Radio Business Report™

Voice Of The Radio Broadcasting Industry®

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Agencies are upfront about what they think about Premiere

Page 4

RADIO NEWS

Stations don't have to go public, for now 2

The FCC has granted an NAB request that maintenance of public inspection files be waived for 60 days due to media anthrax attacks.

Powell joins TDF board 2

AM IBOC development said to be on schedule 2

Karmazin eying a bigger piece of the pie 2

WW1 puts Liddy back in the saddle 2

Terrorism tutorial coming from RTNDF 2

AMBER EAS project goes national 2

Appeal to FAA: Let the choppers get airborne 2

ADBIZ

Agency perspective: A difficult year for Premiere 4

Premiere prognosis looks good 4

MEDIA MARKETS AND MONEY

Viacom earns analyst plaudits 6

CBS and UPN have helped Viacom swim against the tide in a difficult advertising environment—but Infinity isn't doing quite as well.

Pearce surrounds Charleston with triple play 6

Conventional wisdom reaches Boyle-ing point 6

Can SBS unhorse HBC in LA Hispanic wars? 6

Adroit Hoyt flips Fresno move-in to HBC 6

Flagstaff spin-off: That ain't the Hafley of it 6

Ackerley deal puts CCU in spin cycle 7

Premiere now charging for online listening

While Premiere Radio Networks has been charging online listeners of **Rush Limbaugh** $40/year for months now (to listen to archived shows), the network has added more of its talent to the pay-to-play list at $6.95 per month. Live Limbaugh webcasts remain free.

Dr. Laura Schlessinger

Apparently, both listeners and talent have been annoyed by the move. **Art Bell** (artbell.com) and **Dr. Laura Schlessinger** say they're being blamed by listeners for the move. They've both posted messages on their websites on the issue. "It was not my decision to change the free Internet access. I have been receiving many angry e-mails and am sad about the change because it will now be very difficult to get calls on the international line," Bell writes.

Dr. Laura says on her site (drlaura.com) she is "puzzled that some want to blame her personally, or worse, accuse her of venality, because of this corporate cost-saving measure."

Premiere pays $1.5M yearly to stream the shows. "It's a tough decision [but] time will show we have found a solution to allow that listening connection to continue, versus no longer [providing] the service, free or otherwise," Premiere President/COO **Kraig Kitchin** told *The NY Post* 10/23.—CM

Karmazin to GMs: Raise prices now!

"We're expecting radio price increases across the board, and we're expecting them now," Viacom (N:VIA) President **Mel Karmazin** declared in his 10/24 Wall Street conference call. Noting that CBS-TV and UPN-TV are on track for a stronger Q4, Karmazin expressed disappointment that radio is tracking flat. That's a departure from past recessions, when radio led the recovery. "What ever happened historically doesn't seem to have any relevancy this time around," Karmazin told analysts.

But The Zen Master isn't taking flat radio revenues lying down. Despite his past opposition to combining management market-wide for Infinity Radio's big market clusters, Karmazin indicated that some GMs' jobs may be in jeopardy if they don't deliver. Karmazin said he'll look at cutting costs by doing more in-market consolidation if Infinity isn't getting any sales advantage from having multiple managers.

For Q3, Viacom reported pro forma free cash flow of $883M, down 34% from a year ago. The company's net loss (actual) was $190.4M, compared to a profit of $33.4M a year ago.

Infinity's revenues (radio and outdoor) were $910.3M, down 11% from last year's actual results and down 10% pro forma. Despite his complaints about Q4 pacings, Karmazin noted that Infinity Radio's Q3 margin was a strong 49%. Maintaining that margin apparently came from lots of cost cutting, rather than top line sales. Infinity's overall EBITDA (including outdoor) was down 20% to $373.1M.

Karmazin said he'll be in Washington in the next couple of weeks to lobby for further relaxation of media ownership limits. He listed several regulations he'd like to see changed ñ including allowing companies to own more than eight radio stations in a market. But he admitted that it was hard to gauge how much interest Congress and the FCC would have in such ideas.—JM

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Gerberding heading AWRT

Nassau Media Partners president **Joan Gerberding** has been elected president of American Women in Radio and Television (AWRT), which is celebrating its 50th anniversary. Communications attorney **Melodie Virtue**, of Garvey Schubert & Barer, is the new vice president. **Dorothy Polanco**, VP of Spur Capital, is the new AWRT treasurer. All three will also hold similar positions at the AWRT Foundation.

