

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

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AMERICAN URBAN RADIO NETWORKS

#1

THE URBAN
RADIO LEADER



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Premiere tightens belt

We assumed it was inevitable: the six-month old consolidation of Premiere and AMFM Radio Networks would create a shakeout of duplicative services and functions. Well, this shake out is more due to a drop in ad revenues and a slowing economy. Premiere Radio Networks is cutting 20 programs and services, and 10% of its staff—60 people in total, mostly from its LA offices according to RBR sources.



Premiere President/COO **Kraig Kitchin** says he is focusing the company's attentions on recent launches: Fox Sports Radio Network, *continued on page 2*

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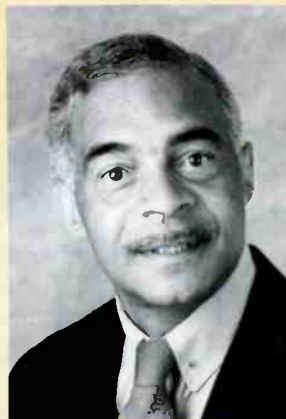
continued from page 1

Premiere's Traffic Network and four new RADAR-rated sales networks. "This is really focusing on what the marketplace wants, station-wise and advertiser-wise," Kitchin tells *RBR*. "And those that we really have invested in a great deal in the last six or nine months. In the end, we've been designing our company to be much more congruous with station ownership than we have for a long time. And as a result, there are many functions that we can provide the industry with far fewer people."

Kitchin says he was faced with some programming services with huge demand while others were consistently dropping. "A slower advertising economy means that the programs most desired by advertisers rise to the top and they, in essence, become recession-proof. Other programs that are not must-haves by national advertisers fall further to the bottom."

This isn't the first time network radio had to regroup. "In 1990-1992, network radio went through exactly the same thing. It came off a great year in 1990. And 1991-1992 it was just in the toilet—big time. And the networks at that point in time got rid of all the garbage programming they had added through the rah-rah days of '86-'90. And if you look, there's been a huge proliferation in the past four years of programming in the network arena," former AMFM Radio Networks CEO **David Kantor** tells *RBR*. "It doesn't mean the stations want all this stuff. Other companies have gotten rid of shows too, they've just done it more quietly. The economy will recover and we will see a proliferation of new programs again."

Program categories that have been cut include prep services, morning drive prep services, production libraries, weekend music programming via outside part-



Radio One buys Blue Chip for \$190M

Ross Love is cashing in his chips. The former Procter & Gamble executive, who entered the radio industry in 1996 with the \$4M purchase of WIZF-FM Cincinnati, is selling most of his group for \$190M. The deal will have the nation's largest African-American-owned radio group, Radio One (O:ROIA), acquire number three, Blue Chip Broadcasting. Love will then become a Radio One director.

Radio One is buying 15 of Blue Chip's 18 stations. It will LMA, but not purchase, WDBZ-AM Cincinnati, OH, which will be owned by a Love-controlled entity. WXLO-FM & WBTF-FM Lexington, KY will be sold separately.

The \$190M price tag will consist of at least \$80M in stock and the rest in cash. Love and his investors will clearly profit handsomely. Blue Chip Broadcasting was initially backed by Cincinnati investor **John Wyant's** Blue Chip Venture Co. It later added investments from former Jacor backer **Sam Zell** and Quetzal, the minority-targeted investment fund managed by Chase Capital and funded by several major broadcasters.

Radio One said Blue Chip is expected to have approximately \$11.5M in 2001 broadcast cash flow (BCF), not including its Minneapolis start-up, KTTB-FM, which Radio One is valuing at \$30M. That puts the acquisition multiple just a hair under 14 times 2001 BCF.

"Our vision has always been to own as many Urban radio stations in as many top markets throughout the country as possible," Radio One CEO **Alfred Liggins** said in his announcement. (See page 12 for Radio One's Q4 earnings report.)—JM



nerships and select specialty Talk radio programs, 25 in total, according to Kitchin. "Between Premiere and MJI Broadcasting, we produce more than 36 prep services. We're talking about the elimination or reduction of 12 of those. So we are still two-thirds into that. We just chose to take the best two-thirds."

Premiere announced the specifics 2/9—see *RBR.com*.

RBR observation: In January, Premiere took a bigger hit than Westwood and ABC. Business was down more than 20%; ABC and Westwood were down less than 20%, according to *RBR*

sources. Premiere is just the last to tighten its belt.—CM

Radio ends 2000 up 12%

The radio industry chalked up \$19.819B in total ad sales in 2000, according to the Radio Advertising Bureau. However, December was a down month, ending a 99-month streak of gains just shy of a triple-digit number—and just shy of meeting RAB President/CEO **Gary Fries'** projection that the industry would break the \$20B barrier for the first time.

For December, local sales were off 2% and national dropped 7%, for an overall decline of 3% from December of 1999.

For all of 2000, radio revenues were up 12% across the board—local, national and overall. Local sales were pegged at \$15.223B and national spot \$3.596B. The final 2000 figure of \$19.819B also includes an estimated \$1B in network revenues—a gain of 14% from the previous year.

"Over the long run, radio will continue to withstand any slow-down in the economy," Fries said as the report was released at RAB2001 in Dallas.—JM

Miller, Kaplan denies pacing cover-up

Radio Business Report was targeted at a press conference 2/2 at RAB2001 in Dallas for *RBR*'s January 29 issue, which criticized certain group owners for trying to suppress financial information which had previously been available to Wall Street.

At the press conference, Miller, Kaplan, Arase & Co. partner **George Nadel Rivin** claimed that revenue pacing data was not being made available because the sample was not sufficient to paint an accurate picture. He portrayed *RBR*'s criticism as resulting from last year's termination of Miller, Kaplan's twice-monthly inventory pacing charts, which had been published in *RBR*. Later, he denied being pressured by anyone. "We get advice from the groups, we don't get pressure," he said.

Nadel Rivin and RAB President **Gary Fries** announced plans to restructure RAB's monthly revenue reports to include an index to 1998 levels. Fries denied that there was anything deceptive about dropping regional breakouts.

"There's nothing going on in this industry with people trying to keep something from anyone. The data's just not there," he declared.

RBR statement: Concern over certain radio groups suppressing pacing data and even some historical data came to *RBR* from Wall Street analysts. The termination of our former relationship with Miller, Kaplan was only a

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small symptom of the disease which threatens to damage the radio industry's relationship with the investment community.

No one has demonstrated that anything in our January 29 issue was inaccurate. We stand by our reports.—JM

Powell meets the press

Newly appointed FCC Chairman **Michael Powell** met with reporters last Tuesday (2/6) to formally introduce himself as well as outline his agenda for the FCC. The new Chairman offered little in specifics, but indicated that he'll focus on implementation and leave policy decisions to Congress. Powell noted that, "The most significant challenges we face as an agency are going to be the ones that find us. That is, we will find ourselves more and more often responding to change, rather than driving it as these markets driven by innovation and technological change bring new and unforeseen issues and challenges."

Much of Powell's speech was dedicated to the market competition that these new, emerging technologies will create. At one point during the conference, however, Powell did address LPFM radio and had this to say: "The biggest opponents to that service, that I met, were not big radio group owners who almost have nothing to fear from this service despite the rhetoric that is often associated with this. What you're talking about is often the viability of the lower end, marginal stations in local and smaller markets who almost can't afford to lose one more advertiser or one more listener, or it's done for." Powell concluded this topic with, "Ironically here is...sometimes what it's about is one class of little guys versus another class of little guys. In many ways, the stresses of that issue, to me, are more there than they are about big radio."

