Radio Business Report™

Voice Of The Radio Broadcasting Industry®

December 25, 2000 — Volume 17, Issue 52

RADIO NEWS

RADIO ADBIZ

YEAR IN REVIEW

MEDIA MARKETS & MONEY

Ness is back

Even though there was an unspoken understanding that Democrats would not try to make any "recess appointments," President **Bill Clinton** appointed FCC Commissioner **Susan Ness** to a recess term

of about a year. Clinton renominated Ness at the completion her first five-year term 6/30/99, but the Senate never voted on the nomination. **Eddie Fritts**, President/CEO of the NAB, said that he looks forward to Ness' support when it comes to the digital television transition.

***RBR* observation**: With all of the talk of healing the nation's partisan divide, this recess appointment does nothing good to mend the tear. That said, we will give Ness credit for having a better understanding of broadcast issues than some of her colleagues.—ED

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Radio News®

Stern stays with Infinity

After months of speculation that he could be signed with another syndicator, morning legend **Howard Stern** signed a new five-year deal with Infinity 12/14. It has been reported in *The New York Post* and Drudge.com that the figure is a cool $100M. The announcement was made 12/15 on his show, with Viacom President and Infinity CEO **Mel Karmazin** and Stern's agent **Don Buchwald** present.

Stern's current five year contract was set to expire at the end of this year, so this one was signed almost down to the wire. "It was beyond an 11th hour decision to do it, and all the people connected with the negotiations are fully aware of that," Buchwald tells *RBR*. "I'm very pleased that the deal is done. We've enjoyed a terrific relationship with Mel Karmazin over many, many years—Howard certainly has—and I think that we've all been supportive of each other and we work very well with each other."

Some of us wondered if there was to be a new deal at all for the "King of All Media," with some of Stern's comments of late, including he was "finished in radio." Additionally, ratings and TSL on some of his 50+ affiliates had been suffering—down over 10% in the Big Apple since '98; 20% in LA.

Nevertheless, revenues Stern brings to Infinity must have been worth it—while Buchwald would not confirm the value of the contract, if the $100M rumors are correct, he's earning $2M more a year vs. the previous $18M per year deal.—CM

LPFM-lite likely law

Well, we have waited for a long time to find out what the fate is of LPFM. So here it is: After a great lobbying effort on behalf of the NAB, the Sen. **Rod Grams**' (R-MN) bill (to retain third adjacent channel protection and require more testing for LPFM station) was passed 12/15 as a rider to the appropriations bill for the departments of State, Justice and Commerce. President **Bill Clinton** is expected to sign the bill shortly, after negotiating a compromise with Republicans on the last appropriations bills. NAB president/CEO **Eddie Fritts** said "We are pleased that Congress has protected radio listeners against additional interference that would have been caused by the FCC low-power FM radio initiative."

In a related story, the FCC also issued a notice that it will be opening the third window (1/16-1/22) for LPFM license filing. Wannabe broadcasters in American Samoa, Colorado, Delaware, Hawaii, Idaho, Missouri, New York, Ohio, South Carolina, South Dakota and Wisconsin will have their chance to submit applications. We are still waiting for an answer from the FCC as to the fate of this window and the existing applications filed in the first two windows.—ED

Bye-bye free air time

During the craziest election that we have seen in recent history, radio played a key role in both political advertising and up-to-the-minute updates. Politicians began to turn to public radio stations for free airtime, for the first time, making National Public Radio very nervous. Even though the 1996 Telecommunications Act includes a provision to require public radio to offer free airtime to candidates, these stations were often overlooked as a good place to advertise. When these stations were contacted this year, National Public Radio feared that if they denied the requests for time, they could have their licenses revoked. They no longer need to live in fear. A rider in the appropriations bill for the departments of State, Justice and Commerce sponsored by Sen. **Ted Stevens** (R-AK) prevents the FCC from penalizing any public radio stations for denying airtime requests.—ED

de Castro may become a partner in SMR

Strategic Media Research, recently falling (*RBR* 11/6, p. 3) on troubled times, may have found an angel in former AMFM Radio President **Jimmy de Castro**. de Castro, now Ultimate Inc. (markets one-of-a-kind events and experiences with celebrities to corporations and individuals via partnerships with SFX Entertainment and International Management Group) CEO, could become a partner (or investor) with SMR founder and Chairman **Kurt Hanson**, *RBR* sources have said.

While not confirming or denying a done deal with de Castro, Hanson did say, "One of the options we are looking at is a management buyout, led by our client service VPs—that would be backed by radio industry entrepreneurs. And of course, that group would love it if Jimmy were one of them."

"He's trying to do a partnership with five or six broadcasters, he's asked me to try and help him out and I have gone through their whole process and set up a business model that would work for investors on a payback. But I don't think that the investors are committed at this point," de Castro tells *RBR*. "I know that he's had lots of dialogue and discussions with them. He kind of turned it over to two different management groups who took it in two different directions, got some venture money and really didn't do right for the business. They wasted a lot of money and got away from their core business, which was doing audience research. So now, he's got a group like **Frank Wood**, **Jeff Trumper**, a guy from Canada, [former AMFM exec. **David**] **Lebow**, and he's talked to [**David**] **Kantor** and myself, trying to help him out. Nothing has been finalized and determined. I think the next few days are going to be important."

Hanson told *RBR* in the 11/6 story he was resuming the Chairman title of the company, as part of a management reorganization that included the resignation of CEO **Deborah Richman**. Richman noted SMR's difficulties at the time: "In fact, this 'reinstatement' followed the resignation of the entire SMR Board of Directors (except for Hanson) after Chartwell Capital decided not to continue funding the business, citing an insufficient rate of ROI."

However, Hanson denies rumors that Chapter 11 is in the picture: "That is absolutely not true. Eight weeks ago, when we and Debbie Richman parted company, she wanted us to file Chapter 11. However, that isn't what we wanted to do."

As to de Castro's role at Ultimate Inc.: "It's challenging, it's new, but I'm having a lot of fun. The learning curve is spectacular, they've got some really good people. The original business model has some great characteristics and partnerships, but it wasn't really scalable. So I've had to change it a lot. I've got a bunch of the old AMFM superstars who have retired helping me."

Jimmy: is Ultimate Inc. able to arrange interviews and lunches with **Mel Karmazin** and **Lowry Mays**.—CM

Radio News®

News Analysis

Kennard's trying to pull a fast one

The FCC's Democratic majority (soon to be a minority) is trying to go out with a bang by changing the way the Commission defines local radio markets for purposes of calculating whether a proposed transaction complies with the local ownership rules.

The proposal *(RBR 12/18, p. 1)* would substitute Arbitron markets for the variable market definition based on contour overlaps that's been used since passage of the 1996 Telecommunications Act.

But wait, you say, how can the FCC change something that was written into law by the Congress and signed by the President?

It can't of course, but Chairman **Bill Kennard** (one of the lame-duck Democrats) thinks he's figured a way to get around that.

"In Section 202(b)(1) of the Telecommunications Act of 1996 ("1996 Act"), Congress directed the Commission to increase the number of stations in a market in which a party could have a cognizable ownership interest, providing that in the largest markets a single entity could own up to eight stations. The number of stations in which it could have such an interest would depend upon the number of commercial stations in the market. ***Our methods of defining a radio market and determining the number of stations in a market, however, were not altered by the 1996 Act or by our Orders implementing that statute."****—NPRM MM Doc. 00-244*

If Congress left the FCC's market definition method in place, then—the Chairman asserts—the FCC is free to do with the market definition whatever it wishes. This assertion—much like Kennard's claim that LPFM won't cause interference—is pure rubbish.