Joan Gerberding

Directors of AWRT and Foundation Trustees include: **Mary Bennett**, EVP/National Marketing, RAB; **Jamie Colby**, Esq., Anchor/Reporter, WPIX-TV; **Andrea Cummis**, VP, Engineering and Operations, Oxygen Media; **Elena Nachmanoff**, VP Talent Dev., NBC News; **Sandy Pastoor**, SVP, Affil. Rel., UPN; **Beth Robinson**, VP, Broadcast Opns., Westwood One; **Shelley Sadowsky**, Special Counsel, Rosenman & Colin LLP; **Audrey Savage**, AE, KUVN-TV; **Katherine Smith**, Senior Media Planner, Backley & Gingrich Advertising; **Audrey Tanzer**, **Terri Walker**, AE, KTUL-TV; **Sylvia Stobel**, Partner, Lehmann Strobel, PLC.

RADIO NEWS®

Government inspection trumps public inspection

The FCC has granted the NAB's request for a temporary waiver on requirements to maintain a complete public inspection file for the intensely practical reason that a certain percentage of the mail received at media outlets is being forwarded directly to appropriate officials due to the wave of through-the-mail anthrax attacks currently being launched against broadcast and print outlets.

Many stations are following guidelines from the FBI and other law enforcement entities concerning the handling of mail. Suspicious items are being returned unopened to the U.S. Postal Service for proper handling and disposal, and are therefore not making it into the files.

The NAB asked for and got an initial waiver period of 60 days, and requested consideration of an extension if necessary. The FCC left the door open for that, depending on circumstances at that time.—DS

Struble: AM IBOC will work

iBiquity Digital CEO **Robert Struble** tells *RBR* that AM IBOC digital transmitters will be ready for next April's NAB Convention in Las Vegas and consumer receivers for the January 2003 Consumer Electronics Show, also in Las Vegas, right along with FM IBOC. Struble wasn't present 10/17 to hear some radio executives express doubts at the Kagan Radio Summit about whether AM IBOC digital technology will be ready on time. But after appearing on a Kagan panel the next day, he told *RBR* that AM IBOC development is still on track. "We are confident that it's going to work," Struble said.

iBiquity plans to deliver AM IBOC test results to the FCC in December. Struble says results so far show that digital AM coverage is exceeding expectations in the daytime. And while he agrees that night coverage is a problem for many AM stations, "nighttime coverage [by the digital signal] cannot be any worse than analog," Struble insisted.—JM

Karmazin wants a bigger share of the ad market

"Viacom [N:VIA] isn't a poster child for an industry, we're a unique company," President **Mel Karmazin** told Wall Street analysts in his Q3 conference call (see page 1). So while Karmazin doesn't see any indication that the advertising market is improving, he does expect Viacom to grow its revenues by taking a bigger share of the ad pie.

"Everybody is back," Karmazin said of the post-9/11 ad market. "All of the people who had cancelled are back. We're not able to identify very many companies who are not back." Noting that retail advertising is driven by the state of consumer confidence, Karmazin predicted a lot of activity in the six weeks leading up to Christmas.

Karmazin noted that he's just beginning to see some evidence of companies moving money from direct mail to traditional advertising in the face of anthrax fears. "There's $45B a year that is spent in direct mail, and we think that the advertising business will pick up a big chunk of that."

One part of Karmazin's strategy for increasing ad market share is cross-platform marketing. He indicated that Viacom plans to create local market versions of its national cross-platform operation, Viacom Plus, incorporating its radio, TV and outdoor operations within a market.—JM

Liddy re-signs with Westwood

We heard that **G. Gordon Liddy** was likely not to re-sign with Westwood One after his contract expires (RBR.com 9/24): "Liddy is telling his affiliates that after the WW1 deal expires on February 3, he will continue the show through another as-yet-undetermined syndicator. Liddy says the deal will be in place in enough time to allow for a 'seamless transition'." *RBR* has learned that the story has changed.

Liddy has re-signed with Westwood. He will flag from WTNT-AM Washington. Liddy, since being bumped from the lineup at his former flagship station, Infinity's WJFK-FM Washington, has been broadcasting from the CBS News Bureau at 2020 M Street in Washington, DC.—CM

RTNDF sponsors satellite forum on terrorism coverage

The Radio and Television News Directors Foundation (RTNDF) is sponsoring an interactive satellite forum titled "Terrorism Coverage: Is Your Newsroom Ready?" Story ideas, tips and expert advice will be fed live to hundreds of radio and television newsrooms throughout the country. The 11/2 event will be broadcast from 10A-noon Eastern via satellite and streamed online from the Newseum in Arlington, VA.

The forum will address newsroom preparedness in the wake of the 9/11 attacks and will feature terrorism experts, local crisis management professionals and veteran front-line reporters helping to improve coverage that informs and assists listeners and viewers. For more information, contact **Paul Irvin** at 202-467-5219.—CM

AMBER Plan gets national kickoff

The AMBER Plan, which began in Texas and moved to other states including Florida and Michigan, had an official nationwide launch 10/24 at the National Press Club in Washington. The AMBER Plan is a community based program to recover missing kids ASAP using the EAS alert system and other methods on TV and radio as soon as law enforcement concludes a real abduction has taken place. All applicable information about the abduction is detailed, along with numbers to call for sightings. The plan was created in 1996 as a legacy to 9-year-old **Amber Hagerman** who was kidnapped and murdered in Arlington, Texas. So far, it's saved 16 children. More at RBR.com.—CM

The unconflicted Chairman Powell

We guess we've been around Washington too long, but when we saw that FCC Chairman **Michael Powell** had been named to the Board of Directors of the Telecommunications Development Fund, it was the work of an instant for us to leap up and cry out, "Conflict of interest!"

