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## Kennard backs microradio

by Frank Saxe

Standing before a crowd of his staunchest supporters, FCC Chair **Bill Kennard** (D) strongly backed licensing microradio stations during Sept. 18 a speech to the National Association of Black Owned Broadcasters (NABOB).

Kennard announced he has asked the Mass Media Bureau (MMB) to come up with a proposal for a new low-power FM service. "We are going to do whatever we can to create more opportunity and more licenses for small and minority businesses," said Kennard. "We have an obligation to manage the spectrum in the most efficient way possible. That means using those airwaves to give as many people as possible the chance to use them."

Kennard said he is aware many broadcasters do not support microradio, but said he is confident FCC engineers will be able to come up with a workable plan, much like they did with LPTV.

"Despite the numbers that people talk about in respect to low power TV, we have not seen the success in that business that would make us eager to see a low power radio service formed in the same fashion," said **James Winston**, president, NABOB. Kennard's announcement drew hearty applause, but Winston said a lot more information is needed before the group could back a microradio proposal.

"If you add to an already crowded spectrum, the logical result will be more interference," said NAB spokes-

man **Dennis Wharton**. He said the IBOC transition could be delayed by the increased interference. "It would be best to see how the transition to digital goes first.

### Adarand studies begin, ad study continues

The FCC has begun the process of justifying a racial-preference program, more than three years after the Supreme Court's 1995 *Adarand* decision, which ruled racial preference programs were unconstitutional unless there was evidence that government intervention is the only solution.



FCC Chairman Bill Kennard

Kennard announced last week he will start the process of studying whether discrimination is keeping minorities out of broadcasting. Researchers will look at lack of access to capital and whether the agency's own financial requirements hurt minorities. Once the information is collected, the FCC will use it to justify licensing preferences and bidding credits at broadcast auctions, said one senior MMB official.

The FCC will also propose new EEO rules by the end of the year, vowed Kennard. FCC lawyers are meeting with Justice Department officials, discussing whether to appeal the Court of Appeals' refusal to hear the FCC's appeal (*RBR* 9/21, p.3).

## Strong pacing continues

It's a redundant, but sweet refrain—radio sales are continuing to pace well ahead of year-ago levels, according to the latest RBR/Miller Kaplan forward pacing report. October is more than three percentage points ahead of last year, which was two-thirds sold out by September 15, and November continues strong as well.

"Looking at the regions, the West seems to be putting some distance between itself and the rest of the country," noted **George Nadel Riven** of Miller, Kaplan, Arase & Co.

### RBR/Miller Kaplan Market sell-out percentage report

	1998	1997
Sept. 15	89.4%	85.8%
Oct.	69.2%	66.4%
Nov.	61.7%	60.4%

## DG Systems buys DCI

by Carl Marcucci

Not long after Vancouver-based spot and short-form delivery Digital Courier International announced it had been placed in receivership (*RBR* 7/6, p. 3), competitor DG Systems (O:DGIT), based in San Francisco, won the bid to purchase (9/23) the company for \$8.9M (US). DCI's re-

