

# Radio Business Report™

Voice Of The Radio Broadcasting Industry®

October 22, 2001

Volume 18, Issue 43



**Gary Fries and Bruce Reese hold court at The Kagan Radio Summit in New York—Page 6**



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## NAB issues warnings to members

The anthrax scare has prompted NAB CEO/President **Eddie Fritts'** to send out a written warning to all members, regarding suspicious letters have been received at radio and television stations and groups around the country: "Please advise your entire staff to look for the following 'clues' when opening their mail"



- No return address
  - Handwritten or poorly typed address
  - Incorrect title
  - Title but no name
  - Misspellings of common words
  - Sender is someone you do not know
  - Marked 'Personal' or 'Confidential'
  - Strange odor or stain
  - Postmark is different from the return address
  - Unusually shaped package
  - Weight in package is not distributed evenly, or weight shifts as you handle the package
  - Package or envelope is over-secured—too much tape or string
  - Sender used excessive postage—usually many postage stamps.
- "For excellent reference information on bioterrorism, including how to identify and what to do if a suspicious package or threatening letter is found, refer to the Website of physician Senator **William Frist** (R-TN) at <http://www.senate.gov/~frist/>. If you need to report a suspicious package and there is no FBI office in your area, call your local police department." More on anthrax on page 2.—CM

## From New York: The Kagan Radio Summit

### Smulyan: Nation and radio rebuilding

The big question being asked at last week's Kagan Radio Summit in New York was when advertising will come back. But as keynote speaker Emmis (O:EMMS) CEO **Jeff Smulyan** said, there's just not enough information available to give a firm answer.

"The most positive thing I can say is that we're writing a lot of business," Smulyan said. But he noted that many advertisers are still trying to figure out what to do, as are many other people. "It is impossible to undergo what our country underwent a month ago and not re-evaluate everything."

Smulyan noted that the automobile companies have returned to advertising, with many promoting 0% financing to boost sales. But while he remains bullish long term, Smulyan said there's just no way to predict whether the advertising market will rebound in the second or third quarter of next year, or just when. "If I had to guess," he said "I'd guess that next year will be slightly positive."

The Emmis CEO has a theory as to why national advertising went into such a tailspin as the economy softened. He thinks its because the CEOs of today's public companies have such short careers. Although they know that by failing to market in a downturn they give up market share in the long run—but since they don't expect to be in their jobs for the long run, that doesn't matter.

Once again, he pointed to the auto industry as the key indicator. "The auto companies cut [ad spending] like crazy and the importers just came in and took market share," Smulyan said of the trends of the past year or so.

There is always good to be found in adversity, though. Smulyan noted that tough times seem to bring out the best in people. As he put it, "I have seen more creativity in my company this year than I saw in the last six or seven good years."

Although the events of September 11th have put the brakes on an already slow ad market, Smulyan remains confident that the industry is rebuilding. While Emmis' New York business was off more than its other markets immediately after September 11th, Smulyan said New York is coming back right along with the rest of the country.

More on page 6.—JM





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Executive Editor ..... Jack Messmer  
Managing Editor ..... Dave Seyler  
Senior Editor ..... Carl Marcucci  
Production ..... Michael Whalen  
VP Administration ..... Cathy Carnegie  
FCC Research Consultant ..... Mona Wargo  
Administrative Assistant ..... April Olson  
Publisher ..... **Jlm Carnegie**  
VP/GM, Associate Publisher ..... Ken Lee  
Senior Account Executive ..... John Neff  
Account Executive ..... June Barnes

**Editorial/Advertising Offices**  
6208-B Old Franconia Road  
Alexandria, VA 22310  
PO Box 782 Springfield, VA 22150

Main Phone: ..... 703/719-9500  
Editorial Fax: ..... 703/719-7910  
Sales Fax: ..... 703/719-9509  
Subscription Phone: ..... 703/719-7721  
Subscription Fax: ..... 703/719-7725

**Email Addresses**

Publisher: ..... JCarnegie@rbr.com  
Editorial: ..... RadioNews@rbr.com  
Sales: ..... KLee@rbr.com  
JNeff@rbr.com

**Bradenton, FL Office**

Jack Messmer  
Phone: ..... 941/792-1631  
Fax: ..... 253/541-0070  
Email: ..... JMessmer@rbr.com

**Nashville, TN Sales Office**

June Barnes  
Phone: ..... 615/360-7875  
Fax: ..... 615/361-6075  
Email: ..... JBarnes@rbr.com

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**Infinity SVP John Gehron leaving**

After four years, Infinity SVP **John Gehron** has been "laid off," primarily as a cost-cutting move. Gehron came to Infinity in 1997, when American Radio Systems (ARS) was purchased. Infinity Radio President **Dan Mason** said in a 10/12 memo Gehron will be available to Infinity stations on a nonexclusive consulting basis. Mason is now going to assume some of Gehron's role, along with two other company managers.

Gehron says they are now working out the details. "What's going on is they don't need my services exclusively and so I'm trying to decide what are the best options going forward and what makes sense," he tells *RBR*. "Certainly, the stations are available to use me if they wish, but I'm not going to be a full-time employee. We're working all that out now. I'm available through the end of the year, but we don't have the package put together."

He confirms there is no replacement planned for his position and that this was more of a belt-tightening move. Some have theorized he was outed because of his strong views against voice-tracking. He denies: "No, it has nothing to do with that. It just comes down to sheer 'what do they need going forward' and the feeling was the position is not necessary right now. [Infinity] has strong people and they feel for the moment this is something they feel they have to do with the economics of the business."