The Fund, which supplies seed money for early-stage telecom tech companies, is chaired by Granite Broadcasting CEO **Don Cornwell**, who welcomed Powell aboard, saying, "Mr. Powell's industry expertise and experience as a commissioner with the FCC provide him with a keen understanding regarding the impact that industry deregulation has on the economy as a whole as well as on the telecommunications industry."

We naturally figured Powell would be able to seed a company, and then come to its aid by pushing through some timely rule-making.

As it turns out, according to FCC General Counsel **Jane Mago**, someone from the FCC is required to be on the TDF board, and Powell will be following in the footsteps of his predecessor, **Bill Kennard**. The TDF is a quasi-governmental organization which was brought into being by the 1996 Telecommunications Act.

Powell is temporarily the lone fed on the board, but he will eventually be joined by representatives from the Treasury Department and the Small Business Administration. Those two seats are vacant at this time.

Incidentally, the government members of the board are not involved in any investment decisions.—DS

RTNDA makes yet another appeal to FAA

Attorney **Ed Faberman** wrote a letter to FAA Administrator **Jane Garvey** on behalf of the RTNDA and several news organizations challenging the agency for its ongoing refusal to lift its ban on news helicopter flights in the nation's biggest cities 10/22. Meanwhile, the FAA is allowing private planes to fly once again in many cities (RBR.com 10/17).

Faberman asks why the agency is allowing private aircraft to resume flying and still prohibiting most media helicopters from operating: "This restriction has significantly impacted news stations, the companies that provide helicopter service, their employees, and most importantly, the communities they serve. Perhaps most significantly, it has also blocked the broadcast of newsworthy information that is important to many local communities."—CM

ARMA cancels New England show

The American Radio Manufacturers Association (ARMA) says it won't be holding its previously planned November New England regional show. Organizer **Vince Fiola** reportedly cancelled the show because of the economy, terrorism, other conventions scheduled around the month and that the show would lose money (several exhibitors have backed out).

ARMA is still planning its mid-Atlantic convention for next year.—CM

Powell: Time to retool the rules

FCC Chairman **Michael Powell** reiterated his contention that many of the FCC rules and regulations currently in place were written decades ago and no longer apply to a vastly different electronic media universe.

The radio industry has already undergone a sea-change of deregulation via the 1996 Telecommunications Act, which upped ownership caps in local markets and eliminated the national cap.

Still on the table are proposals to eliminate or relax media cross-ownership restrictions, which limit the ability to combine newspaper and broadcast ownership in a single market. The FCC Office of Plans and Policy is holding a roundtable discussion of that very topic and more today. The sessions, entitled Ownership Policies and Competition, and Ownership Policies, Diversity and Localism, will feature a variety of speakers, drawing heavily from the academic and regulatory ranks (there are no big names familiar to radio execs).—DS

RadioWave close to being shuttered

According to RAIN (kurthanson.com), RadioWave has just two weeks of funding left and is seeking immediate financing to stay afloat. VP/Business Development and Legal Affairs **David Marcus** told RAIN RadioWave is "in the process of negotiating strategic alternatives" that will allow the company to survive. Neither he nor RadioWave CEO **Bill Pearson** could tell RAIN who they are negotiating with. RadioWave produces Internet radio for several Susquehanna stations, including KFOG-FM San Francisco and KKMR-FM Dallas.—CM

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$1,400,000,000
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Co-Lead Arranger

EMMIS ESCROW CORPORATION
$370,000,000
Senior Discount Notes

Co-Manager

COX RADIO, INC.
$255,200,000
Follow-On Equity Offering

Co-Manager

BLOOMINGTON BROADCASTING CORPORATION
has been acquired by Citadel Communications Corporation

Sellside Advisor

CITADEL COMMUNICATIONS CORPORATION
$244,625,000
Follow-On Equity Offering

Co-Manager

CITADEL COMMUNICATIONS CORPORATION
$750,000,000
Senior Credit Facilities

Co-Documentation Agent

INNER CITY MEDIA CORPORATION
$25,000,000

Private Equity Investor

INNER CITY BROADCAST HOLDINGS
$120,000,000
Senior Credit Facilities

Syndication Agent

RADIO ONE, INC.
$260,000,000
Convertible Preferred Securities

Co-Manager

RADIO ONE, INC.
$350,000,000
Follow-On Equity Offering

Co-Manager

RADIO ONE, INC.
$300,000,000
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By Carl Marcucci

Friend or foe: Premiere under fire


Kraig Kitchin

"They've created an extremely adversarial relationship with us and many other people. Kraig even admitted they misread the market and that's not news, that happens," says **Matt Feinberg**, VP/Manager of Radio, National Broadcast Group, Zenith Media Services, about dealing with Premiere Radio Networks for this year's upfront.