By requiring the Commission to modify its ownership limits using the market definition then in effect, Congress codified the market definition as well. The multi-tiered limits mandated by Congress were clearly tied to the definition and for the FCC to change the definition would just as clearly subvert the will of Congress expressed in the 1996 Act.

Indeed, if Kennard's convoluted legal logic were to be accepted, the FCC would be free to come up with any market definition it likes. It could decide that each state is a radio market. It could even decide that everything east of the Mississippi is one market and everything west is another. It could, in short, run rough-shod over the 1996 Act.

Members of Congress (including both Republicans and Democrats) have repeatedly called Kennard on the carpet and berated him for failing to implement some portions of the 1996 Act and for trying to subvert congressional intent regarding other portions. This is clearly a case of the latter.

We were disappointed to see the Commission's two GOP members, **Michael Powell** and **Harold Furchtgott-Roth** be sucked in by Kennard's maneuver. Although both expressed reluctance to make any major change, both indicated that they were willing to explore modifications to eliminate some of the problems with the way local limits may be different for competing radio owners in what, by all other definitions, is the same market.

Certainly there were bizarre consequences from the 1996 Act that Congress apparently did not foresee. *RBR*, in fact, was the first to describe just how illogical the contour overlap method was for defining markets *(RBR 4/15/96, p. 8-11)*. The FCC could do everyone a favor by gathering information about the inconsistencies of the current system and suggesting a resolution to Congress.

It cannot, however, change the law.

Despite Chairman Kennard's convoluted claim to the contrary (it's not the first time he's tried to stand logic on its head), the market definition was made law by Congress in 1996. Only Congress can change that law.

Whatever the FCC does in its hasty effort—reducing the normal 90-day comment/reply cycle to 60—to subvert the law before President-elect **George W. Bush**'s appointees take control, the effort to move Capitol Hill to The Portals is sure to face a review in Federal Court. We have no doubt that the courts will rule that Congress, not the FCC, is still in charge of writing laws. It will be yet another ignominious defeat for a Commission which has embarrassed itself repeatedly in recent years.

We do not know why Chairman Kennard is hell-bent on spitting at Congress one more time before leaving office. He would do well to choose a more dignified swan song.—JM

Radio News®

Visteon wins satellite receiver contract with Ford

Car audio and telematics manufacturer Visteon announced 12/19 it had won a contract with Ford to supply its OEM "MACH" satellite audio receiver system to car models, beginning with late 2001. The MACH line will initially receive Sirius Satellite Radio (O:SIRI) signals, after the anticipated commercial launch next year.—CM

NYC up 0.6% in November

Against the tough comparable of last year's record growth of 26.7%, New York radio revenues pushed up only 0.6% in November to $75.1M. NYMRAD says local sales actually slipped 0.5% to $60.6M, while national spot gained 5.5% to $14.5M.

Year-to-date, the New York market is up a strong 19.1% to $752.8M. For the 11-month period, local sales gained 17.6% to $604.8M and national 25.4% to $148.0M.—JM

LPB acquires Omnitronix

LPB Communications, which specializes in transmitter and studio equipment, announced it has purchased AM and short-wave transmitter manufacturer Omnitronix 12/7. Omnitronix, founded by President **David Solt**, has been manufacturing the OMNI Line of AM transmitters since '87 and the world's only solid state short wave Transmitter since '97.

Manufacturing, support, and research and development operations will continue out of Omnitrnix's North Wales, PA facility until next June, with plans underway to consolidate all LPB operations under one roof that summer. The Omnitronix facility and the LPB facility (Frazer, PA) are both in suburban Phillly.

LPB also acquired broadcast equipment manufacturer Fidelipac this May. The purchase gave LPB a fully modular line of analog and digital consoles, digital cart machines and playback devices.—CM

Hiwire allies with iBeam

Targeted audio ad insertion provider Hiwire is adding streaming services to its offering via a deal with iBeam Broadcasting. Also as part of the agreement, iBeam will offer Hiwire's live stream ad insertion as part of its On-Target Advertising platform. "As more radio broadcasters understand the potential of targeted advertising for generating online revenue, I see the Hiwire/iBeam partnership as the next phase of providing a higher level of service," says **Warren Schlichting**, CEO of Hiwire. "Hiwire and iBeam are leading the way by offering customers a complete solution for their advertising and streaming needs."

iBeam currently delivers nearly 60 million streams per month across its network of servers located in more than 150 networks around the world, connected by satellite, and augmented with fiber optic cable. Hiwire's system architecture can handle up to 1 billion ad servings per month.—CM

SpotTaxi launches version 3.1

Featuring upgrades that expand service to radio networks and TV stations, along with ordering enhancements, contact and administrative functions, FastChannel Network's SpotTaxi.com has unveiled its new SpotTaxi3.1 application.

The 3.1 version also includes a new interface for trafficking spots to the leading Internet radio companies. SpotTaxi has formed strategic alliances with Activate, Lightningcast, The Dial, Radiowave and Microsoft to facilitate streamlining the spot delivery process for streaming audio ads. 3.1 now enables enables agencies to simultaneously distribute spots to Internet and terrestrial radio stations.—CM

