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Casino ads barred in three states

by Frank Saxe

All bets are off in Louisiana, Mississippi and Texas after the US Fifth Circuit Court of Appeals last week voted two to one to uphold a federal law banning radio and TV stations from airing casino gambling ads.

"It seems to fly in the face of logic and we certainly intend to appeal to the Supreme Court," said Don Cooper, executive director, Greater New Orleans Broadcasters Association—which brought the suit.

It is almost certain the Supreme Court will hear the case, because the Fifth Circuit decision conflicts with a Ninth Circuit ruling, which legalized casino and lottery ads in eight western states (RBR 3/2, p.3). It also conflicts with a US District Court ruling in New Jersey (RBR 1/12, p.3).

The FCC has given radio and TV stations in the nine states the go-ahead to air casino spots, as long as they are not in conflict with local or state laws.

NAB President and CEO Eddie Fritts agreed. "We believe the high court will ultimately strike down the ban nationally."

The Court is on summer recess, so broadcasters won’t know until the first Monday in October if it will hear its appeal.

Several attorneys believe the Supreme Court will rule in broadcasters' favor, pointing out it allowed the Ninth Circuit decision stand; it also ordered the Fifth Circuit to reconsider its original ruling issued in December 1996.

"The Supreme Court has made it very clear how it feels," said Cooper, adding, "Broadcasters will come away with a very strong free speech ruling."

RBR observation: Just how important the potential ad revenue is for New Orleans radio and TV stations is illustrated in the $100K legal bill they have already incurred.

Decision after delay at FCC

by Frank Saxe

After several years of waiting, the FCC has cleared two long-delayed cases involving stations far from the mainland—one in Hawaii, the other in Alaska, which some say illustrates the need for the FCC to issue guidelines on time brokerage arrangements.

"A four-and-a-half year horror show," is how Chester Coleman of American Radio Brokers describes his experience. Since signing a Program Service Agreement with Coleman, the FCC says King Broadcasters' Sally Hoskins "engaged in an unauthorized transfer of control" of KSLD-AM and KKIS-FM Soldotna, AK to Coleman and KSRM Inc. President John Davis—whom Coleman enlisted to sell air time along with its KSRM-AM and KWHG-FM in a Joint Sales Agreement. The FCC says that violated ownership limits.
News Analysis

**Westwood One: News strategy or news tragedy?**

by Katy Bachman

When an AP story reported that Westwood One (O:WONE) was closing its NBC Mutual news operation in Arlington, VA, sending 50 people out the door, it opened up scores of questions as to the future of not just NBC Mutual, but of Westwood’s news strategy.

The story was a well-kept secret even inside Westwood One. While WW1 VP/News Bart Tessler called the AP report “accurate,” he also said that “50 is way too high” and that only “production and origination” for the hourly feeds would shift to New York. “It’s a consolidation move. We’re looking at all our news resources and our news operations. We’re going to come out of this with an expanded Washington news bureau,” he said. “For affiliates, it will be seamless.”

That remains to be seen. Except for keeping the brand names “NBC” and “Mutual,” Tessler was vague concerning the specifics of the actual news product. The 1,200 affiliates would be receiving out of New York on Sept. 1. Affiliates will get the same content as before, but at a lower rate. This is a problem than those.”

**RBR observation:** Karmazin could use a Dan Mason for WW1. Insiders tell RBR that nobody’s running the ship; Karmazin has his hands full with the CBS-TV network, which many speculate is up for sale. Westwood One insiders are wishing for a similar fate for the syndicator which has seen its stock fall more than 32% since January (RBR 7/27, p. 8). Westwood One purchased NBC Radio News for $50M in the 80s.

**Greater Media suffers tower accident**

by Carl Marcucci

Last week’s relay tower construction accident at Greater Media’s new Boston studios won’t delay the Oct.1 FM move-in. They will, however, need to rely on T1 circuits to send communication back and forth to the tower sites for a while. “With the DTV rush right now, it will take at least one or two months just to get new materials for another tower,” said Milford Smith, VP Engineering, who ultimately oversees the 50,000 sq. ft. building project.

The 140-ft. self-supporting relay tower, which would hold STL and other communications antennas, was being raised by a crane into the upright position for anchoring when the crane tipped over. The tower fell onto neighboring WLVI-TV’s (Ch. 56, WB) roof, penetrating it and breaking gas and sprinkler lines. The crane operator suffered only minor injuries and no one else was hurt.

Dems seek new FCC rules

by Frank Saxe

Congressional Democrats and Republicans are squaring off over the issue of availability of air time for candidates. Campaign committees for both House and Senate members have filed an eight page petition with the FCC asking it to change the rules which govern the availability of air time for candidates.

The petition asks the FCC to “develop new guidelines for what constitutes reasonable access, to allow candidates to be heard above the din of issue and independent spending.” It also asks the Commission to look at whether broadcasters are taking issue ads over political spots, because they must offer lowest unit rate to candidates.