With recent reports that Premiere Traffic Network (PTN) was becoming Premiere Traffic NOTwork (RBR.com 10/12), an *RBR* source says Clear Channel's cost-cutting moves may be more than just PTN. "I think the real story is Premiere itself. [Premiere President/COO **Kraig Kitchin** has been doing is layoffs, maybe 10 to 15 at a time to stay under the radar screen. Premiere has gone from being a real strong performer inside the company to being kind of a stepchild in one year." [Kitchin did not return calls seeking comment for this story].

Premiere's first round of layoffs occurred earlier this year, which included cutting 20 programs and services (*RBR* 2/12, cover). Yet, the bleeding continued for at least the first six months of '01. Premiere is presently down 15%-16%, or between $20-$30M. This is an improvement of where they were after the upfront market closed—the company made up some of those bigger losses with aggressive rate cuts in the scatter market, according to *RBR* sources.

Yes, the economy is bad, but so far, arch competitor Westwood One has been flat. ABC Radio Networks was also down, but not to a large degree. What happened? We asked some of the people who buy Premiere for perspective on why the company lost out on this year's upfront. The general consensus was that Premiere misread the market and didn't rejigger rates accordingly, while ABC and Westwood did. The reconfiguration of the original AMFM gem networks and inventory reductions to accommodate the added Clear Channel stations last year (*RBR* 7/31, p.2) is another issue. Some say the company may have lost dollars due to a breakdown in communication.


Matt Feinberg

"They've alienated a lot of agencies because they are very, very difficult to work with. They've done two things. They've diluted some of their gem networks, so they're not as strong as when they first acquired them [with] AMFM. That and they're insisting on packaging weaker properties with stronger ones, and weaker properties that don't necessarily meet the client's goals. That said, they've provided overall weaker radio schedules," says Feinberg. "It's been our opinion that while they have some very strong properties still, they package them in such a way that it takes away from the overall effectiveness of ad schedules. The frequency is very low, when you're buying one or two spots a network. This I don't fault them for—since they're a limited inventory network, this is difficult for them to overcome. Limited inventory networks—the strength in them is that they are very highly rated. But they can't give advertisers enough inventory to make it worthwhile in some instances. Premiere has some other networks and some very great stations. But if you don't give them frequency, it becomes a double-edged sword. If you don't get enough frequency on it, then you'd rather go to a lesser station with more frequency. Their ratings are not that disparate. It's not that big of a difference that you're going to go from a hero to zero. You're going from maybe one to three. It's not a big difference in an individual marketplace."

Natalie Swed Stone, Managing Partner, Director of National Radio Services, OMD USA, also says Premiere was hard to work with, but adds it was largely a bad timing issue from the consolidation with AMFM Radio Networks. "The big problem that Premiere had was that they consolidated. Clear Channel consolidated AMFM with Premiere right around the time the upfront was happening. They didn't have time to form a strategy and to assess the marketplace. That was the big problem. They had new people in place, they were absorbing, they were integrating, they were being initiated into the culture, and there was no time for them to assess the marketplace," she explains. "They were difficult to work with, not because they were intending to be difficult, they just couldn't help it. They were having trouble internally. They thought they had a direction and then they changed direction. They had Diamond and Emerald, and then they changed the inventory—it was cut in half and then they put the Clear Channel stations in there."


Natalie Swed Stone

And then the ad market plunged. Dot-com losses evolved into dot-everything losses. Swed Stone said there just wasn't enough time to get a handle on what was happening: "You need time to market, you need time to do the research, you need time to sell it, you need time to understand it internally. You need time to assess the market and figure out where you're going to fit in. There were a lot of challenges on Premiere at that time. Just think about it—they didn't know who their management team was, they then had to hire people, decide who was going to sell and then teach them what to sell when the product was changing and the marketplace was changing. It was not easy. And then we were saying, 'Guess what guys, you're not going to meet your goals, your budgets, because the marketplace just changed.' And do you think they wanted to hear that? They weren't prepared, they didn't have experience, this was their first time and they wanted to move slowly. But the marketplace moved fast, faster than they wanted it to. So they were caught by surprise."