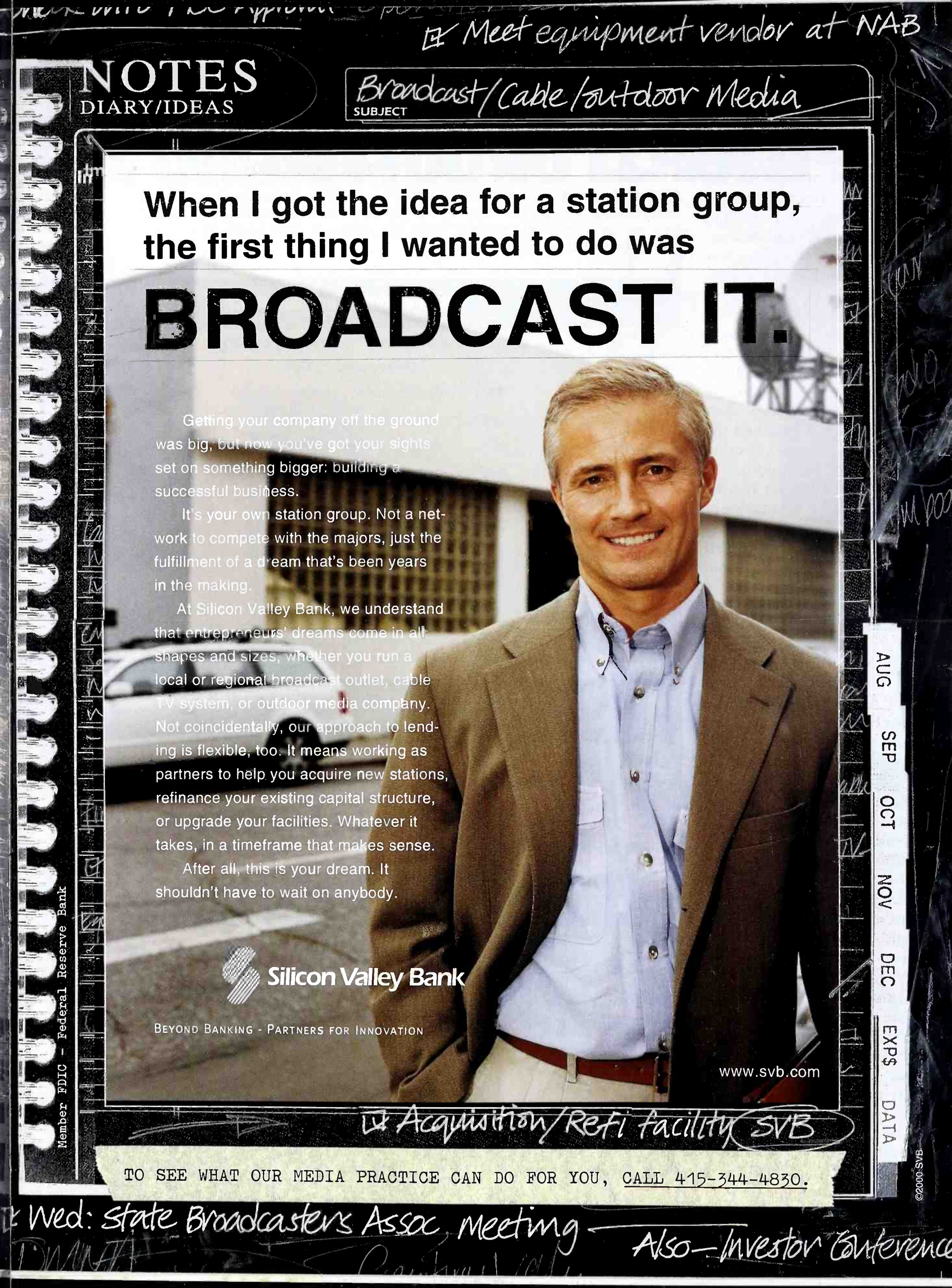
Smulyan matching donations

Emmis Communications (O:EMMS) CEO **Jeff Smulyan** has created a foundation to match employees' gifts to charity. The Smulyan Family Foundation Matching Grant Program is being funded with the $750K company bonus that was awarded to Smulyan last year. Under the grant program, the foundation will match each employee's giving, up to $500, to charities which qualify under IRS rules-IRC 501 (c)(3) organizations. The program will run 1/1/2001 through 12/31/2003, or until all of the money has been doled out.—JM

BroadcastAmerica shuts down all streaming; tells employees there is no money

Not long after cutting service to 148 of its 700 affiliates (*RBR* 12/4, p.2), already Chapter 11 (*RBR* 11/13, p. 8) radio website streaming provider BroadcastAmerica.com has shut down all streaming operations. In a recent Federal court ruling, streaming providers Sprint, MCI and Real Networks were given permission to halt all service to BroadcastAmerica due to non-payment of hundreds of thousands of dollars missed payments. Merger partner Surfer Networks had right of first refusal for $1M debt. There is another court date coming in January to determine the list of creditors to distribute the assets. President **John Brier** sent an internal communication 12/19 that there is no money to pay the remaining 30 employees, effectively laying them off. Meanwhile, a lot of radio stations are scrambling for a streaming provider.

More bad news coming from streaming providers: in Global Media's SEC filing, the company claims it will cease operations 12/31 unless more capital is found.—CM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Upfronts: Network's take

Last week (*RBR* 12/18 p.6) *RBR* brought you the buyer's view on this year's upfront season. This week we spoke to some of the sellers to get their point of view on the same issue. Not surprisingly, the views are quite similar. Both the sellers and the buyers feel that last year was the strange upfront season and this year is quite normal, although the election uncertainties, as well as a slower economy, have created a delay in the upfront season this year. Premiere Radio Networks cite their merger with AMFM and the late Olympic games as other reasons for the holdup.

Both the agencies and the networks cited the decline of dot-coms as a major change from last year, which made it very unique. "The dot-com money was money that came in as an absolute windfall. It was also something that we all realized wouldn't last," said **Jennifer Purtan**, SVP of Advertising and Sales at ABC Radio Networks. Purtan said that it's important to remain focused on the traditional advertisers such as Proctor and Gamble and Warner/ Lambert. "Categories that have been terrific for us this year are packaged goods, Tune-In, Pharmaceuticals and hotels," Purtan added. ABC Radio Networks are also doing well in the upfront this year because they are marketing a new network, Urban Advantage.

Premiere is now offering a new :10 commercial spot, which gives its sales staff something unique to market to their clients. They list Sears, Kraft, Lifetime, Radio Shack and Bayer as companies that have already made advertising commitments for this coming year, showing the permanence of the traditional advertisers. –ED

Radio AdBiz

Auto promotions book bucks

Automotive gained again in November as a source for radio stations to mine non-traditional revenues. Leisure also picked up, as some people prepared to hit the slopes, while others sought refuge from winter by investigating tropical vacations. Either way, radio can book additional dollars from advertisers with events that don't use on-air inventory.—JM

Non-traditional Revenue Track

% of vendor/new business by category

(November 2000)

	May	June	July	Aug	Sept	Oct	Nov	YTD
Automotive	11.37	18.91	12.50	11.63	5.17	10.19	12.11	10.56
Food/Grocery	26.65	34.59	14.57	23.50	40.42	28.90	19.52	26.28
Leisure	29.21	13.14	33.73	30.61	26.40	20.55	38.11	29.36
Health & BC	6.85	0.91	3.59	6.15	5.12	8.64	7.25	6.37
Home Improv.	17.63	19.12	7.64	7.88	2.17	5.23	4.97	6.54
Office	0.95	1.04	15.89	5.29	7.19	6.61	6.62	5.81
Clothing	5.24	2.44	8.07	6.39	0.84	1.42	1.05	4.64
Recruiting	2.11	9.85	4.01	8.55	12.70	18.47	10.37	10.4

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

The MeasureCast Weekly Top 10™
Week of December 11 (Monday, December 11 – Sunday, December 17)

Rank	Station	Format	Network	URL	Total TSL[1] (in hours)	Cume Persons[2]
1	WABC-AM (New York)	Talk Radio	ABC Radio[3]	www.wabcradio.com	112,546	21,801
2	KSFO-AM (San Francisco)	Talk Radio	ABC Radio	www.ksfo.com	51,644	8,997
3	WBAP-AM (Dallas/Ft. Worth)	News / Talk	ABC Radio	www.wbap.com	50,845	7,937
4	The Beat LA (Los Angeles)	Urban R&B	CyberAxis	www.thebeatla.com	41,533	4,136
5	KGO-AM (San Francisco)	News / Talk	ABC Radio	www.kgoam810.com	38,865	7,198
6	WLS-AM (Chicago)	News / Talk	ABC Radio	www.wlsam.com	37,479	8,773
7	KABC-AM (Los Angeles)	Talk Radio	ABC Radio	www.kabc.com	34,111	6,590
8	Radio Margaritaville (Internet-only)	Classic Rock	Broadcast America	www.radiomargaritaville.com	30,300	5,460
9	WPLJ-FM (New York)	CHR / Top 40	ABC Radio	www.wplj.com	27,670	2,982
10	KLOS-FM (Los Angeles)	Classic Rock	ABC Radio	www.955klos.com	27,432	4,555

