Radio Business Report™

Voice Of The Radio Broadcasting Industry®

January 14, 2002

Volume 19, Issue 1

In our continuing forecasting series RBR looks at the challenges facing the radio industry this year.

Agencies vs Network

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Issue Date: January 21, 2002
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Radio Business Report
Voice Of The Radio Broadcasting Industry ®

January 14, 2002
Volume 19, Issue 1

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

Subscription rate: One year $220.

Who's on the cover

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RADIO NEWS®

Clear Channel parking lots? Ringer fires back

Clear Channel (N:CCU) foe **David Ringer**, via counsel **Arthur V. Belendiuk** of Smithwick & Belendiuk, P.C. filed a petition to deny the sale of WKKJ-FM Chillicothe, OH from Secret to Clear Channel (*RBR* 11/19, p.2). After rebuttals to his petition from Secret, CCU and Concord Media (*RBR* 12/17, p.1, RBR.com 12/21), Ringer is back with a response to the responses.

Ringer's latest document goes through both his original allegations and the responses they generated, and attempts to shore up the evidence of alleged wrongdoing. Ringer contends that CCU and its "front companies" have lacked candor in their dealings with the FCC. It requests a hearing to evaluate Ringer's allegations.

"Concord Media, Secret and Clear Channel have just not been able to keep their stories straight. The 'facts' they present now, contradict the 'facts' they previously presented to the Commission, which contradict the 'facts' they have set forth on their web sites, which, in turn, contradict the 'facts' they have told their employees. It is impossible to tell which version of the 'facts' is to be believed," wrote Belendiuk. "In the words of Sir **Walter Scott**, 'Oh what a tangled web we weave, when first we practice to deceive.'"

The new petition raises questions about markets other than Chillicothe. Also getting mentions were operations in Pensacola, FL, Jacksonville FL, Youngstown OH, San Diego and Waco, TX. Chase Broadcasting was added to Concord Media as an alleged Clear Channel "front" company.

Ringer and Belendiuk claim that CCU's relationships with companies in joint sales agreements (JSAs) go beyond simply handing sales operations. They contend that CCU has questions to answer on six counts. Ringer contends CCU may have stepped over the line concerning (1) use of facilities and equipment; (2) day-to-day operations; (3) policy decisions; (4) personnel responsibilities; (5) financial obligations; and (6) receipt of monies and profits.—DS

NAB files reply comments on satellite radio

Whitney Radio Broadcasting President **Bill O'Shaughnessy** tells *RBR* that broadcasters should keep a close eye on the progress and buildout of XM Satellite Radio's (O:XMSR) terrestrial repeater network, based on information he's hearing from local planning boards (RBR.com, 12/19). "Terrestrial broadcasters are just waking up to the notion that XM is really about building a terrestrial radio network," he said. "...There's a growing feeling that this whole scheme is designed to allow XM and Sirius [Satellite Radio, O:SIRI] are trying to build a very intricate and high-powered land-based terrestrial network, which is not at all what they've been telling the FCC."

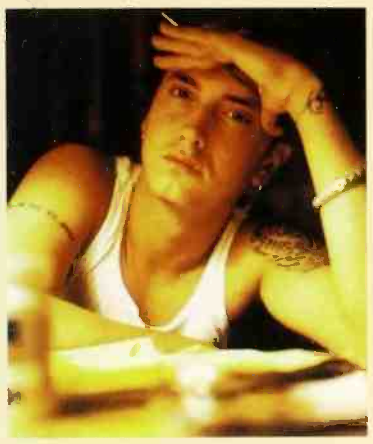
The NAB filed comments with the FCC requesting that rules governing satellite digital audio radio service guarantee that terrestrial repeaters will only repeat the satellite signal and nothing more (RBR.com 12/17), then later asked the Commission to require XM and Sirius to "fully disclose the location, type and number of each repeater in service and insure that all incumbent licensees are protected from blanketing interference."

Now wireless companies Verizon Wireless and BellSouth have asked the FCC to force XM and Sirius to use less powerful repeaters, fearing interference issues. The filing says the current buildouts should be replaced with less powerful repeater towers that wouldn't cause interference with customers' broadband connections, pagers and next-generation phone services still in development. They want XM and Sirius to use repeaters with no more than 2,000 watts of power by '06, compared with those that currently emit 40,000 watts, like in Boston.

Meanwhile, XM announced 1/7 at the 2002 CES in Vegas that it has signed up 30,000 subscribers in its first 56 days of operation, 28,000 of which were signed in 2001. XM President-CEO **Hugh Panero** also announced XM is the fastest-selling audio product of the last 20 years, noting DBS provider Echostar had 31,000 subscribers in its first 70 days of operation.

***RBR* observation**: War has been declared. Are the satellite boys trying to create an opening for local inserts into their supposedly strictly national service? The antennae of many broadcasters have been raised as to the true intent of satellite broadcasters down the road—O'Shaughnessy's suspicions may well be justified. The Commission should clearly and firmly remove the doubt about the legal use of these repeaters.—CM

Indecency: Eminem off, Mancow on the hook



The FCC has reversed its decision to levy a $7K fine on KKMG-FM Pueblo CO (*RBR* 6/11, p.2) for airing **Eminem**'s Grammy-winning song "The Real Slim Shady." The version played by the Citadel-owned radio station was edited for broadcast, and according to a study by Mediabase, the version had been aired from coast to coast 125,089 times as of 6/25/01 (*RBR* 7/9, p.6).

In explaining the reversal, the FCC wrote, " The passages in question, in context, refer to sexual activity. Thus, the material warranted scrutiny. Based on our review of Citadel's response, however, we conclude that the material broadcast was not patently offensive, and thus not actionably indecent."

The explanation continues, "...the sexual references...are not expressed in terms sufficiently explicit or graphic enough to be found patently offensive. Although the song, as edited, refers to sexual activity, these references are oblique...We also agree with Citadel's contention...that the sexual references..., in the context presented, do not appear to pander to, or to be used to titillate or shock the audience. Thus, the sexual references do not have the effect of a 'verbal shock treatment.'"

Commissioner **Michael Copps** (D) attached a statement to the ruling, decrying the fact that staffers handled this problem. "It was a controversial finding. In a matter of this importance, I believe the Commissioners themselves, rather than the Bureau [of Enforcement], should be making the decision about whether to reverse the initial finding."

Meanwhile, a pair of Notices of Apparent Liability (NALs) against Emmis (O:EMMS) personality **Mancow Muller** have been upheld, and Emmis has been ordered to fork over $14K. The Muller fines result from shows on 3/20/00 and 5/15/00.

Emmis attempted to duck the fine on the basis of inadequate evidence. The complainant in each case lacked tapes or transcripts of the broadcast, providing only summaries of the allegedly indecent material.

However, Emmis did not deny that the programs occurred basically as depicted in the complaints. The FCC found that there was enough evidence that the material involved graphic sexual content which was not discussed in a clinical manner, but rather for titillation and shock value. Thus, the fines were allowed to stand.—DS

Florida broadcasters face new ad tax

The tax on services that Florida briefly adopted in 1987 has reared its head again. State Senate President **John McKay** (R-Bradenton) has proposed a sweeping overhaul of the state's tax system, in the wake of declining tourism and declining tax revenues following 9/11. Among the items in McKay's proposal is a broad-based tax on services which would include a 4% sales tax on advertising.

That has Florida Association of Broadcasters President **Pat Roberts** seeing flashbacks to 1987, when then-Governor **Bob Martinez** (also a Republican) pushed through a similar tax. "It was devastating," Roberts recalls. He said $80-90M in broadcast advertising (radio and TV) was cancelled as major national advertisers boycotted the Florida airwaves. Within six months the controversial law was repealed, but it took the state's broadcasting industry years to recover.

As *RBR* went to press 1/10, the Florida Association of Broadcasters was meeting for 1/10/02 in Tallahassee to adopt a formal position and plot a strategy to oppose the tax overhaul.—JM

Viacom Plus gets discount real estate buy

Mel Karmazin is making good on his plan to localize Viacom's (N:VIA) cross-platform sales operation, Viacom Plus. YHD Foxtons, a discount real estate firm, announced (1/2) a $10M advertising campaign to utilize Viacom's Infinity Radio and Outdoor assets in the New York region. The New Jersey-based company is expanding its 2% estate commission service into all five boroughs of New York City, Long

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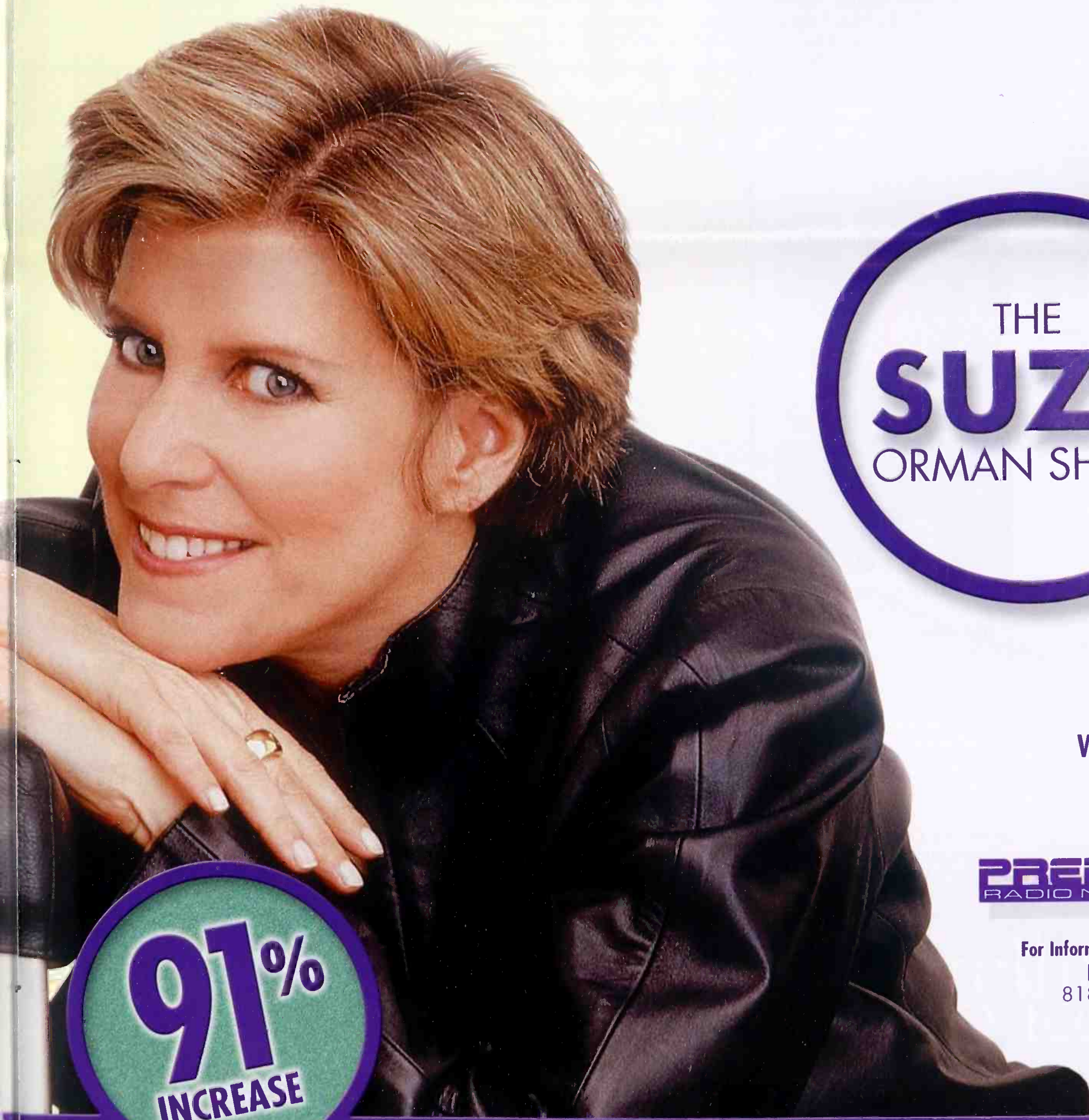

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Island, Westchester, Rockland and Orange Counties in New York, plus Fairfield County, Connecticut. The ad campaign will air on Infinity Radio's WCBS AM & FM, WFAN-AM, WINS-AM, WNEW-FM and WXRK-FM. It will also use a variety of Infinity Outdoor properties, including billboards, subway displays, bus sides, bus shelters and train displays.

"One of the reasons that Viacom chose to partner with YHD Foxtons is that the company will provide us with qualitative and demonstrable feedback since YHD Foxtons has the technology set up to identify each caller or Web site visitor at their exact origin," said Infinity President **Farid Suleman**.—JM

'Tis the season for silly predictions

As happens every New Year, this is the time that various would be soothsayers issue lists of absurd predictions, hoping that one will come true (or at least close to the actual events to come) so they can laud their own brilliance (and ignore the 90%+ of their predictions which didn't even come close to the mark. One case in point, **Sallie Hofmeister** of the *Los Angeles Times*.

Among the predictions for 2002 that Hofmeister published 12/31/01 were that Comcast (O:CMCSK) will buy Disney (N:DIS) and that **Sumner Redstone** will force **Mel Karmazin** out of Viacom (N:VIA).

***RBR* observation**: We checked Mel's employment contract. He can't be fired unless 14 of Viacom's 18 directors vote to oust him. Eight of those directors, including Karmazin himself, were CBS appointees from last year's merger with Viacom and all will keep their seats at least until 2003.

For Comcast to buy Disney would require two things—elimination of the FCC rule which prohibits ownership of a TV station and cable system in the same market and the willingness of the most closely controlled corporate board in the Fortune 500 to sell the company. **Michael Eisner** and **Roy Disney** could easily deflect any hostile bid for the company, so Comcast would have to come up with an awfully generous offer in what looks to be another year of slow economic growth. Elimination of the TV-cable crossownership prohibition is not currently being touted as a major objective by anyone at the FCC or in Congress, so it's hard to imagine a scenario in which that rule is brought up for review and eliminated within the next 12 months.—JM

Disney agrees to store the tale of the tape

Disney's (N:DIS) ABC Radio O&O's have decided to voluntarily maintain recordings of their over-the-air programming for two months. The revelation came out in a talk given by FCC Commissioner **Michael Copps** (D) before the United States Conference of Catholic Bishops in Washington. Copps has called for voluntary mainte-

Michael Copps

nance of such archives almost since the instant he assumed office. The purpose of such archives, most often, would be to provide a public record when allegations of broadcast indecency are brought before the FCC.

"**Michael Eisner**, Chairman and CEO of the Walt Disney Company, has assured me that Disney for one is now going to retain recordings of its radio stations' programming for 60 days," said Copps. "That strikes me as good management and, more importantly, good citizenship. I want to ensure that the Commission investigates rigorously the complaints filed by citizens, and I hope that broadcasters will not impede those investigations by failing to retain recordings." Copps went on to advocate the adoption by the broadcasting and cable industries of a voluntary code of conduct such as the one struck down by the courts in 1983.

Michael Eisner

***RBR* observation**: This issue boils down to one thing: The main value broadcast tapes have is to support charges against a station. While they could also exonerate a station, under existing indecency complaint procedures, the station will get off simply due to the absence of a tape almost every time. So there is no real positive to maintaining a recorded archive.

It's one thing for ABC to bet that it can keep **Mickey Mouse**'s language clean. But for those airing the **Howards**, **Mancows** and **Bubbas** of the world, it will probably take, literally, an act of Congress to make recorded archives a universal reality.—DS

Two views on LA squabble

Complaints by Infinity about station revenue reporting to Miller, Kaplan, Arase & Co. in Los Angeles is a tempest in a teapot as far at Clear Channel GM **Roy Laughlin** is concerned. "They actually had an audit and said everything was fine," Laughlin said, noting that he showed the Miller, Kaplan auditors that commissions were paid on all of Clear Channel's NTR events, including ticket sales for the Wango-Tango concert, which drew 110K people to Dodger Stadium.

