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Low power gets poor reception on the Hill

House Commerce Committee Chair Rep. **Bill Tauzin** (R-LA) has joined the growing chorus of opposition to the creation of thousands of low-power FMs (*RBR* 2/1, p.3) which FCC Chair **Bill Kennard** (D) says will open up the market to diverse voices.

Tauzin says microradio will reduce the advertising revenue of existing stations, create severe interference and called the "microradio" proposal another example of the FCC being "an agency out of control that demands congressional action to straighten out."

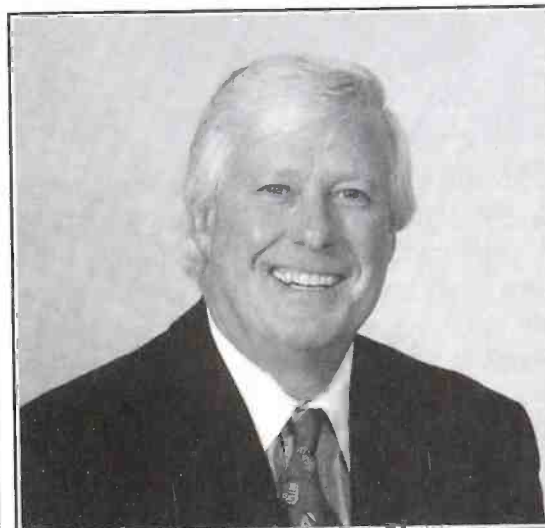
"I'm sure the Chairman Tauzin does not want to limit Americans' choices to whom or what they can hear on the radio. I hope that when he speaks

with the church and community leaders who I have spoken with, he will see the benefits of low power," Kennard said in response to Tauzin's remarks.

Kennard takes to the airwaves
 Kennard visited an actual low-power FM station last week (2/18), the University of Maryland's 10-watt WMUC-FM College Park, MD, to boost the LPFM proposal. The broadcast was also carried live on the station's Internet site.

"I'm very disappointed when I look at the radio marketplace today and see so much consolidation—so many licenses concentrated in fewer and fewer hands," Kennard said in a roundtable discussion with LPFM advocates. Since deregulation in 1996, Kennard said there are 1,000 fewer radio owners today. "And we know that most of those radio owners who are no longer in the marketplace were the smaller companies that had to sell out—they were bought out by the larger conglomerates. There is a need on the radio band for local voices—more local voices. What low-power FM and microradio can do is give a voice to people who want to use the airwaves to speak to their communities in new ways. I'm hoping that we will have a low-power FM service in this country that will bring a whole class of new voices—people who are not using radio for mass demographics, for mass formatting, but who want to use the radio...to serve local community niches."

continued on p.4



Hare heading ABC Radio

John Hare has gotten the nod to succeed **Bob Callahan** as President of ABC Radio. Hare, who'd been a group president over five markets, is now heading all radio operations, including the ABC Radio Networks.

"This division has been running pretty well under Bob Callahan," said Hare, who told *RBR* he plans no big changes as he takes the helm. "The network will be the new part," noted Hare, whose 30-year career had taken him from account executive at ABC's former Houston stations to GSM, GM and Group President, all within ABC.

Catalane upped

ABC Radio CFO **Bart Catalane** is moving up to the next level with Bob Callahan, the new President of Broadcasting, ABC Inc. Catalane is now Exec. VP & CFO of Broadcasting, ABC Inc.

Pacing holding steady

Redundancy is bliss, at least it is when the current year is repeating the past year's excellent performance. The latest pacing report shows this year holding steady with last year—a sequel as good as the original!—JM

RBR/Miller Kaplan Market sell-out percentage report

	1999	1998
Feb15	75.8%	78.8%
March	61.4%	60.0%
April	32.6%	32.3%

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Low power FM continued from p.3

Although Kennard was preaching to the choir, he did get one question about concerns that LPFM might increase interference in the FM band. "We are not going to do anything to degrade the FM band. My job as Chairman of the FCC is to protect the radio spectrum from harmful interference."—JA, JM

Do Kennard's arguments make sense? RBR's editors analyze the claims of LPFM proponents. Pages 6-7.

DG Systems and Cumulus sign networking deal

Cumulus Media (O:CMLS) has signed a one-year deal with DG Systems (O:DGIT) to provide two-way audio capability for its 212 stations. While DG is well known for spot delivery, the recent purchase (*RBR* 9/28/98, p. 2) of previous competitor Digital Courier International (DCI) also sets Cumulus up with technology for its own audio intranet. DG Systems' two-way workstation will be used for the link-up, with Cumulus' Chattanooga production facility as the major distribution hub.

And to sweeten the deal: The two companies may explore joint development of future distribution systems, with DG integrating some of its technology into Cumulus' management and monitoring corporate intranet, which was developed in-house.—CM

FCC takes action on ad agency bias report

Following the recent release of the FCC's report on possible ad agency bias (*RBR* 2/8, p. AB1) against minority-owned/formatted stations, FCC Chair **Bill Kennard**, FTC Commissioner **Mozelle Thompson**, Reps. **Carolyn Kirkpatrick** (D-MI) and **Robert Menendez** (D-NJ) and American Advertising Federation (AAF) President **Wally Snyder** plan to "announce steps to increase minority opportunities in advertising" today (2/22) at a New York luncheon.

The luncheon is part of AAF's third annual "Building Bridges for Our Future" program, honoring the 25 most promising minority advertising students from colleges and universities around the country.

The ad bias agenda is a timely addition. "We are taking a hard look at the recommendations as presented in the bias study and on Monday we will

Small market owners see threat from LPFM

The FCC's proposed low-power FM (LPFM) service will allow possibly thousands of new FM stations with 10-watts to 1kw power. What's becoming apparent, though, is that few of the microradio stations can be shoe-horned into major markets (even with third- and maybe second-adjacent channel protections lifted). Rather, the smaller the market, the more LPFMs can and will be inserted.

Docket 80-90 also attempted to promote entrepreneurship and minority ownership, authorizing 2,500-3,000 new FMs that ended up hurting many medium- and small-market broadcasters, recalled **Cary Simpson**, President Allegheny Mountain Network and Chairman, RAB's Small Market Advisory Committee. "Louisville, KY and Atlantic City, NJ were the only communities of any size that got Docket 80-90 stations. I think what [LPFM] would amount to would be the same thing that would happen anytime competition comes in. This could adversely affect what, presumably, has been an important service—the hometown radio station," said Simpson. "I'm frustrated because the Commission is trying to solve problem A and the impact will be on none of the problem A areas. They are trying to solve a problem for minorities and churches that want to broadcast their services. For a very reasonable price, they can also broadcast on their hometown radio station. The Commission's zeal to allow entrepreneurs to enter the broadcast field ignores the fact that there are thousands and thousands of entrepreneurs who are already fully committed with their life savings in broadcasting stations in these small communities and they [the FCC] are just absolutely ignoring them and abusing them."

