

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

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Zenith Media's Matt Feinberg, as well as other buyers, discusses the impact of 9/11 to different sectors—the cre-

ative, the planning, the scheduling. We also talked to a few associations—are consumers just as worried as some advertisers to spend? **Page 4**

AMERICAN URBAN RADIO NETWORKS

#1

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NABOB panelists see hope in spin-offs

Former FCC Chairman **Bill Kennard** was back in the familiar territory at the annual Washington conference of the National Association of Black Broadcasters (NABOB), but he seemed somehow different. He sounded more like an investment banker than a politician as he adapted to his new job as a Managing Director of the Carlyle Group, a \$12B investment firm.

"We are not seeing a lot of inventory right now in radio and TV, particularly because of consolidation. It has become increasingly, as this audience well knows, a big business play—although there are interesting opportunities for smaller and more entrepreneurial companies," Kennard said. "What we're seeing is there seems to be a real disconnect between the prices that sellers want to get for their properties and what is financeable. Even though we have a very, very weak advertising marketplace, the selling prices really have not floated down to reflect that."



In radio, Kennard advised would be buyers to assemble multi-station deals because it's so difficult to find financing for a single station buy. "With consolidation, it's very difficult to compete unless you have some critical mass," Kennard advised.

While deregulation and consolidation has put many more stations in the hands of a few large group owners, panelists said there is hope for minority buyers to acquire stations as the large group owners seek to de-leverage their balance sheets and dispose of non-strategic stations.

"[Selling stations] is the most realistic way to raise capital for your company right now and these public companies cannot issue stock at today's prices," said **Michael Andreas**, Managing Director, Bank of Montreal.

Also see related story on page 2, plus more at RBR.com—JM

Broadcasters tally the cost of September 11th aftermath



Viacom (N:VIA) President **Mel Karmazin** told a Goldman Sachs conference in New York last week (10/2) that ad cancellations and additional news spending after the 9/11 terrorist attacks cost the company roughly \$200M in Q3 and will likely cost an additional \$300M in Q4. But Karmazin did note that some advertisers are now returning.

You might be surprised to learn that Viacom's biggest revenue hit from 9/11 was not TV, but radio. Karmazin estimated that Infinity Radio lost about \$180M in ad dollars due to preemptions for wall-to-wall news and subsequent cancellations. The CBS-TV network lost about \$85M in ad buys and incurred \$7M in added cost to cover the breaking news developments. The CBS O&O TV group lost about \$40M in ad buys and spent an extra \$5M on news coverage. Ad losses for UPN and Viacom's cable networks were put at \$8M. Just how those losses were divided between Q3 and Q4 were not spelled out, but since they total only \$325M, Karmazin is clearly expecting more fallout before Q4 is over.

"We are cautious that we may have to preempt programming again," Karmazin warned, pointing up how unpredictable breaking news can be in a time of crisis.

At the same conference (10/2), Clear Channel (N:CCU) CEO **Lowry Mays** said the attacks cost the company's radio group \$45-50M in lost ad revenues. He also noted that Clear Channel Entertainment had lost \$8-10M from cancelled or rescheduled concerts and other events. He did not, however, make any official change in the company's financial guidance.

CEO **Ed Christian** told Wall Street that Saga Communications (A:SGA) saw a \$1.1M drop in ad bookings following the 9/11 terrorist attacks in New York and Washington. That includes business lost due to running wall-to-wall news and actual cancellations. In a 10/2 statement, Saga said it hopes to see most of that business come back, but the company has reduced its revenue and cash flow expectations for the rest of this year. For Q3 Saga expects to report \$26.2M in net revenues and \$9.5M in broadcast cash flow. Q4 is expected to bring \$27.2M in net revenues and \$10.4M in BCF. That would bring the full year in at \$104.2M in net revenues and BCF of \$37.6M.—JM



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Myers sees long-term prospects improving

Myers Reports Chief Economist **Jack Myers** says government efforts to stimulate the economy in the wake of this month's terrorist attacks may help ad spending come back faster—in 2004 or '05, rather than '06/'07. Myers says businesses will return to focusing on long-term brand building as US economic conditions stabilize. The good news for radio in Myers' latest long-term forecast is in share. He sees radio claiming 9.4% of total ad spending in 2006, compared to 8.6% in 1998, while TV and newspaper shares are expected to decline. We would note, however, that Myers' 8.6% estimate for 1998 is higher than the radio share estimate of most other analysts.



In the short-term, though, Myers is still forecasting dismal ad spending for the rest of this year and all of 2002. He's expecting total ad spending to be down 6.6% this year and an additional 7.4% next year, before a modest 0.9% gain in 2003 and decent growth of 3% in 2004.—JM

RADIO NEWS®

Here come the layoffs

Certainly, it's no big surprise, given its eroding stock prices, sorry ad market and dire economic forecasts as of late (post-9/11): Radio, like so many other industries, is making cuts in staff now in anticipation of those forecasts coming true.

You would think if any format would do well in these times, it would be News. Not so. According to *The Washington Post*, top-rated WTOP-A/FM (Bonneville) has laid off (9/28) 18-year veteran reporter **Kyle Johnson**, **Bob Jones**, who wrote news for WTOPNews.com, **Lisa Nurnberger**, a reporter for the station's Federal News Radio internet site and Post columnist **Bob Levey**, who did commentaries for WTOP. This, because of budget cuts mandated by Bonneville corporate. News has also surfaced about eight sales staffers losing their jobs at Infinity's (N:VIA) WJFK-FM Washington.

Clear Channel-California has also chopped heads. LARadio.com reports the latest list of layoffs there: Two weeks ago, KXTA-AM fired six people. And on 9/28, the programming staffer **Bryan Simmons** was let go. KKSF-FM San Francisco: MD/air talent **Laurie Cobb**, morning host **John Evans**, PD **Lulu Bagaman** and newsman **Dave McQueen**. KOST-FM LA: Afternoon man **Bryan Simmons**, part-timers **Antoinette Russell** and **Christine Martindale**. KBIG-FM LA: evening host **Archer** loses his shift, but continues on as host of "Disco Saturday Night" feature on weekends.

"I was part of the bloodbath that took place at many Clear Channel stations," Simmons told LARadio.com. "From what I've

been told, I'm being replaced by **Tom Parker** of KPRC-FM San Francisco fame via Prophet voice track. I must say that even though there had been whispers in the building about impending cuts, I was taken by surprise."—CM

Arbitron on schedule for Summer survey

The results are almost all in, and adequate in number to permit Arbitron (N:ARB) to maintain its scheduled release of the Summer 2001 ratings survey, delivery of which is slated to begin 10/12. It looks like diary in-tabs will be normal.

The same cannot be said for the Fall survey, although it does not appear that there will be any major shortfalls in response. That said, there was disruption to phone and mail operations immediately following the events of 9/11 which could reduce in-tab rates for Phase I. Arbitron plans to take whatever action is necessary to bring sample up to snuff in the event of shortfalls.—DS

Contemporary hit with order to cease operations

Michael Rice's Contemporary Communications has been ordered off the air. Rice, who was convicted of numerous counts involving sexual activity with minors, has been operating the group pending resale after having been declared unfit for ownership by the FCC. An appeal by the recently-unimprisoned Rice to retain the stations was denied and the stations have, per the FCC's order, been off the air since 10/3 pending reassignment of their licenses. It is not clear when they will be able to resume broadcasting.

Affected stations include WBOW-AM, WBUZ-AM & WZZQ-FM Terre Haute IN, KPMZ-FM Columbia MO and KBMX-FM Eldon MO.—DS

EAS freeze lifted; now what?

A week after the 9/11 Attack on America, the FCC decided to freeze all EAS system testing (RBR.com 9/19) until 10/2, as to not confuse or alarm listeners unnecessarily. A few radio engineers have suggested that the resumption of these tests (now a data burst sound) be accompanied (it is now optional) by a mandatory pre/post announcement that "This is only a test," as was the case with the old EBS system.

Says **Bob Torstenson**, CE/MIS, Fairfield Broadcasting, Kalamazoo, MI: "When the EAS is back to running routine tests, would it not be a good idea to schedule and run a nationwide test? This would serve several purposes. 1. It would confirm the ability of the President to initiate such an alert if it was needed. 2. It would confirm to the public that there was indeed a system in place that would allow for quick warning. We think that a coordinated and well publicized test would go far in building public confidence, and show that the broadcast industry is prepared for such an event. Publicized, so that the public is aware that it is, in the words of the former EBS system, 'just a test'."

