

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

November 19, 2001

Volume 18, Issue 4 7



**Network
execs look at
rates, CPP
and super-
serving
customers as
Upfront 2002
progresses
Page 4**



AMERICAN
URBAN RADIO
NETWORKS

30TH ANNIVERSARY
1972-2002

AMERICAN URBAN NEWS

SBN NEWS

**Proud of Our
Heritage**

BROADCASTING NEWS AND
INFORMATION TO AFRICAN AMERICANS
IS AS IMPORTANT TODAY AS IT WAS
30 YEARS AGO. AMERICAN URBAN
RADIO NETWORKS...
URBAN AMERICA'S RADIO LEADER.

WE WERE THERE FOR THE BLACK
COMMUNITY 30 YEARS AGO. WE WERE
THERE FOR THEM ON SEPTEMBER 11TH
AND WE'RE HERE FOR THEM TODAY.
AMERICAN URBAN RADIO NETWORKS...
REACHING AND TOUCHING
BLACK AMERICA LIKE NO OTHER.

AMERICAN URBAN RADIO NETWORKS...
30 YEARS OF PROVIDING TIMELY NEWS
AND INFORMATION TO THE AFRICAN
AMERICAN COMMUNITY. AMERICAN
URBAN RADIO NETWORKS... DELIVERING
THE NEWS THAT PEOPLE ARE TALKING
ABOUT AND THE NEWS THAT WILL
MAKE PEOPLE TALK.

**Call AURN today to add NEWS
to your programming mix.**

SALES

212-883-2100

PROGRAMMING

800-456-4211 ext. 4098

RADIO NEWS

Ringer belabors CCU Ohio deal 2

An Ohio advertiser wants the FCC to deny the sale of WKKJ-FM to Clear Channel, and did not spare the ink stating his case.

Inside the FCC's ownership NPRM 2

Sirius set for Valentine's Day launch 2

Advisers want Arbitron's response rates to rise 2

ABC goes to virtual voices on two 24/7s 2

Is Bloomberg's empire on the block? 2

Ad-verse effects of the latest air tragedy 3

ADBIZ

Network execs upfront about rates, flexibility 4

MEDIA MARKETS AND MONEY

Rate cuts grate the nerves of group CEOs 6

Many front office denizens in the radio business are down on rate slashing, they see it happening, but few are naming names.

KWOD squad: Court finds for Entercom in Sacto suit 6

Something kinda new flowing at Big City: Cash 6

Unica IPO draws class action lawsuit 6

Stocks, spending rise as Kabul falls 7

ENGINEERED FOR PROFIT

Must you pay the Wolfe to get into the stream? 8

XM goes national

The final phase of the launch of XM Satellite Radio is at hand. A 25-day series of city-by-city events kicked off 11/13 in Chicago, and by the time its over it will have hit 25 different cities, including Boston, Philadelphia, Detroit and San Francisco, leading to a 12/5 coast-to-coast event keyed on New York and Seattle.

Washington, DC was initiated into the service 11/14. Mayor **Anthony Williams** accepted the first receiver to be distributed in the market. "XM now is nationwide, and we're proud to launch in the nation's capital, which we call home," said XM President/CEO **Hugh Panero**.



The 100 channels offered by the service includes 71 music channels, 30 of which are commercial-free, and 29 channels devoted to News, Talk, Children's and other types of content.

XM radios, already available in the south, are showing up elsewhere in stores such as Best Buy, Circuit City, Tweeter, Crutchfield, Good Guys, CarToys, Audio Express, Sound Advice and some Radio Shack outlets.

Meanwhile, SONY's DRN-XM01 hit the market as the first XM Satellite Radio receiver that can be used both in the car and at home. The receiver is plug-and-play and can be purchased for \$300, or a self-installation car version for the same price, a "custom" car version for about \$400. An additional home or car installation kit for about \$150 is required to use the removable receiver in the other location.—DS, CM

Analyst warns of rate slippage



"Despite signs of a rebound prior to the September 11 tragedy, CPMs appear to have fallen further in recent weeks," Robertson Stephens analyst **James Marsh** warned in his latest "Trendspotter" for broadcasting investors. "It is unclear if the continued weakness is due to a fall-off in advertiser demand or incentives offered by sales staffs in order to win first-quarter 2002 business. During this time of year operators typically offer some discounts to advertisers in order to secure business at the beginning of the following year. Still, we continue to hear signs of the largest operators aggressively competing for market share by offering deep discounts on package deals. As a result, we are somewhat concerned by what appears to be an increasingly unhealthy rate environment. If competition continues to be fierce and scatter TV prices continue to be soft (as we are hearing they are), we believe it could be difficult for radio operators to raise rates heading into 2002."

(Rate cutting came up repeatedly in Q3 Wall Street conference calls. See pages 6-7.)

Marsh also thinks that much of the ad spending cancelled in the wake of the 9/11 disaster is lost forever. "While many had hoped that the cancellations made immediately following and during the weeks after the September 11 incident would be deferred to later months, it appears most advertisers have

no plans to reallocate the cancelled spending," he wrote.

Following September revenues that RAB reported down 14%, Marsh now estimates that October was off 13% and that November is pacing down 12%. And while it's still early, he sees December now pacing 11-14% behind last year.

Despite that gloomy assessment, Marsh believes the market has already discounted a bad Q4 and even a soft 2002 from radio stock prices. He advises sticking with groups that get a high percentage of their revenues from local sales, rather than national.—JM

November 19, 2001
Volume 18, Issue 47

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 **Jim 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

©2001 Radio Business Report, Inc. Material may not be reproduced without permission. All content may not be reproduced, photocopied and/or transmitted without written prior consent. Any violations will be dealt with legally. Printed in USA.

Radio Business Report is published weekly by Radio Business Report, Inc. Publishers of Radio Business Report, The Source Guide, www.rbr.com and the Information Services Group database.

Subscription rate: One year \$220.

Radio Business Report is here to help

With the recent announcements of company layoffs and downsizing, Radio Business Report stands ready to help you. If you're a radio station or group looking to fill a key position, RBR is offering a new service—and it's absolutely free.

Just submit your job opening, in 30 words or less, to **production@rbr.com**. Your listing will be posted on our website, RBR.com, and sent out coast-to-coast via RBR's daily email service.



Our publications are read by the best people in radio—even a few who've found themselves "between positions." One of them may be just the pro you're looking for.

Putting a chill in CCU Chillicothe deal

David Ringer, who patronizes WKKJ-FM Chillicothe, OH as both a listener and an advertiser, has filed a lengthy petition to deny with the FCC to block the \$17.5M sale of the station from Secret Communications to Clear Channel (RBR 10/8, p.6). The petition, prepared for Ringer by **Arthur V. Belendiuk** of the law firm Smithwick & Belendiuk, P.C., alleges that Clear Channel inaccurately represented its prior radio station holdings in the Chillicothe/Columbus area, that it is using **Mark Jorgenson's** Concord Media Group Inc. as front company, and that it is in fact already operating the station.

Concord Media Group has listed the station as one with which it has a time brokerage agreement. However, a private investigator hired by Ringer called the station several different times, and on three occasions mentioned in the filing, three different employees said that WKKJ was a Clear Channel station and that they were employees of Clear Channel.

The petition also noted that the three other stations licensed to Chillicothe, all owned by Clear Channel, are listed, with direct links, on the WKKJ-FM web site as sister stations. RBR found this to be the case upon visiting www.wkkj.com.

He noted several other similar CCU/Concord alliances in other parts of the country, including Pensacola, Youngstown and Jacksonville. In the latter city, the website for WQIK-FM has a link to a page listing Clear Channel's Jacksonville stations. In addition to two television stations, a link to the company's outdoor business in the area and one to the Clear Channel Marketing Group, there are 12 radio station icons displayed. A note at the bottom of the web page says, "106.5 The Promise, 1400 WZAZ, WJGR and WZNZ are Concord Media Group stations." More at RBR.com.—DS

Sirius sets a start-date

Sirius Satellite Radio (O:SRD) is set to begin operations early in 2002. According to SVP/CFO **John Scelfo**, on 2/14/02, initial rollouts will take place in Phoenix, Houston and Denver. Ample receivers are expected to be available in various retail outlets, and a multi-pronged marketing effort will be used to attract subscribers.

