



# Radio & Television Business Report

October 2006

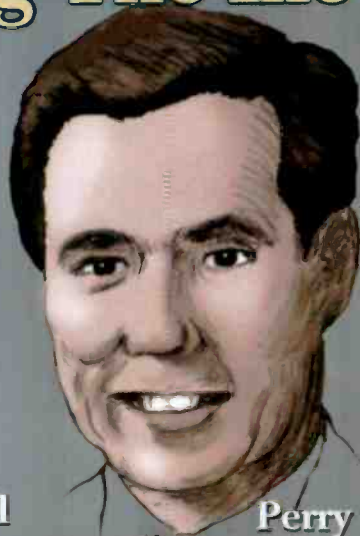
Voice of the Broadcasting Industry

Volume 23, Issue 10

## Confronting The Inevitable: 2007



William Moll



Perry Sook



Larry Wert



Brandon Burgess

*Chick*



Chris Rohrs



Frank Comerford

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## Will Nielsen enter radio ratings derby?

The Next-Generation Electronics Ratings Evaluation Team, led by Clear Channel Radio, has been trying to pick between Arbitron's PPM and the Smart Cell Phone-based system from The Media Audit/Ipsos for passive electronic radio audience measurement. But now there is word that the Next-Gen has also approached Nielsen Media Research about making its own entry, now that it has rejected a PPM joint venture with Arbitron. But it is not clear that Nielsen is chomping at the bit to join the radio race.

"We've agreed to look at it. That's all we've agreed to do," said Nielsen Chief Information Officer **Jack Loftus**.

The Next-Gen group is also being tight-lipped. "As it relates to Nielsen and the RFP—I can confirm that the Evaluation Team is in discussions with Nielsen. But details of specific discussions with current or potential contenders are confidential," Clear Channel Radio Senior Vice President/Research **Jess Hanson**, who is heading the Next-Gen team, told RBR.

**RBR observation:** Since passing on a PPM joint venture, Nielsen has been working on its own passive meter options for measuring out-of-home TV viewing, which would be used in tandem with its set-top People Meters, currently used in 10 large markets (with more to come) and for its national audience sample. Nielsen sources say the company has been looking at an existing device and one it is developing in-house, reportedly based on Smart Cell Phones. Obviously, any audience measurement device based on either audio encoding or sound-matching (or both) can just as easily be used for radio as for TV. Nielsen provides diary-based radio ratings in several countries overseas, but has shied away from challenging Arbitron in the US radio marketplace after winning the battle for sole domination of US TV ratings.

## New PPM to track non-encoding stations

It looks like Cox Radio CEO **Bob Neil** will no longer be able to boycott the Houston test of Arbitron's Portable People Meter (PPM) by refusing to let his stations encode. Arbitron announced that it is now field testing a PPM system which uses sound matching for non-encoding stations—a dual-function system much like that of the competing system by The Media Audit/Ipsos.

While the main test panel in Houston is still using PPM devices that track only encoding stations, Arbitron said it has successfully downloaded software upgrades to current generations PPMs still held by 50 former panelists who are participating in the dual-function test. The software upgrade was delivered via home phone lines. Arbitron said it will now be testing to ensure that sound matching results are consistent with those already validated by encoded PPM data gathering.

## An interesting comment

Sen. **Ted Stevens** (R-AK) was around for the beginning of the FCC Chairman **Kevin Martin** hearing Tuesday 9/12/06, but was called to the floor on pressing business. Before he left though, he did ask a question of Martin. Stevens noted that phone service in his state of Alaska is provided by numerous local carriers who have labored mightily for years to make sure the citizens of that remote state are connected to the rest of the nation. What happens, he wondered, when wireless suppliers, particularly big corporate wireless suppliers with an enormous national footprint, come in to compete with the wireline incumbents? Stevens said he feared that the local providers would be utterly unable to compete.

**RBR observation:** We thought this a curious statement. Isn't this like when a mom & pop radio station that has faithfully served its small market community for years and years suddenly finds itself competing with a multi-station cluster owned by a company based in Atlanta, Las Vegas, Denver, New York or perhaps even San Antonio? Should small entities be protected from expanding national entities? Or should the free market determine who owns what? Without picking sides, we note that we always thought Stevens was basically a free market guy, then this. Interesting...

## Susquehanna held to payment of move-in bonus

When Susquehanna Radio bought an Anniston FM station back in 1996 for about 15M, its contract with seller Bridge Capital Investors apparently included a clause calling for a substantial additional payment if the station was successful in gaining regulatory approval for a move into Atlanta. It's there, and the 11th Circuit Appeals Court in Atlanta has ordered that Bridge receive payment plus interest totally 15M, upholding a similar prior ruling. The station is now WWWW-FM, a CHR which went from Susquehanna in its 1.2B group sale to Cumulus filed with the FCC 11/21/05.

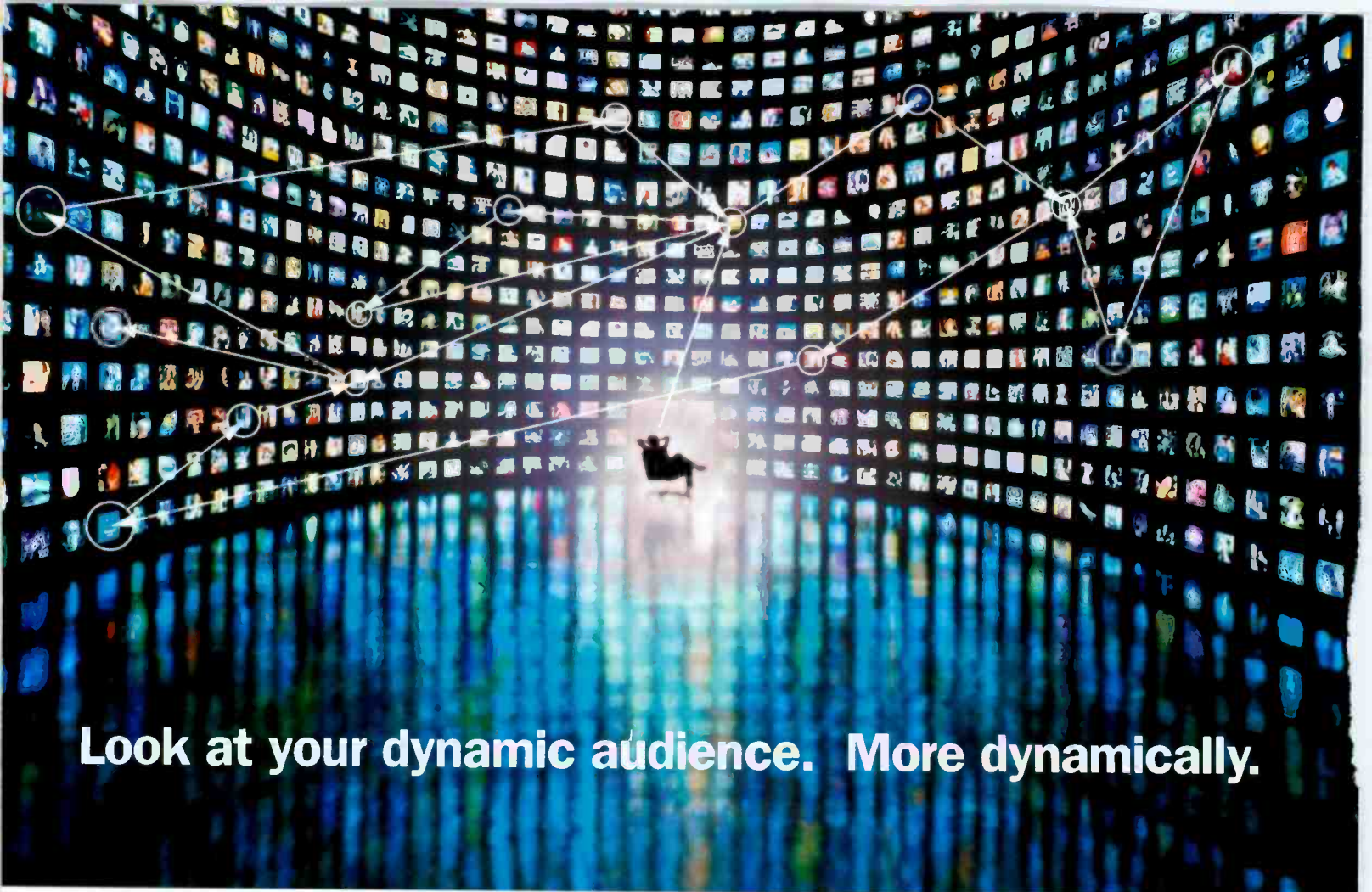


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## Look at your dynamic audience. More dynamically.

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## New York Times puts nine on the auction block

Just a few months ago The New York Times Company was a buyer in TV, adding KAUT-TV for a duopoly in Oklahoma City. But now CEO **Janet Robinson** has decided to get out of TV altogether. She has engaged Goldman Sachs & Co. to seek buyers for all nine stations.

"The decision to explore the sale of our broadcast stations is a result of our ongoing analysis of our business portfolio. These are well-managed and profitable stations that generate substantial cash flows and are located in attractive markets. We believe a divestiture would allow us to sharpen our focus on developing our newspaper and rapidly growing digital businesses, and the synergies between them, thereby increasing the value of our company for our shareholders," said Robinson.

The NY Times Co. says the Broadcast Media Group (the official name for the TV group) accounted for 4% of total company revenues. In 2006 it is expected to have revenues of approximately \$150 million and operating profit of about \$33 million. Depreciation and amortization is put at \$10 million for the year.

**TVBR observation:** With recent TV deals starting at 10 times and going up from there, it is easy to put a starting bid of \$430 million on this group, if we assume from the announced figures that cash flow is around \$43 million (operating profit plus D&A). No doubt the final tally will be more. But while the Times Co. will free up about a half billion bucks in cash, it won't be booking a large profit. According to BIAfn Media Access Pro data, the entire group was assembled from 1971 (Memphis) through 2005 (the 2<sup>nd</sup> Oklahoma City station) for a total of \$429.8 million.