"We certainly would be open to discussing that with both the industry and the proper federal agencies, but at this point, it's not something before the committee. That's not something Congress would really mandate. That sounds more like an agency action," responded **Mike Waldron**, spokes-

person, Rep. **Fred Upton's** (R-MI) office, Chairman of the Telecommunications Committee in the House of Representatives.—CM

Z-104 tunes up format, rids clutter

Beginning today (10/1), Bonneville's CHR Z104 (WWZZ-FM) has switched to a Modern AC/Modern Rock hybrid. "The new sound of Z-104, more music guaranteed" is a big surprise to many, as the station seemed dead set to continue its battle with new market competitor, Rhythmic CHR WIHT-FM (Clear Channel).

The new targets seem to be ABC Radio's WRQX-FM, Infinity's WHFS and Clear Channel's WWDC-FM. Z-104 GM **Mark O'Brien** refuses to formally classify the new format: "We really did two major studies and this is what came back from Women in Washington 18-49, that they wanted. Now what you call it, I think is really your business. We are certainly a CHR radio station, but what version of that, go ahead and name it."

O'Brien says the station is reducing spot load to no more than six units per hour (currently :23 and :43) in two stopsets, three units each. The rates have been upped. There were 650-700 clients. "We will be now looking at a client base of around 250-300 clients. We're just going to go after the clients that this station absolutely fits," he explains.

Could this be a new strategy for all of Bonneville's music stations? "I think they are going to take a close look at this. Is it something they'd like to do? The answer is yes. Is it something we are going to be debuting right now in other markets? "No," says O'Brien. More at RBR.com—CM

NABOB panel looks at effects of consolidation

Last week's National Association of Black Owned Broadcasters' (NABOB) 25th Annual Fall Broadcast Management Conference wrapped up 9/28 with an ownership panel: "Are We Protecting our Turf in a Consolidated Industry?" Moderated by NABOB Executive Director **James Winston**, panelists looked at the capital markets and discussed how consolidation has prevented access to media deals, but not so much in the smaller markets.

When the conference was planned, panelists were set to talk about consolidation and recessionary influences on the market. But after the 9/11 terrorist attacks, the situation has worsened. Said **John Oxendine**, President of DC-based Broadcast Capital Fund: "We were looking at a soft market, kind of leaning toward a recession prior to September 11, and then it got even worse. In my experience sitting on the board of Paxson Communications, when we started the year, they were looking at 3-5% growth. And before 9/11 it was down to 2-3%. And after that, it is now negative 2-5%. That presents very, very serious problems. As large as they are, they are going through a refinancing of close to \$800M."

Are they protecting their turf? "I see young entrepreneurs who are still trying to do some things. I get calls every week from people who are trying to put together 2-3-4 station packages. There's 11,000+ stations out there, and even with consolidation of 4,000-5,000, there's still 6,000-7,000 that we can do some things with. So I'm encouraged," says Oxendine.



Alfred Liggins

Access.1 Communications President **Chesley Maddox-Dorsey** agreed. While the company owns one NYC AM, the bulk of the company's assets are in small or unrated markets. "Focusing on smaller market cluster opportunities has allowed us to 1) hire more people. 2) achieve higher margins to operate more efficiently and 3) given us much more clout in Shreveport, LA, we have seven stations, 35% of the market's revenues."

In commenting on the current economic crunch, Radio One President/CEO **Alfred Liggins** remains optimistic: "I think there is capital out there. There are opportunities out there, it's a radically different environment out there as we know. Whenever there is armageddon, there is opportunity. I am already seeing some cards fold on the table. At one time, half of the radio stations in America didn't make money. Consolidation is generally a way for businesses to operate more efficiently. That doesn't mean that NABOB's efforts are futile, far from [it]. We along with Inner City Broadcasting were beneficiaries of NABOB having approached **Bill Kennard** at the FCC and we came away as bigger companies."—CM

Radio Business Report is here to help

With the recent announcements of company layoffs and downsizing, Radio Business Report stands ready to help you. If you're a radio professional who is now without work, RBR is offering a new service—and it's absolutely free.

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MOCA draws flak from all over

Rep. **Rick Boucher's** (R-VA) Music Online Copyright Act (MOCA), introduced this past Summer got a lambasting 10/1, as copyright lobbyists representing the entertainment, sports and software industries appeared on Capitol Hill to stop the online music bill. The trade groups see MOCA as nothing short of government regulation and bureaucracy for content distribution on the Internet. The copyright lobby said MOCA will also hurt its members' ability to be flexible to consumer demand. Instead, they urged Congress to support a system driven by "innovation and negotiation."—CM

Digital Radio 2001 scheduled

Digital Radio 2001 has been scheduled for 11/1-2 at the Hyatt Regency in San Francisco. Key players will be explaining what's happening, what's going to happen when and how your company can be a part of the action, plus there will be worldwide case studies from experienced digital broadcasters. Participants include Sirius Satellite Radio, Worldspace, XM Satellite Radio, Ibiquity Digital, CHUM Ltd, NDS, Digital One, Pioneer, Radioscape, Recoton, Command Audio, e-Radio INC, Prognos, Radio Free Virgin, 3C Digital Radio, CRCA, World DAB forum, NPR and Digital Radio Mondiale. To book call 1-800-814 3459.—CM

Mancow finds the grass is just as green where he is

Emmis Communications (O:EMMS) announced 10/1 that the company and WKQX-FM (Chicago's Q101) morning man **Eric "Mancow" Muller** have finalized negotiations on the much-anticipated three-year contract.

"We're extremely pleased at the positive outcome of our negotiations," Vice President/General Manager **Chuck DuCoty** said. "In a market crowded with good morning talent, we're excited that the very best talent, Mancow, is staying at Q101 where he belongs."

Muller had been working without a contract since 7/30. In fact, he refused to host "Mancow's Morning Madhouse" on 7/27, one day after his three-year, previous \$9M contract expired.—CM

UK broadcasters hurting too

Ad revenues slumps are also hurting broadcasters in the UK. Capital Radio, Scottish Radio Holdings, and GWR Group (owner of Classic FM) all issued cautionary statements in advance of earnings announcements. Capital, according to "The Guardian" and AllAccess.com, projects revenues to be off 9% for the July-August-September quarter and 6% for the year ending 9/30. The company cut 46 jobs in its interactive division. GWR, which projects a 3.5% revenue dip for the half-year ending November, is looking to restructure its debt. Scottish Radio Holdings says its revenues are off 3% from last year.—CM

Homeless streamer?

Targeted ad insertion and streaming provider Coolink Broadcast Network (CLBN) may be taking a long vacation, or just chooses not to have phone service. While we confirmed that at least one of the CLBN's streaming clients is still being hosted, not one of their phone numbers is working. The same with TrafficStation.com. The drive-time ad inventory and interactive traffic and travel condition provider seems to have no website nor phone service.

RBR sources say the 11 people left at CLBN are working from home. While the phone service wasn't switched over in time, the company is still in business. Our sources add buyouts are possible from a handful of large public companies.—CM

Television Business Report®

TV blew off \$300M to go 24/7 on terrorist coverage

Covering the 9/11 terrorist attack and its aftermath wasn't cheap. Above and beyond production costs, the television industry sacrificed over \$300M in lost revenue to provide wall-to-wall coverage in the days following the event, according to a reports from Taylor Sofres' CMR.

\$188.4M of the loss came out of the network category, followed by a \$93.2M loss in spot revenue and a \$31.6M loss in cable, adding up to a total loss of \$313.2M.

"We all commend the broadcast networks' decision to forego ad revenue in favor of keeping our nation informed around the clock about the tragic events of September 11th," said CMR CEO **David Peeler**. "Unfortunately, such across-the-board action has resulted in the acceleration of a gloomier outlook for advertising's largest medium." He went on to speculate that 2001 revenue, which was trending toward a 2-4% decline, was now more likely to be down in the 6-8% range.—DS

Granite puts major asset on the block

It hasn't happened to a radio group yet, but Granite Broadcasting (O:GBTVK) is turning to selling off a major station asset to try to keep its finances under control. **Don Cornwell's** Granite, the largest African American-controlled TV group, has hung out the "for sale" sign on WDWB-TV Detroit, the market's WB affiliate on Channel 20. Detroit is one of Granite's two largest markets and Cornwell is determined to hold onto his San Francisco properties, where Granite owns the WB affiliate, KBWB-TV (Ch. 20), and a move-in, KNTV-TV (Ch. 11), which will become the

market's NBC affiliate on 1/1/02.

The brief announcement (10/1) from Granite noted that it had hired Goldman, Sachs & Co. to advise it on the station sale. It noted that the proceeds will be used for debt reduction. As of 6/30, Granite had long-term debt of \$400M and broadcast cash flow for the first six months of this year of \$4M.