Powell summed up his vision for a future Commission

with, "We need an FCC that can deal more thoughtfully, more comfortably with uncertainty, ambiguity and confusion."—KR

Fries: Radio winning against newspapers

"We are winning the battle against the newspaper industry," RAB President **Gary Fries** declared in his annual State of the Industry speech at RAB2001. "We are taking advantage of their demise," Fries said of the success radio groups have had,

and continue to have, in taking ad market share away from print.

Noting the current sluggish economy, Fries said it may be a new experience for many in radio sales, but it should not be feared. "Many of you have never sold during a difficult time, when you really have to employ your skills. It is not going to be easy, but it will make you better." Fries also urged group and station owners to invest in training to "raise the foundation one more level" and focus on marketing, not just selling advertising.—JM

To avoid going loco, LA looks to local

Los Angeles radio has successfully broken out the black inkwell for the month of January, according to a report by Miller, Kaplan, Arase & Company which was obtained by *RBR*. The gain is based on a solid 9.1% upswing in local business, which, coupled with a 10.5% drop in national, left the market ahead 4.5% with a few days still remaining in the month.

Things don't look quite so good the further down the road one looks, but the trend we are seeing is for sales to begin to catch up with the previous year the closer we get to air time for the ads.

National has a lot of ground to make up, however, and at this point is down a whopping 60% for April. While the national sales force may not be able to make up that much ground, the final number does not figure to be that bad.

1/28 sample

	Local	Natl	Total
January	+9.1%	-10.5%	+4.5%
February	-4.2%	-24.0%	-8.2%
March	-12.2%	-39.5%	-18.2%
April	-16.7%	-60.1%	-23.9%

Source: Miller, Kaplan, Arase & Company

Holy Toledo, Batman!

Over half a million hits in January!*

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*Microsoft Server Analysis —actual January hits 558,208

Kluge faces rebellion

Dissident shareholders are meeting Wednesday (2/14) in New York to try to force the hands of Metromedia International Group (N:MMG) Chairman **John Kluge** and President/CEO **Stuart Subotnick**. The dissidents, led by Lens Investment Management LLC, complain that the company's stock price has dropped dramatically while Kluge and Subotnick refuse to sell non-core assets. Lens, headed by **Richard Bennett**, also charges that the two executives have refused to meet with the dissident shareholders or to comply with a formal demand to examine the company's financial records.

Many of MMG's investments are in broadcasting and telecommunications in the former Soviet Union. In a statement issued last November, Subotnick noted that he and Kluge are the company's largest shareholders and have suffered along with other shareholders as MMG's stock price has eroded. Subotnick is also Chairman of Big City Radio (A:YFM), which owns US radio stations.—JM

FCC withdraws Howard Stern fine

It appears that Infinity (N:INF) has won the favor of lady luck. The FCC has decided to rescind the \$6K fine assessed to WXRK-FM New York for the airing of three separate **Howard Stern** radio shows in which allegedly indecent material was broadcast. WXRK was fined based on complaints from listeners of WBZU-FM Richmond, VA and WEZB-FM New Orleans, LA which were also fined.

The FCC decided to target WXRK, where the broadcast of Stern's show originates. Obtained from the actual order, "...it can be assumed that if the "Howard Stern Show" material was broadcast by [an affiliate,] it was broadcast by WXRK. We presume that the material aired by WBZU and WEZB was also aired by WXRK on the same dates and at the same times of day..."

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The airings of the shows in question took place on the mornings of October 23, 1995, March 7, 1996, and June 3, 1996 between the hours of 6:00 a.m. and 10:00 a.m.

The reason for the withdrawal? According to the FCC, it was because a significant amount of time has elapsed since the broadcasts of the questionable material. The Commission, nevertheless, stated that its decision in no way condones the broadcast of indecent subject matter.

RBR observation: So does this mean one can avoid an FCC fine by simply waiting for a "significant amount of time" to elapse? No, it seems more likely that the FCC found itself on somewhat shaky ground, trying to collect from a station which failed to offend any of its own local listeners, regardless of what those in other markets thought. If in New York there was no perceived harm, then it's pretty hard to call the

RBR News Briefs

NAB adding streaming trade show; to pair with Radio Show

This year's NAB Radio Show will be complemented with a new technology conference and exposition: "NAB Xstream." Both will be held 9/5-9/7 in New Orleans. Xstream will feature sessions on streaming technologies, content development, broadband, e-commerce, encoding and how traditional broadcasters can best leverage their websites. Radio Show registrants will have free access to Xstream. NAB expects Xstream to be paired with all future Radio Shows.—CM

Cornils honored at RAB2001

The late **Wayne Cornils** was honored with the **Kevin B. Sweeney** Award for excellence in radio at RAB2001 in Dallas. "His integrity and professionalism set the standard for with it means to be a radio broadcaster," RAB President **Gary Fries** said of Cornils, who was active in radio and the RAB right up until his death last July. The award, which was accepted by Cornils' widow, **Wendy Green**, was preceded by a video memorial chronicling the life of "Radio Wayne."—JM

Annual NRB begins 2/10

The 58th Annual National Religious Broadcasters Convention and Exposition began 2/10 in Dallas. More than 5,000 attendees will attend the show that features workshops on TV, radio, Internet and church media. One of the convention highlights is a Public Policy Breakfast that features a debate between conservatives and liberals on religious speech and the First Amendment. During the convention, NRB's 90-member board of directors will meet for business and then the members will meet and vote on officers.—CM

Sirius problems?

Because a software glitch in Sirius Satellite Radio's (O:SIRI) system needs to be fixed to solve a muting problem in its receivers, Lehman Bros. has delayed delivering the company a \$150M loan. The loan is still expected, as Sirius expects to fix the glitch shortly. Nevertheless, an actual test of the system must be passed for the money to arrive. More problems for the Sirius: Lucent Microelectronics is also over a year behind in manufacturing its receiver chipsets.—CM


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foul—and make it stick—especially when the FCC is dragging its feet on a court order to publish its indecency rules.—KR

Clear Channel Buys Enigma Digital

Only days after RadioWave.com announced it had signed Enigma Digital sites to its network affiliate roster, Clear Channel (N:CCU) announced it had purchased Enigma. The Internet-only webcaster specializes in lifestyle music sites such as Heavy Metal KNAC.com, Electronica GrooveRadio.com, Lounge LuxuriaMusic.com, Hip-Hop Curbserver.com and Religious Acaza.com. The company also brings to CCU a proprietary integrated media platform that can extend its brands onto the Internet with broadcast, publication, retail, community, e-commerce and personalization applications, all through multiple media channels.

The big draw must have been the combined 2M hours of online listening per month that KNAC and GrooveRadio receive. The purchase adds to Clear Channel's expanding Internet-only portfolio that includes www.worldclassrock.com and KIISFM.com, the online sister to KIIS-FM Los Angeles (KIISFMi.com is not controlled by CCU).

Kevin Mayer, CEO, Clear Channel Internet Group (CCIG), is expected to oversee Enigma. "Enigma is very fundamental to our entire strategy. They bring a couple things. One is a suite of technology tools that will allow us to create much, much better user experiences in websites for all of our properties. So we plan on using their suite of technologies for everything that we do going forward on the Internet," Mayer tells *RBR*. "And they also bring some pretty strong Internet-only brands—KNAC and GrooveRadio are perennially in the Top-10 Arbitron-rated webcasting stations. We have an integrated strategy going forward—a synergistic mix of Internet-only stuff, radio stuff and SFX stuff."

Enigma Digital was founded

Radio News®

Clinton & Me



How eight years of a pants-free presidency changed my nation, my family and my life

Michael Graham

Charleston talker writes Clinton lampoon

Michael Graham, syndicated columnist ("The Usual Suspects") and witty conservative 3-7 PM host at Clear Channel's WSC-AM Charleston, has published his second book, "Clinton & Me: How eight years of a pants-free presidency changed my nation, my family and my life." The book may be the culmination—or perhaps the ironic end result—of Graham's 1985 degree from Oral Roberts University and six years immediately thereafter as a comedian, working 41 states with people like **Robin Williams**, **Jeff Foxworthy** and **Jerry Seinfeld**.