"We just report it all as revenue, both national and local—we kind of keep it simple," Laughlin said, brushing aside complaints from Infinity that including such non-traditional revenue was distorting the market report and ought to be entered under a new line created a few months ago for revenues which don't carry a sales commission. "We don't have any non-commissioned money. That's their strategy and they're free to submit it that way if they like," Laughlin told *RBR*. "Nothing has changed for us. They created new categories, which they're free to create. We just don't have anything to put in that category."

In Laughlin's view, the future of the radio industry is to be a multi-faceted portal for cash flow generation, not just spot sales—a view that's shared by Clear Channel corporate bosses. KIIS-FM Los Angeles, in particular, is famous in the industry for the size and scope of its NTR efforts.

"We started noticing some irregularities," said Infinity GM **Pat Duffy**. "We'd get weekly pacing reports and the market would be X—then, through the last pacing report of the month, when the market would close, there'd all of a suddenly be huge amounts of dollars appearing in either the national or the local column-and it would have been impossible for it to be advertising sales. So we started asking Miller, Kaplan what's going on, what are they putting in here? And we uncovered down the line that they were putting in ticket sales for concerts and so forth."

So, what does it matter—what's at stake? "Our suspicion all along was that they wanted to bump up the numbers in Los Angeles to declare that they won in the biggest market," Duffy said. "It's bragging rights for Los Angeles."

Laughlin, however, said what really spurred the dispute was bonuses for Infinity managers which are tied to their sales performance against the overall market.

The whole issue should be moot by the end of this month. Miller, Kaplan, Arase & Co. partner **George Nadel Rivin** says the accounting firm hopes to have a report from its Industry Advisory Board by late January to set a single nationwide standard for how radio stations report revenues other than spot sales.

At this point, there is no single standard for what non-traditional revenue should be counted as radio station revenue. "It does vary by market. Several markets have different definitions which are in place," Nadel Rivin said.

"There are a great many markets at this point looking for guidance as to revenue category definitions. We have a nationwide advisory board which has been formed in order to come up with a policy. I expect that prior to the end of this month we'll have something in place," Nadel Rivin told *RBR*. Although he would not comment on the LA dispute in particular, Nadel Rivin confirmed that Miller, Kaplan regularly does "verification procedures" in the 140 markets where it tallies radio revenues.—JM

Stolz fighting Entercom and former attorneys

Ed Stolz is battling with both Entercom (N:ETM) and his own former attorneys as he tries to retain control of KWOD-FM Sacramento. Stolz filed a Chapter 11 bankruptcy petition for Royce International, the station licensee, on 12/14/01, after a state court ruled that Entercom had a valid contract to buy KWOD for $25M *(RBR* 11/19/01, p. 6).

Just last week (12/27/01), though, Stolz former law firm, Morrison & Foerster LLP, notified the federal bankruptcy court in Sacramento that it was seeking to have the Chapter 11 petition thrown out as being filed in bad faith. Prior to the bankruptcy filing, Morrison & Foerster had gotten a state court order for the Sacramento County Sheriff to attach KWOD's bank account for non-payment of $295,727.61 in legal fees.

Although Stolz has not responded to repeated requests from *RBR* for comment on the case, documents filed with the bankruptcy court tell part of his side of the story. Stolz claims that the 1996 letter of intent with Entercom was intended only to set a "commission ceiling for broker compensation" in the event that Royce and Entercom were able to agree on a tax-free like-kind exchange of stations.

"Said lawsuit concerns a negotiation for a like-kind exchange of radio stations, which Entercom later attempted to characterize as a firm and binding contract to sell for cash," Stolz stated in a deposition.

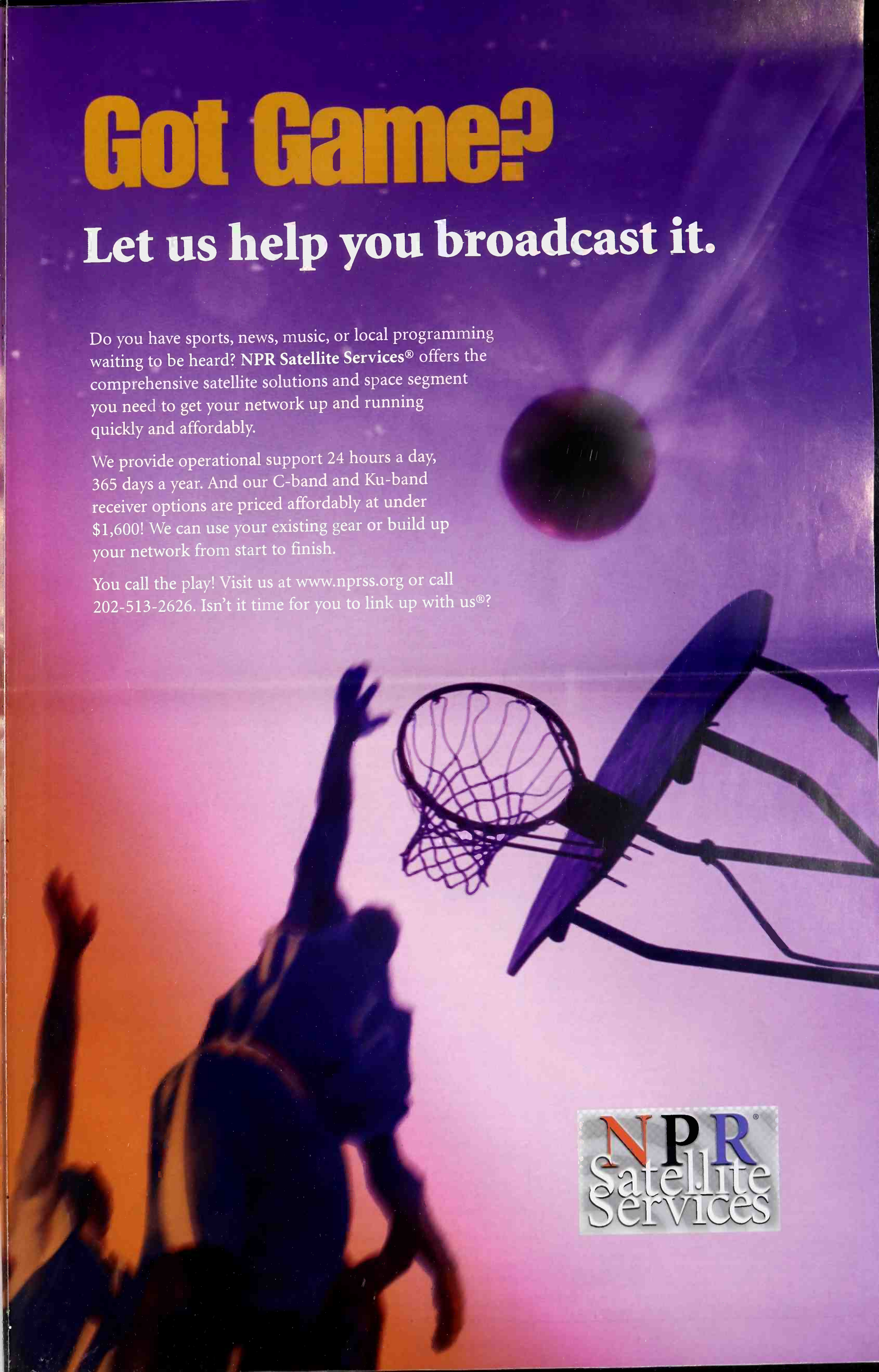
When Entercom won the liability portion of the state court case and the case was set to enter the penalty phase on 12/14/01, Stolz and his new attorneys put the state court action on hold by filing the federal bankruptcy petition.

As for the claim for legal fees, Stolz claims that the charges by Morrison & Foerster were excessive. He noted that he had already paid the firm $826K and claimed that the law firm had estimated that the total cost of the court battle with Entercom would be no more than $500K - - while the final bill, even before the trial began, was $1.1M. Stolz switched law firms shortly before the trial began in October of last year.

Morrison & Foerster is asking that Judge Jane McKeag dismiss Royce International's bankruptcy petition because the company clearly has assets far in excess of any debts it owes. The Chapter 11 petition lists only a handful of creditors, including Entercom, Morrison & Foerster, ASCAP, BMI and Stolz himself. All of the amounts owed are listed as "unknown," except for Stolz's claim for $84,867.32 in unpaid wages. The Chapter 11 petition indicates that the company's total debts are $50-100K, but the section for indicating the estimated value of the company's assets was left blank. At the very least, Morrison & Foerster noted, Royce has $25M in assets since Entercom is trying to pay that amount in cash for KWOD.

Entercom has not yet made a filing in the case, but its attorneys and those of other creditors are set to meet with the bankruptcy court's trustee on 1/18.

***RBR* observation:** Ed Stolz's communications counsel might want to give his client a call, since no notice has been given to the FCC that the licensee of KWOD is now a debtor-in-possession.—JM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By Carl Marcucci

Targeting consumers and advertisers in an uncertain economy—Part II

In Part I, we left off with whether or not the economy was beginning to rebound—the figures from varying sources are conflicting and many indicators are up one month and down another. The Commerce Department said orders to US factories shot up 12.8% in October, the first since May and the largest since the government began keeping records in March '92, based on the current system. However, new orders for manufactured durable goods in November, down five of the last six months, decreased $8.8B or 4.8% to $175.6B. Year to date, new orders are 12.6% below the same period a year ago. The agency also reported 11/29 that new home sales posted a seasonally adjusted annual rate of 880K in October, a 0.2% gain from the upwardly revised September rate of 878K. Even more good news: initial jobless claims fell 86K to 394K for the week ended 12/8/01—the largest drop since 8/92 according to the Labor Department. The previous week had been up, so it will take a string of weekly declines to provide any indication that the nation's employment situation is improving. The nation's unemployment rate, however, climbed to 5.8% in December, the highest in more than six years and up from a revised 5.6% in November, the Labor Department reported 1/4.

Do these figures indicate the recession has bottomed out and that recovery is at hand? Hard to say. For each positive trend, there seems to be a negative out there. While initial jobless claims fell, the number of workers remaining on jobless benefits for the week ending 12/1/01 rose 36,000 to 3.7M. The four-week moving average, considered a more reliable barometer because it irons out weekly fluctuations common at this time of year, fell to 450,000, a drop of 12,000.

Separately, the Commerce Department reported 12/19/01 that the trade deficit rose significantly to $29.4B in October. Imports surged by $11B, while exports edged up just $0.5B. "While the surge in imports was due to a one-time correction related to the tragic events of September 11, continuing poor export performance, due to weak demand abroad and a strong dollar, will likely make 2001 the worst year for U.S. exporters in more than 40 years," says **Jerry Jasinowski**, President of the National Association of Manufacturers (NAM).

Overall, predictions from NAM for 2002 aren't optimistic, even with the spike in October factory orders mentioned earlier. "The rule of thumb is three months in a row of the same direction will indicate that there's actually turnaround. Unfortunately, the 'recovery' that will begin in the first quarter of 2002 will show lackluster performance for at least the first six months," NAM Chief Economist **David Huether** tells *RBR*.

The Institute for Supply Management's (ISM, a.k.a. National Association of Purchasing Management) monthly manufacturing survey for October, The NAPM index, plummeted by 7.2 points on the month to 39.8. A reading above 50 on the index denotes expansion, a score below 50 is a contraction. While economic activity in the manufacturing sector declined for the 16th consecutive month in November, but ISM/NAPM says the overall economy returned to growth after registering a significant decline in October. "After absorbing [the] aftershock of the terrorist attacks, the manufacturing sector showed surprising resilience in November as new orders gained 10.5%, which is among the largest one-month increases in the history of the index. The trend is definitely in the right direction, but it is too soon to claim an imminent recovery. The fact that five of 20 industries recorded strength in new orders is encouraging," said **Norbert Ore**, chair of Institute for Supply Management's (ISM) Manufacturing Business Survey Committee.

Some trends are indeed improving. ISM's New Orders Index rose a significant 6.1%, from 48.8% in November to 54.9% in December. ISM's Backlog of Orders Index rose from 38.5% in November to 39.5% in December. Its Supplier Deliveries Index also rose to 48% from 47.3% in November. "While the manufacturing sector continues to decline, the rate of decline has slowed very quickly, giving some hope that recovery may come faster than is generally found in a major downturn. In December, both new orders and production returned to a growth scenario and the trend for most of the indexes is definitely in the right direction. Two industries showing signs of life were Electronic Components & Equipment and Instruments & Photographic Equipment."

Nevertheless, retail sales plunged a record 3.7% in November. For the Christmas shopping season, it was a great time to be a consumer, but not a great time for the nation's economy. The Commerce Department said the record drop followed a 6.4% surge in October, also a record. With margins already paper-thin, retailers struggling with disappointing sales slashed prices all the way through the holiday shopping season. The DC-based National Retail Federation predicts total holiday retail sales, which excludes restaurant and auto sales, will rise in the range of 2.5% to 3%, to roughly $206B, the worst retail performance since 1990.

Another way to gauge the economy's health is by looking at GDP and inventories. Huether predicts, after the sharp downturn in the fourth quarter, GDP growth will increase mildly by just 1.7% in Q1 '02. "This 'turnaround' is entirely due to increased government spending and an inventory correction, both temporary in nature. After falling by more than $90B in Q4 due mainly to the surge in auto sales spurred on by 0% financing which depleted stocks, business inventories will rise by $11B in Q1. This $100B adjustment in inventories, along with a 5.4% increase in government spending from the war on terrorism accounts for all of GDP growth in the first quarter," he tells *RBR*. "The rest of GDP decreases by 4.1% in Q1 as consumer spending temporarily declines due to a backlash of lower auto purchases. More troubling is the fact that business investment and exports will continue to be weak, with nonresidential fixed declining by 10% and exports edging up just 2.2%."

What about Q1 and Q2?

While the shape of the economy for 2002 is still up in the air, both Q1 and Q2 are looking to be tough, according to most of the industry analysts (see page 8). For music formats like Chicago Rocker WLUP-FM, it's a critical mass strategy for now. Says WLUP GM **Cris Ohr**: "Right now Q1 looks soft, but a lot of it is coming in right now. If you come up with some good ideas and good programs, you've got people who will always advertise. We're working hard and we're hoping things come around. I don't think it's going to be a great first quarter. I'd be delighted if we made our numbers. And obviously when you budget, you're trying to balance it out so you're trying to be kind of prudent in how you're budgeting for the year. I mean it's not all back loaded. We're not looking for a robust first half of the year. I think the way we're attacking Q1, Q2 and who knows if it's Q3 is we're adding another LSM and we're going to add some salespeople [each of the four Bonneville stations in Chicago are adding LSMs]. So it's going to be with volume . You're making more appropriate calls and more of them."

Local, as with 2001, is going to be the savior for Ohr. "There's going to be more focus on local business, which you can control, because national obviously has not been very strong and it's much more difficult to control. Local radio is kind of recession-proof if you do a really good job and you've got great sellers who work real hard. It's not like I'm in a small city with a handful of retailers. There are thousands of businesses to call on," Ohr explains. "You have to work smarter and you have to work harder. We're going to communicate and collaborate with our best clients and come up with some good ideas and certainly encourage them to keep advertising through this difficult time if they can. At the end of the day they are going to be better off for it. I wouldn't just sit there and take No. If I was selling and the person said, 'Well I'm just not going to advertise until the economy picks up, I would say, 'Well, let's talk about that'."

News radio on top for Q1

We've found News radio is looking to be the strongest in Q1, based on widespread ratings increases, post 9/11. In Part 1, WTOP Washington GM **Joel Oxley** told *RBR* he was having a blockbuster Q4. Q1 seems a bit unpredictable. "Q1 right now is a little bit up from 2001, and yet two months ago, we were seeing –40% for Q1," he said.

Rich Homberg

Rich Homberg, GM of Infinity's WWJ-AM and WXYT-AM Detroit says his numbers are looking good: "Our business is well up for Q1 on both stations. This is the first year we have the Red Wings, so our billings are up substantially on XYT. WWJ is running about 10 points ahead of the market and significantly ahead of last year. We just had our best 25-54 numbers in 6+ years. It's not a slam dunk, but if you're well positioned, you should be able to have larger audiences. It's all about delivering better products to the customers. Basically the reason we go after sports rights and build our two newsletters is all about using one product to create another and then using those products and marketing them to our client base. WWJ's upgrade to 50k at nights also helped increase the stations' listenership."