So far, it looks like Gehron has gotten positive responses from potential employers: "I've been thrilled by the response from people in the business. It's been really heart-warming with all of the calls that I've had (312-245-6050). So it's very encouraging." And as to Infinity: "They've been good to me, it's been a good run. I'm disappointed, but I certainly will find other things to do."—CM

**Clear Channel returning web control to radio**

Clear Channel announced it is taking Clear Channel Interactive Group's (CCIG) control of the company's 800 radio websites and returning them to the local radio stations, under CCU Radio CEO **Randy Michaels**. LA-based CCIG, under CEO **Kevin Mayer**, will now support CC Radio's Internet radio developments, as well as WorldClassRock.com and KNAC.com. The Clear Channel Entertainment/cc.com network of sites is also taking back control. Layoffs are expected in the cost-cutting move, how many has yet to be determined, the company says. The move doesn't affect CCU's deal with Hiwire for targeted ad insertion.

"This isn't an unprecedented move in the industry. But, the great news is the CCIG group got the backbone up and running out there—over 800 radio stations have websites. And now the execution of the sales and marketing, the content and the rest of it, goes back to the radio division,

where arguably you could say it's more efficient anyway," CCU spokesperson **Pam Taylor** tells *RBR*. "What the powers have done is send the responsibility for these sites back to the divisions that they represent."—CM

**David Margolese steps down as Sirius CEO**

We're not sure if it has anything to do with the recent class action suit filed by investors (*RBR.com* 10/08), recent analyst concerns (Lehman Bros. analyst **William Kidd**) that the service will not launch until next year, or the reason given in the release, but Sirius co-founder and CEO **David Margolese** announced he is stepping down and will assume the role of "non-executive" Chairman of the Board for Sirius.

"Over the years, we have worked diligently to establish a foundation which would allow Sirius to become a world-class company. Sirius is now strong enough to achieve this and the time has come for me to pass the baton. It has been a privilege working this past decade with all of our wonderful people who literally are about to transform the face of radio," said Margolese.

The role of CEO will be assumed on an interim basis by SVP/CFO **John Scelfo** and SVP/General Counsel **Patrick Donnelly**. A search for a new permanent CEO is underway.—CM

**NABOB, MMTC ask Supreme Court to reinstate EEO rules**

The Minority Media & Telecommunications Council (MMTC), the Rainbow/PUSH Coalition, NABOB, the ACLU, NAACP and 26 other national organizations are asking the Supreme Court 10/17 to reinstate the FCC's EEO rules for broadcasters—rules were struck down by The US Court of Appeals for the District of Columbia earlier this year (*RBR* 1/22, p.1), saying that parts were unconstitutional.

The case was brought against the FCC by all 50 state broadcasting associations on two counts. First, they felt that the rules created a large reporting burden and second, that they violated the Fifth Amendment by showing preference towards women and minorities. The court ruled that there was no proof on the first count, but the second does violate the constitution. The finding said, "We hold that the rule does put official pressure upon broadcasters to recruit minority candidates, thus creating a race-based classification that is not narrowly tailored to support a compelling governmental interest and is therefore unconstitutional." The entire rule was vacated because the unconstitutional part was not severable.

**David Honig**, MMTC Executive Director told *RBR* on the decision date he was disappointed with the court's decision and said that "Unless reversed, the decision could put a halt to 32 years of progress in desegregating some of the nation's most influential industries."—CM

**Interep goes after financiers**

National radio rep umbrella corporation Interep (O:IREP) is making a big push for a bigger piece of the \$5.8B advertising pie baked annually by financial institutions. In 2000, national network and spot radio siphoned off only 3.8%, banking a still-impressive \$222M. The rep firm will tout radio's targetability, and in particular, its ability to go after segments of American society which in the past were not prime targets for this category. Women, African-Americans and Hispanics, in particular, are beginning to invest at record levels. The rep firm hopes to leverage radio's unique ability to deliver these demos into a bigger chunk of pie.

Radio is currently in line behind television, newspaper and financial magazines in the financial community's marketing habits.—DS

**FAA lifting restrictions in some cities**

Good news for traffic services?: By now, the FAA should have lifted restrictions for small planes in Memphis, Houston, Kansas City, New Orleans and St. Louis (10/15), for Cleveland, Dallas, Honolulu, Minneapolis and Phoenix (10/16) and for Salt Lake City, Charlotte, Cincinnati, Tampa and Seattle (10/17). Private pilots can once again fly under visual flight rules.

Still, no private planes are al-

**Anthrax update**



**Anthrax scare may benefit radio**

Fears of anthrax may hurt the direct mail business and move business to radio, Regent's CEO **Terry Jacobs** said at the Kagan Radio Summit. "I think people are throwing away a lot more junk mail," Jacobs noted "in kind of a sick way, that may be something that benefits radio."—JM

**Radio nets being careful about opening mail**

After the recent news that NBC and ABC were the latest media targets of mail terrorism (with an anthrax letter sent to **Tom Brokaw** and an ABC employee's child contracting it at the studios in NYC), we asked what the radio nets are doing to safeguard against something similar.

Are they tightening security in the mail rooms? "We are taking precautions with all mail that's delivered to any Premiere Radio offices and we're working to avoid any unnecessary slowdowns as a result," Premiere President/COO **Kraig Kitchin** tells *RBR*.

Westwood One sent a memo to employees. "All mail and packages should be set aside in a secure, isolated area. The materials should be screened using the criteria outlined by the United Postal Service," read Westwood CEO **Joel Hollander**.—CM

**FCC washes its hands of hand-delivered material**

As a precautionary measure, the FCC is no longer accepting hand- or messenger-delivered material at its main Southwest Washington office. In view of this, the deadline for any filings which are due at the end of last week were extended until today (10/22).

Until further notice, hand-delivered material must go the FCC's ancillary location in Capitol Heights, MD. The address there is 9300 East Hampton Dr., Capitol Heights MD 20743. Deliveries will be accepted there up to the extended hour of 9PM Eastern Time.

