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Jacor buys Dr. Laura for $71.5M

Three months of negotiations, Jacor (O:JCOR) last week announced it has signed a $71.5M agreement to buy the rights to the "Dr. Laura Schlessinger Show" from Synergy Broadcasting, Inc. Schlessinger's program will become part of Premiere Radio Network's line-up.

Jacor CEO Randy Michaels has been aggressively building the syndication side of the company. This latest acquisition is the third programming deal in the past seven months. In June, Jacor bought Premiere for $190M (RBR 4/14, p. 12). In March, Jacor purchased EFM, syndicator for Rush Limbaugh and Dr. Dean Edell (RBR 3/24, p. 2, 4) for $50M. EFM was renamed RadioActive. Those additions vaulted Jacor to the #3 network. work, after ABC and Westwood One. "Our goal is to be #1," said Premiere President Steve Lehman in an exclusive interview with RBR (RBR 6/9, p.8).

As part of the Schlessinger deal, Jacor will also acquire Multiverse Networks—which reps Dr. Laura and several other syndicated programs, including Jacor's Gary Burbank, plus "Country Heartlines with John Crenshaw," and "Beyond the Beltway with Bruce DuMont."

Unlike Westwood One/CBS, whose sales executives sell the full range of programs, Michaels tells RBR there are no plans to consolidate Jacor's reps. "Having separate sales organizations gives us depth and power," says Michaels. Lehman agrees, saying "separate entities could have leverage" when walking into an agency.

The purchase may mean some stations could lose Dr. Laura. When Jacor purchased EFM, Limbaugh's program was moved to Jacor stations in seven markets. In Portland, Lexington, and Casper it went to bigger signals. "I want the biggest success possible for these shows," says Michaels, adding Jacor will be less "heavy-handed than the others might be."

Schlessinger says she's "excited about the opportunities," in particular, the potential to add affiliates. Her contract length and terms were not disclosed. She had served as SBI's president.

RBR observation: Randy isn't done building up the syndicated side even though he's now laying claims to having the #1, #2 and #3 rated shows. RBR sources confirm other acquisitions are in the works.

IBM: the newest name in radio

IBM is getting into the radio business. Through a marketing agreement with Houston-based ADC Labs, IBM is offering StarTrax, a digital audio storage system.

The move puts IBM in the competitive arena with other digital audio systems such as those offered by Broadcast Electronics, RCS and Computer Concepts. IBM claims its software system is unique because StarTrax integrates several station operations into one including scheduling, traffic, programming, and the digital library. "Most systems fulfill one or two of these roles," said Brian Queen, market development manager, IBM. The system is also scalable—the network can be expanded to additional stations as needed.

RBR observation: StarTrax is the latest example of IBM's strategy away from its lagging mainframe business and into new mid-market business applications. It may not be the last big name to try and cash in on the booming radio biz. (Could Bill Gates be far behind?) The effect on the radio business, particularly smaller radio vendors, could be devastating.

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Hollings backs Kennard

In a sudden shift of support, Senator Ernest "Fritz" Hollings (D-SC) has thrown his support behind President Clinton's nominee for the top spot at the FCC.

Hollings had said he would try to block Kennard's nomination in favor of his former aide, Ralph Everett. But Hollings had become increasingly "isolated" in his fight. Hearings will begin Sept. 30 for the three Commission vacancies; Kennard's hearing will begin Oct. 1.

Suit may save syndies

Imagine losing Rush, Dr. Laura, Dean Edell, and Art Bell. All those shows have either been pulled from L.M. Communications' WLXG-AM Lexington, KY in favor of Jacor's WLAP-AM. So far, only Limbaugh has moved but syndicators have put WLXG on notice. Limbaugh, Schlessinger, and Edell are all owned by RadioActive Media or Premiere—both divisions of Jacor. (See related story, p. 3) L.M. Communications may try to use the courts to keep the shows, according to PD Chris Croft.

Jacor CEO Randy Michaels said the Jacor station has a better signal.

RBR observation: Jacor isn't the only group looking to get its own programming on its own stations. After all, distribution is what it's all about.

Chancellor organizes

A week after Chancellor and Evergreen completed their merger (RBR 9/8, p. 13), the new Chancellor Media Corp. (O:AMFM) announced its senior management team. Three former heads of radio divisions, Bill Figenshu (Viacom), John Madison (Pyramid), and George Toulas (Chancellor Broadcasting), now have the Chancellor title SVP Regional Operations. Chancellor COO Jim deCastro also appointed Steve Rivers Chief Programming Officer.

SFX in tangled web deals

Streaming deals are becoming as tangled as the Web. Two companies have claimed exclusive rights to stream SFX's (O:SFXBA) Jacksonville stations on the Internet. MediaOne Express, the cable ISP for US West Media (N:UMG), was the first to announce on Aug. 25 it would stream the

#1 or #2 in St. Louis, Cincinnati, Charleston and Lexington.

#1056 in New Orleans.

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Nets next for Interep

Forget earlier rumors that Interep Chairman Ralph Guild is gearing up to sell Interep. Not true, said Guild in a phone call to RBR from France and in an internal memo to Interep employees.

What is more likely, according to RBR sources, is that Interep is considering repung major networks. That's a logical next step. In another internal memo about the role of Radio 2000, Interep's new business division, Guild hints at the possibility. "We are now expanding our knowledge and selling skills to integrate network radio into our portfolio," says the memo. "By offering both, Interep will become the first true one-stop shopping center for radio." Interep has already created business for two networks, but so far has no formal agreements.

RBR observation: This makes sense. For Interep, it opens up a new revenue source at a time when group deals are locking up potential new business from stations.

continued on page 6
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Network audiences increase 7.6%  
Network audiences have finally surged back to Fall 1994 levels (RADAR 50). Average network audiences were up 7.6% over RADAR 54 (Sp 97) to nearly 22.4M.  

Once again, ABC's Paul Harvey is the number one rated network show. ABC also has 10 of the top 10 programs and 43 of the top 50 programs.  

Due to Westwood One's reconfiguration of its networks (RBR 7/7, p. 3), three nets measured by RADAR (NBC, NeXt, and The Source) can't be trended. Westwood's new networks, particularly NBC and NeXt had strong debuts, with NBC ranking third among the nets and NeXt in a tie for sixth with its own CNN+.  