He plans on icing that cake with NTR for WWJ as usual. Q1, he says, traditionally offers up some avails for promotion. "We've been working on a Q1 strategy for four years now. In Q1, we do a major health conference for the health care community. It involves all the major health care providers. It was all day Friday Jan. 4th. We bring in major speakers from across the country and we align ourselves with a major healthcare organization. Then that weekend, we did a health expo at the big expo center here. We'll have 20,000 people come through. 'Live up to your New Year's resolution, look at all the products and programs to help you.' **Richard Simmons** is going to be hosting that, if you will. We do health clinics and lose weight clinics, etc.," he explains. About once a quarter, WWJ also does a major business breakfast. "At the end of January, we have a major state of the state kind of business event that we're planning. In previous years we did a job fair at the end of January. This year, we've flipped that to a major B2B forecast event. The first thing we do is establish some franchised products that we found out we have the time to promote and the time to sell. We sell them throughout the year and end up planning it throughout the year. It's a major alliance with various business organizations."

WWJ is also tentatively planning a career workshop with the NAACP in late February which will be driven towards career improvement, rather than who is looking to hire. Perhaps a sign of the times, the last three years the station did a job fair instead. Homberg says the sale now is to colleges and trade schools rather than employers. "We use Q1 as a chance to really get close to our some of our listeners. WWJ sells out virtually every single week. We wouldn't normally have the time to be able to promote a B2B event. Q1 gives us the opportunity to do that."

Joel Hollander

On the national network side, Westwood One CEO **Joel Hollander** tells *RBR* his 2002 plan includes a hunt for new business. "Basically we will be out there trying to create as much new business as we can, which is absolutely the life blood of the industry. You have to hopefully raise rates and bring in new business. Home improvement, insurance and after-automotive are especially looking good."

Next week, we look at the effects, and after effects, of the 0% auto financing phenomenon, new ad trends and more.

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By Jack Messmer

Forecasters face off on 2002

For the first time in memory, forecasters are far apart on their predictions of what's ahead for the radio industry in the coming year. For the first time, some of the gurus are predicting a decline in radio revenues—the second straight after the 2001 drop-off that none of them saw coming a year ago.

Here are the prognostications by the top prognosticators. We'll leave it to you, our readers, to judge which has the clearest crystal ball.

Bob Coen: up 2%

Universal-McCann's Sr. VP and Director of Forecasting **Bob Coen** is the longest running show on Madison Avenue when it comes to forecasting. But he admits that even his many decades of experience aren't much help in predicting what advertisers will spend in 2002. "It's not easy to tell what's going to happen in the chaos that we're in right now," Coen said at last month's UBS Warburg Media Conference in New York. Nonetheless, he is "cautiously optimistic."

That optimism is based on Coen's belief, based on analysis reported by various economists, that the current recession is not as deep as the one the US experienced a decade ago, so the recovery should come more quickly.

"In 1992 marketers were restructuring and downsizing. Unemployment was higher and so was inflation, and many marketers thought they could solve their marketing problems by cutting their advertising budgets and turning to trade-price promotion deals to move their products. These tactics did not work as the trade took advantage of one marketer's deal one week and then turned to provide their extra support in a subsequent week in exchange for a competitor's deal," Coen wrote in his twice per year prediction issued 12/3/01. "More marketers now realize that advertising works to build the sales of their products or to effectively announce attractive sales offerings such as 0% financing for automobiles."

So, Coen is "cautiously optimistic" about 2002 ad spending.

"The rate at which the economy re-expands and the degree to which competition heats up next year will determine how strong national ad budgets will rise in 2002. But whether the ad growth is quite moderate or fairly strong we definitely believe spending will rise above this year's depressed levels," Coen wrote.

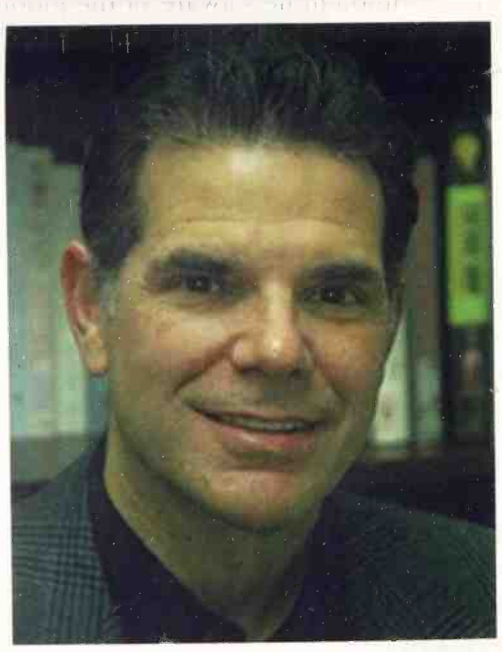
Of course, Coen also predicted a year earlier that 2001 would be yet another growth year for ad spending. He sees national radio revenues (network and spot) dipping an additional 1%, but a 2.5% gain for local-which works out to a gain of about 2% for the entire radio industry. Here's his medium-by-medium forecast for 2002 and a look at how far off the mark his 2001 forecast was.

Bob Coen's ad spending forecast ($ in millions)

Ad spending predicted as of:	2001 12/00	2001 6/01	2001 12/01	2002 12/01	2002 ad revs 12/01
National					
Big 4 TV nets	1.0%	-2.5%	-3.5%	3.5%	$15,870
Spot TV	-1.0%	-6.0%	-20.0%	5.0%	$10,300
Cable TV	12.5%	8.0%	4.0%	5.5%	$12,010
Syndication TV	6.0%	3.0%	2.5%	4.0%	$3,315
Radio (net & spot)	5.5%	2.0%	-18.0%	-1.0%	$3,615
Magazines	5.0%	1.0%	-12.0%	-1.0%	$10,775
Newspapers	7.0%	1.0%	-8.0%	0.0%	$6,650
Direct mail	5.0%	4.5%	3.5%	2.5%	$47,305
Yellow pages	5.0%	4.0%	50.0%	1.5%	$2,135
Internet	60.0%	10.0%	-5.0%	0.0%	$4,115
Other natl media	6.3%	1.7%	-5.4%	2.5%	$29,825
Total National	6.3%	2.1%	-3.9%	2.5%	$145,915
Local					
Newspapers	4.0%	1.0%	-8.0%	1.5%	$39,055
TV	3.0%	3.0%	-5.0%	4.0%	$13,380
Radio	6.5%	5.0%	-3.0%	2.5%	$14,760
Yellow pages	5.5%	5.0%	3.0%	1.0%	$11,585
Other local	8.3%	5.6%	-1.0%	3.7%	$14,620
Total Local	5.0%	3.1%	-4.5%	2.3%	$93,400
Grand Total	5.8%	2.5%	-4.1%	2.4%	$239,315

Source: Universal McCann "Insider's Report," 12/00, 6/01 & 12/01

Jack Myers: down 4%



Taking a much more pessimistic view than Coen is the forecaster who's risen in recent years to become the main challenger to the long-time ad guru. There's a real disparity in their forecasts for 2002—and **Jack Myers** is making the most of it.

"For total US consumer media ad spending in 2002, Coen projects a 2.4% increase, while Myers is projecting a decline of 5.7%. That's a massive differential that represents a potential shift of $15B," Myers wrote a week after hearing Coen deliver his forecast to the UBS Warburg Media Conference.

Rather than the traditional economic recovery that Coen is expecting in 2002, Myers believes "there will be several short-lived mini-bursts in the economy throughout the first three quarters of the year, but we will not have any form of sustained positive indications until 4th quarter 2002." And Myers added a further warning: "If the war expands for any reason, or there are continued domestic terrorist activities, the economic upturn will be delayed for at least another quarter."

Myers takes issue with Coen's prediction that rather than lagging behind the general economic recovery, ad spending will "move closer into parallel than had been the case ten years ago."

"I could not disagree more with Coen's assumptions," Myers wrote. "There are many reasons to believe that advertising will lag even further behind a general market recovery. The success of the 0% interest-rate promotion by the auto industry will require significant continuing cutbacks in their marketing budgets, as funds will be required to underwrite the interest payments. These cutbacks will continue through 2004/2005. Several major companies are struggling with mergers and acquisitions, including Pfizer/Warner-Lambert, P&G/Bristol-Myers and several auto companies. These companies will be consolidating products and marketing budgets. Fewer pharmaceutical products are converting from over-the-counter to direct-to-consumer. The telecommunications industry remains in disarray, and the continued regulatory disputes regarding the distribution of NextWave licenses for increased spectrum will delay marketing initiatives. There are no major new technology categories on the horizon. Packaged goods companies have reduced the number of brands they market, consolidated their retail shelf-space allocations, and are focusing on their high margin products. The travel and tourism industry will remain in flux into the foreseeable future."

With that pessimistic outlook, Myers is predicting that US ad spending will drop an additional 5.7% in 2002-with the radio industry off 4%. He is predicting that radio will recover faster than most other media, gaining 2% in 2003 against a gain of 1.2% for all media.

Is the pessimist correct? Myers updates his forecast whenever conditions warrant, so his forecast changed repeatedly last year. Will that be the case again this year? Here's a look at Myers' forecast.

Jack Myers' ad spending forecast

	2001 forecast on 11/00	2001 forecast on 4/01	2001 forecast on 5/01	2001 forecast on 8/01	2001 forecast on 12/01	2002 forecast on 5/01	2002 forecast on 12/01	Projected 2002 revs. on 12/01
Newspapers	2.0%	0.0%	2.5%	2.0%	-2.0%	1.0%	-2.0%	$46.5B
Bcst TV Nets	3.6%	2.0%	-3.0%	-4.0%	-5.0%	0.0%	-4.0%	$15.5B
Natl Spot TV	2.5%	1.0%	-15.0%	-15.0%	-20.0%	-4.0%	-9.0%	$8.9B
Loc Spot TV	2.0%	1.5%	-7.0%	-8.0%	-12.0%	-4.0%	-10.0%	$10.7B
TV Synd	2.8%	2.8%	-5.0%	-12.0%	-18.0%	-2.0%	-12.0%	$2.3B
Radio	9.0%	5.0%	-6.0%	-7.0%	-8.0%	-2.0%	-4.0%	$16.9B
Yellow Pgs	0.0%	-1.0%	-1.0%	-2.0%	-3.0%	-2.0%	-3.0%	$12.0B
Magazines	7.0%	4.5%	0.5%	-3.0%	-4.5%	-2.0%	-7.0%	$15.8B
Network CATV	14.0%	1.1%	8.0%	5.0%	-3.0%	6.0%	-6.0%	$8.9B
Loc/Rgnl Cable	18.0%	16.0%	5.0%	12.0%	5.0%	5.0%	5.0%	$4.0B
Online	70.0%	40.0%	40.0%	10.0%	0.0%	30.0%	10.0%	$4.7B
Outdoor	16.0%	12.0%	2.0%	1.0%	-2.0%	-2.0%	-1.0%	$5.0B
Other	-2.0%	-3.0%	-6.0%	-11.0%	-12.0%	-2.0%	-14.0%	$28.9B
Total US Media	4.9%	2.4%	-1.5%	-4.0%	-6.8%	0.2%	-5.7%	$180.1B

Source: Jack Myers LLC

Robin Flynn: up 3%

At Kagan World Media, analyst **Robin Flynn** is predicting an up year for broadcasting as the economy recovers. She sees radio gaining 3% in 2002, then returning to its past pattern of 7-8% annual growth through the end of the decade.

"Radio industry executives have indicated that the radio ad market is improving month by month since the September trough, which sets a firmer tone heading into 2002. I expect growth numbers to improve steadily over the year, entering positive territory by the second half. National sales growth, however, will continue to lag local, and network will stay weaker than local," Flynn told *RBR*.

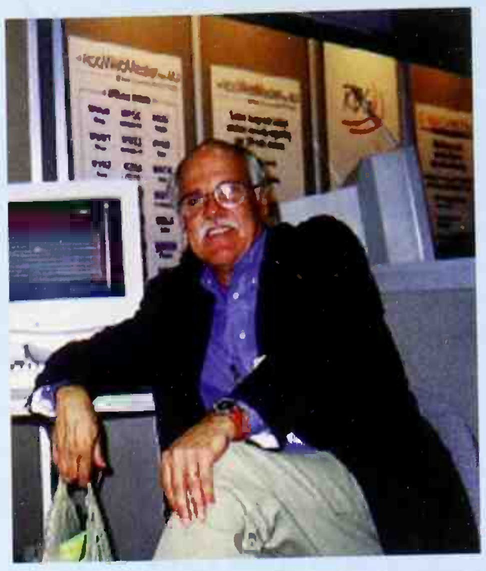
"Radio has the ability to outperform other media, especially in 2002's second half. TV station sales will be boosted by the Winter Olympics, but those will benefit only NBC affiliates. There will also be some political dollars, but only in scattered markets and nowhere near the level of 2000. We're projecting TV network dollars to be down slightly, about 1.3%, while TV station ad sales (which fell more than radio in 2001) will gain 2%-4% in 2002," Flynn concluded.

Robin Flynn's radio revenue forecast ($ in millions)

	2001 change	2002 change	Projected 2002 revs.
Radio networks	-13.0%	3.0%	$891
National spot	19.0%	1.0%	$2,942
Local radio	-4.2%	3.1%	$15,036
Radio total	-7.4%	2.8%	$18,869

Source: Kagan World Media

Jim Duncan: flat to down 3%



"I am somewhat hesitant to make predictions for 2002," said **Jim Duncan**, founder of Duncan's American Radio. "Such predictions are really a fool's game-particularly after a year such as 2001."

Even so, Duncan—who over a year ago predicted that radio would grow 6.9% in 2001—has consented to play in the game. (He now expects the final tally for 2001 to be a drop of 7-8%.)

"In 1992, the year after radio's last decline, the medium managed a gain of a bit more than 3%. I suspect that we will not do as well in 2002 as the 2001 decline was much sharper. My best guess is radio will likely decline again in 2002. My prediction is that we will end that year with either no revenue growth or a drop of no more than 3%. In order to accomplish this we will need an end to the recession by the third quarter and to have some real economic growth in the second half of 2002," Duncan suggested. "Having said this, I expect that radio company cash flows will grow by 2-5% in 2001. Much of this will be enabled by the salary cuts and layoffs that companies are putting into effect."

Duncan says he's been hearing of some incredible deals being offered to large advertisers by some radio groups. "My sense is that radio rates are dropping rapidly-especially in the large markets," he said.

"Recovering from rate dropping will take some time. Adding units is probably not an option for most stations, as they are at the limits of what their core listeners can stand," Duncan warned. "My primary concern is that radio's listening levels continue to decline just as they have for the last 15 years. We continue to lose our share of the consumer's media time. I see no end to this trend until we clean up our presentation and offer our listeners reasons to stay with us."

Mark Fratrik: up 5.5%

The most bullish of our forecasters is **Mark Fratrik**, Vice President, BIA Financial Network, who is predicting that radio revenues will rise 5.5% in 2002—with local probably growing a bit better than 6% and national rising around 5%.

"I think the economy bounces back by May or June," Fratrik said in explaining his optimism. Although advertising spending will trail that recovery a bit, he thinks advertisers will return. "We may see a little bit of it at the end of the second quarter," he said, before getting a stronger boost in the second half of the year. Fratrik noted that "the comps of 2001 won't be difficult to beat."

The BIA analyst also sees structural benefits yet to be translated into dollars, which should help boost radio's take of ad spending. "The benefits of consolidation have not run their course yet, particularly for stations acquired in the past year," Fratrik said.

Although he's aware of the gloom and doom predictions of Jack Myers and others, Fratrik says, "I've seen those numbers and I don't understand them." In his view, if the economy improves by mid-year-as most economists expect-there's no reason to think that advertising would stay mired in recession.

Is it possible that radio could have its first back-to-back years of revenue declines, we asked? "There's a very low probability of that," Fratrik said.