RBR observation: You don't need a calculator to determine that there's a leverage problem in this company! Cornwell gambled heavily on the San Francisco move-in, angering many other network affiliates by agreeing to pay NBC for the affiliation, rather than the other way around. The problem now is that Cornwell will have to build the station from zero in a tough economy and somehow get it into positive cash flow in a highly competitive market. Otherwise, he'll lose everything. Selling the Detroit station will give him a little breathing room, but only a little.—JM

CCU and Fox finish swap

All of the regulatory approvals came through, so Clear Channel (N:CCU) has completed its TV swap with News Corp. (N:NWS). CCU got KMOL-TV (Ch. 4, NBC) in its home market of San Antonio, TX, KTVX-TV (Ch. 4, ABC) in Salt Lake City, UT (both spin-offs from the former Chris-Craft group) and \$10M cash. News Corp. got WFTC-TV (Ch. 29, Fox) in Minneapolis.

RBR observation: Clear Channel's closing announcement says it "operates approximately 1,180 radio and 18 television stations in the United States." If CCU itself doesn't know exactly how many stations it has, who does?—JM

RBR News Analysis

Tale of the tape

Almost from the moment he was installed in office, FCC Commissioner **Michael Copps** (D) has stated his wish that broadcast stations maintain 24/7 tape libraries of their broadcasts to provide evidence of either guilt or innocence when indecency complaints are brought before the FCC by the general public.

An unsubstantiated Internet item stated that Copps and fellow Commissioner **Kathleen Abernathy** (R) now have "majority support" for a proposal that stations keep such tapes voluntarily. Why there is a need for support of a strictly voluntary program is unclear. Nevertheless, we ran the idea past a pair of attorneys.

Both agreed that there was no problem with the proposal, as long as it remained strictly voluntary.

Said **Erwin Krasnow** of communications law firm Verner, Liipfert, Bernhard, McPherson & Hand, "Voluntary guidelines are a positive approach to a thorny issue of balancing public concern about indecency with the need to protect the First Amendment rights of broadcasters. The FCC, however, would need to make 100% clear that there would be no sanctions levied against broadcasters who did not preserve records. Looking at the issue from a broader institutional perspective, the adoption of guidelines or codes of conduct on a voluntary basis, such as the now-defunct NAB Codes, has served the broadcasting industry well by promoting public confidence while undermining attempts of Congress and the FCC to impose regulatory restraints on broadcasters."

Steve Lerman of Leventhal, Senter & Lerman agreed that, as long as those that do not comply are not penalized in any way, there was no problem with the proposal. He cautioned about getting close to the next step, making the practice of recording mandatory. He cited Constitutionality questions regarding self-incrimination and free speech, and went on to describe the chilling affect such a requirement would have. "If you think of the First Amendment as an envelope where you can exercise speech to the very edge, you should not be forced to be so far inside the envelope that there is no risk of offending anybody," he said. "If someone has a hammer over your head and they make you retain incriminating evidence, you would chill those who engage in protected speech...you'd become bland, non-controversial and you'd lose program diversity—you'd become homogeneous."

RBR observation: We're reminded of an old **Bill Cosby** routine. Bill's angry Dad told him to "go get me something to hit you with." Cosby said he knew kids who would come back with a two-by-four. Not Bill—he ripped the corner off of a piece of paper and handed it to his father saying, "Here you go, Dad—wail me."

Indecency is a very slippery slope. It's subjectivity was starkly illustrated by this year's **Eminem** controversy. His Grammy-winning edited-for-radio "The Real Slim Shady" was OK for its first 125,089 spins, then was suddenly actionably indecent on the 125,090th. Who wants to subject themselves to prosecution when the crime itself is so ill-defined (if not undefinable)?

We think that the only broadcasters who will comply with 24-hour taping are the ones who, for indecency purposes, do not need to. As for those who skate on the edge, they'll be the ones ripping the corner off of a sheet of paper. In the end, nothing much will have changed.

Listeners will still, however, have a readily-available defense—their tuners.—DS



Michael Copps



Kathleen Abernathy



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Where does consumer and advertiser confidence stand: Does 9/11 = 911?

As consumer confidence tries to pick itself off the ground and dust off a bit since 9/11, most predictions for the balance of this year and next year remain in the gloom. Salomon Smith Barney's **Niraj Gupta** recently predicted overall ad spending would fall 8% in 2001 and 2%-3% in 2002. Many companies that used to spend big numbers in advertising are now literally choosing between advertising and layoffs—some don't have the luxury of a choice.

"We are in a recession. We're not kind of in a recession, we're not maybe. We are in a recession, period. The towers did not cause the recession, but were clearly icing on the cake. When people refer to the recession of 2001-2002, the towers will be symbolic of that," says **Matt Feinberg**, VP/Manager of Radio,



Matt Feinberg

National Broadcast Group, Zenith Media Services.

From a national buyer's perspective, 9/11 opened up a lot of opportunities. Says Feinberg: "There are a lot of deals out there. The networks have just dropped their prices—Boom! The rates are really low. They were getting lower anyway before all this happened, but 9/11 really dropped them. I think a lot of people were jittery about it: 'We don't know exactly what the future is going to bring, so it's get while there's some getting to get.'" Feinberg's clients include Red Lobster, Schering-Plough, General Mills and Verizon.

"We took advantage of those rates. We did the project, 'Relief Fund.' Dish Network also took advantage," says Carat USA Supervisor, National Radio **Dana Durham**. Some of Dana's active clients also include CBS, Radio Shack, Crucial Technology, FX, IRS, Lifetime, National Association of Realtors, Petco, Pfizer and WebEx.

The potential impact of an extended war or conflict and possible terrorist strikes is keeping consumers and advertisers from spending large sums of money. "Traffic is down by about 20% and we are carefully monitoring the spec homes that are being sold and started. But it is too early. We will have in the next two-three weeks a better idea," says **Gopal Ahluwalia**, Director of Research,

National Association of Home Builders. "The first week after it happened, everybody was glued to the TV. After that, there was clearly some change—not only the effect of what happened because human confidence has dipped. And the unemployment—we are hearing all kinds of things that people have been laid off here and there."

While 2001 as a whole still appears to be a healthy year for new homes, nationwide housing starts had already declined 6.9% in August to a seasonally adjusted annual rate of 1.53 million units, according to the Commerce Department. Starts in the typically more volatile multifamily sector declined nearly 23% to a rate of 280,000 units.

Other big-purchase categories like automotive were immediately affected on the consumer side after 9/11. "Automotive, travel and retail were hit in a bad way," says **Mary Meder**, EVP, Harmelin Media. "However, there are signs that consumers are coming back into the stores and are buying new cars especially with the 0% financing that is now available everywhere. We have not seen a recovery in our travel accounts."

Automotive may have actually benefited by the automakers' attempts to stave the bleeding. The automakers are telling Americans to get the economy rolling by buying an American car at zero percent financing. It appears to be working. **John Thomas**, analyst, Industry Analysis Division, NADA, tells *RBR* he hasn't gotten any of the sales figures in yet, but they are generally running, for the Big Three, anywhere from 15-30% down. "Soon after this happened, GM brought out the first plan, which was 0% financing. And Ford followed the next day, and Chrysler followed a few days later. And that has been very successful in bringing people back into the showrooms. We are seeing a big increase in traffic to almost pre-September 11th levels," said Thomas.

And if the Big Three hadn't done these incentives, do you think sales would be dismal right now? "Oh yes, definitely. I think it would have taken a lot longer to have people come back." The automakers used a combination of TV, radio and newspaper, with a large TV presence and quite a lot of newspaper content.

While they have some money to spend, many spot, as well as network advertisers, are still in limbo. "Some clients have pushed back their business. Other clients, like the major TV networks, all decided to push back premiere week advertising by a week. Some clients we've talked to here were thinking of going on the air and have decided to wait back," says **Dennis McGuire**, VP/Senior Spot Radio Manager, Carat



Dennis McGuire

USA. "So I really think that they are taking a very cautious wait-and-see attitude—what's going to happen over the next few weeks. Now, other clients realize that Christmas is coming up and certain retail accounts, if they're not on the air or if they were considering going on the air, really have to make decisions." Some of McGuire's clients include the CBS TV Network, Saks Fifth Avenue, Mohican Sun Casino and Grolsch.

On Carat's Network side, Durham says it was business as usual. "None of our clients that were bumped off the air wanted to cancel, and if we got preempted, we did make-goods."

How did 9/11 affect short and long-term planning? Christmas is right around the corner. "Planning has been pushed back because some advertisers are unsure of where their budgets stand due to the tragedy," says Meder.

"I think the planning is going to be affected based upon the cautiousness of the clients. However, the clients still have products and services to sell. I think those who have decided to defer their start dates are going to have to make decisions very quickly as to when they do want to get on the air. And I will cite the fact that the Christmas season is coming up—it's a big volume time for most retailers," observes McGuire.