Like so many old line media companies, the New York Times Co. has been focusing on building its online presence, with the acquisition of About.com a prime example. But it is surprising that the Times Co. would decide to part with the solid cash flow of its TV properties. Unlike Tribune, which is under pressure to sell its underperforming TV properties, these are solid market leaders.

### New York Times Broadcast Media Group

(Dollars in thousands)

CALLS	Chnl	Affil	Mrkt	Rank	Rev-Stn '05
WTKR-TV	3	CBS	Norfolk, VA	42	\$20100
WREG-TV	3	CBS	Memphis, TN	44	\$25900
KFOR-TV	4	NBC	Oklahoma City, OK	45	\$28975
KAUT-TV	43	MyNet	Oklahoma City, OK	45	\$6250
WNEP-TV	16	ABC	Wilkes B.-Scranton, PA	54	\$22400
WHO-TV	13	NBC	Des Moines, IA	73	\$17200
WHNT-TV	19	CBS	Huntsville, AL	84	\$14000
WQAD-TV	8	ABC	Quad Cities, IA-IL	95	\$11425
KFSM-TV	5	CBS	Ft. Smith, AR	104	\$11000

Source: BIAfn Media Access Pro

## TVB forecast: Down, then up

With no elections or Olympics next year, the Television Bureau of Advertising (TVB) is projecting that TV spot revenues will fall 1-3% in 2007. But then the good news: 2008, which will be a presidential election year, is expected to bring an 8-10% increase in spot revenues. TVB has been issuing its annual forecast to cover two-year cycles, rather than one year only, since 2000.

"The structure of the business has changed dramatically because of the Olympics switching to a two-year frequency and because of the growth of political advertising in Spot. Odd years will always face tough comparisons to even years, when spending on both the Olympics and political ads show up. Spot TV is a two-year business cycle" said TVBR President and CEO **Chris Rohrs** as he unveiled the numbers. TVB's estimates are derived from a consensus of Wall Street and financial analysts, station representative firms, and independent TVB research. See the forecasts for 2007 and 2008.

### TVB forecast for 2007

Local Spot	+0 to +2%
National Spot	-9 to -7%
TOTAL SPOT	-3 to -1%
Station Websites	+30 to 40%
Network	+0 to +2%
Syndication	+2 to +4%
Network Cable	+1 to +3%
Local Cable	+2 to +4%

### TVB forecast for 2008

Local Spot	+5 to +7%
National Spot	+12 to +14%
TOTAL SPOT	+8 to +10%
Station Websites	+30 to +40%
Network	+5 to +7%
Syndication	+4 to +5%
Network Cable	+5 to +7%
Local Cable	+3 to +5%

Source: TVB



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## Broadcasters face a challenging future

It has been tough to operate in radio and television in recent years, with all sorts of new media options competing for eyes, ears and ad dollars. But broadcasting is still an exciting business that attracts some dynamic, aggressive people with creative ideas. We asked some of them: What are the three important issues facing the television medium that must be addressed for the business to succeed in 2007 and beyond?



**Brandon Burgess**, CEO, ION Media Networks, Inc.:

1. Multi-platform has become a cliché in 2006, but in truth, broadcast TV must continue to aggressively pursue innovative strategies and symbiotic relationships that bridge traditional TV with new, emerging platforms.

2. Rather than viewing many of the issues that currently plague the industry (e.g. decency, public interest) purely as limitations, broadcast TV should approach these "obligations" as a real opportunity to create viable businesses that achieve the universal objective of benefiting American consumers.

3. As the competition for ad dollars and the proliferation of consumer media choices continues to increase, the industry needs to come together and unite on all fronts to advance the issues that are most important to preserving the benefits, accessibility and relevance of all TV broadcasters, both big and small, in the digital age. In that light, we must tackle the 2009 analog switch-off head-on with a united consumer educational campaign to ensure the 20 million homes that rely exclusively on over-the-air TV today aren't left in the dark tomorrow, and that all American consumers realize the intended benefits of DTV.



**Chris Rohrs**, President & CEO, Television Bureau of Advertising (TVB):

It's already a multi-screen world, with consumers learning to access content where and when they want to. This radical empowerment of the user will only accelerate as technology rolls along. It goes without saying that all media must embrace change. This is the first thing that TV must do to remain vital going forward....

1) Evolve our consumer and advertiser connect-points. It is a multi-screen, new-media world but television remains the main screen and video is the killer app on all screens. Our traditional viewer connection and business models can remain vital *if* we evolve, expand and modernize our platforms and processes.

2) Improve. Toyota has it right when they focus on "kaizen".....continuous improvement. It's the only way to ensure that your products remain valued. The television industry holds an amazing 58% share of daily time-spent with media but we

cannot be complacent in any way. We have to continuously reinvent that connection across all screens, energizing it with High Def pictures, consumer-generated content and grass roots localism. We should look to adapt every new technology that the audience values and make it part of our service package.

3) It's all about Ideas and Executions. Ideas are the new currency, not data. Advertisers want big ideas that can break thru and move their businesses forward. Broadcasters cannot be stagnant in their thinking. We must bring new products and processes to the marketplace and excite our customers enough to buy in. And we must execute in detail, with industry-standard levels of accountability.

Broadcast Television, particularly local TV, has a chance to emerge as a dominant player in the new world. The local Station commands a uniquely powerful set of assets...universal reach, preferred programming across all screens, cross-platform promotion, local roots, targeted engagement, adequate inventory, cost-efficiency and high standards of accountability.

We are a robust video player in the local arena, where people live their lives. The opportunity is extraordinary and the moment is now.



**Liz Janneman**, SVP/Cable Advertising Sales for The Weather Channel:

I think one of them is continuing to elevate the level of accountability in metrics. Whether it be proving that audiences watch commercials, proving that they are engaged meaning that they remember the ads that they see. Continuing to prove the effectiveness of television—that's one. The second is getting better at recognizing the fact that television audiences are

multitasking. You read that more and more everyday and you hear about it more everyday. People are just not the typical couch potatoes that they used to be. They're watching TV, they're on the Internet at the same time. They're reading the newspaper watching TV. They're doing multiple things so we have to get better at engaging them. The Weather Channel has a beautiful ability in engaging them between our cable network and our website, and flipping them back and forth between the web and television. This continues to elevate the level of engagement between the two mediums, not viewing other mediums as competitive but viewing them as complementary. Then how do you engage that total experience? I think that's an opportunity for television that it's slowly starting to embrace. For the first time you're seeing video streaming of "Desperate Housewives" on ABC. For the first time you're seeing "Lost" episodes on iTunes. These were things that the broadcast networks always felt were competitors. They never wanted to go beyond what they were doing in terms of reaching people in the household. They are now realizing that there are different ways to capture different people and they need to be there as well. The more that television networks can think about that from a consumer perspective, the more that they will engage that. Then obviously the overall issue is just because of the multitude of options, the biggest chunk of money right now goes to television and for all the advertisers that want to experiment with the Internet or podcasting, those are monies that are going to come from television. Unless you are



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prepared to see continued reduction in television spending and you're going to cut your expenses so that your profit margins remain as they were (which I don't think is a business that anybody wants to embrace), what we need to do is figure out how to be in all those businesses in an engaging way. How to be in the Internet? How to be in podcasting? How to be in all these different opportunities so that we can come to an advertiser with an idea that spans all these platforms and capture a greater share of their money so that we don't lose or decline in revenues. Television as a stand-alone entity is facing that threat.

**Bill Moll**, Clear Channel Television Chairman:

1. Viewers' interests. We have to understand the changing needs and interests of our viewers.

2. Evolution. We have to change—evolve, if you will—our long-entrenched habits to ensure that we're meeting the changing needs of our audience.

3. Technology. We have to embrace the technological changes and use them effectively to meet viewer needs & interests. Television is no longer about a single channel of programming. With today's digital capabilities, we can—and must—deliver multiple layers of content on many platforms. Viewers have control. We have become content providers. Our job is to deliver content any time, on any platform, at the convenience of our viewers—not at the convenience of our personal schedules.

**Alan Frank**, President and CEO Post-Newsweek Stations: I'd say monetizing our web sites; moving smartly into the digital space with new channels; and successfully negotiating retransmission consent agreements and payments.

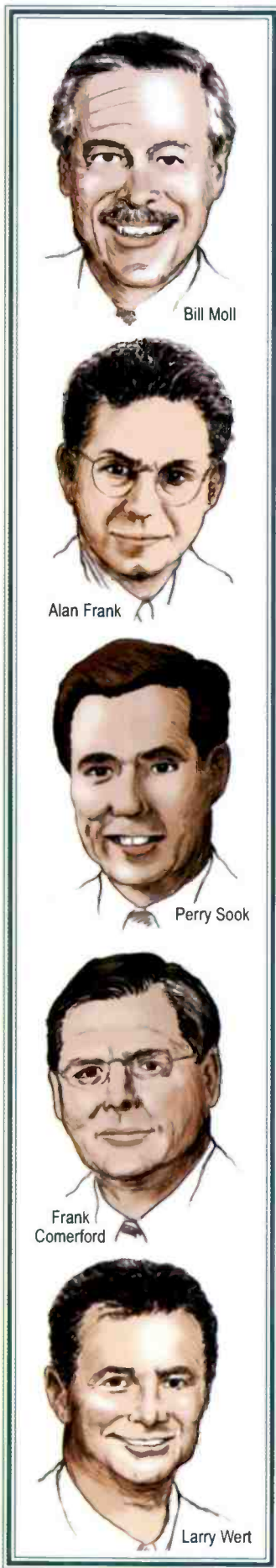
**Perry Sook**, Nexstar President and CEO:

First and foremost—deregulation. Google is big media now and television broadcasters, particularly in medium and smaller markets, are struggling under the weight of regulation and an antiquated regulatory scheme from the FCC. We must have deregulation in order to effectively compete with big media—which is now Google and Yahoo and other players on the internet.