The pace pulse in Washington: DC = dismal comps

Ladies and gentlemen, we have made it to the promised land of monthly revenue comps which, after sucking every egg in sight last year, should theoretically be easy beyond belief.

Guess what? Pacing still sucks, at least in Washington DC, where *RBR* has received a Hungerford, Aldrin, Nichols & Carter pacing report for the week ending 12/30/01 from an anonymous source. However, while pacing is miserable, this is an improvement from 2000 (*RBR* 1/1/01, p.3), when pacings were more accurately described as ghastly.

On the plus side, things aren't nearly as bad this year as last. For example, the negative 19% national total we're looking at for the upcoming month of March pales in comparison to the minus 66% March projection which Washington radio staffs were facing at this time last year.

On the negative side, the minus key on the official *RBR* computer number pad is still getting a workout.

However, in the all important local category, Washington is looking to hold the losses to single digits. Considering the losses which seemed to be in the future at this time during Y2K were all worse than 20% in the local category, this is actually an accomplishment of sorts. And in the month just past (12/01), Washington radio stations actually managed a rare dip into the black inkwell with a 7% increase.

***RBR* observation**: Like **Ebenezer Scrooge** and the Ghost of Christmas Future, we wonder if these numbers are things that will be or things that might be. Is it possible to turn these puppies around and put some positive numbers on the board? It doesn't look like anything will save national in the near term, but perhaps a concerted push can salvage the local numbers and put a plus sign in front of them.

Another thing—one market does not an industry make, and just because Washington is still having problems does not mean the same holds true elsewhere. Although the economy in Washington is somewhat recession-proof due to the preponderance of government jobs (which do not go away simply because the economy has gone sour), there is a heavy concentration of high-tech industry in the area, which no doubt contributed to Washington radio's slump last year.

In general, markets without a lot of activity in the national revenue column, and without a large cell of home-town dot-coms, have probably gone through the last 24 months without anything approaching the peaks and valleys experienced in the largest markets.—DS

Washington Pacing

Last year (as of 12/17/00)				Current (as of 12/30/01)			
Month	Local	Natl	Total	Month	Local	Natl	Total
12/00	1%	-9%	-3%	12/01	7%	-23%	-3%
1/01	-27%	-40%	-31%	1/02	-7%	-34%	-15%
2/01	-21%	-47%	-30%	2/02	-8%	-24%	-12%
3/01	-24%	-66%	-38%	3/02	-6%	-19%	-9%

Source: Hungerford, Aldrin, Nicols & Carter

Big Apple failing to keep pace

RBR was also able to get a Miller, Kaplan, Arase & Company pacing report for New York (as of 1/6), although only for the months of January and February. The tale in the Big Apple is much the same as it is in Washington—things are not looking as bad as they did at this time last year, but the market is still a long ways away from putting some positives on the revenue chart. In fact, in January, New York actually was headed for a better result last year than it is this year—but as we now realize, last year's January projection of -11.6%—which seemed horrible at the time—turned out to be not all that bad.

New York's total revenue projections for January and February are very close to equalling Washington's. What is amazing is how the two markets arrived at their very similar January projection. Washington is heading for a single-digit loss in local revenue coupled with a huge 34% slash into its national business. New York, on the other hand, is facing a rather large 14.5% loss in local business, with an incredibly mild, almost unnoticable (in this environment, anyway) 4.1% drop in national.

***RBR* observation**: We can't help noticing what the year 2001 has done to our adjective selection. For the 19 years we've been publishing *RBR*, the adjective which would have accompanied a 14.5% shortfall in local revenue in radio's largest market would have been "catastrophic" or "apocalyptic." Now it warrants only "rather large." We simply must nurse the industry back to the kind of robust health which will put the "catastrophic" back in "minus 14.5%!"—DS

New York Pacing

Last year (as of 1/23/00)				Current (as of 1/6/02)			
Month	Local	Natl	Total	Month	Local	Natl	Total
1/01	-10.6%	-15.7%	-11.6%	1/02	-14.5%	-4.1%	-12.7%
2/01	-25.3%	-28.0%	-25.8%	2/02	-9.9%	-29.3%	-13.2%

Source: Miller, Kaplan, Arase & Company

Quotable comps: Then vs. now

By Jack Messmer

The radio advertising landscape changed so dramatically in 2001 that it's worth a look back to see just how much radio executives were forced to adjust their thinking. A year ago, not even the most pessimistic forecasters foresaw a down year for US ad spending—and certainly no one but **Osama bin Laden** could have predicted the events of 9/11. Here are comments reported in *RBR* early in 2001 as radio executives looked at the year ahead, followed by their more recent comments on what we now know was the industry's first year of decline in a decade.

Bob Neil, Cox Radio

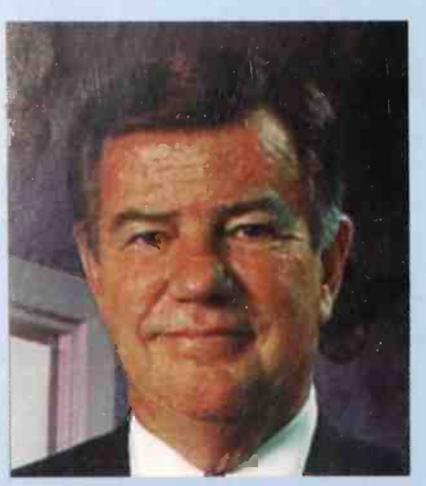
"As we talk to our advertisers, we do not believe we're in a recession at this point. If you listen to what **[Alan] Greenspan** said [to Congress], he pretty much said the same thing. As we talk to our advertisers in the local markets, we don't sense that. In a number of our local markets, we're actually seeing pretty good local revenue growth. The area that's the trouble spot now is national—and that makes sense because of the difficult comps from quarters one and two of last year. We're seeing a little bit of what I would call 'buyers' revenge' here in the first quarter. A year ago, pricing was just incredibly high and demand on inventory put through some unrealistic price increases. So the buyers right now are sitting back and trying to let everybody negotiate with them. By and large, though, I see our inventory being used—there's just some buyers' revenge on the rates at this point."—**Bob Neil**, CEO, Cox Radio (N:CXR), in a First Union Securities (now Wachovia Securities) telephone roundtable reported in the 2/26/01 issue of *RBR*.

Although not as exuberant, Neil remained upbeat as he reported on his company's performance through a difficult year—and specifically the impact of the terrorist attacks of 9/11.

"I'm very pleased with our third quarter results. We once again outpaced the industry in revenue growth. On a same-station and pro forma basis, our third quarter net revenues decreased 4% and 6% respectively—and this compares favorably with an industry down 8% for the quarter, as reported by Miller, Kaplan. Looking more closely at the quarter on a same-station basis, both July and August revenues were up 3% over last year and prior to September 11th the quarter was looking pretty good. That environment has certainly changed since September 11th. I do think it's important to realize where we were prior to the attacks. We had good sales pacing in both July and August and we were beginning to see some real growth in the automotive sector, for example, which is very significant to us given the size of the category. Additionally, through discussions with our sales reps, we were beginning to see a bit of a pulse in national business, which has suffered considerably this year. So, obviously, the events of September 11th have affected us along with everyone else.

"Following September 11th, we shifted our operational focus to serving our communities. After two days of non-stop news coverage, we began to work with our sponsors and advertisers and assessing the current advertising climate. There really is no handbook in a tragedy like this and our teams in the field did a great job of improvising and doing the right things."

After reviewing some of those local efforts, Neil continued: "During a time like this I do believe the most important thing we can do as a company is to avoid distractions and continue to focus on the basics—the fundamentals of operating our business."



Lowry Mays, Clear Channel

"I've been hearing for the past three months about this pending advertising recession," Clear Channel Communications (N:CCU) CEO **Lowry Mays** noted at the December 2000 UBS Warburg Media Conference (*RBR* 12/11/00, p. 12). He displayed a chart showing how radio revenues had gone up every year, through good times and bad, for decades—with the single exception of 1991. Then he brought up a slide with Clear Channel's own traffic sign—declaring that there would be "No Advertising Recession."

Mays' sign didn't stop the recession, of course. As Clear Channel reported another record year for 2000 last February, the company forecast that while Q1 would see revenues decline for its out-of-home media (radio and outdoor combined), all of the other quarters would have year-over-year growth and bring the full year of 2001 in at 4% revenue growth. With outdoor now suffering even more than radio, that growth forecast is just a distant memory.

More recently, Mays has been unwilling to offer any projections more than one quarter out and seemed surprised to get a question last month about spot loads—a question that might have been expected when ad demand was shooting through the roof.

"There was a possibility this time last year where radio broadcasters were perhaps expanding their inventory, maybe from a traditional 10 units an hour to 12 units an hour—and, of course, the pricing is and always has been based on supply and demand, just like any other media advertising. Whether that got out of hand when the dot-com bubble came is anybody's observation in terms of what that did to radio pricing during the bubble. But I would suggest to you, if you look back over the past 50 years of radio industry revenues, it has shown a consistent average 8% per year compound growth, most of which is driven by rates—so this is not a recent phenomena where radio pricing increases from year to year. I will say to you that certainly radio pricing, as well as outdoor advertising pricing, is still less expensive than television on a cost-per-thousand basis. It is significantly less expensive than newspapers, magazines and so forth."

Mays told the CS First Boston conference that complaints about radio pricing appeared to be coming from people who had made ad purchases at the peak of the dot-com demand.

"That is not a phenomena which is occurring today. I wish we did have the demand to run more commercials. We're running less than we did this time last year."

Alfred Liggins, Radio One

Radio One (O:ROIA) CEO **Alfred Liggins** gets credit for being the first group head to warn Wall Street that demand for radio inventory was softening. But that candor nearly gave Liggins a heart attack as he learned how to free-fall without a parachute. After making the comment at a Deutsche Banc Alex. Brown conference in September 2000, Liggins watched his company's stock price plunge from $18 to $8 in less than a week.

Having proven his keen foresight once, investors are understandably anxious to hear what the Radio One CEO sees ahead for 2002.

"My past experience tells me that I should take the Fifth on that question," Liggins told a CS First Boston conference questioner last month.

As the response drew laughter, the questioner noted, "Well, you were right."

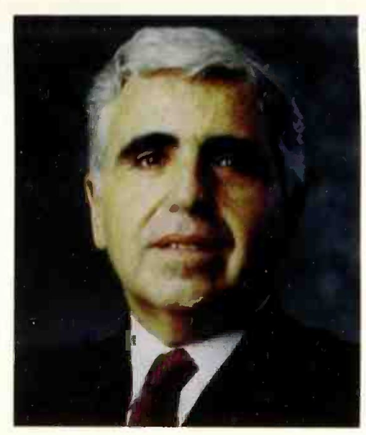
"It didn't matter," Liggins chuckled.

Having been cautious a year earlier about the advertising environment, Liggins is continuing to be cautious about whether the first hint of a recovery is the real thing.

"I can tell you what Radio One's gonna do. You guys have to go somewhere else for the economy [forecast]. At the end of the day, I don't know what the economy's going to do, when it's going to turn around. We've seen false starts before. We had one in the third quarter and I was reticent to go, 'Oh, we've hit the bottom.' We've always said we'll be affected by the economy. We're an advertising based business. However, our strategy will allow us to outperform that to some degree. Exactly what that degree is, I don't know if I can quantify it."

"There's no upside in me banging on the desk and saying, 'We've hit bottom—buy, buy, buy,' or, 'We're slowing down—sell, sell, sell.' And the last time I did that it was a very negative experience."

Liggins remains bullish on his company—at least in the long run. "From 1997 to 1999 we grew our net revenues 31% and our broadcast cash flow 46%. For the year 2000 we grew net revenues 17% and our BCF 30%. We're not having the year we would like to [in 2001] , as nobody is, but we're having a decent year compared to a lot of the other companies," Liggins told the CS First Boston conference.



Mel Karmazin, Viacom

Viacom (N:VIA) President **Mel Karmazin** tried his hand at ad revenue forecasting a year ago (*RBR* 2/19/01, p. 10) and, like all of the other forecasters, was far off the mark. The Zen Master predicted that radio would grow 6-8% in 2001, TV 5-6%, outdoor 5-6% and cable 10-12%. It now appears that only one of the four, cable, posted a positive number for 2001—and only 4-5% growth. Mel did have the number right for radio—except that it should have had a minus sign in front of it.

Now Karmazin is seeing signs of a rebound for Viacom's TV business, so he's put the word out for the company's Infinity radio stations to join the parade. "We're expecting radio price increases across the board, and we're expecting them now," he said in the company's Q3 conference call.

"It is totally unacceptable for our sales people to sell advertising, beginning in the first quarter of 2002, at lower rates than we got in 2001. We can't control what our competitors do, but we hope they'll do the same," Karmazin said at last month's UBS Warburg Media Conference.

Gary Fries, Radio Advertising Bureau

"Over the long run, radio will continue to withstand any slowdown in the economy. All indicators point to gradual growth over 2001 that will pick up momentum as the year progresses," RAB President **Gary Fries** stated 2/2/01 as he delivered the bad news that the final month of 2000 had come in 3% below December 1999.

Ten months later he was reporting that October 2001 was off 8%, keeping the year's string of down months intact—with no one expecting November or December to buck the trend. Nevertheless, Fries remained optimistic about the year to come.

"For 2002, I foresee national remaining flat, while local rebounds to end the year up 4%. The combined total in radio revenue for 2002 will be up 3%," he said in the 12/17/01 announcement.

Mac Tichenor, Hispanic Broadcasting

Hispanic Broadcasting (N:HSP) took a beating on Wall Street a year ago *(RBR* 1/15/01,p. 12) when it issued a rare Sunday announcement warning that Q4 2000 revenues would come in about $3M below what analysts had been expecting.

"Business in the fourth quarter reflected our customers' response to the effects on their businesses of a sudden reduction in economic growth and poor consumer sentiment. Fourth quarter revenue growth was in sharp contrast to the strong environment that propelled our operating performance during the first three quarters of the year," CEO **Mac Tichenor** said.

When stock trading opened the next day (1/8/01), the company's stock plunged, losing more than a third of its value at one point in that Monday's trading. When the closing bell rang, Hispanic Broadcasting's stock had fallen $11.125 (trading then was still in eighths) to end the day at $23.875.

While 2000 brought the beginning of what was to be a painful downturn for ad spending, it also brought the once per decade count of the US population by the US Census Bureau. Now those new Census numbers are being integrated into Arbitron's reports and Tichenor is upbeat even in the face of the persistently soft economy.

"What that means, practically, is that ratings to Spanish stations are going to go up in numbers, we think, approximating these kind of increases in these markets, because the Hispanic diaries—the weighting attributed to Hispanic diaries by Arbitron—will increase by these amounts," Tichenor told last month's UBS Warburg conference as he displayed a chart of Arbitron's double-digit percentage changes in the ten largest Hispanic markets. "We've already started to see that in some of the preliminary ArbiTrends that have come out in advance of the Fall ratings book. That will mean our ability to raise prices or keep pricing will be enhanced going forward."

George Beasley, Beasley Broadcasting

"Beasley Broadcast Group [O:BBGI] had a full and productive first year as a public company," CEO **George Beasley** told investors a year ago. Beasley was the last radio group to go public before the IPO market all but dried up in 2000.

"As with many other radio broadcasters, Beasley Broadcast Group began to feel the impact of a slowing advertising environment in the fourth quarter. We anticipated this trend and forecast as much when we reported [Q3 2000] results in November," the veteran group owner said as he reported to Wall Street last February.

Despite the beginning of what proved to be a sustained downturn, Beasley reiterated his confidence in the radio industry. "Based on nearly 40 years experience in broadcasting, I do believe that we're going to see good long-term growth unless there is a more dramatic downturn than we are presently experiencing in the economy."

Of course, the downturn proved to be much more persistent than Beasley or anyone else foresaw—and no one could have predicted that the events of 9/11 would derail the slow rebuilding of advertising demand. So, a year later, George Beasley is still waiting for the recovery to take hold—and still confident in radio's long-term strength.