Further expansion details will be available in January. Full national service is expected to be in place by Q3 2002. The primary task ahead of the company is evaluating and fine-tuning its terrestrial network.

As has been stated, the service will cost consumers \$12.95/month. Although this is \$3 more than rival XM Satellite Radio (O:XMSR) is charging, in a conference call Sirius execs referred repeatedly to research which indicates that they will be competitive with XM due not to a feature XM has which Sirius will not: Commercials. Sirius has bumped its total number of music channels up to 60 (from a previously announced 50), and all of them will be 100% commercial free. Sirius is banking that many will gladly pay the extra cash to avoid the interruptions in the music.

Ample receivers should be in stores when and where they are needed. They are expected to cost between \$299-\$399 not including installation. They company is concentrating on the in-vehicle market, but is also addressing the in-home and portable markets.

With \$375M in the bank and a \$15M/month burn rate, the company expects that it will easily make it to the end of 2002 without any undue financial stress.—DS

RBR observation: We wonder, is there any significance to setting the launch for Valentine's Day? If so, we have a slogan: Instead of jewelry, give her what she really wants this year—a satellite radio receiver.—JM

Arbitron Advisory Council wants more response

As response rates continue to drop, broadcasters are increasingly concerned. The recent Arbitron Radio Advisory Council meeting, which ended 11/7, passed another resolution on response rates. The resolution requests that Arbitron immediately test the results of including an additional \$5 for all returned diaries in the top 25 markets, where response rates have been dropping most. If the test is successful, the Council urges Arbitron to make it a reality by the Spring '02 survey period.

Said retiring council Chairman **Chuck Tweedle**: "The Council has considerable passion on the response rate problem, and we feel our industry needs a quicker 'fix' than ideas Arbitron is evaluating can provide. We have a good working relationship with Arbitron and I am optimistic they've heard our message."

Other issues included also the National Radio Database product to be launched next spring and the Personal People Meter.—CM

ABC to voicetrack a pair of 24/7s

24-hour ABC Radio Network offerings ABC Classic Rock and ABC Stardust are going to be almost 100% voice-tracked, rather than announced live. According to VP/Programming **Phil Hall**, the network is looking to get maximum use of its resources, and particularly in the case of the Classic Rock web, the new arrangement will allow affiliates the opportunity to customize the sound more to their own specifications. The change is expected to have minimal staffing implications, and completely live programming, such as remotes and other specials will remain part of the mix.

RBR observation: If any formats are natural for voicing automation, it is the Gold-based ones—it's not like these two webs will soon be playing something that we haven't already heard before.—DS

Is Bloomberg for sale?

With his new career as a political leader set to begin in January, rumors are running rampant that New York Mayor-elect **Michael Bloomberg** is looking to sell his financial data and news empire, Bloomberg LP. The company denies that it is being shopped, but many observers think that's just the public line. London's *Observer* newspaper reported 11/11 that Thompson Corp., the Canadian newspaper group that owns Thompson Financial (a competitor to some Bloomberg LP services), is preparing a \$10B bid for Bloomberg's company—currently owned 80% by Bloomberg himself and 20% by Merrill Lynch (N:ML). The word on *The Street*, though, is that Bloomberg thinks the company should fetch about twice that.

RBR observation: Claims that Bloomberg is under "pressure" to sell his companies because of a New York law barring elected officials from having business dealings with the government entity that they control don't hold much weight. While New York City finance officials have a few Bloomberg terminals on their desks, as do other big municipal bond issuers, the revenues from those terminals are insignificant to Bloomberg LP. The company or Bloomberg himself could donate those services to ease the conflict.

As to whether the company is for sale, it would be our guess that Hizhonor would be willing to cash out, but only at his price. From the pricing rumors flying around, we would guess that's somewhere between \$15B and \$20B. Bloomberg's personal take from that would allow him to fund some pretty expensive campaigns in the future for the two other jobs he's said to want—Governor of New York and President of the United States.—JM

Inside the FCC ownership NPRM

Regarding the FCC's Notice of Proposed Rulemaking concerning local radio ownership, in its own words, here is what is being undertaken by the FCC with unanimous approval of the four sitting commissioners:

"The FCC commenced a comprehensive examination of its rules and policies concerning multiple ownership of radio stations in local markets. The Commission said its objective is to ask the relevant questions and develop a complete record that will support the approach and the impending regulations it ultimately develops."

"The FCC established an interim policy to clarify the review criteria for applications that are currently under review and for applications filed during the completion of rulemaking."

"The FCC set specific deadlines in order to expedite the resolution of pending applications." Specifically, 90 days is the deadline for review of pending applications which were "red-flagged" and have been at the Commission for a year or more.

The FCC noted that since Telecom was signed into law in 1996, total owners have dropped from 5,100 to 3,800, and that the average number of owners per Arbitron market has gone from 13.5 to 10.3, a 22% decrease.

Three Arbitron markets have been designated for close scrutiny. Syracuse, Rockford, IL and Florence, SC will be the locations for gathering of "empirical data on the effect of consolidation."

Going ahead, again in the Commission's words:

"The Commission noted that promoting diversity and competition remains the touchstone of its local ownership rules. It asked for comments on whether the three traditional aspects of diversity (Viewpoint, outlet and source) should guide its public interest consideration."

"With respect to competition, the NPRM asked for comments on the scope of the FCC's interest in competitive radio markets, on the definition of the relevant market (advertising or audience), on barriers to entry, potential efficiencies, possible harms, and on the economic costs and benefits of consolidation."

Commenting on the FCC's initiative during a conference call, Entercom (N:ETM) CEO **Joe Field** said, "I must say I'm not troubled by it, because I think maintaining some level of competition in the markets is overall desirable and I have confidence in Chairman **[Michael] Powell** as an antitrust lawyer...to not go overboard in rigid definitions. I think that whatever red flags or whatever guidelines may be there will be subject to intelligent discourse, in order to allow whatever transactions which are competitive as opposed to those which are monopolistic."—DS



Joe Field

Eastlan beats Arbitron to the Bend

Eastlan Resources has won a contract from Horizon Broadcasting Group to measure audience in the Bend, OR market, after Horizon did a year-long comparison of Eastlan and Arbitron. The market has a 12+ population of 125,941, which would place it somewhere in the ranking range of #230-240 were it to become an Arbitron market.

Horizon President **Keith Shipman** said, "We subscribed to both services in 2001 and the message is clear, Eastlan does a better job of meeting our needs. With almost three times the number of samples and in-tabs that are weighted closely to our market's actual demographics, Eastlan is of much greater value to our stations."

Horizon operates 11 stations in Idaho and Oregon; Eastlan provides radio ratings in over 60 mostly smaller markets across the United States with a concentration in the western part of the country.—DS

Clear Channel cuts music download deal

Start-up FullAudio Corp. has announced a deal to offer its music download service on 30 Clear Channel (N:CCU) radio station websites in five markets—Los Angeles, Chicago, Houston, Phoenix and Salt Lake City. The co-branded music download service is scheduled to launch in January. Listeners who want to download music will pay a monthly subscription fee ranging from \$5-15.

Clear Channel Radio won't disclose all of the details of the deal, but spokeswoman **Pam Taylor** did confirm *RBR's* suspicion that CCU isn't putting any of its own cash into the venture. She also noted that the deal applies only to 30 stations and, "It is not an exclusive right to all Clear Channel stations."