"Clinton & Me" delves deep into the humor created from eight years of the Clinton phenomenon. Graham parallels his own life story with political observations, never forgetting to credit "President O.J." for enriching it every step of the way. "Why did I write the book? Because like every radio talk host and columnist in America, I owe **Bill Clinton** an enormous debt. He gave us eight of the most entertaining years in the history of our experiment with democracy. Before Bill Clinton, talk hosts had to find ways to get people interested in the details of the federal budget.

Thanks to [him], talk hosts had to find FCC-approved ways to talk about oral sex," Graham attests.

Graham also talks about his days at 50,000-watt WBT-AM Charlotte, from whence he was fired for making a flippant comment (*RBR* 4/26/99, p.7) about the Columbine tragedy. Learning from his mistake, Graham has re-emerged stronger than ever, hosting "The Clear Channel Weekend Show" from time-to-time, making regular appearances on ABC's "Politically Incorrect with **Bill Maher**" and NBC's "Hardball with **Chris Matthews**," as well as appearances on NBC's "Nightly News with **Tom Brokaw**" and CSPAN. Tireless Graham frequently appears in Knight-Ridder's *Charlotte Observer*, see (www.charlotte.com/observer/opinion/pub/mgraham0201.htm) and *National Review* Online.

Graham's next book, published by Warner Books, is due out 2002; his first book, "Banned from Public Radio" was published in 1995. "Clinton & Me" is retailing for \$18.95 and can be ordered online at www.michaelgraham.com.—CM

in 1998. **Bob Ezrin**, Enigma Chairman and CEO has been named Vice Chairman of CCIG; Enigma President **Michael Abrams** is now CCIG's President of Operations. Both report to Mayer.—CM

News Corp. and Hughes merger looking more likely

A deal could be struck with in the "next few weeks," **Rupert Murdoch's** News Corp (N:NWS) is in talks with GM (N:GM) to buy its Hughes Electronics subsidiary, with the idea of merging it into its own Sky Global Networks satellite division. The goal is to create a public company out of the two with Hughes shareholders owning 64% of the merged company; News Corp

owning the rest. News would be the largest single shareholder of the combined entity—a 36% ownership stake with operating control.

The combined global satellite giant would be worth an estimated \$60-\$70B: Hughes manufactures satellites, owns DirecTV and has an 81% interest in PanAmSat (the world's largest owner of commercial satellites); Sky Global has ops in the UK and Asia.

Struggling Hughes was put on the auction block months ago. Analysts said the company could draw up to \$45B, while its worth is estimated at \$36B (market cap.). Aside from News, GM has been in talks with Comcast (N:CCZ). "GM has these subsidiary businesses like finance and auto parts and their value isn't being reflected in GM's share

price. So GM is looking to do things to increase shareholder value and selling Hughes would be one of them," observed one Wall Street analyst. "GM needs cash now—the auto business is in the [toilet]."

According to the *Wall Street Journal*, Microsoft is willing to invest up to \$4B in Hughes, cash "that will be important to GM, which desires a cash infusion of \$5-8B to shore up its balance sheet," *WSJ* said in a 2/7 story.

The deal could affect ownership shares in XM Satellite Radio (O:XMSR): 16.1% is owned by Hughes via DirecTV. The rest of XM includes GM, 10.5% directly and a total of 26.6% including Hughes' stake; Clear Channel (N:CCU), 25.2%; and Motient Corp. (Formerly AMSC, the original owner of XM), 33.8%.—CM

Clear Channel lubes up LA

Clear Channel (N:CCU) has scored a major cross-platform ad buy in Southern California. Jiffy Lube's 104 franchisees in the Los Angeles market have committed virtually all of their 2001 marketing dollars to Clear Channel's eight LA radio stations, Premiere/Airwatch Traffic service, Eller outdoor and play-by-play broadcasts of the Lakers and Dodgers.

Clear Channel Radio Market Manager **Charlie Rahilly** says the multi-platform campaign conceived by Clear Channel is designed "to gain maximum consumer mind share for Jiffy Lube, driving sales and reaching our incentive."

No one is disclosing the dollars involved, but Clear Channel gets even more ad spending from Jiffy Lube after reaching a specified sales growth target. Terms include a "monthly sales/media accountability review."

"We wanted to develop a truly accountable program where Clear Channel had a marketing responsibility to drive results for Jiffy Lube," said **Jill Marx**, VP/Media Director, Kovel/Fuller, whose agency has the Jiffy Lube account. "We feel this is the way business will be approached in the future, and Kovel/Fuller and Clear Channel are ahead of the curve in this partnership project."—JM

Radio "news update" boosts tourism

If you are in a northern US radio market, you've probably heard the spots that begin "It's 82 degrees..."

So, do listeners mind being taunted by the faux report on

life in Aruba when they're driving through snow or sleet? NYMRAD reports that the campaign's first flight, which aired from mid-November through December 2000, boosted the Caribbean island's number of tourists from the New York market by 15.36% in December 2000 over 1999.

Derrick Ogilvie, Senior Copy Writer at Fitzgerald+Co. in Atlanta, said the ads were written to get listeners to "stop and consider where they currently are—versus where they could be in just a few hours."

Fitzgerald VP/Associate Media Director **Liz Daney** and Account Manager **Angela Cocke** chose radio for its reach, frequency and ability to target busy, affluent adults. In New York, the campaign ran on eight stations selected to target adults 35-54 with household incomes of \$75K or more.—JM

GM goes online with Univision

While cutting total ad spending for the early months of this year (RBR 2/5, p. 4), General Motors (N:GM) has a new promotional deal with Univision (N:UNV) to target Hispanics—not on Univision's TV stations, but on its Websites. The one-year "strategic marketing alliance" will have GM sponsoring several content areas on Univision.com. There will also be information about GM's vehicles and links to GM websites.

Radio AdBiz

"It's important for GM to be visible among this fast-growing and important market segment," said **Tyrone Jordan**, Director of North & South America New Business Development for the auto maker. "Univision.com has a loyal and growing group of users and that provides a tremendous promotional opportunity for GM."—JM

Belo launches in Mexico

The Dallas Morning News Express may not sound like the name of a Mexican newspaper, but it is. Belo (N:BLC) has launched the new English-language daily in Mexico's major cities in a joint venture with three Mexican newspapers. The eight-page, four-color daily contains news targeted to business travelers, diplomats and tourists from Belo's flagship, *The Dallas Morning News*, other Belo papers and newswires.—JM

TimeBuy launches for ad industry transactions

Add another to the list of online media transaction companies: LA-based TimeBuy launched 2/1 with 1,100 station affiliates. The company's Internet-based communications platform enables media buyers and sellers to transact business online. The company says 20% of non-represented stations in the US have signed. TimeBuy will offer its service to cable nets and TV stations in late March or early April.—CM

Buyandsellitall.com launches "Automall"

Providing broadcasters e-commerce NTR solutions for their websites, Buyandsellitall.com has launched "Automall," an online consumer classifieds auto sales vehicle. The system allows up to full page ad displays for dealers, all the way down to line listings for consumers. Free to broadcasters, Automall provides a venue for consumers and dealers to place and search ads, handles credit card processing, bandwidth and database management.—CM

IAB names Webster CEO

The Internet Advertising Bureau has named former EVP, Association of National Advertisers (ANA) **Robin Webster** to the position of CEO. She most recently was Chief Content officer at eMarketWorld. IAB is currently expanding its NY office and creating new working committees.—CM

Entravision grows double-digits

Entravision (N:EVC) posted record results for 2000, but its stock price fell after management gave guidance for 2001 that was below what some analysts had been planning on.