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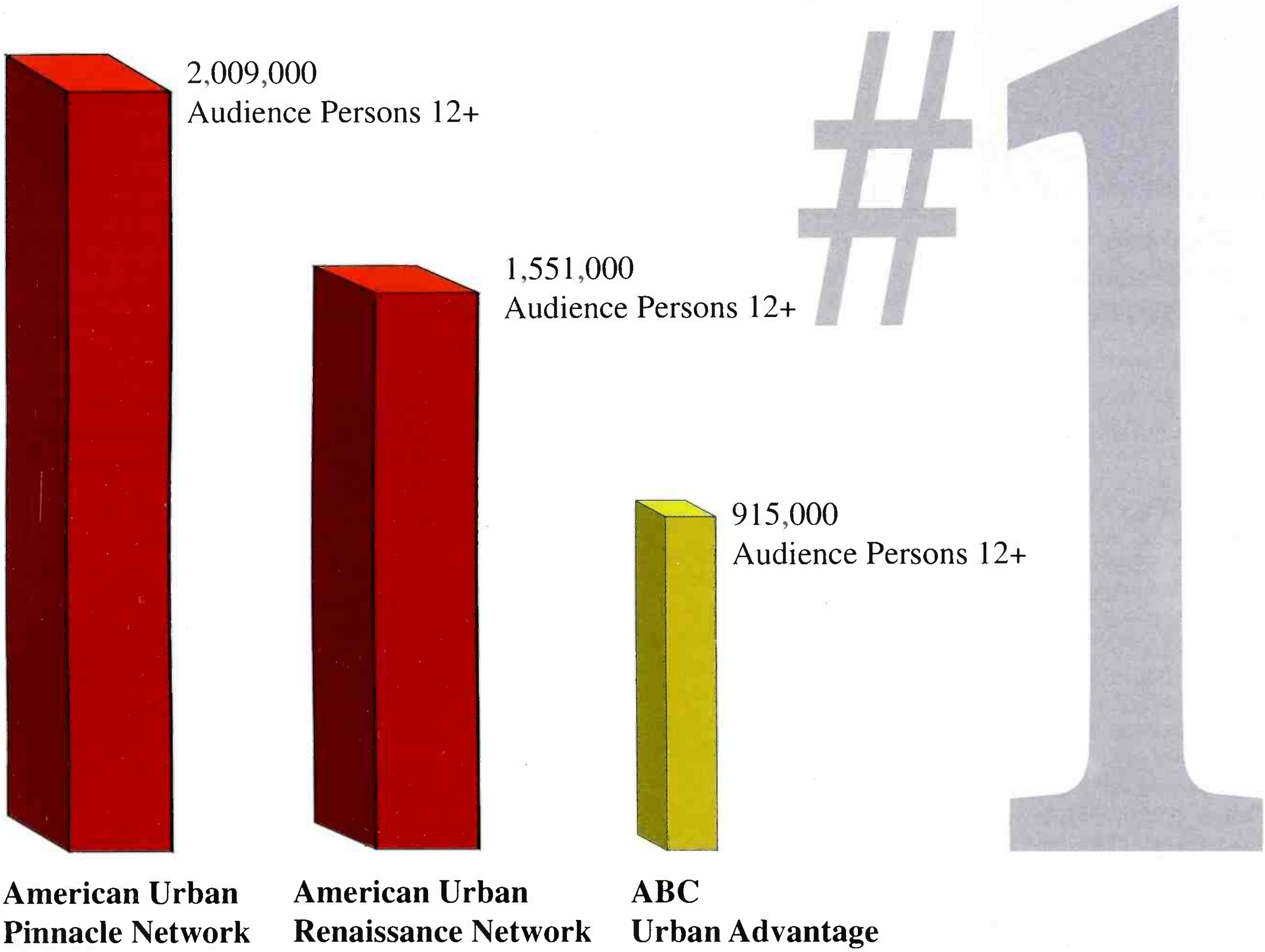

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Digital Audio Radio Services (DARS): Will local radio survive?

By Amy Nizich

It's 2001, or pretty close to it, and soon Digital Audio Radio Services (DARS) will be transmitting to us in our cars, at home and at work. Both Sirius Satellite Radio Inc. (O:SIRI) and XM Satellite Radio Inc. (O:XMSR) will each offer listeners 100 radio channels from which to choose.

Can local radio survive this kind of competition? That depends on how DARS overcomes some obstacles now in its path.

XM and Sirius have relationships with both car and electronics manufacturers, and sets will become standard in cars in 2001. However, it remains to be seen if people are willing to spend money to replace their current sets with satellite receivers for both their cars and homes.

Years ago AM radio started to broadcast in stereo with the hope that it would finally be able to compete with FM music formats. The only catch was that you needed a new receiver to pick up the signal in stereo. Although many AM stations are still broadcasting in stereo, this effort failed because the radio sets never became popular.

Additionally, listeners will need to pay to subscribe to these satellite services on a monthly basis. Will they pay for something they can already get for free?

Many of these same questions were asked when cable first entered the market place. While it's true many more homes have been wired for cable—and that people have been willing to pay for the service—there exists a major difference between the two media: TV offered an average of three to five viewing options, while radio offers many times that number. Cable serves to extend limited TV viewing choices. Listening options in radio, however, are anything but limited, especially in the major markets.

If satellite radio gains popularity, it will first take hold in the smaller markets where the format choices are not as great. It will also offer niche radio programming for the affluent professional who may be interested in financial formats—like an E-Trading or Bloomberg radio. It's likely that the young male 12-34 for whom entertainment is a priority will represent the DARS core audience.

It will take a few years to see if satellite radio truly catches on. Even if it does sweep across the country, there will always be a place for local radio. It is the medium people turn to for local news, traffic and weather reports. Listeners will always be drawn to local personalities, and advertisers will favor stations that offer promotions. And everyone will be interested in stations that support community events.

However, will we still need local music formats? Will local FM radio go the way of AM and become more talk, information and personality driven? Will we need as many stations?

One thing is for sure: Finding rating points to purchase in an even more fractionalized market place could prove to be difficult.

I guess we will just have to stay tuned to our expanded radio dials and see what happens.

Amy Nizich is EVP/Director of Local Broadcast Negotiations at Initiative Media. She can be reached at 323-970-8490.

Network merger topped Y2K AdBiz news

by Carl Marcucci

With the biggest radio news story of the year—the AMFM/Clear Channel merger—came the biggest syndication news story of the year: AMFM Radio Networks is absorbed into Premiere Radio Networks. Among others, many AMFM staffers found their place under the Premiere umbrella: **Marty Raab** became SVP Marketing; **Omar Thompson** Director of Marketing and **Rhonda Munk**, Director of Network Sales. And the details, as announced to agencies this summer:

Premiere/AMFMRN detail post-merger changes to agencies

Hyping a host of new buying opportunities for agencies and advertisers, Premiere Radio Networks held a presentation 7/24 at the Museum of Radio and Television in NYC in front of a number of agency execs. Premiere President/COO **Kraig Kitchin** and AMFM Radio Networks President **David Kantor** were presenters at the event that reviewed changes for the combined Premiere-AMFMRN, post-AMFM-Clear Channel merger.

New opportunities for buyers included three new RADAR-rated advertiser networks, debuting 1/1/01 (AMFMRN currently has four nets; Premiere five). They include a new morning drive FM network which will complement the current morning drive AM net, and two new :10 second inventory networks—Action, targeting Adults 18-49 and Pulse, targeting Adults 25-54. These new :10 second opportunities, made possible by the new StarGuide distribution platform, hearken back to the days radio used to be—live DJ reads before traffic, weather or information reports. They are planned to be the first spot coming out of a break. "With StarGuide, Pulse and Action will provide network radio advertisers with a new paradigm and a new way to reach listeners with live, localized, personality-voiced commercials," Kitchin told *RBR*.

"I'm proud that the quality of the delivery of the RADAR products is going to be every bit as strong as AMFMRN's was—that is sort of a legacy," Kantor added. "I think the innovation with the 10-second networks is potentially going to revolutionize how network radio is done. The Morning Drive AM and FM networks are really going to allow advertisers to punch through and roadblock in radio in morning drive nationally."

