

Radio Business Report

Voice Of The Radio Broadcasting Industry®

Volume 18, Issue 40

October 1, 2001



Aftermath continued:

Postponements, cancellations cause media reps to Pine for revenues of Olds
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When the tragic events happened on Sept. 11th American Urban Radio Networks doubled its news coverage to 60 news reports a day live via satellite.

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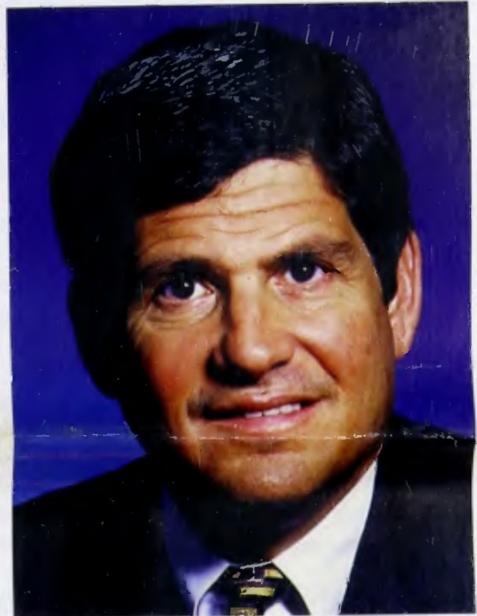
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Smulyan makes patriotic call to consumers

Noting President **Bush's** call for Americans to return to normal life in the wake of the September 11 terrorist attacks, Emmis (O:EMMS) CEO **Jeff Smulyan** took to the airwaves in Indianapolis in his first-ever editorial on WIBC-AM. Smulyan expressed confidence that the US military will find and stop **Osama Bin-Laden** and his associates, but said that we must not allow the terrorists to frighten us and destroy our economy and way of life.

"If we don't fly our airlines as we did before, our enemies win. If we don't buy goods and services, they win. If we don't travel, eat out and go to sporting and cultural events, they



win. If we don't invest in American companies and support local merchants, they win," Smulyan said. "In short, if we don't continue to feed our economy and fend off the lingering effects of this attack, they win."

Smulyan's entire editorial can be heard at RBR.com.

Meanwhile, the Emmis CEO reported to Wall Street last week on a better-than-expected quarter and talked about what he thinks lies ahead. See page 6.—JM

Bloomberg gets GOP nod



Michael Bloomberg easily bested his only rival, former Congressman **Herman Badillo** to win the 9/25 Republican primary for Mayor of New York. The election, which had been set for 9/12, was postponed due to the 9/11 terrorist attack on the World Trade Center.

The media mogul—whose holdings include the financial news service which bears his name, Bloomberg LP and WBBR-AM New York—will face the winner of a Democratic primary runoff—either Bronx Borough President **Fernando Ferrer** or NYC Public Advocate **Mark Green**—on 10/11. The general election to pick a successor to Mayor **Rudolph Giuliani** is 11/6.

Although there had been a movement to change state law so Giuliani—whose popularity soared for his handling of the World Trade Center rescue/relief effort—could yet run for a third term, the two-term Republican laid that to rest 9/26. Giuliani did indicate, however, that due to the ongoing effort to get the city back on its feet, he would seek agreement from Bloomberg and the Democratic candidate to delay taking office until around April, rather than 1/1/02.

RBR observation: While Bloomberg got 72% of the GOP vote, there are so few Republicans in New York City that he still got only about half as many votes as the candidate who came in a distant fourth in the Democratic primary. He still has a lot of work ahead if he is to give New York its second Republican mayor in succession.—JM

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RADIO NEWS

CNN Max tops RADAR 70

Arbitron (N:ARB) has released the RADAR 70 Summer 2001 results (9/24). The ratings giant purchased the RADAR service for \$25M from Statistical Research Inc. (SRI) in July. The report covers the 12-month period of July 19, 2000, to July 24, 2001.

For Adults 12+, Westwood One's CNN Max was once again the leader. Premiere's Morning Drive AM and Diamond took second and third place. The rest: Westwood One's Blaise (fourth); ABC's Prime (fifth); Premiere's Pulse (sixth); Premiere's Morning Drive FM (seventh); Premiere's FOCUS (eighth); Westwood One's Source Max and Navigator took ninth and tenth place, respectively.

RADAR 70 includes Westwood's new networks, Blaise and Navigator (10-second spots voiced by on-air staff), bringing the total number of nets measured to 31. Arbitron says it plans to triple the sample for RADAR 71. More at RBR.com.—CM

BBA looks at minority ownership

The Black Broadcasters Alliance (BBA) hosted its 2nd Annual Media Conference, "Resurrecting Minority Ownership" 9/25 in Washington. Moderated by **Dwight Ellis**, VP/Human Resource Development, NAB, panelists included a broad spectrum of owners and operators, legal and investment experts, along with those in current and former regulatory positions.

Said BBA Board Chairman/Glencarin Broadcasting CEO **Eddie Edwards**: "We have lost countless numbers of owners during the past four years in this industry. Those of us within the BBA are extremely hopeful that we can turn this dismal picture around at some point in the future."

In 1976, according to the National Association of Black-Owned Broadcasters, there were only 30 African-American owned broadcast facilities in the United States. Today, there are over 220. Still, that number is markedly lower than just a few years ago. Ellis focused on three policies which have been used in the past to help boost minority ownership: comparative

hearings, tax certificates and distress sale policy. More at RBR.com.—CM

FCC opens CP settlement window

Competing applicants for broadcast CPs in commercial frequencies, but with a noncommercial entity among the applicants, now have a chance to arrive at a financial settlement short of an auction. Applicants can use payments above another applicant's reasonable and prudent expenses to induce them to withdraw. Settlements will be accepted through 11/30/01.