Mike Robertson

For Christmas, Ocean Media President **Mike Robertson** sees a lowering of ad expenditures, given the season is likely not to be a record-breaker in terms of ad dollars spent. "I think everybody is

going to spend a little less than they intended, because they definitely don't see the kind of volume that they anticipated when they put their annual plans together last year. I think they are watching their spending very closely. On the direct response side, since its ROI-oriented, we're spending what the market will bear, but do see budgets getting up to full spending within the month of October."

Surprisingly, as bad as things may seem, The National Retail Federation (NRF) still sees an uptick from last year in Q4—even after numbers have been revised, post 9/11. "The National Retail Federation has revised its Q4 outlook from 4% to 2.2%, to reflect weaker sales in the first part of Q4. As we get closer to the holiday season, we certainly see things picking up, and consumers returning to their normal shopping patterns. We expect holiday sales—from November and December—to increase 3%, which we think is fairly good, under the circumstances," **Scott Krugman**, NRF Spokesperson, tells *RBR*.

When we questioned how they are still arriving at a positive figure from last year, Krugman had some interesting points: "There was only one year in the last 15 years (keep in mind there was a recession in '89) where retail sales didn't go up. And 1989 was actually flat. There's still a lot of discretionary spending out there, consumers still have money. The 3% any other year probably wouldn't be that strong. But given what's happening right now, we think it's a respectable number. Just because things are going bad doesn't mean you are going to have a loss for the holiday season from the same period a year ago. It's very difficult to do. Keep in mind—with travel budgets down, and with people not doing as much traveling during the holiday season, it leaves even more discretionary income."

Creative, of course, has been changed forever. Sensitivities are at an all-time high. "Clients that had loud boisterous commercials on the air took them off and redid them to be more subdued. Some clients have pushed back new product kick-offs," says Meder.

"Creative is being extremely sensitive, for very good reason, to all of the advertising that's currently being discussed. Most of my clients are in New York, and nobody has felt the impact of the tragedy worse than the New York population," confirms Robertson. "I will tell you that other service-oriented clients like I-Place, which is a free credit report and Pitney-Bowes have not made any changes to their creative, but are watching the profitability of schedules real closely to see if sales can rebound."

For Carat, Durham says no new creative was needed, but a new buy came in from Radio Shack—"Emergency Relief Fund."

Delta using radio for 10,000 ticket giveaway to NYC

Delta Airlines and The City of New York have launched "Delta Loves NY," a nationwide giveaway designed to bring 10,000 visitors to New York City during the next six months. The giveaway will be announced across the country beginning in October through radio stations, (delta.com) and SkyMiles partnership initiatives. In addition to the complimentary tickets to NYC, select travel packages also will include accommodations provided by Crowne Plaza and Inter-Continental hotels. Delta says radio stations throughout the country will receive Delta tickets to New York and accompanying accommodations. Details will vary by radio station. "We'll post a list of participating radio stations at www.delta.com/nyc as soon as details are finalized," the company says.

New National Radio head for CARAT USA

Director of Network Radio for CARAT USA **Matt Simpson** has left the company to pursue other opportunities. His former assistant **Dana Durham** has been promoted to Supervisor, Network Radio and will continue to be the day to day point person.

Among the first ads that were cut...

Mike Robertson, President, Ocean Media in LA, tells the ironic story of one of his clients, Priceline.com: "Obviously, Priceline cancelled television and radio immediately. The current campaign that we were running for Priceline was 'Come to New York and have a great time. Enjoy it—take in a Broadway Show and see the sights.' Nothing



could have been more inappropriate than to allow to continue for one single day that particular ad. It's just coincidental we were promoting traveling to NY at the time of the tragedy. It used **Tony Randall** as the talent. New creative is presently being developed."

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Q3: A bad year got worse

It goes without saying that no one could have predicted the single biggest event to impact the US economy this year. The tragic events of September 11th sent virtually all stocks plunging and erased all doubt as to whether the US economy is in recession.

With investors panicking, it was the big-cap stocks which were hardest hit after the 9/11 terrorist attacks—stocks which tend to be held by lots of money managers, lots of mutual funds and lots of individuals. But few companies in any sector were spared as investors dumped stocks to flee to the safety of bonds and money market funds.

Don't forget though, the radio sector was beaten up in the second half of 2000, back when we in the industry were still convinced that the death of dot-coms was the only

thing to worry about—not a widespread advertising recession. So while the big-cap stocks, such as Viacom (N:VIA), Disney (N:DIS) and Clear Channel (N:CCU) are down double-digits for the first three-quarters of 2001, many of the smaller radio companies are still up from where they started the year. They've fallen from where they were a few weeks ago, but they're still ahead of where they ended 2000.

Year-to-date, The Radio Index™ is still ahead 28.27% at 161.053, primarily due to the rebound of Cumulus Media (O:CMLS) and solid performances by some of the smaller and less visible radio companies (at least as far as Wall Street investors are concerned). Beasley (O:BBGI), Radio One (O:ROIA), Regent (O:RGCI), Saga (A:SGA), Salem (O:SALM), Spanish (O:SBSA) and Westwood One (N:WON) all remain in positive territory for the year.

The Radio Index™, calculated daily by RBR, is a composite of the publicly traded companies whose primary business is radio. The 16 individual stock charts on this page show how each of those component stocks performed in Q3. Only one, Arbitron (N:ARB), posted a price gain for the quarter.

RBR's index excludes penny stocks, so Interop (O:IROP) was removed at the end of Q3. Once the economy improves and Interop's stock price stays above \$5 for a month, it will be reinstated as it was once before.

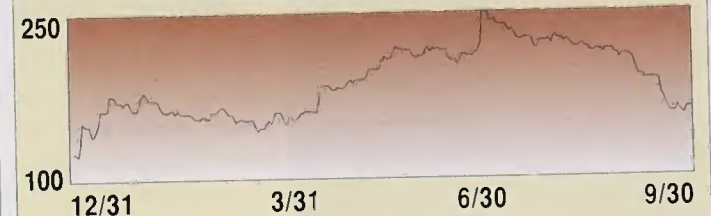
If this year's stock price performance by radio companies is hard for you to stomach, you need only look at the tower companies to see how much worse this year has been in other sectors. Both Crown Castle International (N:CCI) and American Tower (N:AMT) lost 2/3 of their value, SpectraSite is off 88% and the stock of Pinnacle Holdings (O:BIGT) has become al-

most worthless. If your radio company had been thinking of spinning off its tower division in a big-bucks IPO, please be advised that the opportunity has already passed you by.

The best thing that can be said about 2001 at this point is that it will soon be over.

The Federal Reserve—which foolishly got us into this economic mess long before a national tragedy compounded the problem—has been cutting interest rates and Washington politicians of both parties are now scrambling to get on the economic stimulus package bandwagon. It takes time for the economy to work its way out of recession, and there will be a financial bill to pay along with the likely loss of more lives as the US goes to war against an international terrorist network, but economic revitalization should take hold at some point in 2002. When it does, radio (along with other advertising-supported media) will be one of the first sectors to benefit.