Secondly, we have to leverage our mobile content and mobile video onto the online space and develop meaningful business there.

Third, to continue to work to build a bonafide distribution revenue stream. We've done it, the money is out there and the more folks that press for this, the better the economics will be the next time around.

**Joanne Stanley**, PD, WRAZ-TV Raleigh (FOX): Programming Digital Channels, Selling Digital Channels. Keeping viewers watching TV instead of watching internet downloads/videos etc.



**Kelly Barber**, Director of Programming, WPXI-TV NBC, WJTC-TV UPN, WPXI 15-2 Weather Plus, Mobile, AL: Content is king. The issue that needs to be addressed in order to succeed is that broadcasters be able to deliver content to viewers how they want it and when they want it. Another important issue is for all broadcasters to understand the importance of New Media and embrace it.

**Frank Comerford**, WNBC-TV NY President and GM: We are facing increased competition for eyeballs and ad dollars - not only from our traditional rivals but new media—especially from the new giants like Google and yahoo. We are also struggling to deal with technology issues like TiVO, DVR's and Video on Demand and their effect on our traditional ad-supported business model. An additional issue is the emergence of new distribution channels like iPods, and electronic sell through that dilute the value of some of our content.

**Michael Riddle**, Program Manager, WITN-TV (NBC) Greenville-New Bern-Washington, NC: We have over-saturated the market with product. Resources and talents are spread across too many different productions leading to a plethora of mediocrity.

**Larry Wert**, GM, WMAQ-TV Chicago (NBC): The life of traditional commercials - DVR usage and advertiser messages programming, measuring, and monetizing the multiple platforms where viewers will be able to see us. Conversion to HD television is a huge opportunity and responsibility.

**Don Abel**, Program Director, WTLH-TV (FOX) and The CW, Tallahassee, FL: Less clutter on-air, more interactive elements, digital transition confusion.

**Mark Stanton**, GM, WYCS-TV (ind.) Louisville, KY: We are a small independent local channel. The most important issue for us is to try and obtain must-carry rights for Class A LP stations to give us more exposure. Secondly, the consolidation in the cable system and cable channel industries has allowed large and commonly controlled corporations to use available cable space to exclude any local program options beyond the big network affiliates with must-carry rights. Thirdly, the ever-changing and always murky digital conversion rules are not clear at this point. We don't know how it will impact us but we know that it will.

**Kathy Smith**, Operations Manager, WTAJ-TV (CBS) Johnstown-Altoona, PA: Keep up with (or ahead) of digital, HD & all other TV technology. Stay in line with the FCC. Remember that we are here to "inform" the viewers, not only "entertain" them.





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# Our annual network radio upfront special—Part II

In this two-parter, we ask top media agency buyers and network radio sellers for their take on the 2007 network radio upfront, along with the big issues driving the dollars. Here in Part II we examine the latest in new ideas, shorter spot units and what's hot for this year's marketplace.

## New and unconventional

What are some new, unconventional ideas in network radio buyers have seen or would like to see? **Agnes Lukasewych**, VP, Account Director/Radio Broadcast at MPG suggests to create a brief user survey, pre/post a commercial unit, with online radio outlets. "This can provide the advertiser with direct feedback by the listener of the commercial content."

**Matt Feinberg**, SVP/National Radio, SVP/Director, Interactive Broadcast, Zenith Media Services points out that Clear Channel's Traffic Pulse has some of the more promising technology out there. "Its' suite of products are very appealing from a multi-media standpoint. Other than that while I see a lot of new technology, not much is coming from the radio nets at this time. I think most of them need to understand the space better and decide how to best adapt their particular assets. In time we should see some interesting developments."

**Rich Russo**, JL Media's SVP/Director of Broadcast Services, says it would be "really, really great if someone put together ultra-targeted networks, like all CHR or all Country, but not in the unwired sense, in a content type sense."

"We are actually seeing very many new and creative ideas and

opportunities—the challenge now is to review all of them and ensure the right people see them," admits **Natalie Swed Stone**, US Director, National Radio Investment, OMD.

Says **Annie Chen**, Carat Americas VP& Group Director/National Broadcast: "We've seen DMarc/Google come up with a new way to track and post radio buys in real time. This is something we'd like to see more of on other networks. We would also like see more accountability measures and making network radio easier to grasp to the clients who are either new or skeptical about the "industry standards" of posting. We understand the inner workings and limitations given the great number of stations, however in this day and age of making sure that we are getting every impression for every dollar, it is hard to overcome their perceived lack of stewardship."

On the seller side, ABC Radio Networks SVP Sales **Mike Connolly** recalls one idea that they've had great response to is ESPN Podcenter. It allows fans to download their favorite ESPN Radio shows whenever and wherever they want. "We have also created unique programming just for Podcenter listeners. Currently with over 500,000 weekly downloads, ESPN Podcenter has become a very attractive opportunity for advertisers."

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**Susan Love**, VP/Sales & Marketing, Jones MediaAmerica, says they've partnered with content distribution companies to create synergistic opportunities, and has also looked at new technology providers as a way to optimize inventory for their clients. "Our dominance in Country music has allowed us to expand into a variety of radio station and artist services. Our new media strategy will allow us to create new ways to provide solutions to our advertisers' needs."

At AURN, President **Jay Williams** has been adding cable to the picture with their national representation of the Black Family Channel and have been blending them with innovative complementary national promotions.

## Shorter spot units and the upfront

What about the use and opinion of the new variety of shorter spot units? With shorter creative messages, advertisers are able to create an impact for less dollars. With the savings, the advertiser has the opportunity to increase frequency or add to another vehicle in the plan. With the influx of ad messages a consumer is exposed to on a daily basis, a shorter unit might actually help build stronger retention.

**Kim Vasey**, Senior Partner/Director of Radio, Mediaedge:cia, is a strong believer in the power of the shorter message and has encouraged clients to embrace the shorter commercial lengths when their creative can conform to a shorter spot. "We use :10s, :15s, :30s and :60s. I don't like to think "cookie cutter" and think only a :60 for spot or only a :30 for network. Sometimes it's a mix of all of them and sometimes it's just one length. The important thing is that we have a myriad of choices and we've had terrific results utilizing all of the options. It's important for me to help our clients understand the power of the messaging within the medium—that is more important to me than towing the line of conformity that spot radio must be a :60 and network radio a :30."

Connolly says ABCRN has had a good deal of success with their :10 platforms, particularly on ESPN Radio. ":10s are most effective when attached to high-attention features (e.g. Sportscenter on ESPN Radio). We have not yet used units shorter than :10s, other than billboards."

Love says JMA has a variety of :10 and :15 second opportunities in their NFL and NCAA football offerings, country programming, and **Kim Komando**. "In the end, we think that the thirty-second unit continues to be the spot length of choice for advertisers, and as vendors, we feel it's most important to give the advertisers what they want."

"I think in general, varying spot lengths are a great creative way to utilize radio," says **Irene Katsnelson**, Universal McCann VP, Director of National Broadcast. "As in other mediums, mixing up the lengths of your message not only helps

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with efficiencies but provides more creative executions and keeps messages fresher and more unique.”

What about “The Blinks”—spots that are just one or a few seconds that have been pioneered by Clear Channel? Effective, efficient or just a waste of time?

Noted Swed Stone: “We continue to take advantage of all spot lengths and credit Clear Channel with reinvigorating the medium thru this initiative.”

CC Radio and Fox Broadcasting used a national radio campaign in August for blinks to support the fall season premieres of Prison Break, House and The Simpsons. The two-second spots were used in combination with a :60 second spot in the same hour.

**Kaye Bentley**, Fox Broadcasting SVP, tells us it was extraordinarily cost-effective. “It is dramatically cheaper than a :30 second network buy. And I can honestly say that because we’ve done this with them for :30s—a couple of years ago with ‘24’—the same execution, the same number of markets, the same number of stations—and it’s dramatically cheaper. This is just reinforcement for a longer message, but it’s also meant to appear in a place where you’re not going to normally expect to hear commercials. They’re not in commercial breaks—they’re within the body of the broadcast. A song will finish and all of a sudden you will hear, ‘DOH! Simpsons tonight on Fox.’ And that’s kind of nice.”

### What’s hot for this upfront?

Which ad networks and syndicated products are likely to be hottest for this upfront? What might get the double digit increases?

**Kevin Magee**, Fox News Radio SVP: “Brian and The Judge. After Tony left, we put Brian and the Judge together in a hurry and they clicked better and more quickly than we dreamed.”

**Connolly**: “I would expect our Multicultural offerings—Hispanic and Urban, plus Sports and New Media to lead the charge. These vehicles have what clients are looking for—strong brand association and the ability to extend their exposure across multiple platforms.”

**Eileen Decker**, Dial-Global EVP/Director of Sales: “DG Complete FM is number one ranked in many demos; DG Contemporary Network has had continued growth in both audience and rankings and DGNews and Information Network indexes extremely well in top markets and against qualitative categories. I have seen a real flight to quality on the part of the agencies and clients and expect to continue to see high demand for these Networks in 2007. In addition our recently acquired Digital 24/7 is going to be a big player in 2007 as are our strong female-targeted networks and personalities. With the political season upon us, Talk radio is a frontrunner of choice with TRN Radio Network personalities, **Savage, Laura Ingraham**; and Fox News personalities **Alan Colmes** and **John Gibson**.”

**Williams**: “Our Pinnacle Network continues to be in very high demand and new programs that have shown strong momentum are our New Health show and our returning series of Red Carpet specials. Clients are looking for true winners and programming that places the products at best advantage. It’s not just spots...it’s content!”

**Love**: “Our RADAR-rated Jones TWC Radio Network continues to be very dominant in most adult demographics. We are increasing our ability to provide copy split capabilities to our advertisers. Our dominance in the Country format was made even stronger by our partnership with **Bob Kingsley**’s Country Top 40 program which we picked up early in 2006. Our roster of talk personalities continues to be strong, and our Urban personalities and networks via our partnership with Access.One are very valuable to advertisers.”