For 2000, when Entravision nearly tripled in size through acquisitions and sold its IPO, same station net revenues grew

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Voice of the radio
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Look out Westwood One, Premiere and ABC! The RBR Radio Network is now up to five affiliates and growing... Radio Business Report's daily newscast can now be heard at the Internet sites of these fine web affiliates:

All Access <http://www.allaccess.com> ("Trades" page)

Impact Target Marketing <http://www.itmimpact.com/Links.htm>

Media Services Group <http://www.mediaservicesgroup.com/>

SpotTaxi <http://www.spottaxi.com>

Broadcast Electronics <http://www.audiovault.com/rbr.html>



If you too want to be a web affiliate to our "sticky" content, just email klee@rbr.com or give us a call at 703-719-9500.

26% and same station broadcast cash flow was up 32%. Over all, net revenues shot up 161% to \$154M and BCF rose 154% to \$58.2M.

For Q1, Entravision is proudly predicting that its TV ad revenues will rise 14%, while the TV industry over all is expected to suffer a 7% decline. The company is predicting only a 1% Q1 revenue gain for its radio and print units, with outdoor flat. "January was clearly nothing to write home about for radio, but we have picked up considerably since," noted CEO **Walter Ulloa**.

Jeff-Pilot posts record year

Jefferson-Pilot Corp. (N:JP) says its operating earnings per share rose 13% in 2000 to a record \$4.28 per share. Jeff-Pilot is primarily an insurance company. Earnings for Jefferson-Pilot Communications, its radio and TV groups, rose 9% to \$41.2M and the company said "earnings growth in the Radio Division was particularly strong in 2000." Broadcast cash flow rose 5% overall (radio & TV) to \$89.6M.

Disney beats The Street

The Walt Disney Co. (N:DIS) beat the First Call/Thompson Financial consensus by a penny, posting fiscal Q1 earnings of 16 cents per share. Revenues for the quarter, which ended 12/31/00, rose 7% to \$7.3B. Revenues for Disney's broadcasting and cable operations rose 6% to \$2.9B, but operating income dropped 8% to \$590M. That was blamed primarily on soft ad sales for the ABC Television Network. ABC Radio was not mentioned in Disney's quarterly report.

JRN announces new hires

Jones Radio Network (JRN) announced the appointment of **Rick Honea**, **Michelle Jasko** and **Greg Allen** to Regional Affiliate Sales Managers and **Frances Padilla** to Affiliate Relations Specialist. Each will report to **Pat Crocker**, JRN National Sales Manager.

Radio AdBiz®

Relationships

By Mitchell W. Scholar

Over twenty years ago, when I was relatively new to the media business, one of my first bosses taught me the three principles by which she had guided her career:

- 1) - You are only as good as your last order.
- 2) - Never believe your own press clippings.
- 3) - Consider yourself lucky if you can count your friends in the industry on the fingers of one hand.



She was a tough negotiator who had fought her way up to her then current position as Media Director in a world in which women could not aspire to be anything higher than an Executive Secretary or a Head Bookkeeper in the media industry.

I took her words to heart because I was young and not yet ripened by life experiences, but I then evolved them into my very own mantra. I, too, never believed my own press clippings (at least I tried not to do so). However, unlike my mentor, my personal creed became to treat everyone as I would want to be treated myself: with both respect and dignity. And guess what, it worked, even during those times when I might not have had any then current pending avail.

Flash forward to 2001. Contrary to what any of my sales people might say to the contrary, we are now experiencing a very soft marketplace. Conversely, this time a year ago, we experienced the exact opposite. At that time, even though my sales representatives were profiting from double digit increases from many of their clients, I reminded all of them that all of my clients were loyal to the medium of national radio and had all been there to support them in the days when the marketplace was not as strong as it was then. After many discussions, they all agreed, and we worked together to a mutually acceptable win-win situation. Likewise, this year, I did not gloat with any of my sales people over the current reversal of fortune for all of them. We worked together to find ways in which we both could walk away satisfied with the results of our negotiations.

The moral of this tale is that because my sales people treated me with respect when the marketplace was bullish last year, and still negotiated fairly with me under the circumstances, I offered them all the same level of respect this year when the marketplace was very soft.

Needless to say, it would take more than the fingers on both hands and the toes on both feet, to count the people who I have met over the past twenty-five years in our industry who I count among my closest and most trusted of friends.

Mitchell is Director of National Radio at NY-based Horizon Media. He can be reached at mscholar@hmi-inc or 212-916-8600.

Honea joins JRN from Westwood One where he was Regional Format Manager. Jasko joins JRN from *M Street Journal* where she spent the past three years as Associate Editor. Allen joined Jones in '97 as Programming Coordinator for SuperAudio and then moved on to Affiliate Relations Specialist for JRN. Padilla joined JRN in '88 as administrative

assistant and assistant to the Program Director of the cable radio network, SuperAudio. She was promoted to Music Director and then to Operations Manager for the Classical Collection, a 24-hour classical music format. She then left JRN and was most recently, Operations Manager for a 24-hour start-up network, Classical Public Radio before returning.—CM

Arbitron hires Judy Carlough

Arbitron has appointed **Judy Carlough** to the newly created position of VP Advertiser Services for its InfoStream webcast ratings unit. She was most recently VP Agency and Affiliate Relations at BroadcastSpots.com.—CM

Streaming royalties go to court

By Jack Messmer

Is radio still radio if it's being streamed on the Internet, rather than broadcast over the airwaves? That's the basic issue to be resolved in a lawsuit that several radio group owners and the NAB have filed in US District Court in Philadelphia (*RBR* 1/29 special insert).

Although the defendant named in the lawsuit is **Marybeth Peters**, the US Register of Copyrights, the case really comes down to a power struggle between broadcasters and the record industry, whose counterpart to the NAB is the RIAA—Recording Industry Association of America.

Peters, to the surprise of no one who was familiar with the issue, ruled in December (*RBR* 12/18/00, p. 4) that if a broadcaster streams the audio of an AM or FM station over the Internet, the broadcaster is then liable to pay performance royalties to the record company and/or artist, as well as paying royalties to the composer and publisher—the royalties which over-the-air broadcasters have paid for decades to ASCAP, BMI and SESAC. The lawsuit by Bonneville International, Cox Radio (N:CXR), Emmis (O:EMMS), Entercom (N:ETM), Infinity (N:INF) and Susquehanna Radio claims that Peters exceeded her authority under the law and that her ruling was "arbitrary, capricious, an abuse of discretion, and otherwise not in accordance with law, and therefore is invalid."

The broadcasters claim that if Peters' ruling is allowed to stand, it "could profoundly affect the ability of the radio broadcasting industry to keep abreast of modern technology by offering radio station programming on a nonsubscription basis over the Internet." The lawsuit charges that the Register of Copyrights seeks "fundamentally to reorder the legal and economic relationships between the broad-

cast radio and recording industries in a manner that could wreak havoc with over-the-air broadcast radio formats and stifle the offer of streamed over-the-air radio broadcast programming over the Internet."

Although the ruling in favor of RIAA's members and against broadcasters was pretty much guaranteed, given the US Copyright Office's history of ruling in favor of the recording industry (*RBR* 12/4/00, p. 3), some broadcasters seemed to have been unaware of the issue and expressed shock at the ruling which would require performance royalty payments for Internet streaming. As a result, some stations have pulled the plug on their webcasts and others are assessing whether to continue streaming.