Chicago-based FullAudio is backed by three venture capital companies—New Enterprise Associates, Venture Strategy and Kettle Partners—and two wealthy investors—**Randy Komisar** and **Larry Rosen**. CEO **Chris Copeland Gladwin** is a technology guy, but President/Music Services **James Glicker** was formerly a BMG record company executive. Former SW Networks programmer **Michael Fischer** is VP/Content & Programming. FullAudio has deals with BMG, EMI and Universal to offer music for downloading.

RBR observation: No one has yet proven a commercial model for music downloading—and finding one will be difficult, since Napster established a subscription rate of zero that's made it difficult to persuade online consumers to pay cash for music downloads. It's our guess (which CCU won't confirm) that CCU will get cash payments from this deal, regardless of whether FullAudio covers its operating costs.—JM

African-American audience growing in stature

One of radio's most loyal audience demos is the African-American population. 53% list Urban as their most-listened-to format, according to a survey conducted by The Media Audit. "The numbers should cause re-examination of strategies by those who believe that the African-American community can be covered effectively by advertising in mainstream media," said CMR's Co-Chairman **Bob Jordan**, "In this community, Urban is mainstream."

The attractiveness of this community is at an all-time high. Since 1996, households with \$50K or more annual income increased from 24.5% to 32.9%, a 33% gain. The numbers are even more impressive going up the scale. \$75K households enjoyed a 70% gain to 15%, and \$100K or better households increased 103% to 6.5%.

"The overall numbers are encouraging," said Jordan. "They reflect broad, overall improvement in the financial condition of the African-American community."—DS

Yahoo! to stream Citadel stations

Yahoo! (O:YHOO) has signed a deal to stream 140 Citadel Communications radio stations. The deal provides for Yahoo!'s in-stream technology to insert online ads in place of local spots. With the addition of the Citadel stations, Yahoo! Radio will be streaming about 450 terrestrial stations on the Internet.

Citadel had previously had its streaming split between Yahoo! and CoolLink, but all of the streams had been shut down due to the AFTRA royalties dispute. Now that Citadel's contract with CoolLink has expired, it's resuming streaming under a new group deal with Yahoo! Citadel's VP of New Media, **Bill Perrault**, says Citadel's stations in Oklahoma City, Buffalo and Knoxville are now streaming, with all of the others to be added over the next 60 days.

RBR observation: The parties aren't divulging the details of this deal, but you can bet that Citadel struck a better bargain than what stations got when Mark Cuban wrote the original deals that launched the company that became Broadcast.com and was eventually merged into Yahoo! for billions of dollars in stock. Broadcasters know now that their content is valuable.—JM

Don and Mike skate on \$4K phone fine

Infinity Broadcasting's (N:VIA) **Don & Mike** have dodged a \$4K fine for airing a phone conversation without providing notification to the individual involved that the phone conversation was to be broadcast.

In this case, the individual, Ms. **Flora Barton**, was taped while the program was on digital delay, and was informed of the duo's intention to air the tape after the phone call but before it was broadcast. Infinity was able to show precedent that, if not exonerating the digital delay practice, at least imparted regulatory ambiguity to the practice. The FCC canceled the fine, and Infinity stated that it will ask for a declaratory ruling on the practice.—DS

FCC looks to keep lines of communication open

A roster of senior staffers from each FCC bureau will meet to form the Homeland Security Policy Council. Its goals are to evaluate and strengthen measures for protecting US communications services, ensure rapid restoration due to disruptions as a result of threats or actions against the US, and to ensure that public safety, health and other emergency and defense personnel have access to communications resources as needed. The council will be headed by FCC Chief of Staff **Marsha MacBride**.

Associate Chief of the Enforcement Bureau **Linda Blair** has been promoted to Deputy Chief of the same bureau. In addition to her regular duties, she will also serve as Deputy Director of the newly formed council mentioned above. Joining her as the other Deputy Director will be **Brad Berry**, who, like Blair, is Deputy Chief at the Enforcement Bureau.—DS

O'Keefe resurfaces at AAA

Ken O'Keefe, former Evergreen, Chancellor, AMFM and then Clear Channel executive, is now on the Board of Directors for AAA Entertainment. AAA is a Providence-based radio group with holdings there and in Nassau-Suffolk, Peoria, New London, CT and Champaign, IL.

Said AAA Chairman/CEO **Peter Ottman**, "We are very excited to have Kenny, with his impressive experience in the radio industry, as a part of AAA Entertainment's Board. We have already begun to tap into his knowledge of radio acquisitions and operations in order to continue our recent growth."—DS

Reps regroup after another airline crash

Still reeling from the loss of four airliners in a single day on 9/11, the airline and tourism industries were stunned again last Monday (11/12), when American Airlines Flight 587 crashed into a residential section of Queens shortly after taking off from JFK en route to the Dominican Republic.

As happens after any airline crash, all airlines immediately pulled their spots off of radio and television. It appears, however, that there won't be a repeat of the lengthy hiatus that followed 9/11.



Steve Shaw

"The immediate impact has been very similar to what it's been even before 9/11 as far as the reaction of our travel-related advertisers—and that is basically they all pulled off the air, but they're all coming back on," said **Steve Shaw**, President of Katz Radio Group. "Most are pulling off for three or four days." Some, he said, were back as soon as last Thursday (11/15).

The travel industry, he noted, wasn't as active in advertising after 9/11 as it had been in the past. "But as far as the people who were advertising when the American plane went down [11/12], they really seem to be treating it very similarly to previous disasters and not a big change at all," Shaw said. "We've had no cancellations. We've had some postponements—things being moved back—but no cancellations."

As it happens, American Airlines wasn't running spot radio at the time of the latest crash. Shaw mentioned Southwest and SAS as airlines which pulled radio spot schedules on 11/12, but are resuming their ad flights.

"The fact that the early read has been overwhelming the fact that they think it was a mechanical issue and not a terrorist-related event has certainly helped us," Shaw noted. Thus, unlike the 9/11 disaster, there's been no residual fallout on other advertising sectors from the Queens crash and, it appears, no impact on future ad planning.

"This is nothing new," agreed **Graham Keenan**, Sr. VP & Director of Marketing at Interep. "Anytime there's a plane accident, everything gets yanked immediately. That's just standard operating procedure. It's been that way for 20 years at least. It depends on the airline, but in most cases they're back on within a week."

Keenan said that Jet Blue postponed, but didn't cancel, a new ad campaign that will still launch soon.

"I know there's going to be pushes for Christmas and holiday travel—and they always use radio because A) it's cheaper, B) it's the last-minute medium, with recency so important. It's so competitive, they have to be in there. All of the category uses it, so they can't afford not to," Keenan said of the airlines.

Unlike the deep financial impact of 9/11, Keenan said the Queens crash is unlikely to even show up as a blip for ad spending. "No, you won't even pick this up—in terms of the four or five days that people were off the radio, no you won't see it."

Back at Katz Media Group, CEO **Stu Olds** remains confident that the second downturn of tourism advertising in just over two months is only temporary: "We expect that advertising will continue to play an important role in stimulating tourism and airline travel. Short-term setbacks will not deter the need to communicate appropriate messages to these businesses' broad audience of customers."—JM



Graham Keenan



Stu Olds

Get Tomorrow's News Today!

RBR's Daily Email Service
Delivered every afternoon

Only \$199

Subscribe today
call 703-719-7721 and ask for April or
visit rbr.com to subscribe online

The Upfront 2002: What the networks say

In this week of our upfront 2002 series, we again look at the marketplace more from the network perspective. How are CPPs and rates faring? Whose rates are up and why? And, what the nets and syndicators are doing in these difficult times to please the agencies and bring in the buys.

CPP and rates

This may be the first year in a while that rates haven't increased across the board from the year before. From an *RBR* source: "Geico's upfront is different this time. They were not able to get the level of participation last year at the kind of CPP that they wanted. TV was hurting and network radio was a strong medium. The truth is, they may buy more next year because of the TV upfront. A number of people 'chose not to participate.' last year on the network radio side. Most walked because of CPP. Most people will not willing to accept that level."

