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Radio Business Report

Voice of the Radio Broadcasting Industry®

August 2003

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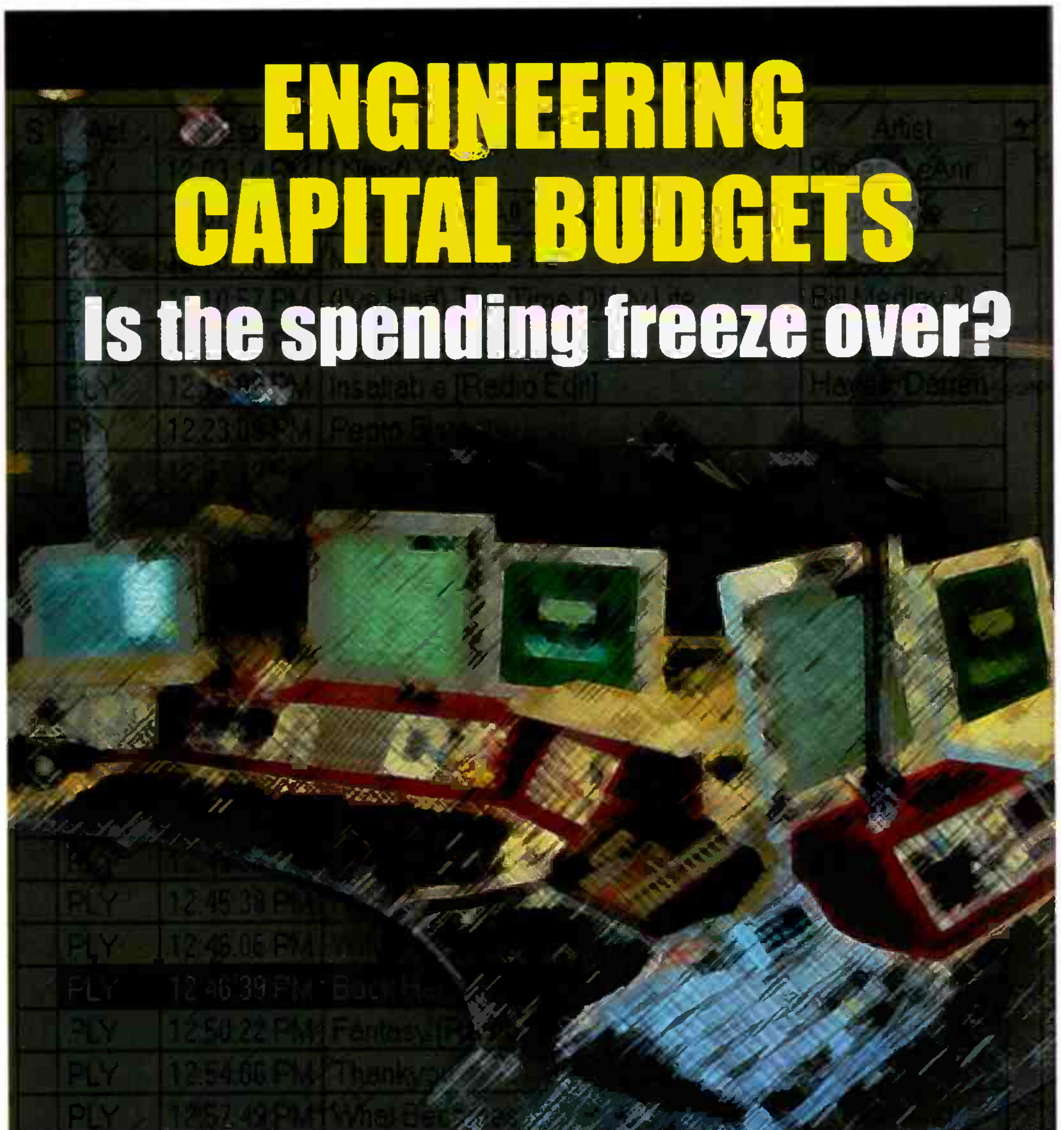

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RADIO NEWS®

Interep sees pacings improving

Interep (O:IREP) blames war-related weakness in April and May for a 3.7% decline in Q2 commission revenues, to $22.8M, but CEO **Ralph Guild** told analysts that June was quite strong and national spot pacings are "very strong" for July and August.

While Q2 commission revenues were down, Guild said they were flat with last year on a pro forma basis, adjusting for the loss of Greater Media as a client. The Interep CEO is forecasting that Q3 will be up in the high single digit range and says Q4 "is even more encouraging."

In his conference call with analysts, Guild detailed how the post-war recovery has been building, although he noted that visibility is still limited.

"All signs at this point indicate that a second half recovery is underway," Guild said. As a result, despite the impact of the war on second quarter revenue, we are still projecting mid-single-digit national radio growth for 2003."

Detailing current pacings, Interep provided an update showing high-single-digit growth in the top 50 markets.

National spot pacing
(year-to-date performance, as of 7/30)

Market rank	Q3	YTD
All markets	+9%	+8%
Top 10	+9%	+8%
Top 25	+9%	+8%
#26-50	+8%	+8%
#51+	+3%	+5%

Source: Interep

Citadel kicks open the IPO window

Wall Street investors greeted **Farid Suleman** with open arms (7/31), paying $19 each for newly minted shares of Citadel Broadcasting. That was the top end of the projected range of $17-19 (7/22 RBR Daily Epaper #142) and represents a premium over the relative prices of most of its radio peers.

When Citadel began trading 8/1 on the New York Stock Exchange as "CDL," it continued to reward investors. The first day close was $20.65, up 8.7% from the IPO price, so that's a triumphant Suleman you see ringing the closing bell at the NYSE.

Citadel's sale of 22M shares raised $418M, some $389M of which will go to the company after underwriting expenses. That will be used to pay down debt. But there could be more cash to come. The underwriters can tap a greenshoe of 3.3M shares to cover over-allotments, and RBR hears that the offering was heavily oversubscribed.

The lead underwriters for the Citadel IPO were Goldman Sachs and Credit Suisse First Boston, with participation by Deutsche Bank Securities, Merrill Lynch, Bear Stearns, Citigroup, JPMorgan and Wachovia Securities.

RBR observation: It took more than a year to get the job done, but Farid Suleman and **Ted Forstmann**, whose leveraged buyout firm bought Citadel for $2B in 2001, have succeeded in reopening the window for broadcasting IPOs. Although Citadel's road show emphasized the company's unique position and top-notch management team, there will certainly be a spillover effect for others hoping to sell stock on Wall Street. Journal Communications (radio/TV/newspaper) and Nexstar (TV) already have IPOs qued up and just waiting to go. Look for a couple of others to join the line, and for some existing public companies to sell additional stock, now that Citadel has reinvigorated investors' appetite for broadcast stocks.

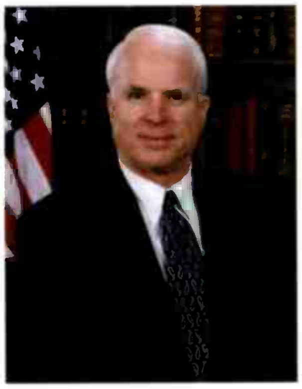
Ownership:Where things stand

The FCC unveiled and voted on its rulemaking on broadcast multiple ownership 6/2. At the same time, a freeze on broadcast transactions was announced and went into effect. The rules were published by the FCC 7/2, and, if everything goes according to plan, are expected to be published in the Federal Register by the time you read this—8/5 was the target date (still in the future as we write this article). If 8/5 is indeed the publication date, then the rules will go into effect 9/4.

The Senate Commerce Committee has passed two bills on to the full Senate. One would roll back the TV ownership reach cap from the FCC's new 45% level to 35%. It would also reinstate restrictions on crossownership of broadcasting and newspaper properties in the same market. It would sanction the FCC's switch from contour-based radio market definition to an Arbitron-geographical system, but it would eliminate grandfathering of any radio station clusters rendered oversized by the switch, forcing spin-offs.

A second bill came out of Commerce, on FCC reauthorization. It adds language to the Commission's tasked ownership rule review process which eliminates the perception that it should be biased towards deregulation. It also requires open geographically-divers public meetings on any further ownership rulemakings, changed the two-year review cycle to four.

The Committee is looking at ways to tighten up the license review process.