Overnight or US Postal Service deliveries will still be accepted in Southwest Washington, although the FCC may divert them to the Capitol Heights facility as well.—DS



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loved to fly within 20 miles of New York's Kennedy Airport or Washington, DC's Reagan National Airport. In some other areas, pilots still may fly only if they file flight plans and stay in contact with air traffic controllers.—CM

## Increase in marketing effectiveness post 9/11

Consumer response to telemarketing, internet and direct mail campaigns by radio stations improved dramatically following the events of 9/11, according to a study released by DMR.

Accept rates—the percentage of individuals contacted by phone who agree to participate—were up 10.6% over Spring 2001, and increased 9.9% over Fall 2000. The impact was felt most on the coasts—the west was up 27.5% and the east 20.7%, compared to a

4% increase in the central region.

Responses to emails and direct mail were also up significantly.

DMR President **Tripp Eldridge** said, "This research shows that radio was an integral part of the fabric and action of the lives of millions of consumers after the tragic events. Stations that take the opportunity to reach out to their listeners during this time will find consumers more open, more ready to connect and responding more positively."—DS

## CCU signs 600 for sales

Clear Channel (N:CCU) Radio President/COO **John Hogan** announced a plan to hire 500 new salespeople by 10/1. As of 10/17, he has in fact hired 600. "We received thousands of calls, resumes and inquiries," said Hogan. "Clear Channel Radio has attracted and hired high quality sales people from both within and outside the industry."

The additional personnel come as the company reorganizes its radio properties into eight geographic divisions, each with its own set of subdivisions. The company is looking beyond traditional market definitions, and offering regional packages that mirror the territories of advertising clients.

Continued Hogan, "Clear Channel Radio has a unique and unprecedented national footprint that allow us to serve advertisers with simple, one stop shopping opportunities. Our geography and multiple advertising venues—including radio, TV, outdoor and interactive—give Clear Channel sales executives a powerful package to help their advertising customers reach their trading areas."—DS

## Scheme theme: Mass migration in western VA?

Cumberland City Broadcasting Co. has requested that its station upgrade its 102.7 MHz dial position for WSEH-FM from Class A to C3 status. It would also like to move it from Cumberland, KY (otherwise known as the middle of nowhere) to Weber City, VA, which happens to be just north of one of the Tri-s in the Tri Cities TN-VA market, more familiarly known as Johnson City-Bristol-Kingsport. Weber City is spitting distance from the latter municipality.

Holston Valley Broadcasting Corp. has come up with another, more complicated scheme which would leave the Cumberland facility intact, and would build an entirely new station on the same frequency. Holston proposes a Class A licensed to Glade Spring, VA on 102.7 MHz. Glade Spring is 25 miles up I-81 northeast of Bristol. There would presumably be no overlap with WSEH.

To make the Holston proposal work, three Class As would have to migrate at Holston's expense.

WOLD-FM Marion, VA (40 miles northeast of Bristol) would move from 102.5 to 100.5; WRIC-FM Richlands, VA (rated in the Bluefield market) would go from 100.7 to 97.7; and WMJD-FM Grundy, VA, 50 miles north of Bristol on the far west VA panhandle, would go from 97.7 to 100.7.

WOLD-FM has already agreed to the Holston proposal, and the FCC is now giving the owners of WRIC and WMJD a chance to show why their stations should not be moved. If they do not object, fail to show cause or simply fail to respond, the FCC will begin to actually look into the two proposals to determine if one or the other is worth granting.

**RBR observation:** The FCC has not looked favorably on station moves which deprive a community, no matter how small, of its only FM service. That would seem to favor the Holston proposal, which preserves the Cumberland, KY facility. On the other hand, there may be enough radio coming in from communities near Cumberland such as Hazard, Hyden, Harlan and Whitesburg to allow the much simpler Cumberland City proposal.

We would not bet \$5 on the outcome of this one, especially in view of the fact that the FCC could easily squash both proposals.—DS

## Big doings at Radio America

A recent *NewsMax.com* story (10/12) featured one of the goals for DC conservative programming syndicator Radio America: The full-time talk show network has plans to become also a full-time news network, with its sights set on current left-leaning NPR affiliates. "By early 2002, Radio America hopes to acquire a flagship station in Washington," the story read.

Radio America has been look-

ing to find a DC O&O for quite a while now. It's a tough market to find affordable available frequencies that can cover the entire, or most of, the listening area. However, "There's one that we're discussing that may pan out. My hope is that we can have something here the first quarter of next year. It's an AM," Radio America President **Jim Roberts** tells *RBR*.

Meanwhile, non-comm WNYC-FM New York announced last Summer it would take over (in an LMA) WNYE-FM New York, which is currently owned by the NY Board of Education (BOE). Radio America wanted a chance to bid on the station, as an avenue to air some of its programming in the Big Apple. The offer wasn't received very well. "We put the proposal up to them about LMAing the station. WNYE offered WNYC a sweetheart, no-bid deal. They are refusing even to respond to our offer," says Radio America consultant **Pat Clawson**.—CM

## AOL launches Radio@AOL

With the release of AOL/Time Warner's AOL 7.0, The much-anticipated Radio@AOL has been launched. The service, delivered via the new AOL Media Player, has 75+ format channels, including music, radio station streams (KPIG-FM Santa Cruz, WFMU-FM NJ/NYC, and WOXY-FM Cincy/Oxford, OH and KCRW-FM LA), news, sports, talk and programming agreements with CMJ and SportingNews.com.

From the AOL press release: "Radio@AOL [is] the first built-in radio service designed to make it easy for mass-market consumers to access their favorite music online...The new AOL Media Player, offering support for playback of members' own CDs in addition to nearly all major audio formats, volume control and the capabilities to load, play and organize playlists."—CM

## Quello looks back at his wars

First-time author **Jim Quello** is getting quite a send-off this Wednesday (10/24), with an invitation only book signing on Capitol Hill hosted by Reps. **Billy Tauzin** (R-LA) and **John Dingell** (D-MI), the Chairman and ranking minority member of the House Energy & Commerce Committee.