Affected are 186 applicants for 31 FM stations, eight applicants for two AM stations, eight applicants for four FM translators and 13 applicants for three television CPs.—DS

Traffic providers grounded in many cities

Since the 9/11 terrorist strikes, the FAA has grounded traffic and news helicopters in many cities, from the risks of further attacks that include chemical or biological. The Radio and TV News Directors Association (RTNDA) has asked the Federal government to lift those restrictions.

Meanwhile, News and Traffic providers have been relying upon traffic cams, mobile units and listener calls for their reports. No word yet on when the FAA plans to lift those restrictions. More at RBR.com.—CM

Consumer confidence plummeted this month

Consumer confidence, as measured by The Conference Board's Consumer Confidence Index, took the largest hit in over a decade this month. And don't think that it was all due to the terrorist attacks of September 11th. The monthly poll of 5K Americans was conducted both before and after 9/11—and the pollsters say the downward trend was already clear even before the attacks.

The Consumer Confidence Index dropped 16.4 points to 97.6—the biggest one month decline since October 1990 (23 point drop).

"As the economic ramifications of September 11 continue to reverberate in the weeks and months ahead, and the number of layoffs continues

to rise, the economy faces tougher times ahead," said **Lynn Franco**, Director of The Conference Board's Consumer Research Center. "While consumers have managed to keep the US out of recession for several years now, that soon may no longer be the case."—JM

Pederson to head NRB



Wayne Pederson has been chosen as the new President and COO of the National Religious Broadcasters, succeeding **E. Brandt Gustavson**, who died of cancer in May. Pederson, Executive Vice President of Northwestern Radio, had been Chairman of NRB's Board of Directors and CEO since February 2000. Now that he's taking the association's top staff position, First Vice Chairman **Glenn Plummer**, President of the Christian Television Network, will take over the Chairman & CEO post until an election is held at NRB's annual convention next February.

Pederson will assume his new post on a part-time basis 10/1 and move to Manassas, VA, where NRB's headquarters is located, to begin working full-time 1/1/02. More at RBR.com.—JM

Women make small inroads into the station corner office

Results of an analysis of radio stations in the top 100 markets by the Most Influential Women in Radio (MIW) showed that over the course of a year, women made slight gains in achieving the status of general manager, rising from 13% to 15% of the total. The female share of general sales man-

ager positions (30%) and program director slots (10%) are unchanged.

Said MIW member and Nassau Media Partners President **Joan Gerberding**, "We are encouraged by the improvement in the number of stations with female general managers since the first study was released last year. But considering that more than half of radio salespeople and nearly a third of radio sales managers are women, the fact that only 15% of the stations are managed by women confirms there is still a glass ceiling in radio. And we continue to be extremely concerned that there is so little opportunity for women in programming." More at RBR.com.—DS

Bayliss roast postponed

In the continuing fallout from September 11th's attacks, which have impacted all aspects of American society, The **John Bayliss** Broadcast Foundation has postponed its annual roast until sometime next March. The roast, to raise money for broadcast scholarships, was to have been 10/18 in New York. Once the new date is set for next March, Katz Media CEO **Stu Olds** will still be "dis"-honored by a line-up of roasters that includes **Don Bouloukos**, Infinity Broadcasting, **Carl Butrum**, Katz Media, **David Crowl**, ClearChannel, and **Ron Ruth**, Radio Advertising Bureau. More at RBR.com.—JM

Arbitron/Joint Comm. tell what women want

Arbitron and Joint Communications have released "What Women Want: Five Secrets to Better Ratings," a study based on 1,000 diarykeeper interviews, aged 18-54. Highlights: 40% of female listeners do not want any contesting at all, no matter what; Even among 18 to 24-year-olds, most women are concerned about what their kids hear on the radio; Female diarykeepers have a low tolerance for rude announcers; The number one reason why women tune out a station is too many commercials; Women across all formats want to hear songs and artists identified more frequently; and word-of-mouth reference about a station is the biggest reason to tune to a new station.—CM

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XM launches satellite radio sales blitz

After years of talk, satellite radio is a reality. XM Satellite Radio (O:XMSR) began offering its 100-channel service to consumers in San Diego and Dallas last week (9/25), with a marketing campaign that's scheduled to go nationwide by November.

XM had originally scheduled its commercial launch for 9/12, but postponed it following the terrorist attacks 9/11 in New York and Washington. "Today, like the federal government, the Congress and the stock market, business needs to get back to business—and that includes new businesses like ours," XM CEO **Hugh Panero** said as he pressed a "launch button" in the company's Washington, DC headquarters.

"Just like FM had a fresh sound in the early 70s, we're also going to have a very fresh and very different sound," Sr. VP/Programming and Chief Programming Officer **Lee Abrams** told RBR. "I think there's a lot of opportunities that we have, with the new band, that FM had 30 years ago."

For many in radio though, XM and Sirius Satellite Radio (O:SIRI) are seen as threats. So, we asked Abrams, is he out to destroy radio?