Carl Marcocci, Chairman, Music of Your Life Network and acting President, American Association of Independent Radio Stations (AAIRS) points to pirates in his market, who have already hurt independent broadcasters, as an example of what LPFM broadcasters may do. "I just recently sold an FM in Tampa to Mega Broadcast-

ing. Mega President **Alfredo Alonso** told me about his AM Spanish-Tropical station, also in Tampa, that the FM will most likely simulcast. He said when these Tampa pirates were getting well known, they were out on the street selling to his advertisers. He doesn't get top dollar, and they were making it worse for him. He said a different pirate in this market was also hurting a licensed AM Urban station. These pirates had frequencies that essentially would be comparable to what the low powered FM would be."

With current broadcasters barred from LPFM, Marcocci emphasized that it's the current independent and minority broadcasters who will feel the pinch, not the big group owners whose rates are untouchable for the advertisers LPFMs will target: "Alfredo and Mega Broadcasting, Carl Marcocci and the Music of Your Life guys, **Stevie Wonder** in L.A. and other Class A FM and AM broadcasters are just going to have a tougher time of it trying to survive. We independent guys can only get entry with the smaller kind of facilities. And all of a sudden the FCC's going to give a bunch of people FM facilities. What are those people going to do? They're not going to compete with Jacor or CBS, they're going to compete with us."

After years of campaigning for FM translators for AM daytimers, members of the American Community AM Broadcasters Association (ACAMBA) find themselves shut out of LPFM, with the prospect of many new competitors.

"They're going to offer amnesty to the pirates who agreed to shut down. Now that's a slap in the face to every broadcaster that has gone through the time, trouble, effort and expense of complying with all the rules and regulations that we have to comply with," said **Bryan Smeathers**, President, ACAMBA and WMTA-AM Central City, KY. "It's just not right—it's almost like they've gone off on the deep end. Docket 80-90 was one thing that contributed to the decline of AM radio—now this."—CM

present how we intend to proceed," according to a source inside the FCC.

Broadcasters ponder minority boost Major group owners are looking for ways to boost minority/female ownership by helping to fund new entrants, as suggested by Chancellor (O:AMFM) CEO **Jeff Marcus** at an FCC hearing (*RBR* 2/15, p. 5). A joint letter from CBS (N:CBS) CEO **Mel Karmazin** and Clear Channel (N:CCU)

CEO **Lowry Mays** has gone out to other major group heads, suggesting a meeting—top execs only—to discuss what might be done.—JA

Mancow, Enyart destroy OJ's auction items

Last week's auction of 70 **O.J. Simpson** memorabilia items (to help pay for the \$33.5M civil judgment) drew **Eric "Mancow" Muller** and

Hicks, Muse pulls out of oil deal

Wall Street Journal—Hicks, Muse, Tate & Furst pulled the plug on its planned \$250M investment in Coho Energy Inc. (O:COHO), backing away a bit from its plunge into the oil business and clouding the future of the small energy independent.

Coho's stock lost much of its value Friday (2/12), falling \$1.125, or 56%, to \$0.875 on the Nasdaq Stock Market.

In August, Hicks, Muse had said it would take major stakes in two oil companies, Coho and Triton Energy Inc., as part of a broader planned move into energy investments. After some delay, a Hicks, Muse-led \$350M investment in Triton closed in January, though industry experts say Hicks Muse dearly overpaid for its 37.3% stake.

Hicks, Muse originally intended to buy a 62% stake in Coho at a price of \$6 a share. The investment would have helped Coho reduce debt and acquire other struggling producers.

In December, Hicks, Muse said it wanted to renegotiate a new price of \$4 a share that would give it a 71% stake in Coho. But Thursday night, the firm called Coho to say the deal was off. "At the end of the day, Coho was not a company that Hicks, Muse wanted to invest in," said a Hicks, Muse spokesman.

Hicks, Muse partners will retain a personal stake of about 9% in Coho, representing an investment of about \$12M.

In November, an agreement for Hicks, Muse to pay \$860M for Pearson PLC's business-publishing unit fell apart after Hicks, Muse demanded a lower price. Also, Hicks, Muse-controlled Chancellor Media Corp. (O:AMFM) canceled a \$237M investment in Grupo Radio Centro (N:RC) of Mexico City in October.

Still, the Hicks Muse spokesman insisted, the cluster of failed deals is "certainly not a trend."

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controversial Denver Christian radio and public access cable host **Bob Enyart**. However, while they won the bidding, these items were not intended for display cases.

"I've purchased many celebrity items in the past, but never one that was destined for destruction the day it went on the auction block," said Mancow after offering the winning bid of \$3,250 on a

copper OJ sculpture that he will have melted down and sold in pieces to benefit the family of **Ronald Goldman**.

Meanwhile, Enyart paid \$16,000 for football jerseys and other items which he literally slashed and burned last Wednesday (2/17) outside the L.A. Courthouse where O.J. was found innocent in the criminal trial.—CM

Recruiting hot NTR category

Job recruiting is such a hot new revenue category for radio stations, that Revenue Development Systems (RDS) has begun tracking it separately. As the chart below shows, Recruiting had been a big part of Office, where RDS had it tallied previously, but really took off in January.

Non-Traditional Revenue Track

% of Vendor/New Business by Category
(January 1999)

	Aug	Sept	Oct	Nov	Dec	1998	Jan	YTD
Automotive	8.05	13.45	9.84	10.91	18.77	15.63	10.36	10.36
Food/Grocery	33.85	39.09	45.23	46.52	31.55	33.80	22.48	22.48
Leisure/Electronic	22.94	25.73	17.80	18.63	32.85	22.35	33.56	33.56
H&BC	13.50	7.06	13.39	3.99	7.64	9.00	7.62	7.62
Home Improvement	8.03	3.27	3.89	7.39	3.16	8.07	7.26	7.26
Office	12.74	11.40	8.66	7.92	4.37	8.63	2.42	2.42
Clothing	0.89	0.00	1.19	4.63	1.66	2.51	3.28	3.28
Recruiting	—	—	—	—	—	—	23.39	23.39

Source: Revenue Development Systems; based on revenues from 76 stations in 32 markets.