"Through 40 years of broadcasting I've seen 38 good years—38 years of growth—and only two down years in this industry. I don't know of many industries that can point to such a record as that. Although we're in a down trend at the present time, I do feel that when we emerge from this down cycle that we're in, that we're gonna come back strong , we're gonna come back vibrant and we're going to be as good or better than we ever were. Radio will be strong. Beasley will be strong. And radio will continue to take share of total advertising as we go forward," Beasley told last month's CS First Boston conference.

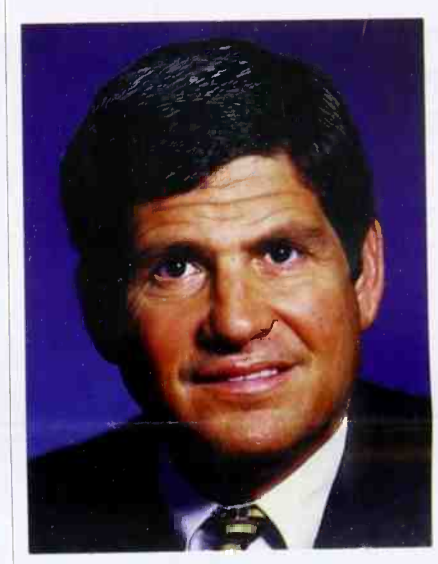
David Field, Entercom

Asked last February just how much advertising demand had slowed, Entercom (N:ETM) President **David Field** had this response *(RBR* 2/12/01,p. 12) for Wall Street analysts: "I think it has as much to do with last year as it does this year. First, when we talk to our clients, we talk to our agencies, we do not hear significant cancellations, significant cutbacks. Clearly there are nervous people out there, but in general the market is just not as robust as it was in the prior year."

A year later, Field is still waiting for that robustness to return, but he's hoping that the dim light he now sees really is the end of the tunnel.

"Market conditions have stabilized and I believe are also firming. We're seeing that in terms of market demand. We're seeing that in terms of pricing. Now, don't read too much into those words. I wouldn't define it yet as a robust recovery. We are still looking at a last-minute, nervous buyer mindset and are still—I believe—in a buyer's market. Our confidence has grown over the last couple of months. We do feel a budding increase in confidence at the consumer level and at the buyer level. The big emphasis, of course, is what happens next. If one paints a picture of an increasing feeling of domestic security and tranquility, I believe one can make the case for a robust 2002 in the advertising world and in the radio world. Of course, if there are additional 9/11s, God forbid, obviously that changes the equation entirely," Field said last month at the CS First Boston gathering in New York. He also pointed to a competitor as a source of hope.

"In the past few weeks something fundamental has changed. Infinity has stepped up—and I hate to talk about other companies, but I think their role here is quite important—Infinity has stepped up in a more demonstrable way as a market leader in the last few weeks. **Mel [Karmazin]** and **Farid [Suleman]** have stepped up and made a point that is permeating their organization about the rate leadership position that they're going to take. And I think that will have a material impact on pricing in the industry," Field said.



Jeff Smulyan, Emmis Communications

"Obviously this is an economy that no one knows where it's headed, but we've been there before and we're comfortable that whatever the economy gives us, we'll make the most of it," Emmis CEO **Jeff Smulyan** said a year ago *(RBR* 1/15/01, p. 5) as his company, which has an off-kilter fiscal year, issued the radio industry's first quarterly report of the year.

Unfortunately, little has changed in a year. In his Wall Street conference call just last week (1/8), Smulyan was optimistic, but reserved.

"We're moderately upbeat about what we see now going into our fiscal fourth quarter and on into our next fiscal year, or this calendar year 2002. There are encouraging signs out there. I think all of us have been so shell-shocked in the last year, year and a half in the media sector, with all the events that have occurred, and we remain guarded. But clearly there's a feeling of optimism that we see at Emmis—and while part of it is, we think, attributable to our ratings improvement, and to the improved performance of our sales staffs—also, I think, a lot of it is a harbinger that maybe things are getting better around the corner."

By Jack Messmer

Seeger snares Philly move-in

It's no longer a rumor. The application has been filed at the FCC for **Ed Seeger, Andrew Guest** and **James Fort**—calling themselves New Jersey Radio Partners LLC—to buy WSNJ-AM & FM Bridgeton, NJ for $20M in cash. The seller, 82-year old **Ed Bold**, has been a fixture in the southern New Jersey town for decades. Broker: American Media Services

***RBR* observation:** This FM signal on 107.7 mHz already gets into parts of the Philadelphia market, but Seeger and company clearly have bigger plans. The contract refers to a proposed rulemaking change—which has not yet been filed with the FCC—to change frequencies—presumably to make WSNJ-FM's signal a real contender in Philly. Like most stations in the Northeast, WSNJ is tightly boxed in, so no matter which way it moves on the dial, the new owners will likely have to pay big bucks to get other stations to give way. The payoff, though, could be a stick worth $60-80M, depending on just how much of the Philly Metro it covers.

Emmis reports down quarter, but optimism about future

The fiscal Q3 for Emmis Communications (O:EMMS), September through November 2001, was a down quarter, but CEO **Jeff Smulyan** told Wall Street analysts it was still the sixth quarter in a row for Emmis' radio stations to outperform their markets. Even so, that market-beating result was still a negative number. Radio revenues fell 4% to $65.5M. But with cost cutting, Emmis was able to squeeze out a 2% gain in radio cash flow to $30M. As the chart POSITION shows, radio was the only major part of Emmis to increase cash flow.

After losing the bidding for Tribune's three Denver stations to Entercom (N:ETM), Smulyan isn't denying that Emmis could be a seller of its existing Denver duo. Smulyan says de-leveraging Emmis' balance sheet is "the single highest priority" for the company and that could include divestitures. While warning "never say never," Smulyan said it was "highly unlikely" that Emmis would sell radio stations in any other market, but noted, "in Denver, it's a little different situation"—that Emmis could be either a buyer or a seller in Denver.

What about the outlook for this year?

"We are definitely seeing pacings up across the board," Smulyan told analysts. "Again, I think we're so cautious that we've been seeing this for a little while—and while we feel good about things, I think after the last 15 or 16 months, we're a little conservative about saying this is the breakout."

Mile High City: Enter Entercom

Emmis' (O:EMMS) **Jeff Smulyan** told *RBR* he was definitely interested in Tribune's (N:TRB) trio of stations in Denver *(RBR* 12/10/01, p.6), but he never got past the storefront window. Instead, Entercom (N:ETM) is getting the stations in a $180M LMA-acquisition deal. The stations are Standards KEZW-AM, AC KOSI-FM and Classic Rock KKHK-FM. Denver will constitute new territory for Entercom, bringing it to a total of 100 stations in 19 markets. Besides Emmis, the Entercom will compete with Clear Channel's (N:CCU) market-dominant cluster, as well as smaller superduopolies owned by Jefferson-Pilot (N:JP) and Infinity (N:VIA).

"We are pleased to announce this Denver acquisition that focuses so clearly on Entercom's strategic acquisition goals," said Entercom Chairman/CEO **Joseph Field**. "It will provide us entry into an additional major growth market, enhance our geographic diversity and expand our national marketing reach into the Mountain States economic region."

According to Tribune, Entercom will run the stations in an LMA for up to three years while Tribune searches for suitable television properties to acquire in exchange for the radio stations. The deal, once the stations are finally sold to Entercom, will leave Tribune with only one radio station, but it's one of the biggest in the nation: Chicago's WGN-AM.—DS

***RBR* observation:** Jeff Smulyan would certainly rather be out making lots of acquisitions, but he's going to be tied up for a while with de-leveraging Emmis' balance sheet. Joe and **David Field** are fortunate, in the current tough economy, to be able to do some buying—and they've claimed a market that should give Entercom plenty of up-side. Now, they just have to find a price that would entice Smulyan to leave town. In Emmis' conference call, Wachovia Securities analyst **Jim Boyle** noted that the Tribune deal was around 17 times cash flow and asked Smulyan if he'd sell for 18 or 19 times.

No, he didn't get an answer.

Emmis fiscal Q3 2001 results September-November 2001 ($ in thousands, except ATCF per share)

Category	Fiscal Q3 2000	Fiscal Q3 2001	Net Chg	Pct Chg
Radio revenues	$68,045	$65,512	-$2,533	-3.72%
TV revenues	$55,667	$52,333	-$3,334	-5.99%
Publishing revenues	$19,859	$19,016	-$843	-4.24%
Interactive revenues	$35	$258	$223	637.14%
Total net revenues	$143,606	$137,119	-$6,487	-4.52%
Radio cash flow	$29,958	$30,446	$488	1.63%
TV cash flow	$25,821	$16,597	-$9,224	-35.72%
Publishing cash flow	$3,831	$2,828	-$1,003	-26.18%
Interactive cash flow	-$170	-$179	-$9	5.29%
Total cash flow	$59,440	$49,692	-$9,748	-16.40%
Net income/loss	$11,566	-$11,698	-$23,264	-201.14%
After-tax cash flow	$29,427	$19,158	-$10,269	-34.90%
ATCF per share	$0.62	$0.40	-$0.22	-35.48%

Source: Emmis Communications earnings release 1/8/02,cash flow by medium calculated by RBR.

Tichenor knows the way to San Jose

Mac Tichenor's Hispanic Broadcasting Corp. (N:HSP) has finally gained a foothold in the San Jose market, where more than a quarter of the population is Hispanic and where Entravision (N:EVC) and predecessor EXCL have dominated the Spanish radio market for years. Hispanic will pay **Bob Kieve**'s Empire Broadcasting Corp. $58M for KARA-FM. As is Tichenor's custom, he's buying a powerful (full Class B on 105.7 mHz) English station (a Hot AC) in a heavily Hispanic market to flip the signal to a new Spanish format.

Because of the cost of the re-launch, Hispanic Broadcasting says the acquisition will generate operating losses in 2002 and dilute the company's after-tax cash flow by a penny per share. Hispanic already owns two FMs in the San Francisco market, but this will give the Spanish radio giant a full-coverage signal in the South Bay area.

Kieve isn't leaving the San Jose market. Although he's selling his most powerful signal, Empire will still own KLIV-AM & KRTY-FM. Broker: Media Venture Partners (seller); Star Media Group (buyer)

***RBR* observation:** Just a few days before this pre-Christmas deal was announced, CFO **Jeff Henson** said at the UBS Warburg Media Conference in New York that Hispanic Broadcasting would take advantage of the current economic downturn to buy more stations *(RBR* 12/10, p. 6). We expect this to be just the first of many purchases by the nation's biggest Spanish radio player.

On Top in the Big Easy

Steve Hegwood's On Top Communications has claimed New Orleans as its third market. The Urban specialist (Hegwood was formerly head of programming at Radio One) is paying $8.5M for KNOU-FM Empire, LA, a class C2 on 104.5mHz which recently signed on in the New Orleans market with an Urban format. The seller is JP Broadcasting—one of the companies headed by **Chris Devine** and **Bruce Buzil**. They bought the CP just a little over a year ago for $3.5M. Hegwood's growing company already owns two FMs in Albany, GA and one FM in Norfolk, VA. Broker: **Greg Merrill**, **Eddie Esserman** & **George Reed**, Media Services Group

Angotti's got a sixth station in South Bend

Art Angotti is laying claim to being the biggest station owner in Indiana with the announcement of the purchase of the 13th station by Artistic Media Partners. Hot on the heels of November's purchase of WZOW-FM for $925K, Artistic now has a deal to buy WGTC-FM from Summit Radio for $1.5M as its sixth station in the South Bend market.

It's a cash and stock deal, so Summit owners **Michael Leep** and **Van Gurley** will become shareholders of Artistic. They'll receive 40,909 shares of Artistic, valued at $450K, plus $1.05M in cash. Artistic has around 3M shares and Angotti owns 878,400—but has voting control by owning virtually all of the company's super-voting Class B shares.

In addition to its South Bend superduopoly, Artistic owns one station in Fort Wayne, four in Lafayette and two in Bloomington.

Mickey finds an Old Kentucky Home

Louisville, KY is the latest market to get an ABC Radio O&O. Disney (N:DIS) is paying **Robert Rodgers**' Word Broadcasting Network $1.992M to make WJIE-AM a Radio Disney outlet—replacing the current Religious format. Broker: **Bill Schutz**, William B. Shutz Jr. Media Broker (buyer); **John Pierce**, John Pierce & Co. (seller)

continued on page 14

'he Radio Index™ gained for 2001

'he Radio Index™ ended 2001 up 81.35% at 227.345. That would be citing, except that the gain was all recovery from the horrible ımmeling that radio stocks endured in 2000. The Index remains well low the all-time high of 256.060 set on the last day of 1999 and even low 2001's high point of 249.142 set 6/29/01.

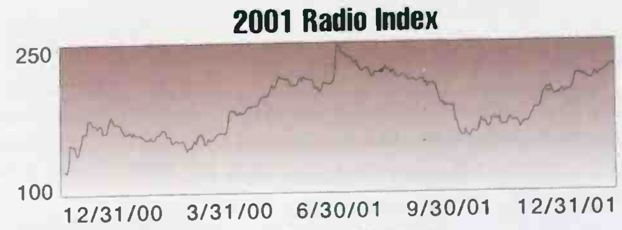
Cumulus Media (O:CMLS) led radio's Wall Street recovery, gaining 6% for 2001 after rebuilding from management and accounting oblems that tanked its stock price in 2000. Of the 15 stocks in RBR's dex, only two—Entravision (N:EVC), -35%, and Emmis (O:EMMS), -%—were down for the year.

It was a far worse year for tower companies, as wireless telecommucations cut expansion plans. Pinnacle (O:BIGT) plunged 96%, nerican Tower (N:AMT) dropped 75%, SectraSite (O:SITE) fell 73% ıd Crown Castle (N:CCI) declined 61%.

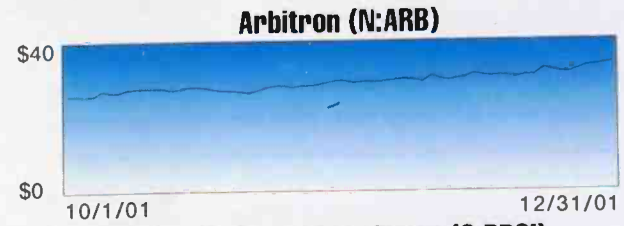
2001 stock price performance

Company	12/31/01 Close	YTD Net Chg	YTD Pct Chg
Ackerley	17.500	8.500	94.44%
Adelphia	31.180	-20.445	-39.60%
Alliance Bcg.	0.010	-0.002	-16.67%
Am. Tower	9.470	-28.405	-75.00%
Arbitron	34.150	10.890	46.82%
Beasley	13.010	4.698	56.51%
Belo Corp.	18.750	2.750	17.19%
Big City Radio	1.100	-1.088	-49.71%
Cir.Rsch.Labs	0.700	-4.425	-86.34%
Clear Channel	50.910	2.473	5.10%
Cox Radio	25.480	2.918	12.93%
Crown Castle	10.680	-16.383	-60.54%
Cumulus	16.180	12.555	346.34%
DG Systems	1.110	-1.015	-47.76%
Disney	20.720	-8.218	-28.40%
Emmis	23.640	-5.048	-17.59%
Entercom	50.000	15.563	45.19%
Entravision	11.950	-6.425	-34.97%
Fisher	44.000	-11.000	-20.00%
Gaylord	24.600	3.725	17.84%
Gentner	16.680	4.930	41.96%
Harman Intl.	45.100	8.600	23.56%
Harris Corp.	30.510	-0.115	-0.38%
Hearst-Argyle	21.560	1.123	5.49%
Hispanic Bcg.	25.500	0.000	0.00%
Interep	4.700	1.200	34.29%
Jeff-Pilot	46.270	-3.558	-7.14%
NBG Radio Nets	0.990	-0.135	-12.00%
New York Times	43.250	3.188	7.96%
Pinnacle Hldgs.	0.340	-8.723	-96.25%
PopMail.com	0.040	-0.148	-78.67%
Radio One, Cl. A	18.470	7.783	72.82%
Radio One, Cl. D	18.010	7.010	63.73%
Radio Unica	1.400	-2.350	-62.67%
RealNetworks	5.940	-2.748	-31.63%
Regent	6.750	0.813	13.68%
Saga Commun.	20.700	5.825	39.16%
Salem Comm.	23.000	8.063	53.97%
Sirius Sat. Radio	11.630	-18.308	-61.15%
Spanish Bcg.	9.890	4.890	97.80%
SpectraSite	3.590	-9.660	-72.91%
SportsLine USA	2.920	-2.393	-45.04%
TM Century	0.550	0.050	10.00%
Triangle	0.010	-0.007	-41.18%
Tribune	37.430	-4.820	-11.41%
Viacom, Cl. A	44.250	-2.750	-5.85%
Viacom, Cl. B	44.150	-2.600	-5.56%
WarpRadio.com	0.030	-0.595	-95.20%
Westwood One	30.050	10.738	55.60%
XM Sat. Radio	18.360	2.298	14.30%
Major stock market indices			
The Radio Index	227.345	101.985	81.35%
Dow Industrials	10021.5	-765.350	-7.10%
Nasdaq comp.	1950.400	-520.120	-21.05%
S&P 500	1148.080	-172.200	-13.04%