"I'm a radio guy and all of our people here are radio guys. I think who's really going to benefit out of this are radio listeners—between ourselves and what you already get on AM and FM, it's going to be an unparalleled choice," Abrams insisted. "I can also see that we're certainly going to take away some listening, so any competitive broadcaster is probably going to feel a little bit uncomfortable about that. We're certainly not out to ruin radio, to destroy radio—that's crazy. There's always going to be AM and FM. There's always going to be a need for local radio, but I think there's also a need for the choices that we offer. Over time we'll all live together very peacefully."—JM



Lee Abrams

**EMMIS
COMMUNICATIONS
CORPORATION**

\$1,400,000,000
Senior Credit Facilities

Co-Lead Arranger

**EMMIS ESCROW
CORPORATION**

\$370,000,000
Senior Discount Notes

Co-Manager

COX RADIO, INC.

\$255,200,000
Follow-On Equity Offering

Co-Manager

**BLOOMINGTON
BROADCASTING
CORPORATION**

has been acquired by
Citadel Communications
Corporation

Sellside Advisor

**CITADEL
COMMUNICATIONS
CORPORATION**

\$244,625,000
Follow-On Equity Offering

Co-Manager

**CITADEL
COMMUNICATIONS
CORPORATION**

\$750,000,000
Senior Credit Facilities

Co-Documentation Agent

**INNER CITY MEDIA
CORPORATION**

\$25,000,000

Private Equity Investor

**INNER CITY
BROADCAST HOLDINGS**

\$120,000,000
Senior Credit Facilities

Syndication Agent

RADIO ONE, INC.

\$260,000,000
Convertible Preferred Securities

Co-Manager

RADIO ONE, INC.

\$350,000,000
Follow-On Equity Offering

Co-Manager

RADIO ONE, INC.

\$300,000,000
Senior Subordinated Notes

Co-Manager

RADIO ONE, INC.

\$750,000,000
Senior Credit Facilities

Documentation Agent

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We asked a few General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed:



Cris Ohr, GM,
Bonneville's WLUP-FM Chicago



Jerry Schnacke, GM,
Bonneville's WDRV-FM Chicago



Tom Kennedy, GM,
Beasley Broadcasting's WRNO-FM,
KMEZ-FM and WBYU-AM New Orleans

How are you handling what some are calling the ad cancellation crisis? Are some re-booking schedules?

Ohr I think we were, like most companies, sensitive to the uniqueness and the scope of this tragedy. So, as much as you don't like to see cancellations, we obviously took and accepted cancellations. Airlines, of course, cancelled. Some people did just delay it until the middle part of October and/or November. Some of it did get shifted, and we did take a decent amount of cancellations. It went across all categories. It wasn't just automotive. It wasn't just technology. Some retailers want to keep a low profile until they can get a better sense of the economy.

A lot of these problems had to do with creative. Somebody saying, "Gee, my friend is dying to get a car like that" or there were bombs or explosions in the background. So a lot of the cancellations were because of the inappropriateness of the creative. So hopefully, those people are going to new creative as soon as they can.

Schnacke We have not experienced an advertiser cancellation crisis at WDRV. We have had several advertisers request that we move their schedules into other weeks or months depending on their category of business and how that category may have been affected by September 11th.

Kennedy I'm not sure we experienced any ad cancellation crisis. Yes, we had some cancellations but not of epic proportions. More common were revisions to existing schedules that were booked to support retail events. Most of these were rescheduled once the emotional impact of the week had been sorted out. We took a few net losses, but proportionally to our general level of business, they were manageable.

Are any new advertisers coming on board since the terrorist strikes?

Ohr Wireless companies have given a flurry of activity, Lending Tree (financial) and real estate. There's also some interesting research out that I've heard about in the last three days that shows that Americans do want to open up their pocketbooks and really do want to focus in on American products. So I think there are opportunities there, I just think it's a question of advertisers regrouping and really figuring out what's appropriate, given the psychology of the country right now.

You've got two things going on. You obviously had a very slowed-down economy. So Q4 was not kicking in like we had all hoped it would. So there were economic reasons for cancellations coming in. And this was just the frosting on the cake. So if anyone was even considering not advertising, this really did it. The big question mark obviously is what's going to happen as we go forward, as we all start the budgeting process. We're, like a lot of companies, doing that right now. We're wondering what kind of market growth are we talking about, if any at all. Or how far down will it be?

Schnacke The Drive has not experienced an upturn in new or additional categories of business since the attacks. We have, however, had a number of advertisers adjust their copy due to the attacks. We do see the possibility of several new business categories developing over the next six months depending on how Americans continue to respond to this crisis.

Kennedy It seems to be business as usual.

How did you get into radio?

Ohr I started my career 25+ years ago in Syracuse, NY. I had always been attracted to the radio and TV business, but I happened to be at the right place at the right time and met some senior management from WHEN radio, which was then owned by Meredith Broadcasting. Somebody took a chance—I was lucky. I had no prior sales experience, I didn't have

a radio and TV background. **Tom Durney** and **Bud Steiker** apparently saw something relative to my alleged talent and took a chance with somebody with no experience. That's unheard of nowadays.

Starting in a small market has its advantages. It's kind of like being in insurance—you sell to your friends and family! I sold there from 1975-1979 and then I moved to Chicago and was hired by **Lee Simonson**, who still is a good friend and mentor, WFYR 103.5. I was with them from '79-'84 and then I left local and from '84-'92, I went over to the Unistar Radio Network (which is now Westwood) for a bunch of years. Then I went back to local with Lee Simonson and became the Director of Sales for V-103 and 106 Jams, which then were BPI stations. And then they were sold to Evergreen. In 1997, Bonneville International bought WLUP Radio. It is a great station that had fallen on difficult times. It was a great brand, but it was a damaged brand. And Bonneville is an outstanding company that I knew would have the patience and resources to allow it to get back on track. And we did, in about 18 months.