How we got here

When Congress passed the Digital Millennium Copyright Act in 1998, streaming wasn't really on anyone's radar screen on Capitol Hill. Instead, the recording industry was seeking protection from having perfect, digital copies of its music downloaded on the Internet without pay-

ment. That foresaw the recent Napster controversy, but not the development of real-time streaming which would allow for webcasting stations which would sound and operate much like traditional radio stations—except that a server would be substituted for the transmitter and no FCC license would be required.

When early, low-quality

streaming advanced to higher fidelity over the past couple of years and broadband Internet connections became more commonplace, ASCAP, BMI and SESAC began scrambling to develop Internet licenses and make streamers aware of their legal obligation to have them. RIAA also began offering a type of license on behalf of its members, although it was pending the outcome of a proceeding by the Copyright Office to set rates—a type of blank check which it sought to get webcasters to sign.

For broadcasters, the idea of paying yet another copyright royalty, did not sit well.

"What is specifically at issue in this lawsuit is whether the Digital Millennium Copyright Act applies to over-the-air broadcasters when they stream," explained **Bruce Reese**, President & CEO of lead plaintiff Bonneville. "Our position is that when we are streaming on the Internet the same product that we are running on the air, that it doesn't apply," said Reese, who is an attorney as well as a broadcaster.

"We believe the Copyright Office's decision that broadcasters should compensate artists and record companies for webcasts of AM/FM program-

ming is correct as a matter of law and policy," said **Steve Marks**, Sr. Vice President for Business and Legal Affairs at RIAA. "Broadcasters should not be treated differently than other webcasters who fairly com-

pensate the creators of the sound recordings upon which they build their business. We are hopeful and confident that the federal court will affirm the deci-

sion of the Copyright Office, and we look forward to working with broadcasters as they transition into this marketplace."

So, should we expect a long, drawn-out court battle? Not necessarily.

"We think that we should prevail in this litigation, but we don't think the best way to resolve it is to fight it out in court," said **David Redd**, Bonneville's General Counsel. "We're hoping there will be an industry settlement with the other side which will be mutually beneficial. It may or may not involve the payment of revenues related to streaming. So we think it is in the interest of broadcasters to continue to explore their Internet opportunities, with or without streaming. We continue to explore the benefits of streaming for our radio stations with the expectation that because of the mutually beneficial relationship between radio broadcasters and performers and labels, that we should be able to reach a mutually acceptable resolution."

"It is in our interest to figure out how to sit down with the other side and resolve these things," agreed Reese. "I'm an ex-practicing attorney and I'm confident that litigation is generally one of the very worst ways to resolve anything. We ought to seek out opportunities to try to resolve this."

You don't have to stop streaming

Despite the unresolved issues, Bonneville's stations are continuing to stream on the Internet, as are many other broadcasters. Reese offered some guidelines on how broadcasters can continue to develop their Internet strategies, while controlling their exposure to potential royalty payments.

A. Broadcasters ought to watch the litigation and the rate-



Reese

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setting proceeding, which is still going on at the US Copyright Office. "We're proceeding now along parallel paths," Reese noted.

B. "A second thing that we're doing, at least, is doing a little better job of documenting what our revenues are and what our expenses are related to our Internet operations," Reese suggested. "So that ultimately, when some of these questions are resolved—does it [a performance royalty] apply, if so, to which revenue stream and if so, at what rate—we'll be in a position to answer that a little better."

C. "I don't think we ought, as a broadcasting industry, to back away from the Internet completely," the Bonneville CEO said. "We shouldn't say, oops, somebody slapped my hand, so I shouldn't play in this sandbox anymore. This is an important new medium and we need to figure out how to be there."

In short, Reese advocates caution, but not fleeing in fear: "We need to proceed with all deliberate speed to develop whatever Internet strategies we've got—including streaming strategies. We ought to participate in the rate-making and in the litigation. We ought to make sure that we've got accurate records of what we're spending over there and where the money's coming from—if it's coming."

RBR observation: Even a worst case scenario—retroactive performance royalties back to 1998 at the absurd 15% rate sought after by the RIAA—might inhibit the future development of streaming, but would not amount to much in payments due. Did any broadcaster actually have any Internet revenues in 1998? 15% of zero is still zero, and the number didn't get much bigger in 1999 and 2000. As far as we know, every broadcaster has been spending more money on implementing their Internet strategy than they've realized in Web-related revenues.

Keeping careful records is vital going forward. As broadcast-

Streaming

ers' Web revenues grow, it will become more important to be able to say exactly what came from streaming and what didn't. If RIAA proves to be both greedy

and successful in court, it could end up collecting only a tiny revenue check and drive broadcasters away from Internet streaming. That won't help sell CDs.

Despite their decades of bickering, the record industry needs the radio industry and visa versa. Everyone will be better off once this royalty issue is resolved.

Webcasters speak out

By Carl Marcucci

We asked some Internet-only webcasters how the DMCA (Digital Millennium Copyright Act) affects their business and if it's fair to charge performance royalties to broadcasters who stream. All three of the respondents are MediaAmerica Interactive clients.

Paul Bendat, Founder, bcb, inc. His company operates Internet-only radio service (www.waby.com) and builds customized services for other web sites (www.cmj.com and www.nerve.com); **Troy McConnell**, Batanga.com (Streaming website); and **P. Cheng**, Alldanzradio.com (Streaming website).

What do you think of the US Copyright Office decision in favor of the RIAA forcing performance royalties on radio webcasters?

Bendat: If the legislation of itself is fair, then it is fair that both radio and online broadcasters should pay. I subjectively believe that the online situation is only a prelude to the same principles be taken to apply to radio. Please be aware that it is my opinion that the restrictions on programming in the DMCA are inherently unfair. Without attributing any bad intentions to any party it would seem that the legislation was created to stifle the radio medium utilizing the means of transmission that the Internet allows. The effect of this "stifling" would be to extend the status quo of the relationship between record companies and existing radio broadcasters. Internet-only radio has enough problems of its own to deal with concerning the cost of transmission and ease of reception without the DMCA adding to them.

McConnell: For us, it levels the playing field between pure webcasters and re-broadcasters of terrestrial signals.

Cheng: I believe this ruling is still in reaction to the earlier abuses. In time, I believe all legitimate participants of this business will come to terms with each other's proper position in this value chain. Its too early to judge the impact of a single event.

Do you think it's fair that radio broadcasters don't have to pay performance fees when both radio broadcasters and webcasters have to pay publisher and composer fees via ASCAP, BMI and SESAC?

Bendat: One must bear in mind that composer fees have a different basis of copyright than that which is covered by the DMCA. Just because one pays for composer rights is not an excuse for not paying recording rights; provided that rights should be paid for.

McConnell: Not really—it needs to be either/or. I'm a webcaster and I'm required to pay, then so should a radio broadcaster. If they are not, then I should not be required to do so. I feel penalized because I am taking the risk on a new medium.

Cheng: We have always assumed a certain portion of our revenues will be shared with the producers and rights owners of the content. While it certainly will change the economics, we believe that a reasonable compromise can be worked out between the affected parties.

What are your thoughts on the performance royalties being retroactive back to '98 when the Digital Millennium Copyright Act was passed?

Bendat: The retroactive nature of the royalty was set out and irregardless of whether it is right or wrong, all should have been aware of it.

McConnell: Making the fees retroactive is tantamount to saying "hey, go take the risk, and if you discover something (which we did), then we'll go back and charge you for it." My biased (biased because the retro fees would apply to us) opinion is that the real license fee opportunity for RIAA and artists is going forward, not in the last few years. And the opportunity is only there because companies like Batanga took the risk.

Cheng: I believe the retroactivity push is a bargaining tool used by the royalty rights owners to make sure they are paid attention to. Again, in time, a normalized and fair payments model will come as the industry settles down to recognize the importance of having their content exposed to a new medium and its millions of new users.