2001 Radio Index

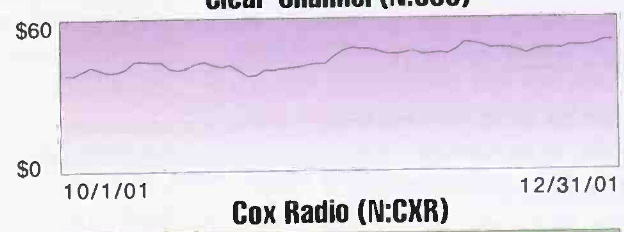


Arbitron (N:ARB)

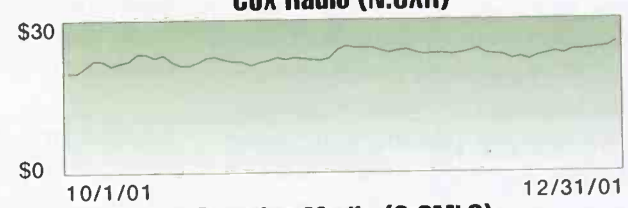


Beasley Broadcast Group (O:BBGI)

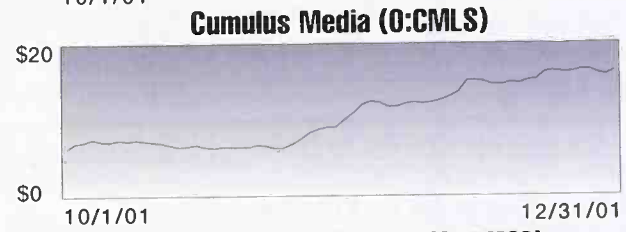
Clear Channel (N:CCU)



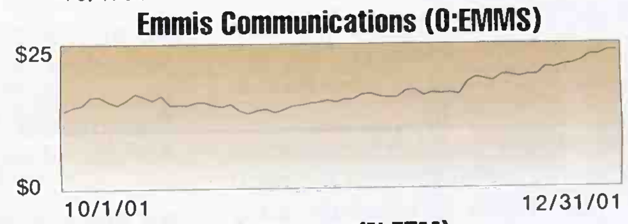
Cox Radio (N:CXR)



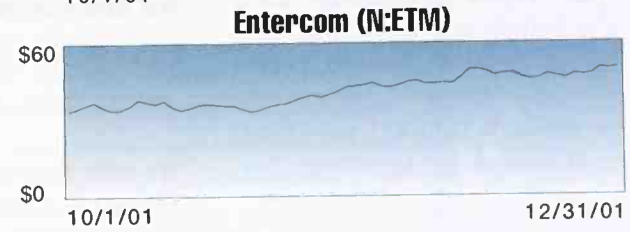
Cumulus Media (O:CMLS)



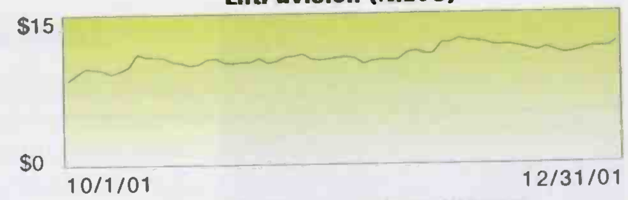
Emmis Communications (O:EMMS)



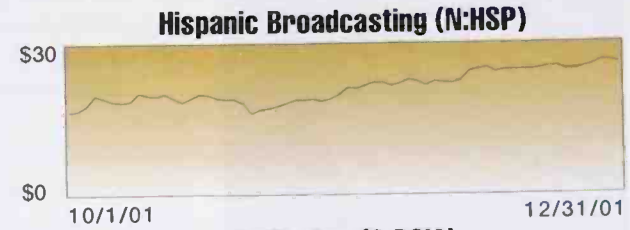
Entercom (N:ETM)



Entravision (N:EVC)



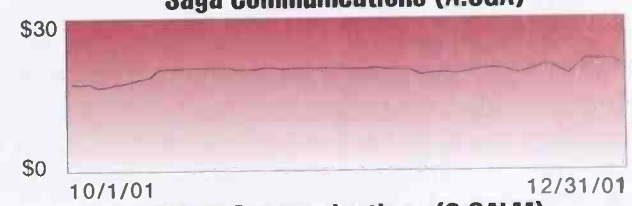
Hispanic Broadcasting (N:HSP)



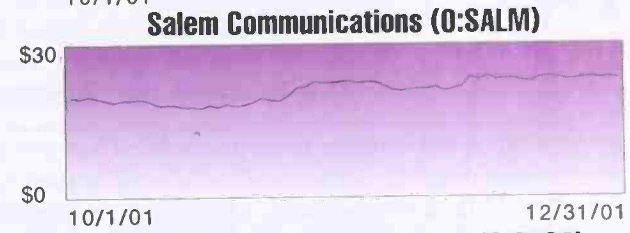
Radio One (O:ROIA)

Regent Communications (O:RGCI)

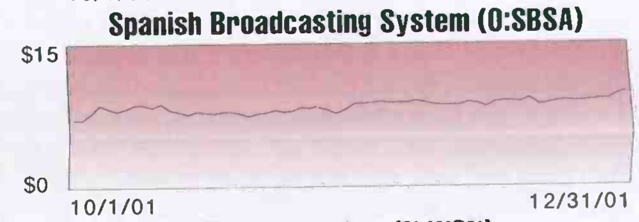
Saga Communications (A:SGA)



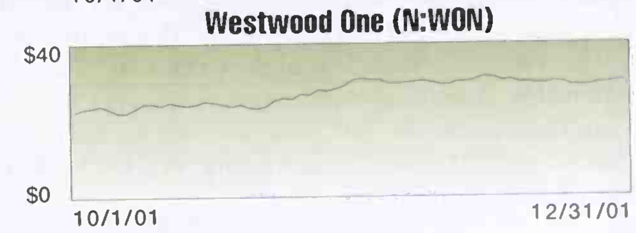
Salem Communications (O:SALM)



Spanish Broadcasting System (O:SBSA)



Westwood One (N:WON)



By Jack Messmer

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***RBR* observation:** This FM signal on 107.7 mHz already gets into parts of the Philadelphia market, but Seeger and company clearly have bigger plans. The contract refers to a proposed rulemaking change—which has not yet been filed with the FCC—to change frequencies—presumably to make WSNJ-FM's signal a real contender in Philly. Like most stations in the Northeast, WSNJ is tightly boxed in, so no matter which way it moves on the dial, the new owners will likely have to pay big bucks to get other stations to give way. The payoff, though, could be a stick worth $60-80M, depending on just how much of the Philly Metro it covers.

Emmis reports down quarter, but optimism about future

The fiscal Q3 for Emmis Communications (O:EMMS), September through November 2001, was a down quarter, but CEO **Jeff Smulyan** told Wall Street analysts it was still the sixth quarter in a row for Emmis' radio stations to outperform their markets. Even so, that market-beating result was still a negative number. Radio revenues fell 4% to $65.5M. But with cost cutting, Emmis was able to squeeze out a 2% gain in radio cash flow to $30M. As the chart POSITION shows, radio was the only major part of Emmis to increase cash flow.

After losing the bidding for Tribune's three Denver stations to Entercom (N:ETM), Smulyan isn't denying that Emmis could be a seller of its existing Denver duo. Smulyan says de-leveraging Emmis' balance sheet is "the single highest priority" for the company and that could include divestitures. While warning "never say never," Smulyan said it was "highly unlikely" that Emmis would sell radio stations in any other market, but noted, "in Denver, it's a little different situation"—that Emmis could be either a buyer or a seller in Denver.

What about the outlook for this year?

"We are definitely seeing pacings up across the board," Smulyan told analysts. "Again, I think we're so cautious that we've been seeing this for a little while—and while we feel good about things, I think after the last 15 or 16 months, we're a little conservative about saying this is the breakout."

Mile High City: Enter Entercom

Emmis' (O:EMMS) **Jeff Smulyan** told *RBR* he was definitely interested in Tribune's (N:TRB) trio of stations in Denver *(RBR* 12/10/01, p.6), but he never got past the storefront window. Instead, Entercom (N:ETM) is getting the stations in a $180M LMA-acquisition deal. The stations are Standards KEZW-AM, AC KOSI-FM and Classic Rock KKHK-FM. Denver will constitute new territory for Entercom, bringing it to a total of 100 stations in 19 markets. Besides Emmis, the Entercom will compete with Clear Channel's (N:CCU) market-dominant cluster, as well as smaller superduopolies owned by Jefferson-Pilot (N:JP) and Infinity (N:VIA).

"We are pleased to announce this Denver acquisition that focuses so clearly on Entercom's strategic acquisition goals," said Entercom Chairman/CEO **Joseph Field**. "It will provide us entry into an additional major growth market, enhance our geographic diversity and expand our national marketing reach into the Mountain States economic region."

According to Tribune, Entercom will run the stations in an LMA for up to three years while Tribune searches for suitable television properties to acquire in exchange for the radio stations. The deal, once the stations are finally sold to Entercom, will leave Tribune with only one radio station, but it's one of the biggest in the nation: Chicago's WGN-AM.—DS

***RBR* observation:** Jeff Smulyan would certainly rather be out making lots of acquisitions, but he's going to be tied up for a while with de-leveraging Emmis' balance sheet. Joe and **David Field** are fortunate, in the current tough economy, to be able to do some buying—and they've claimed a market that should give Entercom plenty of up-side. Now, they just have to find a price that would entice Smulyan to leave town. In Emmis' conference call, Wachovia Securities analyst **Jim Boyle** noted that the Tribune deal was around 17 times cash flow and asked Smulyan if he'd sell for 18 or 19 times.

No, he didn't get an answer.

Emmis fiscal Q3 2001 results September-November 2001
($ in thousands, except ATCF per share)

Category	Fiscal Q3 2000	Fiscal Q3 2001	Net Chg	Pct Chg
Radio revenues	$68,045	$65,512	-$2,533	-3.72%
TV revenues	$55,667	$52,333	-$3,334	-5.99%
Publishing revenues	$19,859	$19,016	-$843	-4.24%
Interactive revenues	$35	$258	$223	637.14%
Total net revenues	$143,606	$137,119	-$6,487	-4.52%
Radio cash flow	$29,958	$30,446	$488	1.63%
TV cash flow	$25,821	$16,597	-$9,224	-35.72%
Publishing cash flow	$3,831	$2,828	-$1,003	-26.18%
Interactive cash flow	-$170	-$179	-$9	5.29%
Total cash flow	$59,440	$49,692	-$9,748	-16.40%
Net income/loss	$11,566	-$11,698	-$23,264	-201.14%
After-tax cash flow	$29,427	$19,158	-$10,269	-34.90%
ATCF per share	$0.62	$0.40	-$0.22	-35.48%

Source: Emmis Communications earnings release 1/8/02,cash flow by medium calculated by RBR.

Tichenor knows the way to San Jose

Mac Tichenor's Hispanic Broadcasting Corp. (N:HSP) has finally gained a foothold in the San Jose market, where more than a quarter of the population is Hispanic and where Entravision (N:EVC) and predecessor EXCL have dominated the Spanish radio market for years. Hispanic will pay **Bob Kieve**'s Empire Broadcasting Corp. $58M for KARA-FM. As is Tichenor's custom, he's buying a powerful (full Class B on 105.7 mHz) English station (a Hot AC) in a heavily Hispanic market to flip the signal to a new Spanish format.

Because of the cost of the re-launch, Hispanic Broadcasting says the acquisition will generate operating losses in 2002 and dilute the company's after-tax cash flow by a penny per share. Hispanic already owns two FMs in the San Francisco market, but this will give the Spanish radio giant a full-coverage signal in the South Bay area.

Kieve isn't leaving the San Jose market. Although he's selling his most powerful signal, Empire will still own KLIV-AM & KRTY-FM. Broker: Media Venture Partners (seller); Star Media Group (buyer)

***RBR* observation:** Just a few days before this pre-Christmas deal was announced, CFO **Jeff Henson** said at the UBS Warburg Media Conference in New York that Hispanic Broadcasting would take advantage of the current economic downturn to buy more stations *(RBR* 12/10, p. 6). We expect this to be just the first of many purchases by the nation's biggest Spanish radio player.

On Top in the Big Easy

Steve Hegwood's On Top Communications has claimed New Orleans as its third market. The Urban specialist (Hegwood was formerly head of programming at Radio One) is paying $8.5M for KNOU-FM Empire, LA, a class C2 on 104.5mHz which recently signed on in the New Orleans market with an Urban format. The seller is JP Broadcasting—one of the companies headed by **Chris Devine** and **Bruce Buzil**. They bought the CP just a little over a year ago for $3.5M. Hegwood's growing company already owns two FMs in Albany, GA and one FM in Norfolk, VA. Broker: **Greg Merrill**, **Eddie Esserman** & **George Reed**, Media Services Group

Angotti's got a sixth station in South Bend

Art Angotti is laying claim to being the biggest station owner in Indiana with the announcement of the purchase of the 13th station by Artistic Media Partners. Hot on the heels of November's purchase of WZOW-FM for $925K, Artistic now has a deal to buy WGTC-FM from Summit Radio for $1.5M as its sixth station in the South Bend market.

It's a cash and stock deal, so Summit owners **Michael Leep** and **Van Gurley** will become shareholders of Artistic. They'll receive 40,909 shares of Artistic, valued at $450K, plus $1.05M in cash. Artistic has around 3M shares and Angotti owns 878,400—but has voting control by owning virtually all of the company's super-voting Class B shares.

In addition to its South Bend superduopoly, Artistic owns one station in Fort Wayne, four in Lafayette and two in Bloomington.

Mickey finds an Old Kentucky Home

Louisville, KY is the latest market to get an ABC Radio O&O. Disney (N:DIS) is paying **Robert Rodgers**' Word Broadcasting Network $1.992M to make WJIE-AM a Radio Disney outlet—replacing the current Religious format. Broker: **Bill Schutz**, William B. Shutz Jr. Media Broker (buyer); **John Pierce**, John Pierce & Co. (seller)

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The Radio Index™ gained for 2001

The Radio Index™ ended 2001 up 81.35% at 227.345. That would be exciting, except that the gain was all recovery from the horrible pummeling that radio stocks endured in 2000. The Index remains well below the all-time high of 256.060 set on the last day of 1999 and even below 2001's high point of 249.142 set 6/29/01.

Cumulus Media (O:CMLS) led radio's Wall Street recovery, gaining 346% for 2001 after rebuilding from management and accounting problems that tanked its stock price in 2000. Of the 15 stocks in RBR's index, only two—Entravision (N:EVC), -35%, and Emmis (O:EMMS), -18%—were down for the year.

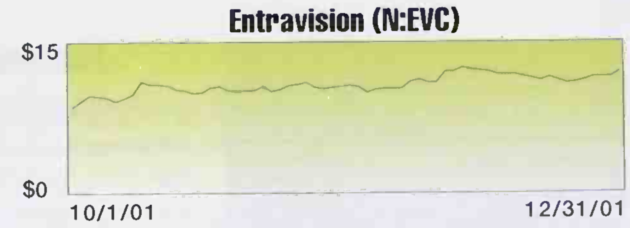
It was a far worse year for tower companies, as wireless telecommunications cut expansion plans. Pinnacle (O:BIGT) plunged 96%, American Tower (N:AMT) dropped 75%, SectraSite (O:SITE) fell 73% and Crown Castle (N:CCI) declined 61%.