John McCain

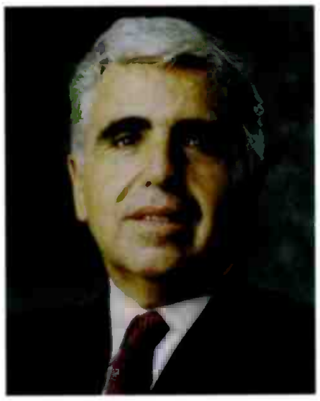
Late in July, Commerce Committee Chairman **John McCain** (R-AZ) revived his attempt to provide airtime vouchers for candidates, paid for by spectrum fees. His bill would also require two-hours weekly of campaign-issue programming and would attempt to make lowest-unit-rate campaign ads non-preemptible.

Senator **Byron Dorgan** (D-ND) has taken the lead in the attempt to roll back the FCC's 6/2 ruling, and is invoking a rarely-used legislative maneuver to do just that. His Resolution of Disapproval would restore broadcast regulation to its state as of 6/1, just before the ruling, and would force the FCC to start the process over.

Dorgan got 35 signatures for his Resolution (also called a Congressional veto), five more than he needed, and with an abundance of Republicans, which as a member of the minority party, he also needs. If the FedReg prints the rules as expected, there will probably be a floor vote on the Resolution in the first week of September, when Congress returns from its August recess. He and one of his co-sponsors, Trent Lott (R-MS) say they have enough votes to pass the measure.

It would then have to clear the House of Representatives - - it's anybody's guess how it will fare there, but it would face formidible opposition from Majority Leader **Tom Delay** (R-TX) and House Commerce Committee Chairman **Billy Tauzin** (R-LA).

However, House Republicans have already revolted against their leadership on one matter. A rider was attached to a bill funding the Departments of Commerce, Justice and State which, in effect, reinstated the 35% national broadcast TV audience cap. It had bipartisan support both in the Appropriations Committee, where it passed 40-25, and on the House floor, where it won by an even more resounding 400-21 margin.



Mel Karmazin

An effort to restore crossownership restrictions at the same time in Appropriations failed, in part because it did not get support from some dereg opponents who wanted to keep the bill relatively clean —they did not want to lose the 35% vote by overreaching.

There is a strong possibility that the Senate will attach a similar rider to its own companion funding bill before it goes to conference, although no final decision has been made. Meanwhile, the White House and other supporters of the FCC 6/2 ruling hope to scrub the rider in conference. The White House has also indicated that it would consider a veto of any bill which changes the FCC 6/2 ruling in any way, although it has not committed to such an action.

Although Tauzin has thus far prevented rollback measures from getting any traction in his Commerce committee, the House Judiciary Committee has pledged to hold hearings on the ownership flap. Plans will be announced in September. It is possible that a more comprehensive attack on the FCC rulemaking than that of the Appropriations Committee will be on Judiciary's agenda.

The National Association of Broadcasters was the first to annouce a court challenge of the rules. It is going to fight the switch in radio market definitions, and television duopoly provisions that fail to provide relief to small market broadcasters.

Viacom's **Mel Karmazin** has said that his company is considering whether or not to mount a court challenge should the 35% cap be restored. The Court of Appeals remanded the cap to the FCC, established in the rules by the 1996 Telecom Act, for modification or justification.

Finally, just before Congress went on recess, and as if someone yelled "everyone into the pool," Sen. **Ted Kennedy** added one more bill into the ever-more confuded regulatory stew. Along with co-sponsors **Hillary Clinton** (D-NY) and **Mark Pryor** (D-AR), he has introduced the "National Minority Media Opportunities Act," which in effect would treat foriegn language broadcast media as a market separate from mainstream English-language broadcasting.

The bill says that the FCC must "include record evidence, analysis, and Commission findings regarding the effects of the application on competition and diversity in the programming and distribution markets for the specific minority language at issue." The bill specifies American Indians, Asian Americans, Alaskan Natives or persons of Spanish heritage.

Kennedy's bill also instructs the FCC to produce a report on the ownership of minority language AM, FM and TV ownership no later than 1/1/04. Representative **Robert Menendez** (D-NJ) is introducing companion legislation in the House.

During August, various clocks will be ticking and Congress will be in recess. Expect the storm generated by this proceeding to gather renewed energy at the beginning of September.

Radio comes to new terms with BMI

The question of how much radio stations have to pay BMI in music royalties is no longer before the federal courts. BMI and the Radio Music License Committee (RMLC) announced (7/31) that a deal has been struck on new blanket and per performance licenses that settles a rate proceeding that RMLC commenced in 1999 in a New York Federal Court.

The new license agreement, which is retroactive to 1997, will cover radio stations through 2006. Details have been mailed to radio stations. For stations, the biggest change is that license fees will be based on a new fixed formula, rather than varied depending on each station's revenues.

RMLC Director **Keith Meehan** explained to RBR that there will be no change in the fees that stations have already paid BMI for 1997-2002. The agreement fixes the fees to be paid industry-wide through 2006. Thus, each station will pay 3.4% more for 2003, with somewhat higher percentage increases in the remaining years.

"We are pleased to have reached an agreement with BMI that provides for set fees for the industry rather than calculating BMI license fees based on a station's revenue," said **Randall Mays**, Chair of the RMLC and CFO of Clear Channel Communications. "This was one of our key objectives for the industry, along with obtaining Internet streaming rights, and we were able to achieve it by agreement rather than through continuing legal proceedings."

"The new licenses offer an increase in our royalties and a predictable revenue stream from 2001 through 2006 totaling more than $1 billion," said BMI President and CEO **Frances Preston**. "It avoids a court proceeding, saving our songwriters, composers, and music publishers millions of dollars in legal expenses and years of delay."

The RMLC agreement with BMI covers all commercial radio stations in the US, except those represented by the National Religious Broadcasters Music License Committee.

Q2 tough for radio giants

Radio's two giants, Clear Channel and Viacom reported to Wall Street that Q2 was still a trying time for radio ad sales, although both assured analysts and investors that the second half of 2003 is looking better. Q2 was a tough quarter for Clear Channel Radio. Revenues fell 2.1%

Charting the chief execs

The nation's CEOs according to Chief Executive Magazine, are under no illusions when it comes to the current business climate. Only a very small minority, 8.6%, think conditions are good, according to the mag's monthly poll. That compares to 42% who think conditions are normal, and 49.3% who label them bad. Results are for the month of July 2003.

The word on employment is even worse. Fully 62.4% think employment conditions are bad.

However, when peering into their crystal balls, CEOs as a group are either wearing rose-colored glasses, or they are seeing some positive indicators.

Almost nobody is expecting a sudden boom, but then, almost nobody is expecting a crash, either. And while the 64% expecting gradual growth represents a slight drop from June, it's a tremendous improvement over April, when less than 31% could summon up similar enthusiasm.

Here's CEM's executive barometer for the last six months.

Employment Conditions						
Month:	2-03	3-03	4-03	5-03	6-03	7-03
Increase	27.2%	28.5%	30.9%	21.4%	28.9%	38.0%
Stay the same	60.2%	55.4%	55.6%	57.4%	52.9%	50.5%
Decrease	12.6%	16.1%	13.4%	21.2%	18.3%	11.5%
Capital spending						
Month:	2-03	3-03	4-03	5-03%	6-03	7-03
Increase	27.2%	28.5%	20.3%	26.8%	34.3%	31.7%
Stay the same	60.2%	55.4%	57.2%	56.2%	51.2%	55.1%
Decrease	12.6%	16.1%	22.5%	17.0%	14.5%	13.2%
Economic developments						
Month:	2-03	3-03	4-03	5-03	6-03	7-03
Rapid growth	0.6%	0.3%	0.0%	0.8%	0.2%	0.4%
Gradual growth	35.3%	33.5%	30.8%	53.3%	65.9%	64.0%
Stay the same	53.6%	53.1%	53.0%	41.5%	29.6%	32.1%
Gradual decline	9.6%	12.8%	14.6%	4.1%	4.3%	3.5%
Rapid decline	0.9%	0.3%	1.6%	0.3%	0.0%	0.0%

Source: Chief Executive Magazine

to $970.5M—a drop of 2.6% on a pro forma basis. EBITDA declined 1.7% to $433.7M—or -1.8% pro forma. For the current quarter, Q3, Clear Channel executives told analysts to expect radio revenues to grow in the low to mid single digits—analysts are taking that to mean 2-3%—while company-wide EBITDA is projected to grow in the mid to high single digits.