The Radio Index, Jan. - Sept. 2001



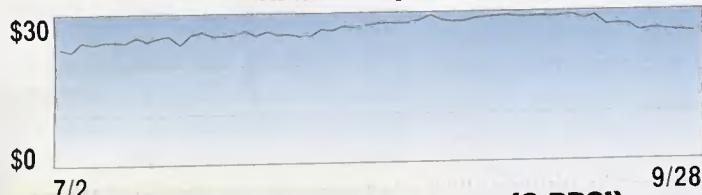
Year-to-date stock performance

Company	9/28/01 Close	YTD Net Chg	YTD Pct Chg
Ackerley	10.700	1.700	18.89%
Adelphia	22.200	-29.425	-57.00%
Alliance Bcg.	0.018	0.006	50.00%
Am. Tower	13.890	-23.985	-63.33%
Arbitron	26.160	2.900	12.47%
Beasley	10.250	1.938	23.31%
Belo Corp.	16.040	0.040	0.25%
Big City Radio	2.240	0.053	2.40%
Cir.Rsch.Labs	0.670	-4.455	-86.93%
Clear Channel	39.750	-8.688	-17.94%
Cox Radio	20.170	-2.393	-10.60%
Crown Castle	9.000	-18.063	-66.74%
Cumulus	6.950	3.325	91.72%
DG Systems	1.420	-0.705	-33.18%
Disney	18.620	-10.318	-35.65%
Emmis	14.420	-14.268	-49.73%
Entercom	34.000	-0.438	-1.27%
Entravision	8.550	-9.825	-53.47%
Fisher	52.000	-3.000	-5.45%
Gaylord	20.100	-0.775	-3.71%
Gentner	18.160	6.410	54.55%
Harman Intl.	33.500	-3.000	-8.22%
Harris Corp.	31.820	1.195	3.90%
Hearst-Argyle	17.500	-2.938	-14.37%
Hispanic Bcg.	16.100	-9.400	-36.86%
Interop	2.850	-0.650	-18.57%
Jeff-Pilot	44.480	-5.348	-10.73%
NBG Radio Nets	0.700	-0.425	-37.78%
New York Times	39.030	-1.033	-2.58%
Pinnacle Hldgs.	0.390	-8.673	-95.70%
PopMail.com	0.090	-0.098	-52.00%
Radio One, Cl. A	11.570	0.883	8.26%
Radio One, Cl. D	11.540	0.540	4.91%
Radio Unica	1.610	-2.140	-57.07%
RealNetworks	4.860	-3.828	-44.06%
Regent	6.020	0.082	1.39%
Saga Commun.	17.310	2.435	16.37%
Salem Comm.	19.500	4.563	30.54%
Sirius Sat. Radio	3.590	-26.348	-88.01%
Spanish Bcg.	7.090	2.090	41.80%
SpectraSite	2.410	-10.840	-81.81%
SportsLine USA	1.340	-3.973	-74.78%
TM Century	0.450	-0.050	-10.00%
Triangle	0.003	-0.014	-82.35%
Tribune	31.400	-10.850	-25.68%
Viacom, Cl. A	34.950	-12.050	-25.64%
Viacom, Cl. B	34.500	-12.250	-26.20%
WarpRadio.com	0.060	-0.565	-90.40%
Westwood One	22.250	2.938	15.21%
XM Sat. Radio	5.240	-10.823	-67.38%

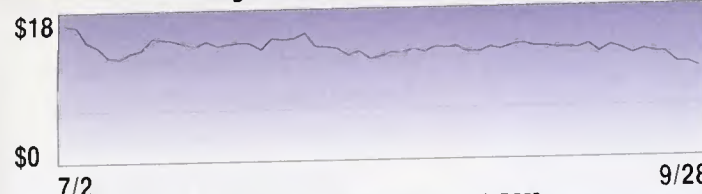
Major stock market indices

The Radio Index	161.053	35.693	28.47%
Dow Industrials	8847.21	-1939.640	-17.98%
Nasdaq comp.	1498.770	-971.750	-39.33%
S&P 500	1040.940	-279.340	-21.16%

Arbitron (N:ARB)



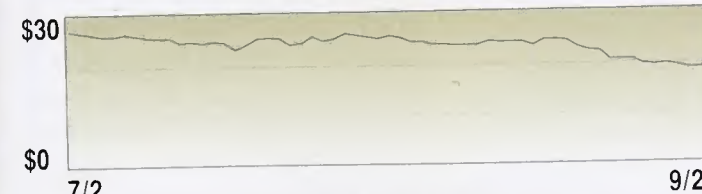
Beasley Broadcast Group (O:BBGI)



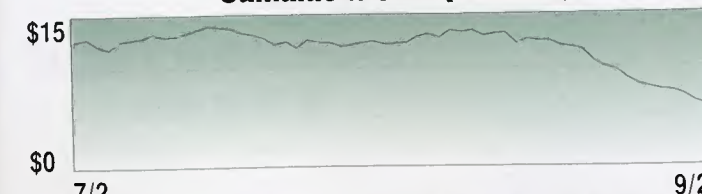
Clear Channel (N:CCU)



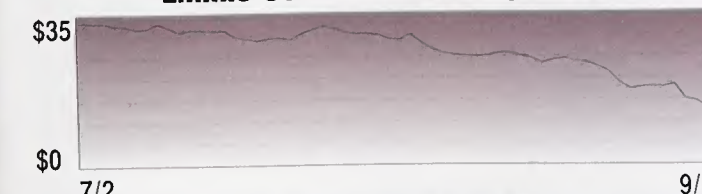
Cox Radio (N:CXR)



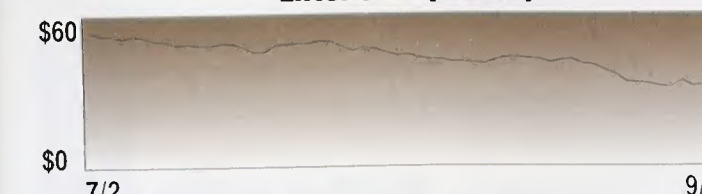
Cumulus Media (O:CMLS)



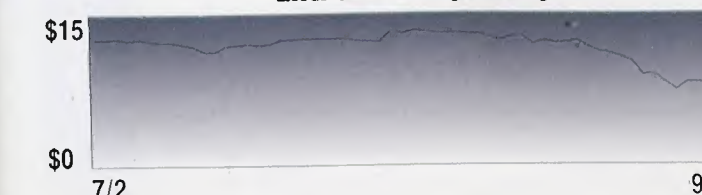
Emmis Communications (O:EMMS)



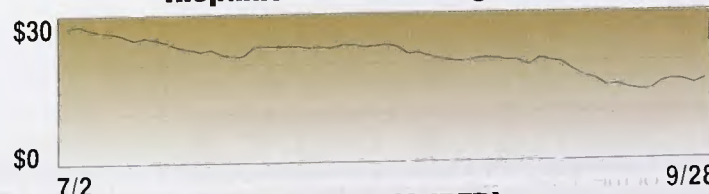
Entercom (N:ETM)



Entravision (N:EVC)



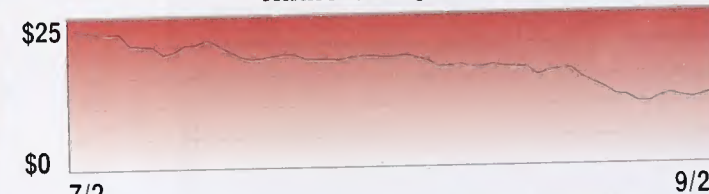
Hispanic Broadcasting (N:HSP)



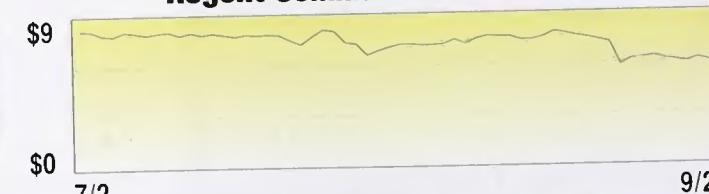
Interop (O:IROP)



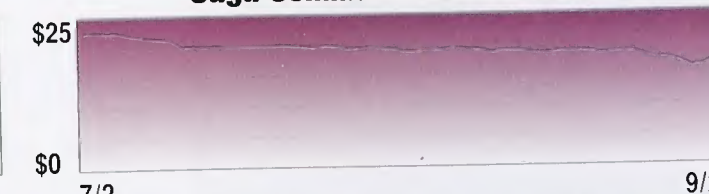
Radio One (O:ROIA)



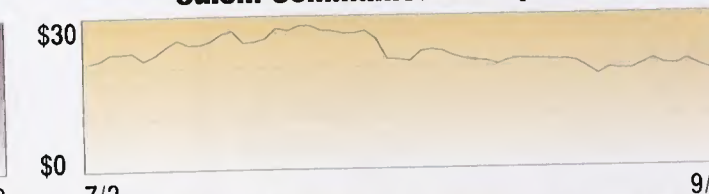
Regent Communications (O:RGCI)



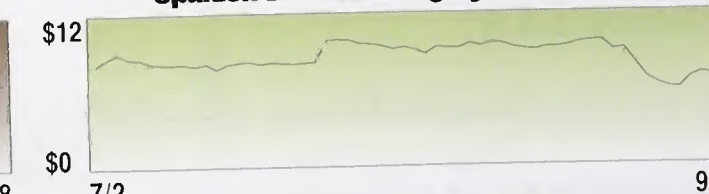
Saga Communications (A:SGA)



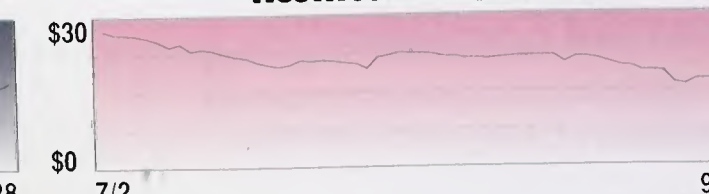
Salem Communications (O:SALM)



Spanish Broadcasting System (O:SBSA)



Westwood One (N:WON)



Clear Channel's Ohio Secret is out

It is no secret that Clear Channel Radio (N:CCU) superhoncho **Randy Michaels** has a soft spot in his heart for Ohio radio stations. And he's located yet another station to add to the already bulging CCU OH portfolio. This time it's WKKJ-FM Chillicothe. **Frank Wood's** Secret Communications is receiving \$17.5M cash (he'll bank \$14M of that on 1/2/02, with the rest coming at closing).