Schnacke Upon graduation from Kansas State University, armed with a degree in Journalism and Mass Communication, I went to work in sales for Stuart Broadcasting headed by **Dick Chapin**. I had the good fortune to work for GM **Roger Dodson**, who is now consulting/training for the RAB, and I received fantastic retail sales training.

Kennedy President **Reagan's** first budget eliminated a lot of educational grants for doctoral programs in the humanities, effectively ending my goal of becoming an historian. I needed a job and at the time was dating a reporter at a local station. She thought I would enjoy the environment of a radio station and encouraged me to give it a try until I sorted out what I wanted to do. After a couple of months on the job I decided I liked it.

News analysis

Who sets the limits?

Clear Channel (N:CCU) is under attack for "censoring" its station's playlists in the wake of this month's terrorist attacks. Meanwhile, both Clear Channel and Viacom's (N:VIA) Infinity are under attack for NOT censoring, respectively, **Bubba the Love Sponge** and **Howard Stern**. A bit of perspective is needed. The First Amendment does not give (and never has given) disc jockeys carte blanche to play or say whatever they want on the air. It is the licensee who is responsible for what is aired.

Clear Channel has insisted that the list of sensitive songs that one of its regional programming executives compiled was not a list of "banned" songs. Even if it had been, so what? The company, the licensee, has a perfect right to ensure that its standards and practices are enforced on each and every one of its stations. Bonneville, for example, has long barred its CHR stations from playing certain hit songs which have gotten heavy airplay by competitors—but would have offended the moral standards of Bonneville's sole shareholder, the Mormon Church.

Stern is alleged to have suggested that prostitutes had a patriotic duty to provide free services to relief workers at the World Trade Center and Bubba verbally abused two immigrants on the air for alleged anti-American actions—in one case naming the wrong person and in the other lacking any evidence of the porported offense.

It doesn't appear that anything said or done by Stern or Bubba in the incidents cited would constitute a violation of any FCC rule. But did they step over the line of good taste? It would appear to us that they did, but it's really up to their employers, the licensees, to determine what their corporate standards are—and then to enforce them. Stern has always pushed the envelope, but pulled back when **Mel Karmazin** and company have let him know that he had gone too far.

Bubba is a different situation. While complaining that he's being held back by Clear Channel's disinclination to put his show into national syndication, **Tod Clem** (Bubba's real name) seems to think that he is entitled to total creative freedom to say and do whatever he wishes, without interference from **Peter Ferrara** and the other "suits" at Clear Channel. That amounts to insubordination and is likely grounds for cancellation of his contract with Clear Channel and WXTB-FM Tampa. The company might do well to give him the contract cancellation he claims to want and let Mr. Clem try to syndicate his own program.

Those of us who live in the Tampa area fully expect to pull into a muffler shop sometime in the next few years and find one of the attendants wearing a shirt with either "Tod" or "Bubba" sewn on the pocket. At that point, Tod Clem will have found his true calling.—JM



Howard Stern

Sold

Four FM stations
serving Phoenix, Arizona

KBZR-FM KDDJ-FM
KEDJ-FM KSSL-FM

\$34,000,000

Purchased by
Hispanic Broadcasting Corporation

Jorgenson
Broadcast Brokerage

Mark Jorgenson
813 926-9260
Tampa

Peter Mieuli
408 996-0496
San Jose

Radio reps look for calm (and advertisers) to return

In a dimly down year, September had held promise for national spot sales. Then, like virtually everything else in America, those expectations were dramatically changed by the tragic events of September 11.

"September was pacing to be the best month of the year—and when this tragedy hit it went nothing but backwards," said **Stu Olds**, CEO of Katz Media Group.

"There were a tremendous number of advertisers who didn't cancel, but postponed—moved back start dates," said **George Pine**, President of ABC Radio Sales, a division of Interep (O:IREP), of the activity immediately following the terrorist attacks in New York and Washington.

In the two weeks following the attacks, Olds said cancellations for his company's radio reps totaled \$9.8M, so he said total cancellations across all reps probably totaled \$18-20M.

"I think that's a little misleading from the standpoint that we also moved about \$20M of



George Pine

business," Olds noted. "That moved business, you can't really determine whether it's cancellations or not. If an advertiser planned to advertise in October and moved a September schedule to October, I'm sure they're not doubling down."

Olds said the advertisers who cancelled September schedules weren't just airlines. "We got touched in retail—with accounts like Famous Footwear—and entertainment—there were some movies that didn't get released. [Cancellations in] Travel wasn't just airlines,

but Travelocity, Wyndham Hotels. In fast food, Deli-Mex. And communications, AT&T and Verizon. They cut back expenditures in some areas. Now the biggest impact was in the Northeast, but we got hit with all of those in different areas."

"For the time being anyway, you're not going to see any advertising, or very little, for the airlines and hospitality—hotels, amusement parks and such," said Pine. "What we're starting to get, though, is that some of the people—even Disney down in Orlando—they've repackaged now and are trying to reach out more to the regional markets, even as far as Atlanta, thinking that people will drive to come and stay for a long weekend with their families."

Both rep executives noted that there were major postponements in the entertainment sector, with some movie releases delayed and all of the TV networks pushing back their fall series premiers.

"From a stability standpoint, we see that a lot of the food companies are still holding up. Health and beauty aids, that sort of thing. Anything that has to do with basic, day-to-day food and staples," said Pine. He expects to see those staples, including fast food restaurants and such, come back first, with automotive and other major categories returning in six to eight weeks.