*My Wars: Surviving WWII & The FCC* is a collection of Quello's reminiscences of his life, including his wartime experiences, a career in radio and then another career at the Federal Communications Commission. Even so, it's a quick read, only 146 pages, since the former Commissioner (who spent 23 years as a member or Chairman of the FCC) focuses on his impressions of some of the people he's dealt with over the years, rather than detailing events.

With his book coming out just as the US enters a new war, Quello is more interested in discussing national unity and support for the US military than communications policy and his battles on Capitol Hill.

For people who've known him only in his Washington years, Quello's book tells some surprising stories of his run-ins with the FCC during his years as a radio station executive in Detroit. "So here I was with an agency I did not trust as a broadcaster," Quello wrote of the beginning of his FCC career. But Quello said he soon learned that the Com-

mission was not the monster he had perceived it to be. Beginning in April 1974, he was on hand at the FCC as the US went through a communications revolution. Along the way many of the onerous regulations he had found so objectionable fell by the wayside.

Although radio today is very different than when Quello managed WJR-AM & FM in Detroit, the former Commissioner has no qualms about the deregulation he had a role in.

"I came up in an era when management and even ownership was integrated" [in the local community], Quello said. "We miss a little bit of that, but you have some of these large owners who realize that they have to be civic conscious."

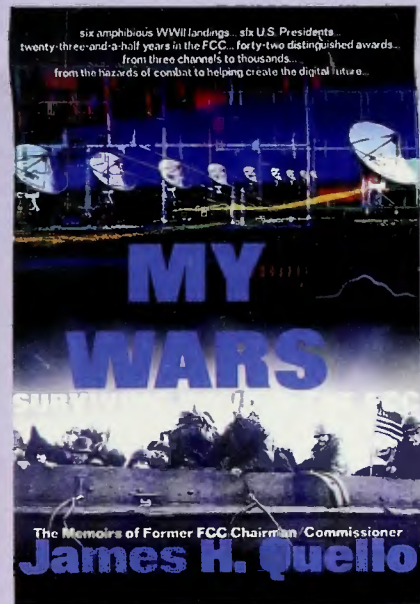
Some of the harshest criticism in Quello's book is reserved for **Reed Hundt**, the last Chairman Quello served with on the FCC.

"More than anyone else he politicized the Commission and he was very regulatory on two fronts," Quello said, naming broadcasting as target number one and cable number two. "He wanted to have complete control over communications and he couldn't quite make it."

It's ironic that Quello will likely be most noted in history for his role in fining Infinity \$1.7M for what the FCC said were indecent broadcasts by **Howard Stern**, since Quello (who by his own admission has a "foul mouth and raunchy sense of humor") didn't hesitate to use several of the "seven dirty words" in his book. "Stern's a very talented man, but he just went too far," Quello said.

Now that he's no longer in government, we asked, might Quello be willing to appear on Stern's show? "If he invited me, I might do it—just for the hell of it, have a little fun with him," said Quello. "I don't have any long buried grudge against him."

*RBR's* entire interview with Commissioner Quello can be heard at *RBR.com*. His book, published by the Alexis de Tocqueville Institution, is available on Amazon.com and at many bookstores.—JM



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# What's up, what's down and where?



(l to r) Phil Brown, George Pine, Michelle Skettino

We asked some of the regional reps, the main selling force for national unwired network buys, where we're at. After a year of setbacks, and now with 9/11, where do we stand? We've asked for some honest opinions on which sectors are hot and where.

**Phil Brown** is President of Interep Unwired Networks and Specialized Agency Sales. He deals with small to mid-sized agency sales for Interep as a whole and also is responsible for the NY unwired network. His division works with all the formats, putting together the unwired buys in markets for all the 2,000+ Interep radio stations. "I was talking with some people in Boston earlier and they said the retail side of things has been picking up there.

Out of Hill-Holiday there, TJ Maxx is apparently coming back after being out of radio for about four years. Also, Marshall's—the grand openings. On the financial side, especially with banks, we are seeing some activity. Recruitment has ended, except for biotech. There are a number of smaller companies that have been rallied by the government to work on this anthrax problem. The cell phone business/telecommunications has been pretty hot, not only because people want to keep in touch more than ever, but the cell phone companies are always fighting price wars, signing people up and all of that. We've had some dot-coms pick up, but overall, of course, there has been a significant drop in that."

**George Pine** is President of Interep's ABC Radio Sales, a dedicated sales and marketing company for the ABC O&O radio stations. A big money maker for the division is ABC's News and News-Talk stations. "Some of the advertisers that we saw post-

pone campaigns after the bombings are starting to coming back. Not the airlines yet. We're starting to see retail come back and we're starting to see a little bit of the automotive and financial/insurance companies come back," he says. "We don't have any numbers out yet to measure that though."

**Michelle Skettino**, VP, Marketing Communications, Interep, says on a national basis most categories continue to lag behind last year. "Looking into Q4, which started October 1", we didn't find any hot categories at this point. Everything seems to be suffering a little bit because of 9/11. I think advertisers are paralyzed a little," she explains. "There are a few categories that are up. The mail service category, which is led primarily by Fed-Ex, is still doing a lot of spending in Q4. The home video category is up quite a bit, and the beer, wine and liquor category. I know DVDs are very hot right now, so I think people like Blockbuster already had advertising plans to promote their DVDs before this happened."

## Regional stories

Brown says New York is "really slow, really off." San Francisco is abysmal and Chicago is pretty bad. "San Francisco because of the dot-coms. Chicago has a few accounts that are just not coming back. Right now, I know Philadelphia is very slow, where it was having an OK year," he says.