Of the ten trendable nets, four went up—ABC Platinum (0.7%), ABC Advantage (161.8%), ABC Galaxy (6.1%) and American Urban (2.7%).  

Bragging rights  
Who had the best book? It all depends on which net you ask and which demo. A straight comparison is tough because ABC has five networks to Westwood One's 11, giving Westwood a tonnage advantage. For the most part, ABC and Westwood are neck and neck. (See table, below).  

SFX stations via high speed cable modems. A week later (Sept. 10), AudioNet said it had an agreement to be "the exclusive Internet broadcaster for all radio stations owned by SFX."  

Even SFX is unclear about the deals. "AudioNet is going to become the exclusive provider. While I was unaware of the deal with Media One in Jacksonville, I do know that one of our Indianapolis stations is streaming with a competitor of AudioNet," said Mike Ferrel, president/CEO SFX.  

“Our deal with Media One was done early this year, and is a multi-year contract. I can assume that after the contract is up, these stations will revert to AudioNet exclusively. Until then, we will probably be heard on both. However, Capstar [which is buying all SFX stations] may have its own plans that could affect both of the deals,” said Mike Powell, director of technology resources, SFX Florida.  

According to RBR sources, the AudioNet deal is not new and was signed about six months ago. AudioNet President Mark Cuban declined comment.  

RBR observation: An added twist: Capstar's Steve & Tom Hicks are both equity owners in AudioNet.  

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LIN deal draws lawsuits
Four shareholder lawsuits seeking to block the $1.7B sale of LIN Television (O:LNTV) to Hicks, Muse, Tate & Furst (RBR 8/18, p. 3) have been filed in courts in Delaware and New York. Each claims the $47.50 per share buyout is unfair to public shareholders. As reported, LIN stock had closed at $48.625 a day before the buyout was announced. LIN says the lawsuits are without merit.

Clark on Wall Street hit parade
Perpetual teen-ager Dick Clark's dick clark productions inc. (O:DCPI) reported record revenues of $23M, operating income of $8.6M and net income of $1M for its fiscal year that ended June 30. The company produces numerous TV programs. It also produces trade shows and owns the "Dick Clark's American Bandstand Grill" restaurant.

TVB forecasts '98 rev gains
Local TV is expected to grow by as much as 8% (6-8%), outpacing spot TV (5-7%), network TV (5-7%) and syndication (4-6%), according to the Television Bureau of Advertising (TVB). The TVB also forecasts cable to post 11-13% gains, to boost total TV advertising 6-8% in 1998.

Stockholders choose stock
Most stockholders of Argyle Television elected to take stock in the new Hearst-Argyle Television (O:HATV), rather than $26.50 per share in cash. Since the deal required shareholders to take at least $100M in cash, those who had wanted all stock had to settle for $3.98 in cash and 0.8497 share of Hearst-Argyle for each share of the old Argyle. The $1.8B merger (RBR 3/31, p. 12) created a company which owns 13 TV stations. It also manages three TV stations and WBAL-AM & WYY-FM Baltimore, which are separately owned by Hearst Corp.

RBR observation: The stock vs. cash pick was a no-brainer, since the stock had been trading in a $28-30 range.

TV mid-year revs up 5.1%
At the half-way point, TV revs gained 5.1%, according to the Television Bureau of Advertising (TVB). National spot is up a disappointing 2.1%. Local is up 4.8%. Syndication gained 3.7%. Network posted the biggest increase, up 6.8%.

KITV gets first digital CP
Honolulu's ABC affiliate KITV owned by Argyle Television, Inc. (O:ARGL) is likely to be the first entirely digital broadcast facility, after the FCC awarded the station the first digital CP Sept. 3 and a free second channel needed for the switch. KITV is slated to begin transmitting Digital Advanced Television (ATV) Dec. 1.
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Consolidation solutions

GulfStar creates its own radio network

Consolidation, by necessity, has brought about some bold experiments in the operation and management of superduopolies. No doubt one of the boldest is GulfStar's plan for programming and operating its 60 stations in six southwestern states.

"The question all along since Telcom was passed in February 1996, was how do you manage all those properties? It requires a different approach, one that is a win-win for all the audiences: advertisers, listeners and investors," said John Cullen, president, GulfStar.

Combining a digital automation system from Prophet Systems called Audio Wizard with a new syndicated programming alternative from The Research Group called Virtual Programming (see related story, p. 14; RBR 4/21, p. 4), GulfStar has created the largest intranet of radio stations ever. Call it star wars, robostation, or just plain mind-boggling, GulfStar can program and operate all its stations from any workstation—even a remote—in the 60-station network.

"GulfStar and (parent company) Capstar top management wanted to tie the stations together in a wide area network to share songs, PSAs, promos, programming—everything through a single system," said Kevin Lockhart, president, Prophet Systems. "Any station has the ability to send audio and data to any other station."

Along with Joe Shannon, GulfStar's manager, information services (a new title to the radio biz), Frank McCoy, VP/director, engineering, headed up the process begun in January for converting the stations into a wide area network once GulfStar decided it wanted a network for all aspects of station operations including its financial systems, traffic and billing, sales account intelligence, and commercial production. By late August, the GulfStar network for on-air operations was fully armed and ready to go.

Total cost to GulfStar: $1.5M for the equipment set-up and hardware (about $20,000 per station).

Cullen wasn't flying totally in the dark when he took GulfStar's stations into network orbit. A year ago, Triathlon Broadcasting (O:TBCOA) turned to Prophet Systems to network its 22 stations. "We looked to network our stations to solve a combination of things, including the ability to cut costs, gain digital efficiency, and eliminate the difficulty a PD faces in finding part-time help," said Triathlon president/CEO, Norm Feuer. "We figured the system paid for itself in a year and a half. We've saved a lot money in operating costs and wear and tear on people."

Saving money, however, wasn't the main impetus for GulfStar. "Cost savings is what people focus on, but the real motivation is to try to improve the quality of radio in these smaller markets," said Steve Hicks, CEO, Capstar. "We all have the same records, but the stuff between the records hasn't been nearly as good, which comes from the lack of talent available in certain markets."