Continued on page 4

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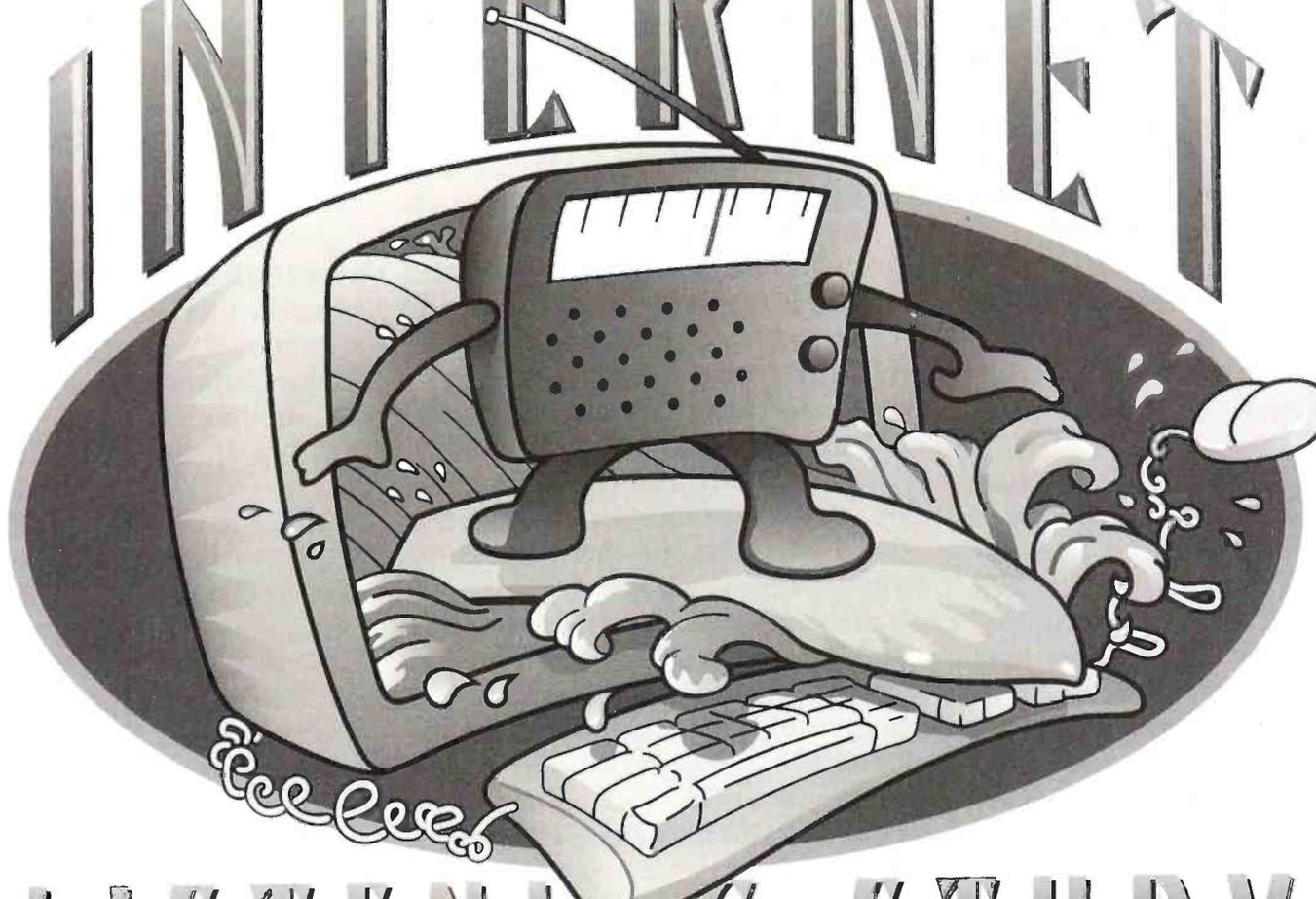
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Continued from page 2

ceiver manager selected DGS over three other bidders, including NY-based ACI Capital and Applied Graphics Technologies, and WAM Net of Minneapolis.

"It was an all-cash offering, and it basically was the first company that satisfied all the terms of the purchase agreement," said DCI CEO **Al Kozak**. "Over the next few months, it's going to be business more or less as usual, and we will be talking to customers about the changes coming up."

"Digital Courier stock has been delisted [from the Alberta Stock Exchange]. Because this was done as an asset sale, the shareholders are basically not going to get anything for their shares," said Kozak.

DCI brings DGS the infrastructure and technology to offer groups turn-key systems for their own two-way audio delivery. In fact, DCI announced Aug. 19 that Citadel Communications (O:CITC) had signed a two-year agreement for its 106 stations.

The combined company will serve more than 10,600 clients, including radio stations, production companies and ad agencies—but more than half are clients using both services. What will become of them? "If there were a way to come out with a future generation of systems that took the best of both worlds, that would probably be best for the customers—we're very excited about the R&D capabilities that DCI has," said **Paul Emory**, CFO, DGS, who said there are no plans to move DCI's offices or staff.

The combined company finds the digital spot delivery market virtually without competition, as the other major player, Musicam Express has stopped its spot delivery service (RBR 7/6, p. 3). However, it is working on a system, "MXNet," that will be similar to DCI's two-way functionality.