However, Atlanta has been fairly strong and is having a good year, considering. **Kay Olin** is Interep's VP/Regional



Kay Olin

Executive, based in Atlanta. Her job is to make sure her division is working across the six Interep companies to coordinate their efforts, "superserve" the agencies and provide ease of purchase to radio. "I'm the regional exec that works over the Atlanta and Philly regions. I also cover from Miami up through Washington. I keep telling the staff we have a lot of good problems, because we have had, relative to the rest of the world, a good year. We're still down. The overall Atlanta region through August on the spot indicators was down 2.8% and the country was down 21%."

These days "down 2.8%" is fantastic. How and why? "Several things—the Southern economy. We're not industrial based. We were coming off a year where a lot of regions were really punished by the growth of the dot-coms the year before. And then it really accounted for 30% of their business. I think we're in a region where our business is not as directly affected or driven by the top 10 markets as we are by the mid-

or small markets. The Atlanta region is also heavily based with the telecom business, which was really competitive this year."

Olin says North Carolina and Miami are also pretty healthy. "The North Carolina agencies have really grown, and they've grown in terms of medical research and B2B for the telecom. Miami is interesting. They grew a lot because of the dot-com business, and because dot-com was still a growth category, if you will, within Hispanic because it was all new business. They have maintained a healthier place. That business didn't necessarily go away. And just in general, Hispanic dollars are a growth category."

The other healthy market to speak of is LA. **Jeff Dashev** is President of Interep West. With the company for 30 years now, he serves the states of CA, WA, OR, AZ and UT. He is based in LA and says the market there is doing quite well. "The LA market for the first nine months is down 2% nationally. The San Francisco market is down 44% nationally. In my company at Interep, the LA office is as close to goal of any office and is pacing the highest,



Jeff Dashev

along with Atlanta."

Dashev gives a lot of credit to Home Depot and Initiative Media for his, and Atlanta's successes. "Home Depot is bought by Initiative and Initiative is starting to place a lot of unwired national business through those offices because they have consolidated their offices. That's one account that has been very, very hot this year."

"As the agency industry has consolidated, they find working with us we can serve as a better resource, we can provide ease of

purchase," Olin adds. "They can do unwired and have a buy turned around with great promotional value a lot quicker than if they were just going and doing a spot buy. And then we do all the back room stuff for them in terms of checking their invoices and everything else. I've seen unwired network grow because of ease of purchase through the national reps."

Dashev says wireless carrier Verizon has been a very strong account for the West Coast. "Verizon is like the 5<sup>th</sup> largest account I have here. Zenith buys them out of Orange county office here—**Gail Israel**. My number two account is Fox. Guitar Center is #3. Fox and UPN have been spending a lot of money in advertising now for their lineups. Two automotive accounts are currently spending in my top 10—Kia and Volkswagen. Although in the West Coast, it's never really been a big category. I have very little dot-coms as you can imagine. Sony, Disney, Universal and Miramax are the only movies that are spending with me out here now."

## News and News/Talk healthy

It's no big surprise that News and News/Talk are doing pretty well these days. When a war is being waged (here) and overseas and the general public needs to check in on the quarter hour to see if they've been exposed to anthrax or not, radio news is the place to find out. Advertisers are finding a good refuge there. Says Olin: "News-Talk is doing very healthy. We have overperformed because of News-Talk—probably more so in Philly probably than you have in Atlanta where it's not as Top-10 market driven. News-Talk is extremely healthy."

"Both the News-Talk format as well as the News format in the Summer book are up in most markets, obviously with it being very topical-driven. But we haven't seen any other formats leap off the page," observes Pine.

## Direct mail money moving to direct response?

Amidst all this upheaval, one thing may be getting bright on the horizon for radio. Although no radio rep we spoke to would use the anthrax threat to direct mail campaigns as part of a pitch, that ad medium is likely in trouble. And that money can be easily transitioned through direct response campaigns on the radio.

"This is really going to have an effect on direct mail. Direct mail is in big, big trouble right now," says Brown. "What kind of effect could that have on our business? Could radio possibly step in there? I went to the post office for the first time in a year. I'm standing there and every single worker had rubber gloves on. I don't blame them. So we're in such an upheaval, but I think that radio is in a good place if

we can get people to understand it. Everybody is listening to the radio. If you want news really quickly, where are you going?"

"I was thinking about that last night going through my mail. I used to tear junk mail in half, now I'm just tossing it as is," recalls Olin. "One of the real growth areas in radio is direct response. Now research is allowing us to better quantify it. Agencies and advertisers are getting more accountable and focused in their targeting. And as they get more research, direct response makes more and more sense for radio. For example, Sony has a new thing called the e-marker where if you hear a commercial, you can actually click and get an over the air coupon," explains Olin. "In addition, this is a medium that has certainly become a lot more intrusive in our lives—we saw this with every war we've ever had, radio just jumps real high in terms of participation because people want immediate information."



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- *English proverb*

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## Kagan forecasts return to normal

At the Kagan Radio Summit in New York (10/17-18), Kagan Senior Analyst **Robin Flynn** was in agreement with several group owners that radio is likely to see modest growth of around 3% next year—not the flat to down year that some forecasters are expecting. “Going forward [from 2002], we’re projecting the normal growth pattern,” she said, then added that “these numbers are erring on the conservative side.” Here’s the Kagan radio forecast through the end of this decade.

### Kagan radio forecast

Year	Gain/loss	Revenues
2000	+12%	\$19.9B
2001	-6%	\$18.8B
2002	+3%	\$19.2B
2003	+7%	\$20.6B
2004	+8%	\$22.3B
2005	+7%	\$23.8B
2006	+8%	\$25.7B
2007	+7%	\$27.3B
2008	+8%	\$29.5B
2009	+7%	\$31.4B
2010	+8%	\$33.7B

Source: Kagan World Media

## Supply and demand still rules in station trading

Don’t look for any dramatic drop in multiples, despite the nation’s economic slump, said panelists at the Kagan Radio Summit last week (10/17-18) in New York. “The demand exceeds the supply in places that people want to be,” said broker **Gary Stevens** of Gary Stevens & Co.