"You should infer from that business is getting better," President **Mark Mays** told analysts in a conference call (7/29), "and you should infer that we think that will continue through the back half of the year."

Over all, Clear Channel Communications (N:CCU) delivered earnings per share of 37 cents (absent special items) for Q2, right in line with the Thompson Financial/First Call consensus. Total revenues were up 6.6% to $2.32, but on a pro forma basis revenues were flat. Actual EBITDA was up 1% to $632.9M, but down 1.5% on a pro forma basis.

Viacom reported that it posted Q2 bottom line earnings of $659.6M, or 37 cents per share—beating the Thompson Financial/First Call consensus by a penny. That was a gain of seven cents per share over last year. But results for Infinity Radio were disappointing, although Viacom President/COO **Mel Karmazin** told analysts that the radio group is on the rebound.

For Q2, Infinity's revenues were down 3% to $551M—a bit worse than what The Street had been expecting. The company said local and national spot sales were up 3%, but that was offset by reduced revenues from its management agreement with Westwood One (N:WON), which had included gains from the exercise of WW1 stock warrants last year. In his conference call with analysts, Karmazin reviewed the quarter's radio revenue trend, with April down 1%, May flat and June up 8%. "We're definitely seeing an improvement in our business," he said.

Auto sales: Imports hot, Detroit not

July auto sales were better than industry monitors had expected—but just how good the news was for automakers depended on whether they had their headquarters in Detroit or overseas. Total sales were down—although not as much as expected—and imports took market share with strong sales as domestic carmakers lagged.

Total sales were down about 5% in July, but Ford's sales dropped 11.5%. Chrysler's sales fell 7.6% and General Motors 5.8%.

Meanwhile, monthly announcements from importers were upbeat: "BMW Group reports 15% increase in July sales," "Mercedes US vehicle sales jump 20.6% in July," "Saab Cars USA sales continue record-setting pace" (up 17%), "Volvo Cars reports all-time record July for North America" (up 15.3%) and "Toyota and Lexus Divisions both record best-ever July sales" (up 3% and 16%, respectively). Among the major importers, only Volkswagen had a tough month, with sales down 23.1%.

GM TALKBACK

By Carl Marcucci
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We ask GM's—How are you using your website(s)? What objectives does it serve and does it create any NTR? Do you do the site in-house?

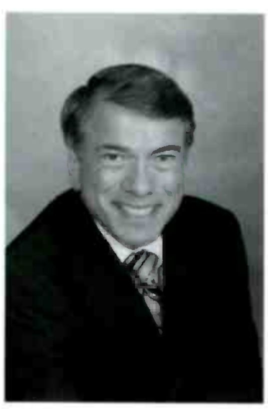
Jon Bloom, Curtis Media Group/Raleigh
John Moen, Free Lance-Star/Fredericksburg, VA
Dick Lewis, CC Radio/Baton Rouge
Barry Brown, NextMedia/Myrtle Beach

Bloom: It provides an excellent platform by which to, obviously, keep your listeners in touch with what's going on concerning the events, etc. at the radio station. It's also an excellent vehicle by which to register people and to create databases. Which, more and more, as we move into the new century, those databases allow us to really touch people on an individual basis—via an occasional email, not bombarding them because too much gets ignored. We do the occasional email of whatever that radio station is up to or ticket price discounts based on the listener being part of the listener club/database. It can be a very, very effective means to create frequency, get your logo out there and create name awareness.

Certainly, you can generate NTR from it, via several different ways. It is somewhat limited as to how much you can actually do, but you can certainly generate a small amount. We do the site in-house

Moen: Revenue from our websites are minimal when compared to total NTR revenues from event and cause marketing, collective retail and redemption programs. The main benefit is they allow us an opportunity to expand the formatic appeal to the life group that we reach from each of the radio stations. We can deliver far more information and entertainment in a long form than on our radio stations. This becomes very beneficial during school closings, severe weather (we have local radar on our sites), contest registrations, local news that interest each format's life group and promotional/contest information.

We do the sites in house from our Fredericksburg.com Internet operation. In addition, personnel from our radio stations update material and assist in design and development of each of the sites. This allows great quality and quick turnaround.



Dick Lewis

Lewis: Websites are an extension of our products. Each of our radio stations has its own website. Although I'm a "geek" and "early adopter," I was slow to adopt the idea of websites. Initially, I didn't see the value of websites as an important tool, but it has become an extension for each of our products, particularly on WJBO-AM, our News/Talk radio station (www.wjbo.com). WJBO's website allows a stronger news presence and firmer news legitimacy since you can hear a story aired on the station and simultaneously the website is being updated providing more content and detail. And, if we have sounders in the news, those are available on the website.

We make sure our websites are reflective of what we're doing this minute, not what we did last hour, and certainly not what we did last week. Early on, a radio station's website was considered a great source of information for last week's concert. Until we were prepared to actually make our web presence a fundamental functioning part of us, I would not support the concept because I was afraid it would be more of an embarrassment than an asset.

Initially we hosted with a local ISP, but recently moved to Clear Channel central hosting because the content and creative demands of each website have outgrown the resources of the local provider.

During my first year in Baton Rouge, I would not allow our sellers to sell the web, even though our websites had a minor presence. It was absolutely off-limits. My concern was it might turn into a freebie or "added value." If that happened it would be next to impossible to get clients to perceive it as real value. Today, every ad on our website is a paid ad specifically sold for the site. We collect client case studies that provide real client examples of a presence on one of our websites driving the cash register. One case study is a local golf club that used the website independently and exclusively from other media, and at last count, has sold approximately 150 memberships just from our website.

Barry Brown

Brown: Radio stations used to look at the web, as a place to slap on your logo and put up station information. But it's really much more than that. Your website, if it's done right, can go a long way to not only establish station loyalty with your listeners, but also station loyalty with your advertisers.

In the fall of 2001, we switched from having an outside developer working on our sites to using software that would allow us to update the websites ourselves, in house. The company that makes the software is InterTech Media. It allows members of our staff to easily load not only photos and text onto the sites, but also audio and video. We are even able to offer online video advertising on our websites, shot by local videographers, to our advertisers. The online video was especially valuable for a townhome builder, whose video featured a tour of the inside of several properties. In addition, we offer banner advertising and different feature and sponsorship opportunities. Our sites pay for themselves through online advertising revenue and then generate extra revenue. The websites allow us to expand our promotional offerings to current customers and also attract new business. For a successful radio website, you need to keep putting up fresh material, that will give your listeners a reason to keep coming back. You can see this with our website for Rock station WKZQ at WKZQ.net, which is updated by **Brian Rickman**, our PD for WKZQ and WYAV. He keeps a constant flow of concert info, playlists, new music clips – all of the things the listeners are looking for, up on the websites.

Brian has done some exciting things with our Classic Rock station website, Wave104.net, which resulted in a steady climb in traffic over the past year. Now there are six times as many unique users on that website than a year ago. Traffic on WRNN, our News/Talk station, has definitely picked up while our troops have been over in Iraq.

By Carl Marcucci
CMarcucci@rbr.com

A look from the top: buyers address the 2004 radio upfront—Part II

Some 40%-50% of the $1B annual network radio dollars allocated for next year will be spent in a couple of months—10-12 months' worth of inventory in one shot. For Part II of *RBR*'s upfront series, we address how clients' budgets are looking for network and syndication vs. last year; whether TV's record-breaking upfront spending is trickling down to radio's upfront and conversely, if all that money spent in TV could hurt radio's upfront. We also look at what offerings are new and/or likely to be hot for the upfront and what improvements and reconfigurations are coming from the sellers.

In Part I, we noted P&G, Red Lobster, Campbell's and Auto Zone were already in the upfront. Since then, Walgreen's and Pfizer are in as well. However, the bulk of avails being placed right now still include retail and tune-in clients for the scatter marketplace.

How are clients' ad budgets looking so far, compared to last year?

Dana Detlefson

It's a mixed bag. "Our clients budgets have not been released yet, but it looks so far that they will be slightly up, predicts **Dana Detlefson**, Director, National Radio, Carat USA. "We are expecting 3rd and 4th quarter to be very healthy, which is a good indication that the upfront is going to be quite strong this year and budgets for the upfront will be released very soon."