## More deals draw FCC scrutiny

by Frank Saxe

The FCC has opened inquiries on 12 deals, including parts of Capstar's (N:CRB) \$190M purchase of Triathlon Broadcasting (RBR 8/3, p.12) and Chancellor Media's (O:AMFM) big buy into Cleveland last month (RBR 8/17, p.12).

Specifically, the Commission is concerned with Capstar adding Triathlon's (O:TBCOA) superduopoly in the Wichita, KS market to its current lineup. With six FMs and three AMs, Capstar will be required to spin two stations regardless. But what has drawn the FCC's attention is its piece of the ad pie, which according to BIA estimates, would give Capstar 53% of the market's radio revenue. While that is more than the 50% the FCC has hinted it will allow single owners (RBR 8/31, p.2), it should fall under the Commission's guidelines with the required spinoffs.

The other market that has FCC attention is Cleveland, where Chancellor gobbled up 4 FMs and 2 AMs last month, and gained a 50kw AM in a swap with Jacor (O:JCOR). The number of signals meet the legal limit, and

it appears Chancellor also passes DOJ's 40% revenue cap, with its seven stations adding up to 39.9% of Cleveland's radio revenue. Of course, the market already has two other big players: Jacor and Clear Channel (N:CCU).

What may also have caught the FCC's attention is Chancellor's \$129M purchase of three Zapis Communications stations in Cleveland—two of which had been controlled by two African-Americans until the Zapis family bought their voting stock last year (RBR 8/18/97, p. 14). The Commission has made minority ownership one of its top priorities.

The Commission put ten other applications on hold last month (RBR 8/17, p.2), but FCC attorneys said last week no comments were filed during the 30-day window.

Meanwhile, several small market broadcasters, including those in Charlottesville, VA; Eunice, NM and La Crosse, WI have asked the FCC to block sales in their markets. The FCC has become the place to go for small market broadcasters, after Cmsr. **Susan Ness** and **Gloria Tristani** raised questions about a small-town Arkansas deal (RBR 8/24, p.2).

## Mancow, Chancellor appeal

We may soon have an answer to whether or not people can sue broadcasting companies for negligently hiring, supervising and retaining on-air talent. Shock jock **Mancow Muller** (now with Emmis Communications—RBR 6/29, p.4) and Chancellor Media (O:AMFM) argued their appeal Sept. 24 to the Illinois Supreme Court against plaintiff **Keith VanHorne**, who won the last round in the Illinois Court of Appeals (RBR 2/16, p. 4). It's a case that may end up before the US Supreme Court.

"To allow parties to state claims against broadcasting companies, or any employer for that matter, for negligent hiring based on the speech conduct of a potential employee is to really fly in the face of the First Amendment," said Chancellor's attorney, **Steven Baron**. "The impact of an adverse ruling would be to make radio plain vanilla."—CM



Mancow Muller



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## Terrestrial repeaters: How many will it take?

by Carl Marcucci

As satellite DARS proponents CD Radio (O:CDRD) and AMSC's (O:SKYC) AMRC continue preparing for 1999-2000 launches, an often overlooked cost and logistical issue remains—how many terrestrial repeaters will they need? Because of tall buildings, the satellite signals will have trouble "seeing" into urban corridors.

Besting its original estimate of 140 repeaters in the top 40 cities (*RBR* 2/23, p. 6), CD Radio now estimates only 98 will be needed for the top 41 cities. "We will have a three-satellite orbit when we launch the service. We're directly over North America in geosynchronous orbits, which are much closer than [AMRC's] geostationary. In the worst part of the country, there are 65 degree elevation angles, and at a lot of points, we're 90 degrees, directly overhead many cities. Those cities will need less repeaters," said **Andrew Greenebaum**, EVP/CFO, CD Radio, who is currently wiring San Francisco, and will begin work in Houston next month.

Three satellites allows CD Radio much fewer repeaters than AMRC, which will use two satellites (*RBR* 6/15, p. 3) to serve up the same number of channels—100. "We think we need 1,200 or so. The fact is we want to ensure that consumers in urban areas have the highest level of performance. We're doing helicopter testing with terrestrial repeaters in Germany and we're going to do some testing here in Washington," said **Hugh Panero**, CEO, AMRC.