As is almost always the case when Clear Channel makes an Ohio move, there are multiple station overlaps. In this case, eight distinct overlap markets are defined.

RBR observation: CCU already has two AMs and an FM in Chillicothe, but it is eyeing a future for this station about 30 miles to the north, around the much more populous environs of Columbus, where CCU already has a market-leading superduopoly cluster. This was once one of **Tom Gammon's** controversial move-in proposals and Wood has now applied for permission to change the city of license to Ashville, OH, which would place it a little over 10 miles south of the state's capital city. Another more distant site to the north in Williamsport, OH is also being considered.—DS

Merrill Lynch sees some positives for next year

Closely watched analyst **Jessica Reif Cohen** and her associate at Merrill Lynch, **Keith Fawcett**, began their latest Media/Broadcast update on an up note: "We believe that there are at least three major positives for broadcast advertising in '2002."



Jessica Reif Cohen

1. "There is a clearly developing political consensus for a massive stimulus package, combining tax cuts and increased governmental spending. We are looking for fiscal and monetary stimulus to begin to improve demand for advertising in 2002's second half."

2. "Mid-term political elections will occur in 2002, providing an estimated incremental increase in television advertising of \$500-600M and in radio advertising of \$100-125M. If there is zero growth in all

other advertising categories, the extra stimulus of political advertising would result in approximate industry advertising growth of 3% in television-station advertising and 1% in radio."

3. "We note that 2002's third quarter will be lifted as prior-year news-preempted time periods return to commercial status. Units sold will increase by roughly 3% in television, all other things being constant."

That's the good news from the Merrill Lynch analysts, but they aren't looking at broadcasting through rose-colored glasses—not for the rest of this year or all of next year. They've lowered their full year 2001 estimate for radio from -5% to -8% and for 2002 from +4% to a range of -1% to +3%. For TV, they see 2001 finishing -13% (down from -8%) and 2002 flat to +4% (from +6%).

Of course, the financial fallout from 9/11 is greatest in the New York market, where Reif Cohen and Fawcett are projecting that September radio revenues will be 30% below last year.

Although media stocks have been hard-hit on Wall Street, the only ones that the Merrill Lynch analysts see as having hit the "trough valuations" last seen in the 1990-'91 recession are three of the big-cap media companies, Viacom (N:VIA & VIAB), Disney (N:DIS) and Fox (N:FOX).

Moody's slams Ackerley

Moody's Investors Service lowered the boom on The Ackerley Group (N:AK) with downgrades affecting \$375M in debt, and a warning that yet another round of downgrades is likely if the advertising market continues to be weak.

The new Moody's ratings issued 10/2 include Ackerley's \$120M senior bank credit facility (new, rated B+3); \$200M in senior subordinated notes due in 2009 (lowered from B2 to B3); "the company's senior implied rating" (lowered from B+3 to B1), and Ackerley's issuer rating (lowered from B1 to B2).

"The review for downgrade reflects the likelihood that the advertising market will remain weak for the foreseeable future, that local advertising may ultimately be affected by the economic slowdown, and that it will be challenging for management to correct operational missteps made by Ackerley over the near-term," Moody's analysts wrote. They went on to bash Ackerley's management for failing to deliver on its promises to Wall Street and noted that September 11 had made a turnaround all the more unlikely.

"In addition, the ratings are constrained by high leverage and insufficient cash flow coverage. The ratings incorporate Ackerley's history of low and declining operating margins and consequent deterioration in the company's operating performance over the last few years. The low margins are attributable to the company's high corporate overhead (9% of total revenues) coupled with low broadcast cash flow (BCF) margins relative to its television and radio peers. Television and radio BCF margins typically range between 25-35% whereas Ackerley's margins ranged between 13%-15% on a trailing 12-month basis and are trending downward."

The unusually long ratings note stated, however, that Ackerley's outdoor advertising business is more stable than its other businesses and that outdoor, the company's largest segment, has "supported its broadcasting segments during their periods of under-performance and through the advertising downturn." Moody's pegs Ackerley's debt to EBITDA ratio at 9.4 times—too high by any standard.

RBR observation: Back in May, Ackerley executives had all but hung a "for sale" sign on the company's radio stations—all in the Seattle market—saying that they would be interested in talking to bidders willing to pay \$150-175M. Two months later President **Chris Ackerley** said he'd gotten inquiries, but that no one had been willing to pay what the company wanted. Now, as the company's financial problems deepen, he may be forced to lower his price expectations.

For Q3, Ackerley had told Wall Street to expect radio revenues to be down 2-4% from \$7.2M a year ago, but also said that cash flow should be flat with last year's \$2.1M. Although we wouldn't expect them to hit those marks after 9/11, poten-

tial station buyers will be watching to see how close they come when the company reports its Q3 results.

Levine makes the scene again

Ed Levine's Galaxy Communications, which recently announced a deal to acquire WABY-AM and WKLI-FM in the Albany-Schenectady-Troy market from TeleMedia (RBR 8/27, p. 13), is striking again with a deal to acquire WHTR-FM Corinth NY from **Bruce Danziger's** and **Jeff Shapiro's** Vox Radio Group. Galaxy has already plunked down a \$150K option payment, and will bring the total up to \$2.4M cash at closing.

RBR observation: This deal is contingent on receiving FCC blessing of a channel and city of license switch. The Class A currently operates well to the north of Albany out of Corinth, NY on 93.5 MHz, well out of range of Levine's other combo. The move, if approved, would move it much closer in, on new frequency 93.7 MHz (still as a Class A) with Scotia, NY as the new city of license. That would bring it within WABY's coverage area, but not quite into WKLI-FM's range.—DS

Moon doubles in Santa Rosa

Both Spanish outlets in the Santa Rosa, CA market are coming under the same ownership. **Abel De Luna's** Moon Broadcasting already owns KRRS-AM Santa Rosa. Now he's buying KTOB-AM Petaluma for \$1.275M from **David Devoto's** Petaluma Broadcasting. **Broker:** **Andrew McClure**, The Exline Co.

Woodward adds to Appleton basket

Woodward Communications is adding a station on the Appleton-Oshkosh end of its cross-market superduopoly that extends to Green Bay as well. The **Woodward** family's radio arm is paying \$450K to the Estate of **Wesley Koeffler** for WRJQ-AM Appleton, WI. That will give Woodward a total of two AMs and three FMs covering the adjacent markets populated by Packer-backers.

Portland AM finds a 'GUY to team up with

Northwest Radio Broadcasting Co.'s News-Talker KKGZ-AM will soon have another AM to pal around with. \$750K in cash, debt assumption and promissory notes will add KGUY-AM, giving new owner **William Sizemore** an AM duopoly. The bulk of the deal, up to \$500K, is in debt assumption. Co-owners and sellers **Richard C. Eads** and **Jeannine Jelicouer Wells** will walk away with \$100K in cash and notes apiece.—DS

NextMedia spinning an AM

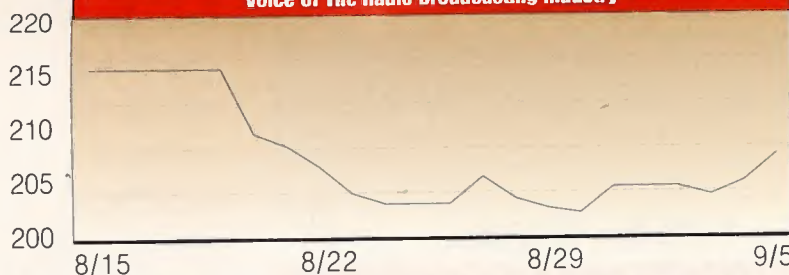
The *Chicago Sun-Times* reports that NextMedia is selling WKKD-AM Aurora, IL to Kovas Communications for \$850K. The station was acquired earlier this year, along with WKKD-FM, for \$3.4M.

The Radio Index™

The Radio Index™ turned upward as the Federal Reserve cut interest rates again and investors began to bet on a return of consumer spending. The Index closed 10/3 at 168.223, up 11.738 from a week earlier.

Radio Business Report

Voice Of The Radio Broadcasting Industry™



Chris Devine, President, of
Marathon Media

has agreed to transfer the assets of

KTMT-AM & KCMX-FM Ashland, Oregon
KTMT-FM & KBOY-FM Medford, Oregon
KCMX-AM & KAKT-FM Phoenix, Oregon

for

\$9,000,000

to

Mapleton Communications, LLC

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Merrill Lynch cuts satellite radio stocks

Merrill Lynch analyst **Mark Labi** is out (10/3) with a warning that both XM Satellite Radio (O:XMSR) and Sirius Satellite Radio (O:SIRI) are quickly exhausting their cash reserves as they try to launch new services in a tough economy. While Labi sees XM as likely to snare a 70% share of the satellite radio market (up from 60% due to Sirius' delayed launch), he also expects to see XM have to raise more money by January or February, which will dilute the equity of current shareholders. He also suggests that Sirius might further delay its launch to sometime next year because of the poor economy. Citing the economic slowdown, Labi has reduced his projection of satellite radio subscribers by the end of 2002 to 600K, a 40% cut from his previous projection of 1M.

