TV has an average debt-to-EBIDA leverage ratio of about 4.7 and radio is at about 7-times.





RI: What do you think is going to happen in 2016? Are there going to be more stations available to purchase?

Marcus: I think 2016 will be a year where the industry will benefit from political, so we are expecting revenues to be around flat. On the station-sales side, you have a lot of debt in the industry that comes due in 2018 and 2019. So we think some of the transactions around the bigger groups might happen closer to that time frame. But I think you will continue to see moderate consolidation in 2016.

RI: You mentioned 2018 and 2019. Do you think it's going to be more kicking the can down the road? Or will there be a day of reckoning for several companies?

Marcus: I think overleveraged radio companies can kick the can until 2018 and 2019. I think it's going to be difficult to delay beyond that

RI: What are the options?

Marcus: The big one is iHeart. The ideal option would be for them to grow their way out of their debt leverage, which would be difficult. The second option is if there is a way to monetize their digital assets and events business. And if you can't do that, the third option would be to restructure your balance sheet.

RI Flat revenue seems to be consistent for radio. But when you look at some of the other media sectors, sometimes that's not a bad thing. Is being flat OK these days?

Marcus: I think certainly being flat is a lot better than what print is doing. Print is down 5 to 10 percent. But, at the same time, digital media is up 15 percent. Digital, which is getting larger and larger, is stealing from all media. But radio's being flat represents a share gain among traditional media.

RI: If somebody wants to go out and buy a radio station or a cluster of stations, where do they go for money?

Marcus: If you are big enough, the larger banks will lend you money, but they will typically only lend up to about 6-times. Middle-market lenders are harder to find.

RI: How is radio going to get revenue growing again?

Marcus: The streaming royalty rate is so high that radio has a disincentive to migrate listeners from broadcast to streaming. If the December Copyright Royalty Board ruling is more generous, then that could rejuvenate the digital business plans. Alternatively, the industry has to create compelling product that people want to listen to. Given the competition from Spotify, Pandora, Apple Music — which have limited to no commercials — the industry also has to be careful with its commercial load when it is competing with those. Innovations such as iHeart, NextRadio, and HD Radio will help.

RI: You've always been big on digital. Do you think that those names are still a threat to radio, or has that kind of flattened out?

Marcus: Still a threat. Just look at Pandora's advertising revenue. It's growing very rapidly, and a lot of that revenue is coming from radio

RI: How does radio ward that off?

Marcus: I still personally listen to a lot of radio, especially talk radio right now, with the Mets in the playoffs. Radio's advantage is that it is free and easy. It needs compelling programming. Live and local also seems to work better than syndicated. The best-performing groups are ones where you see really strong local management. I think radio is a very management-intensive business, as you know. As a result, it needs to be managed carefully.



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How To Become A Legend

t's not easy, and in no way can it be done overnight. But KYW in Philadelphia certainly deserves to be in the elite category of radio stations known as legends in their markets. And earlier this year, KYW won the NAB Radio Marconi Award for Legendary Station of the Year. The station has been delivering news to Philadephia residents for over 50 years now, having just celebrated that incredible milestone

As one of CBS Radio's early all-news stations, KYW Newsradio 1060 launched as "All News, All the Time" on September 21, 1965, when a newly assembled staff of news anchors, reporters, and editors debuted the format that has since become a powerhouse in the city. Today KYW boasts more than 1.5 million weekly listeners and is consistently one of the market's top-rated stations. We recently spoke to Market Manager David Yadgaroff and Director of Sales David Scopinich about their newly crowned legendary status, and what it takes to get there.

RI: What makes KYW special?

Yadgaroff: We start our relationship with listeners when they are in school, as the official school-closings station. That teaches them that KYW Newsradio is the place for the information they are looking for. As they grow and their need for information changes, we deliver for them with traffic, weather, breaking news, sports, business, etc. Because we've been on the air since 1965, generations and generations of people have grown up with us and know they can rely on us and trust our content, which they now receive on the air, online, and on their devices. Every Philadelphian can sing our jingle and rattle off the names of countless loyal staffers.

RI: What is it like managing KYW, with a set of call letters known all over the country?

Yadgaroff: I'm humbled and honored to manage the station. It's a great responsibility, and I am lucky to follow in the footsteps of great managers like Roy Shapiro and Marc Rayfield. The staff is a well-oiled machine of veteran reporters and anchors mixed with newer staffers who bring a different perspective on newsgathering and reporting. They are so passionate about what they do and loyal to the KYW Newsradio brand. One of my greatest joys is bringing people through the newsroom and giving them a firsthand look at our operations.

RI: KYW has been delivering news for 50 years now. How does consistent programming contribute to the success of a great radio station?

Yadgaroff: That's what it's all about. Steve Butler leads the most tenured group in Philadelphia. They are all connected to the community in so many ways, and that impacts how they choose to cover stories. Our first promo, in 1965, taught people how to set the center button on their car radio to 1060, and today we make sure the listeners know they can access our great content on their radio and on their smartphone, computer, or any other connected device. We have a diverse and loyal group of advertisers that come to us because they know the region is connected to the station and that provides the



Left to right: CBS Radio Philadelphia Director of Sales Dave Scopinich, CBS Radio President Andre Fernandez, and CBS Radio Philadelphia SVP/Market Manager David Yadgaroff and reporter Larry Kane.