That doesn't mean that all the stations will sound the same or that local, live programming won't be a part of the GulfStar mix. "The goal is to have a combination of extraordinarily high tech and extraordinarily high touch. The audio that comes out of the speaker has to sound local, no matter where it's recorded," said Cullen.

GulfStar has dubbed its programming network "Star System." At the controls of the Star System is

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GulfStar’s Programming VP, Alan Furst. Only with Star System could Furst have the capability to sit in his office, listen to any station, look at what should be playing, see the liners and listen to the talent, whether local, live, or virtual.

Star System allows GulfStar stations to share programming. Take Whillite & Wall, the morning team at KKIX-FM Fayetteville, AR. Originally from Fayetteville, they moved back to their home town from WIVK-FM Knoxville, and are now part of the “Star System.”

With its recent purchase of SFX (RBR 8/25, p. 3), Star System will have even more to choose from, as SFX has a number of successful shows it’s in the process of syndicating such as the “Lex & Terry Morning Show,” originally based at WXYV-FM Jacksonville, “The John Boy & Billy Show,” out of WRFX-FM Charlotte, and “The Bob & Tom Show,” from WFBQ-FM Indianapolis.

Another benefit of the GulfStar system is commercial production, which will be centralized in an expanded Austin facility. “In smaller markets, commercial production isn’t nearly the quality you find in larger markets,” said Hicks. “Instead of trying to attract quality production people to small markets we can lure them to larger, more desirable markets. The spot can be faxed to a central production office. We can create an outstanding ad for the advertiser and ship it back to the station. The real winner is the advertiser.” And Hicks is banking that will translate to more sales revenue.

Consolidation doesn’t start and end with audio hard disk systems. The next network project for GulfStar is to find a uniform traffic and billing system. Currently GulfStar stations run the gamut and have “every kind of traffic software imaginable,” said McCoy. “We anticipate creating a short list of six to eight vendors, review them and make a decision.”

Once completed, a traffic manager in one location could handle the responsibility for another. “The traffic manager on vacation, or someone getting sick, is a nightmare for everyone,” said Cullen. “We can gain highly specialized skills and be duplicitious across markets and suddenly we’ve eliminated the problem.”

That goes for just about every position in a radio station. “We will very quickly have a cadre of people who understand a particular product and how to use it well,” said McCoy. “We have people who can pass on information and teach others. There are many economies that come from this.”

Not to mention sales. By sharing account information, a sales exec with expertise in furniture retailing in one market can share sales intelligence with a sales exec trying to break a similar account in another market.

GulfStar is just the start of Capstar’s networking goals. Hicks, who says he envisions Capstar growing to about 500 stations, says GulfStar is the test for a much larger all-Capstar network. Said Hicks: “By the end of next year, we’ll see an entire system interconnected.”

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Syndicated programming that's homegrown

by Carl Marcucci

Yet another programming breakthrough for broadcasters—Virtual Radio Programming™ from The Research Group has broken the "local barrier" and figured out how to customize syndicated programming.

First tested at KISZ-FM Farmington, NM., the programming is now being applied at other stations including Capstar's GullStar stations. (See related story, p. 10.)

"We can react immediately to what a competitor is doing. We are able to run the station as if it's 100% local," said Terry Bond, SVP Operations, Roberts Radio LLC. "We were able to throw [The Research Group] the keys to the radio station."

Virtual Radio digitally delivers high grade talent interspersing local highlights and events in each market. The DJ's, however, are all working from the company's Seattle studios. "We're doing radio like a movie—[DJ's] come in and do their pieces just like scenes in a movie. So, we edit the scenes together, inserting other scenes [jingles, liners] to finish the picture," said Michael Dalfonzo, VP, The Research Group.

Local information is faxed to Seattle from a station's PD, the Chamber of Commerce, and gathered from newspapers on-line to provide the local spice. "We're careful to get the pronunciation of local towns and street names correct to ensure the local feel comes across as genuine," Dalfonzo said. Any upcoming station promotions and contests are mentioned in the stopsets.

Bob Rosenthal, GM of Pacific Northwest's Boise superduopoly, said the live sound is so effective that local competitors still haven't figured out what they're doing. Rosenthal is using Virtual Radio full time for Classic Rocker KKGL-FM "The Eagle."

KKGL (previously KLCI) was the weakest of the station group in ratings. "My goal was to stabilize the station in ratings, sales and quality, while dedicating most of my resources and talent to our higher-performing stations," Rosenthal said. "The good thing is I get quality talent with minimal investment in equipment and staff. The only downside is we can't make a big deal promoting the personalities—we haven't told advertisers what we're doing, and we can't offer them [the DJs] for local promotions."

Everything is automated from the hard drive to the point where KKGL's PD, Don Jennings, is the station's only operator. He's there 6-9A to take handoffs for news and to switch live to local promotions.

Along with saving money on music and demographic research, "we get higher caliber talent than we could afford, while still offering local topicality," said Jennings.

While "The Eagle" uses the system full-time, the bulk of Virtual Programming's station clients request midday, overnights and weekend program slots for delivery—reserving morning and afternoon drives live for their own talent.

Programming is delivered by three methods: ISDN lines, WAN's, and disks delivered by FedEx. Explains Dalfonzo: "When the station uses digital automation systems like Prophet, Scott or RCS, we have access to the station's music library on their hard drive. We send them the music list scheduled in advance by digital hard disk systems. From previous meetings with the station's PD, we know where the stop sets will fall, so our music log is sent with some holes. When our music log and production elements are downloaded, the traffic director's log is merged with it at the station. The PD may perform a final edit, removing small pieces of dead air and the like. Then all the station has to do is 'press play.'"

Programming is delivered to the station two to four days ahead of air time, so reaction time is quick. "If a station has a big promo coming up, we can get that on the air almost immediately. Our weekend DJ's can throw the mic to the jocks live on remotes," said Dalfonzo.

Fees for the service are cash-only, with no barter options. Live and local morning shows cost $21,000/yr; middays, afternoons, evenings and overnights cost $5,725 inclusive per month. Prices vary by market size. Production elements like jingles, promos and voice overs are included in the cost and delivered on CD.
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Applications for Sales
Saturday, September 20
Room 104
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New Orleans: Clear leader in the Crescent City

There is no doubt who is Big Boss of the Big Easy—Clear Channel's seven station superduplopy has a two-digit ratings lead over the newly-formed superduop assembled by Sinclair via Heritage Media/Rupert Murdoch. Together the two command more than 70 12+ shares in the market.