“When stations are confronted with candidates who are demanding lowest rate and groups who are offering substantially more, their interest in candidates is marginal at best,” wrote Democratic attorney Robert Bauer.

Under current regulations, only candidates for federal offices have a “right to reasonable access” to radio and TV time. The FCC says stations can refuse ad time to candidates for state and local offices, and can refuse to sell spot time to politicians during newscasts.

Radio airwaves in particular have seen a huge growth in the amount of spot time purchased by interest groups. A study done by the Annenberg Policy Center found that during 1995 and 1996, more than two dozen groups spent as much as $150M on national issue advertising.

The healthy economy has led to many stations selling out their inventory, and that has led to more disputes between candidates and stations over avail (see related story, p. 6). The issue has become even more contentious this year, because every House member is facing an election. Many Democrats worry their ads are being lost in the clutter.

“We have fought vigorously for reasonable access provisions, but the answer is not to impose new restrictions on freedom of speech,” said Republican National Committee spokesman Mike Collins. “You still have all kinds of commercial entities buying ad time. The issue ads are no more of a problem than those.”

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Radio inventory loads are increasing—a lot. Everyone in radio knows about it, yet few are willing to talk about it and almost nobody will go on the record about it. Whether or not stations should increase commercials units, and how much, is the subject of great controversy. Some say it’s necessary to increase revenue (you can only drive rates so high, they say); others say it’s dangerous, and liable to backfire in the long term.

It’s well known that Chancellor Media (O:AMFM) added one minute of inventory an hour to accommodate its AMFM Radio Networks. It’s also well known that most CBS stations (N: CBS) have been increasing inventory loads at the behest of CBS CEO Mel Karmazin.

"The word is out. Don’t leave money on the table,” said one GM. “We’re selling timechecks, weather, traffic, anything that moves.”

"With groups trying to pare down debt load from acquisitions, the orders from the top are to increase loads to meet demand,” said another GM.

Across the country, general managers confirm that many FM stations in top markets are carrying loads well above the artificial norm of eight to 12 minutes. Los Angeles FMs are averaging 15-16 minutes/hour with some stations hitting 18 minutes/hour. In Chicago, where demand is at an all time high, FMs are averaging 16 units; some stations have gone as high as 22 units. Many New York FMs are at 14 minutes, and jump to 16 minutes for morning drive.

AMs, tending towards Talk, News and Sports formats, can carry even higher commercial loads, some in the low 20s, and many at 18 minutes/hour.

The result is there is about 50% more inventory available to advertisers, and by the looks of the RBR/Miller Kaplan forward pacing report, inventory is moving (see p.2). Revenues are up 11% YTD and up 13% in June (see related story, this page).

That’s the good news, say those in favor of increasing inventory. For one thing, TV spot loads are up (prime time is at 15:19 and daytime at 19:50 according to a recent ANA/AAAAA study).

On the other hand, TV ratings are down. Radio could be setting itself up for a similar fall, particularly if the increased number of commercials drives listeners away and decreasing ratings take unit rates with them. Early indications are that APRs are down, according to a soon to be released Duncan’s American Radio study. Not to mention advertisers such as Procter & Gamble's Robert Wehling, who already perceives too much clutter on radio (RBR 4/6, p. 6).

"When you allow or force managers to increase spot loads, you’re taking the pressure off of them to manage the inventory,” said Herb McCord of Granum Communications. "If you hit your numbers by increasing units, you’re not working to get the average unit rates up.”

That’s the approach Jacor (O:JCOR) is taking, said David Crowl, president/radio. "We don’t believe [increasing spot loads] is the answer to grow revenue at the risk of hurting the product.”

Most agree there’s a limit to what makes sense, referring to the classic battle between programming and sales.

"Today’s unit loads are 12-13 units, and I think we can go higher than that. But when a station gets above 15 units/hour, I do start to feel guilty,” said Dan Mason, president, CBS Radio.

RBR observation: No one wants to go back to the 80s when PDs were pushing inventory loads down to 6 minutes/hour, but now the pendulum has swung the other way under tremendous pressure from corporate offices. Radio’s best strategy may be to put pressure on the inventory and grow demand, rather than selling more radio at the cheap rates radio has always bemoaned.

Revenues: Lucky 13 extends black ink streak to 70
by Dave Seyler

Radio continues to roll, up 11% at the halfway point and comfortably ahead of even the most optimistic predictions. June’s 13% gain, fueled by a 12% gain in local and a 16% gain in national, was enough to bring the YTD gain to 11%—1998’s high water mark so far.

As has been the case all year, increases were fairly evenly distributed across the country. Four of the five regions enjoyed gains in local of 11-13%. The only region that missed out on double digits, the Southwest, was up 9%. There was a bit more disparity in national. Three regions topped 20%, but the East and West were not exactly left out in the cold with gains of 11% and 13% respectively.