MediaAmerica signs CLBN for targeted streaming ad representation

Jones MediaAmerica announced 1/30 it has signed the Coolink Broadcast Network (CLBN) for streaming ad sales representation. Along with targeted ad insertion based on sex, geography, age, income and psychographic profile, CLBN offers advertisers "DemoTrak," a real-time audience and ad tracking measurement tool. CLBN has signed (among others) Citadel Broadcasting and Hispanic Broadcasting to stream 190 stations, along with forging partnerships with Microsoft, Akamai, Oktiv and Next Audit (provides third party audited measurement).

MediaAmerica Interactive has 900 streaming news and entertainment affiliates that include StreamAudio.com, AudioBasket.com, DiskJockey.com and CountryStars.com. "I have a technical staff, and we did the technical evaluation of it and it just blew us away," says MediaAmerica Interactive COO **Michelle Jennings**. "They've absolutely nailed it, because not only can we remotely insert the streaming media ad and not only does the audio synch with the video, we are able to track the impressions in real time along with the associated click-thrus. So for an advertiser who places a schedule with us, it's audio and video and interactive. As far as I'm concerned, we are fair game for Internet budgets, national TV and radio, and local budgets—because we can geo-target."

MediaAmerica Interactive advertisers include Verizon Wireless, FTD, CompUSA and Warner-Lambert.—CM

Streamies covering DMCA fees for affiliates

In the wake of the recent US Copyright Office's initial ruling in favor of RIAA, allowing performance royalties to be charged to webcasters, streaming provider StreamAudio announced 1/29 it will obtain and pay for

the license for sound recording performances as outlined in the Digital Millennium Copyright Act (DMCA). "No matter how this issue is settled in the courts, we've made the decision to protect our radio partners from the potential financial burden of the DMCA. By freeing radio from this worry, station groups can focus their full attention on providing their programming to online listeners," said **Bob Case**, StreamAudio CEO/Co-Founder. "All stations streaming under our [new basic] agreement are covered by this license."

StreamAudio has 755 radio station and Internet-only affiliates.

Yahoo! Broadcast and Coolink are also picking up the fees. **Michael Peterson**, SVP, Streaming Media Group says his company has already been picking up BMI, SESAC and ASCAP composer and publisher fees and plans to do the same for performance royalties. "We have been covering those costs since August for all of our traditional broadcast partners. And we have escrowed a percentage of our gross advertising revenues to cover the projected royalty fees from all licensing organizations, including RIAA, on behalf of our partners," he tells *RBR*. "While I would not say we are completely indemnifying them of those costs, we are positioning ourselves to cover those costs should the rulings come down."

Peterson tells *RBR* between BMI, ASCAP and SESAC, they average 2.6% on the gross revenues side and about 3.5% on net revenues. However, "RIAA came out of the chute first at 41% based on the cable model and then rescinded and came back at 15%. That is not economically feasible for companies like ours or broadcasters to have to incur," adds Peterson. "So I think the arbitration process and the parties represented are optimistic those fees will be negotiated somewhere south of 6% as a total. A lot of traditional broadcasters have pulled back, saying 'this is an extreme cautionary flag that we need to consider our efforts into streaming.'"

CLBN is a member of DiMA—the Digital Millennium Association and part of the Weil, Gotshall consortium Law Firm in NY that has petitioned licensing rights at the Copyright Arbitration Royalty Panel (CARP) hearings at the US Copyright Office.—CM

Hiwire signs Clear Channel webcaster, KPIG-FM

Clear Channel's (N:CCU) "WorldClassRock.com," the online replacement for its AAA KACD/KBCD-FM LA simulcast, has signed with Hiwire for live stream targeted audio ad replacement. Hiwire has been serving ads for WorldClassRock since 1/31. Hiwire is also repping WorldClassRock, registering 80,000 aggregate tuning hours per month to advertisers. WorldClassRock is actually still on the airwaves in LA on 850 AM, KBET-AM Thousand Oaks. Clear Channel's Premiere Radio Networks is also testing Hiwire with its "Coast To Coast AM." (Clear Channel is also adding to its web-only empire. See p. 2)

From RAB 2/2: Targeted streaming audio ad insertion provider Hiwire has signed top Internet streamie KPIG-FM Santa Cruz (KPIG.com) to its affiliate list. "**Wild Bill**" **Goldsmith** (CE) made the announcement. The deal includes KPIG parent New Wave Broadcasting, with five other stations in that market. KPIG was previously streaming with GlobalMedia, but is now streaming with a Hiwire alliance partner.—CM

Global Media completes assets sale to SurferNetwork

GlobalMedia, recently refocusing its efforts away from Internet audio streaming services to broadband video delivery, has completed the sale (2/5) of its radio contracts and related assets to streaming provider SurferNetwork for \$1M in cash and 1M shares of SurferNetwork

restricted common stock. The initial purchase price total is estimated at \$2.25M. SurferNet has indicated that price could increase up to \$4.3M, as it may issue up to 1.5M more shares as a result of post-closing adjustments. Global Media's former board member, Standard Radio President **Gary Slaight**, is serving as GlobalMedia's representative on SurferNet's board.

Surfer is also awaiting the results of the BroadcastAmerica Chapter 11 auction, where it submitted a bid. The combined roster of station affiliates from Global and BroadcastAmerica may bring Surfer to the number one streaming provider in the world. However, we wonder how many BroadcastAmerica affiliates have signed elsewhere since being turned off (*RBR* 12/25/00, p. 4).—CM

Disney gives up on Internet group

Tired of watching the money bleed, Disney plans to scrap its GO.com portal and convert all outstanding shares of Disney Internet Group common stock (N:DIG) into Disney common stock (N:DIS) 3/20. A ratio of 0.19353 is expected. The DIG share price would be \$5.96 based on a recent DIS \$30.82/share closing price.

DIG lost \$395M in '00 and expects to lose \$125M this year. While Disney plans to keep its Internet group operating as a scaled down unit, 400 of 3,600 staffers are expected to lose their jobs. The successful ABC and ESPN sites will continue operating—according to Forrester Research, ABCNEWS.com and ESPN have both grown 50-75% in traffic and usage over the past year and a half. It has been reported that Infoseek, which Disney acquired for Go.com, will maintain the search engine for a couple months and then put it up for sale.

Disney says it will take a \$790M charge for the write-off of intangible assets and a charge of \$25M-\$50M for severance and fixed assets write-off.—CM

How much has ad spending slowed?

"I think it has as much to do with last year as it does this year. First, when we talk to our clients, we talk to agencies, we do not hear significant cancellations, significant cutbacks. Clearly there are nervous people out there, but in general the ad market is just not as robust as it was in the prior year."—**David Field**, COO, Entercom, in 2/5 Wall Street conference call.



Media Markets & Money™

by Jack Messmer

Entercom's projections for 2001

Here's what Entercom Communications (N:ETM) has told Wall Street to expect for 2001, assuming that there are no acquisitions or divestitures (which is not very likely) to adjust for as the year goes along. *RBR* has included for comparison Entercom's actual results for Q1-4 and the full year of 2000. The final column has an estimate of pro forma numbers for 2000 from Banc of America Securities analyst **Tim Wallace**, which were calculated before Entercom had announced its Q4 results.