At the dawn of duopoly, Clear Channel was battling it out for third place behind market leaders Keymarket (which had two LMA'd stations) and InterUrban. In February 1993, Clear Channel made its move, snapping up the InterUrban combo for a full duop. NewMarket, another third-place competitor, built its own duopoly, which went in group deals to Radio Equity Partners and finally to Clear Channel. Last November's purchase of standalone FM KHOM completed Clear Channel's market-leading combination.

Meanwhile, Sinclair took over Keymarket's erstwhile leading group. First, River City bought Keymarket's owned combo and both of its LMA partners, and about a year later Sinclair bought River City. It finished off by offering the winning bid on the group of stations which were bought by Murdoch's News Corp. from Heritage Media (Heritage itself had entered the market via a trade of its Seattle stations to EZ Communications).

Local owner Phase II Broadcasting runs a fairly strong FM-FM duopoly, while a handful of stations run by other local owners and smaller national groups round out the market. There is one group which is notably missing from the annals of New Orleans radio ownership: American Radio Systems. It narrowly missed being in the market under that name twice. Back in 1992, the Stoner group sold its FM station into Phase II's duop just before merging into ARS. Then in 1996, EZ Communications traded its N.O. stations away just prior to its own acquisition by ARS.

There is one group which is notably missing from the annals of New Orleans radio ownership: American Radio Systems. It narrowly missed being in the market under that name twice. Back in 1992, the Stoner group sold its FM station into Phase II’s duop just before merging into ARS. Then in 1996, EZ Communications traded its N.O. stations away just prior to its own acquisition by ARS.

RBR/Scarborough snapshot

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<th>Mkt comp</th>
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Sources: Arbitron, BIA, Competitive Media Reporting, Scarborough, Source Guide database

Do You Know What It Means

Having once lived in the Big Easy I know what it means to miss it. Just like you, the staff from AMERICAN VIEW, the newest radio network, will be enjoying the New Orleans cuisine and friendship. Hope you have an entertaining and educational visit. See you by the elevators or in the lobby.

Kent Burkhart
Director

9/15/97 RBR
## FINANCING THE BEST IN BROADCASTING

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These announcements appear as a matter of record only. BankBoston, N.A., acted as agent or co-agent for these transactions, and BankBoston Securities Inc. acted as a co-manager with respect to the Citadel Broadcasting transaction. BankBoston, N.A., member FDIC, and BankBoston Securities Inc., member NASD/SIPC, are subsidiaries of BankBoston Corporation. BankBoston is a marketing name for BankBoston Corporation and its subsidiaries.
Why your worst day in radio is
It's your typical day-from-hell at the station: The on-air talent is definitely “off.” Traffic is in a panic to reschedule commercials. The engineer is nowhere to be found. And today's the day the program director decides to overhaul the format. Sounds like a perfect day for AirTime, the first on-air digital delivery system created for the real world of broadcast, where non-stop stress seems to be the rule, not the exception.

AirTime offers a unique combination of easy user interfaces to tap the system's real time power: Live Assist touch screens that actually make on-air tasks easier and more productive. Sound Cube looks and feels like an analog cart machine, which means fully digital on-air delivery without all that staff training time. Sound Slate goes even further, putting a complete range of sound effects and audio at your talent's fingertips.

For commercial scheduling, AirTime's touch screens and easy schedule builder lets you create a commercial once, then access and reschedule it from one powerful database. The same huge, flexible database lets a program director store, organize, and play on-air resources at will. Rest of all, AirTime's UNIX-based operating system gives your station complete multi-tasking in real time. So if running one station isn't challenging enough, now you handle even more stations from a single location with AirTime. Just to make your life easier.
Bill Kennard:
Friend or Foe?

What kind of FCC Chairman will Bill Kennard be? One man who knows him better than most thinks he could be one of the best chairmen the agency has ever had. Broadcast attorney Erwin Krasnow gave Kennard his first job out of law school at the NAB, and after Kennard landed a job at the FCC the pair worked almost daily for eleven years. "Bill has been the best General Counsel in FCC history," says Krasnow, "He has extraordinary leadership and great people skills."

Many in the industry are saying Kennard would face a welcoming "anyone is better than Hundt" mind set, while others are calling him a Hundt in sheep's clothing. That is not a fair statement, says Skip Finley, COO, American Urban Radio Networks. He calls talk of Kennard being a Hundt clone "reactionary," pointing out that as the FCC's General Counsel, his job was to carry out whatever the Commission ordered him to do. Instead, Finley thinks Kennard could be more closely compared with outgoing Commissioner Jim Quello—a view echoed by many in the industry.

The Issues
Where will Bill Kennard come down on some of the key issues? "It’s tough to say...you’re your own man once you’re the head man," says David Honig, Executive Director of Minority Media and Telecommunications Council. He is hoping Kennard will look at addressing minority ownership, and in particular, force the FCC to take a stand on the now-defunct tax certifi-

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Quello days numbered
The clock is ticking toward Jim Quello’s exit from the FCC. Quello has been saying November 1 is the last day he’ll serve on the Commission, although he has yet to officially notify the FCC. Quello’s holdover status expires when Congress wraps up this session, likely in late October.

Quello, 83, has taken a job at Michigan State University as a lecturer in broadcast management [RBR 4/7, p. 10].

If FCC no new commissioner has been confirmed by the time Quello leaves, the Commission will chug along with three members. Federal law says the Commission must have three members to have a quorum. Commissioner Rachelle Chong is also a holdover, but she will keep that status through the end of 1998’s second session.

RBR observation: Call it opportunity lost. With a wholesale turnover at the FCC, you’d expect the broadcasting community to demand one of the four open seats be filled by one of our own. Industry leaders have lobbied, even given money to political campaigns, so why did we not call in a favor? It’s disappointing that once Jim Quello leaves Washington, so goes our representation.
cate program, which he says was responsible for two-thirds of minority radio purchases since 1978. But Finley, who has had conversations with Kennard on minority ownership, says he may be open to other options. One being floated would allow people to invest into a minority-owned media company, which like an IRA, would be deductible in the current tax year.