She also speculates that because Q3 and Q4 are so hot right now, upfront advertisers might be releasing budgets earlier this year.

Detlefson's clients regularly active in the national radio upfront include Radio Shack, Lifetime, CBS, National Association of Realtors, American Institute of Architects and Petco.

"Being that I'm rather new here, it's difficult to make a comparison to last year," comments **Irene Katsnelson**, Universal McCann VP, Director of National Broadcast. "However, I've seen significant interest among my clients, not budgets specifically, but numerous requests for costs, proposal evaluations or prototypical schedules. From what I've seen of last year's activity, 2003 will be a stronger year for my clients."

"We will definitely be down versus a year ago, at least on an upfront basis," admitted **Reyn Leutz**, SVP, Director of Radio Negotiations, MindShare USA.

Said **Kim Vasey**, Senior Partner/Director of Radio, mediaedge:cia:

Lisa Opensky Greenberg

"Flat or up slightly from last year, and I have a few new accounts that have come into network radio so overall I expect my budgets to be up over last year (although most of my accounts go into the scatter)."

Both buyers and sellers admit to pointing at geopolitical events as the major factor in shaping ad budgets—even more so than the economy. Says **Lisa Opensky Greenberg**, Starcom/Chicago's Media Supervisor. "It is still early to tell, a lot could happen over the next few months. As long as global issues do not escalate, we should be in for a stronger upfront than last year."

"I believe budgets will increase a little bit, but if one thing happens—i.e. the Middle East is extremely volatile. If something happens over there that's really over the edge, if something happens that heads the economy south, we may see some problems. So I want to practice 'cautious exuberance,' as **Alan Greenspan** once said," concurs **Matt Feinberg**, SVP/National Radio, Zenith Media Services.

The TV upfront

Do radio's buyers and sellers see TV's record-breaking upfront spending trickling down to radio's upfront? Conversely, could all the spend allocated for TV hurt radio's upfront? "It will likely work both ways," states **Natalie Swed Stone**, Managing Partner/Director of National Radio Services, OMD. "Clients that overspent in TV can't afford other media and clients shut out looking for other means—how it will net out is the question—I think radio will fare well in the end."

Cathy Csukas, Jones MediaAmerica VP/Radio Sales Manager, agrees: "It cuts both ways. Some advertisers may have spent more then they had budgeted in the TV upfront and could choose to fund those overages from their network radio budgets. We think the more likely scenario is that advertisers will use network radio to increase their reach and frequency shortfalls in television."

Feinberg says some of his clients are looking at clearly flat costs in radio, because they're paying increases in TV. Unfortunately, because they got beat up in the TV upfront, less money is available for upped radio CPPs and radio in general. "I don't know if the trickle-down theory is really applicable this year," he explains. "The thought is that if a client cannot get the weight in television that they want or where they want it, the secondary medium to default to is radio. I don't think that's necessarily true this year. I mean it's a strategy that clearly happens, but I wouldn't be surprised if you see more clients hanging on to money they can't spend in TV and seeing how the economy goes. They may put it back into the bottom line. People

make that sort of statement on face value—'It will trickle down to radio and other mediums.' Well, it could, but not necessarily."

Matthew Warnecke, Director, Network and Spot Radio Services, MediaCom National Broadcast, points to the simple fact that because there was so much money in the TV upfront, it's got to come back out, because they were releasing the money in the first place. "[Advertisers] were just so nervous about costs from last year that they threw all the money that they possibly could at the marketplace in order to get whatever deals that they could. I mean money was being returned from networks to advertisers. Like, 'Look, I can't give you a $200M deal. I can give $100M'."

Dial-Global Co-President/CEO **David Landau** is confident that, regardless of how well the TV upfront did, network radio is going to benefit from tightening inventory: "2004 is going to be an Olympic and political year and I think network television and cable are going to experience shrinkage of avails. I think there is going to be a lot of advocacy advertising also involved and I think you're going to see a lot of companies who are going to need national reach Network radio is going to definitely benefit from it."

Opensky Greenberg says the scatter market may be more impacted by TV spending in general—historically, her clients that rely on radio as one of their primary media vehicles participate in the upfront. "Other clients rely on scatter to fulfill their objectives. Perhaps the TV spending impacts the scatter market harder than the upfront market for radio," she figures.

Vasey agrees: "If any trickles down it won't be right away and it will be money coming into the scatter market. No, I don't think the healthy TV upfronts will hurt the radio upfront."

What new offerings are raising eyebrows?

Are there any new programs, syndication or network opportunities in the offing that buyers are finding notable? We asked. "Satellite Sisters with ABC Radio Networks," said Vasey. "We'll be taking a look at satellite radio (XM and Sirius) and Movie Tunes–the in-theater radio spots."

"What is notable are the potential resources from some of the media sellers and how they may bring them forward for client benefit: Clear Channel, Disney, Viacom/Westwood, etc.—that can be exciting," Swed Stone observed.

Says Detlefson: "Some new sports personalities have been added to the list of personalities such as **Howie Long** on Westwood One and **Troy Aikman** on Sporting News. These are both fantastic adds for programming and sponsorship opportunities to clients."

New entrants into the RADAR-rated crowd can be especially appealing to buyers—for more choices with accountability and reliability. "I think Dial-Global has taken their first step getting into network radio, moving into RADAR. That's positive for them," Feinberg comments.

Reyn Leutz

Detlefson adds: "Dial Global is doing very well in the RADAR book, which we hope inspires other syndicators to join the RADAR club."

And, indeed it has. "A new entity, the Crystal Media Network," observed Leutz. "Here is a network that recently took over all the NBG assets and already has gone to RADAR to begin testing their properties. I see a lot of upside for this network not only because of their interest in RADAR (the truth in numbers) but also, take a look at the talent at this network. I want to invest in anything that [Former AMFM Radio Network President/current Reach Media principal] **David Kantor** is associated with in network radio, period. And the national sales force headed by **Lynn McAdams** (6/17 *RBR* Daily Epaper #118), a seasoned professional with an A+ resume, is an added plus."

Adds Opensky Greenberg: "Syndicators adding RADAR properties and the new Crystal Radio Network seem interesting and add more competition to the marketplace."

Continues Feinberg: "I think Clear Channel Traffic is starting to become a reality. They've tried various machinations for about three years. I think that's starting to move slowly into the black. So that means Metro Traffic will have competition, unless of course **Mel** or **Lowry** buy all of it."

He's also thinking a lot about ABC Radio Networks for this upfront: "ABC is always kind of a blue chip. They have strong, quality networks. You always kind of knew what you were getting from them, more so than anyone else. And they had limited programming, but what they had was pretty decent. Now I think they are trying to move, in typical ABC fashion, very intelligently, with programs that can build. I think they very much have a long-term view on things. I think they're looking for programs that may be small right now, but have the potential to grow over time—like Satellite Sisters."

Says **Rich Russo**, JL Media's Director of Broadcast Services: "I think there is a lot of good stuff out there, both old and new, I mean the **Paul Harveys** and **Charlie Osgoods** never slow down, I think **Hannity** is here to stay. I'm a music nut, and I really dig "**Little Steven**'s Underground Garage." The show kicks ass. There has never been an issue of enough good programming on the network side—it's the local stations and market that's typically under-deliver, programming-wise."

Warnecke says he's not seeing anything yet that could be considered brand new, however. "There are some new Urban things that are out there—some younger DJs or syndicated properties. There's some young Urban stuff that seems to be sort of bubbling up with some more popular hosts. I mean there are seasoned guys like **Doug Banks** or **Tom Joyner**, but there are also some people like them who are starting to come up and there might be some new opportunity there as well."

The John Tesh Radio Show

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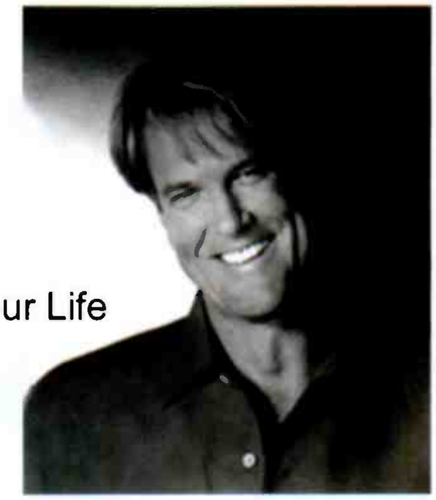

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"When the opportunity came to have this caliber of program, we jumped at the chance. We avoid the schmaltzy, whining, and complaining shows. We don't want a pseudo pop-Psychologist... The John Tesh Radio Show is a positive upbeat radio experience for adults, with music they love and information they can use."