**Paul Gregrey**, EVP & Director of Sales Westwood One: “The continued growth and expansion into top markets of **Randy Jackson**’s Hit List has made it one of our most powerful new programs and extremely attractive to advertisers. Also, our recently acquired POP (point of purchase, in-store) Radio is truly a unique platform. Heard in more than 30 retail food and drug chains at almost 6,300 nationwide, POP Radio enables advertisers to reach consumers, particularly women, closest to their point of purchase. Finally, our redefined and uniquely targeted RADAR Networks, with strengthened day and daypart availabilities, will be highly effective for reaching consumer targets.”



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# One on One

By Carl Marcucci



## Liz Janneman SVP/Cable Advertising Sales for The Weather Channel

Liz has overseen ad sales efforts for the TWC since the Summer of '05. She reports directly to **Paul Iaffaldano**, EVP/GM of TWC Media Solutions, and operates out of the network's NYC location. Her extensive experience both in cable ad sales and the agency side of the biz includes 12 years with Turner/AOL/Time Warner, where she rose from account executive to EVP of Sales. Liz established Turner Women Today as a mentor program for young women building their careers at Turner Broadcasting. Prior to joining Turner, she was VP/associate buying director for Saatchi & Saatchi NY where she oversaw all cable buying and national television buying for key clients.

Liz is also a member of AWNY and fellow of the Betsy Magness Leadership Institute, sponsored by Women In Cable & Telecommunications (WICT).

A lot of what she has to say should be excerpted in college textbooks. She defines exactly what the seller-buyer relationship should be, and what it needs to be to continue into the future.

### What's the right way to approach and present a proposal to clients?

I think the most important thing that you need to do before you put pen to paper is really understand what a client is looking to achieve. Too many presentations are just based on what sales' needs are. Most of the sales organizations just put forth why it's good for the client to be in this show or be in this series. I think what's most important is to really understand what the client is looking to do. The first couple of meetings are more information gathering and questions. Then you come back to the office and you figure out with some brainstorming meetings, promotions or sponsorships, what do we have that best meets these needs? Then you put together the presentation and proposal. I don't think the proposal happens until potentially the third or fourth meeting.

Then what's important is to confirm the objectives of the client. Itemize the offers that we have, whether it's programs or sponsorships or what have you. Then lay out benefits and features. Where is the benefit that the client gets by being associated with us versus anybody else? After the sale is done, then it's continuing to keep the client up to date on how well the program or sponsorship is working. It's the post-sale that sometimes is more important than the pre-sale because if you blow it, you're not going to get the client back and then it's incredibly hard to repair that relationship.

### How does some of the extra effort help in forming long-term relationships?

First and foremost it's about trust, because if there's a lack of trust then the buyer will either not reward you with the budget levels or price levels that you think are just. The buyer and seller are naturally in adversarial positions. I'm selling to get the best price and the buyer is buying to get the cheapest price so right away that imposes conflict between us. What you need to do is understand that, then alleviate the conflict by taking your chair from behind the seller's desk and moving you to be equal to the buyer's desk so that you're now partners. It's establishing trust and there is creditability in what you do and how you do it.

We're in a business of renewals and whatever I do today I'm going to need to do that next year, plus some. Which means I need all of my clients that I did business with today to be happy to come back next year in a bigger way. We don't approach the sales process with, "Yes we made a monthly goal or yes we've made a quarterly goal." It's about did we achieve our goals for the year and are we setting ourselves up to achieve our goals for next year? You always have to be looking 12, 15, 18 months out and understanding your clients and building relationships with them. And the more that they trust you, the more they share with you and the more that you're able to put together a better idea or sponsorship offering to meet their needs—which will warrant additional funds. So there the circle sort of revolves and if you don't have that relationship then you're not going to get that proprietary information. You're not going to build a bigger sponsorship. What you become is a buyer-seller on a short-term basis—you're a commodity.



## **You are known in the business as one of the first to embrace new ratings data such as commercial ratings. What's the philosophy there and how does it help relationships with clients and agencies grow?**

The biggest amount of money out of your client's media budget goes to television, yet it's the least verifiable medium in terms of quantifiable metrics. It's become way more of a science and less of an art. The more we can prove that we've got metrics that substantiate the power of television and the power of the Weather Channel then that allows the marketer to prove to their CMO, President, or CFO that Weather Channel holds ratings through commercial breaks.

Your gut kind of tells you that when the commercial appears, you tune out, and that makes television somewhat irrelevant in the media planning process. If we can demonstrate that's not the case with us—that we are holding our customers through the commercial break—that means our viewers are attentive. If they are attentive they remember the ads, they watch the ads.

Other companies do engagement studies but we fully fund them. What we found is on a variety of shows that we've tested...for example "Monk" on USA, people couldn't remember the ads that they saw in "Monk" but they remembered the ads that they saw on the Weather Channel and the ads that they saw on FOX News' Hannity & Colmes. That leads us to believe that news and information has a higher retention rate than general entertainment. It's lean-forward versus lean-back viewing. So if we can prove numerically what your gut is already telling you (which is with lean-forward viewing you're more apt to remember the ads), then the question is what is the value of lean-back viewing? What is the value proposition against it? And what are you really buying versus what are you really getting? If you think you're buying "Monk" at a four rating but only 50% of the people remember the ads then what you've paid for is really delivering a two rating. You've just doubled the price to reach the audience.

## **Tell us about your days at Turner. What were some of the most important things you learned?**

It spanned a period of more than a dozen years. In the beginning there was really no cable business. There were no cable budgets. There were no cable upfronts. There was no planning or buying for cable. Every time we went to see somebody they said, "oh that's a nice idea but we don't know how to buy you. We don't have a budget for you," so to speak. There was either a national, spot, print or radio budget but there was no cable budget. What we needed to do was really arouse interest and create value in the cable properties, which we ended up doing. As the business progressed and as the years progressed what we found was that buyers and clients did find tremendous value in cable but because cable has only been around 25 years it had a lot of catch-up to do.

A lot of the catch-up there was in us presenting to clients that if you're buying network television and they're capturing 40% of the audience, you're giving them 60% of your budget. Where with cable we may be capturing 20% of the audience and only getting 10% of the budget. So there was tremendous upside that cable had and we needed to show that value proposition. Part of it was really helping clients understand where does cable fit in? How is it utilized? What we found was it really fell into two buckets. Cable on the one hand was used as an alternative to broadcast to supplement reach and on the other hand some clients used cable as more targeted a niche to enable better targeted communications and broadcast was used more as mass.

Cable has gotten to a point now where it's a mature medium. There

is a tremendous amount of choice. Now the competition necessarily isn't just cable versus broadcast, the way that it was. Now the competition is cable versus anything else.

## **You're an advocate for establishing and furthering women's careers in the industry. Why is it important and what still needs to be done?**

One of the things that I noticed as my career was rising through the Turner Broadcasting companies was at some point I sat at the executive committee. When I sat in meetings with managers or other executives I kind of looked around the room and felt that there were only one or two other women at my level that were in this room. Even as high as I reached, which was an Executive Vice-President, level no female had ever reached the President or CEO level.

What you find out is some of the junior women that are sort of working their way up the ladder in the companies don't know how to network. Guys can go and play golf. They can bond and build relationships and get to know each other but women don't have that opportunity. Women may feel intimidated in a conference room. What I found was that by talking to sales assistants or sales associates throughout the company they would ask questions like, "If I'm in a meeting and I really have something important to say I feel embarrassed because there's all these high level powerful men in the meeting and I'm afraid that if I don't say it in the right way that I'm going to ruin my credibility and my career." So they are intimidated to speak. They wait to be called upon for their point of view. What happens is they are never called upon.

I felt I really struggled getting to the top. I don't really want anybody else to struggle either. It's kind of this empathy of just because I did it the hard way doesn't mean you need to do it the hard way either. So we created this program called "Turner Women Today." It was a networking program for women that can get together and share stories and there were senior people on the panel. It met once a month. You basically got to understand some of the issues and help them.

At the Weather Channel it's a completely different situation because the President is female. The Executive Vice-President/General Manager who oversees marketing and programming is an African-American female. The head of HR is an Asian female. The issue here is not about elevating women to a more senior status because women feel comfortable here navigating through the channels. The issue here is diversity. Whether it be Asians, African-Americans, Lesbians, Gays or whatever, it is other than the typical white female or male. We need more diverse people because we need more diverse thought.

## **What's it like trying to build and work with ratings guarantees based, literally, on the weather?**

Well, we plan on very few hurricanes in our business cycle. So we look at the 10-year average and we threw last year out. Last year was a really heavy hurricane year, one we've never seen. In moving forward and planning your business you need to throw your highs and lows out and then plan on the average.

The other thing is we need to understand that there is a factor that's impacting us dramatically, which is global warming. We're seeing hotter summers and milder winters. We need to plan on that as well, knowing that there may not be snowstorm after snowstorm after snowstorm. There may not be brutally cold winters anymore. What we may have is mild temperatures with intermittent spikes of cold weather that last for a few days. So the question is how do we take that and rebuild our business model knowing that the weather patterns have changed? We're going through that process now.

## What's working in syndication and programming?

As the fall season is now upon us, we wanted to get a sense of the marketplace from those involved in the day to day operations of television what's working right now in syndication and network programming. What types of programming would PDs and GMs like to see more of, and why? What's open right now on the schedule?