Keller gets ABC Radio Net Presidency; other promotions announced

Former ABC Radio Networks EVP Sales and Marketing **Traug Keller** was chosen to head the Network as its President, replacing **Lyn Andrews** (*RBR* 6/5, p.3). ABC Radio President John Hare has also promoted **Darryl Brown** to the EVP/GM title; and **Jennifer Purtan** to SVP Sales. Brown was previously EVP, in charge of affiliate marketing, urban programming and formats. Purtan was VP, Sales for the West and Midwest regions.

Y2K in Washington, DC

By Elisabeth Derewitz

The battle that wouldn't die: LPFM

It began as the brainchild of FCC Chairman **Bill Kennard** and turned into one of the biggest headaches for all broadcasters and Congress as well. The US District Court was even involved in the melee. Here's a brief wrap-up.

The FCC began the year 2000 by approving LPFM and then proceeded to open three filing windows. Around the same time, the House Commerce Committee passed Rep. **Mike Oxley**'s (R-OH) bill (HR 3439) which would not eliminate LPFM, but require 3rd adjacent channel protection and further FCC field-testing. Shortly there after, the House passed it. Meanwhile on the Senate side, Sen. **John McCain** (R-AZ) introduced a pro-LPFM bill and Sen. **Judd Gregg** (R-NH) introduced a bill to eliminate LPFM. Soon after, Sen. **Rod Grams** (R-MN) introduced a bill identical to HR 3439 which gained 56 co-sponsors, attached itself to the appropriations bill for the Departments of State, Justice and Commerce and was threatened with a Presidential veto. However the White House and Congress cut a December deal and it was signed into law near the end of the lame-duck congressional session, making the NAB very happy and many others very mad.

If this is not bizarre enough in itself, just like the election, the a federal court weighed in. Shortly after the FCC accepted LPFM, the NAB filed a lawsuit against the FCC in the DC District Court. With all of the state broadcasting associations supporting the NAB, briefs were filed and oral arguments were heard on November 28th. Now, NAB lawyers are discussing the possibility of dropping the suit, since the Grams' bill will basically render the case moot.

RBR's Year in Review

New market definitions?

The FCC issued its Notice of Proposed Rulemaking to change the way it defines radio markets—and it's put the proceeding on an extraordinarily short time schedule. In the NPRM, the FCC is asking "whether we should use Arbitron or other commercially defined markets. How should we determine the dimensions of a market when the stations involved are not located in a commercially defined market? If we use Arbitron or another commercially defined market, what should we do when a market changes?" The Commission also asked for comments on several alternative counting methods, but noted that existing clusters would be grandfathered. The comment date is set for January 26, 2001 and the reply comment date is February 12, 2001. The FCC could act after that.

Return of the tax certificate?

At the FCC's policy forum to discuss market entry barriers for women and minority-owned businesses in the communications industry, FCC Chairman Bill Kennard offered four suggestions for improving the performance of minorities and women in the communications marketplace. "Congress should re-institute and reinvigorate the tax certificate program, substantially increase funding for the Telecommunications Development Fund as one means of addressing the lack of capital by small, particularly minority- and women-owned, businesses, the Commission should reexamine the means by which it determines minority ownership and the Commission, industry and public interest organizations should collectively explore ways to promote opportunities for small, women- and minority-owned businesses in new rather than old media."

EEO

Call it confusing, call it annoying, but the bottom line is that it's back after a brief court-ordered hiatus. The FCC came up with new EEO rules, hoping to quell the fears that the former EEO rules are unconstitutional. The new rules took effect on April 17, 2000. The changes are in the requirements, bookkeeping and enforcement. The new requirements for EEO require that "broadcasters and cable entities widely disseminate information about job openings to ensure that all qualified applicants, including minorities and women, have sufficient opportunities to compete for jobs in the broadcast and cable industries."

Personal attack and political editorial rules

Even though the FCC stopped enforcing the Fairness Doctrine in 1987, the personal attack and political editorial rules remained until very recently. After years of bantering and continued deadlocks, the personal attack and political editorial rules officially bit the dust on 10/11/00, stuck down in a federal appeals court (*RBR* 10/16, p.1).

RIAA wins at the Copyright Office

The US Copyright Office has ruled that radio stations, along with everyone else, has to pay royalties to record companies and artists for music streamed on the Internet. The Record Industry Association of America had sought the ruling and the Copyright Office's ruling in RIAA's favor was pretty much a foregone conclusion. Meanwhile, NAB has a federal lawsuit pending which seeks to have the court rule that Internet streaming is merely an extension of radio broadcasting, with no additional royalty payments required.

Y2K on Wall Street

By Jack Messmer

Trading activity slowed down in 2000

Even with radio stock prices (and the entire market, for that matter) flying high in the early part of the year, station trading had slowed dramatically from the feverish pace that had been seen from passage of the 1996 Telecommunications Act through 1999. There was still plenty of money available to pay record prices for stations, but there weren't very many desirable stations in desirable markets left to buy. Later in the year, of course, stock prices had plunged and there wasn't nearly as much buy-side interest left, at least not until sellers began to adjust to the new reality that multiples were softening.

Even so, *RBR* never had to leave any pages blank in its "Media, Markets & Money" section, nor "Transaction Digest." Here's a look back at all of the Y2K deals which topped the $100M mark, month by month.

- January: **Larry Wilson**'s Citadel Communications (O:CITC) added five brand new markets by paying $176M for Bloomington Broadcasting's 20 stations. The cash-out for **Ken Maness** and three other Bloomington managers came two years after they and M/C

Partners had bought out founder **Timothy Ives**.

• February: Cox Radio (N:CXR) acquired WTMI-FM Miami for an effective price of $100M. Cox bought all of the stock of **Woody Tanger**'s Marlin Broadcasting for $125M, but then sold Tanger back WCCC-AM & FM Hartford, CT and WBOQ-FM Gloucester-Boston, MA for $25M.

• March: Not a radio deal, but Clear Channel Communications (N:CCU) announced a deal to acquire **Bob Sillerman**'s SFX Entertainment in a $4.4B stock-swap. Then Clear Channel cut loose with $4.3B in spin-offs from its then-pending merger with AMFM Inc. The biggest buyers were Infinity Broadcasting (N:INF), with 18 stations for $1.4B, and Radio one (O:ROIA), which bought a dozen stations for $1.3B. Also topping $100M in spin-off buys were Cumulus Media (O:CMLS), which bought $209M worth of stations in a cash/swap deal that was modified several times, Salem Communications (O:SALM), with seven stations for $185.6M, and Hispanic Broadcasting (N:HSP), with three stations for $127M—although that latter sale was later nixed by DOJ, which decided that Hispanic was too closely tied to Clear Channel. Also, Chase Radio Properties was supposed to buy $109M worth of Clear Channel/AMFM spin-offs, but that was later reduced by more than half.

• April: Fresh from closing its acquisition of EXCL (the last big deal of 1999), **Walter Ulloa**'s Entravision announced that it was buying **Amador Bustos**' Z-Spanish Media Corp. for $475M and taking the entire company public. Nassau Broadcasting announced that it would buy Aurora Broadcasting from **Frank Osborn** and **Frank Washington** for $185M. That nine-station deal, however, was more or less dependent on Nassau successfully completing an IPO. The IPO never got priced and the Aurora sale never closed.