"This is the first year in several that there are no increases," says Premiere Radio Networks President/COO **Kraig Kitchin**. "2002 I think promises to be a very, very customer-oriented upfront season. But I don't see agencies or clients saying they want incredible discounts. It has been reported that our pricing in last year's upfront was high to begin with. Going forward, where we ended our negotiations in last year's upfront and where we are in this year's upfront are identical. I think agencies that represent clients in the marketplace have convinced their clients that the work they have done over the last 12 months to get the absolute best value has been achieved."



Jay Williams

Nevertheless, some are charging more this time around. CPP increases with audience. Higher CPP means higher audience. "My Pinnacle Network audience went up 68% last year, so my rate went up 68% for next year. We're approaching the market differently than last year, frankly, it's from a stronger positioning," American Urban Radio Networks CEO **Jay Williams** explains. "There is a larger listening by Urban audiences nationwide."

Williams describes the relationship of rates and CPP: "Our rates are up significantly compared to the last upfront, but the delicate dance is not about rates. It's CPP. That's where the rubber hits the road. The media planning community wants you to be able to plan out network radio costs way in advance. As long as can meet their requirements which are driven by CPP,

your rates will fluctuate based on your audience. In that regard, our increase in audience obviously will allow us to have a larger spot rate. 'I need so many GRPs at this CPP.' Now maybe it's fewer units to reach the same level or because you're growing, perhaps more weight gets associated with you. It's how you help them reach the plan. And that's the incentive for growing your audience."

Like Williams, ABC Radio Networks President **Traug Keller** is optimistic about rates: "It's going to take some time, but if what we're seeing in this quarter continues, you'll see rates start to climb. We're going to need two quarters in a row of progress before I think we can expect to see significant changes. In the regular commodity exchange of just plain old GRPs, we're probably looking at numbers somewhere in the neighborhood of flat to up 1 or 2%."



Peter Kosann

How are rates settling so far at Westwood? "I will be able to tell you when the upfront is done," says **Peter Kosann**, EVP Sales, Westwood One. "We've done a variety of upfronts. If you look at Westwood One today vs. a year ago, we have more product to sell, we have the lion's share of the GRPs that are RADAR rated. Price is only one factor in all of these upfront campaigns. We're talking entitlement sponsorships, promotions, offering live reads, appearances from talent, copy splits, using the :10s. So it's really the gamut. For every upfront, there are probably five-15 things that advertisers care about and price is just one of them."

Indeed, many in the network biz stress the game is not just about price, but value. "Radio has great loyalty listenership and total TSL and frankly has been underpriced for years. Advertisers should look for quality of programming, ratings and dayparts and not simply be interested in cost. We have some very smart buyers of network time that understand this and I believe will negotiate fair deals for both their clients and the networks," says **Jim Higgins**, United Stations Radio Networks EVP/GM. "I don't see pricing declining significantly from last year since most upfronts were very fairly priced. Network radio doesn't suffer from the declining ratings and viewership that network television lives through every year."

"We're flat to a little bit above on rates. But, our network is so much stronger on upfronts than it was last year. We've gone into M-F live programming, we've gotten away from the weekend ROS stuff. We have a lot more inventory in big markets. We're offering better product," says **Dean Gavoni**, EVP, NBG Radio Networks.



Dean Gavoni

Working with advertisers

In this economy and climate of uncertainty, networks are working harder than ever to please the buying community. With the depression of the marketplace, both big RADAR-rated networks and program or service networks are having to be much more aggressive, not only in terms of price, but in terms of what advertisers get for that price.



Matthew Warnecke

"It's not that everything is cheaper, although some things are, you've got choices of what you can buy," says MediaCom Director, Network Radio Services **Matthew Warnecke**. "If I'm going to buy a RADAR-rated network

at \$1,000 and a service network at \$1,000, you get your choice of stronger things. So networks and service networks alike are having to be much more aggressive. Westwood, for example, can't just say, 'well, we only want to sell you overnights.' They've got to do a better job at pricing good stuff as well as the efficient things."

Keller expounds: "If you dilute the mix, CPP goes down. Some people are looking to actually streamline their mix, which winds up raising the CPP. There have been a few advertisers that have wanted this. And we said, well, if you want to do that, then it does cost you more, because they are trying to cherry-pick. But we are willing to work with advertisers that way."

Kosann says the effort is more focused on the extras a network, and radio in general, can provide to suit an advertiser's needs: "You can't necessarily reinvent your product, so if the CBS Radio Network has 1,600 radio stations, it has 1,600 radio stations. You can't buy three of them. That being said, we can build an entitlement sponsorship of a show that maybe wasn't there in the past. We can offer a category exclusivity to someone that might not have had it the year prior. We can offer an appearance from someone like **Charles Osgood** or **Boomer Esison**. Our upfronts are more about what do you want to accomplish, your inventory mix, where you're airing, what kinds of dayparts and shows you want to be in."

Higgins says his company also offers a full service approach that can provide an advertiser with a multitude of promotional enhancements to an ad schedule. "We are covering these options in our upfront discussions and meetings. With a stable of talent that includes **Dick Clark**, AccuWeather, **Dan Aykroyd**, **Crook & Chase**, Sporting News Radio Network, etc., we can design and implement companion turnkey promotions that will work to add impact to a simple radio schedule and be built into an existing budget."



Jim Higgins

"Our philosophy is to have all our ducks in a row, so that all 50 of our network radio sellers and managers know exactly what products they have and at what values



Kraig Kitchin

they can negotiate. We have a real customer-oriented focus, with visits from our personalities and sales management meetings," explains Kitchin. "Putting **Carson Daly** in front of thousands of people where Pringles' is being sold; **Dr.**

Laura making appearances in Dallas and San Antonio recently; having **Rush** cut commercials for Fox News every day for a week all fall in line with that. I guess we're all bending like ostriches to make sure we are as customer-oriented as possible. We are working harder than ever before to make sure that they get exactly what they want, so long as they understand that the value of it might be a little higher than what they were expecting."

Kitchin also says that Clear Channel's cross-platform marketing opportunities, which leverage entertainment, outdoor, spot radio and network radio holdings, are becoming part Premiere's mix to a degree. "I think there were five arrangements that we really participated in this year, although Clear Channel had dozens and dozens."

Gavoni, working with NBG's new M-F products, is working a new strategy with agencies. "We're going to more contesting, more promotions, more creative pitches, using name talent like **Dave Koz**. One of the first criteria in terms of developing new programming, which is a big portion of my job, is making sure we listen to the buyers' needs and what they're asking before just throwing a program up on the air."

"The bottom line is we all need to create great packages for advertisers. Everybody has the mentality of we need to cut our expenses, the economy is going to be soft. We along with everybody else are trying to create packages that will help our clients and their clients help our advertisers grow their business," says **Ron Hartenbaum**, Jones Radio Networks CEO. "Ultimately, there is a buyer-seller equation and there is a how do we help each other get the economy moving equation."

Warnecke says one way to bring in more business would be a universal acceptance of liquor ads: "We're still getting nibbles about new advertisers and new business pitches all the time. So that could be a source of some new money in the market. More networks are willing to take beer-wine and hard liquors. And because of the consolidation control that networks have, they are able to do a better job clearing those commercials. If network radio is smart, they'll open up their inventory to accept this new revenue stream."

Adds Warnecke: "Let's say if Bailey's wanted to advertise nationally, but can't, spot is much more expensive. And so they'll only do a few sets of markets, whereas if they can get it available nationally, they'd be smart. Networks would be smart to figure out a way to clear that stuff."

Next Week: Network and syndicators each have their own strategy on deciding how much inventory to sell for upfront and hold for scatter. We look at each, along with buyers' latest feelings on XM Satellite Radio and how syndicated vs. network products are doing on the Upfront.