### The participants:

**Bill Moll**, Clear Channel Television Chairman

**Joanne Stanley**, PD, WRAZ-TV Raleigh (FOX)

**Kelly Barber**, Director of Programming, WPMI NBC 15,

WJTC UPN44, WPMI 15-2 Weather Plus, Mobile, AL

**Frank Comerford**, WNBC-TV NY President and GM

**Bob Anderson**, GM, KBWB-TV San Francisco (ind.)

**Michael Riddle**, Program Manager, WITN-TV (NBC)

Greenville-New Bern-Washington, NC

**Larry Wert**, GM, WMAQ-TV Chicago (NBC)

**Don Abel**, Program Director, WTLH-TV (FOX)

and The CW, Tallahassee, FL

**Mark Stanton**, GM, WYCS-TV 24 (ind.) Louisville, KY

**Alan Frank**, President and CEO Post-Newsweek Stations

**Kathy Smith**, Operations Manager, WTAJ-TV (CBS)

Johnstown-Altoona, PA

**Perry Sook**, Nexstar President and CEO

### Do you presently have any programming holes to fill? What dayparts and what are you looking to schedule there?

**Bill Moll:** We're most concerned about the shortage of scripted comedies and dramas to fill the syndication pipeline. We're over-exposing our best syndication now, and it will be several years before that pipeline begins to fill with new cost-effective syndicated product.

**Joanne Stanley:** No holes to fill at this time.

**Kelly Barber:** We (WJTC) just recently lost our UPN affiliation and have become an independent television station. Now we have to program prime time. We just recently picked up "Family Guy" and "Two and a Half Men" for fall 2007.

**Frank Comerford:** No

**Bob Anderson:** We have no programming holes at the moment.

**Michael Riddle:** We are considering programming for a secondary digital signal.

**Larry Wert:** We cleared **Megan Mullally**—optimistic her natural talent and prime exposure will translate to audience sampling. We are looking forward to our new iVillage project. It will be live, fully interactive, and a fresh approach to daytime using a unique Universal Studio location in Orlando. This starts in December. We are airing a show on home improvement called House Smarts with host **Lou Manfreddini**. And we co-created a new half hour strip comedy called Sports Action Team. Think of it as a Sportscenter parody, kind of The Office meets Curb Your Enthusiasm, using Second City Alums. It's produced by Towers Productions and scheduled now to run in 30% of the country this Fall on NBC affiliates Sunday nights after NFL.

**Don Abel:** Looking for a court show or good daytime talk/news show.

**Mark Stanton:** We are looking for programming in the 8am to 11am time slot and in the 8pm to 11pm time slot.

**Kathy Smith:** We're set for fall, no holes.

**Perry Sook:** When we have had local holes, we have looked first to see if expanding our local news or doing kind of a hybrid news/infotainment/shopping show would be a viable alter-

native. We're currently on the air in Terre Haute, Indiana with an hour-long local shopping infomercial show that's filling a hole in daytime. We expanded our local news in Evansville into Access because we didn't think there was suitable first-run or off-net programming available. So where possible, we are looking to become more and more local when we have programming holes to fill.

### What syndicated product has really shined in ratings for your station(s), and why?

**Bill Moll:** Oprah continues to perform well in most markets, while the other talk highlight is Maury. We also have a number of Judge Judy success stories (Binghamton, Jacksonville, Mobile, Tulsa, etc.). With Maury and Judge Judy, I believe the inherent conflict attracts key demos in early fringe over apparently safer fare such as Ellen or Millionaire. On the sitcom front, The Simpsons leads the way, with solid performances also coming from That 70's Show and Seinfeld. These sitcoms fit our non-traditional affiliates well and are compatible with network content. Two hidden syndication gems—Family Feud and The King of Queens—both do well on Clear Channel stations.

**Joanne Stanley:** Judge Hatchett

**Kelly Barber:** For WJTC, "The Simpson's" has preformed well. For WPML "Entertainment Tonight" and "Judge Judy" have done well.

**Frank Comerford:** Ellen has been our best performer.

**Bob Anderson:** My Wife & Kids has been a pleasant surprise for us in access providing growth in all key demos while the rest of market is flat or down.

**Michael Riddle:** Wheel of Fortune continues to deliver solid ratings due to longevity, production values and ease of play.

**Larry Wert:** Access Hollywood. Consistent and competitive in access and Producer **Rob Silverstein** keeps it topical and interesting.

**Don Abel:** Court shows. They seem to connect with our viewers who want to see everyday people air their laundry on TV.

**Mark Stanton:** We are liking Hispanic targeted programs which broadcast in English and/or Spanish. We also have an audi-



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consistent performer, literally across all of our time zones and regions. Obviously, the King World product talk shows like Oprah has been a consistent performer in markets where we have it. We have seen nice gains where we have counter-programmed with Judge Judy in Early Fringe. Quite honestly, I haven't paid that much attention to Daytime, because quite frankly, we just don't make a lot of money there.

### What types of programming would you like to see more of, and why?

**Bill Moll:** We'd like to see more hit programming for sure! But also additional news lead-in options. A 4PM hit is perhaps more valuable to us than access success...as it directly impacts early news performance and that lifts access in the end anyway. Court and traditional talk seem to do best in this key day part, while games skew old and variety generally hasn't worked for us. It might be interesting to have shows with more flexible formats to allow for more local content in early fringe. Also, shows with an online strategy rank above those without one.

**Joanne Stanley:** Sitcoms. The pipeline has dried up.

**Kelly Barber:** I would like to see more lifestyle type programs like "Hip Hop Hold 'Em". There seems to be a growing interest among viewers for this type of programming.

**Frank Comerford:** Local, local—the only winner in syndication is the syndicator.

**Bob Anderson:** I would like to see more in-depth news or investigative journalism in syndication.

**Michael Riddle:** I do not think there is a lack of programming in any specific genre.

**Larry Wert, GM:** Local programming that can live and flourish on all media platforms. We are especially looking for content that can generate a web user community. For example we have a NBC 5 fitness team that has established, via their on air programming, a community of over 5,000 on our web site. We learned some things from our net's Biggest Loser.

**Don Abel:** Family game show, national adventure show that would highlight great trips in America (whitewater rafting, mountain climbing, scuba diving).

**Mark Stanton:** More of Hispanic targeted programs. We have a growing population, we are the only local station to target those viewers. However we only have 4-5 programs to offer them.

**Kathy Smith:** There are plenty of one hour dramas available. I still see the need for good half hour comedies because they fit into the schedules well & have historically done well. Reality has performed for the networks; it still has a future. Personally, I'd vote for comedy...people want to be informed, but they also want to be entertained. In today's hectic world, people need to relax & unwind. They will watch "mindless" comedies over & over again, simply to laugh & escape for a half hour.

**Perry Sook:** It doesn't happen with the wave of a hand, but well-written, off-network situation comedies have been the stalwart of our business for some time and having said that, it's been a while since we've seen an A-level product—a Home Improvement, a Seinfeld or a Simpsons—come into the marketplace. They have to be successful on the network and stand the test of time before they come into the off-net

market, but those kinds of utility players seem to be fewer and farther between.

### What network content has been particularly successful for you? What fall network content are you most excited about?

**Bill Moll:** I'm pleased to see more scripted programming on the network schedule. Over the years, scripted comedies and dramas have been the most successful programs the networks could deliver to affiliates. While "reality" programming has been cost-effective, the syndication of 'reality' has been problematic. We need to continue to feed the pipeline of syndication to meet the long term interests of our viewers. As for the fall, I'm pleased to see the multiple-platform access offered by the networks. It is a good thing to be able to have access to network news simultaneously via the internet. It will expand the audience, not contract it.

**Joanne Stanley:** American Idol, Justice and 'Til Death.

**Kelly Barber:** "Law and Order :SVU", "ER" and "My Name is Earl" have preformed well for us (WPMD). We are excited to have the NFL on NBC this year.

**Frank Comerford:** Last year "The Office" and "My Name is Earl" emerged as a bright part of our Network line up - The return of the NFL to NBC and some exciting new shows have us looking forward to the new season so we can build on that momentum.

**Bob Anderson:** None. I will be a full independent.

**Michael Riddle:** Deal or No Deal. It reaches more non-traditional viewers for us than any other program. Studio 60 at Sunset Strip...great cast, exceptional writing.

**Larry Wert:** Studio 60 and 30 Rock — both inside and behind the scenes look while Studio 60 is a drama and 30 Rock is a comedy — think audiences will respond. Heroes is getting a buzz...and so is Friday Night Lights.

**Don Abel:** FOX has propelled us to #1 in P18-49 for first time. Very interested to see how Sunday night NFL on NBC turns out and if Monday Night NFL on ESPN can hold shares of former home ABC.

**Mark Stanton:** We are looking forward to alternative and regional sports programming left behind by the networks and major cable stations.

**Alan Frank:** I like a lot of the new network programming set to debut in a few weeks. Again this is like commenting on the upcoming syndication season minutes before the opening. But from ABC Nine and Ugly Betty stand out, as well as Knights of Prosperity although I loved the old title for that, "Let's Rob Mick Jagger!" I admire all of CBS' new shows, Shark, Jericho, The Class and Smith, think all have a chance to succeed. The new shows on NBC that stand out for me are Sunday Night NFL as well as Heroes and Studio 60 on Monday night.

**Kathy Smith:** We are a CBS affiliate; CBS has dominated primetime. I'm looking forward to the viewers' response on especially two of our new primetime dramas, Shark and Smith. All the networks appear to have some big winners this year.

**Perry Sook:** To steal a line from **Mel Karmizan**, quite frankly I've not paid a lot of attention to what we run in between the commercials with the exception of our local content, so I really don't have a strong opinion on this.

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## Reagan on finding his identity through radio

**Michael Reagan**, the eldest son of **Ronald Reagan**, is heard daily by over 5 million listeners on 200 stations via his Radio America-syndicated talker, "The Michael Reagan Show." His radio career began with an appearance as a guest host on **Michael Jackson's** program at KABC-AM LA. He was then host of a top-rated local radio program on San Diego's KSDO-AM before launching his national program in 1992.

Mike's latest book is "Twice Adopted." In his foreword **Sean Hannity** wrote, "Mike takes his life inside out and dumps it on the table for the whole world to see. He has held nothing back." Indeed, the same is true of his radio show.