2001 stock price performance

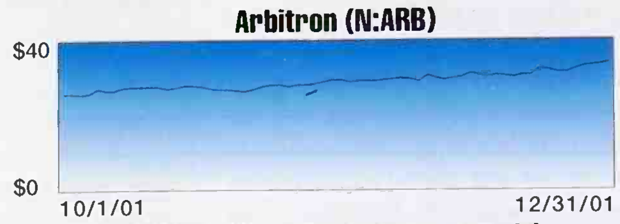
Company	12/31/01 Close	YTD Net Chg	YTD Pct Chg
Ackerley	17.500	8.500	94.44%
Adelphia	31.180	-20.445	-39.60%
Alliance Bcg.	0.010	-0.002	-16.67%
Am. Tower	9.470	-28.405	-75.00%
Arbitron	34.150	10.890	46.82%
Beasley	13.010	4.698	56.51%
Belo Corp.	18.750	2.750	17.19%
Big City Radio	1.100	-1.088	-49.71%
Cir.Rsch.Labs	0.700	-4.425	-86.34%
Clear Channel	50.910	2.473	5.10%
Cox Radio	25.480	2.918	12.93%
Crown Castle	10.680	-16.383	-60.54%
Cumulus	16.180	12.555	346.34%
DG Systems	1.110	-1.015	-47.76%
Disney	20.720	-8.218	-28.40%
Emmis	23.640	-5.048	-17.59%
Entercom	50.000	15.563	45.19%
Entravision	11.950	-6.425	-34.97%
Fisher	44.000	-11.000	-20.00%
Gaylord	24.600	3.725	17.84%
Gentner	16.680	4.930	41.96%
Harman Intl.	45.100	8.600	23.56%
Harris Corp.	30.510	-0.115	-0.38%
Hearst-Argyle	21.560	1.123	5.49%
Hispanic Bcg.	25.500	0.000	0.00%
Interep	4.700	1.200	34.29%
Jeff-Pilot	46.270	-3.558	-7.14%
NBG Radio Nets	0.990	-0.135	-12.00%
New York Times	43.250	3.188	7.96%
Pinnacle Hldgs.	0.340	-8.723	-96.25%
PopMail.com	0.040	-0.148	-78.67%
Radio One, Cl. A	18.470	7.783	72.82%
Radio One, Cl. D	18.010	7.010	63.73%
Radio Unica	1.400	-2.350	-62.67%
RealNetworks	5.940	-2.748	-31.63%
Regent	6.750	0.813	13.68%
Saga Commun.	20.700	5.825	39.16%
Salem Comm.	23.000	8.063	53.97%
Sirius Sat. Radio	11.630	-18.308	-61.15%
Spanish Bcg.	9.890	4.890	97.80%
SpectraSite	3.590	-9.660	-72.91%
SportsLine USA	2.920	-2.393	-45.04%
TM Century	0.550	0.050	10.00%
Triangle	0.010	-0.007	-41.18%
Tribune	37.430	-4.820	-11.41%
Viacom, Cl. A	44.250	-2.750	-5.85%
Viacom, Cl. B	44.150	-2.600	-5.56%
WarpRadio.com	0.030	-0.595	-95.20%
Westwood One	30.050	10.738	55.60%
XM Sat. Radio	18.360	2.298	14.30%
Major stock market indices			
The Radio Index	227.345	101.985	81.35%
Dow Industrials	10021.5	-765.350	-7.10%
Nasdaq comp.	1950.400	-520.120	-21.05%
S&P 500	1148.080	-172.200	-13.04%

2001 Radio Index

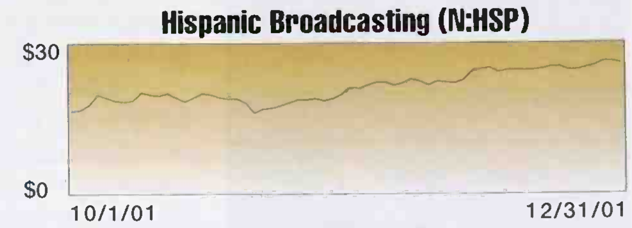
Entravision (N:EVC)



Arbitron (N:ARB)



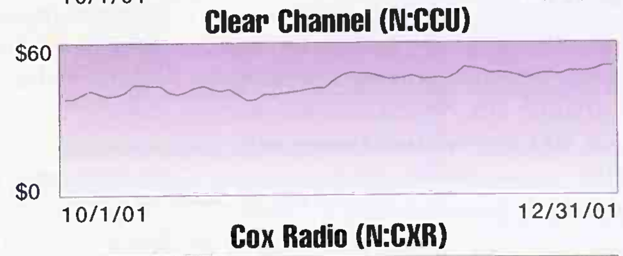
Hispanic Broadcasting (N:HSP)



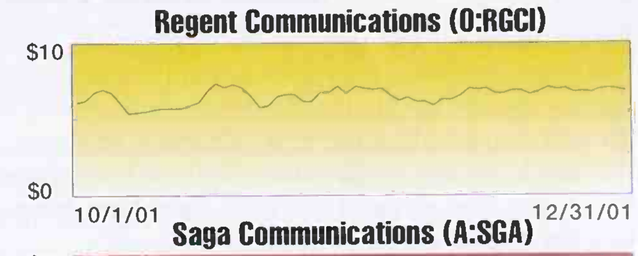
Beasley Broadcast Group (O:BBGI)

Radio One (O:ROIA)

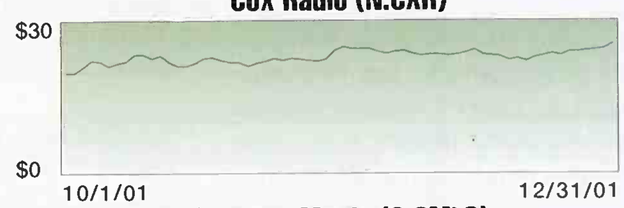
Clear Channel (N:CCU)



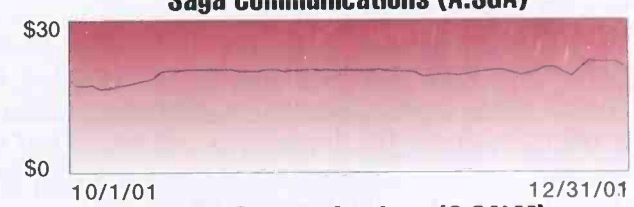
Regent Communications (O:RGCI)



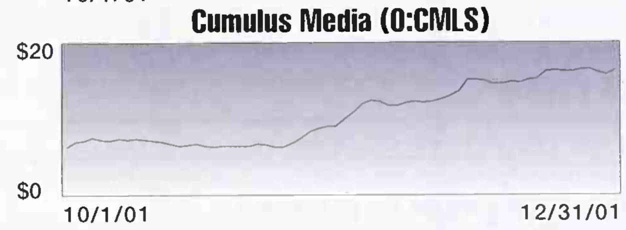
Cox Radio (N:CXR)



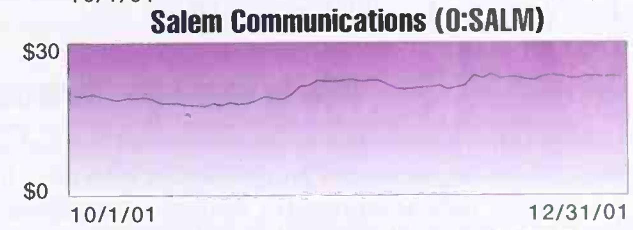
Saga Communications (A:SGA)



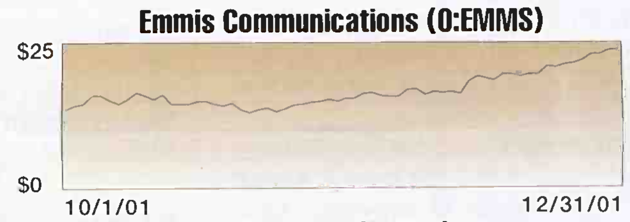
Cumulus Media (O:CMLS)



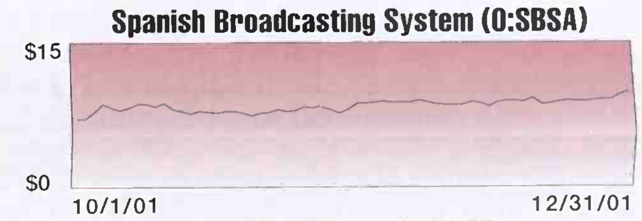
Salem Communications (O:SALM)



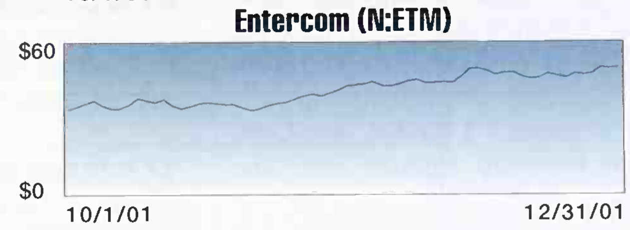
Emmis Communications (O:EMMS)



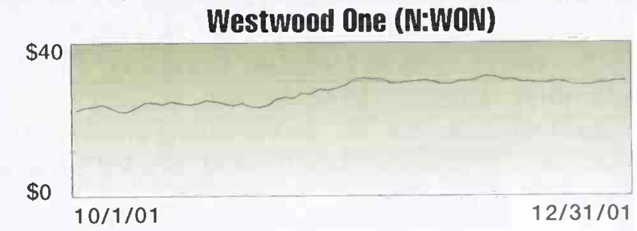
Spanish Broadcasting System (O:SBSA)



Entercom (N:ETM)



Westwood One (N:WON)



continued from page 12

***RBR* observation:** This station is hardly a flame-thrower, with 1kw day and 450 watts night at 680 kHz. But this conservative Bible-belt market along the Ohio River should be a good market for the all-kids format—and the price tag of under $2M is pocket change for **Michael Eisner**, even in these troubled times for the Magic Kingdom.

Edwards launching new group

Eddie Edwards

After finally winning FCC approval to sell most of his TV group to long-time LMA partner Sinclair Broadcast Group (O:SBGI), **Eddie Edwards** is launching a new company, Edwards Broadcasting Inc. His management team will include former Atlanta Mayor **Bill Campbell**.

***RBR* observation:** Eddie Edwards is an aggressive guy who believes in nothing more than his own drive and ability. When he got into a dispute with NABOB he went out and started a rival group, the Black Broadcasters Association. Now free of the perception held by critics that he was just a front for the **Smith** brothers' Sinclair, Edwards is out to prove that he's a broadcasting entrepreneur to be reckoned with. Don't sell him short.

Macias creates a new group

Javier Macias is entering the Birmingham, AL market with a deal for WPYK-AM. He is buying the station for $190K under the name Azteca Communications of Alabama. Macias already has stations in the general vicinity of Atlanta, GA. WAZX-AM Smyrna actually draws ratings there. WAZX-FM is northeast, not far from unrated Gainesville, GA, while recently-purchased WGTA-AM Summerville is northwest, near unrated Rome, GA. The seller of WPYK is **Paul Tate Johnson**. He's been running a Classic Country format on the station.

***RBR* observation:** It will be interesting to see what Macias does with the station—he's running Hispanic formats on all of his other stations, but Hispanics aren't exactly a major population group here. Although we haven't seen the newest Hispanic numbers for this market, Arbitron's last measurement pegged it at under 1%, and the market is not among those listed by Arbitron in a top-Hispanic market chart it released a while back.—DS

AMs in vogue for Christmas buying

Sales of three AM stations were announced just before the holidays (12/20) by brokers who'd been helping radio group owners with their holiday shopping.

· In Dallas, **Jack Mortenson**'s Mortenson Broadcasting is paying $4.5M for KHVN-AM, "Heaven," and its expanded band license to migrate from 970 to 1630 kHz. The Black gospel format doesn't fit well with the superduopoly of the current owner, Viacom's (N:VIA) Infinity, but is a perfect fit with Mortenson's Religious group. Broker: **John Pierce**, John Pierce & Company; Bill Schutz, Schutz & Co.

· In Asheville, NC, build up and resell specialist **Ed Seeger** and his associates—operating this time as Ashville Radio Partners LLC—is buying WISE-AM from **J. Ardell Sink**'s United Broadcasting Enterprises for $1.7M. The station is currently Adult Standards on 1310 kHz with 5kw day/1kw night, but we're betting that Seeger has some enhancements planned. Broker: **Greg Guy**, Patrick Communications (seller); **David Chandler**, American Media Services (buyer)

· In Hendersonville, NC, Sink is selling another of his stations, WTZQ-AM, for $750K. The buyer is Houston Broadcasting, headed by **Randy Houston**. Broker: Greg Guy, Patrick Communications

Colorado Public Radio to issue bonds

In a rare move for a public broadcasting entity, Colorado Public Radio (CPR) is issuing $6.5M in municipal bonds through the Colorado Education and Cultural Facilities Authority. The bonds will refinance $4M in existing debt and refill CPR's coffers after some recent acquisitions. The Fitch bond rating service has given a BBB+ rating to the offering—and noted that this is the first time that Fitch has rated a bond offering by a US public broadcasting organization. The bond sale via George K. Baum & Co. is expected to take place around 1/15.

In rating the CPR bond issue, Fitch noted that CPR's two Denver stations captured about a 6% audience share in Spring 2001, up nearly 50% from a year earlier, and that the group now has about 25K listeners who send in contributions. Although only 8-10% of listeners actually send in checks, Fitch said it was a small but loyal group of listeners which increases its giving each year. Of $6.6M in 2001 revenues, 39% came from listener contribution, 39% from corporate underwriting and 7% from federal grants from the Corporation for Public Broadcasting.

Viacom adds to SportsLine stake

Viacom's (N:VIA) CBS Broadcasting subsidiary has increased its ownership stake in SportsLine.com (O:SPLN) to 11.4M shares, or approximately 32% of the company. As of Wednesday (1/2) SportsLine issued 6.9M to CBS as required under its existing contract. SportsLine.com operates the cbs.sportsline.com website which is cross-promoted with CBS TV and Radio.

***RBR* observation:** SportsLine's stock may be down, along with other dot-coms, but it is a survivor, due in large part to the deal with CBS. The cbs.sportsline.com continues to be second only to Disney's (N:DIS) ESPN.com in online popularity among sports junkies.

Gentner is no more

Gentner Communications has officially changed its name (effective 1/1) to ClearOne Communications and its Website to clearone.com. However, the company's stock symbol change has been delayed until 3/15 while the company works to promote its new name to investors. So, ClearOne Communications will continue to trade on Nasdaq as GTNR for another two and a half months, and will switch to CLRO on 3/15.

Gentner will live on as the brand name for many of ClearOne's products.

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.**

$84,000,000 WRQQ-FM, WNPL-FM & WQQK-FM Nashville (Goodlettsville, Belle Meade & Hendersonville, all TN) from DDBC LLC/Mt. Juliet Broadcasting Inc./Phoenix Communications Group Inc. (Lew Dickey Jr.) to Cumulus Licensing Corp. (Lew Dickey Jr.), a subsidiary of Cumulus Media (O:CMLS). $63M in stock (5.25M shares), $21M debt assumption (*RBR* 11/26, p.6). Existing **superduopoly**.

$20,000,000 WSNJ AM & FM Bridgeton NJ from Cohanzick Broadcasting Corp. (Edward L. Bold) to New Jersey Radio Partners LLC (Andrew J. Guest, Edward F. Seeger, James C. Fort). $200K escrow, $800K letter of credit, balance in cash at closing. Broker: American Media Services LLC (seller).