AMERICA'S TARGET RADIO NETWORK

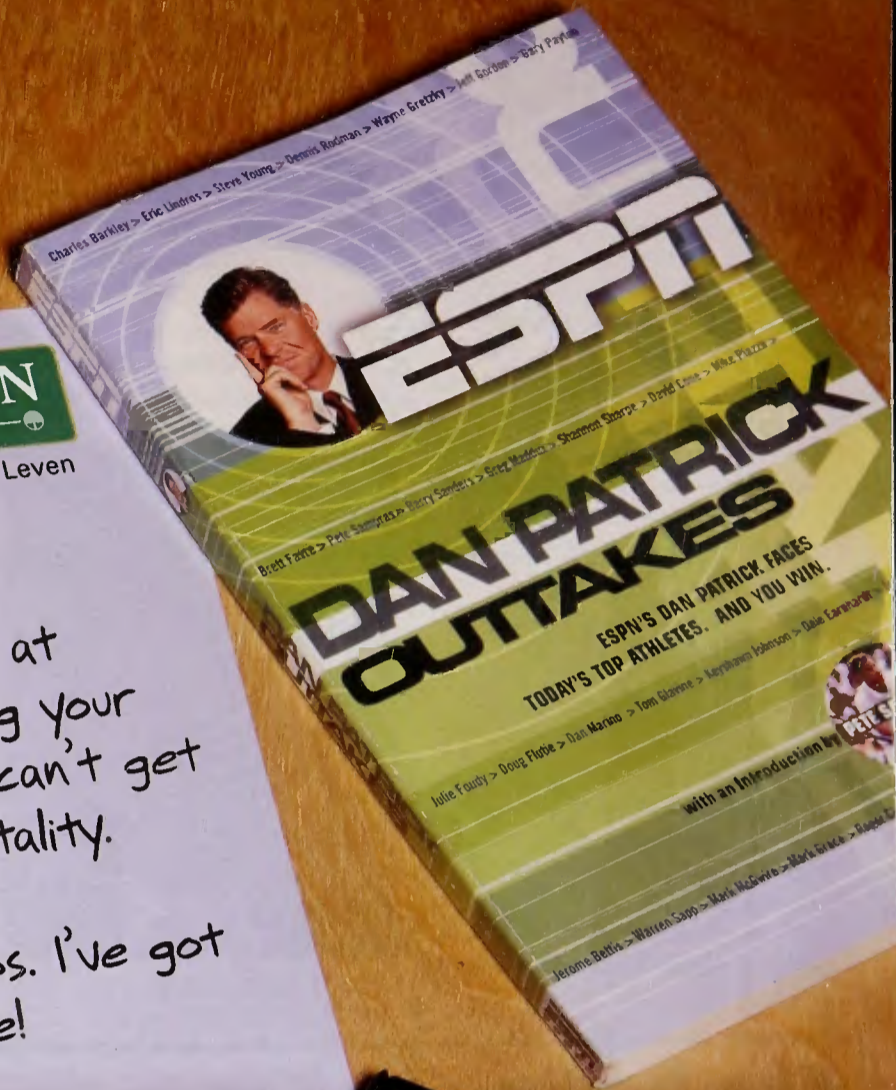
Marketing • Sales • Production • Affiliate Relations

A FULL SERVICE RADIO NETWORK 212.869.1111

America Hears



AT ESPN RADIO,
ADVERTISERS ARE
OUR BIGGEST FANS.



**HAWTHORN
SUITES**
From the Desk of Mike Leven

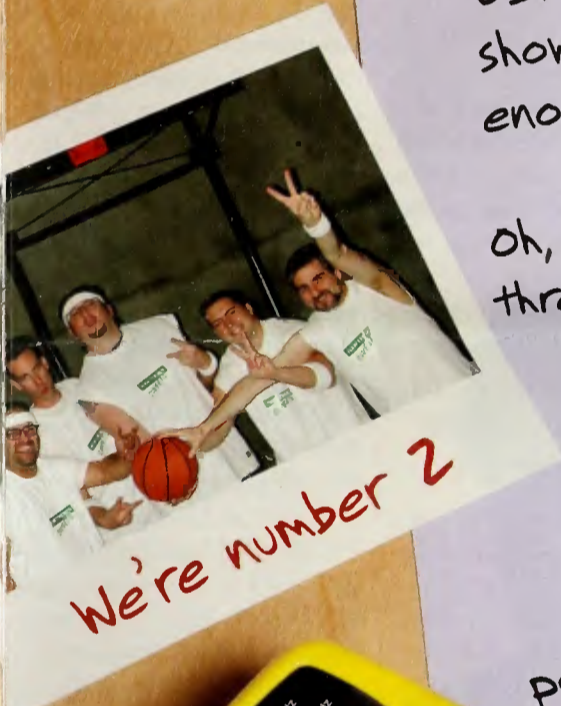
You Rock, Dan Patrick:

A big thanks to you and the team at ESPN RADIO. The spots we ran during your show were a slam dunk. Now guests can't get enough of our extended stay hospitality.

Oh, and thanks for the shooting tips. I've got three words for you...We Got Game!

Stay at #2, Feel Like #1
Mike Leven
Chairman, Hawthorn Suites

PS: I'm enclosing our corporate team picture for your website...the All-Star Hawthorn "Sweets."



"Like any growing brand, a limited marketing budget dictated that we reach our target audience with effectiveness and efficiency. And this audience was listening to ESPN Radio. Advertising on The Dan Patrick Show has not only allowed us to tap into the ESPN name, but to associate Hawthorn with a name our demographics tune into everyday. I think we made a great choice advertising with ESPN Radio and Dan Patrick." Mike Leven, Chairman, Hawthorn Suites.

CALL ESPN RADIO, WE'LL MAKE A FAN OUT OF YOU YET!
TO ADVERTISE 212.735.1706 TO AFFILIATE 972.991.9200

**ESPN
RADIO**

THE WORLDWIDE LEADER IN SPORTS

www.espnradio.com

Entercom claims court award of KWOD

Entercom Communications (N:ETM) announced that it won a state court ruling 11/8 that it has a valid contract to buy KWOD-FM Sacramento. Entercom had sued after claiming that Royce International, owned by **Ed Stolz**, had improperly backed out of the deal after signing a 1996 letter of intent to sell the station to Entercom for \$25M (RBR 9/27/99, p. 3).

Stolz had filed a countersuit accusing Entercom of fraud, deceit and breach of contract, as well as a federal lawsuit which accused Entercom President **David Field** of racketeering.

Although Stolz has, over the years, been outspoken on this and other issues, he did not return repeated phone calls from RBR seeking his reaction to the court ruling.

Entercom officials say they expect to complete acquisition of KWOD sometime in 2002. In Sacramento, the company already owns KCTC-AM, KSEG-FM, KRXQ-FM, KDND-FM and KSSJ-FM.

RBR observation: There's many a deal that falls apart between the letter of intent and the contract, so we were a bit surprised to see Entercom win this case without a signed contract.

Rate cutting debated by radio group heads

Reports of rate slashing by radio's two biggest groups to gain market share prompted questions by Wall Street analysts in many of the just-completed Q3 conference calls. Although few group heads were willing to directly single-out Clear Channel (N:CCU) and Viacom's (N:VIA) Infinity as Radio One's (O:ROIA) **Alfred Liggins** did (RBR 11/12, p.2), most condemned the practice and insisted that their companies were not following suit.

In his conference call, Cox Radio (N:CXR) CEO **Bob Neil** noted that there's not much he can do to keep other groups from offering cut-rate deals. "We spend



Bob Neil

a lot of time with our sales people, teaching them how to deal with issues like competitors that are trying to do fire sales or low rates. My own view of it is that, you know, people gotta do what they gotta do. It's not really up to me to criticize someone else's business plan. We don't feel that's in the best interest of our radio stations. I'm sure that every radio station, including some of ours, has some deals that they wouldn't be particularly proud of, but on a broad front, as a whole, we just believe you're a lot more effective partnering with customers, talking to them about their needs, finding out about their businesses, than you are faxing sheets out telling them you'll sell them a hundred spots for \$100 or something," Neil said. That last was a reference to reports of an offer faxed out to advertisers by some Clear Channel stations.