Mike and his wife are major supporters and fundraisers for Alzheimer's foundations. Mike's also instrumental in the Young Americas Foundation, which purchased his father's ranch. He continues to spread President Reagan's values and ideals to young people, as part of his busy nationwide speaking schedule. Reagan also set world records in power-boat racing, which raised more than \$1.5 million for charities.

When Mike was just starting out in radio, he contacted WHO-AM Des Moines PD **Van Harden** (ironically the station that President Reagan began his career at). Van told Mike to call back in a year, which Mike did. A year later, Van told Mike to call him when he was on 100 stations. It took Mike three years to build the 100 station roster, and he's been on WHO for 12 years now. Proven by the determination he's shown for the medium, radio is a much, much bigger vehicle for Mike than just making money.

### How do you describe your unique on-air style?

I would say my style is probably just very honest. People probably know more about me than they know about any other radio talk show host in America.

I've lived a lot of things and made it through the other side. I don't have to read a book or newspaper to be prepared for many issues for the show. I can sit there and tell my audience exactly what it feels like to go through molestation; what it feels like to be photographed in child pornography; what it feels like when people used to say to me how lucky you were because your parents were **Ronald Reagan** and **Jane Wyman**. I said yeah at one level it's very lucky but the other level because my parents broke up when I was three, and my mother sent all of us to boarding school.

The calls I will get from people who have gone through the same thing, have that same anger, that same frustration, but they hear it from someone like me and all of a sudden I'm telling them what they felt and how they didn't know how to deal with it for the first time.

I enjoy doing radio because it's not a job to me. It's like everyday I'm sitting down at the water cooler talking to my friends, and I think the audience gets that.

### Tell us about your transition from local radio to national.

I got into national radio because I got fired from local radio. **Rush Limbaugh** became available, I got thrown off the air with 48-hours notice. So I decided to start a national show with absolutely no money,

support or backing. I started a national show September 7, 1992 out of San Diego. I was driving from Los Angeles where I live where to San Diego and back every day—262 miles roundtrip to do a radio talk show. I had five stations, four of them were tape-delayed; one was live. So I was driving 262 miles on Monday to talk to nobody and the rest of the week I had one live station that would listen to me when I did the show. I was doing the show from a building under construction. I had mattresses wrapped around me and stuff hanging out of the ceiling to the wires and everything else. Then I ended up going up to Premiere Radio which ultimately became Clear Channel, and then to Radio America.

I remember when I first got into national radio. A PD out in Seattle, KVI (the first station to sign me) said to me, "You know Mike, let me just tell you something as long as you're having fun so is your audience. When you stop they stop. So you'll know when to get out of radio." I'm having fun. I started my 15<sup>th</sup> year in syndication September 7<sup>th</sup> and everybody said I'd fail.

### What drove you to keep going?

My mother. I called her one day I was in tears I said I don't know if this is going to work out. I think I may quit because I'm not making any money and my mother said "I have a suggestion." I said what mom? She said "Shut-up and keep driving." My dad even called **Rush Limbaugh's** people and they heard a couple of tapes and told me I should get out of the business.

I prepare everyday the same way I prepared the very first day of my radio show—that I am not taking a phone call and I'm going to have to do three hours of radio with a monolog.

### What things did you learn from your dad?

Most of the things that stuck with me my mother gave me, because my dad left when I was three and married another woman. However, what I loved about my dad is when he divorced my mom he never gave up on the first family. He

always was a father to **Maureen** and I. He didn't walk out like the dirty laundry and not come back and be a father.

If I learned something from my father it's if I walk into a room with one person or a 1,000 people I will try to shake every one of their hands before I leave. I just am that way and **Nancy** used to have to pull my dad away. If you came to see me speak, I'm coming to say hello to each and everyone of you. I will stay afterwards. As I say on my radio show, I thank my audience. I thank them immensely. Every time I go out and speak I can say honestly I save a life.

I'm the only **Reagan** alive that has the same belief system as my dad. I had to come by it my own way, though. I never knew why because nobody ever cared to ask. They always say how does your dad feel? So radio gave me the availability to find out why I believe the way I do. I remember the first time doing radio I was talking about some issue and somebody said "Fine—that's how your dad believes, why do you believe it?" I had no answer. Radio has given me the availability to learn why I believe what I believe and to be able to espouse my position on issues with the passion that I have. I didn't know who **Mike Reagan** was until I began doing radio.





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## “A Great Day To Be In Radio”

By Andy Lipset, Managing Partner, Ronning Lipset Radio

Those of you who know me have heard me say this line many times over the years. At one time, it was even on my daily outgoing voicemail message. But I am not trying to relive 1996 all over again. Today, *right now*, my passion for the radio business is as strong as ever and I still truly believe that it is still a “great day to be in radio.”

We all have read about “the death of radio” in various consumer and business magazines, newspapers and in our very own trade magazines. Radio is not dead. As a medium, it still does an incredible job of entertaining listeners and getting those listeners to react to advertising. Much of the problem with radio actually has to do with many people inside the business. The fire has been extinguished and many of us have bought into the reports signaling that radio is no longer cool or effective. “Clients do not believe radio is exciting anymore” is something that can be heard around radio stations and advertising agencies across the country. But how can we expect clients to be excited about radio, if we do not believe it ourselves?

We all know that the media business is changing rapidly. The interactive nature of media is here to stay and consumers are changing their media consumption habits rapidly. At the same time, the advertising community continues to look at this medium with interest and is starting to invest heavily in these areas.

The great thing for the radio business is that most major and medium market stations (and many small market stations) already have an answer for all of this. They can capture the interest of listeners through a vehicle they are comfortable listening to. They can capture the interest of advertisers by speaking to the interactive nature of the radio medium. They can reignite their own passion for the radio business. The answer to all of this revolves around online radio.

### Let's take a closer look at some important online radio facts:

1. Arbitron/Edison Research estimates that 30 million people EVERY WEEK are now listening to the radio through their computers. Clearly, the computer has become a comfortable music device, as over 52 million people (21% of the total U.S. population) are listening to online radio in a month.

2. The online radio listener tends to listen in-office, during work hours, complementing traditional radios drive-time skew nicely. In addition, because these listeners are at-work, their qualitative profile is higher than the average person.

3. Demographically, you will find that teens and college kids are listening to online radio. However, the biggest demographic groups are within the 25-54 age cells, again reflecting the at-work nature of this audience.

4. Online radio is easy to listen to today. Most people have broadband access at home, at work, or at school and, therefore have access to better sounding music, with virtually no buffering interruption. There is no special hardware to buy and the majority of online radio stations are supported by advertising, meaning the product is free to the listener. The ease of access today is one of the reasons why so many people are listening to radio online.



Online radio is here now, reaching millions of listeners, and instantly adds excitement back into the radio business again. This is no different than what the television business is doing in the interactive space. ABC, NBC, CBS, Fox, etc. all have expanded their presence by creating online video destinations themselves, and/or doing distribution deals for their content with companies like AOL, Yahoo, MSN and

Google. The networks have seen that the viewer of television is now going to different sources to get “video” content, which is why they are moving in the digital direction rapidly. Radio is doing the same with “audio” and a station’s website is the perfect place for listeners to find this product. The upper hand that radio has is that consumers have been listening to music through their computers for years, and this is not a phenomenon that happened in the last 6-12 months like video has.

It is no secret that most clients are intrigued with the today’s digital media offerings. Online radio gives radio an “interactive” flavor while embracing many of the traditional aspects of the medium. To start, the main messaging in online radio is an audio ad, a piece of creative that we know is very effective as an advertising vehicle and we are comfortable with. From an interactive standpoint, the accountability of online radio in terms of exact listenership and delivery of an ad is something that we can now boast about to a client base that has been looking for us to demonstrate ROI out of our medium for years. In addition, most online radio stations can synch an audio ad with a visual ad located with a station’s radio player. This visual ad can usually be clicked on and will drive listeners directly to an advertiser’s website for more information on a product, locate a local dealer, interact with a promotion or



buy the product directly online.

For an advertiser, online radio is easy to buy and plan and there is not a new language to learn to do so. The buyer and planner who have worked with radio also have the skill set to do so in online radio. Arbitron produces audience estimates for online radio in the same terminology as traditional radio: average quarter hour rating, cume and time spent listening. Arbitron ratings are done in conjunction with Comscore, the leading online measurement company. Most importantly, these numbers are captured passively, not via diary, through a panel of 200,000 listeners. The panel has complete demographic data associated with them, and when a panel member starts to listen to a subscribing station, that data is automatically captured. This passive measurement is here now, and another element that we can speak to as a medium.

**So take all of this about online radio, and add these facts:**

1. The iPod will not kill the radio business. Did you ever listen to a cassette tape that you made growing up? Did that completely stop you from listening to radio? The iPod is actually a complement to radio, similar to the cassette tape. Recent studies are also pointing iLipo the iPod losing some of its "cool" factor in the younger demos and that playlist burnout takes place after 6-12 months with the device across upper demos.

2. Satellite radio isn't going to go away, but is also isn't going to put radio out of business. There will always be a sub-section of the audience that is willing to pay for subscription radio. That said, there is a tremendous appetite from the American public for free, advertiser supported product, particularly as more products look for the extra \$5-40 dollars a month from us (telephone, cable, ringtones) and we start to experience subscription overload,

3. HD Radio is a good thing for the industry; that said, it is going to take time before the consumer understands the value of what HD Radio is and has access to it at a reasonable price point for the hardware. As an industry, we should not wait for HD Radio as the vehicle to inspire a mindset change within our advertisers or ourselves.

Down the road, there are many things that will make online radio continue to thrive. One, the emergence of wireless broadband in major cities will make online radio portable. Second, the ability to link your favorite online radio station to your home sound system will increase listenership in the house. Both of these elements are available today, however, they are being used by a small number of people. Finally, the concept of niches and how the internet is transforming the choices consumers have comes into play. This is described in the recently released book "The Long Tail." Online radio provides listeners with the ability to hear virtually anything they want to at anytime. This already exists on many internet only radio broadcasters and is something that the radio broadcasting industry will have to address as the medium matures.