• May: Larry Wilson struck again, with Citadel outbidding

RBR's Year in Review

several other broadcasters to claim 11 stations from **Allen Dick**'s Dick Broadcasting for $300M. **Raul Alarcon**'s Spanish Broadcasting System (O:SBSA) cut a $165.2M cash/stock deal to acquire six stations from **Marcos Rodriguez**'s Rodriguez Communications. Susquehanna Media agreed to pay $113M for three Kansas City spin-offs, clearing the way for Entercom (N:ETM) to complete the last portion of its 1999 deal to buy 46 stations from Sinclair Broadcast Group (O:SBGI).

• June: In the biggest single-station sale ever, Cox Radio (N:CXR) exercised its right to match a bid by Emmis and claim the **Dickey** family's WALR-FM Atlanta for $280M. Due to ownership limits, Cox then moved the station's Urban AC format (and calls) to an Atlanta station it already owned and swapped the stick to Salem Communications (O:SALM) for a Houston FM and two AMs elsewhere—a swap the parties said was worth $90M, but which *RBR* calls at $140M. **Jeff Smulyan**'s Emmis Communications (O:EMMS) reasserted itself as a radio buyer with a $160M deal to buy three Pheonix stations from Hearst-Argyle Television (N:HTV). **George Beasley**'s Beasley Broadcast Group (O:OBBGI) announced a deal to buy six Las Vegas and New Orleans stations from **Allen Shaw**'s Centennial Communications for $138M, although the price tag was cut to $113.5M as the year came to an end. Emmis stepped into the blown-up Clear Channel/AMFM spin-off deal with Hispanic Broadcasting and bought FMs in Phoenix and Denver for $108M. And Emmis struck again, settling a year-old court battle with Sinclair Broadcast Group (O:SBGI) by buying Sinclair's last six radio stations, all in St. Louis, for $220M, then swapping four St. Louis stations to Bonneville International for KZLA-FM Los Angeles—a swap *RBR* valued at $200M.

• July: No deal topped $100M. The nearest was Infinity's $75.5M buy of WMC-AM & FM Memphis from Raycom Media.

• August: After complaining for some time that Wall Street was undervaluing Infinity Broadcasting (N:INF), **Sumner Redstone** and **Mel Karmazin** offered $15.2B in Viacom class B stock (N:VIAb) for the 32% of Infinity that Viacom didn't already own. The stock swap ratio was increased in November, but the value had by then fallen to $12.5B, and the merger is set to close in January.

• September: Just missing the $100M mark, Emmis spent $98.8M for KALC-FM Denver, which Salem had just gotten in its package of Clear Channel/AMFM spin-offs.

• October: Nothing even close to $100M.

• November: The International Church of the Foursquare Gospel gathered $250M in its collection plate by selling KFSG-FM Los Angeles to Raul Alarcon's SBS for $250M—a single-station record for the market and the most ever paid for a stick anywhere. Not a radio deal, but Viacom agreed to acquire BET Holdings, owner of the nation's top African-American cable TV operation, in a $3B stock swap.

• December: Bonneville expanded its Chicago cluster with a $165M deal to buy WNIB-FM and its North shore simulcast, WNIZ-FM, from **William and Sonia Florian**.

IPO's were few

Dot-com debacles gave Wall Street a tummy ache and left it with little appetite for IPO's. Nevertheless, a few—very few—companies did make their stock market debut in 2000.

Beasley Broadcast Group (O:BBGI) sold 6.85M shares 1/24 at $15.50 each, a total of just over $106M.Unfortunately for those new stockholders, their share values dropped on day one and Beasley has never made it back, most recently trading in the single digits.

A few days later (2/10), Regent Communications (O:RGCI) sold $16M shares at $8.50 each for a total of $136M. Those shares increased in value for a while, topping out at $14.50 before heading lower with the rest of the stock market.

Accounting problems at Cumulus Media (O:CMLS) sent its stock plunging in late March (and also sent executives **Bill Bungeroth** and eventually **Richard Weening** packing), but didn't have a lot of spillover impact on other radio stocks. What did impact all radio stocks was the drop-off in dot-com advertising, which became pronounced in July and August.

Despite a weakening market, Entravision's (N:EVC) solid performance and growing niche (Hispanic media) was one of the few IPOs to excite Wall Street in the Summer months. It went public 8/1 at $16.50 per share for 46M shares, garnering a total of $759M. At the same time, Nassau Broadcasting got the cold shoulder from Wall Street for its proposed sale of 12.4M shares, and withdrew its $236M IPO.

Emmis Communications (O:EMMS) had talked about a tracking stock IPO to separately value its radio and TV assets. No paperwork was actually filed with the SEC. After watching radio stocks plummet, the idea lost its appeal.—JM

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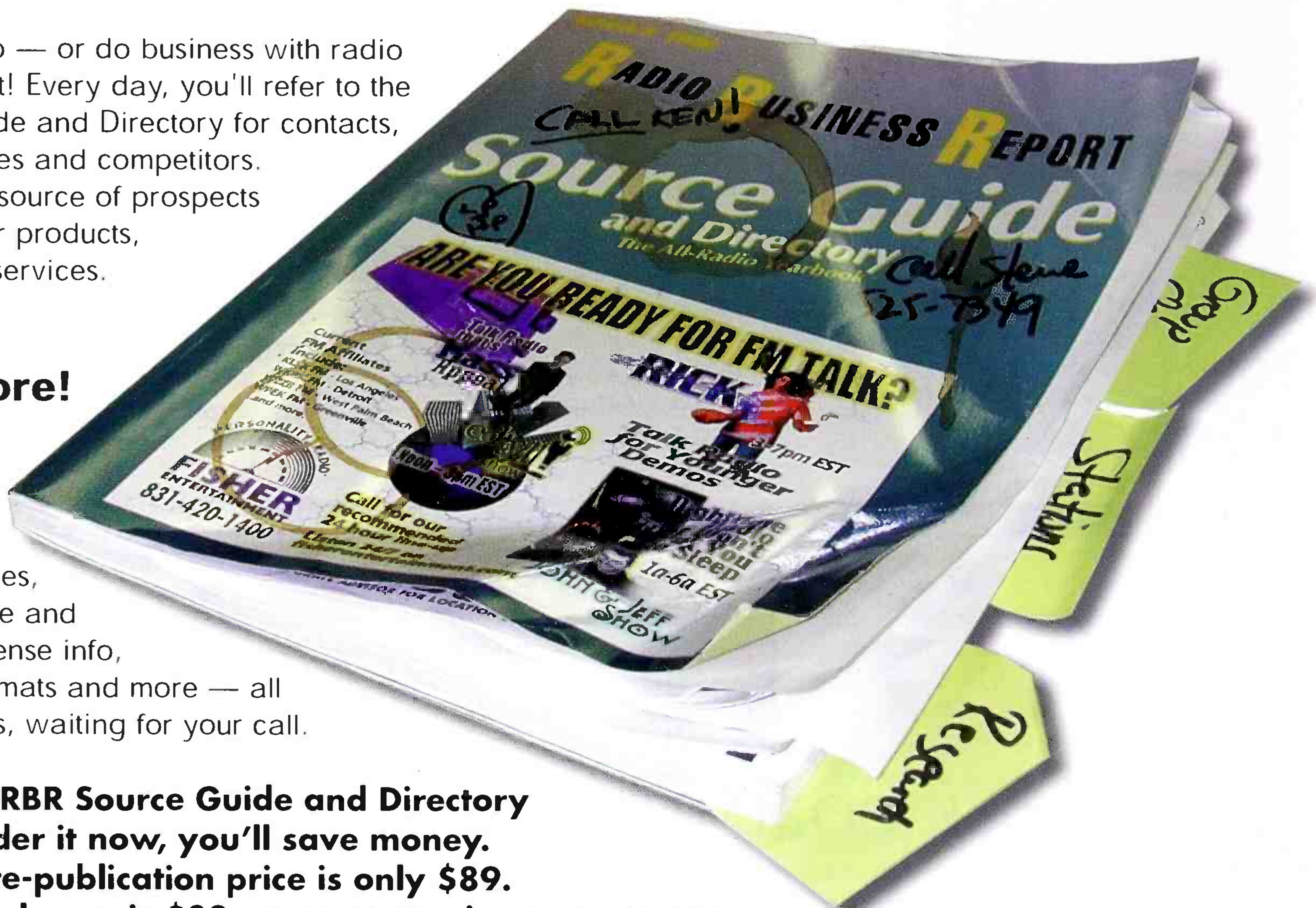