Even now, advertisers are returning. "I think they're slowly beginning to come back. I haven't heard of any who are just 'postponing indefinitely.' We haven't gotten any of those kinds of comments," Pine noted.

Even the airlines aren't gone for the long-haul, he insisted. "Rather than saying gone, I think it's being postponed—primarily because they want to make sure that all of the United States traveling community knows that people are traveling, that it is safe. I do believe that once that begins to send a strong signal, they will want to come back and advertise—remind people of revised schedules, remind people of better security. They're going to have to advertise at some point."

Olds said his staff has been encouraging advertisers, rather than canceling, to run "something more positive, perhaps where the

spirit of the country is right now." Those ideas are still in the talking stage and there have been no commitments yet. "Nobody knows how to play it. People don't want to look like they're trying to take advantage of this tragedy, and at the same time they want to make sure that their message doesn't come across as people skipping through tulips. Advertisers are trying to get the right tone and the right mix in terms of what they want to say and what they want to communicate during this time," he explained. "What we try to do is encourage them to continue to advertise. Companies that continue to advertise through an economic downturn, or a war, or anything else have been able to come out of it quicker and established their brand in a stronger position going forward."

For now, though, "Everybody is on pins and needles," Olds said. Companies are concerned about whether to advertise, how much and when. They want to know whether there will be a shooting war or more terrorist attacks before deciding what to do. "We have to get past that," he said. "That 'waiting for the other shoe to drop' is the toughest thing for us to get over right now." And Olds noted that some advertisers wonder whether their message will get through with people so intently listening for news updates.

"What I'm starting to hear from the agency side is that as the stock market puts together up days, the traditional advertisers are talking about wanting to come back and start spending," Pine said.

What about a worst case scenario—another attack or lots of US deaths in battle—we asked Pine? "I think you'll see the same thing—you'll see certain advertising be postponed. At the same time, if we do have some of those things I think there is such a strength and patriotism in this country that I believe you will see certain advertisers who will make a point of—not so much wanting to sell their product—but wanting the consumers to identify with them and their companies that they are patriotic and have continued confidence in America."

Even with the decrease in already soft demand for air time by national advertisers,



Stu Olds

Pine doesn't expect to see rates go lower to get advertisers back on the air. "I think they've been pushed about as low as they're gonna go."

Prior to September 11th's attacks, Olds had been expecting September national spot revenues to be down 10-12%—a good showing by comparison to the 20% drop year-to-date through August. Now he's expecting September to finish down 18-20%.

"Right now we're tracking to show the total year for the industry someplace between [down] 19 and 20%. The caution on that is that while we lost some ground in third quarter, the cancellations cost us about eight pacing points in September," Olds said. Including those schedules bumped to next month, Olds said he's now seeing some slight improvement in Q4 pacing—now tracking to be down 22-24%, while it had previously been tracking down 25-27%. "If we get some continued momentum in fourth quarter—remember, not a lot of business was placed last year after this week—I think we might get that [loss] down for the year to 17-18%," Olds said hopefully.

But noting that what had been poor visibility has gotten even worse, the Katz CEO declined to make any prediction for 2002. "I continue to be an optimist," was all Olds would say about the coming year.—JM

Dealing with tragedy too close to home

New York is, of course, the main center for the US advertising industry, so both Katz and Interep have their headquarters in the city where more than 5,000 people are missing following the September 11th attacks that collapsed the World Trade Center Towers. Neither, though, is downtown near the site.

CEO **Stu Olds** said Katz's phone service was disrupted because its long-distance carrier, MCI-WorldCom, had its local routing through the Verizon switching facility below Building Seven in the World Trade Center Complex. "We were without phone service for about a week. The beauty of email came through big and strong," he said. "The agencies were terrific. They allowed us more in-person contact. And cell phones became a big win for us. Between emails, cell phones and face-to-face calls, we got through it very comfortably in terms of being able to get all of the changes made."

But he also noted that it was difficult to carry on normal life for a while. "The staff got through it, in spite of the fact that they were very numb. This kind of shut down the whole world for that first week,"

Olds said. He also noted that three Katz employees lost family members in the World Trade Center. (Katz, which is owned by Clear Channel [N:CCU], has approximately 700 employees in New York, including both radio and TV.)

George Pine, President of ABC Radio Sales, a Division of Interep (O:IREP), said the staff was a bit unnerved two days after the terrorist attacks when they had to evacuate Interep's offices at 100 Park Avenue, due to a bomb scare at nearby Grand Central Station.

The next day, CEO **Ralph Guild** invited employees to meet with him during lunch hour to talk through their fears. About 120-150 people turned out in one of the company's largest conference rooms to discuss the recent events and receive reassurance from Guild that everything possible was being done to make sure that their workplace was safe. Thankfully, no one at Interep lost an immediate family member at the WTC.

Although Interep didn't lose phone service, staffers encountered the same problem experienced by other people trying to make calls—constant busy signals in some areas due to extremely heavy call demand. Also, some cell phones worked in Manhattan, others didn't. "Email held up most of the time," Pine noted.—JM

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A look at history

Does war mean less advertising? Analyst **Jim Boyle** at First Union Securities has

been looking back and finds that history provides only an inexact picture of what to expect.

"American business has proceeded during wars and disasters," Boyle said in a report to investors. "Total advertising during World War II was -4% in 1942 following Pearl Harbor, +15% in 1943, +8% in 1944 and +5% in 1945. Afterward, advertising was up 18% in 1946. Throughout the Vietnam War, average annual advertising was up +6%." Boyle also noted that local advertising surged 26% in 1946 and also outperformed national throughout the Vietnam era.