"We're starting to see in some of our markets these first quarter packages that are being rolled out," said Cumulus (O:CMLS) CEO **Lew Dickey Jr.** in his conference call. "I think it's a big mistake that we're seeing from some of our competitors. This is a supply and demand business—however, when you are able to achieve an industry structure that's basically a duopoly or in some cases an oligopoly in these markets, you should definitely see some more pricing power and you should be



Lew Dickey Jr.

able to exercise some more pricing power. To try to stimulate demand purely by lowering price, rather than selling value, I think it's a bad trend for our industry."

NextMedia, which has public bonds, said it too was feeling the effects of rate-cutting by other groups. "We're being impacted by some of the same consolidators who've decided that they want to create pressure on inventory by dropping rates," said Chairman **Carl Hirsch**. "We're just sticking to a strategy that is get more dollars, total. I don't think that we have an across-the-board philosophy that this is a day that you can have all of the spots for a dollar a piece, like I've read about."

Although it appears that Infinity has turned away from bargain-basement pricing, with Viacom (N:VIA) honcho **Mel Karmazin**

try—it's imperative on us to force our folks to drive our revenues and increase demand across our products. I think we're doing a good job. When you look at it, empirical evidence suggests that if you look at the markets where we are the market leaders—meaning that we have more inventory and the better stations in the market—those markets are down less, or they are up more in some of the smaller markets, than the other markets. That would suggest to me that our intent—which is to use large sales forces to drive demand across the entire industry—is working and it is behooving upon us to continue that process. I can tell you, with regard to your question about large versus smaller markets, obviously there is more pricing pressure in the larger markets than there is on the smaller markets—and the reason for that is because of the national business being softer in the larger markets."

A related story appears on page 1.

Big City booked positive cash flow

Revenues were down in Q3 for Big City Radio (A:YFM), but **Stuart Subotnick's** beleaguered company cut expenses even more and managed to post a positive number for broadcast cash flow for only the second quarter in the company's history. Net revenues for Big City's radio, Internet and publishing operation (the company doesn't break them out) fell 12.6% to \$6M, but operating expenses were slashed 23.7% to \$5.4M, giving the company positive cash flow of \$580K for the quarter—compared to negative cash flow of \$2.75M a year earlier. That doesn't take into account just over \$1M of corporate expenses, so EBITDA was still negative by nearly a half-million dollars.

Big City completed the sale of its Phoenix stations to Hispanic Broadcasting Corp. (N:HSP) for \$34M on the last day of Q3 (RBR.com, 11/1), so it's issued new figures for investors to use three months from now in comparing 2001 results to 2000. Minus \$6M in net sales for the Phoenix stations, Big City had net revenues of \$17.9M for 2000. But the Phoenix stations did have \$428K in positive cash flow last year, so their departure increased the negative cash flow for Big City's 2000 comparable to \$4.2M.

RBR observation: After repaying two short-term debts, which had been incurred to keep the company afloat in recent months, Big City still has just over \$21M in cash on hand from the Phoenix sale. If it manages to continue operating its stations a little better than breakeven, that means it has enough money to make its bond payments for two more quarters before facing another cash crunch.

Radio Unica hit with class action lawsuit

A law firm which specializes in class action lawsuits against publicly traded companies, Wolf Haldenstein Adler Freeman & Herz, has targeted Radio Unica (O:UNCA) for allegedly deceiving



Mark Mays

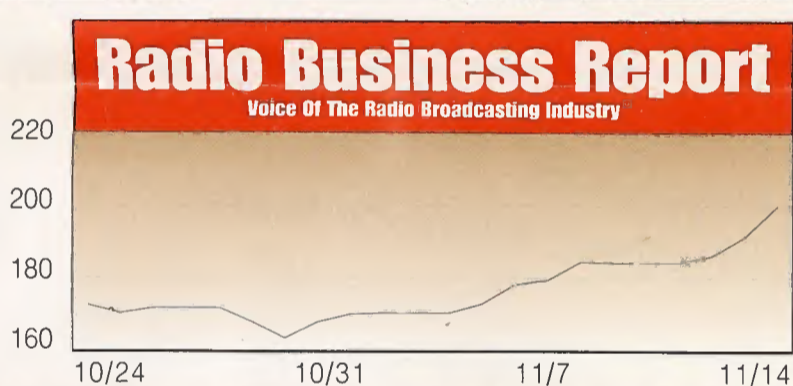
now demanding rate increases (RBR 10/29, p.1), what about Clear Channel? CS First Boston analyst **Paul Sweeney** put the question to President **Mark Mays** in Clear Channel's conference call—"Are you pricing for share in Clear Channel's larger markets?"

That clear question drew a less clear response from Mays:

"I would tell you that pricing—you cannot artificially increase your pricing. The only way to increase pricing is to increase the demand across your inventory. We obviously have a strategic advantage of having a large number of stations—and we can move our inventory, whether that's into national sales or network sales or local sales—whereby we take the demand and we can get the best price for the inventory in those different markets in which we serve. So you're going to see us continually moving those pricing trends around. Are we going to take unsold inventory where we can help our customers move their goods and services? Certainly we're going to be opportunistic in those times. But I can tell you that we tend, as leaders of the radio indus-

The Radio Index™

The fall of Kabul and a rise in retail sales gave stocks a boost. The Radio Index™ rose 20.353 for the week to close 11/14 at 199.986.



HISPANIC BROADCASTING CORPORATION

McHenry T. Tichenor, Jr., Chief Executive Officer, President

has agreed to acquire

KAJZ-FM

North Fork, California

for

\$5,000,000

from

SAN JOAQUIN RADIO COMPANY, LLC

Ed Hoyt, President

Patrick Communications was proud to serve as the broker in this transaction.

PATRICK  COMMUNICATIONS

(410) 740-0250, www.patcomm.com

investors who bought stock in the company's IPO or first 14 months of trading. The suit, which was filed in a Manhattan federal court, claims that the IPO underwriters received "excessive and undisclosed commissions" from certain investors in return for giving them blocks of the IPO shares and that the underwriters also had deals with some of those customers to buy Radio Unica shares at predetermined prices to help support the trading price. The lawsuit claims that Radio Unica's IPO prospectus was "materially false and misleading" because it didn't disclose those alleged deals. The underwriters of Radio Unica's October 1999 IPO were Salomon Smith Barney, Bear Stearns, Donaldson, Lufkin & Jenrette and CIBC World Markets.

"The company has not reviewed the suit yet and has no comment," was the immediate response from a Radio Unica spokesman.

Radio Unica sold its IPO shares at \$16 and the stock briefly traded above \$30 in late 1999. Most recently the trading price has been around \$1.

Wall Street cheered fall of Kabul and rise in retail sales

Stock prices jumped pretty much across-the-board 11/14 as retail sales posted an unexpected record jump for October. The unprecedented 7.1% one-month rise was apparently due in part to the 0% financing deals being heavily advertised by auto makers—good news for both car dealers and broadcasters—but also indicated that consumers were spending on lots of things and were more confident about the economy than economists had believed.

At the same time, the fall of Kabul, the capital of Afghanistan, to anti-Taliban forces, fueled hopes on Wall Street that the US war against Osama Bin Laden and his Taliban associates will be relatively short and not too costly.

Although we don't know of anyone—not even Mark Mays—who's anxious to buy a radio station in Afghanistan, radio stocks rode the Wall Street wave higher. Cumulus (O:CMLS) shot up 12.44% in one day to \$10.12. Spanish Broadcasting System (O:SBSA) rose 8.47% to \$8.84, Hispanic Broadcasting Corp. (N:HSP) gained 7.49% to \$20.95, Regent (O:RGCI) was up 6.77% to \$7.10 and Beasley (O:BBGI) gained 6.38% to \$12.50. Industry giant Clear Channel (N:CCU) rose 5.49% to \$47.63 and most other radio stock were up 3-5% for the day.