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The 12 myths of low-power FM

Low-power FM seems to have taken on a life of its own. Although it is now clear that creation of new, low-power classes of FM stations won't achieve the objectives that led FCC Chair Bill Kennard (D) to embrace the idea, the majority of commissioners are racing head-long to enact the new service.

Why? Other than scoring political points with the White House, there doesn't seem to be any reason for the LPFM frenzy.

RBR's editors have investigated each of the arguments put forth by proponents of LPFM. In each and every case, the claim is either wrong or simply a bad idea. Here, then, we expose and refute the 12 myths of LPFM.

1 LPFM will provide opportunities for women and minorities to become radio station owners.

Past court decisions have made it impossible for the FCC to set aside licenses for women or minorities. Also, under current law, if LPFM is made a commercial radio service, the FCC will have to auction the licenses. Even with existing broadcast owners barred from bidding (a guaranteed lawsuit, by the way), the top bidders for the most desirable licenses are likely to be expe-

rienced broadcasters who don't happen to be owners, with backing from well-heeled local investors. Those winning bidders could be females or minorities, but they could just as easily be white males.

Meanwhile, the licenses which could be had cheaply at auction are likely to prove a financial disaster for their "winning" bidders. Enthusiastic entrepreneurs with little cash, but lots of ambition, will find that the only one making any money from their LPFM venture is a bankruptcy attorney.

2 Creation of a new service by the FCC should not be taken as proof of financial viability, Chair Bill Kennard recently told RBR, but rather an opportunity for entrepreneurs to make their own determination as to whether it is a viable business.

"Let the buyer beware" may be appropriate for the cut-throat world of Wall Street, but don't citizens deserve better from their government? In fact, many people (however wrongly) view an FCC spectrum license as a government endorsement. Those of us with knowledge of FCC-regulated industries know the sad recent history—how the Commission's licensing of LPTV and wireless cable, along with early spectrum auctions for wireless data and PCS, served primarily to help fill bankruptcy court dockets in a time of economic prosperity.

3 Minorities and women have been frozen out of consolidation because Wall Street won't fund companies whose CEOs aren't white males.

Tell that to Cathy Hughes, Alfred Liggins, Raul Alarcon, Ross Love, Amador Bustos and Alfredo Alonso. Good operators are good operators. Wall Street loves good operators—entrepreneurs who can make 2+2 equal 5 and deliver on an aggressive business plan.

4 Consolidation has decreased program diversity.

This is the big lie that's been told over and over—and is regularly repeated as gospel in major newspaper articles extolling the virtues of "pirate radio" operators. In fact, consolidation has greatly increased program diversity. No longer is each market overrun with FMs butting heads to dominate

AC, Country or Rock. Instead, superduopoly owners have broadened their scope to include such new offerings as Smooth Jazz, Urban AC, Hot Talk, AAA and even Christian Country. Meanwhile, the growth in Spanish formats has been phenomenal, with fast-growing Hispanic groups snapping up stations to launch Tejano, Tropical, Spanish Talk and other new formats.

Commercial radio stations play only popular music.

5 OK, that one's not a myth. What is society supposed to gain from having new stations which will play unpopular music? Why are we expected to give a spot on the dial to every disenfranchised 22-year-old male (let's face it, there aren't very many female pirates) who wants to play the bands which he and his two closest friends think are great, but which everyone else thinks sound like sick cats running over hot coals?

6 LPFM won't increase interference in the FM band.

Unless the FCC has somehow been given authority to amend the laws of physics, eliminating third-adjacent channel (and perhaps second-adjacent as well) protection will, by definition, increase interference. To pretend otherwise is a bald-faced lie.

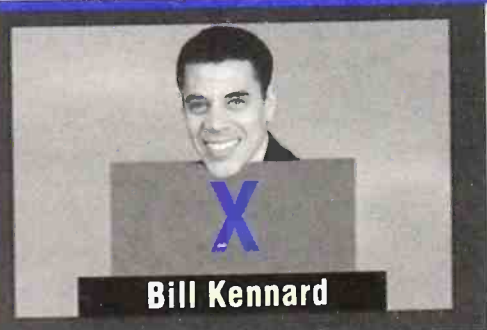
7 LPFM won't inhibit the implementation of DAB.

Maybe true, maybe not. The fact is, there is no FCC standard yet for IBOC DAB, so it is impossible to say whether or not the addition of thousands of LPFMs will make it more difficult to begin the conversion of US radio stations from analog to digital. For sure, though, struggling LPFM operators will complain loudly if they find that their nearly-new analog transmitters are obsolete and have to be replaced with digital equipment just a few years after going on the air.

8 Commercial LPFM won't hurt established broadcasters.

CBS, ABC, Clear Channel and other big companies probably don't have much to fear, but neighborhood stations selling "dollar-a-holler" spots could very well take away enough busi-

RBR presents The Beltway Squares Game



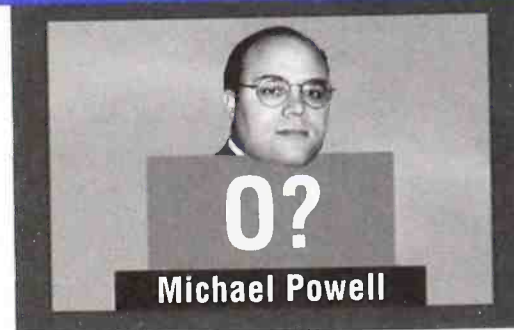
Bill Kennard

Will the pirates take Commissioner Susan Ness to win?



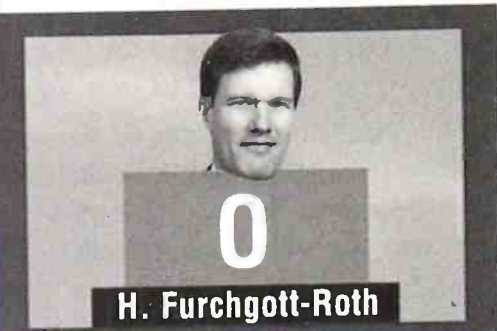
Susan Ness

This game appears to be down to the final square already, with Ness rather than Whoopi Goldberg in the center square



Michael Powell

Can the radio industry block by persuading Ness that LPFM will destroy FM?



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Gloria Tristani

ness to drive marginally profitable standalones into red ink. Those vulnerable medium and large market stations, by the way, are likely to be locally and/or minority owned.