Here are the year-to-date gains by region (local %/national %): East 10/10; Southeast: 9/18; Midwest 11/15; Southwest 12/11; West 11/14.

RBR observation: The highest prediction for 1998 was a gain of 9%. Someone is going to have to really slam on the brakes to make that a reality. Revenue gains would have to slow down to 7% over the second half of the year.

RBR News Briefs

CBS (N: CBS) has signed its first advertiser to a cross-media buy. Pennzoil Products Co. has placed a $25M buy across five CBS media, including O&O radio & TV, the TV network, TNN cable and CBS’ outdoor company, TDI. The one-year campaign will begin Q1 1999. The deal marks the first time Pennzoil will use spot radio, spot TV and outdoor. More in next month’s AdBiz.

A last minute delay held up the release of the FCC’s broadcast auction rules last week. Insiders say there is no ideological dispute, rather complex issues that still need to be resolved. Expect the rules to include bidding credits for minority and women owned businesses, when they are released—so says an RBR source that has seen a draft copy.

Rainbow/PUSH Coalition and Mac Tichenor’s Heftel Broadcasting (O: HBCCA) have settled their EEO battle, which should clear the way for Heftel to buy KJOY-FM and KKIQ-FM San Diego. As part of the deal, Heftel will step up its minority recruitment efforts, and will cover Coalition legal bills.
The hurricane of America’s telecommunications revolution blows, but the man at the center is calm—almost to a fault. In fact, it is hard to find someone who knows FCC Chair Bill Kennard that doesn’t like him. Fair, intelligent and one of nicest guys you’ll meet is how people describe him. It is a far cry from his predecessor, Reed Hundt, who seemingly could not find a foursome to save his life.

“He’s what you call a lawyer’s lawyer,” says friend and fellow attorney Erwin Krasnow, who worked with Kennard during his stint at the Washington law firm Verner, Liipfert, Bernhard, McPherson and Hand. “He came into this chairmanship as the best prepared, in terms of background, work experience, management style and knowledge of the agency.”

While Kennard is more personable than Hundt, many broadcasters and Congressmen say the two have a lot in common—particularly in the activist direction he is taking the Commission. Kennard came out of the gate with a fight on his hands, thanks to the man who appointed him. During his State of the Union address in January President Clinton called on the FCC to force radio and TV stations into giving candidates free air time. Kennard carried the flag, and came under fire from Capitol Hill Republicans and Democrats alike. He backed off during budget hearings, but few expect it to be a dead issue on M Street.

Rep. Billy Tauzin (R-LA) suggests Kennard is dangerously close to “poisoning” his relationship with Congress for toeing the party line. And with every seat in the House up for grabs this year, the heat and rhetoric may turn up on the Chairman in the coming months. Tauzin, among others, is threatening to abolish or radically alter the FCC—a threat Kennard is keenly aware of.

With free time on the back burner, broadcasters’ attention has shifted to what some say is social engineering at the hands of the FCC. During his speech at the NAB Las Vegas show, Kennard “challenged” broadcasters to come up with ways to address the falling numbers of minority-owned stations and is now fighting to keep EEO rules on the books. He is presently weighing if the FCC should look into whether Urban and Hispanic stations are short-changed by advertisers, and when ad revenue should be used to determine whether a station sale will be approved.

Even so, few speak ill of him. “We're pleased that Chairman Kennard recognizes the need to balance industry's interest with the public interest. We also share [his] vision for increasing minority participation in broadcasting,” offers Eddie Fritts, president/CEO, NAB, adding he looks forward to helping Kennard achieve this "worthy goal."

Although Kennard is just nine months into his term, Krasnow is confident he'll make an indelible mark on the agency. "The issues are very big now, the issues that the FCC is going to decide while he is chairman are going to have a tremendous impact on our society.” In fact, radio issues are of a lesser priority, when compared to monumental decisions that lie before the Commission, such as telephone and cable competition and digital television conversion.

Even so, there are still a number of key broadcasting issues before the FCC. Radio Business Report recently sat down with Kennard for a discussion on what he believes the agency's role in regulating radio is, and where he sees it going in the coming months.
You are perhaps the most informed FCC Chairman to take office, having worked as the Commission's General Counsel for five years, and as a broadcast attorney prior to that—including a stint at the NAB. How do you believe that experience has helped you in your first nine months?

Its given me a really solid grounding in the law and policy, in the way the FCC works, and the frustrations that broadcasters have when they have to interface with the FCC. In my career I have filed thousands of applications and I know the frustrations when they're not granted quickly. I know the frustrations of having to tell a client that they have to collect information and they don't understand why. So I think I've brought that knowledge to the job, and I think its been very helpful in a number of the initiatives that I've commenced here at the FCC.