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RADIO BUSINESS REPORT

Media Markets & Money™

by Jack Messmer

Nielsen family reunion

VNU is about to clear up some name confusion by reuniting two ratings services named Nielsen. VNU has owned Nielsen Media Research—the US TV ratings company—since it was separated from ACNielsen Corp. (N:ART) in 1996. Now the Dutch publishing giant is buying ACNielsen—which does broadcast ratings outside the US and Internet ratings inside the US—for $2.3B ($36.75 per share). The ratings industry consolidation immediately renewed speculation that VNU will bid for Arbitron, after waiting the IRS-mandated six months after next month's tax-free spin-off of the radio ratings unit from Ceridian (N:CEN).

Drug defendant seeks distress sale

The majority owner of WELX-AM Callahan-Jacksonville, FL is seeking FCC permission for a distress sale to a minority buyer. Licensee Circle Broadcasting of America Inc. is 55% owned by **Nestor Miranda**, who was convicted 2/14 of money laundering related to a cocaine importing ring. Miranda maintains his innocence and is appealing his conviction and 17.5-year federal prison sentence.

Circle Broadcasting is now seeking to sell the Spanish AM for $450K, with $396K going to innocent creditors and the remaining $54K to 45% owner Edusa Holding Inc, headed by **Eduardo Saenz**. A separate sale of the station's real estate for $120K would be split by its owners, Saenz and **Eleonora Miranda**, Nestor Miranda's wife.

Under the distress sale policy, a station whose license is in jeopardy can be sold for no more than 75% of its fair market value, provided that the buyer is a qualified minority. Broker **John Lauer** of Force Communications & Consultants, who was retained by Circle, appraised WELX at $635K. **Ron Kempff** of Kempff Communications Co., who was retained by would-be buyer P&B Communications Ltd., estimated the value at $675-715K.

P&B's sole managing member is **Jeffrey Smith**, an African-American who is Director of Media for Cornerstone Church in Toledo, OH. The church owns WDMN-AM Toledo and a CP for WXQQ-FM Wauseon, OH. P&B's non-voting financial backers are Rev. **Robert Pitts** and his wife, **Kelly Pitts**. Rev. Pitts is Associate Pastor of Cornerstone Church and the brother of its founder and Pastor, Rev. **Michael Pitts.**

Interep enters ownership

Rather than just representing media companies, Interep (O:IREP) is now going to own one. It's buying the New York subways advertising business from TDI, a subsidiary of Infinity Broadcasting (N:INF). The move allows Interep to expand and pitch an upside story to Wall Street, but without directly competing with its radio station clients. Terms of the deal were not disclosed.

Simmons drops IPO plans

Citing poor market conditions, Simmons Media Group has withdrawn its pending IPO. Simmons had filed its proposed $34.5M stock offering in August (*RBR* 8/21, p. 13), when radio stock prices were already being beaten down and Nassau Broadcasting had recently seen its IPO rejected by The Street. Since then, things have only gotten worse, not better, so Simmons told the SEC: "The Registrant believes that terms that could be obtained in the public marketplace at this time are not sufficiently attractive to warrant proceeding with the proposed offering."

***RBR* observation:** This is the third radio IPO to be withdrawn this year. In addition to Nassau, Jones International Networks had filed an $86M IPO just about a year ago (*RBR* 1/3, p. 13), but let it languish as stocks began plunging. Jones finally made the withdrawal official at the SEC in late September.

Regent raises Q4 expectations

Regent Communications (O:RGCI) says it expects broadcast cash flow of $4.4-4.6M for Q4. On a same station basis, that would be 27-31% higher than a year ago—and higher than the company's previous guidance to Wall Street. Regent is expecting Q4 revenues to rise 12-13% to a range of $13.5-14M.

Looking ahead to 2001, **Terry Jacobs**' company says to expect revenue growth of 7-9% to $54-55M, with BCF up 14-17% to $19.6-19.8M.

Scottish Radio in play

Following word that rival SMG has accumulated 20.8% of its stock, Scottish Radio Holdings is said to be considering bids by a number of would-be buyers. London's *Financial Times* reported 12/20 that one bidder is Clear Channel Communications (N:CCU), which may join with Guardian Media Group to satisfy foreign ownership rules. The two partnered previously in an unsuccessful bid for Virgin Radio. At current share prices, Scottish Radio Holdings would be worth around $830M.

Buzil buys on border

Move-in specialists **Bruce Buzil** and **Chris Devine** are buying another station with move-in possibilities outside the Salt Lake City metro. This time they've gone across the state border to buy KOTB-FM Evanston, WY for $1.65M from Rocky Mountain Radio Network, owned by **David Smith** and **Jim Carroll**. Broker: **Greg Merrill**, Media Services Group

CCU in Maine buy

Clear Channel (N:CCU) is adding again in Coastal Maine. This time it's paying $1.1M for WNSX-FM Winter Harbor, ME. Winter Harbor is just across Frenchman Bay from Bar Harbor, ME, and adjacent to Clear Channel's Bangor cluster. The seller is **R. Scott Hogg**'s Bridge Broadcast Corp.

Commonwealth greater in Great Falls

Dex Allen's Commonwealth Communications is adding a third FM in Great Falls, MT. Of course, there's the matter of having to build it. Commonwealth is paying $322.5K for the construction permit for KLHK-FM Dutton, MT, a Class C which will operate on 97.9 mHz. The seller is Shelby Media Associates, headed by **Terry Peters** and **David Stout**. Commonwealth will officially enter the Great Falls market next month with the scheduled closing of its STARadio group buy, including KMON-AM & FM and KLFM FM Great Falls. Broker: **Greg Merrill** & **Mitt Younts**, Media Services Group

Tribune up 5% YTD

Tribune Co. (N:TRB) reports that its revenues were up 5% to $5.1B for the first 11 months of the year. That's pro forma for its acquisition of Times Mirror. Broadcasting and entertainment revenues slipped 1% in November, but are up 13% year-to-date to $1.3B. Within that, radio was off 2% for the month, but up 9% YTD to $53.3M. Publishing declined 3% in November, but had gained 2% YTD to $3.7B.

Flour bidder will keep bread

Fisher Companies (O:FSCI) thought it had its flour mills sold last month, but announced 12/14 that the bid had been withdrawn. The bidder was never identified. Fisher has been seeking to sell its money-losing mills, which launched the Fisher family fortune, to focus on its radio, TV, telecommunications and real estate businesses.