Free airtime is "dubious as hell, he won't go for that in a second," says one broadcaster familiar with Kennard. He says Kennard is very "in touch" with the business of broadcasting, and knows giving away airtime makes little sense. Kennard may be pitted against Hundt on this issue, since the outgoing chairman may stomp for free airtime at the continuing House hearings on campaign finance reform. GM's like Graham Satherlie at Chancellor's Denver stations, are steadfastly opposed to free or reduced ad rates. "Lets face it, we as broadcasters have one way to make our revenue: That's the airtime we sell."

The EEO rule book may become considerably thinner under Kennard. "He's been a streamliner kind of guy," says Finley. While just 17% of radio jobs are held by minorities, Finley says Kennard may propose an "EEO Relief Package" for smaller market broadcasters—under which they would no longer be required to make annual filings, and no longer face fines for lax recruitment efforts or sloppy paperwork.

Consolidation under Kennard will likely continue says NAB Board member Howard Anderson. "It's a done deal, its now a Congressional mandate and the FCC just carries it out."

An FCC probe of liquor advertising is unlikely, if Kennard is at the helm. Most tell RBR it's an issue he'll likely leave to Congress for the time being.

A need for nervousness?
Kennard may be a legal eagle, but Krasnow insists he knows broadcasting inside out because of his NAB and FCC background. Even so, in facing an 80% turnover on the commission he is warning clients to expect change.

One GM says he is more nervous about what the Department of Justice is going to do, after recent rumblings of a DOJ investigation into alleged forced ad buys by larger radio groups.

Radio not top priority
While radio may have plenty of evolving issues, the nature of the FCC will keep it from becoming Kennard's top priority. "The phone business is a lot bigger than we are," says Finley. Of course, whatever the President and Congress put in the spotlight will likely get plenty of attention, particularly if VP Al Gore wins the Oval Office—considering he's been out in front with telecom issues.

Gloria Who??
The land of cactus, cowboys... and perhaps an FCC commissioner. New Mexico's Gloria Tristani remains in the spotlight as the Clinton Administration's final nominee to the FCC. There is still no confirmation from the White House, but insiders aren't denying she's the frontrunner. President Clinton has already submitted Bill Kennard's name to fill Chairmanship; while Michael Powell, son of General Colin Powell, and Harold Furchtgott-Roth have been nominated to take the GOP's two seats on the FCC.

In Albuquerque, RBR statehouse sources say Tristani would "certainly take (the nomination) if the President called."

But one New Mexico GM says they "have some concerns" that Tristani may be "in over her head," since she has had virtually no experience dealing with broadcasting. Still, that "clean slate" may turn out to be a broadcaster's bonus, in the form of an easily swayed Commission member.

Tristani is a New Mexico Corporation Commissioner, and has already announced she wants to be the state's next governor.

RBR observation: Tristani's resume—telephone regulator, state-level political experience—reminds us of former FCC Commissioner Andy Barrett. He didn't work out too badly, did he?

These members of our firm will attend the NAB in New Orleans:
Mitt Younts, George Reed, Bob Maccini, Kevin Cox
Bill Lytle, Tom McKinley, Austin Walsh, Scott Knoblauch,
John Willis, Stephan Sloan and Sandi Rockwell

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9/15/97 RBR
Hicks, Muse teams with Hirsch in move to tower over competition

Tom Hicks is out to become a big player in yet another broadcasting-related business. As predicted last week (RBR 9/8, p. 4), Hicks, Muse, Tate & Furst has launched a new company with former OmniAmerica Group execs Carl Hirsch (CEO) and Tony Ocepek (COO) to acquire tower companies, manage tower sites and build new towers.

Hirsch told RBR that he looked at several potential business ventures after selling OmniAmerica Group's radio stations last year for a total of $250M. He and Ocepek decided on towers because of the opportunity to consolidate a fragmented industry that's growing rapidly. PCS and other new wireless technologies need lots of new towers, as will the TV industry as stations add a second, digital transmitter. Even where TV stations have tower space for a second antenna, they may create demand elsewhere by displacing tower tenants. "A lot of FM guys are going to be displaced as their leases come up," Hirsch noted.

As it happens, $178M of the OmniAmerica radio stations were bought by Hicks, Muse-backed Chancellor Broadcasting (now part of Chancellor Media, O:AMFM), which sort of set the stage for a new partnership. "I never knew Tom Hicks until we got involved in the discussions with Chancellor," Hirsch said.

The new venture, which already has deals to buy five tower companies, will be called OmniAmerica Wireless LLC. Most of the towers being acquired in the first deals are located in Ohio and Florida, but OmniAmerica Wireless intends to go nationwide, with towers for radio, TV, PCS and other wireless communications services.

Hicks, Muse, Tate & Furst Equity Fund II is putting up $100M in equity for OmniAmerica Wireless. Hicks, Hirsch and Ocepek expect to leverage that to build a $1B portfolio of towers.

RBR observation: Consolidation of the tower business could take a giant leap if either Clear Channel (N:CCU) or Hicks, Muse is the winning bidder for American Radio Systems (N:AFM), which has a sizeable tower subsidiary (RBR 6/30, p. 7 & 7/14, p. 12). Some Wall Street observers, however, think Steve Dodge may sell only the radio group and hold onto the tower company, much the way SFX's (O:SFXBA) Bob Sillerman is keeping the concert business after selling the radio assets to Hicks, Muse's Capstar (RBR 9/1, p. 3, 10, 12-13). One analyst says ARS's tower company is probably worth about $7 per share.

Wilson replaces Wilson as Boise's top potato

Larry Wilson's Citadel Communications is jumping into Boise in a big way, paying $29M for the top-billing superduopoly created by Charles Wilson's Pacific Northwest Broadcasting. The two Wilsons are not related. The deal includes KBOI-AM, KIZN-FM, KZMG-FM & KQFC-FM.

Citadel, by the way, is getting very close to the 100-station mark. Once all pending deals close, it will have 90 stations, plus another 11 in LMAs and JSAs.
Fast-growing Cumulus Media is buying again, with deals to add stations in Augusta, GA and break into two new markets, Tallahassee, FL and Columbus, GA.