These issues caused some of the buyers to go elsewhere—especially when the rates weren't cut when they needed to be. "Whenever the scenario arises that we can't get what we feel is a quality schedule from Premiere, we look to just buy around them," says Feinberg. "We have done it. We have also not been able to do it. It's not like we can do it every time. Westwood has gotten over the hump of five/six years ago, when their organization was all messed up. They had so much inventory, they didn't know what was what. They've gotten past that. Clear Channel is still kind of in the midst of it. It's not that they bought so much property, but they have so much debt service from buying all the stations. I think clearly in the last three years, the management of Westwood has started to turn that ship around in a big way. And now it's becoming evident. When all of those guys got in there, **Joel Hollander** specifically, you couldn't tell anything was going on. But now it's clear that he's made some changes for the positive over there. Don't get me wrong, in the heat of the battle, things can still get pretty wild. Joel Hollander and **Eddie Q [Quagliariello]** have definitely looked to make Westwood a more advertiser-friendly place, without a doubt."


Joel Hollander

Westwood was apparently poised for the battle. "We didn't buy a lot of Premiere in the upfront last year because they were not prepared to be aggressive in an upfront where we saw other networks aggressive," recalls Swed Stone. "Now, Westwood didn't have that issue. They came in early, they were aggressive, and they were being aggressive all year. Premiere started getting aggressive, but when you miss an upfront marketplace, it's late. It's late—you missed a lot of money, you missed a big opportunity. So, I think that was the big issue and I think some of us anticipated that that was going to happen, that they were not going to be ready. And the marketplace changed on them. Don't forget—they were consolidating and all of a sudden, the marketplace changed. Now if they had people who had been sitting there, without having to go through a merge, they might have been able to gauge that, as Westwood was ready."

Back on track

While this years upfront was a hard hit for Premiere, it looks like the company has learned from its mistakes—mistakes that were somewhat unavoidable. Many of the lost dollars will likely be recouped on this 2002's upfront. There's no misread of the market this time around—everyone is certainly on the same page. "They are in a much better position. Much better. With a full year under their belt, they know what their mistakes were. The people are in place, they've had a year now of Premiere-only. And I think they will be ready for the upfront. They will make their decisions going forward," attests Swed Stone. "Let's put it this way. They have very good product and I believe that they've integrated. Can they continue to improve? We all can. And I believe they can and will. Just as Westwood and ABC. All of them need to do some work, and they all know what that is."

"No matter what happens with Premiere, I think you can still get good deals with them if you know what you're doing. With Premiere's present difficulties, it's still a good add if you place a good schedule. The potential to place a good schedule is there. They just have to allow you to do it, that's all," says Feinberg. "Listen to what the advertiser needs, rather than just showing what they have to sell down the road."

See next week's issue for Part II, Network Radio: The 2002 upfront.

A different perspective

Reyn Leutz, SVP/Director of Radio Negotiations, Mindshare USA, says he had a totally different experience with Premiere in the past year. "I've heard this over and over and over. There has been a lot of whining by agencies about how they didn't like the pricing for last year. I hear it all the time. We sat down at the table, it was a long, protracted negotiation with Premiere, but we came to an agreement that was beneficial to our clients. I didn't take a dime away from Premiere a year ago. I think that they are a major force in the radio industry and I was able to sit down with them and negotiate a price that I thought was very fair. I don't know why that didn't happen with other people," he told *RBR*.

Given that the market was softer last year, what's the hurry if someone doesn't find the price with Premiere that they like? Why not sit and wait, Leutz wonders? "I presented my upfront presentations last year in some cases in January, so what was the hurry? To grab that money, they had to have been offering deep discounts. If people grabbed their money off the table and went somewhere else because they felt they weren't getting the right price, they, not the networks, were reading the market incorrectly. That's why it's really important to stay at the negotiating table until you're comfortable with what's being offered. Because when you pull away, you hurt your client and your overall radio buy. It's surprising to me that buyers can't stay at the table long enough to achieve their goals and not have to yank the money off the table. A lot of people draw a line in the sand before it has to be drawn. The past two years have not been markets where any lines need to be drawn."

By Jack Messmer

Pearce family surrounds Charleston

The South Carolina strategy for the Pearce family's Radio South/Apex group is becoming clearer. In addition to buying Barnacle Broadcasting's WJZX-FM Port Royal, SC for $2.5M (*RBR* 10/15, p. 6), Radio South/Apex is also buying two other stations which will give it a daisy-chain duopoly for the Charleston, SC market. All of the deals are being structured to redeploy, tax-deferred, the proceeds from the Pearce family's sale of their five Meridian, MS stations to Clear Channel (N:CCU) for $10M (RBR 2/10, p. 11).

Houston, Voncile and **Dean Pearce** are paying Cumulus Media (O:CMLS) a total of $3.4M for WHLZ-FM Manning, SC. That station is currently part of Cumulus' Florence, SC superduopoly, but its full Class C signal covers much of the Charleston market from the north. That complements WJZX, also a full C, which covers to the south and west of Charleston.

The third piece of this puzzle is WAVF, Hanahan, SC, right in the heart of the Charleston market. It is being sold by Maverick Media (formerly Emerald City Radio Partners). Broker: (WJZX) Sailors & Associates; (WAVF) Kalil & Co.