Maybe the real question is: does one additional satellite cost more than 1,100 repeaters (many of which can be placed on existing PCS, paging, and cellular towers)? "It all comes out in the wash. However, we don't need a third satellite because we have two of the highest powered satellites on order today," said Panero.

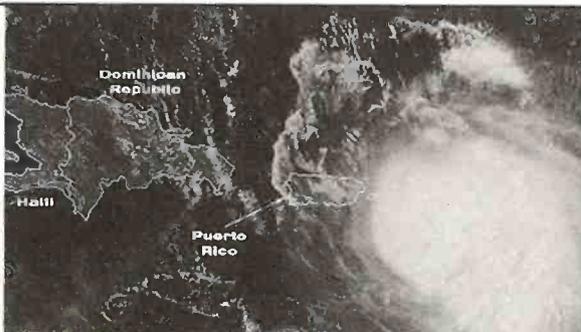
### Hurricane may impact Puerto Rico book

The Fall book began last week, and Hurricane Georges may affect Puerto Rico's survey. If Georges significantly affects diary distribution and return, Arbitron will "look at the option of modifying or withholding" the book for market #11, said Arbitron spokesman **Thom Mocarsky**.

"The diary in the early weeks may be affected, but we're going forward with the book."

Because diarykeepers are called and books are mailed two weeks in advance, the hurricane would affect the third week of the survey. Early indications were many potential respondents were preoccupied with putting their lives back together.

When Hurricane Hugo hit South Carolina, Arbitron lopped a month off Charleston's survey. However, Hurricane Andrew did not disrupt Miami's book when it hit south Florida in 1992.—FS



► The DOJ has forced Talleyrand Broadcasting to abandon plans to buy four Citadel stations in State College, PA. Talleyrand owns WZWW-FM in State College, which controls 28% of the market's radio ad revenue. DOJ says if it added four more stations, that total would have risen to 46%. DOJ has been investigating concentration in Arbitron market #235 for nearly a year.

► The FCC has agreed to wait until after this year's election cycle to begin requiring stations to provide photocopies of public inspection documents to people who ask for them on the telephone. As part of its rule making which gave broadcasters more flexibility in locating a main studio, the FCC last month ordered stations to make it easier to review the public inspection files. But the NAB said putting such rules into effect during a federal election campaign would create confusion for stations, candidates and the public. The FCC agreed.

► CBS (N:CBS) asked an Ohio judge last week to place a gag order on Jacor (O:JCOR) attorneys, who have filed a lawsuit against **Jim Bryant**, GM, WKRQ-FM Cincinnati. Jacor alleges Bryant "scared" advertisers away from Jacor's competing AC station.

► AFTRA members at Entercom's KIRO-AM, KIRO-FM and KNWX-AM Seattle have voted to strike if a stand-off isn't settled soon. The two sides have been at an impasse for more than a year over job security issues.

► Island Broadcasting is asking the FCC to use a comparative hearing to settle competing applications for a new FM station in Chincoteague, VA—for which Island filed an application. The FCC could have used comparative hearings for 130 pending licenses, with roughly 500 applicants, but decided auctions would be quicker and cheaper for both the government and broadcasters.

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by Jack Messmer

## Cumulus Media: Growing a big company in small markets

Who is **Richard Weening** and why is he buying so many radio stations?

That was the question being asked last year of the newcomer who suddenly burst onto the scene, quickly buying up dozens of stations in small Arbitron markets and even unrated markets.

The industry soon learned that Weening was a Milwaukee-based entrepreneur who'd been building high-tech, new media companies. He told *RBR*, though, that it wasn't such a departure for him to build a new company, Cumulus Media (O:CMLS), in a 70-year-old technology.

"I fell in love with radio in 1964 when I hosted the Sunday night Classical program on my college radio station, WSJU [St. Johns University, Minnesota]," said Weening. "What attracted me to establish Cumulus over 30 years later? Two things, really.

"The Telecommunications Act of 1996 and my partner, **Lew Dickey**. In allowing multiple-station ownership, the Act made radio a very compelling business opportunity. Radio had always been the underdog in media with only about 7% of the local ad dollar. For the first time, radio in the form of multiple-station clusters could potentially enjoy as much cume listenership as the local daily has readers and actually compete effectively with newspapers and TV for ad dollars.