Entercom Communications (N:ETM) 2001 vs. 2000 (all \$ in millions except after-tax cash flow per share)

Category	Year	Q1	Q2	Q3	Q4	Full Year	Pro forma
Net revenues	2001	\$72.8	\$103.0	\$101.7	\$91.7	\$378.7	—
	2000	\$70.9	\$96.9	\$92.5	\$96.7	\$352.0	\$357.4
Cash flow	2001	\$24.6	\$44.5	\$44.7	\$46.4	\$106.2	—
	2000	\$24.7	\$41.4	\$39.0	\$40.4	\$145.4	\$148.7
After-tax cash flow	2001	\$15.0	\$27.0	\$27.6	\$28.6	\$98.7	—
	2000	\$14.9	\$25.2	\$24.3	\$25.3	\$89.7	\$83.7
Net income/(loss)	2001	(\$2.1)	\$10.6	\$10.9	\$11.9	\$31.3	—
	2000	(\$0.1)	\$9.4	\$33.2	\$4.7	\$47.3	\$21.6
ATCF per share	2001	\$0.33	\$0.59	\$0.60	\$0.62	\$2.15	—
	2000	\$0.33	\$0.56	\$0.54	\$0.56	\$1.98	\$1.85

Source: Entercom Communications Inc. news release 2/5/01; "Broadcasting Monthly," Banc of America Securities, 1/22/01

Chris Devine, President, of Marathon Media

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Entercom pleases The Street

Wall Street may have been concerned that Entercom (N:ETM) had the most dot-com fall-out to overcome, due to its dependence on the Seattle and Boston markets. COO **David Field** reported that even though dot-com fell from 7.5% of Entercom's ad business to 4%, the company outperformed each of its markets in Q4 and posted a 44% gain in after-tax cash flow (ATCF) per share—to 56 cents, or a total of \$25.3M. Q4 revenues rose 52% to \$91.7M. For all of 2000, net revenues gained 64% to \$352M. ATCF per share rose to \$1.98 from a pro forma \$1.38 the previous year.

Looking ahead, Entercom told Wall Street to expect total revenues to grow 7.6% for 2001—as detailed in the chart above.

Radio One buys big, sells small

Radio One (O:ROIA) announced a major purchase last week. See page two for details of its deal to buy Blue chip Broadcasting for \$190M.

Radio One also announced a small divestiture. The assets, but

not the call letters, of WJZZ-AM Kingsley, MI are being sold to **Roy Henderson's** Fort Bend Broadcasting for \$225K.

Radio One reports that its Q4 broadcast cash flow rose 156% to \$30M as net revenues rose 135% to \$58M. After-tax cash flow gained 102% to \$11.9M, or 14 cents per share. On a same station basis, cash flow rose 15%.

Looking ahead to 2001, but not including Blue Chip, Radio One told Wall Street to expect full year net revenues of \$258.1M and BCF of \$137M.

Cox Q4 up double digits

Cox Radio (N:CXR) reports that its Q4 broadcast cash flow (BCF) rose 29.8% to \$42.7M as net revenues gained 25.7% to \$102.8M. On a same station basis, revenues were up 13% and cash flow 23%. Cox had full year revenues of \$369.4M, up 22.9%, and BCF of \$147.8M, up 26.8%.

Looking ahead, the company told analysts to expect revenues to grow no more than 3% in Q1, 3-7% in Q2 and for the pace to pick up in the second half.

CEO **Bob Neil** confirmed what others have been saying—ad buys are being placed closer to air dates and buyers are being more aggressive about trying to cut rates—something he called “a bit of buyers’ revenge” after last year’s dot-com driven pricing. “I’m a little skeptical of how useful pacing is now, other than 30 to 60 days out,” he noted.

Van buys out Ruth

Mercury Broadcasting owner **Van Archer III** is buying all of the stock of Ruth Communications Corp., owner of WDRR-FM in the Ft. Myers-Naples, FL market. Veteran broadcaster **Ruth Ray**, who built the station from a CP in the 1980s, is selling her company for \$2.5M to a new Archer entity, CAM Broadcasting Co.

RBR observation: Yes, Clear Channel does have stations in the Ft. Myers-Naples market. Why do you ask? **Broker:** Blackburn & Co.

Sheridan adds in Pittsburgh

Ron Davenport's Sheridan Broadcasting is picking up its fourth station in the Pittsburgh market. This time Sheridan's McL/McM Inc. subsidiary is paying \$625K for WPGR-AM, licensed to Monroeville, PA. The seller is **Jack Mortenson's** Mortenson Broadcasting.

RBR observation: This station, on 1510 kHz, is currently a 1kw daytimer, but it has a CP to increase to 5kw day, with 2.5kw during critical hours.

Perry adds KGTO

Russell Perry's KJMM-FM Tulsa, OK is getting an AM sister. Perry will pay Cox Radio (N:CXR) \$455K for KGTO-AM. An LMA began 2/1. The AM is currently simulcasting Urban KJMM, but look for a new “old school” R&B format soon. Perry Publishing & Broadcasting will grow its Oklahoma radio group to six with this deal. It also publishes *The Black Chronicle*, a weekly with both Oklahoma City and Tulsa editions. As if that doesn't give him enough to do, Russell Perry is also Secretary of Economic Development (an unpaid position) in the cabinet of Oklahoma Governor **Frank Keating** (R). **Broker:** **Jody McCoy**, McCoy Broadcast Brokerage

Shockley price revealed

Shockley Communications has filed its sale with the FCC and the price turns out to be \$160.35M (not the \$200M figure specu-

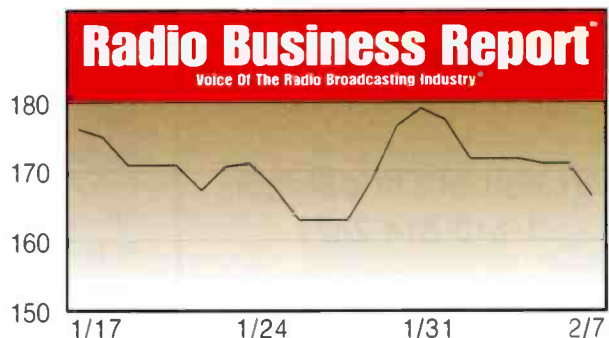
lated elsewhere). That's \$117M in payment (mostly in cash, but with an \$8M note secured by the radio stations) for 100% of the company's stock and assumption of \$35.35M in debt. Buyer Northern Communications Acquisition Corp. is an investment trust managed by **Roger Ohlrich** of Bethesda, MD. Northern won't be a long-term player in broadcasting. It already has deals to sell all six TV stations (*RBR* 1/22, p. 13), although those haven't yet been filed at the FCC. It's also expected to sell the six radio stations in short order. **Broker:** Kalil & Co.

Slone deal reworked

When Citadel Communications (O:CITC) cut its December deal to buy the **Slone** family's five Tucson stations (*RBR* 1/1, p. 12), \$2M of the \$63M price was supposed to be paid in Citadel's public stock. That was before Citadel agreed to be taken private by Forstmann Little (*RBR* 1/22, p. 12) at \$26 per share—well above the \$12 mark where Citadel closed out 2000. Citadel and the Slones have now revised their contract. If the Forstmann Little deal closes before the station transfers, the Slones will receive \$4,727,320 in cash, rather than 181,820 shares. That reflects the difference between Citadel's stock price at the time the Tucson contract was signed, \$11, and the \$26 buyout price—a quick 136% gain for the Slones.

The Radio Index™

Battered by nervousness over slow ad sales, The Radio Index™ slumped 12.752 for the week to close 2/7 at 166.381.



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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.

\$11,000,000 WROL-AM Boston from Carter Broadcasting Inc. (Kenneth Carberry) to SCA License Corp. (Ed Atsinger, Stuart Epperson), a subsidiary of Salem Communications (O:SALM). \$10M in cash at closing, additional \$1M one year after closing. **Broker:** John Pierce & Co.