In small markets, though, the threat is much greater. A county with only a couple of commercial stations could be inundated with four, six, even a dozen 1kw, 100-watt and 10-watt stations. Most would never come close to breaking even financially, even with mostly volunteer staffs, but would take away enough business from the existing stations to force them to abandon local news and programming to stay in business. Weekly rural newspapers would likely also be impacted and perhaps forced out of business.

9 *Non-commercial LPFM stations will be more likely than existing broadcasters to target their programming to minorities and the poor, downtrodden sectors of society.*

Why, then, do most existing non-commercial stations aim their programming at a predominantly white, high-income, highly-educated audience?

10 *Major ethnic groups in large cities have no voice on the airwaves.*

Just what major ethnic groups exist which are large enough to support an LPFM (either via advertising or donations), yet
2/22/99 RBR

have no current radio service? Every major city we know of has at least one block-programmed station (some cities have several) which sells time to local entrepreneurs who produce very local programming in their native language for their own ethnic community. The largest ethnic groups already have full-time stations broadcasting in their language, such as the Korean and Spanish stations in RBR's home market, Washington, DC (there even used to be a full-time Arabic station).

Many ethnic groups are too scattered over a metro to be covered by a single LPFM, so they could face the prospect of trading block-programming which is broadcast to their entire community a few hours each week for full-time broadcasting to only a portion of their community.

Suppose, for the sake of argument, that many of the most desirable LPFM licenses in major markets do end up in the hands of minority entrepreneurs. Their business plan won't be to take ad revenues away from CBS and ABC, but rather from existing broadcasters who are already serving their community. How many of DC's three Spanish AMs (plus a 4th simulcast) could survive competition from a couple of well-placed 1kw FMs? We're all for competition, but what social agenda is served by having one

minority entrepreneur put another out of business?

11 *The FCC can and will enforce its rules as strictly for LPFM as for full-power broadcasters.*

Has Bill Kennard perfected cloning? Where will he get the manpower to deal with a deluge of new stations that will make Docket 80-90 seem like a garden party, by comparison? The pressure from Capitol Hill in recent years has been to reduce the FCC staff, not expand it.

12 *LPFM will do away with the pirate problem.*

Quite the contrary, we expect to see pirates emboldened by the proliferation of new LPFM stations. They'll figure the FCC is going to be too busy dealing with all of the new stations to even notice an unlicensed station thrown into the mix—and they'll probably be right.

Pirates are, by definition, scoundrels, so many won't even bother to apply for a real LPFM license, which would require them to operate on a specific frequency at a specific power and comply with the FCC's rules. Those who do apply, but don't win a license, may well go back to their pirate ways.

by Jim Allen

How did Radio One's garden grow? The apple doesn't fall far from the tree

Announcing acquisitions of WDYL-FM Richmond and WENZ-FM & WERE-AM Cleveland on consecutive days this month. (RBR 2/15 p. 12 & 13) Radio One Inc. further secured its distinction as the largest and fastest growing African-American-owned broadcasting company in the country and solidified its position in the industry top twenty.

The company, which was founded and now chaired by female ownership pioneer **Cathy Liggins Hughes**, is run by Hughes' 34 year old son **Alfred Liggins, III**, who is President and CEO. Hughes says of her Wharton MBA graduate son, "Alfred has been the growth of Radio One. He and I both decided that we did not want to jeopardize our future growth due to our inability to work out a transition of power between the two of us. My role now—I like to say, Alfred manages the company and I manage Alfred. My job's tougher."

If the 1998 numbers put up by Hughes and Liggins' Lanham, MD-based (DC Metro) Radio One (see chart page?) are any indication of Liggins' ability to "manage the company," mom can relax. Broadcast cash flow was up 60% (\$21.6M) over 1997 and after-tax cash flow was up a whopping 248.3% (\$7.7M).

With its recent acquisitions, Urban specialist Radio One now lists twenty broadcast holdings (see map pg.?) and is poised to launch an IPO "sometime this year," according to Liggins.



"...we're a worthy investment vehicle"

Hughes says she initially had concerns about going public and maintaining the "family feel" of their company.

"Preparing for this, I have been doing extensive reading on how the Japanese run their companies and Sony is run as a family. I doubt if Radio One will be as large as Sony in my lifetime, so we can do it. The Japanese have been able to perfect this all inclusive family-work atmosphere, regardless of the size of the company. It gives employees additional reasons to come to work. It

gives them pride of authorship. It ties them into stock options. It makes them a part of the company, so it's just not just a group of individuals or statistics," said Hughes.

Under Liggins leadership the company has gone in a few short years from owning 1kw flagship WOL-AM Washington (which Hughes purchased in 1980) to owning stations up and down the east coast and now spreading westward. Radio One recently made equity investments in USA Digital Radio ("USADR"), a developer and marketer of IBOC digital audio broadcasting technology and PNE Media, LLC, a privately-held outdoor advertising company.

Radio One has also cut a deal with XM Radio and BET to provide Urban and Talk programming for satellite-to-car Digital Audio Broadcast (DAB) delivery. The DC-based XM Radio plans to launch its satellites and begin service delivery in the year 2000.

Perhaps Radio One's approximately 400-person payroll should be thankful that Liggins' changed his mind about taking up the family trade. After attending UCLA Liggins decided he wanted to go into the record business and did for a while. "But once he was bitten by the [Radio] bug he took to it like a duck to water," said Hughes.

Liggins became GM of Radio One in 1987, at age 22, and since then he and Hughes have forged a business partnership which promises to move their company ever closer to the frontlines of ownership and keeps

alive the adage that "the apple doesn't fall far from the tree." Liggins did a little Q & A with RBR on Radio One's present and future growth.

How important is your upcoming IPO to your continued growth?

Actually, none of the acquisitions that we have announced are contingent upon doing our IPO. Our company has grown pretty rapidly and our general cash flow is growing very fast so we're able to close on a lot these acquisitions based on our internal cash flow. But in addition, we've had the benefit of having about nine venture capital partners. So, we have a lot of private equity that's already invested in the company and if we need it to do a private placement in order to get these stations closed we have that available to us just with the people who already invest in the company.

BET's Bob Johnson is wanting to take his company back private now, does that give you pause?

Our cash flow is growing a lot faster than BET's cash flow. Bob, I think, felt he didn't get a fair multiple from the public market and we believe that we will. It's our job to convince the public markets that we're a worthy investment vehicle.

What criteria do you apply in choosing markets?

We look to acquire stations in the top thirty African-American markets essentially. For example, we just acquired the Clear Channel stations in Cleveland. Cleveland is a very desirable market for us and we've been looking to get in there for quite some time.