All of these elements will continue to make a stronger case for online radio in the future. But online radio is here now! Many of our advertising agency partners on the national front have been using the elements above to help their clients realize that radio is very much alive, well and moving forward. In fact, some include it on every radio plan they put together.

The media world is changing, and unlike the price of gasoline these days, we aren't going to see a change backwards. The great news for every person at the station, agency, and client level reading this is that the radio business is ready today to handle these changes through online radio. Let's put the passion back in our pitch because the radio business has a ton going for it today!



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## Looking To Grow Your Revenue?

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

I love to learn new things and I am constantly looking for new seminars, lectures and books that will help me – help my clients. And, whenever I attend a seminar it is always with a two fold purpose. One: is to learn something new that will help me help sell in radio to my clients and two: is to learn something to share with the Account Executives around the country who work tirelessly every week selling radio solutions to local and national accounts. I believe that we, as an industry, must share information with each other so that we can continue to increase our success rate and demonstrate to clients the real power of radio.

We must always be looking to learn new approaches for solving and executing marketing solutions that deliver real results. By creating and developing solutions that are specific to a client's needs we eliminate the "pushing a package" approach to selling and begin to build a solid foundation of confidence and trust. When we take the time to sell solutions rather than packages we have greater chance of having a client for life. A client who believes in us knows we have their best interest at heart and that we're not in it to just make a sale.

Additionally, when we take this "creating custom solutions" approach we eliminate the possibility that a client will turn to us and say "I tried radio but it didn't work." We all know that when a client has had an unsuccessful run with radio—it is very unlikely they will try it again.

Having to fight for every radio dollar has become more challenging as more new media choices becomes available. But by continually providing support and training to your staff we can continue to grow the business and hopefully even gain greater shares of budgets.

It is exciting to see that the radio industry has stepped up to the plate to embrace new technology platforms such as streaming, HD, podcasting that will enable us to engage listeners / consumers with their station and our client's product / services on an on-demand basis. These extensions of terrestrial radio broadcasts can be valuable added elements within our customized marketing solutions for clients.

Training your sales team with the skill set to create custom marketing solutions, rather than pushing a package, should be an ongoing part of their development. I continue to train myself in the "art of the sell" by seeking out Sales Training Seminars and over the coming months will be sharing with all you some of the seminars, books and lectures that have helped me so that you may take advantage of them too. The first one that I'd like to share with you is a program called the Effective Facilitator Workshop from Creative Resources Group. ([www.creativeresourcesgroup.com](http://www.creativeresourcesgroup.com))

I recently attended the Effective Facilitator Workshop and came away

from it equipped with a complete arsenal of tools to help me develop creative marketing solutions for clients. This process was developed by **Gerry Tabio** and is taught by Gerry, **Sally Beamer** and **Lori Sheridan** who bring to the table there combined 75+ years of experience in the industry. Sally keeps the processing on time and there is very little down time. In 3 days – you walk away from this training as a true "Facilitator" who can put the process to use the very next day. I believe that every station in the country should have a trained facilitator on staff. This process is aimed at helping your A/Es develop new business and grow your revenue.

I describe the training as structured—free form brainstorming session—to develop marketing solutions for each client's specific needs. I know it sounds odd to use the term "structured and free form" in the same description—but it is just that.

The training begins with a review of the process, followed by a demonstration of the process and continues with a "hands on" demonstration by each and every attendee so that they can understand the process and can successfully implement a proper "facilitation."

Gerry, Sally and Lori—will not let you move to the next level until they have the confidence that "you" have the confidence in your ability to implement the process.

Because the program is structured it keeps you focused on the agenda and the problem at hand yet still creates an atmosphere of "free form" openness and creativity. This results in more ideas and better targeted solutions.

I've often been asked to participate in brainstorming sessions for our clients and always willingly agree to be a participant. However, being trained as a "facilitator" has opened up a whole new level of creativity in me that I did not even know was there. This is why training is so important.

We must never think we have all the answers despite the years we may have in the industry. I, for one, must always be looking for new approaches. Yes, I struggle with hav-

ing to accept new ways (we all do), but, I never give up – creativity is branded in my soul and I must always be creating, thinking, doing. Creativity without it life would be so dull, so boring! Don't you think?

As a broadcaster I suggest you budget at least one person for each station to be trained as a full time on staff "facilitator." As an A/E if your company does not have the resources to fund every A/E at your station – I highly recommend that you invest in yourself and fund the expense of this training on your own. It will be worth every cent and the skills you learn will carry your success rate to new heights.

This process is aimed at helping A/Es develop new business and grow your revenue. There is a whole world of opportunity to sell radio to local and national accounts and this training can help. Have you budgeted for training on a regular basis for your team? Whether your answer is "yes" or "no" – I suggest you may want to look into the Effective Facilitator Training from Creative Resources Group. There's new business out there just waiting to be developed and this program can help you close it.





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## Kansas Broadcasters Win Property Tax Relief

By **Kirk Low**, CPA, and **S. Lucky DeFries**, J.D.

For some time, it has been clear that the broadcast industry was being penalized for having to acquire and pay tax on digital equipment while still owning and paying tax on analog equipment. Until the official transition from analog to digital on Feb. 17, 2009, broadcasters have been placed in the unfavorable position of having to pay personal property tax on both sets of equipment, even though the digital equipment is serving a minimal number of households nationally.

Given this inequity, the Kansas Association of Broadcasters initiated conversations to explore the possibility of obtaining property tax relief. Their decision to pursue legislation coincided with Kansas Gov. Kathleen Sebelius' intention to make personal property tax relief a priority in her 2006 legislative agenda. Gov. Sebelius' decision to include this relief culminated years of discussion and concerns from within the business community regarding the shortcomings of the Kansas personal property tax system.

The Kansas business community has complained for years that, even after personal property was depreciated according to the state's personal property tax formula, taxpayers were still required to pay personal property tax based on 20 percent of the retail cost of the property. Because most of the surrounding states either exempted the same personal property or taxed it at a more favorable level, the business community claimed that the Kansas personal property tax system inhibited new investment.

### A Boost to Investment

The legislation crafted by the broadcast industry to address its situation was being discussed at the same time as the governor, legislature, and business community were focused on trying to provide some much-needed personal property tax relief to spur investment in machinery and equipment. Thus the broadcast industry, as well as most other taxpayers, will significantly benefit from this new prospective personal property tax exemption.

Specifically, the prospective exemption applies to all commercial and industrial machinery and equipment covered by Category Five within the Kansas Constitution's classification amendment. Although Category Five does not include state-assessed property, the act extends the benefits of this new exemption to the telecommunications industry as well as railroads. The effective date of the new exemption is July 1, 2006.

Significantly, the new exemption also applies to machinery and equipment transported into Kansas after the effective date of the act, if the machinery and equipment is being used to expand an existing business or create a new business. The legislation specifies that the exemption would not apply to property acquired through the exchange of stock, securities, or the transfer of assets from one going concern to another resulting from a merger, reorganization, or consolidation.

Because the new legislation is prospective in nature, taxpayers will still be required to pay tax on any machinery and equipment which was owned as of June 30, 2006. The refundable income tax credit based on one's property tax paid on machinery and equipment will continue as is with respect to existing equipment.

Additionally, the existing exemption for equipment and supplies costing less than \$400 was raised to \$1,500 beginning with the 2007 tax year. This provision, sometimes referred to as the "paper clip" provision, was a nice addition to the other exemption initiative. Originally, the proposal was to increase the limit from \$400 to \$1,000 but it was increased even further to the \$1,500 level at the very end of the session.

### Relief for Radio, TV Broadcasters

With respect to the specific legislation advocated by the Kansas Association of Broadcasters, television broadcasters will be granted a temporary property tax credit equivalent to the amount of property taxes paid on digital television equipment acquired prior to July 1, 2006, multiplied by the estimated percentage of nondigital television sets in the United States. The credit will expire when the Federal Communications Commission has ended the broadcast of analog television signals by all full-powered commercial television stations in Kansas.

Radio broadcasters will be granted a temporary property tax credit equivalent to the amount of property taxes paid on digital radio equipment prior to July 1, 2006, multiplied by the estimated percentage on nondigital radio sets in the United States. The credit for radio stations will expire after tax year 2013 or when one-half of the radios in the United States are capable of receiving a digital signal, whichever occurs first.

If the Feb. 17, 2009, cut-off date for analog broadcasting holds, a Kansas television station will benefit from the reduced assessments on digital equipment for three years. To the extent that more digital televisions are sold, the credit will decrease.

At the same time, the formula for calculating the taxable value of the digital equipment reduces the appraised value. Assuming the Feb. 17, 2009, cutoff date holds, the digital equipment will be appraised using the standard tables beginning in 2010.

The broadcast industry was extremely fortunate to receive the benefits not only of the governor's initiative but also of the specific legislation designed to address the inequities associated with the requirement to obtain digital equipment. Because the governor's initiative would benefit most taxpayers, including the broadcast industry, and because of concerns that the separate bill involving the broadcast industry might attract other unwanted amendments, securing the passage of the specific broadcast credit was no easy task.

Its success was due in large measure to the perseverance of Harriet Lange, executive director of the Kansas Association of Broadcasters, and a significant amount of cooperation from the Kansas Department of Revenue at the time the bill was drafted. Even though there was initial reluctance to even hold a hearing on the bill, the association's hard work prevailed in the end.

Thus, through a confluence of events, the personal property tax legislation passed this year proved to be extremely beneficial both for Kansas taxpayers and, in particular, for the broadcast industry.

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Under U.S. Treasury rules issued in 2005, we must inform you that any advice in this communication to you was not intended or written to be used, and cannot be used, to avoid any government penalties that may be imposed on a taxpayer.

## Q2 trading: TV takes over

by Dave Seyler

Television trading really took off in the second quarter of the year. There were almost double the number of deals than were filed in Q1, for over three times as many stations, and the value of the transactions increased by a factor of ten (and then some). However, radio trading was a matter of sustained volume for modest value. There was a huge drop-off in total radio value due to the distorting effect of the 2.7B Q1 transaction sending ABC radio stations under the care and feeding of Citadel. It represents about half of the YTD value of about 5.4B.