$14,000,000 KODE-TV Joplin MO from GOCOM of Joplin Licensee Sub LLC (Richard L. Gorman, pres) to Mission Broadcasting of Joplin Inc. (David Smith, pres). $6M deposit, balance in cash at closing. Buyer intends to enter into a shared services agreement with Nexstar Broadcasting of Joplin LLC's KSNF-TV. Both stations will have its own GM and programming staff, but will share expenses for things like building and grounds maintenance, security, engineering maintenance, production overhead and other service functions.

$5,200,000 WILC-AM Washington (Laurel MD) from ILC Corp. (Israel Antonio Lopez, co-executor and interim president; Jose Orlando Lopez, co-executor) to ZGS Radio Inc. (Ronald Gordon). $2.5M cash at closing, two notes, one for $1M, the other for $1.7M. LMA until closing. Deal originally signed 5/31/99, and was held up due to death of seller's principal.

$4,500,000 KHVN-AM KNAX-AM EB CP Dallas-Ft. Worth (Ft. Worth) from Infinity Broadcasting Corp. of Ft. Worth (Mel Karmazin), a subsidiary of Viacom (N:VIA) to Mortenson Broadcasting Co. (Jack M. Mortenson). $225K escrow, additional $40K construction escrow agreement, balance in cash at closing. Seller will attempt to complete construction of KNAX EB at buyer's expense over and above the $4.5M purchase price. Includes non-compete under which Infinity will not use any type of Religious format on any of its current in-market stations. **Superduopoly** with KTNO-AM & KGGR-AM. Brokers: Minority Media and Telecommunications Council (seller), William B. Schutz Jr. (buyer).

$3,000,000 WPLC-AM Washington (Silver Spring MD) from Mega Communications of Silver Spring Licensee LLC (Alfredo Alonso) to Multicultural Radio Broadcasting Inc. (Arthur S. & Yvonne S. Liu). $150K escrow, balance in cash at closing. **Superduopoly** with WKDM-AM and WZHF-AM. Multicultural's WKDV-AM and WKCW-AM do not overlap WPLC-AM.

$2,000,000 WGNA-AM Albany-Schenectacy-Troy (Albany NY) from Regent License of Mansfield Inc. (Terry Jacobs, Bill Stakelin), a subsidiary of Regent Communications (O:RGCI) to ABC Inc. (Bob Iger, John Hare), a subsidiary of Disney (N:DIS). $100K escrow, balance in cash at closing. Broker: William Schutz (seller).

$1,922,000 WJIE-AM Louisville (Newburg KY) from Word Broadcasting Network Inc. (Robert W. Rodgers) to ABC Inc. (Bob Iger, John Hare), a subsidiary of Disney (N:DIS). $96.1K escrow, balance in cash at closing. Broker: William B. Schutz (seller).

$1,850,000 KTEE-FM Monetery-Salinas-Santa Cruz (Seaside CA) from Central Coast Communications LLC (Kenneth R. Dennis) to Mapleton Communications LLC (Michael Menerey et al). $95K escrow, balance in cash at closing. **Superduopoly** with KBTU-FM, KPIG-FM and KCDU-FM. No overlap with area stations KMBY-FM and KHIP-FM (KHIP does not overlap any of these stations). Broker: Media Venture Partners (buyer).

$1,700,000 WBZM-FM Bloomington IL (Fairbury IL) from Rainbow Radio of Livingston County (Jerald L. Scott) to AAA Entertainment Licensing LLC (Peter H. Ottmar). $127.5K escrow, returned to buyer; assumption of remainder of 2/02 loan in principle amount of $788K, payment of all money owed to FCC, including return of auction bidding credit originally awarded to seller, $500K cash to seller, $85K cash to Media Services Group Inc. [a brokerage house, which was not, however, specifically identified as broker of record for this deal in the contract]; whatever is left goes to The Cromwell Group Inc., which is relinquishing its purchase option. Cromwell has run station in LMA since 8/8/00; AAA will take over LMA 2/1 until closing. **Superduopoly** with WMOS-FM Lexington IL, WRPW-FM Colfax IL & WIHN-FM Normal IL.

$1,500,000 WGTC-FM South Bend (New Carlisle IN) from Summit Radio Inc. (Michael Leep) to Artistic Media Partners Inc. (Arthur A. Angotti). $200K escrow, $850K cash at closing, $450K in stock. **Duopoly** with WNDV AM & FM, WHLY-AM/WDND-AM EB. In-market WZOW-FM (acq pending) has no overlap with WGTC-FM.

Read about these transactions and more at our website rbr.com

RBR's Top 10 Quotes of 2001

Quotes ranked by RBR email click tracking.

	Quote	RBR observation
1	**Ad guru Bob Coen forecasts moderate growth** *Excerpt from article published in Radio Business Report, p.9, 1/1/01* "Real GDP, instead of being up a nice 5.2% (in 2000), will be up a relatively modest 3.4%. That's really not modest. That's pretty good, historically. Consumer prices will moderate." Per **Bob Coen**. The ad industry Guru...—JM	**12/19/01**—"Anything can happen" indeed. Coen was wise to keep his prognostications in the ballpark, as opposed to the homerun predicted by the RAB. But Coen didn't foresee that the industry wouldn't even be able to hit it out of the infield.—DS
2	**Miller, Kaplan denies pacing cover-up** *Excerpt from article published in Radio Business Report, p.3, 2/12/01* "There's nothing going on in this industry with people trying to keep something from anyone. The data's just not there," per **Gary Fries** at a press conference at RAB2001.—JM	**12/27/01**—Yeah, right. When the dot-com dollars were flowing, the data was not only there, it was being trumpeted from one end of the country to the other. Then things went sour. Radio must stand by its results, good or bad.—DS
3	**Emmis lowers Wall Street's expectations** *Excerpt from article published in Radio Business Report, p.12, 3/5/01* "Companies quickly learn that when they stop ad spending, they lose market share—and market share that's lost in a downturn is very, very difficult to get back"—CEO **Jeff Smulyan** in a special update 02/26/01 to analysts.—JM	**12/21/01**—Historically, difficult economies produce winners who go against the flow and increase their marketing efforts while others cut back. With less clutter, the messages of the bold tend to stick with consumers. It's unbelievable how many companies wimp out and lose share, sometimes forever.—DS
4	**Stealing market share and listeners while your competitors pull back to cut costs** *Excerpt from article by **Tripp Eldridge**, President, DMR published in Radio Business Report, p.11, 3/26/01* Frequency is key. Stations that stop or significantly pull back advertising, also lose sight of the crucial importance of repetition ...	**1/3/02**—We've been saying all year that bad economies offer opportunities to bold advertisers. We've been saying all year that bad economies offer opportunities to bold advertisers. We've been saying all year that bad economies offer opportunities to bold advertisers. We've been saying all year.......—DS
5	**The 10 essential things you must do to sell more direct business in a recession** *Excerpt from article by **Paul Weyland**, direct sales trainer published in Radio Business Report, p.9, 1/2/01* Our salespeople know less about advertising and marketing than some of our clients. It's a case of the blind leading the blind...	**1/4/02**—Any salesperson that walks into a business and says, "Here's how you can get an ad on my radio station" is screwing up. The conversation should begin, "Here's how we can get a customer to walk through that door."—DS
6	**Arbitron begins Big Board trading; CCU threatens to walk** *Excerpt from article published in Radio Business Report, p.12, 4/9/01* CEO **Steve Morris** was asked if Arbitron could still be a viable company without its largest client, Clear Channel. "My first assumption is that we are going to move forward and find a satisfactory conclusion...	**1/8/02**—Radio's 300 pound gorilla tried to play rough with Arbitron, but investors never believed that Clear Channel had any option except to re-up with Arbitron after squeezing out a few concessions. The threatened pull-out never really hurt Arbitron's stock price and it closed 2001 at $34.15—JM
7	**Jay Williams: Putting AURN on the RADAR-screen** *Excerpt from article published in Radio Business Report, p.11, 4/2/01* When asked—how's business? We were expecting to fulfill that mission, we focused in on strong marketing techniques, ensuring that we increased our visibility working more closely with clients...—KL	**1/7/02**—A recession doesn't mean no business, but rather little or no growth. There are always opportunities for companies and individuals who stay focused on their business objectives to outperform their competition.—JM
8	**Powell & Co. review the FCC's mission** *Excerpt from article published in Radio Business Report, p.1, 2/26/01* "We have to be a lot more challenging and creative about our own internal resources and how we reallocate them", Chairman **Michael Powell** said in discussing the challenges facing the FCC he now heads.—JM	**1/2/02**—Making major changes in any government bureaucracy is akin to turning a battleship. We're not sure whether the merger of the Cable and Mass Media Bureaus into one will prove to be a good idea or a bad one—but it's clearly a major change that Powell can claim as his own.—JM
9	**What are you doing to drive more local revenue?** *Excerpt from article published in Radio Business Report, p.8, 4/23/01* "At Jarad Broadcasting Company, we are hitting the streets hard. We are developing events and non-traditional advertising tools to become Long Island's marketing experts.," said **John Caracciolo**, GM/CE, WDRE-FM, WLIR-FM—CM	**1/9/02**—Necessity is the mother of invention, and if nothing else, 2001 will add a few things to radio's bag of tricks to maximize revenues—but there is no substitute for holding rates.—DS
10	**Fries: Radio winning against newspapers** *Excerpt from article published in Radio Business Report, p.3, 02/12/01* [**Gary**] **Fries** said it may be a new experience for many in radio sales, but it should not be feared. "Many of you have never sold during a difficult time...—JM	**12/28/01**—We've been hearing about sales staff increases and more training all year—it's unclear how much of either really happened. But Fries is right—anyone in sales who survived 2001 will be stronger and better in the future.—DS

Television Business Report™

Voice Of The Television Broadcasting Industry®

January 14, 2002 — Volume 19, Issue 1

EchoStar double-dish deal has NAB up in arms

According to FCC regulations, if a satellite broadcaster offers one over-the-air television station in a market, it must offer them all. And they are barred from requiring additional equipment and expense on the part of their customers for this.

However, the pending merger of DirecTV into EchoStar would force many satellite TV subscribers to get a second satellite dish in order to receive all available over-the-air channels. This problem will not be rectified until later in the year when the launch of a new satellite is expected to give EchoStar the extra capacity it needs.

The National Association of Broadcasters, which opposes the merger in the first place, wants the FCC to take emergency action to make sure that the dishes' availability is prominently advertised and that customer service is prompt. The NAB suspects that this interim measure is a cost with utterly no income potential for EchoStar, and that the satellite broadcaster will drag its feet providing and installing the extra equipment at the expense of local stations.—DS

Looking at liquor: How old should the audience be?

Among other restrictions it has put into place, the NBC Television Network has said that it will not accept liquor advertising on any program for which the 21-and-older audience is any less than 85%. According to an article in the 1/7/02 edition of *Advertising Age*, the network will not have much trouble with 85%—almost all of its prime time programming is in play. In fact, only "NBC's Saturday Night Movie" fails the 85% test.

If 85% were to become an unofficial industry standard, UPN, WB and Fox, with much younger demos than NBC, CBS and ABC, would not have too much inventory to offer distillers.

NBC President of reseach and media development **Alan Wurtzel** was quoted as saying, "To a certain extent it [the 85% threshold] was arbitrary. We did note that magazines used an 80% criteria with tobacco companies."—DS

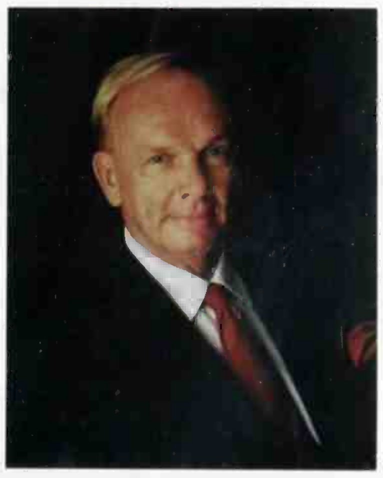
Disney wins a round in court

A federal court in Los Angeles has blocked EchoStar (O:DISH), at least temporarily, from dropping Disney's (N:DIS) ABC Family Channel. The temporary restraining order granted New Year's Eve will keep the former Fox Family Channel, which Disney acquired for $5B, in EchoStar's satellite lineup until the court considers arguments in the case. EchoStar claims it has a right to exit its existing contract to carry the channel under change-of-control provisions, while Disney claims that the contract provisions don't allow for cancellation, since it purchased the parent company, not just the channel and its programming.

While it couldn't cancel ABC Family, EchoStar did manage to strike a blow at Disney. It dropped ESPN Classic on New Year's Day, saying the sports replay channel was too expensive.

***TVBR* observation**: In a rarely seen display of corporate candor, Disney President **Bob Iger** was quoted by Reuters as saying that the dispute was really about the size of the fees that EchoStar can charge for carrying the channel. Disney is also using the dispute to press its case for government regulators to nix EchoStar's proposed acquisition of Hughes Electronics (N:GMH) to gain control of the nation's only other satellite TV provider, DirecTV.

"Disney shares the view of many consumer groups and state and local regulators that a monopoly satellite distributor can and will exercise power in ways that stifle competition, innovation and consumer choice," Iger said in the company's announcement. "Indeed, EchoStar continues to behave in a manner that demonstrates the need to have more than one satellite provider to create competition for programming and better choice for viewers. Disney has a consistent record of guarding its programming against such abuses and we will continue to explore all alternatives to ensure that the public has unfettered access to our content."—JM



Lowell "Bud" Paxson

Paxson courting new partner

After moving to escape its deal with NBC last month, Paxson Communications (A:PAX) is reportedly getting serious with a couple of new suitors. According to the *New York Post*, MGM and Disney (N:DIS) are now the leading candidates to acquire Paxson, whose 62 TV stations provide "must-carry" access to most of the nation's cable TV systems.

Meanwhile, Moody's has assigned a B3 rating to Paxson's proposed offering of $310M in bonds to retire more expensive debt. Moody's also changed its long-term outlook for Paxson to "negative," noting "increasing concern over strains in the NBC relationship, pressures on the company's growth plans from the weak advertising market, and the material shift in capital mix that results from the proposed refinancing."—JM

LIN basks in the Sunrise of six TV contracts

LIN Television Corp. is taking over the care and feeding of six STC Broadcasting (Sunrise) stations under a management contract. LIN Chairman/President/CEO **Gary Chapman** is expected to take charge once certain regulatory hurdles are cleared.

The stations include KRBC-TV Abilene TX (NBC), WDTN-TV Dayton OH (ABC), WEYI-TV Flint MI (NBC), WPRI-TV Providence (CBS), KACB-TV San Angelo TX (NBC) and WUPW-TV Toledo (FOX).

LIN's WNAC-TV, currently brokered to Sunrise, will be spun off, although LIN will continue to have a relationship with it under a management services agreement.

In addition to the Sunrise deal, LIN owns 12 TV stations, operates four stations under LMAs, one under a management services agreement and operates a low-power network, as well as having a partial stake in several other television properties.—DS

TVB expects 9-11% growth

Television Bureau of Advertising (TVB) President **Chris Rohrs** had the misfortune of announcing his ad revenue forecast for 2002 on 9/6/01. When terrorists crashed airliners into the World Trade Center and the Pentagon just five days later, TVB's analysts had to go back to their calculators.

TVB is now expecting growth of 2.5-5.5% in 2002 after seeing 2001 finish down double digits.

"These numbers are subject to further change due to continued uncertainty in many sectors," said **Harold Simpson**, TvBA's VP of Research and Development, "but there is emerging evidence from automobile sales and the financial markets that recovery could take shape sooner rather than later if the war and counter-terrorism efforts progress well."—JM

Here's the original outlook and the current expectation:

TVB forecast of TV spot revenues

	Original Forecast	Revised Forecast
2001		
Local Spot	-3 to -5%	-8 to -10%
National Spot	-16 to -18%	-22 to -24%
Total Spot	-9 to -11%	-15 to -17%
2002		
Local Spot	+4 to +6%	+2 to +5%
National Spot	+6 to +8%	+3 to +6%
Total Spot	+5 to +7%	+2.5 to +5.5%
2003		
Local Spot	+3 to +5%	Remains the same
National Spot	+2 to +4%	Remains the same
Total Spot	+2.5 to +4.5%	Remains the same

Source: TVB