"While my background is as a CEO in book and magazine publishing, at the time, I was running a private equity investment company which specialized in new media. Lew Dickey was an experienced radio station owner/operator and consultant. He consulted a small radio company [in the Caribbean] in which I had an investment. We worked together. We liked each other. We de-

finied the opportunity together. The rest is history."

To launch the new company, Weening and Dickey recruited former Century Communications executive **Bill Bungeroth** to head the operating company, Cumulus Broadcasting. Bungeroth was joined by his long-time associate, **Rick Bonick**, to oversee finances.



## CUMULUS

Other corporate-level executives of Cumulus include **Terrence Baun**, Director of Engineering; **John Dickey**, Director of Programming; **Terrence Leahy**, General Counsel; **Daniel O'Donnell**, Director of Corporate Finance; **Jill Schmitt**, Director of Facilities; and **Mini Srivathsa**, Director of Technology. The company also lists as "key people" of the broadcasting unit **Rhonda DeVoe**, Director of Human Resources; **Jorge Garcia**, Assistant Controller for acquisitions; **Michael Bavely**, Assistant Controller for financial reporting; and **Jennifer McKillop**, Director of Marketing.

### *Large group, simple structure*

Despite having so many stations—176 at last count—Cumulus doesn't have the sort of regional management structure that has been embraced by many other mega-groups.

"The building block of the company is a station group, or cluster, of perhaps six or seven stations within

a market," said Weening. "The cluster is run by a Market Manager who reports directly to Bill Bungeroth. Bill is assisted in supporting Markets Managers by regionally-focused executives we call Directors of Sales, who each serve about ten markets. Market and individual station performance is tracked daily through our computer network so we all know where everything is at all times."

Those regional Directors of Sales for the current station lineup are: **Peter Remington**, Southeast (11 markets in Alabama, Florida, Georgia, Maryland, North Carolina, South Carolina and Tennessee); **Bruce Biette**, Northeast (two markets in Maine); **David Noll**, Southwest (eight markets in Colorado, Kansas, Louisiana and Texas); and **Greg Sher** and **Kevin Lein**, Midwest (14 markets in Iowa, Illinois, Michigan, Minnesota, North Dakota, Ohio and Wisconsin). Offshore, Cumulus also includes stations on eight islands in the eastern Caribbean—the Gem Radio Network that Weening had controlled prior to forming Cumulus.

"Purchasing decisions for capital equipment and major services, including research and programming, are made centrally and executed or implemented locally," Weening explained. Cumulus is negotiating with vendors for group-wide arrangements and already has several such deals in place: Harris-Allied for equipment; Stratford for research; Royal and Sun Alliance for property and casualty insurance; Humana for health insurance; Hertz for car rentals; Principal for the company's 401(k) plan; AIG for liability and broadcast defamation insurance; BSMG for media relations; Lucent for telecommunications hardware; and Compaq for computer equipment. "We are negotiating arrangements on various software applications and other services," he noted. Many local operations employ digital audio systems, but Cumulus has not yet settled on one vendor for company-wide use.

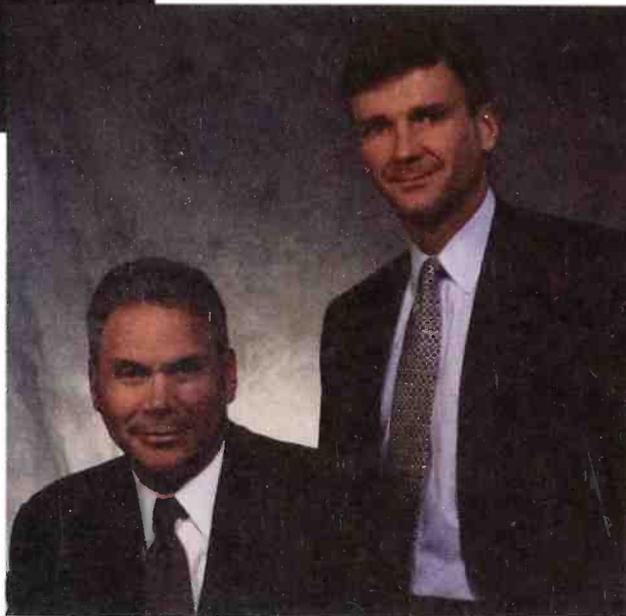
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Cumulus Media Chairman Richard Weening (seated) and Vice Chairman Lew Dickey Jr.