For example, we have a procedure now to streamline the way broadcast applications are filed. I was very frustrated when a client would come to me and would say 'we need to move a transmitter a mile' and you'd have to wait months to get regulatory approval when it was certain the engineers had done their job and that the proposal was completely consistent with the mileage separation requirements, and no one was going to oppose it. But, nevertheless, you had to wait. That's a drag on the marketplace, that's a drag on the economy.

We've come up with a proposal on ways to have negotiated interference agreements before the Commission. For years, I was frustrated because there were situations where broadcasters wanted to negotiate interference agreements themselves. It doesn't in any way harm the public interest. You'd get the same, if not more coverage, so why shouldn't we allow these marketplace solutions if we have appropriate safeguards to ensure the public is safeguarded.

The FCC is fighting to keep its 30-year old EEO regulations alive, after being thrown out by a court in April. Explain why you have appealed.

The rules are good for the country. Their value has been proven in the thirty years that they have been on the books. There are ways we could improve the rules, and I'm committed to doing that, but let's understand what these rules are and what they are not. They are not quotas, they're not set aside, they're not preferences—they require simply that broadcasters reach out to those communities and find the talent that is there. The rules don't require that any broadcaster hire any particular person but just that they're assured they're reaching out beyond the old boy network when they have a job opportunity. This is good common sense, it's good business sense, and they've worked.

Will we reach the point when EEO is no longer needed?

I hope so. There's been tremendous progress. The broadcast industry, relative to some other industries, has done quite well. I think the rules have had an impact on that.

I hope we truly get to the day when we have a colorblind society, but let's not kid ourselves, we're not there yet.

At the Las Vegas convention, you challenged broadcasters to come up with ways to promote minority and female ownership and employment. Have any responses been particularly noteworthy?

A number of broadcasters have come forward and we're working closely with the NAB on some initiatives. We worked closely with Hicks, Muse as they were putting their plan together, and I hope we'll see other deals like that.

I am encouraged. But I also recognize that not everyone has or will do that. And we have to make sure that we're continuing to promote opportunity in those markets where you're not going to necessarily have those opportunities on a volunteer basis.

You have expressed support for microbroadcasting as a way to increase the "diversity of voices" — But many in broadcasting believe it will create confusion and chaos on the radio dial while at the same time encouraging even more pirate radio stations.

It's always a good idea to create more opportunity for people to use the public's airwaves to reach their communities. This is fundamental in our law and in our policy. But I want to be very clear. This Commission has and will continue to enforce vigorously against pirate broadcasters. We fought hard in the Dunifer case and I'm delighted that we have won a favorable decision in that case. We have shut down 200 pirate radio stations in the last two years.

But that's a separate issue from my fundamental belief that people should have opportunities, in legal ways, to use the public's airwaves to communicate. I come to the job at a time when there is widespread anxiety that there's too much consolidation in the broadcast business and it is foreclosing opportunities for new entrants—continued on page 10

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particularly, small businesses, minority businesses, women-owned businesses, community groups, nonprofits and church groups. These folks want to have opportunities, and if we can find a way to do it in a way without undermining the integrity of the band, we should explore that.

What is your general view of the Telcom Act and the result it had on the radio marketplace?

It depends upon your perspective. If you’re on the buying side of consolidation you’re happy. If you’re on the selling side of consolidation, you’re probably happy because prices are up. But if you represent the public, as I do, you have to be concerned about the impact of consolidation on the ability of the airwaves to represent diverse points.

What concerns you?

In many markets [consolidated radio groups] are moving toward an oligopoly situation, where you have a very small number of owners that are, in effect, controlling all of the revenues and output in the marketplace. That’s a cause for concern because what it means is the radio business is fundamentally transforming in ways I don’t think were anticipated when the 1996 Act was signed.

Would you have written it differently?

There are a lot of things I would suggest we change about the Act. On this particular point, yes, I think that the Act resulted in depressing opportunities for many people who want to be broadcasters and I think that is unfortunate.

Because it is still under review, we understand you cannot say whether or not you support changing broadcast ownership rules. But can you explain why the FCC is looking at altering them?

Now is an appropriate time, because we can take a deep breath two years after the Telcom Act was passed and assess what has happened in the marketplace, and try to rationalize these rules. We think there is some confusion that has existed in the rules for a long time, the attribution rules in particular, and we need to rationalize and articulate better.

In January, you proposed looking at ways the FCC could mandate radio and TV stations giving air time to political candidates. Later, you decided not to move forward with that plan. Do you still believe this is something the FCC should do?

One of the things that I learned about free time is that it is threatening to a lot of people, in part I believe because they don’t understand what free time means. I think it is time for us to put some specific proposals on the table so that we can move from the general to the specific and the public can get a better understanding of how the various proposals could improve the campaign financing situation.