You have now started to diversify, what is your strategy?

XM is a new technology, satellite-delivered mobile radio. We're going to be the Urban radio program provider. It's just a natural extension of what we do and we essentially are trying to get ahead of the technology curve.

USADR is a company that is trying



Radio One Founder & Chair Cathy Hughes and son Pres & CEO Alfred Liggins III

**Radio One Inc.
1998 financial results**
(all \$ in millions)

Category	1998 total	Gain
Net revenues	\$46.1	42.3%
Broadcast cash flow	\$21.6	60.0%
Operating cash flow	\$18.8	64.9%
Net income	\$0.8	N/A*
After-tax cash flow	\$7.7	248.3%

*Radio One had a net loss of \$4.9M for 1997

Margins	1998	1997
Broadcast cash flow	46.9%	41.8%
Operating cash flow	40.8%	35.1%

Source: Radio One "News Release" 2/10/99

to become the standard for In-band, On-Channel (IBOC) terrestrial digital radio. It made sense for us to make a bet and take a place in that venture because it is the future of our industry.

The outdoor company that we made an investment in actually happens to overlap with a number of our key markets and we liked the management. The outdoor business is a great business and this is our way of learning more about it.

As an Urban specialist, talk about your choice to go Soft AC in Detroit.

We did a lot of research in the market and it said that Soft AC was the big gaping hole. There was essentially one AC, WNIC [-FM], the number one billing station in the marketplace. They had a 10 share 25-to-54, an 8 share 12-plus and billings of \$24M a year. There are four Urban radio stations in Detroit already. We could either be a fifth Urban radio station or we could be the second AC. The choice was simple. We are here to

enhance shareholder value and that made all the sense in the world.

We also had the internal expertise to do it. Our chief operating officer, **Mary Catherine Sneed**, has an extensive background in Adult Contemporary radio and we are utilizing a consultant, **Alan Sneed**, who is very familiar with it as well.

We will always consider other formats in markets where there is a strong Urban presence and where another format presents a better opportunity.

There is an idea afloat to create a fund to support new minority entrants into broadcasting. What do you think of the concept?

Prices are so high now that it is very difficult for new entrants to get into the marketplace. We are fortunate in that we don't really need access to funds because we have access to public and private capital. What we need are the station opportunities. Like the Jacor Cleveland spin-offs, which are a great opportunity for us

but certainly we are being held to a similar standard as the other companies that they are selling to. They absolutely want to close; they want assurances you are going to be able to get it done; and they are pressing a little harder than their normal deal because they don't want to hold up their \$5B Jacor merger. I think they absolutely made an effort to sell stations to minorities and I also believe that they have taken less money for some of these stations in order to sell to minorities. But, given that, they still want to make sure that the deal closes. I think they are to be commended.

What are your five and ten-year projections for Radio One?

The five year projection is Radio One will be a \$4B company. Ten years? It's hard for me to see that far, but I'll say in ten years we will be a multi-platformed, diversified media company. Meaning that you will see us in outdoor, continue to see us grow in radio, and maybe into television by then.

Radio One's Market

- St. Louis, MO**
WFUN-FM
- Detroit, MI**
WCHB-AM
WDTJ-FM
WJZZ-FM
WWBR-FM
- Cleveland, OH**
WENZ-FM
WERE-AM
- Philadelphia, PA**
WPHI-FM
- Baltimore, MD**
WERQ-FM
WOLB-AM
WWIN-AM/FM
- Washington, DC**
WOL-AM (flagship)
WMMJ-FM
WKYS-FM
WYCB-AM
- Richmond, VA**
WDYL-FM
- Atlanta, GA**
WHTA-FM
WTHA-FM
FM CP

Radio One's Lanham, MD headquarters

BROADCAST INVESTMENTS™

February 17—RBR Stock Index 1999

Company	Mkt:Symbol	2/10 Close	2/17 Close	Net Chg	Pct Chg	2/17 Vol (00)	Company	Mkt:Symbol	2/10 Close	2/17 Close	Net Chg	Pct Chg	2/17 Vol (00)
Ackerley	N:AK	17.187	17.250	0.063	0.37%	49	Heftel Bcg.	O:HBCCA	44.000	43.500	-0.500	-1.14%	804
Alliance Bcg.	O:RADO	1.125	1.031	-0.094	-8.36%	38	Infinity	N:INF	25.687	25.500	-0.187	-0.73%	3839
Am. Tower	N:AMT	24.875	25.625	0.750	3.02%	4685	Jacor	O:JCOR	68.000	68.750	0.750	1.10%	3226
AMSC	O:SKYC	4.437	4.250	-0.187	-4.21%	76	Jeff-Pilot	N:JP	66.875	66.125	-0.750	-1.12%	2061
Belo Corp.	N:BLC	18.187	16.375	-1.812	-9.96%	2671	Jones Intercable	O:JOINA	37.875	37.500	-0.375	-0.99%	387
Big City Radio	A:YFM	5.187	4.750	-0.437	-8.42%	16	Metro Networks	O:MTNT	49.875	49.500	-0.375	-0.75%	208
Broadcast.com	O:BCST	62.250	58.187	-4.063	-6.53%	11751	NBG Radio Nets	O:NSBD	3.875	3.375	-0.500	-12.90%	114
Capstar	N:CRB	22.812	21.812	-1.000	-4.38%	1655	New York Times	N:NYT	31.875	31.750	-0.125	-0.39%	6645
CBS Corp.	N:CBS	35.187	37.062	1.875	5.33%	24011	OmniAmerica	O:XMIT	26.625	27.250	0.625	2.35%	78
CD Radio	O:CDRD	25.062	23.125	-1.937	-7.73%	973	Otter Tail Power	O:OTTR	39.000	36.000	-3.000	-7.69%	91
Meridian	N:CEN	72.875	73.625	0.750	1.03%	1638	Pacific R&E	A:PXE	1.750	1.750	0.000	0.00%	0
Chancellor	O:AMFM	49.375	48.000	-1.375	-2.78%	10974	Pulitzer	N:PTZ	82.500	81.562	-0.938	-1.14%	353
Citadel	O:CITC	25.750	25.500	-0.250	-0.97%	1652	RealNetworks	O:RNWK	59.187	60.062	0.875	1.48%	3594
Clear Channel	N:CCU	58.312	59.312	1.000	1.71%	13324	Regent Pfd.	O:RGCI	5.750	5.000	-0.750	-13.04%	0
Cox Radio	N:CXR	45.500	42.187	-3.313	-7.28%	407	Saga Commun.	A:SGA	18.875	17.750	-1.125	-5.96%	6
Crown Castle	O:TWRS	21.000	18.375	-2.625	-12.50%	284	Sinclair	O:SBGI	13.500	13.562	0.062	0.46%	5322
Cumulus	O:CMLS	15.250	15.125	-0.125	-0.82%	44	SportsLine USA	O:SPLN	34.875	40.000	5.125	14.70%	3282
DG Systems	O:DGIT	5.750	5.500	-0.250	-4.35%	676	TM Century	O:TMCI	0.687	1.000	0.313	45.56%	8
Disney	N:DIS	34.062	34.937	0.875	2.57%	42943	Triangle	O:GAAY	0.012	0.012	0.000	0.00%	2305
Emmis	O:EMMS	44.531	43.000	-1.531	-3.44%	393	Triathlon	O:TBCOA	11.562	11.687	0.125	1.08%	2
Entercom	N:ETM	28.937	30.000	1.063	3.67%	940	Tribune	N:TRB	63.562	65.250	1.688	2.66%	2350
Fisher	O:FSCI	62.750	62.500	-0.250	-0.40%	3	WestTower	A:WTW	29.062	27.750	-1.312	-4.51%	49
Gaylord	N:GET	28.875	25.125	-3.750	-12.99%	1213	Westwood One	N:WON	25.000	24.687	-0.313	-1.25%	190
Granite	O:GBTVK	6.875	7.000	0.125	1.82%	271	WinStar Comm.	O:WCII	36.437	33.750	-2.687	-7.37%	8845
Harris Corp.	N:HRS	35.312	34.250	-1.062	-3.01%	3539							