Gaylord out of camping

Gaylord Entertainment (N:GET) has sold its Opryland KOA Kampground franchise to the franchise company, Kampgrounds of America Inc. Terms weren't revealed. The sale continues Gaylord's restructuring, by which it has been spinning off non-core businesses. The camping operation, near Gaylord's Grand Old Opry, Opryland Hotel and Opry Mills shopping complex, is one of the largest in the KOA system, with 435 camping sites.

Journal gets broadcast boost

A strong showing by Journal Broadcast Group helped offset a decline for its sister newspapers through the first three quarters of 2000.

For the period from 1/1/2000 through 10/8/2000 (the company breaks down its quarters by accounting periods, rather than months), Journal Communications saw revenues rise 7.5% to $617M. Newspaper revenues, from Journal Sentinel Inc., actually decreased 1% to $183M, but that was more than countered by an 18.5% gain by Journal Broadcast Group to $113.2M. Broadcast cash flow rose 10.6% to $31.3M.

Within the broadcast group, radio revenues rose 25.8% to $55M and same-station radio revenues gained 11.6%.

Journal Communications is not a publicly traded company, but it is employee-owned and reports to the SEC. The company has 26,996,816 shares outstanding. Through the first three-quarters of this year, earnings per share were $1.86 (off four cents from a year ago), but shareholders had received cash dividends of $1.00 per share (up 16 cents).

Journal Communications Q3
(period ended 10/8/2000)

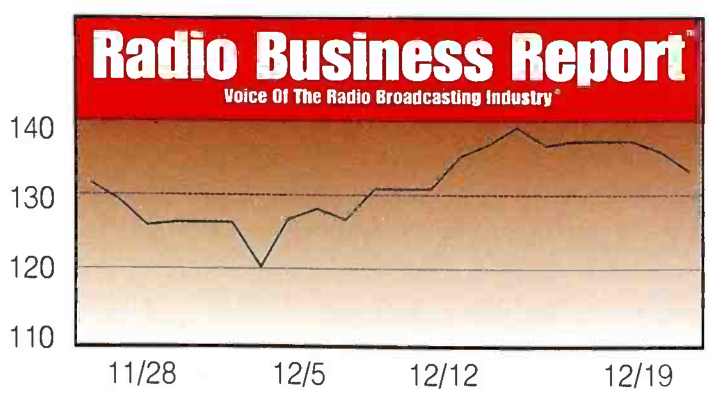
Category	Q3 2000	Change
Revenue	$249.6M	7.0%
Operating earnings	$32.9M	-0.60%
Net earnings	$19.8M	0.20%

Category	YTD 2000	Change
Revenue	$617.0M	7.5%
Operating earnings	$84.2M	-1.80%
Net earnings	$50.4M	-4.50%

Source: Journal Communications SEC Form 10-Q filed 11/21/00

The Radio Index™

Wall Street was disappointed that the Federal Reserve indicated only that it might lower interest rates in the future, rather than now. The Radio Index™ slipped 3.572 over the past week to close 12/19 at 133.075.



Transaction Digest©

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

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

$165,000,000 WNIB-FM & WNIZ-FM Chicago (Chicago-Zion IL) from Northern Illinois Broadcasting Company Inc. (William & Sonia Florian) to Bonneville Holding Company (Bruce Reese, Pres., Bonneville International), ultimately controlled by The First Presidency of The Church of Jesus Christ of Latter-day Saints (Gordon Hinckley, President). $20M escrow, balance in cash at closing. **Superduopoly** of WNIB with WLUP-FM, WNND-FM & WTMX-FM. No contour overlap with WNIZ. Broker: Broadcasting Asset Management

$10,000,000 KMJK-FM Phoenix (Budkeye AZ), 100% stock sale of Arizona Radio Inc. from Syndicated Communications Venture Partners II LP (Herbert Wilkins et al) to Entravision Communications Corp. (N:EVC, Walter Ulloa). $500K escrow, balance in cash at closing. **Duopoly** with KUET-AM & KLNZ-FM. LMA since 12/1.

$2,500,000 WOWF-FM Crossville TN from Commsouth Radio Inc. (Kirk Tollett) to Plateau Communications Inc. (Jeffrey Shaw, John Crunk Jr.). $19,711 downpayment, additional $2,480,289 in cash at closing. LMA since 10/5/99.

$2,300,000 KOKE-AM CP (1600 kHz) Austin TX (Pflugerville TX) from William W. Jamar d/b/a Jamar Media to Lasting Value Broadcasting Group Inc. (Meredith Beal). $250K escrow, balance in cash at closing.

$2,150,000 WOWB-FM & WOWZ-FM Utica-Rome NY (Little Falls-Whitesboro NY) from Towpath Communications and Professional Broadcasting Corp. (Kenneth Roser Jr.) to Clear Channel Broadcasting Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). $2.15M cash. Chain **superduopolies** with WADR-AM, WRNY-AM, WUTQ-AM, WLFH-AM, WRFM, WSKS-FM & WOUR-FM in the Utica-Rome market and five stations in the Syracuse market. Note: No more than six stations overlap at any point.

$1,000,000 WNST-AM Baltimore MD (Towson MD) from Capital Kids' Radio Company (David Eppler) to Nasty 1570 Sports LLC (Nestor Aparicio et al). $500K escrow, balance in cash at closing. LMA in place.

$725,000 KCNW-AM Kansas City (Fairway KS) from CRN Licenses LLC, a subsidiary of Catholic Radio Network (John Bitting), to Kansas City Radio Inc. (Robert & LuAnn Wilkins), part of Wilkins Communications Network. $37.5K escrow, balance in cash at closing.

$500,000 WLFH-AM Utica-Rome NY (Little Falls NY) from Roser Communications Network Inc. (Kenneth Roser Jr.) to Clear Channel Broadcasting Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). $500K cash. Chain **superduopolies** with WADR-AM, WRNY-AM, WUTQ-AM, WRFM-FM, WOWB-FM, WOWZ-FM, WSKS-FM & WOUR-FM in the Utica-Rome market and five stations in the Syracuse market. Note: No more than six stations overlap at any point.

$487,958 KOVE-AM & KDLY-FM Lander WY, 54% stock sale of Fremont Broadcasting Inc. from Daniel Breece to Joseph & Andrea Kenney (100% thereafter). $12K cash, cancellation of $48K note owed by Breece, new $427,958 note owed to Breece.

$200,000 WHRD-AM Huntington WV from Simmons Broadcasting Co. (W. Lee Simmons) to Concord Media Group (Mark Jorgenson). $20K escrow, balance in cash at closing.

$32,500 KAUB-FM Reedsport OR from American Family Association (Donald Wildmon) to Lane Community College (Larry Romine et al). $32.5K cash.

Happy Ho, Ho, Ho, Holidays

As Radio Business Report wraps up its 17th year of publication, we want to say thanks to all of you as we celebrate the holidays and look forward to the New Year. It's because of you, our readers and advertisers, that RBR has been able to grow and provide the radio industry with a credible source of news for so many years.

Perhaps we should also thank Al Gore, Bill Kennard, Joel Klein and the other bizarre bureaucrats of the outgoing Clinton administration for doing their part to give us lots to write about over the past year. As George W. and his new gang ride into town, we'll expect to have a whole new cast of characters and new issues to report on.

From the single publication that was launched by Jim Carnegie, we've expanded from RBR over the years to add the RBR Source Guide & Directory and Manager's Business Report. 2000 was a year of explosive growth. We added our web site, RBR.com, RBR's daily email service and our Internet radio station. We begin our 18th year with high hopes and expectations of even greater things to come.

Again, thank you for your support.

Oh, and keep those news tips coming.

The staff of Radio Business Report, Inc.

SEASON'S GREETINGS