Cumulus Media (O:CMLS) CEO **Lew Dickey** said multiples have stayed high in medium to small markets because “radio in these sized markets is an excellent business.” The radio executives said most dealing is now for scarce fill ins, which also keeps prices high.



Lew Dickey and Dick Ferguson

Multiples are all over the place, noted Cox Radio (N:CXR) VP & COO **Dick Ferguson** because it’s up to each buyer and seller to do what makes sense for them. “When a company wants to fill out a market, they’re going to pay higher.”

“We know what our markets are worth,” said Nassau media Partners President **Joan Gerberding**, who agreed with

Kagan analyst **Robin Flynn** that medium market multiples have remained firm at around 12 to 13 times cash flow.

In a finance panel, analyst **Bishop Cheen** of Wachovia Securities (formerly First Union) said that there are still a lot of equity investors hoping to get into radio at seven to eight times multiples. “I just don’t think it’s going to happen.”

Although the radio industry—and all other media—are going through a slump, panelists agreed that there is no reason to expect the sort of fallout experienced in the last recession.

“This is very different from back in 1991—in the HLT [banking rule change] era—when the lenders called their loans and values plummeted,” said **Drew Marcus**, Managing Director, Deutsche Banc Alex. Brown. While he predicted that half of all of the public broadcasting companies are going to trip their debt covenants in the next 90-180 days, Marcus doesn’t expect the lenders to do any more than charge the borrowers a penalty and let them continue to do business.

“Everybody gets a ‘get out of jail’ card free this time,” joked Cheen, “at least for a couple of quarters.” He noted that the Bush Administration has put pressure on lenders not to foreclose on businesses that might be suffering financial difficulties as a result of the attacks of 9/11.



Drew Marcus and Bishop Cheen

While earlier panelists have said that banks are being quite benevolent to their radio group borrowers, media market group heads expressed concern that having many radio borrowers break their loan covenants will make it harder for radio groups to get new loans.

“This is causing and will cause consternation within the banks,” said **Bill Ackerley** the CEO of Horizon Broadcasting. Panelists agree that while some banks still say they’ll lend up to six times cash flow on a radio acquisition, the reality is that lenders are only lending five times. At least the full term below the six to six and a half times which was common just one-two years ago.

But, while it is harder to get money, Millennium Broadcasting’s **Charlie Banta** said, “We basically look at this down turn as an opportunity to buy valuable assets.” Triad Broadcasting CEO **David Benjamin** said mid market radio is still a great business. But, he warned against getting away from the basics. Benjamin cited a need to train good sales people and to provide “intensely local programming.”

Asked if radio stocks today are cheap, Marcus noted that there is currently a wide range—from Beasley Broadcast Group (O:BBGI) below nine times EBITDA to Hispanic Broadcasting (N:HSP) at 27 times. With most of the stocks around 12 times, Marcus said, “Long term they’re attractive to investors, but they’re not at bargain-basement levels.”

Attempting to quantify the impact of the 9/11 terrorist attacks, Dickey noted that he’d heard estimates that the advertising fallout cut an additional 2.5-5% from what was already a down year for radio.

“None of us really knew where the bottom was,” said **Jay Meyers**, Sr. Vice President, Clear Channel (N:CCU). “What September 11 did was accelerate the [arrival of] the bottom.” Now the radio industry can start rebuilding from the ad recession.

“September 11th was also the rebirth of the radio medium as part of the fabric of American life,” Meyers continued. “This tragedy has returned radio to being an important part of people’s lives.” He and other panelists expressed the hope that increased listening levels experienced since 9/11 will continue.

## Arbitron revenue up, net down

Third quarter revenues of \$65.6M represented a gain of 12.4% over Q3 2000 for ratings icon Arbitron (N:ARB). EBIT was up 3%. Core business accounted for 9.3% of the 12.4%, with the remaining 3.1% coming from the newly acquired RADAR service.

On the other hand, net revenue declined 16.4% for the quarter compared to last year, dropping from \$15.4M in Q3 2000 to \$12.9M this time around. The drop in net

was attributed to increased spending on a number of items, including efforts to increase response rates, web measurement, development of the Portable People Meter, costs associated with the RADAR, and a net interest expense of \$4.9M related to debt incurred during Arbitron’s spin-off from Ceridian 3/30/01.

YTD, Arbitron is up 10.3% over the same period in 2000 on revenues of \$176.1M. Net, however, is also down YTD, dropping from \$38.1M to \$33.9M.

Said President/CEO **Steve Morris**, “During the third quarter we made significant progress in reaching our financial goals for 2001. The 12.4% quarterly increase in revenue resulted from growth of our core business, as well as the recognition of revenue associated with our RADAR radio network ratings service... Looking ahead, we remain confident we will achieve our previously stated financial objectives for 2001.”—DS

## S&P cuts Disney debt ratings

Standard & Poor’s has lowered all of its debt ratings for The Walt Disney Co. (N:DIS), although all are still A-2 or better, except for a preliminary BBB+ given to a pending shelf offering of subordinated debt. S&P also termed the outlook for Disney “negative.”