#1: Cashing out HVS
Not only is Cumulus Media buying HVS Partners’ Salisbury-Ocean City, MD superduopoly, as we reported last week (RBR 9/8, p. 12), it’s buying HVS’s remaining market as well. Cumulus will pay $15.4M for WHBT-AM, WHBX-FM & WBZE-FM Tallahassee. HVS, headed by Gisela Huberman, will retain minority interests in WTAL-FM & WWLD-FM in the Tallahassee market.

This gets a little more complicated, though, since Cumulus is LMAing WWLD (whose owner is Tally Radio LLC) and Timm Enterprises’ WGLF-FM.


The Whittle Agency was broker for both deals, which we failed to mention in last week’s report.

#2: $14M for donated stations
Cumulus is also the winning bidder, at $14M, for WBBQ AM-FM & WZNY-FM Augusta, GA, which George Weiss donated to the Medical College of Georgia (RBR 6/30, p. 13). As Weiss intended, the local institution solicited bids for the stations and will use the proceeds to fund medical research.

The trio of stations will be teamed with one AM and three FMs in the Augusta market which Cumulus bought from Jeff Wilks for $15.5M. That deal closed Sept. 3 and an LMA of the former Weiss stations began the next day.

In addition to the radio stations, Weiss donated a shopping center to the medical school. That property is adjacent to the campus, but the Augusta Chronicle reported that many tenants have long-term leases. The school is still considering whether to keep or sell that real estate. The school is also holding onto the WBBQ-FM tower site. In all, Weiss’ donation had been valued at more than $20M.

#3: Buying into Columbus
The latest new market for Cumulus is Columbus, GA, where the group is paying $12.75M for M&M Partners’ WPNX-AM, WMLF-AM, WVRK-FM & WGSY-FM. Cumulus is also taking over M&M’s LMA of WAGH-AM and will exercise an option to buy the station from Minority Radio Associates.

M&M is owned by Tom Milligan and Jim Martin. Broker: Don Sailors, Sailors & Associates

Second Karmazin era begins

Does history repeat itself? If so, Craig Karmazin may be a broadcaster to watch in the next century.

The only son of the “Zen Master” is launching his own radio company, Good Karma Broadcasting LLC, with a $3.85M cash deal to buy WBEV-AM & WXRO-FM Beaver Dam, WI and WYKY-FM Columbus, WI from long-time owner Joseph McNaughton. The Beaver Dam combo is a well-established local powerhouse 30 miles northeast of Madison, while the eight-year-old Columbus station is a Class A that shows up in the Madison Arbitron (#121) book.

Don’t look for any dramatic changes when the new owner takes over. He’s buying these stations because they’re already successful. “It’s a great group of people who have been there a long time,” he said.

Karmazin, who graduated from Emory University in Atlanta this year, is currently working as a sales and programming consultant for Jefferson-Pilot’s (N:JP) WQXI-AM Atlanta. Throughout his college years he’d worked at WIP-AM Philadelphia, owned by his father’s companies—first Infinity, now CBS (N:WX).

“T’ve done a little bit of everything for them,” Karmazin said of his work at the Philly All-Sports outlet.

Karmazin, who says he likes Wisconsin and has spent quite a bit of time in the Madison area, will be moving to Beaver Dam to run his new company. Right now he has no plans for future acquisitions, but no doubt the industry will be watching to see if Good Karma develops into a group.

Broker: (for seller) Michael Fugatt, Fugatt Media; (for buyer) Gary Stevens, Gary Stevens & Co.

continued on page 27
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Pacific R&E enters Asia

Pacific Research & Engineering (A:PXE) has jumped across the Pacific from its California base to sign distribution agreements with four Asian distributors. The distributors will market PR&E’s radio products in China, Korea, the Philippines, Singapore, Malaysia and Brunei.

“We are very enthusiastic about establishing a presence in these countries and moving forward to reach our long-term goal of developing distribution channels throughout the continent and the Pacific Rim,” said PR&E COO Michael Dosch.

Times moves to NYSE

The American Stock Exchange is losing yet another of its highest-profile stocks as the New York Times Co. moves to the rival New York Stock Exchange. Effective September 25, the media giant’s Class A stock will trade on the Big Board with the symbol “NYT.” The super-voting Class B is not publicly traded.
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Z and Silverado reshuffle
Modesto-Stockton

Amador Bustos' Z Spanish Radio Network is buying five stations in the Modesto, Stockton and Sacramento markets from John Winkel's Silverado Broadcasting. Z has already LMA'd the stations, giving it multiple Spanish outlets to team with its existing FMs.

In addition to KZMS-FM, Z now programs KLOC-AM and KTDO-FM in Modesto. It added KCVR-AM and KMIX-FM in Stockton. Z already owned KZSA-FM in Sacramento and has added KQSR-AM.

This deal gives Bustos multiple signals in the same area, while Z distributes only one format, Spanish CHR, nationally. "We will be using these stations to launch additional formats," he said.

Meanwhile, Silverado has flipped its other two AMs—KCDR-AM Modesto and KWG-AM Stockton—from Spanish to Adult Standards. Silverado is also keeping KWIN-FM Stockton and KWNN-FM Modesto, both CHR.

Journal goes to five FMs in Omaha

Journal Broadcast Group is filling out its Omaha portfolio with a deal to buy John Biddinger's KBBX-FM & KESY-FM. The buyer already owns KOSR-AM, KOSJ-FM, KEZO-FM & KKCD-FM in Omaha, Arbitron market #72.

Milwaukee-based Journal Broadcast Group, which has radio stations in four markets and TV stations in three, is a subsidiary of employee-owned Journal Communications Inc. The broadcast group is headed by Douglas Kiel. Broker: Kalil & Co.

McCord to PR&E board

Granum Communications honcho Herb McCord has been named to the board of directors for Pacific Research & Engineering (A:PX).

Bush jumps to Saga

AT&T Capital Corp. Sr. VP/Media Group Sam Bush has joined Saga Communications (A:SGA) as CFO, succeeding Ed Ruffley, who had a brief tenure with Saga following the departure in July of long-time CFO Norm McKe. Bush, who figures he loaned over $900M in his nine years at AT&T, will be succeeded in the lending post by Chuck Dreyfus.