Cumulus Broadcasting President Bill Bugerth (seated) and Dir. of Programming John Dickey



Cumulus has a company-wide computer network, using the Internet as its backbone, which is primarily used for tracking business performance, inventory management and exchanging information within the company. Although the network has the capability of exchanging programming elements, that is not a primary focus.

"While we are very technology driven, we are not comfortable with the concept of virtual programming," Weening said. "We do some of it in our Gem Radio Network business in the Caribbean, but we do not feel it is suitable for our markets here."

"Our strategy is to offer more live programming, not less," added Lew Dickey. "Our local on-air personalities are important generators of revenue and audience share—two things which we are always looking for more of."

#### **Fast-track acquisitions**

Having begun with zero radio stations in 1997, Cumulus has now spent nearly \$500M on acquisitions in 35 markets, which shows no sign of slowing down. Weening and Dickey are seeking to create superduopolies in each of their markets.

"We look for the maximum number allowed under the [Telcom] Act and we strive for the best distribution in the market," Weening said. "We know we can create the software, but we must have the hardware to compete. With respect to revenue, we are looking for at least \$3M."

By focusing on small markets, Cumulus is often the only big radio group in its markets. In a few cases, though, the company does compete head-on with other major groups, such as Jacor (O:JCOR) and Clear Channel (N:CCU).

"We compete with other major groups in seven markets," Weening noted. "We have the number one position in revenue share in six of them. Of course, they are all tough competitors, but our experience is that having two or three major groups in a market tends to increase radio's share of the total media market—meaning radio, as a vehicle for advertisers, becomes more competitive."

Cumulus has assembled most of its superduopolies through purchases from multiple owners, rather than acquiring existing clusters, so many of its operations have only recently

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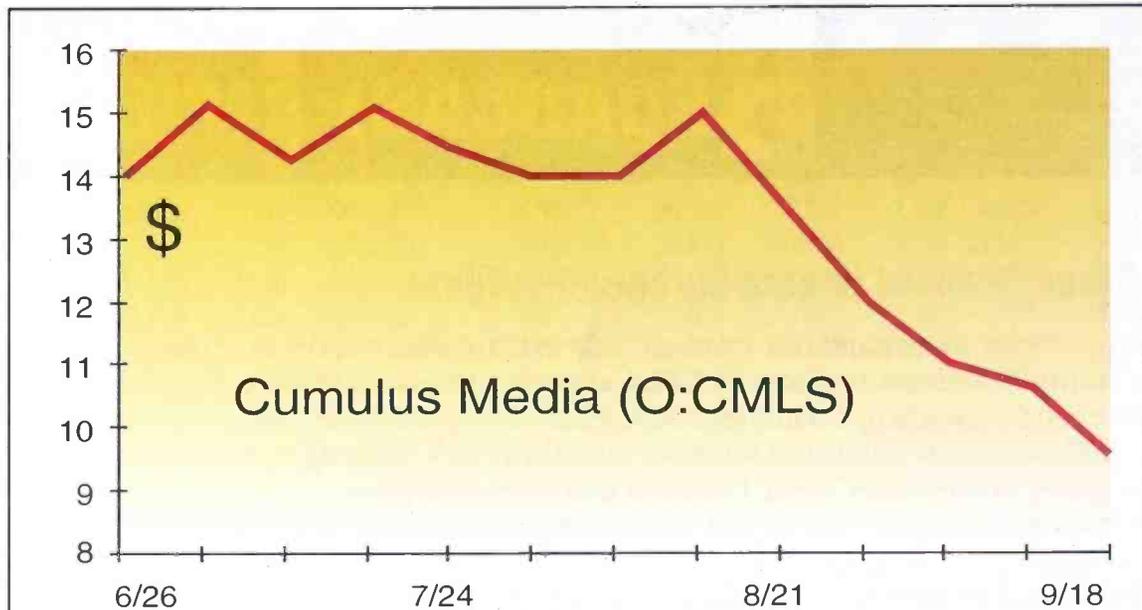
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begun to realize the financial benefits of consolidation. Weening says those combinations will be able to produce the same sort of 40-50% cash flow margins that Wall Street expects of big market radio operations.