Brad Waldo - Program Director
KGBY/FM "Y92.5" - Sacramento

"Mix 107 has had the John Tesh weekend show on our station for the past year with great success, so when Scotty approached me about the daily show, we were very excited! We have added John Tesh to our daily line up in AFTERNOONS! Yes... AFTERNOON DRIVE! ...and he does a great job! Its by far the best afternoon drive show in this market! Its informative and fun! We Love it!!!"

Gena Davis, Program Director
WEGC/FM "Mix 107" – Albany

"John Tesh on my radio station is a dream come true! Any programmer would treasure the opportunity to have this level of talent in ANY daypart

Bobby Rich, Program Director
KMXZ/FM "94.9 MixFM" - Tucson

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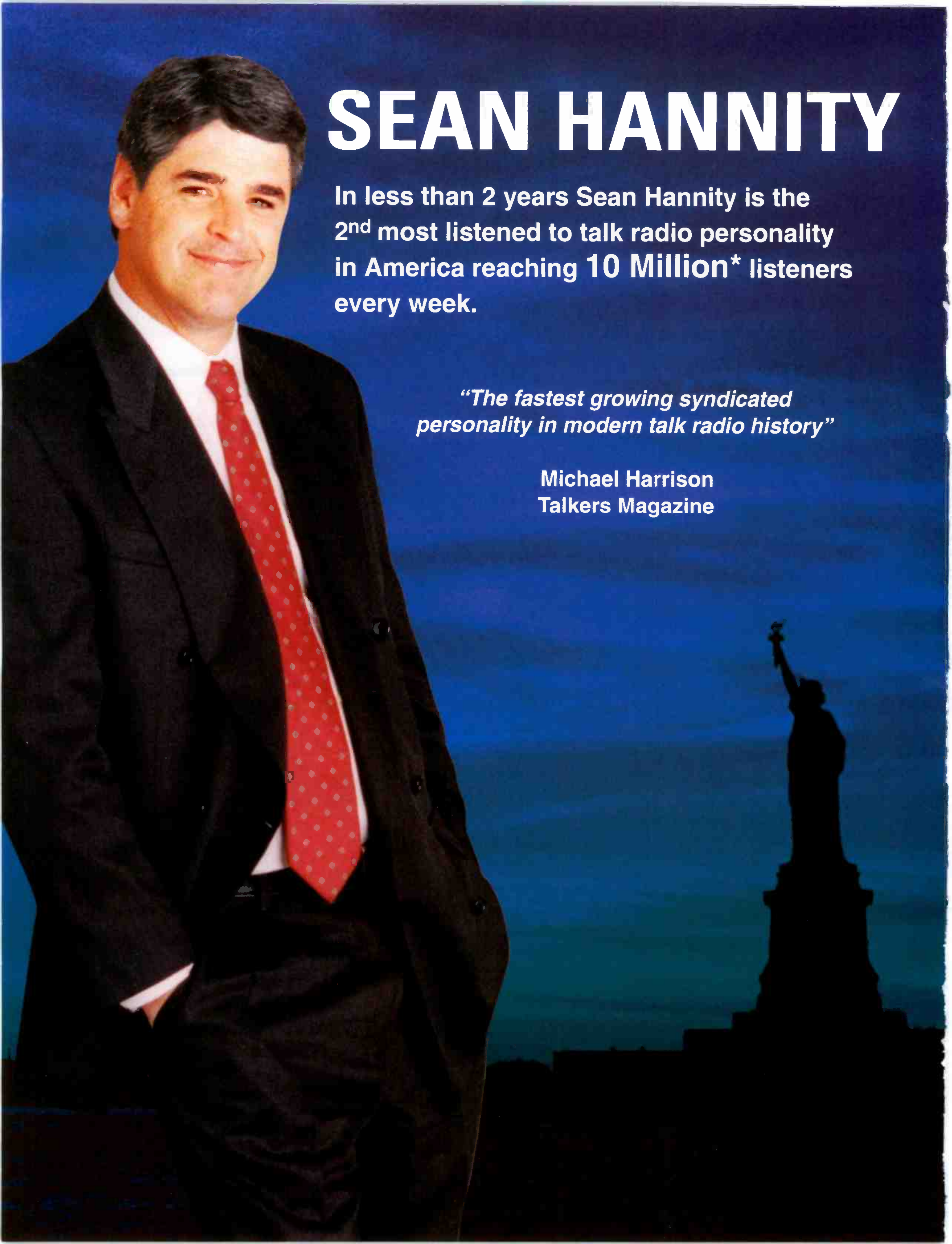
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KABC Los Angeles	1.9	3.2	+68%	1.0	2.6	+160%
WLS Chicago	2.3	3.7	+61%	1.8	3.5	+94%
KSFO San Francisco	3.2	5.1	+59%	2.8	4.1	+46%
WMAL Washington	3.2	5.8	+81%	1.9	5.0	+163%
KFMB-AM San Diego	2.1	4.3	+105%	1.1	3.4	+209%
WKRC Cincinnati	2.8	7.5	+168%	1.8	5.3	+194%
KSL Salt Lake City	5.1	10.5	+106%	4.9	10.6	+116%
WDBO Orlando	5.0	9.0	+80%	2.8	8.0	+186%
KXNT Las Vegas	2.9	3.9	+34%	2.5	3.9	+56%
KTOK Oklahoma City	3.0	5.5	+83%	1.9	5.2	+174%
WHIO Dayton	2.7	4.7	+74%	2.0	3.3	+65%
KRMG Tulsa	7.2	9.0	+25%	6.5	8.1	+25%
WOOD-AM Grand Rapids	4.7	7.9	+68%	5.2	7.7	+48%

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Source:
** Arbitron Nationwide, Fall 2002, Persons 12+, Mon-Fri 12p-12mid, Weekly Reach*
Arbitron, Winter 2003, Metro, Program Exact Times, Persons 12+, Adults 25-54, Average Quarter-Hour Share compared to Arbitron survey before adding The Sean Hannity Show.

We asked the sellers what's hot as well. One of the newer Urban offerings from Premiere might be exactly what Warnecke is talking about. Says Premiere Radio Networks EVP/Director of Sales **Rhonda Munk-Scheidel**: "There are a couple of things we're doing. One addresses the Urban market. We've introduced **Big Tigger,** which targets the younger end of the Urban audience, and we've got a couple of other things in the works that I've yet to be able to announce."

ABC Radio Networks President **Traug Keller** says this upfront, for ABC, will capitalize on 2003 launches. He also drops a hint on an upcoming Urban offering: "2003 was really the first year we were full out of the box with Hannity; we launched Satellite Sisters; we launched America's Most Wanted; we launched **Larry Elder** and our Daytime Direction Network and ABC Morning News. I'm calling 2004 'The year of execution against those programs.' That we stay focused on selling the quality programs that we have. Obviously, if a good opportunity comes by, we're not going to sit on the sidelines. We'll be looking at it. But we are focused on really moving the needle on the programs we've brought to market, That said, don't be surprised if we get bigger in the Urban market."

Adds ABC Radio Networks SVP/Sales **Jennifer Purtan**: "ESPN Radio has been a home run for us. We're now at 240 24/7 affiliates, including NY, LA and Chicago. And in 2004, we will be aggressively marketing those stations through all the ESPN outlets, including TV and their cable MSOs. We're looking forward to a lot of promotion from ESPN Television for ESPN Radio, which at the end of the day, will certainly benefit our advertisers that are associated with ESPN Radio next year."

Csukas says in general, Hispanic and Urban networks will be in demand, since many advertisers are trying to reach these rapidly growing segments of the population. For Jones/Media America in particular, **Delilah**, **Lia** and Music Data Networks are always in demand and of course our very competitive sports packages, which are filled with lots of unique opportunities. We are also very excited to be offering a full season line-up of NFL Double header games and NCAA games through our alliance with Sports USA Radio Network."