While Boyle expects "very volatile" pascings for the next three or four weeks, he thinks things will then settle down, with "monetary, fiscal and patriotic stimuli" shoring up the US economy. "After the shock, we believe media trends should revert to prior movements, dependent upon economic activity," he said. "Radio and outdoor should be well-positioned going forward."

What a difference two weeks makes

Having just issued new earnings estimates for 11 media companies on 9/7, Robertson Stephens analyst **James Marsh** had to do lots of recalculations after terrorists attacked the World Trade Center and Pentagon.

"With the events of September 11, 2001, shaking the political, economic and military status of the United States, we believe the investment landscape for broadcasting companies has changed from one of hopeful, steady recovery to one reflecting nervous uncertainty," Marsh said in a report issued 9/25. "We believe it could take months for investors to digest the possible implications of a long-term military conflict. As a result, we would expect broadcasting stock multiples could be capped in the moderate term."

What does that mean? Here are Marsh's old and new forecast numbers for the eight radio stocks in that group of 11.

James Marsh's radio estimates: 9/7/01 vs. 9/25/01

Revenue estimates				
Company	Old 2001	New 2001	Old 2002	New 2002
Clear Channel	\$7.79B	\$7.72B	\$8.07B	\$7.99B
Cumulus Media	\$209.8M	\$206.9M	\$222.4M	\$219.3M
Cox Radio	\$408.9M	\$400.4M	\$431.4M	\$422.4M
Hispanic Bdcstng.	\$243.5M	\$238.7M	\$258.1M	\$253.0M
Regent Comm.	\$53.0M	\$52.5M	\$67.7M	\$67.1M
Salem One	\$246.1M	\$242.0M	\$289.6M	\$285.3M
Salem Comm.	\$148.1M	\$145.7M	\$168.2M	\$166.7M
	Old F '02	New F '02	Old F '03	New F '03
Emmis*	\$553.1M	\$546.9M	\$581.0M	\$574.5M
Cash flow estimates				
Company	Old 2001	New 2001	Old 2002	New 2002
Clear Channel	\$2.44B	\$2.34B	\$2.55B	\$2.45B
Cumulus Media	\$63.9M	\$60.9M	\$70.6M	\$67.5M
Cox Radio	\$164.0M	\$155.5M	\$177.9M	\$169.0M
Hispanic Bdcstng.	\$93.0M	\$88.2M	\$100.8M	\$95.8M
Regent Comm.	\$17.3M	\$16.7M	\$24.1M	\$23.5M
Salem One	\$124.6M	\$120.5M	\$149.3M	\$144.9M
Salem Comm.	\$50.7M	\$48.3M	\$65.9M	\$62.4M
	Old F '02	New F '02	Old F '03	New F '03
Emmis*	\$199.7M	\$193.2M	\$214.6M	\$207.7M

*Emmis' fiscal year begins March 1, Source: Robertson Stephens

Emmis reports up quarter, but still assessing terrorist impact

Emmis Communications (O:EMMS) reported 9/26 that its fiscal Q2, ended 8/31, saw net revenues rise 30.6% to \$142.4M and broadcast cash flow increase 20.6% to \$57.1. Radio revenues, including acquisitions, rose 23% to \$35.6M. The big question, though, is the impact of events which happened 11 days after that quarter ended.

"The tragic events of September 11 have had an adverse impact on our expectations for both the third and fourth quarters," said **Walter Berger**, CFO. "We are continuing to evaluate the impact on our sales forecast and determining how to mitigate the impact on our cash flow. While the plan to separate our radio and television businesses has also been affected, we remain committed to the separation as a long-term strategy."

In a conference call with Wall Street analysts, Berger said there was a misconception in the market about the percentage of Emmis' business which comes from New York. He said that Emmis gets about 26% of its radio revenues from the New York market, or about 12.5% of the company's total revenues.

At the beginning of the call, CEO **Jeff Smulyan** made an unusual statement, urging investors to take a long-term view and recognize that the tragic events of this month will, eventually, result in a stronger broadcasting industry.

"In a time of unspeakable national tragedy, over-the-air broadcasting—including our three very large radio stations in New York City—really provided a remarkable public service," he said. "I think that should not be lost on the investment community."

Myers, Chief Economist of Myers Reports Inc., is now advising investors to buy media stocks?

"The investment community has an extraordinary opportunity in the next few weeks, and possibly months, to buy media stocks at prices that promise to be at a point for many decades to come," Myers said 9/26. Not that he doesn't stand by his forecast that ad spending will be off 6.6% this year and anywhere from 1.7% to 7.4% next year, depending on what happens in the US war against terrorism.

"Advertising remains the most effective means for corporations to communicate with consumers, and to influence sales and performance. Advertising markets have always adjusted to changing economic and political situations, and they will quickly adapt to this new environment," Myers said. "There will be continued consolidation of media distributors, content suppliers and marketers, which ultimately will strengthen the industry."

He sees at least another nine months of tough times ahead, but says no other sector is as well poised as media for a strong rebound in the next two to three years. "Media stocks may decline another 15%-20%, with some potentially experiencing greater declines. But such declines will be the result of market volatility, and media stocks have far greater upside growth potential," the guru said. "Any realistic look at the long-term future of media clearly presents a positive case for growth and expansion."

RBR observation: Everyone says to invest for the long-term, not the next quarter, and lots of small, individual investors beat the market and grow rich by doing just that. It's usually the so-called "professionals" who take such a short-term view that their mutual fund results generally underperform the market.