\$3,400,000 WKKD-AM & FM Aurora IL from WFVR Inc. (Robert Rhea) to NextMedia Licensing Inc., a subsidiary of NextMedia Group (Carl Hirsch, Steve Dinetz, Skip Weller & others). \$170K letter of credit as escrow, \$3.4M in cash at closing. **Duopoly** with WJOL-FM Joliet IL. LMA in place. **Broker:** Media Services Group, YorkStreet Partners

\$3,250,000 WWLO-AM & WTMG-FM Gainesville-Ocala FL (Gainesville-Williston FL) from Connecticut Broadcast Media of Gainesville Inc. and Karisma Communications Southeast Inc. (Hilda Dawson). \$162.5K escrow, balance in cash at closing. **Superduopoly** with WLUS-AM, WKZY-FM & WTMG-FM. **Broker:** Doyle Hadden, Hadden & Associates

\$3,000,000 WLGM-FM Springfield IL (Petersburg IL) from LUJ Inc. (Richard & Patricia Van Zandt) to Long-Nine Inc. (Thomas Kushak, William Walker, Charles Mefford, Ben Fisher, Gayle Olson, Richard Record, Thomas Walker), part of the Mid-West Family group. \$100K escrow, balance in cash at

closing. **Superduopoly** with WMAY-AM, WQLZ-FM & WNNS-FM.

\$2,500,000 WDRR-FM Ft. Myers-Naples FL (San Carlos Park FL), 100% stock sale of Ruth Communications Corp. from Ruth Ray to CAM Broadcasting Co. Inc. (Van Archer III). \$100K escrow, balance in cash at closing. **Broker:** Blackburn & Co.

\$950,000 WHRP-AM Norfolk VA (Claremont VA) from 4M of Tidewater Inc. (Charles Milkis) to Chesapeake-Portsmouth Broadcasting Corp. (Nancy Epperson). \$150K downpayment, balance in cash at closing. LMA since 12/31/00. Note: No contour overlap with WPMH-AM, WTJZ-AM or WHKT-AM.

\$625,000 WPGR-AM Pittsburgh PA (Monroeville PA) from Mortenson Broadcasting Co. (Jack Mortenson) to McL/McM-Inc. (Ronald Davenport and family members), a subsidiary of Sheridan Broadcasting Corp. \$50K escrow, balance in cash at closing. Double **duopoly** with WAMO-AM & FM & WSSZ-FM.

\$500,000 WAJV-FM Columbus MS (Brooksville MS) from Radio Columbus Inc. (J.W. Furr) to Urban Radio Licenses LLC, a subsidiary of Urban Radio Communications LLC (Kevin Wagner). \$500K cash. Note: Cumulus Media assigned its right to purchase this station to Urban. **Broker:** Media Services Group



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- Gary Crowder of Gentner
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- Michael Jahn of Mediatron
- Roger Morgan of Carson Feltz
- Charlie Colombo of United Stations
- Jorgen Jensen of Nautel
- Bill Hampton of Dave Ramsey
- Kris Bobo of Comrex
- Jeff Kimmel of Wicks Broadcast
- George Bundy of BRS
- Rob Drucker of MediaAmerica
- Jeff Keith of Telos



In a move designed to help busy executives keep up with the fast-changing radio business, *Radio Business Report* in the Spring of 2000 became the first radio trade publica-

tion to launch an Internet radio station." Radio news is breaking at an incredibly fast pace and just can't wait for the morning faxes," said Ken Lee, Associate Publisher and General Manager.

In addition to posting news on its Web site, www.rbr.com, RBR is also streaming 24 hours a day.

The "format" consists of a newscast of radio-specific business and industry

news, interviews and commentaries, plus classic radio bits, jingles and Mercury Award-winning spots (with real paid spots to come). Veteran newscaster Jack Messmer, now Executive Editor of RBR, is back behind the mike for the audio updates.

The new RBR Web "radio station" is still early in its development and radio executives are encouraged to provide input on what they'd like to hear. (Please don't ask for Britney Spears, though!) You may email klee@rbr.com so we can build the radio station you want.

"Another exciting aspect of the Internet radio station for RBR is that we can now offer advertisers a cross-platform vehicle to help to market their products," noted Lee.

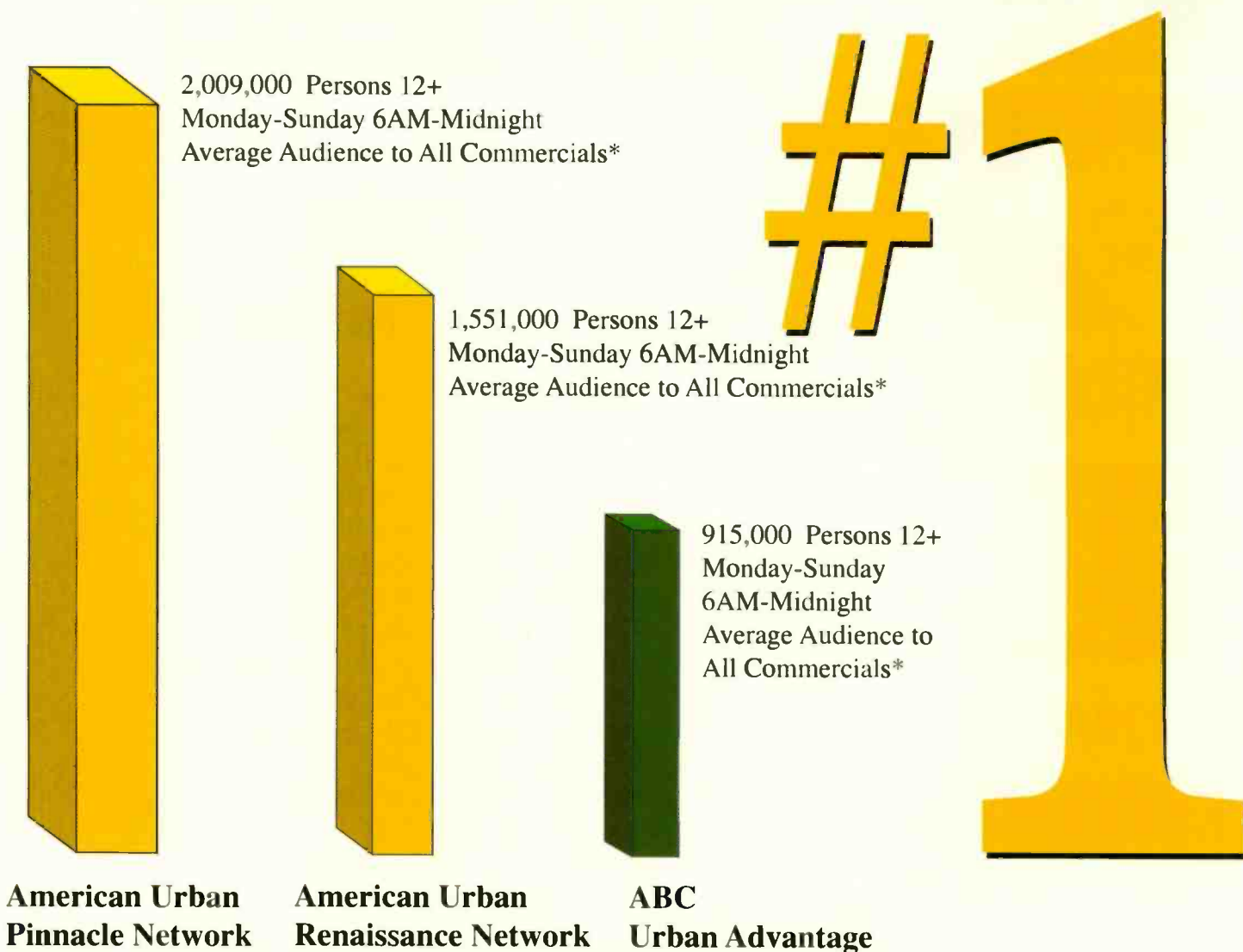
"Advertisers can now run audio spots

on our Internet radio station, bundled with banner messages on the www.rbr.com web site, along with click-through messages on our daily email service, plus traditional advertising with Radio Business Report and MBR."



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