This is a very vexing problem for the country. Poll after poll says that the American public is dissatisfied with how the election process is paid for. I also recognize, though, that it is very difficult to move in this area unless there is a broad consensus, both among the public and the Congress. The goal is to step back, put some specific proposals on the table, and try to get more of a consensus for moving forward.

Were you surprised by what many in Congress had to say about you and the Commission after your plans to look at free time for candidates?

In a word, no.

How would you describe the FCC’s relationship with Congress?

We have spent a great deal of time working with Congress. We have received thousands of letters from Congress and there is a very intense back and forth with its members. It’s clear that Congress has put a lot of energy and attention into and on the FCC, and the reasons for that are complex. But, I believe our relationship with Congress is getting better.

Any final thoughts for broadcasters?

Continue to tell us how we can make it easier for you to do business, how we can make our processes more acceptable, faster, work better for you in the way you do business. Work with me to continue to find ways to create opportunity for new entrants like minorities and women. That’s a challenge I issued at NAB this year, and one that I hope to be able to work with this industry on as long as I’m Chairman because I think, fundamentally, if we can succeed in that area we’ll have a better, stronger broadcast industry.
Mouse nets up puck price in bid to freeze out Fox

Wall Street Journal—Walt Disney Co. (N:DIS) offered to pay the National Hockey League about $400M for five-year exclusive broadcast rights on ABC-TV and ESPN, roughly double the combined annual rate now paid to the league by ESPN and News Corp.'s (N:NWS) Fox Sports, people familiar with the matter say.

The deal is the latest example of how professional leagues are capitalizing on the increasing competition among networks for high-profile sports programming. Hockey ratings have been disappointing, but the games can fill a lot of cable time.

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Palm Springs, CA-based Triangle's 24-hour programming for gay and lesbian listeners airs on KBRO-AM & KNBT-AM Seattle-Tacoma. A deal to sell the two stations to Triangle was recently withdrawn.

DG raising equity

DG Systems (O:DGIT) has gotten commitments from its major institutional shareholders to buy up to 3.9M new shares of the company's stock in a private placement for nearly $11M (approximately $2.80 per share).

After closing the stock sale, DG said it believes its capitalization will meet requirements to maintain its listing on the Nasdaq National Market System.

Triangle in reverse split

In theory, a reverse stock split is supposed to decrease price volatility and attract new investors. It didn't work out quite that way for Triangle Broadcasting, which did a one-for-five reverse split on June 30th and changed its ticker symbol to "GAAY."

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The Radio Index™

Panic struck Wall Street last week (see page 12), sending stocks sharply lower. Radio stocks were no exception.

The Radio Index™ closed Wednesday, August 5 at 107.97, down 3.90 from a week earlier.
Strong earnings continue as stock prices plummet

Wall Street bears awakened from a long sleep last week and went on a destructive tear. As with most bear markets (and bull markets as well), stock speculators were indiscriminate in their trading. Just as “all stocks are good” was the mantra in June, “all stocks are bad” was the psychology driving the market last week.

Radio companies continued to report Q2 figures that show a vibrant and growing business, but no one was listening. Traders now fear that the Asian economic crisis is going to be worse than expected and that the American people may become panicked by an embattled President and stop going to the malls. Never mind that the current occupant of the Oval Office has been embattled since the day he took office. Never mind that the Asian problem is a two-edged sword—US companies which export to Asia are hurt, but those who buy from Asia are lowering their costs.

Quick, name a US broadcaster with exposure in Asia. We can only think of one with direct operations, Clear Channel (N:CCU), whose radio stations and billboards in China are a tiny, new part of the multi-billion-dollar company. Companies which sell distribution rights for TV programming and movies in Asia, such as Disney (N:DIS) and News Corp. (N:NWS), may feel some impact, but they also sell around the globe and are constantly dealing with regional economic fluctuations.

Not all media is the same

While Morgan Stanley Dean Witter analyst Frank Bodenchak has noted a slowdown in total ad spending growth lately, he’s been advising clients that the softness isn’t across the board for all media. “You’re seeing a greater divergence between how radio is performing and how other media, such as TV and publishing, are doing,” he said.

With stock prices down across the board, but radio performing better than TV and newspapers, there may be some bargains now in radio stocks. Bodenchak particularly likes Chancellor Media (O:AMFM)—“they’ve really figured out how to drive the top line”—and Emmis (O:EMMS)—“it really does appear to be turning the corner.”

Radio still driving CBS

In an effort to get investors to look at the big picture, rather than just the CBS Television Network, CBS Corp. (N:CBS) reported Q2 figures with all of its TV operations rolled together—the network, O&O TV stations and cable—and only one other segment, “radio”—consisting of the O&O radio stations. CBS Radio Networks and TDI outdoor.

Radio, once again, was the star performer. Radio segment revenues, including the recently-added ARS stations, rose 20.6% to $456M. Cash flow (EBITDA) gained 26.1% to $198M.