IDT buy of Talk America confirmed

This is hardly a surprise, since the deal was all but announced back in August (RBR 8/13, p. 12). IDT Ventures, a subsidiary of IDT Corp. (N:IDT), has bought Talk America Radio Network. Terms weren't disclosed, but RBR had already reported that the price tag would be in the \$2-3M range. IDT, an alternative phone company that's challenging the Baby Bells in both local and long distance, had revenues of more than \$1.2B in its last fiscal year (which ended 6/31/01), so this acquisition won't even require a filing with the SEC.

Although this is the first radio acquisition for IDT, the company is indicating that it won't be the

last. "Just about everyone listens to radio. Millions of people all over the country have their radios on all day long," said IDT Chairman **Howard Jonas**. "That's why we decided to start our media company with Talk America. Their programs feature some of the best known personalities on the air and cover just about every possible taste and interest, and their extensive distribution means they can reach just about everyone."

"Talk America is just our first step in building a premier media company," said **Charles Garner**, CEO of IDT Ventures. "We are currently evaluating other media and broadcast properties, and plan to make additional investments in the future."

Along with new ownership, Talk America President **Paul Lyle** has expanded his management staff, adding two veterans of the WOR Radio Network. **Rich Wood** is now Sr. VP for Marketing and Operations and **Rich Rapiti** is Director of Affiliate Relations for Talk America. Both are working out of temporary offices at IDT headquarters in Newark, NJ, where new facilities are being built out to relocate Talk America headquarters from Las Vegas.

Cox same station revenues down only modestly

Despite the impact of 9/11 on ad sales, Cox Radio (N:CXR) managed to complete Q3 with same station revenues down only 3.8% and broadcast cash flow (BCF) down 12.4%.

Overall, Cox Radio reported Q3 net revenues up 4.4% to \$99.2M, but BCF down 5.6% to \$38.3M. The company is now projecting Q4 revenues of \$95M and BCF of \$36M.

Entercom same station revenues down 7%

Like other groups in mostly large markets, Entercom (N:ETM) reported a down Q3 and told Wall Street to expect more of the same for Q4. Entercom's net revenues were down 7.3% to \$85.1M for Q3 and broadcast cash flow declined 6.5% to \$32.5M. On a same station basis, the company said revenues fell 7% and cash flow 17%.

With the economy still sluggish, Entercom is predicting that Q4 same station revenues will be down 8% to \$84M and that broadcast cash flow will drop 14% to \$35M.

Radio Unica grew top line in Q3

Although reaching breakeven on cash flow remains an elusive and distant goal, Radio Unica (O:UNCA) managed to report a 5% increase in radio revenues for Q3. Including recently acquired MASS Productions, the company's total revenues were up 31% to \$11.4M. Negative EBITDA, however, increased by 35%, to a loss of \$9.6M.

"The bottom line is that ratings eventually lead to revenues and we are building momentum here," CEO **Joaquin Blaya** said in his Wall Street conference call.

Although Radio Unica's goal of reaching breakeven cash flow has been repeatedly delayed, CFO **Steve Dawson** told analysts that the company now expects to post a couple of breakeven quarters in 2002.

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.

\$23,000,000 WRNO-FM & KMEZ-FM *New Orleans* (New Orleans, Belle Chasse LA) from KJUL License LLC (George Beasley), a subsidiary of Beasley Broadcasting Group Inc. (O:BBGI) to Wilks License Coi. LLC, a subsidiary of Wilks Broadcasting LLC (Jeff Wilks et al). \$3M letter of credit, \$19.65M cash at closing, \$3.35M note. **Superduopoly** with WSJZ-FM & WYLA-FM, which are being acquired in a separate deal. LMA since 10/31. **Broker:** Michael Bergner, Bergner & Co. (buyer).

\$7,500,000 WGL-AM, WCKZ-FM, WXTW-FM & WWWD-FM *Fort Wayne IN* (Fort Wayne, Roanoke, Auburn & Churubusco) from Kovas Communications of Indiana Inc. (Frank Kovas) to Travis Broadcasting Corp. (Karen & Robert Travis). \$125K escrow, balance in cash at closing. Existing **superduopoly**. LMA until closing. WXTW is the former WEJE-FM.

\$2,500,000 WNSG-AM *Nashville* from Mortenson Broadcasting Co. (Jack Mortenson) to Nashville Public Radio (Robert J. Gordon, pres/GM of WPLN-FM). \$62.5K escrow, balance in cash at closing. Combo with WPLN-FM. Buyer is noncommercial educational broadcaster and will operate WNSG on a noncommercial basis. **Broker:** John Pierce & Co. LLC (seller).

\$2,300,000 WDVM-FM *Nekoosa WI* & **WIBU-AM** *Madison* (Poynette WI) from Magnum Radio Inc. (David R. Magnum) to Starboard Broadcasting Inc. (Mark Follett, David Gajdosik, John Cavil). WIBU: \$1M total, \$50K escrow, \$150K paid by 3/30/01, \$400K cash at closing, \$100K note, \$300K tax certificate; WDVM: \$1.3M total, \$50K LMA payment, \$150K cash at closing, \$300K note, \$800K tax certificate. WDVM is the former WZRK-FM; LMA until closing; at time of contract writing, station was silent, and it was the responsibility of the seller to return it to the air prior to commencement of the LMA.

\$2,000,000 KCRO-AM *Omaha NE* from Radiomaha Inc. (Jack N. Marsella) to Eternal Broadcasting LLC (Dean Sorenson, R.W. Chapin). Cash. **Broker:** Chapin Enterprises (seller).

\$575,000 KRTR-AM *Honolulu* from CXR Holdings Inc., a subsidiary of Cox Radio Inc. (N:CXR) (Bob Neil, pres) to Trade Center Management Inc. (Joe Tapias). \$57.5K escrow, balance in cash at closing. Station exits superduopoly cluster. LMA since 10/26.

\$350,000 WBGJ-AM CP *Sylvan Beach NY* from Kevin O'Kane to Wolf Radio Inc. (Craig L. Fox, George W. Kimble). Cash. CP is for Class A on 100.3 MHz. Sylvan Beach is within 20-25 miles of both the Syracuse and Utica-Rome Arbitron markets.

\$272,828 KBRQ-FM *Waco TX* (Hillsboro TX) from Chase Radio Properties LLC (Tony Chase) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Superduopoly** with WACO-FM, KWTX-FM, KCKR-FM & KWTX-AM.

Read about these transactions and more at our website [rbr.com](http://www.rbr.com)

McCoy Broadcast Brokerage, Inc.

**REAL RESULTS.
Under Contract!**
KSNO 103.1 FM
KZYR 103.9 FM
Aspen/Vail, CO

JOSEPH BENNETT MCCOY, III
COLORADO SPRINGS, COLORADO
719-630-3111 PHONE
719-630-1871 FAX



HAMMETT & EDISON, INC.
CONSULTING ENGINEERS
RADIO AND TELEVISION

Serving the broadcast industry since 1952...