Analyst sees strength at Viacom

As much as the depressed economy and ad market are hurting Viacom (N:VIA), to the extent that the company reported a rare down quarter last week (see page 1), at least one analyst thinks **Sumner Redstone, Mel Karmazin** and their management team are doing a better job than most other media companies in dealing with the downturn.

Gordon Hodge

"Viacom seems to be finding ways to swim against the still 'ebbing tide' in the advertising marketplace," said **Gordon Hodge** of Thomas Weisel Partners. "Strong ratings at CBS and UPN have led to surprising strength in scatter, in which CBS's pricing is flat to up so far. We believe that this reflects extraordinary, company-specific sales efforts rather than an improvement in the TV industry in which we believe scatter pricing is down."

But Hodge also expressed disappointment that Viacom's radio and outdoor unit, Infinity, isn't matching that model of outperforming the marketplace. "Infinity revenue was down a surprising 12% 910% excluding dot-coms) and does not appear to be improving in Q4."

Conventional wisdom is wrong

That's the view of Wachovia Securities (formerly First Union) analyst, **Jim Boyle**, on two fronts.

"Conventional Wisdom #1 item had said dot-com comps had rolled off in the first half of 2001. Wrong. If that roll-off timing was the case, the 'pop' that arithmetically results from disappearance of significant sales in prior year should've occurred in June-September period. It did not." Instead, Boyle found that rather than suddenly plunging 85-90% at mid-year 2000, the dot-com business really only fell 55-60% from its peak. Then the struggling sector held on, but to a lesser extent, to inflate radio revenues for the balance of the year. That's left radio with tougher comps for the latter part of 2001 than had been believed.

"Conventional Wisdom #2 item says that December is the upcoming inflection point. Wrong. January 2002. Forward pacings in many

Jim Boyle

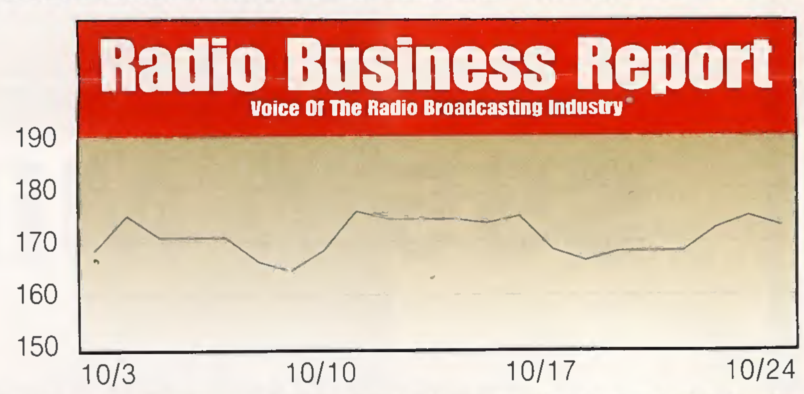
large markets have already turned positive for January," Boyle said. He notes, however, that January is still three months away, so, "This surprising swing in future bookings may turn out to be a 'head-fake.'"

If the nation is indeed in a recession, with no indication yet of a turnaround, it would seem strange for radio revenues to suddenly get an upward pop. That's why Boyle sees the stronger pacings as confirmation of his analysis that the dot-com effect held on through December of 2000.

"We hear more observers and pundits racing to be the biggest bear by dropping 2002 ad projections for radio, outdoor and overall advertising to ever lower levels. We cannot find the history or math to support such emotional pessimism. In past recessions and past disasters, radio has outperformed the GDP," said Boyle. "We think GDP for 2002 should be -1% or flat. We see general advertising off -0.1%. We estimate radio to be slightly up at 1.5%, with outdoor up 1.9%."

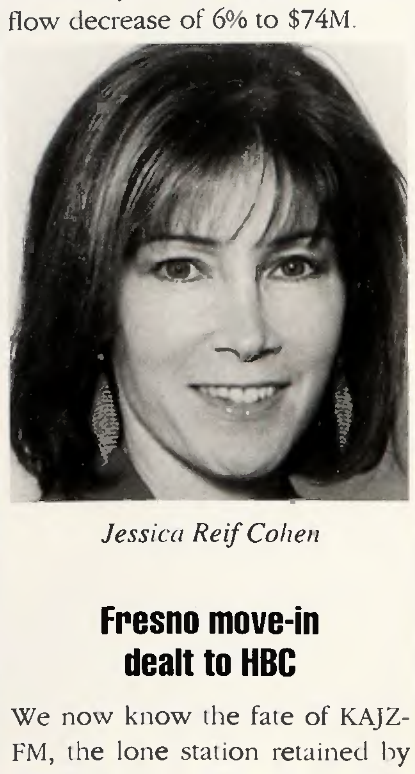
The Radio Index™

Stocks continued to drift amid uncertainty over the war and the economy. The Radio Index™ rose 4.313 for the week to close 10/24 at 172.665.