Small Town money source is offshore

Recent SEC filings by Small Town Radio Inc. (O:MOLY), headed by **Don Boyd**, reveal that the source of its \$20M in new equity funding (RBR 10/1, p.7) is Grenville Financial Ltd., an investment firm in the British Virgin Islands. Grenville is obligated to purchase shares of Small Town Radio's stock to fund acquisitions, but the financial company doesn't plan to stay around as an investor. It will resell those shares and hopes to make a profit by buying shares at a discount and hopefully seeing the company's stock go up as it acquires stations and builds its operation. In fact, Grenville is barred from holding onto enough shares to push it over 5% of Small Town Radio's equity ownership.

Those SEC filings also reveal that the price tag for Small Town Radio's purchase of WBBK-AM & FM Blakely, GA and WSEM-AM & WGMK-FM Donaldson, GA from Merchants Broadcasting Systems (RBR 9/3, p. 14) is \$1.35M, with \$800K in cash and the seller holding a note for \$550K.

Small Town Radio also has letters of intent to buy WDGR-AM Dahlonega, GA from **Doug** and **Lee Ann Roy's** Greenwood Communications Corp. for \$175K in cash. That deal was brokered by Force Communications.

An finally, the new group has a letter of intent to buy WJFL-FM Tennille, GA from Fall Line Media Inc. for \$330K in cash. The broker for that deal is Media Services Group.

None of those proposed acquisitions has yet been filed with the FCC.

A peek into the competing application window

As reported in RBR (10/1, p.2), 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. Many are in or around Arbitron-rated markets. The hottest property is the 94.3 MHz slot in Forest Acres SC, which is inches from state capital Columbia and has drawn 17 applicants. 96.7 MHz Healdsburg CA (near Santa Rosa) and 105.7 MHz Idalou TX (near Lubbock) have 10 applicants each.

Some of these applications have been kicking around for years. For example, competing applications for 92.9 MHz in Southampton NY on Long Island date back to 1992.

Four companies have filed five total applications for either the 840 kHz or 860 kHz frequency in the San Francisco/Modesto CA area (one company applied for both). Three companies are shooting for stations in northern Michigan, one each on 1070 kHz, 1080 kHz and 1090 kHz.

Following is a list of contested FM frequency allocations. Arbitron/location shows proximity to an Arbitron market or the general location of the city of license.—DS

Apps	Freq	Class	City of License	Market/location
2	106.7	C1	Pinetop AZ	E.Central Arizona
5	101.5	A	Greenwood AR	Fort Smith
5	103.5	A	Cambria CA	San Luis Obispo
8	103.3	A	Grass Valley CA	40 mi NW of Sacramento
10	96.7	A	Healdsburg CA	Santa Rosa
8	97.1	A	Ukiah CA	80 mi N San Francisco
3	99.1	A	Williams CA	between Sacramento, Chico
9	105.3	A	Durango CO	Four Corners
9	98.9	A	Steamboat Spgs CO	NW Colorado
7	97.9	A	Woodville FL	Tallahassee
9	102.1	A	Bolingbroke GA	Macon
4	98.1	A	Dawson GA	Albany
7	101.1	A	Bloomfield IN	20 mi SE of Bloomington
9	107.1	A	Vinton IA	20 mi NW of Cedar Rapids
5	92.5	A	Newaygo MI	25 mi N of Grand Rapids
6	104.5	A	Traverse City MI	Traverse City MI
4	105.5	A	Oxford MS	40 mi W of Tupelo
3	99.9	A	Naylor MO	SE Missouri
9	102.5	A	Rosendale NY	Poughkeepsie
3	92.9	A	Southampton NY	Nassau-Suffolk
4	98.3	A	Ashtabula OH	between Erie and Cleveland
2	98.5	A	Keno OR	Klamath Falls
2	105.7	A	Merrill OR	Klamath Falls
5	98.1	A	Santa Isabel PR	Puerto Rico
17	94.3	A	Forest Acres SC	Columbia
2	94.9	C1	Canadian TX	NE Texas panhandle
10	105.7	A	Idalou TX	Lubbock
6	99.3	A	Thorndale TX	40 mi NE of Austin
3	102.5	A	Shawsville VA	Roanoke
5	92.9	A	New Holstein WI	Appleton-Oshkosh
4	99.1	A	Two Rivers WI	30 mi SE of Green Bay

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Clear Channel's Ohio Secret is out

It is no secret that Clear Channel Radio (N:CCU) superhoncho **Randy Michaels** has a soft spot in his heart for Ohio radio stations. And he's located yet another station to add to the already bulging CCU OH portfolio. This time it's WKKJ-FM Chillicothe. **Frank Wood's** Secret Communications is receiving \$17.5M cash (he'll bank \$14M of that on 1/2/02, with the rest coming at closing).

As is almost always the case when Clear Channel makes an Ohio move, there are multiple station overlaps. In this case, eight distinct overlap markets are defined.

RBR observation: CCU already has two AMs and an FM in Chillicothe, but it is eyeing a future for this station about 30 miles to the north, around the much more populous environs of Columbus, where CCU already has a market-leading superduopoly cluster. This was once one of **Tom Gammon's** controversial move-in proposals and Wood has now applied for permission to change the city of license to Ashville, OH, which would place it a little over 10 miles south of the state's capital city. Another more distant site to the north in Williamsport, OH is also being considered.—DS

Merrill Lynch sees some positives for next year

Closely watched analyst **Jessica Reif Cohen** and her associate at Merrill Lynch, **Keith Fawcett**, began their latest Media/Broadcast update on an up note: "We believe that there are at least three major positives for broadcast advertising in 2002."



Jessica Reif Cohen

1. "There is a clearly developing political consensus for a massive stimulus package, combining tax cuts and increased governmental spending. We are looking for fiscal and monetary stimulus to begin to improve demand for advertising in 2002's second half."
2. "Mid-term political elections will occur in 2002, providing an estimated incremental increase in television advertising of \$500-600M and in radio advertising of \$100-125M. If there is zero growth in all

other advertising categories, the extra stimulus of political advertising would result in approximate industry advertising growth of 3% in television-station advertising and 1% in radio."

3. "We note that 2002's third quarter will be lifted as prior-year news-preempted time periods return to commercial status. Units sold will increase by roughly 3% in television, all other things being constant."

That's the good news from the Merrill Lynch analysts, but they aren't looking at broadcasting through rose-colored glasses—not for the rest of this year or all of next year. They've lowered their full year 2001 estimate for radio from -5% to -8% and for 2002 from +4% to a range of -1% to +3%. For TV, they see 2001 finishing -13% (down from -8%) and 2002 flat to +4% (from +6%).

Of course, the financial fallout from 9/11 is greatest in the New York market, where Reif Cohen and Fawcett are projecting that September radio revenues will be 30% below last year.

Although media stocks have been hard-hit on Wall Street, the only ones that the Merrill Lynch analysts see as having hit the "trough valuations" last seen in the 1990-'91 recession are three of the big-cap media companies, Viacom (N:VIA & VIAb), Disney (N:DIS) and Fox (N:FOX).

Moody's slams Ackerley

Moody's Investors Service lowered the boom on The Ackerley Group (N:AK) with downgrades affecting \$375M in debt, and a warning that yet another round of downgrades is likely if the advertising market continues to be weak.

The new Moody's ratings issued 10/2 include Ackerley's \$120M senior bank credit facility (new, rated Ba3); \$200M in senior subordinated notes due in 2009 (lowered from B2 to B3); "the company's senior implied rating" (lowered from Ba3 to B1), and Ackerley's issuer rating (lowered from B1 to B2).

"The review for downgrade reflects the likelihood that the advertising market will remain weak for the foreseeable future, that local advertising may ultimately be affected by the economic slowdown, and that it will be challenging for management to correct operational missteps made by Ackerley over the near-term," Moody's analysts wrote. They went on to bash Ackerley's management for failing to deliver on its promises to Wall Street and noted that September 11 had made a turnaround all the more unlikely.