RBR's deal digest

Alan Goodman's Goodstar Broadcasting, a subsidiary of 62nd Street, is buying KANS-AM & KGTR-FM Larned, KS for $250,000. The seller is Ed Lipson's C&C Consulting. Broker: George Reed & John Willis, Media Services Group. Root Communications, headed by President James Devis, is buying WMZX-FM to expand the group into the Ft. Walton Beach, FL market. Paul Fink's Radio Center Dalton is adding WBJJ-AM & WQMT-FM, giving it five owned or LMA'd stations in the Dalton, GA area. Sellers Carmen Trevitt and the Annice Haygood Support Trust are being paid $1.35M. Broker: John Willis & George Reed, Media Services Group. Al Hochstadt and John Rook are combining KNJY-FM, KEZE-FM, KTSL-FM & KCDA-FM under a new company, Washington Broadcasting Corp., to create a superduopoly in the Spokane market. American Cities Broadcasting, headed by Aaron Shainis and Bruce Buzil, is buying KMMS-AM-FM & KSCY-FM Bozeman, MT from Kip Gilbert for $2.5M. Broker: Jerry Denon, Montcalm; Barry King, ACB Consulting.

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9/15/97 RBR
Sinclair Broadcast Group Inc. (O:SBGI) is a family company, although the family name isn't Sinclair. Julian Smith began the company in a small way in 1971, signing on Baltimore's first commercial UHF station—a risky move that probably appeared to many at the time to be doomed to failure. Cable penetration was marginal 26 years ago and the only people in the Baltimore market who were even likely to have a UHF antenna attached to their TV sets were ardent PBS fans (and that non-commercial station had only been on the air for two years).

Today, the late Mr. Smith's four sons preside over a media empire of 35 owned and LMA'd TV stations in 25 markets and 53 radio stations in a dozen markets, including all announced purchases and divestitures.

CEO David Smith has put the company at the cutting edge of TV consolidation. He was one of the first to jump into LMAs and now has Sinclair programming and selling spots on two stations in ten of its markets.

When national ownership limits were liberalized last year with passage of the Telecom Act, Smith doubled Sinclair's size with a single $1B deal to acquire River City Broadcasting. Along with that deal's nine TV stations came 21 radio stations and options to acquire others.

Many observers had expected Smith to sell off River City's radio group (remember last year's rumors that Clear Channel, Jacor or some other radio group had a deal locked-up?), but he didn't. Instead, while remaining focused primarily on TV acquisitions, he added a few more radio stations, mostly those already in LMAs or JSAs.

Sinclair's radio and TV groups both swelled again recently (RBR 6/30, p. 12) with a $630M buy of the Heritage Media stations being spun off by Rupert Murdoch's News Corp. (N:NWS). That added five TV stations (one of which had to be divested to comply with local ownership rules) and 24 radio stations in seven markets (only two of which were already Sinclair markets). Smith then cut a deal with WB to switch five of Sinclair's UPN stations to the rival WB for guaranteed payments of $64M over eight years. That deal takes effect in January, unless UPN wins a lawsuit to block the switch.

Smith's only radio sale to date has been a pending $35M sale of three Nashville stations to Capstar via SFX (RBR 9/1, p. 10). Most observers expect Smith to sell or swap a few more radio properties to focus on superduopolies in the strongest markets possible, but—barring a too-good-to-pass-up bid—there's no longer a belief that Smith will bail out of radio.

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Terry S. Jacobs, Chairman/CEO and William L. Stakelin, President/COO of Regent Communications, Inc. have obtained commitments of $55,000,000 of senior debt and $33,000,000 of equity. The undersigned acted as exclusive financial advisor to Regent Communications, Inc.
What hath DOJ wrought?

Just nine years from now, when analog TV channels go up for auction in 2006 (RBR 8/11, pp. 3-4), it will become possible for media giants to assemble local combinations with the ability to dictate rates and force buys—all the earmarks of a "monopoly"—and the Department of Justice (DOJ) won’t be able to do a thing about it!

By adopting the ludicrous position that radio and billboards are separate, local advertising markets unto themselves, Joel Klein, Assistant Attorney General for DOJ’s Antitrust Division, and his predecessor, Anne Bingaman, have tied the hands of their trust-busting successor in 2006, whomever that may be.

Settlements with Jacor Communications (O:JCOR), American Radio Systems (N:AFM) and GulfStar Communications were filed with federal courts and stand as precedents, creating a huge hurdle should the government ever try to move against a real media monopoly. Plus, there have been numerous pre-emptive divestiture agreements with DOJ in radio, and more recently in billboards, that can be unearthed by attorneys for a future media consolidator merely by examining SEC filings and news reports—lots of ammunition to counter any attempt by the government to change its stance and move against a cross-media consolidator.

Under the recently-passed Budget Bill, it will become legal to create such an entity, beginning in 2006. That’s the year, unless Congress acts to eliminate cross-ownership restrictions even sooner, that in-market newspaper and TV owners (along with everyone else) will be permitted to bid on analog TV channels returned to the FCC after the transition to digital TV. As the law stands now, cross-ownership and TV duopoly will only be permitted in cities with populations over 400,000—but that’s a lot of TV markets.

Consider a typical market ranked 25-50 with a single daily newspaper already claiming 40% of local ad revenues. Free to buy two of the market’s 12 TV stations (remember, the current six will double with the digital transition/auction process—even some of the six auctioned off could be diverted to cellular or other uses), this local media consolidator could easily claim at least one-sixth of the market’s 35% of ad dollars going to TV, or 5.8%. Let’s assume that they’ve also acquired radio stations right up to the DOJ’s general benchmark limit of 40% of radio revenues and that radio claims 15% of local ad spending (always a higher number than radio’s national share)—that’s 6% of the local ad pie. (It’s hard to imagine that the radio-newspaper ban will remain in place when TV-newspaper is lifted.)

Let’s see... 5.8+6=51.8... 51.8% of local advertising (and nearly 58% of spending in major media)—assuming the company doesn’t also have billboards or any other specialty media. That’s just the starting point for a local media behemoth that will have the power to package, market and price its spots and column inches however it wishes; scooping up market share with discounts in tough economic times and raising rates faster than competitors when the economy is hot.