“The downgrade is based on the expected increase in financial risk from the company’s planned acquisition of Fox Family Worldwide, the 50M share repurchase on Sept. 20, 2001, and Standard & Poor’s concerns regarding the economic effect on Disney’s resort and theme park business as well as its ad-driven businesses following the events of September 11th,” S&P’s analysts wrote. “Disney’s businesses already were under pressure prior to September 11th as a result of a weakening economy and lower audience ratings at the ABC Television Network. Disney is taking steps to cut costs and rein in capital spending. Nonetheless, the financial ramifications of these developments suggest an extended period with higher leverage, absent significant deleveraging measures. Pro forma for the Fox Family acquisition, assuming a fully debt-financed deal, and for the recent large share repurchase, June 30, 2001, gross debt to cash flow is about 3.2 times (x), (net debt to cash flow 2.9x), compared with the 1.9x level for both measures at the fiscal year ended Sept. 30, 2000.”

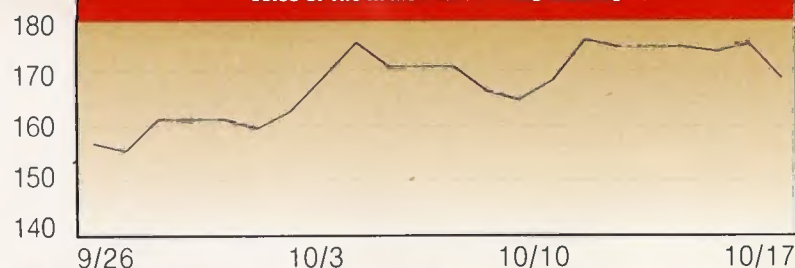
## NBG revenues up, but also costs

NBG Radio Network (O:NSBD) reports that revenues for its fiscal Q3, which ended 8/31, were up 19% to \$3.7M. However, the company’s direct costs for its operations rose 60% to \$3M, reducing its cash flow (the company refers to it as “gross margin”) by 46% to \$650K. NBG’s net loss for the quarter was \$1.8M, or 12 cents per share, compared to net income of \$211K, or one cent per share, a year earlier.

NBG’s financial results were altered from last year by its recent acquisition of Glenn Fisher En-

## The Radio Index™

The Radio Index™ closed this week, 10/17, at 168.352, a rise of 0.197 from the previous week.



Chris Devine, President, of  
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tertainment. NBG said pro forma revenues were up 1% and its pro forma net loss decreased by 32%.

### Cumulus spin is double spin

Cumulus Media (O:CMSL) is divesting an unrated market, with two new owners taking over. In step one of this two part deal, **Greg Jensen's** Hometown Broadcasting will buy KOWO-AM & KRUE-FM Waseca, MN and KPQR-FM Albert Lea, MN from Cumulus for \$1.9M. But in step two, Jensen will spin off the Waseca combo to Main Street Broadcasting, owned by **John Linder** and **Lynn Ketelsen**. That will create a double duopoly with KTOE-AM Mankato, MN and KOWZ-FM Blooming Prairie, MN. **Broker: Jody McCoy**, McCoy Broadcast Brokerage

### Gannett Q3 earnings down sharply

Revenues and earnings were down sharply for Gannett (N:GCI) in Q3, but the results from America's largest newspaper group still weren't quite as bad as analysts had expected. Gannett reported net earnings of 66 cents per share, a big drop from 79 cents a year ago, but still beating the 64 cents per share consensus of analysts surveyed by Thompson Financial/First Call. Net revenues declined 3% to \$1.52B, but that would have been a 7% drop on a same stores basis.

Gannett said same store results for its newspapers were off 7%, with local advertising down 4%, national 12% and classified ads down 8%. Flagship USA Today saw ad pages drop 21% for the quarter.

For its TV group, revenues were down 19% to \$148.2M, with cash flow off 34% to \$60.8M. (There was no change in the TV group properties in the past year.)

### Salem snares a Fish in central California

Salem Communications (O:SALM) is paying \$8M to take its Sacramento "Fish" from an LMA to an O&O. Salem has been LMAing KKFS-FM (formerly KLNA) Dunnigan, CA since 5/3 as an outlet for its "The Fish" Contemporary Christian format. Now, **Jamie Bonilla Valdez's** Pacific Spanish Network is selling the Class B1 on 105.5 MHz to Salem.

Salem also confirms two deals which had already been reported by RBR.

In San Bernardino, CA, Salem is selling KEZY-AM to Hi-Favor Broadcasting for \$4M. As we reported (RBR 7/23, p. 12), this deal was filed at the same time agreed to buy KSZZ-AM from Entravision (N:EVC) for \$6.94M, giving Salem a stronger signal in the Riverside-San Bernardino market. Hi-Favor, which will soon begin programming KEZY under an LMA, is

owned by **Roland Hinz**, who is a director of Salem and owner of KLTX-AM Los Angeles.

In Akron, OH, Salem confirmed that it is selling WHLO-AM to Clear Channel (N:CCU) for \$4.5M (RBR 10/1, p. 7).

### Big City gets cash in the nick of time

Big City Radio (A:YFM) got a \$15M bridge loan from UBS Warburg LLC just in time to avoid default on its public bonds. The loan, announced 10/12, made it possible for the company to make the interest payment that had been due 9/15 on its 11.25% Senior Discount Notes. Big City's grace period to make that payment and avoid default was last Monday (10/15). The loan from UBS Warburg will accrue interest at a rate of either LIBOR plus 3% or the Base Rate (US prime rate) plus 2%. Big City expects to repay the loan with proceeds from its pending sale of four Phoenix stations to Hispanic Broadcasting Corp. (N:HSP) for \$34M (RBR 9/10, p. 14).