### Station trading

Quarter	Deals	AMs	FMs	TVs	Value
Q2 2005	158	86	173	9	\$627,585,775
Q3 2005	151	75	87	42	\$2,483,326,054
Q4 2005	113	88	143	19	\$3,365,567,974
Q1 2006	139	105	121	10	\$3,282,445,811
Q2 2006	144	93	132	33	\$2,150,615,819

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### Trading action retains rustic flavor

Trading activity, already tilted toward the smaller markets, shifted even further in that direction during Q2. This was especially true on the radio side, where only 19 out of 225 stations were in a top 50 market. And only five of the 19 were on the FM side. Television trading compared to market size was much more balanced, with 13 the top 50, eight in 51-100 and 12 in markets smaller than #100.

### Quarterly station trading by market size

Quarter	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Unrated Mkts
Q2 2005	268	39	20	67	142
Q3 2005	204	37	37	55	75
Q4 2005	250	69	34	54	93
Q1 2006	236	56	27	63	90
Q2 2006	258	32	30	97	99

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### Radio value bottoms out

You have to go all the way back to the post ownership rulemaking trading freeze during the summer of 2003 to find a lower radio transaction value than was posted in Q2 2006. With almost all of the beachfront property claimed, just about all the action in the bigger markets involves niche operations, noncommercial stations and marginal signals. There are new groups on the hunt for inventory in small markets, both rated and not. (Two transactions in Q2 involved both radio and TV, and are counted as TV deals. However, radio stations involved and their estimated value are included in radio totals.)

### Radio only transactions

Quarter	Deals	Stns	Value
Q2 2005	150	259	\$560,473,803
Q3 2005	132	162	\$481,196,053
Q4 2005	105	231	\$2,301,767,974
Q1 2006	129	226	\$3,103,495,811
Q2 2006	126	225	\$358,665,819

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### Television trading picks up

A wide variety of transactional strategies were in evidence in Q2 2006. Some groups were pruning portfolios in the aftermath of major acquisitions. There were smaller owners, including one in Los Angeles, deciding to get out of the business. In some cases, owners in a market saw a chance to squeeze in a duopoly pairing, occasionally converting an LMA, JSA or SSA into an ownership situation. There was even at least one case where a station was sold to a new owner with plans to continue a JSA/SSA with a third party. While TV dereg remains bogged down at the FCC, this is where the most creative dealmaking is taking place.

### TV only transactions

Quarter	Deals	Stns	Value
Q2 2005	8	9	\$67,111,972
Q3 2005	19	42	\$2,002,130,001
Q4 2005	8	19	\$1,063,800,000
Q1 2006	10	10	\$178,950,000
Q2 2006	18	33	\$1,791,950,000

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# RBR TVBR

## Radio & Television Business Report

October, 2006

Volume 23, Issue 10

Publisher & Editor.....Jim Carnegie  
Managing Director .....Carl Marcucci

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Radio & Television Business Report is published monthly by Radio Business Report, Inc. Publishers of RBR/TVBR Daily Morning E-Papers, RBR/TVBR Afternoon Media Mix, rbr.com, tvortv and the Information Services Group database.

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## CW affiliate brings \$47 million

You could call it the first sale of a CW network affiliate, even though the sale was announced a few weeks before the actual network launch. But it does indicate that there is a healthy market for strong stations affiliated with the newbie net.

Southeastern Media Holdings, headed by President **Donna Barrett**, is getting its 4<sup>th</sup> station with a deal to buy WUPV-TV Richmond, VA, market #60. The \$47 million price tag is a nice payoff for Bell Broadcasting, headed by CEO **Jim Lockwood Jr.**, which bought the station for \$10 million in 1997 and built it up from there as a UPN affiliate, then secured the CW affiliation for the Virginia capital.

"It certainly shows that people are paying up for the right stations," said broker **Susan Patrick** of Patrick Communications, which put the parties together. WUVP, licensed to Ashland, VA, is on Channel 65. After this deal closes, Lockwood's company will still have stations in two markets.

**TVBR observation:** We're sure it is just coincidence, but Southeastern always seems to buy in markets where Raycom already has a station. We look for WUVP to be put into a shared services agreement with Raycom's WTVR-TV (Ch. 6, CBS).

## Pegasus deal topped in bankruptcy auction

When you agree to buy assets from a Chapter 11 bankruptcy proceeding, the deal isn't final until the bankruptcy court opens the gates to see if any higher bidder comes forward. That is what has happened with the TV group of Pegasus Satellite Communications.

The previous deal to sell its seven TV stations to MM Broadcasting for \$42,456,094 has been pushed aside by New Age Media, a subsidiary of CP Media LLC, which has agreed to pay \$48,456,094. CP is primarily owned by the **Charles and Mary Parente** family, along with **Frank Henry** and **Michael Vanuzzi**. **Brian Parente**, a part-owner of his parents' investment group, owns radio stations as a part-owner of Bicoastal Media. Henry and the Parentes also own a non-attributable interest in the *Wilkes-Barre Times Leader*.

So New Age is now on track to acquire WOLF-TV Wilkes-Barre/Scranton, PA (Ch. 56, Fox); WILF-TV Williamsport, PA (Ch. 53, MyNetworkTV); WPXT-TV Portland, ME (Ch.

51, CW); WPME-TV Lewiston-Portland, ME (Ch. 35, MyNetworkTV); WDSI-TV Chattanooga, TN (Ch. 61, Fox, plus MyNetworkTV multicast); WTLH-TV Tallahassee, FL (Ch. 49, Fox, plus CW multicast); and WGLF-TV Gainesville, FL (Ch. 53, CBS, plus MyNetworkTV multicast), along with their associated translators and LPTVs.

In a related move, another new buyer, MPS Media, owned by **Eugene Brown**, is buying WSWB-TV Scranton, PA (Ch. 54, CW) and WTLF-TV Tallahassee, FL (Ch. 24, formerly WB) from Mystic Television for \$3,043,906. Both will be put into shared services agreements with New Age Media.

## Emmis sends cash back to shareholders

Rather than another Dutch auction, Emmis Communications has elected to make a cash payout of \$4.00 per share to shareholders as a special dividend. Emmis says the special dividend combined with last year's Dutch auction tender will have returned almost \$550 million to shareholders. "The board decided that this special dividend – the first-ever for Emmis – would reward all of its common shareholders while at the same time establish an appropriate capital structure for Emmis to achieve its strategies. This action demonstrates the Board's confidence in Emmis' financial discipline, while allowing all shareholders to benefit from overachieving the expected sale price for our television stations," said Emmis CEO **Jeff Smulyan**.

Emmis has 37.2 million shares outstanding, so the special dividend will total \$149 million. Nearly \$20 million will go to Smulyan, who is the biggest shareholder. Emmis said it expects to make the special dividend payment in November.

At the same time, Emmis said it would make a tender to purchase, at par, all of its \$375 million outstanding of 6 7/8% Senior Subordinated Notes. That tender is required by an asset sale provision of the indenture for a portion of the notes.

**RBR/TVBR observation:** This special dividend move did not please Wall Street, which had been hoping for another Dutch auction stock buyback round. Why not do that? One reason might be the current stock price. Having already rejected a \$15.25 buyout offer from Smulyan to take the company private, the board of directors would not have liked to have turned around and done a big stock buyback at an even lower price.

## Fleet inserts Patrick at CT group

A trio of AM stations are being put under the receivership of broker, consultant and group owner **Larry Patrick** by order of the U.S. District Court in Bridgeport in that state. The stations have been licensed Freedom Communications of Connecticut, owned by **Stephen Brisker** and **Richard Weaver-Bey**. The stations, all in the Hartford-New Britain-Middletown CT market, include WLAT-AM, New Britain; WNEZ-AM, Windsor; and WKND-AM, Manchester. The action was brought by Development Ventures, L.L.C. against Brisker as defendant. A forensic accountant testified that the station group should be in excellent financial health "...if not for the large amount of disbursements flowing to [Brisker] the CEO and others in one form or another." A litany of shaky financial dealings consumed page after page of a court document, starting with a look at Q4 2005. The company took in 383K with 213K in operating expenses. But it spent another 217K, including "34K for legal fees; 152K for consulting fees; 6,884 for rent for the CEO's apartment; 14.9K for travel and entertainment and 9K for interest charges..." It goes on from there. Brisker says much of the what he took was "deferred compensation," but the court still decided to put the stations under Patrick's stewardship, saying, "W. Lawrence Patrick possesses the competence and skill necessary to adequately protect the interests of the Company and its shareholders pending the outcome of this litigation." It becomes a rare move of placing a solvent broadcast operation, nowhere close to any of the red-zone creditor relief chapters, into receivership.

## Remaining CBS Radio stations may have shelf life

By the time you read this, it may not be too late to pick up some station inventory from CBS, if **Victor Miller** and his crew at Bear Stearns are correct. They were recently looking into the possibility that CBS may be thinking about a major stock buyback (see related story above). Noted in due course of that analysis are the three recent sales of radio station properties "...accounting for 432M of gross proceeds, 350M+ of net proceeds and 30.5M in sold cash flow." Bear Stearns had been looking for 40M in sold cash flow. Still on the table, however, are stations in four markets. Here's an RBR refresher: \* Kansas City: KBEQ-FM, KMXV-FM, KCKC-FM, KFKF-FM; \* Columbus OH: WAZU-FM, WHOK-FM, WLWQ-FM; \* Greensboro-Winston Salem: WSJS-AM, WMFR-AM, WSML-AM; \* Fresno: KFPT-AM, KMJ-AM, KSKS-FM, KOQO-FM, KWYE-FM, KMGV-FM, KFJK-FM. If Bear Stearns is correct, there may be time yet to put together an offer. The analysts wrote, "...we do not expect sales to occur in these markets in the near term."

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