Yes, the chickens will come home to roost for the ad agencies (an already-consolidated industry controlled by a handful of giant firms), who went crying to Uncle Sam that the sky was falling when they saw radio companies threatening to claim as much as 65% of radio revenues in a market. Why, that’s nearly as much as a single VHF TV station or one-quarter the market share of a typical newspaper! Some threat to competition.

Just nine years from now those agencies will learn what a local media monopoly really looks like, and when they cry for help, they’ll find that the antitrust watchdog is held back by a very short leash.

We’re not sure we’d like to be competing against one of those local media behemoths of the next century—but we’d definitely like to own their stock.


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$1,900,000—* KMBY-FM Monterey-Salinas (Gonzales CA) from Monterey Bay Broadcasting Corp. (Miklos Benedek, Terry Gillingham) to New Wave Broadcasting LP (Ron Ferrari et al). $50K escrow, balance in cash at closing. Superduopoly with KPIG-FM, KCDU-FM & KXDC-FM. LMA since Aug. 1. Broker: Peter Meuli, Jorgenson Broadcast Brokerage

$1,350,000—* KKRO-FM Anchorage from Peter Mieuli, Jorgenson Broadcast Brokerage. LMA since May 21.

$1,300,000—* KLYQ/KBMG Missoula MT (Hamilton MT) from Benedict Communications Inc. (Steven R. Benedict) to American Cities Broadcasting L.P. (Aaron Shainis, Bruce Buzil). $5K earnest money, $45K escrow, $700K cash at closing, $55K note. The buyer also has the right to air 500 60-second commercials over a ten-year period. Superduopoly with KLQY-AM, KGVO-AM, KXYX-FM. LMA since July 1.

$1,200,000—* KTSL-FM Spokane (Medical Lake WA) from Bison Media Inc., a subsidiary of Z-Rock Communications Corp. (Edward G. Atsinger III, Stuart W. Epperson et al) to KTSL Inc., a subsidiary of Z-Rock Communications Corp. (A.M.M., Carrie E. and Todd J. Hochstadt). $120K earnest money, balance in cash at closing. Superduopoly with KNJY-FM, KEZE-FM, KCDA-FM.

$1,195,000—* WMMK-FM Ft. Walton Beach (Destin FL) from Emerald Coast Radio Corp. (Timothy D. Fulmer) to Gulf Breeze Media Inc. (Jennifer F. Hale). $50K escrow. The buyer has two options: 1) balance in cash at closing; 2) pay off seller’s bank debt plus $400K in cash, balance in a note. LMA since May 21.

$1,000,000—* KAMO AM-FM Fayetteville-Springdale (Springdale AR) from Moena E. Sadler (70%), Reginald D. Sadler (15%) and Judith C. Lohner (15%) to Williams Broadcasting Inc. (Joseph L. Ingstad) in place of original holder of purchase option Pioneer Broadcasting Co. Inc. $850K payment for purchase option in September 1996, $500K cash to exercise option. The buyer has two options: 1) balance in cash at closing; 2) pay off seller’s bank debt plus $400K in cash, balance in a note. LMA since May 21.

Transaction Digest
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Hochman Communications Inc. (George Hochman). Cash. Superduopoly with KZRA/KMCK plus pending purchases KAMO AM-FM, KREB-FM (from Vekony).


$618,000—WHEL-FM Helen GA from Helen Broadcasters Inc. (Ray Simmons, Charles Smithgall) to Southeast Radio Co. Inc. (James E. Martin Jr., William G. Brown, Clifton G. Moor). $30.9K escrow, $237.1K cash at closing, $350K note.


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The deals listed below were taken from FCC filings made public during the week from Wednesday, Sept. 3 through Tuesday, Sept. 9. RBR’s Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price.

$14,000,000—* WBNR/WSPK

$9,200,000—* WTGM-AM, WLWV-FM, WRXS-FM, WQHQ-FM & WLBW-FM
Salisbury-Ocean City (Salisbury-Ocean City, MD & Fenwick Island, DE) from HVS Partners (Gisela Huberman) to Cumulus Licensing Corp. (William Bungeroth, Richard Bonick Jr.), a subsidiary of Cumulus LLC

$4,500,000—* KDHL-AM & KGCL-FM
Faribault MN, KMFX-AM Wabasha MN and KOPR-FM Albert Lea MN from Radio Ingstad Minnesota Inc. (Robert E. Ingstad) and Radio Albert Lea (Robert & Janice Ingstad) to Radio Iowa Broadcasting Inc. (James D. & Victoria S. Ingstad, The Brook J. Ingstad Trust) $260K escrow, $1M (less escrow) in cash at closing, $3.5M note. Multiple superduopolies created with stations owned by James Ingstad in Minnesota and Iowa, requiring 14 map studies demonstrating compliance with local ownership limits.


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VS&A Communications Partners II, L.P., an affiliate of Veronis, Suhler & Associates Inc. in concert with Broadcasting Partners Holdings, L.P.

- Has acquired a substantial equity investment in
  - Spring Broadcasting, LLC
    - A radio broadcasting company formed to acquire eight radio stations in Illinois, Connecticut, Massachusetts, and New Jersey
    - $14,100,000
    - January 1997

- Has made a substantial equity investment in
  - Pilot Communications, LLC
    - A radio broadcasting company which operates four radio stations in Syracuse, New York and four in Augusta-Waterboro, Maine
    - For $6,250,000
    - January 1997

- Has made a substantial equity investment in
  - Mercury Radio Communications, LLC
    - A radio broadcasting company formed to acquire four radio stations in Buffalo, New York
    - For $62,000,000
    - June 1997

- Has made a substantial equity investment in
  - Sound Broadcasting, LLC
    - A radio broadcasting company formed to acquire three radio stations in Monroe, Louisiana
    - For $5,100,000
    - July 1997

- Has made a substantial equity investment in
  - Gleiser Communications, L.P.
    - A radio broadcasting company formed to acquire four radio stations in Tyler, Texas, from
    - Gleiser Communications Inc., Williams Communications, Inc.
    - For $3,550,000
    - August 1997

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