### Doubling up in Dothan

Dothan, AL is one of the least-consolidated Arbitron rated markets in the Country. RBR's Market Profile database shows its total consolidation level at 26.1% (compared to a national Arbitron-rated market average of 79.5%). The number will go up as a deal takes hold between CHR WKMX-FM and Country WTVY-FM. The two stations will be merging operations. As part of the merger, WKMX owners **Dr. Wallace Miller** and **Terry Duffie** will receive an ownership interest in WTVY and Duffie will serve as VP/GM of the operation, which also includes Scenic Cable Network and Production. WTVY-FM is owned by **Tom DiBacco's** Styles Broadcasting Co.—DS

### Televisa finds Spanish partner for radio

Televisa (N:TV) has gone to Europe for help in rebuilding its struggling radio group, Radiopolis. It has announced a deal to have Spain's Grupo Prisa, which operates 388 radio stations in Spain, invest \$60M for a 50% non-voting stake in Radiopolis. Mexican antitrust officials killed a deal last year to merge Televisa's (N:TV) Radiopolis group with Radio Acir, partly owned by Clear Channel (N:CCU).

While Televisa is Mexico's top TV network, and also owns a minority stake in the top US Spanish TV network, Univision (N:UVN), it has been far less successful in radio.

Grupo Prisa owns Spain's largest daily newspaper, El Pais, as well as owning the country's largest radio network, SER, and a satellite TV station, Canal Satellite Digital. It's entry into Mexican radio is seen as a stepping stone in the company's efforts to gain entry into the US and South American media markets.

# TRANSACTION DIGEST®

by Dave Seyler & Jack Messmer

## The deals listed below were taken from recent FCC filings.

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

**\$8,000,000 KKFS-FM Sacramento** (Dunnigan CA) from Pacific Spanish Network Inc. (Jaime Bonilla) to Caron Broadcasting Inc. (Stuart Epperson, Ed Atsinger), a subsidiary of Salem Communications (O:SALM). Cash. **Duopoly** with KFIA-AM, KTKZ-AM. LMA since 5/3.

**\$2,500,000 WKVS-FM Lenoir NC** from Foothills Broadcasting Inc. (John B. Beall, W. Wallace Respass Jr.) to Foothills Radio Group LLC (Donald W. Curtis, William M. McClatchey Jr.). \$12.5k escrow, balance in cash at closing. **Duopoly** with WKGX-AM, WRJI-AM. **Broker:** Media Services Group (seller).

**\$2,300,000 KXEQ-AM Phoenix** from Mortenson Broadcasting Company of Arizona Inc. (Jack M. Mortenson) to James Crystal Enterprises of Phoenix Inc. (James C. Hilliard). \$500K purchase option payment, balance in cash at closing. **Duopoly** with KXEM. LMA in place.

**\$1,900,000 KOWO-AM & KRUE-FM Waseca MN & KQPR-FM Albert Lea MN** from Cumulus Licensing Corp. (Lew Dickey Jr.) to Hometown Broadcasting Inc. (Greg Jensen, Gary Pastorious, Dennis Martin). \$95K escrow, balance in cash at closing. **Broker:** McCoy Broadcast Brokerage (buyer).

**\$1,500,000 FM CP Logan UT** (Franklin ID) from DBM Entertainment Enterprises Inc. (Ana Mietus) to 3 Point Media-Utah LLC, related to Marathon Media (Bruce Buzil et al). **Superduopoly** with KNFL-FM Tremonton UT and KUDD-FM Roy UT. CP is for a Class C1 on 97.5 MHz.

**\$1,200,000 WWVY-FM Columbus IN** from Columbus Radio Inc. (Marty Pieratt) to White River Broadcasting Co. Inc., related to Findlay Publishing Co. (Kurt Kah, pres). \$25K escrow, balance in cash at closing. **Superduopoly** with WCSI-AM/WKKG-FM Columbus IN & WNVI-AM/WINN-FM North Vernon IN. Note: This essentially a trade for WNVI-FM North Vernon IN.

**\$1,200,000 WNVI-FM Mount Vernon IN** from White River Broadcasting Co. Inc., related to Findlay Publishing Co. (Kurt Kah, pres) to Columbus Radio Inc. (Marty Pieratt). \$25K escrow, balance in cash at closing. Note: This is essentially a trade for WWVY-FM Columbus IN.

**\$825,000 WKKD-AM Chicago** (Aurora IL) from NextMedia Licensing Inc. (Carl Hirsch, Steve Dinetz et al) to Kovas Communications of Indiana Inc. (Frank Kovas). \$40K escrow, balance in cash at closing. Buyer owns WONX-AM in the Chicago market. **Broker:** L.B. & Associates (seller).

**\$535,500 WTCV-AM Lajas PR** from International Broadcasting Corp. (Pedro Roman Collazo) to Perry John Galiano Cruz. \$53.5K down payment, balance in cash at closing.

**\$300,000 WRJI-AM Lenoir NC** from WJRI Inc. (Donnie Goodale) to Foothills Radio Group LLC (Donald W. Curtis, William M. McClatchey Jr.). \$15K escrow, \$85K cash at closing, five annual payments of \$40K on anniversary of closing. **Duopoly** with WKVS-FM, WKGX-AM.

**\$245,000 WKGX-AM Lenoir NC** from Furniture City Broadcasters Inc. (R.L. Bush Jr.) to Foothills Radio Group LLC (Donald W. Curtis, William M. McClatchey Jr.). \$12.25K escrow, balance in cash at closing. **Duopoly** with WKVS-FM, WRJI-AM.

**\$150,000 WQIZ-AM Charleston SC** (St. George) from CAB Inc. (Charles Barton) to Faith Cathedral Fellowship Inc. (Chris Gingrich, R.G. Stair, Margret Moratto, Theresa Stair, David Moratto, Rick Bell, Timothy Jones). \$25K escrow, balance in cash at closing.

**\$150,000 KRFS AM & FM Superior NE** from Superior Broadcasting Inc. (Herbert R. Hoeflicker) to CK Broadcasting Inc. (Cory Kopsa). \$5K escrow, \$105K cash at closing, \$20K consulting agreement, \$20K note. Includes non-compete. **Broker:** Ralph E. Meador, Agent (seller).

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