Shane Coppolla

"We do have a tremendous amount of unique products tied to each quarter, in which generally speaking in a strong upfront, a lot of advertisers like to lock down," Westwood One CEO **Shane Coppolla** explains. "Such things as The Olympics, The Grammys, NCAA basketball, Super Bowl in Q1, NHL Hockey, Stanley Cup, US Open, Wimbledon, Masters Golf, American Country Music Awards, NCAA Football, Notre Dame Football, NFL Football, just to name a few."

Improvements to the mix

What reconfigurations/new networks are sellers working on to improve their offerings? As well, how are they positioning differently for this upfront vs. last year's?

Jones MediaAmerica will be aggressively positioning to increase share, "because of the growth and diversity of our networks and our ability to provide creative marketing solutions through our newly expanded, full spectrum marketing team, led by [Jones MediaAmerica National Sales Manager/Multicultural] **Susan Love**," says Csukas.

Landau told *RBR* he considers Dial-Global very advertiser-friendly, with its sales and marketing people really go out of their way to work closely with the agencies and clients. "We've expanded our affidavit retrieval department, doubling it to retrieve the affidavits as fast as possible from the stations. We're looking into utilizing technology to speed that up even faster. And we're looking to expand our RADAR offerings. We're also very acquisitive-oriented and we've been talking to a number of potential prospects to add quality programming to our lineup."

An example of that expansion will use Excelsior Radio Networks' recent acquisition of MJI Interactive from Premiere Radio Networks. MJI Interactive is a major provider of web music news content, database marketing and web publishing software with 700 affiliates. The daily music news content MJI Interactive produces is offered in specialized editions for nine radio formats.

Excelsior's sales arm, Dial-Global, handles marketing for the MJI Interactive. Says Landau: "Dial-Global believes that this could be a major component for our next launch of a RADAR network, possibly RADAR 79. MJI has already been branded and marketed very successfully by Premiere and we thought this was a great opportunity for Excelsior/Dial-Global to get involved in this business."

Former AMFM Radio Network President/current Reach Media principal David Kantor is involved with Crystal as a board advisor. He's expected to be more and more involved with Crystal as it expands. While Crystal recently added **John Breen,** formerly of Premiere Radio Networks, as Senior AE and **Craig Whetstine**, formerly with Westwood One, as VP/Affiliate Relations, the latest additions include **Casey Forbes**, formerly with United Stations and Premiere's #2 research person **Pam Foster**. As well, Crystal just re-upped a new seven-year deal with star talent Dave Koz, further evidence the company is set on solidifying its assets.


Nick Krawczyk

"This is proof in the pudding, if you will, that what we're saying we're doing, we're actually doing," says **Nick Krawczyk**, Crystal Media Network CEO. "When we took over this company, our objective was to build that proficiency in-house, internalize all the key functions. We believe in providing a full-service to our clients, a sales force solely focused on our products. Taking away all the mystery at the client level is really important to our space."

Munk-Scheidel admits Premiere, and the industry in general, should refine products to be much more demographically targeted, "more so than it was before," she says. "Now on some of our networks, we have even tightened up the dayparts to make them more advertiser-friendly in terms of the dayparts that are requested most of all, and taking some of the broader-based 6A-Mid or 5A-Mid products and tightening those up to make them 5A-8P. I think that definitely addresses what the needs have shown themselves to be in the last year."

In Part III, we look at rates/CPP predictions from both buyers and sellers—how much up or down do buyers and sellers expect for this upfront? We ask what percent nets will sell now and hold for later in the upfront; how the :10s/live reads are playing a role; what the nets could do to make the buyers' jobs easier and more.

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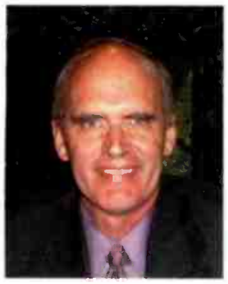
Surfing the NET

By Jim Forsyth

Make Radio News Sizzle!



When the war in Iraq began, the nation's News/Talk and All News radio stations experienced strong ratings gains. Now that, fortunately, the war is over, here are some suggestions that your news department can use to keep those gains, whether your newsroom has one person or 30, here are nine simple ideas to implement NOW, to continue that news success:

1) SELL THE EMOTION. Sgt. Joe (just the facts, ma'am) Friday was a great cop, but he would have been a lousy radio reporter. Always look for the emotional angle, people are far more interested in that than in the basic facts. Get info from cops and firefighters, but save the tape for witnesses. Always interview a person who's life has been changed by the news story you're covering. Remember, 65 years later, people still point to **Herb Morrison**'s account of the burning of the Hindenburg as the quintessential radio news report. There were very few facts in that report, we didn't learn how the fire started, how many people were killed, or whether the 'suspect exited the location in a westerly direction,' but there was a heck of a lot of emotion, and that's what we remember.

2) SHORT SHORTER SHORTEST. The biggest problem I hear with news stories, in my company and elsewhere, is that they're too long. *USA Today* is the best selling newspaper in the country, largely because of their short, punchy stories. Have your news director establish STRICT length limits and enforce them. Break up the sound in those stories, rather than using one eight second sound bite, use two four second cuts or better yet, a two second, two second, and four second...this will make your newscast sound faster and more interesting. This is especially easy with declarative sound bites (cut: "I think we need changes around here" ANCHOR: And Mayor Bilgewater had a suggestion. cut: "Fire the police chief!) Don't hesitate to air one-sentence stories. Producing a fast paced newscast will make listeners afraid they'll miss something if they hit the button.

3) FORGET THE OTHER MEDIA. I'm convinced that the reason Fox News is successful is that the people there don't sit around reading the *New York Times* to each other. Seek out stories that radio can embrace...remember...we're not NEWS reporters, we're RADIO reporters. When I'm listening to a radio newscast I can always tell what stories the editor took right out of the newspaper...and they're not the good ones...

4) COVER ACTIONS, NOT EVENTS. Nobody cares that it happened 'at a regularly scheduled meeting of the Smallville School Board,' but you'd be amazed at the number of times I hear that. Just because it holds a meeting, has a red light on top of it, or calls a news conference, that doesn't mean it's news. Too many radio stations cover meetings. If the board or commission does something of interest, cover that. If your news department is out there breaking stories at the local drain commission, fire the news director. You'd be better off getting the names of the five people who care about the drain commission and simply calling them up and telling them what happened.

5) HEAR THE GRASS GROW. Every news director should ask every reporter every day five magic words... "what are people talking about?" Too many news directors rely on the local paper and local TV because it's in their comfort zone, but what they really need to find out is what people are talking about, and cover that. This probably isn't the stuff you'll find in the paper or on the AP. We need to live inside people's comfort zone...what people want to hear on the radio is what they already know..we're not the National Geographic Channel, taking people to new worlds. We need to follow people into their lives and talk about the stuff they talk about every day.

6) THE BEATLES VERSUS THE SENATE. A recent poll showed 80% of all Americans could name at least one Beatle, while 20% could name one U.S. Senator. You'd never know that by reading the AP. We get so caught up in our 'newsnews' world sometimes we forget about this. If people don't know the names of Senators, that means they don't care about their world. Cover what the politicians do, NEVER cover political debates or put politicians on the air. Politicians are easy, they'll always return your phone calls.

7) GIVE EVERY STORY THE WIFE TEST (OR THE HUSBAND TEST). Bad radio news begins with bad story selection. Every story on your air should be a story that if your wife/husband called and said 'what's going on,' you would want to tell them. I doubt if you would tell them that Congressman Jones just announced he supports the President on HB 6140. Think about the guy who cuts your hair, or the receptionist at the doctor's office, or the secretary to the city manager. Would they care about the story? Would they even know who the people are? Those are the listeners, the better you get inside their lives and talk about things that are important to them, the more successful your newscasts will be.

8) REMEMBER YOUR MEDIUM. Sometimes we forget we're an audio medium...the sound is the key. Cultivate people who have fast, exciting, and interesting ways of speaking, and don't interview people who are dull and talk slowly. Now sound is important, but it's more important that your whole newscast 'sound' dynamic. **Paul Harvey** never uses any tape at all, but he's able to create the dynamism by his writing and his mastery of the medium.