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FRANCIS L'ESPERANCE
Managing Director
 lesperancef@vsacomm.com



Malrite Communications Group, Inc.

WOIO-TV, Cleveland, Ohio
 WUAB-TV (LMA), Cleveland, Ohio
 WXIX-TV, Cincinnati, Ohio
 WFLX-TV, West Palm Beach, Florida
 WNWO-TV, Toledo, Ohio
 WLII-TV, Puerto Rico
 WSUR-TV, Puerto Rico

has been acquired by

Raycom Media, Inc.

The undersigned acted as financial advisor to
 Malrite Communications Group, Inc.
 in this transaction.

September 1998

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by Jack Messmer

Capstar adds in Harrisburg

The fate of its merger partner may be in doubt, but that isn't stopping Capstar (N:CRB) from buying more stations while waiting to find out whether Chancellor Media (O:AMFM) is sold—and to whom. Capstar is adding two more FMs to its current combo in the Pennsylvania capital. It'll pay \$15M for WTPA-FM & WNCE-

FM Harrisburg, currently owned by Quaker State Broadcasting Corp.

Jim Shea, President of Atlantic Star, Capstar's northeastern division, says **Michael Brandon** will stay on to manage AOR WTPA and Easy WNCE. **Ron Giovanniello** will continue to manage Urban AC WTCY-AM and CHR WNNK-FM. Broker: Jeffery Group

WLVG skips to Liu

Gary Starr is selling his last station, WLVG-FM Long Island, NY, to **Carl Liu's** Beacon Media Group. First though, Liu will LMA the station for at least a year, but no more than three years. If the actual sale closes after the first year, the price will be \$3M, after the second year \$3.25M, and at the end of the three years \$3.5M.

Liu recently sold his only station, WJHR-AM Flemington, NJ, for \$1.4M

to Multicultural Broadcasting, owned by his father, **Arthur Liu** (RBR 8/17/98). Broker: **William B. Schutz Jr.**

Clear Channel acquiring WYCL

If you thought Clear Channel (N:CCU) already owned WYCL-FM Pensacola, FL and that Paxson Communications (A:PAX) no longer owned a radio station, think again. WYCL was separated from the rest of Clear Channel's 1997 deal to buy the entire Paxson

radio group for \$629M while Clear Channel sorted out signal overlaps in the adjacent Mobile, AL market. Clear Channel is now exercising an option to buy the station for \$2M and has asked the FCC for a waiver of the one-to-a-market rule, since Clear Channel owns WPMI-TV (Ch. 15, Fox) Mobile.

Wilks into Worcester

Jeff Wilks is again a group owner, adding WQVR-FM Worcester, MA for \$3.3M. The tower was recently moved to give the Class A full city-grade coverage of Worcester (city of license is Southbridge). The calls of Wilks' soon-to-sign on FM CP in Gainesville, FL—WWFX "the Fox"—are being moved to the Massachusetts station and it's now Classic Hits under an LMA.

Regent sells WSSP

Terry Jacobs' Regent Communications (O:RGCI) is tidying up its station portfolio by selling WSSP-FM Charleston, SC to **Mark Jorgenson's** Concord Media Group for \$1.6M. Regent sold its other Charleston stations to Jacor (O:JCOR) a year and a half ago.

Broker update

- **Dave Garland** of Dave Garland Media Brokerage represented Faith Broadcasting LP in its \$6M sale of KYOK-AM Houston to ABC Radio (RBR 2/15, p. 13).
- The broker for Coast Radio's sale of WCOA-AM & WWRO-FM Pensacola (RBR 2/15, p. 13) to Cumulus (O:CMLS) for \$9M was **George Reed**, Media Services Group.
- Veteran GM and former station owner **Eddie Esserman** has joined Media Services Group as an associate in the brokerage firm's southeast office.

Clear Channel breaks records

Clear Channel Communications (N:CCU) posted new records in its 1998 earnings report. Gross revenues rose 93% to \$1.52B, broadcast cash flow also rose 93% to \$583.7M. CEO **Lowry Mays'** favorite barometer, after-tax cash flow, rose 97% to \$419.7M. Net income, however, declined 15% to \$54M.

Christopher T. Dahl, Chairman of
Children's Broadcasting Company

has agreed to transfer the assets of

KAHZ-AM Dallas, TX
WJDM-AM New York, NY
KIDR-AM Phoenix, AZ

for

\$29,250,000

to

Andrew Goldman of
Radio Unica

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due to expenses associated with the company's acquisitions.

Cumulus doubles margins

Cumulus Media (O:CMLS) is posting proof of the performance of its small market superduopoly strategy. For Q4, the company's cash flow margin was 31.2%—not yet to the 40%+ margins of major market giants, but nearly double Cumulus' 15.3% margin of a year ago.

For all of 1998, Cumulus' net revenues were \$98.8M, compared to \$9.2M for its previous partial year of slightly over seven months. Broadcast cash flow was \$26.6M, compared to \$2M for the partial year.