Television revenues rose 13.8% to $1.03B and cash flow was up 33% to $133M. Overall, CBS saw revenues rise 15.7% to $1.48B. EBITDA improved 22.2% to $275M. The company also said its free cash flow increased 60%. Net income was $4M, slightly below analysts’ expectations, compared to a loss from continuing operations of $11M a year earlier.

CBS also announced that its board of directors had tripled its stock buyback program authorization to $3B. That means that when the company’s stock appears to be underpriced on Wall Street (like last week?), CBS will use some of its free cash flow to buy shares of its own stock, increasing the relative value of each share held by investors.
New radio stocks setting records

One of radio's recent IPOs, Capstar Broadcasting (N:CRB), reported record Q2 net revenues of $111.9M, up 179.1%, and broadcast cash flow of $44.2M, up 206.9%. On a same stations basis, revenues were ahead 11.4% and cash flow 20.3%.

An even more recent IPO, Citadel Communications (O:CITC), said Q2 net revenues rose 94.3% to $34.8M. Broadcast cash flow gained 129.1% to $11.2M. On a same stations basis, revenues were up 15% and cash flow 29.3%.

The radio group that everyone on Wall Street is expecting to do an IPO later this year also posted record results. Radio One, which already has public bonds, said Q2 revenues rose 49.4% to $11.5M and broadcast cash flow gained 96.8% to $6.1M. Also worth noting: Radio One's cash flow margin moved up to 52.7% from last year's 40.1%.

Other earnings

- The Ackerley Group (N:AK) reported Q2 net revenues up 11%, but operating cash flow down 25%. The big reason: contract payments to several players on Ackerley's NBA Seattle Supersonics. Broadcasting revenues rose 14% and cash flow gained 6%.
- Crown Castle International, which has an IPO pending (RBR 7/13, p. 14), reported Q2 net revenues up 140% to $11.5M. Cash flow from the tower company's operations was $1.9M, compared to a negative $400,000 a year ago.

Triple-digit gains for Chancellor

New Chancellor Media (O:AMFM) CEO Jeff Marcus had plenty of good news to report for Q2. Net revenues shot up 202.5% to $321.7M. Broadcast cash flow soared 217.2% to $152.9M. Marcus also noted with pride that the company's cash flow margin, which had been an impressive 45.3% a year ago, improved still further to 47.5%.

On a pro forma basis, for the 108 stations Chancellor operated in both periods, radio revenues rose 19.1% and cash flow increased 27.1%.

Jacor posts another record

Just about every radio group is posting financial results that break past records by substantial margins. In Jacor's (O:JCOR) case, the Q2 gain in net revenues was 36%, to $183.8M, and broadcast cash flow gained 40%, to $63.1M. After-tax cash flow per share increased 80%.

For the 86 stations which Jacor owned through all of 1997, and still owns, broadcast cash flow increased 23%.

Focusing on his portfolio of startups, CEO Randy Michaels said Q2 is "proof that the stick strategy is on target." Jacor's sticks, which were CPs or insignificant players in their markets when acquired, had overall revenue gains of 37% and cash flow gains of 91%.

Phoenix broadcasters become owners

Veteran broadcasters Gerald Ryan, Jim Seemiller and C. Jayson Brentlinger have formed a new company, Braysan Broadcast Group LLC. Their first buy is in a market all three know well, Phoenix—KBZR-FM for $3.5M. The seller is Brentlinger Broadcasting, headed by Jay Brentlinger, the father of one of the buyers. Broker: Glenn Serafin, Serafin Bros.

Cox up double digits

Citing strong ratings for its stations in Atlanta, L.A. and Miami, Cox Radio (N:CXR) said Q2 net revenues gained 27.3% to $69.2M. Broadcast cash flow gained 32.4% to $5.9M and net income rose 61.2% to $2.4M.

On a same-station basis, Cox said revenues gained 15% and cash flow 20.5%.

Root adds Alabama market

Root Communications is acquiring a ready-made superduopoly, two AMs and three FMs, from Fuller Broadcasting for $4.425M. LMAs began August 1. The stations serve Lee County, AL, immediately adjacent to the Columbus, GA Arbitron market. Broker: Glenn Serafin, Serafin Bros.

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JACOB adds in Northwest

Continuing its string of stations along the 1-5 corridor in Oregon and Washington, Jacob is paying $4M for KELA-AM & KMNT-FM Centralia, WA. The seller is M.J. Chytil's KELA Corp. Broker: Bruce Houston, Blackburn & Co.

You've got to be kidding!

Bear Stearns & Co. last week began coverage of CD Radio (O:CDRD), rated the stock a "buy," and set a 1999 target price of $75—more than triple its current price. If all goes according to plan, the satellite radio wannabe may book its first dollar of revenue before 1999 ends, but only if there are no hitches at all in its launch schedule.