Merrill analysts see Spanish flip in LA

"Spanish Broadcasting's (O:SBSA) new programming team of **Bill Tanner** and **Pio Ferro** has had phenomenal initial success in Los Angeles," Merrill Lynch analysts **Jessica Reif Cohen** and **Keith Fawcett** noted in their latest research on broadcasting stocks. As a result, they see SBS increasing revenues by 13% next year, to $149M, and cash flow (EBITDA) by 33% to $44M. On the other hand, the two see Hispanic Broadcasting Corp. (N:HSP) growing revenues only 1% next year, resulting in a cash flow decrease of 6% to $74M.



Jessica Reif Cohen

Fresno move-in dealt to HBC

We now know the fate of KAJZ-FM, the lone station retained by **Ed Hoyt** from his sale of four Merced, CA stations to Mapleton Communications (*RBR* 9/3, p. 14). Hispanic Broadcasting Corp. (N:HSP) is buying the station, which has a CP to move into the Fresno market, for $5M. Broker: **Greg Guy**, Patrick Communications

***RBR* observation:** The cost will actually be more than $5M, since HBC still has to build the new facility. KAJZ will move to 107.9 mHz (from 107.7) and change its city of license to North Fork, CA.

Flagstaff spin-off brings big profit

You don't often see a local owner break up a superduopoly—and it's almost unheard of to spin off the biggest station of the cluster. That's what **W. Grant Hafley** is doing in the Flagstaff-Prescott, AZ market—and he's pocketing a big profit. Hafley's AVC Communications bought KVNA-AM & FM and KZGL-FM from Regent (O:RGCI) just last year for $2M (*RBR* 4/10/00, p. 18). Now he's selling only two of those three stations, KVNA-AM & FM, to Arizona Radio Partners for $3.875M. Although KVNA-FM is the only full Class C in Hafley's superduopoly, he'll still have one AM and three FMs, all clustered in the Prescott-Cottonwood end of the market. The buyer, Arizona Radio Partners, is owned by **Ed Seeger, James Fort** and **Andrew Guest**. Although they individually have investments in other radio properties, this is the first purchase for the new partnership. Broker: Kalil & Co.; American Media Services

Dickey 'DUZ Green Bay

Lew Dickey's Cumulus Media (O:CMLS) is converting its LMA into ownership in the Green Bay, WI market. Cumulus has been LMAing WDUZ-AM & WQLH-FM from **Ben Laird**'s Green Bay Broadcasting Co. for over two years (*RBR* 9/27/99, p. 12), with each side of the deal having options to convert that LMA to Cumulus ownership (*RBR* 12/13/99, p. 7). Laird has now pulled the trigger, exercising his put option to have Cumulus buy the combo for $7M. He might have gotten $250K more, but he would have had to wait 18-36 months more to see if Cumulus exercised its call option at $7.25M. Cumulus already owns three other stations in Green Bay. Broker: Blackburn & Co.

Vegas AM fetches nearly $3M

Full details of the widely reported $2M sale of KRLV-AM Las Vegas have finally been filed with the FCC. Buyer Continental Radio Broadcasting Acquisitions LLC, headed by **David Pescheau**, has been LMAing the station since 10/1 and will eventually pay $2.95M.

$125K has been escrowed and an additional $1.775M will be due in cash at closing. Seller 1340 Investments LLC, headed by **Fred Weinberg**, will also be paid $50K six months after closing and again 12 months after closing. In addition, Weinberg will get $950K, spread out over five years, under a non-compete/consulting agreement. Broker: Norman Fischer & Associates

CCU details Ackerley spin-offs

Clear Channel Communications (N:CCU) is requesting a one-year waiver from the FCC to make required spin-offs from its pending $800M acquisition of The Ackerley Group (N:AK). *RBR* had estimated that Ackerley's five Seattle radio stations accounted for approximately $125M of the total price (*RBR* 10/15, p. 1 & 6-7). Although Clear Channel's filing with the FCC acknowledges that six months has proven sufficient for similar divestitures in the past, it is asking for twice that because of the current depressed economy.

Based on contour maps filed with the FCC, Clear Channel expects to have to make station spin-offs in five markets where it is acquiring TV stations from Ackerley. If all of the divestitures are radio stations (which is not certain), Clear Channel would have to sell four radio stations in the Utica, NY market, two in Binghamton, NY, one in Rochester, NY, one in Syracuse, NY and one in Santa Barbara, CA.

Here's how the contour maps submitted by CCU break down each of the 11 markets where the Ackerley acquisition will create new radio-TV combinations.

New Clear Channel-Ackerley radio-TV markets

Non-compliant:

Binghamton, NY: 1 TV, 2 AM, 4 FM—CCU is requesting a temporary waiver to get down to 1 TV, 4 radio.