9) WALK AWAY FROM BORING NEWS. Too often when we cover a news story, we feel obligated to put it on the air; 'all the other media were there' or 'I spent two hours on it,' or 'it was on the AP or in the paper.' Don't hesitate to spike stories that aren't interesting...that don't pass the wife test. Music programmers will tell you it's the songs they DON'T play that dictates their success. Feel free to give the competition the exclusives on all the boring stuff.

10) BE INTERESTING. Too often radio news is done so seriously and so gravely, the anchors sound like they had to RTNDA Code of Ethics stapled to their foreheads. **Rush Limbaugh** and **Howard Stern** both become fabulously successful by reinventing their craft, and it's time that radio news do that too. Interview real people. Write creatively and compellingly. Don't be afraid to laugh, to talk in first person, to be fun and real. It's a lot easier for people to relate to anchors and reporters who are talking about interesting things in an interesting way. Talk about things that real people talk about, not things that sound like they came off Mount Olympus.

NEXT MONTH....THE BIGGEST RADIO NEWS WRITING MISTAKES...

Jim Forsyth is News Director of WOAI-AM San Antonio, TX

T A L K • R A D I O • N E T W O R K

By Carl Marcucci
CMarcucci@rbr.com

Capital Expenditures:
Is it finally happening? Part I

In light of Emmis CEO **Jeff Smulyan** telling analysts that Emmis is increasing spending on its radio properties to accelerate growth (7/2 RBR Daily Epaper #129), we asked if other groups are planning to do the same. Are the wait-and-see attitude and cautious spending philosophies over the last couple years changing? Where are budgets and capital expenditures heading? We asked the following VP/Engineering and SVPs/Capital Management:

John Ehde, VP/Engineering, Salem Communications
Steve Davis, CC Radio SVP, Engineering & Capital Management
Clay Steely, VP/Engineering, ABC Radio
Milford Smith, VP/Engineering, Greater Media
Gary Kline, Cumulus Corporate Director of Engineering
Tom Ray, Buckley Broadcasting Corporate Director of Engineering
Dave Remund, VP/Engineering, Regent Communications
Mark Stennett, VP of Engineering, NextMedia

How far have you gotten on your budget (cap ex, operating) for next year? Tell us about your budgeting process.

John Ehde

Ehde: The operating budget is not handled out of the engineering department. The engineering department will review and make suggestions when we receive copies of the planned budget. The engineering department has not formally begun the 2004 engineering capital process as of yet.

Engineering Cap budgeting process for 2004 began in July and is handled by an internally designed database. The engineering data will be exported to accounting for incorporation into their spreadsheets.

Davis: We accepted capital budget requests from the field July 7-July 27th. After that, the Regional Engineering Managers review and recommend approvals. The annual operating budget process doesn't begin until September. This is so managers can take into account their expected capital approvals when formulating their operating budgets, since there can be savings or additional revenue associated with approved capital projects.

Requests are input by station personnel into an Intranet website we have set up. This is an interactive process: station managers and

Steve Davis

engineers can enter requests, review and edit them, and the regional engineering managers, RVP's and SVP's can also view requests as they're entered and provide guidance. Then, I will assess the needs against the amount available, and apportion funds to the various operating units in the radio division. Each regional engineering manager will have a budget target to hit, and will review the requests, issue approvals or make substitutions as needed to better meet the needs of the stations and the company, while hitting the allotted budget. There will be a final review and adjustment, after which senior management will review, and the budget should be finalized in the month of September. After that, the Tulsa Capital Management office will begin taking bids from vendors on equipment to fulfill the approved requests. Purchase orders will be issued near the end of 2003.

Steely: Both our capital budget and operating budgets are now complete and are being submitted to our parent company (Disney) for final approval.

Disney's fiscal year begins October 1, so we start the budgeting process quite early. On the capital side, the first projects looked at are those already projected for the upcoming year in our five year plan. We then add into the mix any projects currently in progress that not be completed this year. Finally, all local engineering managers submit new projects that their stations will require for the upcoming year. All of these are combined to make up the initial capital plan. The list is then reviewed and refined until it's ready to be submitted to corporate for final approval.

Operating budgets are developed locally. Each market engineering director submits his/her proposed budget to the stations' general manager. The budgets are massaged and finally presented to corporate for approval, usually in early July.

Smith: We are just starting our '04 budgets. Greater Media operates on a calendar fiscal year so the end of the year is traditionally crunch time for budgets both operating and capital.

In term of our process, each operating location puts together a draft operating and capital budget. This is generally reviewed informally and is initially "tweaked" prior to a formal presentation to our company management where the final decisions are made. The idea is to allocate the available capital funds to those projects which are deemed to be "most important" to the company as a whole. We can never do every requested project, but we generally are able to authorize most of those that have real value.

Kline: The preparation for the engineering operating budget is something that I ask all of our engineers to focus on year 'round. We are constantly making notes about the following year's budget

Stepping Up to... HD Radio

Many have realized the benefits of going HD Radio with BE, as orders for new equipment and system designs have poured in since last year. Entercom, Clear Channel, Greater Media, Crawford Broadcasting, Beasley Broadcast Group, WJLD-AM (first non-experimental AM station to broadcast HD Radio), and many more have chosen BE to help them prepare for the future–the HD Radio future.

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Gary Kline

requirements. If we find an item that needs to be budgeted for 2004 we make a note of it now. If we find a way to save a few dollars next year (i.e., lower maintenance costs due to new transmitter purchase for station XYZ) we note that as well. As a result, we are prepared to provide budget information when it is requested by the budget team. This information is usually requested starting in October. I keep track of all known projects which are scheduled for 2004 and assign costs to them. I also allow for unexpected projects and emergency market based needs (i.e., air conditioning failures, etc.).

Our budget for 2004 will be done with an online web-based system. Our local market engineers each receive a copy of their 2003 budget. Every market in Cumulus is assigned to a regional engineer. The regional engineers also get copies of the budgets for the markets they oversee. The local market engineers work together with their regional engineer, market manager and business manager to prepare their proposed 2004 budget. This in turn is entered into the system and available for review by the budget team in Atlanta. Each and every market will participate in a conference call with the budget team and discuss any line item(s) which may need explanation or justification. If there are questions or issues that can't be answered during this call then notes will be made and the market will follow up within a few days. This process leads to a finalized budget.

Ray: We start in October and take a look at not only what we've spent to that point, but also at what will be required to keep the operation going efficiently in the coming year. Each account is looked at independently and examined for cost savings, if possible, and ways to do things better. One area that has increased each year has been "transmission line" costs. In our case, we've seen an increase due to an increase in ISDN usage with hosts doing their programs more often from home and remotes. So we look at each account, see how we can do things better and more efficiently in the coming year, and try to give a realistic view of what it will cost. In the case of engineering, we are involved in every aspect of the station; we joke that we do everything "from transmitters to toilets". We talk to other department heads to see, for example, if an office will be moved or the photo copier replaced with a larger unit, as these items may require engineering resources for moving or upgrading electrical, phone, and computer network connections.

Remund: It is early in our budget process for 2004. So far we are only dealing with generalities and putting together our capex wish lists.

The budget process starts in late summer when we start priming the guys to finalize their plans and prepare presentations when things get into full stride in the fall. Each market puts together a budget plan and submits their cap ex requests and makes a sales pitch.

Stennett: NextMedia Group begins the formal budget process in fourth quarter. We are constantly noting things that need improvement throughout the year.

GMs and engineers try to forecast their needs for the following year and submit spreadsheets to corporate for review. With all the data in hand, we are able to prioritize and budget according to available funds. As is typical with most companies, we end up with ten pounds of requests but only have a five pound bag.

In Part II, we ask about facility consolidations planned or in the works; What types of equipment they're looking to improve, upgrade or buy; whether they buy direct, work through independent reps or both; and systems/strategies put in place to save money

By Jack Messmer
JMessmer@rbr.com

Who'll join the dividend dance?

Cash dividends on the stocks of public radio stocks have been all but unheard of until now. The thinking has always been that in a fast consolidating growth industry like radio, management was better able to make use of free cash flow by making acquisitions to grow the company. Besides, double taxation of dividend payments—by taxing corporate profits and then taxing the dividends again as income to investors—made it an inefficient way to share profits with investors.

That all changed this year. Congress didn't eliminate double taxation, but it did reduce the maximum federal income tax rate on dividends to 15%. That suddenly made it more attractive for investors to buy the stocks of companies that pay dividends. Growth companies who'd never even considered paying a dividend suddenly found their boards of directors discussing the issue—and some are taking the plunge.