RBR observation: We couldn't ever figure out this stock's pricing when it was at $17. The company may eventually put a satellite or two in outer space, and then face the real challenge of trying to build a business. In the meantime, the only thing in outer space is its stock price. Even so, we wouldn't try shorting the stock until after it launches a satellite or two. Hype overrules math until there are real numbers to put into the equation.

Let the record show...

RBR's second quarter stock chart for "Radio-related companies" (7/27, p. 9), did not reflect a three-for-two stock split by Jefferson-Pilot (N:JP) which took place in April. Rather than declining 25.6%, Jefferson-Pilot's stock was up 11.6% for the first half of 1998.

Also, the Asesores rating company will not discontinue its Puerto Rico operation (RBR 8/3, p. 12), but will compete with new entrant Arbitron.

Heftel soars, despite startups

Heftel Broadcasting (O:HBCCA), the nation's largest Spanish radio group, reported Q2 net revenues up 16.9% to $44.4M, broadcast cash flow up 26.5% to $19M and after-tax cash flow up 31.7% to $15.4M.

According to CEO Mac Tichenor, results would have been even better, except for the impact of costs associated with two top-ten market startups—WCCA-FM New York and KLTN-FM Houston. Excluding those costs, cash flow would have been up 41.2%.

Red mystifies Minnesotans

Sports writers in Minnesota have been chewing out reams of copy with speculation on whether Red McCombs will keep the NFL Vikings in the Twin Cities or eventually move them to his home base, San Antonio. None of them, however, seems to have expended any effort to find out much about the Texan who's plunked down $245M for the team—identifying him simply as a car dealership magnate.

Red may have become a millionaire from selling cars, but he became a billionaire from being the original financial backer of Clear Channel Communications (N:CCU). He's still a director and the second-largest shareholder, behind CEO Lowry Mays.

Clear Channel just happens to own a TV station in Minneapolis-St. Paul and it just happens to be the Fox affiliate. Fox (surprise!) has the broadcast rights to the NFC, the Vikings' conference. Clear Channel also has billboards, but no radio, in the Twin Cities.

Small world, ain't it?

RBR's deal digest

Brothers Richard and Robert Mangels are getting into radio with an $850,000 buy of Jack and Elaine Murphy's WLSV-AM & WJQZ-FM Ellenville, N.Y. Broker: Dick Kozacko, Kozacko Media Services... William and Sydney Pollack's Pollack Broadcasting Co. is buying KBOA-AM & FM Kennett, MO from Scott Krusinski's Legend Broadcasting Co. for $450,000. Broker: Bill Cate, Sunbelt Media... Sinclair's (O:SBGI) $23M sale of WGH-AM & FM Norfolk to Henry Ash's Petracom Holdings (RBR 8/3, p. 14) also includes WFGQ-FM (although no duopoly maps were included and the buyer incorrectly checked that there was no contour overlap with any other station which was currently owned or being acquired)... NBG Radio Network (O:NSBD) announced that it completed a $1.5M private placement of stock, just prior to its recent three-for-one split... Austin Walsh and Tom McKinley of Media Services Group brokered the sale of the Pioneer Broadcasting group to Morris Communications (RBR 8/3, p. 14).

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Transaction Digest continued from page 16


Broker: MCH Enterprises

$220,000-KPCO-AM Quincy CA and KBNF-FM Chester CA from Thomas A. Acetuno, Trustee, Bankruptcy Estate of Stratcom Ltd. to Carousel Broadcasting (Robert K. & Barbara June Fink, Robert Darling). $50K deposit, balance in cash at closing. Stations have been silent since 7/1/97, and licenses expired 12/1/97. LMA since 4/14. Broker: Media Venture Partners (buyer)

$200,000-WSGA-AM Savannah GA from Phoenix Broadcast Partners Inc. (Carl & Betty Lou Maroccio) to BCM Media Inc. (Bruce Maduri, J. Donald Childress), a subsidiary of Starter Enterprises. $20K escrow, balance in cash at closing. Buyer's step-father Ron Underwood is owner of WKAX-AM in Russellville.


$55,000-400-AM Weatherford TX from The Sister Sherry Lynn Foundation Inc. (Sherry L. Austin) to CSSI Non-Profit Educational Broadcasting Corp. (Charles H., Sally, Melinda & David Beard). Cash.

$35,000-WLOC-AM Munfordville KY from Royce Radio Inc. (Henry G. Royse II) to Hart County Communications Inc. (DeWayne Forbis, Terry Shelton, James M. Tapp, George A. Shelton, Preston Thompson). $2K escrow, balance in cash at closing. LMA since 5/29.

$75,000-WLAL-AM Albany Schenectady-Troy (Cobleskill NY) from Candice Broadcasting Corp. (Joseph & Ann Latino) to NY Communications L.L.C. (Robert B. Hechler, J.J. Sudrann). $7.5K escrow, balance in cash at closing.