David Yadgaroff accepts KYW's Marconi for Legendary Station of the Year at the 2015 awards gala.

ideal commercial environment for them to compete in today's complex marketplace.

RI: Talk about your staff and their commitment to the product.

Yadgaroff: Philadelphia just hosted the World Meeting of Families and papal visit, and many of our staffers were with the station to cover the last papal visit, almost 40 years ago. To hear their perspective on the changes over those decades was impressive. The logistics of covering these events was complex due to the volume of crowds and security. Our team cared about great storytelling and getting the content right. We see this com-

mitment all the time, from weather emergencies to breaking news from City Hall. The pride they have in their job is heartwarming.

RI: Why do you believe KYW won a Marconi for Legendary Station of the Year?

Yadgaroff: KYW Newsradio celebrated our 50th anniversary as "All News, All the Time" this year on September 21, and I believe that had an impact. There are many great radio stations across America, but this milestone has great significance. The station has the ability to shine each and every day, as the region is so connected to what we do. News breaks every day, and generations of Philadelphians have been conditioned to know they can trust us, from breaking traffic news to a large international story.





RI: What was it like when you heard the announcement that you won that Marconi?

Yadgaroff: The awards dinner was filled with excitement and emotion as all of the stations and groups were excited to take home a Marconi. Legendary Station is the last award of the evening, so I was anxiously waiting for our category. When I heard our call letters, I was so proud of our team and so happy to see the joy on the faces of our corporate team that was with me at the table.

David Scopinich has been with KYW for five years; after spending time as an AE and, later, LSM, he is now GSM of KYW and director of sales for CBS Radio Philadelphia.

Why do you believe KYW won a Marconi for Legendary Station of the Year?

Scopinich: KYW is an iconic radio station and a Philadelphia institution. Listeners in our region have depended on KYW Newsradio for 50 years, and the station plays an integral role in their lives.

The real purpose of a radio station is to better the community it serves. The Greater Philadelphia region is a better place because of KYW Newstadio.

RI: What is it like to sell and manage sellers for a legendary station like KYW?

Scopinich: It's an honor to represent such an important and influential brand. It's an even greater honor to work with many of the best media sellers in our region. There isn't a day when I walk into the office at KYW that I'm not grateful for the opportunity to play a role on this team.

RI: How easy is it to get an appointment with a client when you mention those call letters?

Scopinch: The KYW Newsradio name certainly helps warm up any sales call. However, I would never say it's "easy" to get an appointment. The work our sellers do requires a great deal of strategy and creativity. They often make it look easy, but I know that's not the case.

RI: Can you give us a success story about a client using KYW?

Scopinich: There are so many large companies and organizations that use KYW Newsradio successfully. However, my favorite examples usually center on the smaller companies that use KYW Newsradio to grow their business. A company like Ambler Fireplace & Patio comes to mind. The owner, Rick Urie, spends a significant amount of his advertising budget on KYW Newsradio. He will tell you that the station has played an integral role in his company's growth.

Rick just opened his third location. That means he'll be employing more people and generating revenue for the local economy. It's very satisfying to know that KYW Newsradio plays a role in the business ecosystem.

RI: Why do clients use the station in their marketing and advertising plans?

Scopinich: Clients use KYW Newsradio because the station generates results. Our audience doesn't listen for fun. They listen because they need information. They're paying attention. That means they're more likely to hear, digest, and act upon the advertising they hear. The station flat-out works.

RI: What do clients tell you?

Scopinich: They tell me that when they sponsor programming like "Traffic on the Twos" or the "Eyewitness Weather Report," people respond.

RI: What makes KYW special?

Scopinich: KYW Newsradio is as Philadelphia as Ben Franklin, the cheesesteak, and the Rocky statue. Almost everyone who lives in our region can sing the jingle. It's a part of our lives.



GREAT GEAR We don't have a lot of information on this picture of a KYW/Philadelphia studio in KYW's former Independence Mall East location that appears to date from sometime in the '70s, but it's such a great look at some vintage studio equipment that we had to share. Read more about the (now officially!) legendary KYW on page 36. Photo courtesy KYW.



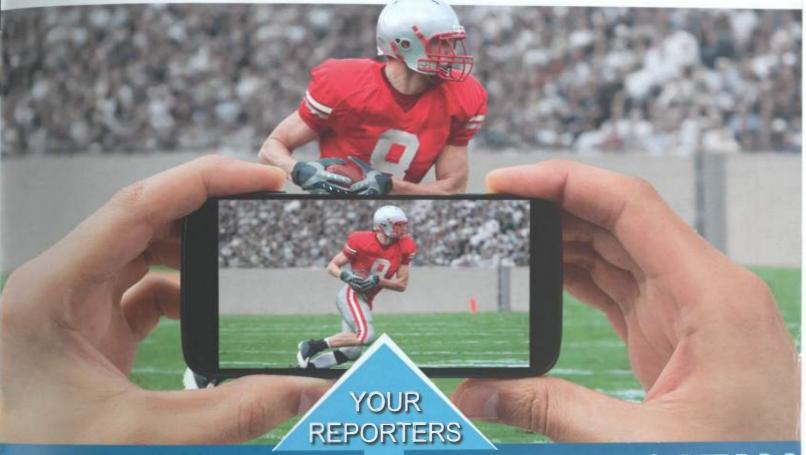
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