Among radio companies, Clear Channel struck first. It announced 7/23 that it would begin paying a quarterly dividend of 10 cents per share on its common stock. Just a day later, Viacom announced that it too would pay a dividend—six cents per share each quarter.

"We felt that with our strong free cash flow, our substantially reduced leverage, the outlook for continued growth and, of course, the very favorable new tax legislation, that it was time to begin a cash dividend policy," Clear Channel CEO **Lowry Mays** said in his 7/29 conference call with analysts and investors. "Let me also say that we will continue to use our free cash flow to pay down debt, invest in strategic additions to our platforms and also consider a stock buy-back program at the appropriate time."


Lowry Mays

At Viacom, CEO **Sumner Redstone** had said much the same thing, announcing the dividend move the same day as his company's quarterly conference call.

"Today, we announced that our board has approved a quarterly cash dividend, once again demonstrating our unwavering focus on delivering value to shareholders and underscoring our strong belief in the long-term growth of Viacom. As you know, the change in the tax laws prompted the Viacom board, like the boards of other companies, to take a long, hard look at issuing a dividend. Ultimately the board concluded that Viacom can take full advantage of its unique ability to generate significant amounts of free cash flow and further share its ongoing success with our shareholders," Redstone said. "Given our strong fundamentals and consistent performance, we are able to comfortably pay out a dividend, while at the same time continuing to invest concurrently in pursuing accretive acquisitions and to buy back our stock, which we continue to do as part of a multi-year $3B buyback program. We think that this combination of attributes makes Viacom a more valuable investment for its current shareholders and a more attractive investment to a broader range of potential shareholders."


Sumner Redstone

Will other broadcasters follow their lead? Eventually, analysts tell *RBR*, but not right away.

"The choice for Clear Channel and Viacom is to be able to have their cake and eat it too," said **Lee Westerfield** of Jefferies & Co. "They have such powerful balance sheets and massive free cash flow that their strategic alternatives remain wide open, even after paying out dividends. But that choice is one or the other for companies the size of Cox, Entercom or Cumulus."

In the long run, though, **James Marsh** of S.G. Cowen expects to see many more broadcasters start paying cash dividends.

"I think it clearly plays to the strength of the radio companies, because they generate huge amounts of free cash flow. So, over time, depending on how they want to allocate their free cash flow, it could become a substantial item for investors to evaluate. As far as in the near term, I don't expect to see huge amounts of cash dividends announced, for a couple of reasons. Most of the guys in the radio business have balance sheets that won't allow them to do substantial dividends. They probably have debt covenants that restrict the ability to pay out cash dividends. These banks and debt holders, in general, want to be in line in front of the equity holders. If you've got investment-grade debt, you probably can—so, Cox obviously, and Clear Channel come to mind there. If you move down the food chain, it's going to be harder for those guys to issue any material dividends, if they can at all—until they hit certain debt thresholds," Marsh explained.

"I think over time most of the larger radio companies will have a plan that involves acquisitions, cash dividends, a share repurchase program—all of those things will be part of their free cash flow deployment," he added.

Size, itself, is not a determining factor, Marsh said. "There's no reason why a small radio company can't pay out a dividend. It's usually more a function of leverage. The smaller companies are more eager to go out and do more acquisitions and get bigger."

Why pay dividends? To attract investors.

Tim Wallace

"It has the potential to increase demand," said **Tim Wallace** of UBS Warburg. "If you look at some of the larger mutual fund companies, they have 'dividend funds' that look only at companies that pay dividends. I think you're going to get a new wave of potential investors from that point of view."

And while paying dividends is a long-term commitment, Wallace also sees a short-term attraction for investors in the Clear Channel action. "The other thing I would say is that Clear Channel paying dividends may imply that they are very confident in the back half of the year's business, because one of their major goals was to get their leverage close to three times and I think that if they were concerned about that they would not have initiated a dividend at this point. That's not a long-term benefit, but it is, potentially, a near-term catalyst," he noted.

"Virtually all radio broadcasters generate significant free cash flow to consider a dividend payment," Westerfield noted. But he agreed that most won't take the plunge soon. "Viacom and Clear Channel are in the special case of being having so vast a quantity of bottom-line profit that they can keep their strategic alternatives open to make acquisitions and still pay out a dividend. Smaller radio companies would have to make the choice between a dividend payment and strategic reinvestment in a still gradually consolidating radio marketplace. Companies like Entercom, Cox, Cumulus and their peers would naturally prefer to harbor their free cash flow and potentially make acquisitions rather than dividend out their free cash flow."

Dividends: The dos and don'ts

Stock dividends are still rare for publicly traded broadcasting companies, although that may be changing due to tax law changes. Both Clear Channel and Viacom announced last month that they will begin paying quarterly dividends to holders of their common stock. Who else will follow their lead?

There are lots of potential candidates, since so few radio or TV companies currently pay a dividend. *RBR* analyzed the landscape and found that not one pure-play radio company pays a dividend—and very few of the multi-media companies that own radio stations. The highest yield is 3.1%, paid by Jefferson-Pilot, which is primarily an insurance company, but also owns radio and TV stations.

Radio Companies

Company	Symbol	Dividend*	Yield**
Arbitron	ARB	none	N/A
Beasley	BBGI	none	N/A
Big City	YFM	none	N/A
Clear Channel	CCU	$0.40	1.0%
Cox Radio	CXR	none	N/A
Cumulus Media	CMLS	none	N/A
Disney	DIS	$0.21	1.0%
Emmis	EMMS	none	N/A
Entercom	ETM	none	N/A
Entravision	EVC	none	N/A
Fisher***	FSCI	none	N/A
Gaylord	GET	none	N/A
Hearst-Argyle	HTV	none	N/A
Hispanic	HSP	none	N/A
Interep	IREP	none	N/A
Jefferson-Pilot	JP	$1.32	3.1%
New York Times	NYT	$0.58	1.3%
Radio One Cl. A	ROIA	none	N/A
Radio One Cl. D	ROIAK	none	N/A
Radio Unica	UNCA	none	N/A
Regent	RGCI	none	N/A
Saga	SGA	none	N/A
Salem	SALM	none	N/A
SBS	SBSA	none	N/A
Sirius Sat. Radio	SIRI	none	N/A
Viacom Cl. A	VIA	$0.24	0.5%
Viacom Cl. B	VIAb	$0.24	0.5%
Westwood One	WON	none	N/A
XM Sat. Radio	XMSR	none	N/A

*Annual total **Based on 7/24 closing price ***Fisher suspended dividend payments in June 2002

TV Companies

Company	Symbol	Dividend*	Yield**
ACME	ACME	none	N/A
AOL Time Warner	AOL	none	N/A
Belo	BLC	$0.38	1.8%
Clear Channel	CCU	$0.40	1.0%
Disney	DIS	$0.21	1.0%
Emmis	EMMS	none	N/A
Entravision	EVC	none	N/A
Fisher***	FSCI	none	N/A
Fox Entertainment	FOX	none	N/A
Gannett	GCI	$0.96	1.3%
General Electric	GE	$0.76	2.8%
Granite	GBTVK	none	N/A
Gray (common)	GTN	$0.08	0.6%
Gray Cl. A	GTNa	$0.08	0.6%
Hearst-Argyle	HTV	none	N/A
Jefferson-Pilot	JP	$1.32	3.1%
Liberty Corp.	LC	$0.96	2.3%
LIN Television	TVL	none	N/A
McGraw-Hill	MHP	$1.08	1.7%
Media General	MEG	$0.76	1.3%
Meredith	MDP	$0.38	0.8%
News Corporation	NWS	$0.07	0.2%
New York Times	NYT	$0.58	1.3%
Paxson	PAX	none	N/A
Saga	SGA	none	N/A
Scripps	SSP	$0.60	0.7%
Sinclair	SBGI	none	N/A
Tribune	TRB	$0.44	0.9%
Univision	UVN	none	N/A
Viacom Cl. A	VIA	$0.24	0.5%
Viacom Cl. B	VIAb	$0.24	0.5%
Washington Post	WPO	$5.80	0.8%

*Annual total **Based on 7/24 closing price ***Fisher suspended dividend payments in June 2002

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