$30,000-FM CP Gibsland LA from George B. Wilkes III to Northstar Enterprises Inc. (Gordon Davis Cole, Janet Marie Cole). $17.5K deposit, balance in cash at closing. Station is at 104.5 mHz.

$25,615-KPXH-FM CP (100.3 mHz) Garapen, Northern Marianas Islands from Saipan Cable Telecommunications Inc. (Mark S., Bryan L., Lee M., & Joan S. Holmes) to Leon Padilla Ganacias. $5K deposit, balance in cash at closing.

$25,000-KOMH-AM Pawhuska OK from KRIC Inc. (Homer H. Hillis Jr., Bruce H. Campbell) to McCaslin Media Inc. (Gay, Tom & Scott McCaslin). $2.5K escrow, balance in cash at closing.

$6,629.16-FM CP Jogales OK from McCurtain County Community Broadcasters Inc. (Ed Fulmer) to JDC Radio Inc. (Homer Coleman). Cash. Duopoly with KKBI-FM Broken Bow OK. CP is a Class A at 102.9 mHz.

$5,000-KHOS-AM Sonora TX from William Gail Garlitz to Zacarias Serrato. Cash, plus buyer will pay for technical repairs. Must continue station's Spanish format and cannot resell for two years after closing. Seller then has right of first refusal to buy station. LMA beginning 8/21.

CRITERION MEDIA GROUP has acquired

KLDZ-FM
Santa Barbara, California
from
JOELMART, INC.

The undersigned acted as exclusive broker in this transaction and assisted in the negotiations.

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

**$11,500,000—WBKJ-FM Jackson (Kosciusko MS) from Boswell Broadcasting Inc. (H. Mims Boswell Jr., John Boswell) by Jack Messmer & Dave Seyler to Capstar MS LP (Steve Hicks), a subsidiary of Capstar Broadcasting (N:CRB).** Like-kind exchange for WJDX-FM (see below) to satisfy DOJ requirement that WJDX-FM be divested in conjunction with Capstar’s acquisition of the SFX radio group. **Superduopoly** with WZRX-AM, WJDS-AM, WKTF-FM, WMSI-FM & WSTZ-FM.

**$11,500,000—WJDX-FM Jackson MS from Capstar MS LP (Steve Hicks), a subsidiary of Capstar Broadcasting (N:CRB) to Boswell Broadcasting Inc. (H. Mims Boswell Jr., John Boswell).** Like-kind exchange for WBKJ-FM (see above). Combo with WKOZ-AM.

**$8,000,000—KGMI-AM & KISM-FM Bellingham WA from KGMI inc. (Ann Jones-Richardson) to Saga Broadcasting Corp. (Edward K. Christian), a subsidiary of Saga Communications Inc. (A:SGA).** $600K escrow, balance in cash at closing. Broker: Blackburn & Co.

**$8,000,000—WTMR-AM Philadelphia (Camden NJ) from Gore-Overgaard Broadcasting Inc. (Harold W. Gore) to KAAY License LP (George G. Beasley and family members), part of Beasley Broadcast Group.** $400K letter of credit as escrow, $8M in cash at closing. Note: This sale will be structured as a like-kind exchange for KAAY-AM Little Rock, which Beasley is selling to Citadel (O:CTC) for $5M. Broker: Force Communications

**$2,610,000—WXLE-FM Albany (Mechanicville NY) from Foley Broadcasting LP (John L. Foley Jr.) to Atlantic Star Communications Inc. (James T. Shea Jr., pres.), a subsidiary of Capstar Broadcasting (N:CRB, Steve Hicks, CEO).** $130K letter of credit as escrow, $2.6M in cash at closing. The buyer is seeking a waiver of the one-to-a-market rule to acquire in separate deals both this FM and KMEG-TV (Ch. 14, CBS) Sioux City. LMA since 8/1.

**$895,000—WJKE-FM Stillwater NY from Fair Way Communications Inc. (Peter L. Coughlin, Roland M. Cavalier, Carol M. Reilly, Michael Bellantoni, Anthony Fasolino) to Anastos Broadcast Group Inc. (Ernest Anastos, Edward P. Swyer).** $45K escrow, $600K (less escrow) in cash at closing, $295K note. Broker: Dick Sharpe, Blackburn & Co.

**$675,000—WV1P-AM Mount Kisco NY from Estate of Martin Stone (Richard F. Stone, Executor) to Suburban Broadcasting Corp. (John T. Becker).** $67.5K escrow, additional $557.5K in cash at closing, $50K note. Note: No contour overlap with WGCH-AM Greenwich CT.

**$490,000—KFVR-AM & KCRE-FM Crescent City CA from Pelican Bay Broadcasting Corp. (Lawrence Goodman) to continued on page 15**