Michaels segues in Cheyenne

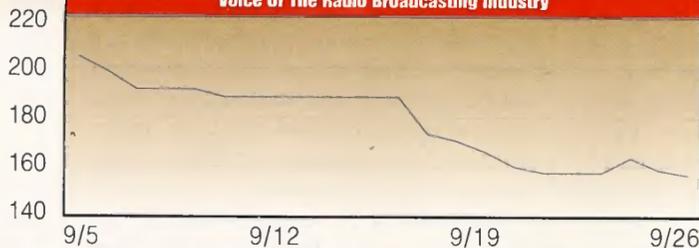
Vic Michaels has a deal pending to sell his two FMs in Cheyenne, WY to American General Media (RBR 7/16, p. 13), but he isn't getting out of town. He and brother **Van** have now filed with the FCC to buy KRAE-AM & KZCY-FM from KRAE Inc. The contract wasn't immediately available in the FCC's database system. Vic Michael also owns an AM and two FMs in nearby Laramie, which don't have any contour overlaps with the Cheyenne combo.

Mapleton grows in Monterey

The latest deal for fast-growing Mapleton Communications will give it one of the most famous stations created in recent years—KPIG-FM—plus four other FMs and a JSA in the Monterey, CA market. **Jon Ferrari's** New Wave Broadcasting acquired the stations in two deals in 1997 and you can bet the sale price (not yet disclosed) is a lot more than the \$7.4M that Ferrari paid for them. Mapleton is headed by **Michael Menerey**, but the broadcaster running radio operations is **Dale Hendry**. Broker: Kalil & Co. (seller); **Elliot Evers**, Media Venture Partners (buyer)

The Radio Index™

Radio stocks continued to fall on fears of war and recession. The Index closed 9/26 at 156.485, down 9.413 from a week earlier.



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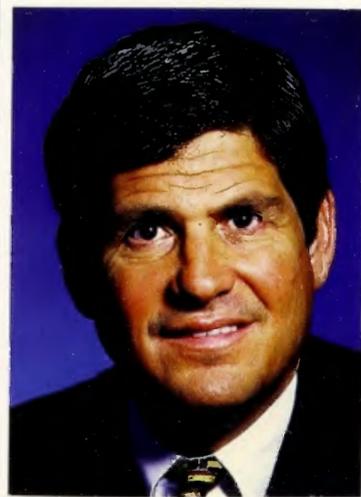
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Smulyan noted that in a time of crisis never before seen, people turned to broadcasting for information. "I'm incredibly proud of our people, especially our people in New York City," he said. Despite the interruptions to business, Smulyan said the end result should be good for the broadcasting business because of the stronger bond that has been built with stations' local audiences.

Myers says buy media stocks

Based on his forecasts (RBR 9/24, p. 5), you might think that **Jack Myers** is the world's greatest pessimist when it comes to media companies. Would it surprise you, then, to learn that

Moon enters Riverside-San Bernardino

Abel De Luna's Moon Broadcasting is entering the Riverside-San Bernardino, CA market with the purchase of KAFH-FM for \$1.7M. The Spanish Class A station on 100.9 MHz, which went on the air last year, is being sold by RGB Communications, headed by **Barbara Brindisi**. **Broker: Andrew McClure**, The Exline Co.

Small Town Radio gets \$20M investment

Small Town Radio Inc. (O:MOLY) says it has a deal with an institutional investor to pump \$20M in new equity into the start-up radio group. Under the 24-month deal, Small Town Radio will have the right to tap into the \$20M pool to fund acquisitions. Each time that happens, the institutional investor will receive stock in Small Town Radio at a discount to the public market price.

Small Town Radio recently announced plans to acquire two small market stations in Georgia, but it has not yet filed any transaction with the FCC.

Disney buys back \$2B of its own stock

Disney (N:DIS) said it would be buying back shares of its own stock, and boy did it ever! The company announced that it had bought back 135M Disney shares at a slight discount to the (slipping) market price in a transaction arranged by Goldman Sachs. That amounts to around \$2B. The rumor mill says the biggest seller in the deal was likely the **Bass Family** of Texas, which used to own more than 5% of Disney's stock, but reduced that stake several years ago. (5% is the SEC trigger level for public reporting of stock ownership by an investor who isn't an officer or director of a public company.)

Could someone bid for Disney?

With Disney's (N:DIS) stock price at a six-year low, Reuters reporters **Jeffrey Goldfarb** and **Bob Tourtellotte** have produced a story exploring whether the company might be a takeover target. Don't get excited, though. Their general conclusion is that, while the stock is cheap, there's not much chance of anyone making a hostile bid for the TV/radio/movies/cable/amusement parks kingdom. For one thing, the stocks of most other large companies are also depressed. Also, a lot of Disney's revenues come from travel/tourism, advertising and retail businesses—all depressed sectors in the wake of last month's terrorist attacks. Even at a reduced price, the mega-billions it would take to acquire Disney limit potential buyers to a handful of companies.

Analysts surveyed by the two reporters expressed doubts that Viacom (N:VIA), AOL-Time Warner (N:AOL) or News Corp (N:NWS) would want to tackle the years it would take to get such a takeover through the US regulatory maze. Foreign media giants would be unlikely to bid because foreign ownership restrictions would require them to spin off Disney's ABC Radio & TV units, which are some of the most attractive assets. So, the Reuters' report concludes, the answer to the question "Who could buy Disney?" is no one.