"In addition, the ratings are constrained by high leverage and insufficient cash flow coverage. The ratings incorporate Ackerley's history of low and declining operating margins and consequent deterioration in the company's operating performance over the last few years. The low margins are attributable to the company's high corporate overhead (9% of total revenues) coupled with low broadcast cash flow (BCF) margins relative to its television and radio peers. Television and radio BCF margins typically range between 25-35% whereas Ackerley's margins ranged between 13%-15% on a trailing 12-month basis and are trending downward."

The unusually long ratings note stated, however, that Ackerley's outdoor advertising business is more stable than its other businesses and that outdoor, the company's largest segment, has "supported its broadcasting segments during their periods of under-performance and through the advertising downturn." Moody's pegs Ackerley's debt to EBITDA ratio at 9.4 times—too high by any standard.

RBR observation: Back in May, Ackerley executives had all but hung a "for sale" sign on the company's radio stations—all in the Seattle market—saying that they would be interested in talking to bidders willing to pay \$150-175M. Two months later President **Chris Ackerley** said he'd gotten inquiries, but that no one had been willing to pay what the company wanted. Now, as the company's financial problems deepen, he may be forced to lower his price expectations.

For Q3, Ackerley had told Wall Street to expect radio revenues to be down 2-4% from \$7.2M a year ago, but also said that cash flow should be flat with last year's \$2.1M. Although we wouldn't expect them to hit those marks after 9/11, poten-

tial station buyers will be watching to see how close they come when the company reports its Q3 results.

Levine makes the scene again

Ed Levine's Galaxy Communications, which recently announced a deal to acquire WABY-AM and WKLI-FM in the Albany-Schenectady-Troy market from TeleMedia (RBR 8/27, p. 13), is striking again with a deal to acquire WHTR-FM Corinth NY from **Bruce Danziger's** and **Jeff Shapiro's** Vox Radio Group. Galaxy has already plunked down a \$150K option payment, and will bring the total up to \$2.4M cash at closing.

RBR observation: This deal is contingent on receiving FCC blessing of a channel and city of license switch. The Class A currently operates well to the north of Albany out of Corinth, NY on 93.5 mHz, well out of range of Levine's other combo. The move, if approved, would move it much closer in, on new frequency 93.7 mHz (still as a Class A) with Scotia, NY as the new city of license. That would bring it within WABY's coverage area, but not quite into WKLI-FM's range.—DS

Moon doubles in Santa Rosa

Both Spanish outlets in the Santa Rosa, CA market are coming under the same ownership. **Abel De Luna's** Moon Broadcasting already owns KRRS-AM Santa Rosa. Now he's buying KTOB-AM Petaluma for \$1.275M from **David Devoto's** Petaluma Broadcasting. **Broker:** **Andrew McClure**, The Exline Co.

Woodward adds to Appleton basket

Woodward Communications is adding a station on the Appleton-Oshkosh end of its cross-market superduopoly that extends to Green Bay as well. The **Woodward** family's radio arm is paying \$450K to the Estate of **Wesley Koeffler** for WRJQ-AM Appleton, WI. That will give Woodward a total of two AMs and three FMs covering the adjacent markets populated by Packer-backers.

Portland AM finds a 'GUY' to team up with

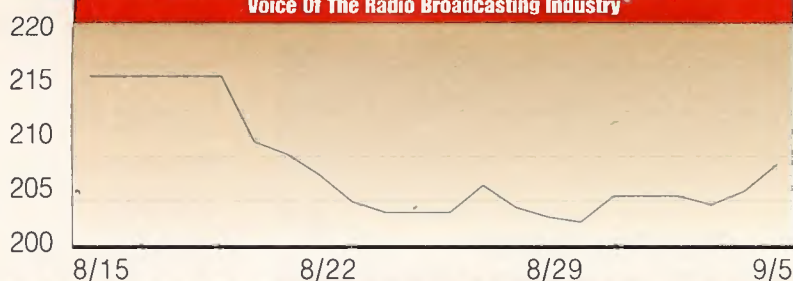
Northwest Radio Broadcasting Co.'s News-Talker KKG-TAM will soon have another AM to pal around with. \$750K in cash, debt assumption and promissory notes will add KGUY-AM, giving new owner **William Sizemore** an AM duopoly. The bulk of the deal, up to \$500K, is in debt assumption. Co-owners and sellers **Richard C. Eads** and **Jeannine Jelicouer Wells** will walk away with \$100K in cash and notes apiece.—DS

NextMedia spinning an AM

The *Chicago Sun-Times* reports that NextMedia is selling WKKD-AM Aurora, IL to Kovas Communications for \$850K. The station was acquired earlier this year, along with WKKD-FM, for \$3.4M.

The Radio Index™

The Radio Index™ turned upward as the Federal Reserve cut interest rates again and investors began to bet on a return of consumer spending. The Index closed 10/3 at 168.223, up 11.738 from a week earlier.



Chris Devine, President, of
Marathon Media

has agreed to transfer the assets of

KTMT-AM & KCMX-FM Ashland, Oregon
KTMT-FM & KBOY-FM Medford, Oregon
KCMX-AM & KAKT-FM Phoenix, Oregon

for

\$9,000,000

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Merrill Lynch cuts satellite radio stocks

Merrill Lynch analyst **Mark Labi** is out (10/3) with a warning that both XM Satellite Radio (O:XMSR) and Sirius Satellite Radio (O:SIRI) are quickly exhausting their cash reserves as they try to launch new services in a tough economy. While Labi sees XM as likely to snare a 70% share of the satellite radio market (up from 60% due to Sirius' delayed launch), he also expects to see XM have to raise more money by January or February, which will dilute the equity of current shareholders. He also suggests that Sirius might further delay its launch to sometime next year because of the poor economy. Citing the economic slowdown, Labi has reduced his projection of satellite radio subscribers by the end of 2002 to 600K, a 40% cut from his previous projection of 1M.

Small Town money source is offshore

Recent SEC filings by Small Town Radio Inc. (O:MOLY), headed by **Don Boyd**, reveal that the source of its \$20M in new equity funding (*RBR* 10/1, p.7) is Grenville Financial Ltd., an investment firm in the British Virgin Islands. Grenville is obligated to purchase shares of Small Town Radio's stock to fund acquisitions, but the financial company doesn't plan to stay around as an investor. It will resell those shares and hopes to make a profit by buying shares at a discount and hopefully seeing the company's stock go up as it acquires stations and builds its operation. In fact, Grenville is barred from holding onto enough shares to push it over 5% of Small Town Radio's equity ownership.

Those SEC filings also reveal that the price tag for Small Town Radio's purchase of WBBK-AM & FM Blakely, GA and WSEM-AM & WGMK-FM Donaldson, GA from Merchants Broadcasting Systems (*RBR* 9/3, p. 14) is \$1.35M, with \$800K in cash and the seller holding a note for \$550K.

Small Town Radio also has letters of intent to buy WJGR-AM Dahlgonega, GA from **Doug** and **Lee Ann Roy's** Greenwood Communications Corp. for \$175K in cash. That deal was brokered by Force Communications.

An finally, the new group has a letter of intent to buy WJFL-FM Tennille, GA from Fall Line Media Inc. for \$330K in cash. The broker for that deal is Media Services Group.

None of those proposed acquisitions has yet been filed with the FCC.

A peek into the competing application window

As reported in *RBR* (10/1, p.2), 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. Many are in or around Arbitron-rated markets. The hottest property is the 94.3 MHz slot in Forest Acres SC, which is inches from state capital Columbia and has drawn 17 applicants. 96.7 MHz Healdsburg CA (near Santa Rosa) and 105.7 MHz Idalou TX (near Lubbock) have 10 applicants each.

Some of these applications have been kicking around for years. For example, competing applications for 92.9 MHz in Southampton NY on Long Island date back to 1992.

Four companies have filed five total applications for either the 840 kHz or 860 kHz frequency in the San Francisco/Modesto CA area (one company applied for both). Three companies are shooting for stations in northern Michigan, one each on 1070 kHz, 1080 kHz and 1090 kHz.

Following is a list of contested FM frequency allocations. Arbitron/location shows proximity to an Arbitron market or the general location of the city of license.—DS

Apps	Freq	Class	City of License	Market/location
2	106.7	C1	Pinetop AZ	E.Central Arizona
5	101.5	A	Greenwood AR	Fort Smith
5	103.5	A	Cambria CA	San Luis Obispo
8	103.3	A	Grass Valley CA	40 mi NW of Sacramento
10	96.7	A	Healdsburg CA	Santa Rosa
8	97.1	A	Ukiah CA	80 mi N San Francisco
3	99.1	A	Williams CA	between Sacramento, Chico
9	105.3	A	Durango CO	Four Corners
9	98.9	A	Steamboat Spgs CO	NW Colorado
7	97.9	A	Woodville FL	Tallahassee
9	102.1	A	Bolingbroke GA	Macon
4	98.1	A	Dawson GA	Albany
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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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