Tribune raises dividend

Tribune Co.'s (N:TRB) raised the company's quarterly dividend by a penny, to 18 cents per share. The dividend will be paid March 11 to shareholders of record as of Feb. 26.

Focusing on radio

Greater Media announced the sale of its last cable TV systems—Worcester, MA to Charter Communications and Philadelphia to Comcast Corp. **Frank Kabela**, president, said Greater Media will now focus on its radio and newspaper groups, with a view toward expanding both.

VS&A raises \$1B

Veronis, Suhler & Associates has closed on \$1B in funding for its latest media buyout fund, VS&A Communications Partners III LP.

Pinnacle IPO on again

Pinnacle Holdings was back on Wall Street's calendar for IPO pricing last week, after disappearing from the calendar in late January (RBR 2/8, p. 6). The tower company's offering has been increased to 20M shares, with pricing expected in the \$14-16 range. Lead underwriter: BT Alex. Brown

Partners on the Net

SportsLine USA (O:SPLN), publisher of cbs.sportsline.com, has a deal to provide private label sports content to InfoSpace.com (O:INSP) and its 1,500 affiliate Internet sites. SportsLine will also have exclusive rights to sell advertising on the new service and sell sports merchandise and collectibles.

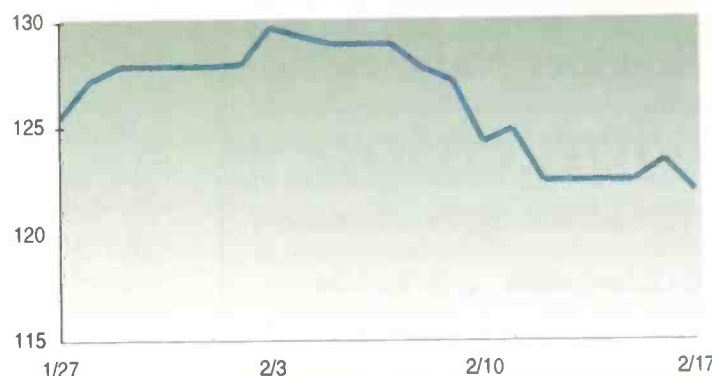
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The Radio Index™

RADIO BUSINESS REPORT
VOICE OF THE RADIO BROADCASTING INDUSTRY

THE WALL STREET JOURNAL
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Radio stock prices have been falling steadily since The Radio Index™ hit a record high of 129.75 on 2/3. The barometer of radio stocks closed at 121.94 on 2/17, down 2.35 from a week earlier.



OmniAmerica cash flow up 32%

OmniAmerica (O:XMIT), which has a deal pending to merge with American Tower (N:AMT), reported that revenues rose 23.2% to \$20.7M for its fiscal Q2, which ended 12/31/98. Cash flow (EBITDA), excluding merger-related charges, rose 31.9% to \$4.1M. After-tax cash flow increased 16.5% to \$2.5M.

"The gains OmniAmerica made in EBITDA and after-tax cash flow are

consistent with the paradigm shift we initiated last year from a service-oriented business to one that is becoming asset-based," said CEO **Carl Hirsch**. "As we approach completion of our merger with American Tower Corporation, OmniAmerica is in the best condition in its history, which bodes well for the combined company, both operationally and financially."

For more on the American Tower-OmniAmerica merger, see page 15.

WestTower gains make 1998 tower over '97

WestTower Corp. (A:WTW) had revenues of \$25M for its fiscal Q1, which ended 12/31/98, up 109% from a year ago. Cash flow (EBITDA) gained 66.7% to \$2.5M.

American Capital Strategies

has invested

\$15,000,000

senior subordinated debt in

Centennial Broadcasting, LLC

Don Bussell assisted Centennial Broadcasting
in this transaction.

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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.

\$14,500,000—WKOX-AM Boston (Framingham MA) from Fairbanks Communications Inc. (Richard Fairbanks) to WKOX FCC License Subsidiary LLC, a subsidiary of B-Mass Holding Co. (George Vandeman and Edward and Judith Karlik). \$5M in cash at closing, additional \$9.5M upon FCC grant of a major modification to change city of license and increase power to 50kw, provided that the approval comes within two years after closing.

\$8,700,000—* KJOX-AM, KXDD-FM & KHHK-FM Yakima (Selah-Yakima WA) from Butterfield Broadcasting Corp. (David Hartman, Gregory Smith, Sol Tacher, Robert Powers) to New Northwest Broadcasters II Inc. (18.73% Michael O'Shea, 18.73% Ivan Braiker, 49.9% Key Equity Capital Corp., 9.24% Northwest Capital Appreciation Inc.). \$870K escrow, balance in cash at closing. **Superduopoly** with KBBO-AM, KRSE-FM & KARY-FM. LMA since 12/11/98. Note: An application on Form 315 has been filed to change the ownership of a related company, New Northwest Broadcasters Inc., to a similar, but not identical, structure.

\$850,000—* WIFL-FM CP (96.9 mHz) Florida Keys (Tavernier FL) from Kulisky Broadcasting Inc. (Linda & Frank Kulisky) to Clear Channel Broadcasting Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). \$849,900 in cash at closing, additional \$100 under non-compete agreement. **Superduopoly** with WFKZ-FM & WCTH-FM Plantation Key, plus WINZ-AM & WIOD-AM Miami. No contour overlap with Clear Channel's other stations in the Keys.

\$190,527—KQIK-AM & FM Lakeview OR from New Start Enterprises Inc. (Arthur L. Collins) to Clause Charitable Remainder Trust (Donald W. & Beverly J. Clause). Transfer for cancellation of promissory note.

\$142,000—KKOL-FM Hampton AR from PS Broadcasting Partnership (Fortino Carillo) to PGR Communications Inc. (Phil

& Grace Robken). \$5K escrow, balance in cash at closing.

\$140,000—WTZY-AM Fairview NC from John W. McLeod to WTZY-AM Inc. (Edward F. Seeger, James C. Fort). \$15K escrow, additional \$65K in cash at closing, \$60K note. Combo with WMXT-FM Pamplico SC. LMA since 9/1/98.

\$125,000—KNYN-FM Fort Bridger WY from L. Topaz Enterprises Inc. (Dale A. Ganske) to M. Kent Frandsen. \$125K cash.

\$75,000—* WVLR-AM Roanoke (Moneta VA) from JLR Communications Inc. (Diane Newman) to Perception Media Group Inc. (Ben M. Peyton). \$3K downpayment, additional \$72K in cash at closing. **Duopoly** with WWR-AM.