FINOVA faces new troubles

It was bad lending to the hotel/resort industry that got FINOVA (N:FNV) into the financial bind that led to a Chapter 11 filing and bailout by Berkshire-Hathaway (N:BRKa) and Leucadia Group (N:LUC). But FINOVA still has a big hotel/resort loan portfolio and the company says it expects to incur big losses again as people abandon normal travel and vacation plans in the wake of last week's terrorist hijackings.

Census 2000 has Arbitron doing its homework

There should be more churn than usual when Arbitron comes out with its Fall 2001 market population rankings—the baseline population totals from Census 1990, used for the last 10 Fall surveys—will be replaced with fresh data from Census 2000.

The population rank of a given market has marginal value to individual radio stations. It should have no affect at all on local business, which makes up the lion's share of a station's income. It does provide bragging rights, and a lower number does look better to buyers placing national buys.

The key numbers are the round ones, especially #25, #50 and #100, which occasionally come into play when a client uses market size as a determining factor as to where its ads will be placed. For example, stations in market #50 will have a slight advantage over stations in market #51.

As such, Arbitron is taking particular care to get the numbers right. Accuracy will take precedence over setting a deadline. Nonetheless, we can expect to see something soon, perhaps within the month.

Some changes have been noted: The Eureka, CA market, added for the Spring 2001 survey as market #254, is like a Broadway play closing after only one show—it is exiting the Arbitron market ranks, bringing the total of rated markets down to 285.

Look for two markets to make an ascent up the charts due to territorial additions to their market definitions. #122 Madison, WI is picking up two counties along the right bank of the Wisconsin River—one to the north and one to the west. The market was less than 50,000 12+ individuals away from making the top 100, and this change could propel it into that group. #231 Burlington, VT, which also receives a name change and will now be known as Burlington-Plattsburgh VT-NY, has added four counties to its metro. It was 41,800 12+ individuals away from the top 200 in the Spring survey.—DS

TRANSACTION DIGEST

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

RBR's Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price. Broker credits are based on contracts filed with the FCC.

\$4,500,000 WHLO-AM Akron OH from Caron Broadcasting Inc. (Stuart Epperson, Ed Atsinger), a subsidiary of Salem Communications (O:SALM) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). \$450K escrow, balance in cash at closing. **Duopoly** with WTOU-AM & WKDD-FM in the Akron market. Also overlaps three additional CCU AMs and 11 additional CCU FM's (one of which is run in LMA) in several other Ohio markets, resulting in nine distinct signal overlap markets.

\$2,800,000 KLOQ-FM, KJMQ-FM & KRAN-AM/KAXW-EB Merced CA from Clarke Broadcasting Corp. (H. Randolph Holder) to Mapleton Communications LLC (Michael Menerey). \$280K nonrefundable deposit (which also constitutes LMA payment), balance in cash at closing. **Superduopoly** with KYOS-AM, KABX-FM & KIBG-FM. LMA since 8/28. **Broker:** Media Venture Partners (seller).

\$2,260,000 KCUA-FM Salt Lake City (Coalville UT) from Community Wireless of Park City Inc. (Blair Feulner, secretary) to Millcreek Broadcasting LLC, related to Marathon Media LLC (Christopher F. Devine, Bruce Buzil, Robert G. Nieman, Aaron Shainis et al). \$50K letter-of-intent escrow deposit, \$100K contract execution payment, addition \$50K escrow, balance in cash at closing. buyer has also paid two contract extension payments of \$10K each. **Superduopoly** with KWKD-FM Randolph UT, KUDD-FM Roy UT & KOTB-FM Evanston WY. Buyer also owns KMXU-FM Manti UT, KFVR-FM Nephi UT, KUUU-FM Tooele UT and KOVO-AM Provo UT in the Salt Lake City area, and operates KTCE-FM Payson UT in an LMA; however, none of these stations will overlap KCUA-FM. Seller holds CP to upgrade station from Class A to Class C3 on 92.5 MHz. Deal is contingent on buyer receiving FCC approval to modify CP to upgrade station further to Class C1 on 92.7 MHz with new city of license Duchesne UT. Station is currently being operated voluntarily on a noncommercial basis.

\$1,800,000 WSKW-AM & WHQO-FM Skowhegan ME from Mountain Wireless Inc. (Alan W. Anderson) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Superduopoly** with WIGY-FM Madison, WKCG-FM Augusta, WABK-FM Gardiner and WTOS-FM Skowhegan & WWBX-FM Bangor, all ME, forming three distinct markets. Stations are located due west of Bangor market and due north of Augusta-Waterville market. LMA since 4/16. **Broker:** George Silverman & Associates (seller).

\$900,000 KCFA-FM Arnold CA from Northwestern College (David Erickson, Interim Pres.) to La Favorita Broadcasting Inc. (Debbie & Nelson Gomez, Ricardo Torres). \$45K escrow, balance in cash at closing. **Duopoly** with KBYN-FM Arnold CA.

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WHAT: *A National Fund Raising Event on Thursday, October 11, 2001.* Urban Radio Stations across America will be encouraged to ask listeners to send donations to support the families of the victims of the terrorist attacks. Donations will be sent to the United Way September 11th Fund. Radio Stations will be provided with On-Air materials with voices of celebrities and pre-produced segments which would be included in their regular programming throughout the day. These materials will be utilized to encourage their listeners to send donations to the Fund. No money will be collected at stations. Program segments will include comments from President Bush, Kweisi Mfume, Rev. Jesse Jackson, Minister Louis Farrakhan, Hugh Price, Quincy Jones, Stevie Wonder, Shaquille O'Neal, Phillip Bailey, Deniece Williams, Montell Williams, psychologists and other experts.

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