Box 280068 • San Francisco • 94128



707/996-5200
202/396-5200
engr@h-e.com
www.h-e.com

CUT COST

Rebuilt Power Tubes
Superb Quality
Half Price

ECONCO



Since 1969
Phone 800/532-6626
Fax 530/666-7760
www.econco.com

dataworld®

- Market Analysis
- Custom Mapping
- Ethnic/Demographic Data
- Sales Marketing Packages
- Pinpoint Target Audience

www.dataworld.com
800-368-5754

Millennium Radio Group, LLC

has agreed to acquire the assets of

WJLK-FM, WOBN-AM/FM, WBBO-FM & WADB-AM
Monmouth-Ocean City, New Jersey

WFPG-AM/FM, WPUR-FM and the LMA of WKOE-FM
Atlantic City, New Jersey

WKXW-FM, WBSS-FM & WBUD-AM
Middlesex-Somerset-Union-Atlantic City, New Jersey

for
approximately

\$220,000,000

**Star
Media
Group, Inc.**

"Radio's Full Service
Financial Specialists"™

5080 Spectrum Drive, Suite 609 East • Addison, TX 75001 • (972) 458-9300



Robert Wolfe: Striving for a streaming standard

Bob Wolfe, EVP, Intellectual Property, Everstream and an attorney, eventually wound up representing Internet clients. He participated in a number of projects and got a chance to learn the nature of the economic models of various Internet ventures. In that course, Wolfe came up with the fundamentals of the first patent that was issued to his "Music Booth" company back in '95 and '96. Years later, Music Booth and its targeted streaming ad insertion network, Ad Acoustics, merged with Everstream. And just recently, Everstream licensed all of its technology to Broadcast Electronics (*RBR* 7/30, p. 15), which is now using that technology to market its "SoniXstream" solution to radio stations (and *RBR* Radio).

One of the biggest issues Bob brings to the table is his original Music Booth patents. Not long after receiving its second round of funding (*RBR* 1/22, p.3), Music Booth had filed suit against competitor Hiwire for patent infringement (*RBR.com* 1/29). Months later, Everstream and Hiwire announced 10/29 (*RBR.com* 11/7) that they had reached a patent license agreement and settled a patent litigation dispute. Said Hiwire CEO **Steve Goldberg**: "We believe our agreement with Everstream complements the strides we have made toward building critical mass with our network of streaming media partners. This arrangement further solidifies Hiwire's position as the predominant player in the streaming media ad insertion market."

Currently, most, if not all, of the ad insertion providers are in legal discussions with the company. Here, Wolfe explains it from his perspective—creating a standard.

Tell us about Music Booth's merger with Everstream

The company really was, in the mid-90's, operating out of my home. It was research, development and market analysis. We stayed out of the market, which we knew was quite immature in a variety of different ways, until our first patent issued. Then we got cranked up and in the process of developing the necessary software to implement the patent. We raised some funds, got active, went to a trade show, we met the folks from Everstream, we got along extremely well. We got to talking and before too long, it was obvious that we ought to get together. We formed a parent company, which then acquired both Everstream and Music Booth. They now operate under a common umbrella.

You have been informing other ad insertion companies that they may be in violation of your patents, right?

The intellectual property that we have incorporated into our system is obviously a key factor in what we do and how we do it. Streaming audio and video over the Internet has obviously had a bumpy road over the years. One of the primary reasons was that it was filled with entrepreneurs who each wanted to go their separate way, [hoping to] conquer the business separate from one another. We attempted to bring together the players within the industry, work together and conform a viable economic unit which would be saleable to the advertising industry—the lifeblood of pretty much everybody in the space. And there was generally an unwillingness to concede that that might be necessary. We are hopeful that we will find a way to standardize the unit which the advertiser buys—both in format and in content—so that it can easily be handled by a variety of companies in an easy-to-purchase fashion.

Tell us about the licensing deal with Broadcast Electronics.

The effort of BE in part, is to bring some of that to the fore. Obviously, they are a traditional radio company—this is an extension of a long-existing sound business. They are in the position to introduce a common platform that can be made available to others. And then hopefully at some time in the future, as the advertising industry

comes back to focus on this area, to provide a common format for that to be accomplished not only through their own system, but others as well.

Your patents basically cover ad insertion.

It goes beyond that of course, and I wouldn't want to try and nutshell what it is, but among other things, it is targeted audio and video advertising, which is basically a one-to-one concept or one-to-group concept that allows an advertiser to determine in advance of delivering an ad to whom that ad is to be delivered. Our portfolio is rather broad. While we do have method claims, we have system claims and software claims. It started with our initial filing back in 1996. We built a portfolio out over the years to encompass the logical extension.

Are the bulk of the other ad insertion companies out there are at least in negotiations for licensing?

Well, we are having conversations with a number of companies, and have in the past as well. And while I am not prepared to discuss where we are with any particular company, I think you would find that there are several logical key players and that there are fruitful discussions going forward with many of them. We don't see a troubled future, but rather, we're beginning to detect among those in the industry a willingness to recognize that the standardization that we seek and the nature of how we are deploying the patented technology has merit for all of them.

So, it's not a case where, say Lightningcast changes a few lines of code and avoids stepping on your patent.

Well, we hate to say our patents are too broad, we think they are adequate to the task. And I think the critical components that make up the portfolio give us a breadth of strength that will allow these players to work together instead of at opposite ends. What we hope to do is create the mass that will loosen up some of those ad dollars that otherwise can't be had because of the lack of it. And obviously, while we do expect to profit from this, it is not a conquest concept at all.

So you want to help others make money at this as well as profit from it?

We are trying to use our legal rights to help to build an industry. Yes, we will make a profit, but you can't make a profit if you don't make sales. Our policy is to make sure that the players in the industry

have a path to success. It's certainly not going to do us any good to see people fail.

How does this all fit in with BE, now that it has basically licensed Everstream as its own?

Well, I can't claim to know precisely what BE's ultimate goals may be. We know that they intend to establish a service, which will, on a package basis, permit companies to provide audio streaming from an old line company with reliable systems, easily. It is a logical next step for a company that was in station automation to take that foray into the Internet marketplace. Now I know that *RBR* decided to use their services. The bottom line is they saw a very significant business opportunity. We saw in them a real solidity that was tremendously attractive to us. And we saw very quickly that our interests were aligned, and that's why the deal was really a pleasure to bring together.

You've notified some of these other ad insertion companies, meanwhile they are still inserting ads for their clients. Do you see an endgame coming up here fairly soon?

Well, I think that, in part, market forces are coming to play here. And so, in essence, time is more or less on our side. The reality is many companies are leaving the business because of their inability to produce revenue. It's our hope that we will see the BEs and similar companies, particularly those in the radio industry, beginning to adopt these common policies which ultimately will serve the goal. Really, the economics are proving what we set out to prove—that no company can go it alone.

And why bring a company to court that's going out of business anyway?

That's for darn sure! We're sensitive to that and we have had conversations with a number of companies and I'm sure that many are waiting for the next telephone call. But we don't see any virtue, frankly, in forcing people out, as I said. It is not our policy to take over the world. We're trying to find strength in cooperation, and the fact that we have a portfolio of patents that helps us to make that happen, well that's part of what is the secret when people don't want to cooperate—because there's something inside of them that's saying they have to be the winner. The fact is there's plenty in the Internet space for all of us, and unless we learn that pretty darn quickly, there are an awful lot of folks that are going to be punished by it. It's just so important that that cooperative spirit be the one that survives. Can you imagine if every radio had their own particular science to deliver radio?

So, the receivers would have a certain user code in them, a demographic like cookies present on PCs? That may make a huge difference with the agency buyers.

Well, I know that their current thinking seems to be the subscription model will be adequate to support what they are doing. And I hope for their sake that they're right. But I think that ultimately, even cable learned fairly early on that the money that they were paid for subscriptions wasn't going to do it. You had to advertise. This is not new. Media has been supported by advertising since the beginning of time. And I'm not sure that anything has happened that is so revolutionary that that is going to change anytime soon.

PROPHET SYSTEMS INNOVATIONS

Every 96 Hours...

NexGen DIGITAL

Own a Prophet for under \$20,000

Another NexGen Digital System is Installed.

PSi
PROPHET SYSTEMS
INNOVATIONS
877/ 774-1010
www.prophetsys.com
sales@prophetsys.com

What do Clear Channel, CBS/Infinity, Sirius Satellite Radio, and the largest private group of stations in Mexico have in common?

NexGen Digital.

ONCE YOU GO PROPHET, YOU'LL NEVER GO BACK.