\$50,000—* KWNC-AM Quincy WA from Jack Rabbit Broadcasting Co. Inc. (Charles & Gaynelle Fournier) to Westcoast Broadcasting Co. Inc. (James Wallace Jr., John Wallace). \$20K loan until closing, loan cancellation and additional \$30K at closing. **duopoly** with KPQ-AM & FM Wenatchee WA. LMA since 9/10/98.

\$40,000—WTAN-AM Tampa-St. Petersburg (Clearwater FL), 50% stock interest in Drenik Communications Inc. from George Bouris to Wagenvoord Advertising Group Inc. (David Wagenvoord). Sale of interest to debt holder in settlement of ongoing bankruptcy court litigation.

\$1—WYGG-FM Monmouth-Ocean Counties (Asbury Park NJ) from Evangelical Crusade of Fishers of Men Inc. (Rev. Dr. Philius Nicolas) to Minority Business and Housing Development Inc. (Abner Louima, Wilner Paul, Martine Alisca). \$1 cash.

N/A—KVVQ-AM & KHDR-FM Victorville-Hesperia CA, transfer of control resulting from conversion of a 53.51% non-voting interest to voting. After conversion, Tele-Media Company of Southern California LLC and its parent company will be owned 53.51% by Pacesetter Growth Fund, an investment fund controlled by Thomas C. Geron, Divakar R. Kamath and Donald R. Lawhorne, and 46.49% by Tele-Media Broadcasting LLC, owned 38.75% each by Robert E. Tudek and Everett I. Mundy, and 7.5% each by Frank R. Vicente, Douglas F. Best and Ira D. Rosenblatt. This is the same ownership proposed for the pending purchases of stations in California and New York.

Cumulus creates tower subsidiary

Cumulus Media (O:CMLS) is taking a serious approach to leasing space on its towers, establishing a subsidiary to deal specifically with tower leasing and hiring a wireless industry veteran to manage it.

The new unit, named Cumulus Wireless Services Inc., is headed by VP/GM **Jeffrey Roznowski**, formerly Director of Operations for Ameritech (N:AIT) Cellular and Paging Services in Wisconsin. He'll market and manage space on the 194 towers that Cumulus owns, plus those it acquires.

"We will pursue a co-location strategy, inviting wireless services companies who are just now planning

build-outs in our markets to join us on our radio towers, rather than build their own," said **Richard Weening**, Executive Chairman, Cumulus.

Cumulus currently has broadcast towers in 40 markets in 21 states.

RBR observation: Many radio groups are sitting on a potential gold mine and may not know it. Over the years, we've seen a few listings of tower tenants come through the FCC with station sales filings and have been amazed at the number of users on radio towers in some remote locations—telephone companies, lots of federal agencies (some, such as the FBI and Secret Service require nationwide coverage, even if that

means that some relay transmitters are seldom if ever used), Motorola's vast two-way network for business users, taxi companies and numerous other government and corporate clients. Now, the explosion of new wireless services has greatly increased demand for space that was once plentiful.

It behooves every radio company that owns towers to assess whether it is maximizing its return from leased space. Some may want to take Cumulus' approach of establishing an in-house leasing subsidiary, while others may find it advantageous to partner with one of the companies whose only business is owning and managing towers. Continuing to handle tower space leasing on an ad-hoc basis hardly seems prudent unless you already have your towers filled to capacity at the highest rates possible.—JM

Nextel sells towers

Nextel Communications (O:NXTL) is getting out of the tower business to focus on its main business—cellular communications for business clients. SpectraSite Communications is paying \$560M for Nextel's nationwide network of 2,000+ wireless towers and will then lease space to Nextel and other wireless companies. SpectraSite also has contracts to build 1,700 additional towers for Nextel over the next five years. The deal also calls for Nextel to own a 17% stake in SpectraSite. CIBC Oppenheimer and CS First Boston will be co-leads for \$550M in senior financing for SpectraSite. **Broker:** BT Alex. Brown

WesTower adds 91

WesTower (A:WTW) acquired 91 towers in Texas, Louisiana and Mississippi from Koch Industries. Koch will continue to be a primary user of the towers, which carry the microwave network for operation of Koch's pipeline systems. WesTower will own, operate and manage the towers, leasing them to Koch and other users.

"We take the fact that Koch is comfortable turning over the management of its critical microwave sites to us as a strong compliment to our professional tower management capabilities," said **Calvin Payne**, CEO, WesTower.

The new, bigger American Tower

American Tower (N:AMT) is preparing to close deals which will merge in OmniAmerica (O:XMIT) and Telecom Towers. OmniAmerica's largest shareholder is Hicks, Muse, Tate and Furst and Telecom Towers' is Cox Enterprises, which also controls Cox Radio (N:CXR). Here's what American Tower's management and ownership will look like (— indicates less than 1%) after the mergers close:

Officers/shareholders	Number of shares	% equity	Voting power
Steve Dodge , CEO*	6,614,460	5.07%	30.08%
Thomas Stoner, chair, exec. cmte.*	1,398,487	1.08%	6.60%
Alan Box , Exec. VP	937,084	—	—
Arnold Chavkin , director	—	6.01%	2.30%
Note: Chavkin represents owners CEA & Chase Capital			
CEA	3,028,919		
Chase Capital	4,740,573		
James Eisenstein , Exec. VP	279,984	—	—
J. Michael Gearon , Jr., Exec. VP	4,021,328	3.10%	1.94%
Fred Lummis , former executive	1,496,748	1.15%	—
Randall Mays , director	—	6.96%	4.35%
Note: Mays represents owner Clear Channel Communications			
Clear Channel Communications	9,019,717		
Doug Wiest , COO	83,557	—	—
Maggie Wilderotter , director	—	—	—
Joseph Winn , CFO*	417,826	—	1.71%
Jack Furst , director	19,364	5.65%	3.52%
Note: Furst represents Hicks, Muse, Tate & Furst's HMTF/Omni Partners LP			
HMTF Omni Partners LP	7,313,692		
Dean Eisner , director	—	1.62%	1.01%
Note: Eisner represents Cox Enterprises			
Cox Enterprises	2,094,440		
Tom Hicks , no corporate position	26,853	5.67%	3.54%
Note: Hicks holds voting control of HMTF/Omni Partners LP			
HMTF Omni Partners LP (as above)	7,313,692		

* Dodge, Stoner & Winn own 82% of American Tower's super-voting Class B shares
Source: American Tower Corp. prospectus, 1/15/99

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