Rochester, NY: 1 TV, 2 AM, 5 FM—CCU is requesting a temporary waiver to get down to 1 TV, 6 radio.

Santa Barbara, CA: 1 TV, 5 AM, 10 FM—CCU's maps identify three distinct markets. Two are compliant, but the company is requesting a temporary waiver to get down to 1 TV, 6 radio from the current 1 TV, 7 radio in the Santa Barbara-Santa Maria-San Luis Obispo TV DMA.

Syracuse, NY: 1 TV, 6 AM, 10 FM—CCU's maps identify two distinct markets. One is compliant, but the company is requesting a temporary waiver to get down to 1 TV, 6 radio from the current 1 TV, 7 radio in the Syracuse television DMA.

Utica, NY: 1 TV, 5 AM, 5 FM—CCU is requesting a temporary waiver to get down to 1 TV, 6 radio.

Compliant:

Bakersfield, CA: 1TV, 2 AM, 4 FM.

Eugene, OR: 1 TV (plus 2 full-power satellites), 4 AM, 5 FM in two distinct markets, one with 1 TV, 5 radio and the other with 1 TV, 6 radio.

Fairbanks, AK: 1 TV, 1 AM, 3 FM.

Fresno, CA: 1 TV, 2 AM, 6 FM (however, two of the FMs do not city-grade Fresno and do not count toward the radio-TV maximum).

Monterey-Salinas, CA: 1 TV, 2 AM, 4 FM.

Santa Rosa, CA: 1 TV, 3 AM, 1 FM (all of the radio stations are in the San Francisco and Sacramento markets, but cover Santa Rosa with their city-grade contours).

***RBR* observation:** Pricing and demand for middle market radio stations remains strong, so CCU's claim of a weak market for these spin-offs is false. It is true, however, that it is more difficult for new entrants and small minority-owned companies to finance such purchases and CCU does have a proven track-record for making spin-offs to minority buyers.—JM

***RBR* observation:** After *RBR* pointed out that the parties had improperly redacted the financial details of the side agreement, the FCC staff ordered submission of an unredacted copy for the public record. As we had suspected, there was quite a bit more consideration than was spelled out in the main contract.

We would also use this opportunity to note that the FCC staff has done a terrific job of fixing the problems with its CDBS database system that had led to us urging its shutdown (*RBR* 6/11, p. 1). Incomplete filings are no longer being put on public notice and its been quite a while since we've found an errant or unreadable attachment.

Key ring has one less station

Terry Forcht's Key Broadcasting is selling one of its many small market stations, dealing WULF-FM Hardinsburg-Elizabethtown, KY to local broadcasters **Bill** and **Marilyn Evans** for $1.15M. They already own WQXE-FM Elizabethtown, KY, plus another station in the Glasgow-Bowling Green, KY market. Broker: **Ed Henson**, Henson Media

***RBR* observation:** WULF, whose signal gets into a good portion of the Louisville market on 94.3 mHz, is currently a rare FM News/Talk station, featuring syndicated fare such as **G. Gordon Liddy, The Dolans, Mitch Albom, Larry King** and **Jim Bohannon.**

Big companies sell bonds

Both Clear Channel (N:CCU) and Disney (N:DIS) have sold new bond offerings.

Clear Channel sold $750M in five year bonds paying interest of 6%. Clear Channel is using the proceeds to reduce its outstanding bank debt. The offering was managed by Banc of America Securities and JP Morgan Securities.

Disney sold $275M of 30-year bonds paying interest of 7% to help fund its $5.2B purchase of Fox Family Channel. That deal has also closed, but only after News Corp. (N:NWS) dropped the price by $100M. Disney paid $2.9B in cash and assumed 2.3B in debt. The bond sale, which included just about every firm on Wall Street, was led by Morgan Stanley, Merrill Lynch, Salomon Smith Barney, AG Edwards, Prudential Securities and UBS Warburg.

Cox Enterprises selling cable stock

In a rare move, Cox Enterprises is selling off some of its stake in Cox Communications (N:COX) to shore up the balance sheet of the parent company, which also controls Cox Radio (N:CXR). Cox Enterprises, the privately held company controlled by sisters **Barbara Cox Anthony** and **Anne Cox Chambers**, has agreed to sell 13.5M shares of Cox Communications, the big cable MSO. That will raise about $528M.

"We have tremendous confidence in Cox Communications and its ability to generate value for its shareholders," said **Jim Kennedy**, Chairman of both Cox Enterprises and Cox Communications in an announcement. "This sale represents an opportunity to unite our balance sheet needs with meeting an expressed demand from the investors for a larger stake in Cox Communications."

Even after selling 13.5M shares of the cable company, Cox Enterprises will still be by far its largest shareholder—with more than 393M shares. Cox Enterprises also owns more than 64M shares of Cox Radio, the only other piece of the Cox empire which is publicly traded.