"Yes, we have several markets that produce margins in that range right now. Size is not the issue, at least not in our group. It has more to do with the quality of the stations, the number of stations in the cluster and how long they have been together. As our clusters mature, our margins will compare favorably with broadcast companies operating in the larger markets."

As some other big groups move to multi-media platforms, Cumulus remains a "pure" radio company. However, its executives aren't ruling out eventual additions of billboards or other complementary media.

"We are in the business of selling local advertising, so opportunities to expand our services are always interesting," said Dickey. "For now, we have such a significant opportunity in radio that we feel we should stay fully focused. We are building an exciting platform that is well positioned to compete in the rapidly changing media world."



### Cumulus Media Financial results

#### January-June comparison

##### Actual results

Category	1998	1997
Net revenues	\$34,400,000	\$82,000
Broadcast cash flow	\$7,100,000	-\$214,000

#### Same station basis (59 stations operated since 1/1/98)

Category	1998	% gain
Net revenues	\$21,200,000	18%
Broadcast cash flow	\$4,400,000	36%

Source: Cumulus Media news release, 8/13/98

## Peering through the clouds to value Cumulus

How did Wall Street's big institutional investors decide how much to pay for the stock that Cumulus Media (O:CMLS) sold in its recent (*RBR* 7/6, p. 13) IPO? We can get an idea of their thinking from an analysis of the stock's prospects written by **Tim Wallace** of Lehman Bros., lead underwriter for the \$106.4M offering.

As we noted in reporting the Cumulus IPO filing (*RBR* 4/6, p. 19), the year-old company had so many acquisitions pending that its actual revenues for 1997, \$9.2M, were less than 10% of its pro forma figure, \$106.2M. Its broadcast cash flow figures (\$2M actual, \$27.7M pro forma) were almost irrelevant because the company had yet to consolidate stations in its vast array of markets.

Flush with cash from its IPO and related bond placements, Cumulus has now closed many of its deals, although it's continuing to acquire additional stations. Here's what Wallace and his associate, **Robert Ruland**, are expecting to see as Cumulus implements its strategy of consolidating small market stations:

"We are forecasting dramatic cash flow

growth over the next two years as management implements sophisticated sales, marketing, and programming strategies on newly acquired and significantly undermanaged stations. We estimate pro forma EBITDA [broadcast cash flow minus central office overhead] growth of 40% this year and 23% in 1999, making Cumulus one of the fastest growing radio companies in our universe."

Wallace sees Cumulus' pro forma broadcast cash flow growing 36% this year and 23% next year, compared to averages of 22% and 19% for the four other radio groups used for comparison—Clear Channel (N:CCU), Cox (N:CXR), Emmis (O:EMMS) and Heffel (O:HBCCA).

The Lehman Bros. analyst notes that Cumulus is trading at a significant discount to the two other recent IPOs, Capstar (N:CRB) and Citadel (O:CITC). That is due at least in part, Wallace says, to the two having a longer operating history than Cumulus. "However, we think that with each quarter Cumulus reports, this difference diminishes and so will the discount," he wrote.

Noting the continuing consolidation of the radio industry and the trend of big broadcasters looking to move into smaller markets, Wallace calculated a take out price estimate. At 17 times Wallace's 1999 broadcast cash flow estimate of \$52M, Cumulus would sell for \$28 per share. He also notes that the price would be \$30 if the company beats that cash flow estimate by just 5%.

Here's what Wallace is forecasting for the next couple of years:

#### Cumulus Media forecast

	1998*	1999**
Revenues	\$129M	\$141M
Broadcast cash flow	\$43M	\$52M
After-tax cash flow per share	12¢	59¢

\*pro forma estimate

\*\*estimate

Source: Lehman Bros. research dated 7/21/98

## Clear Channel boosts European outdoor

In a move to expand its outdoor advertising operations in Europe, Clear Channel Communications (N:CCU) acquired France's Sirocco S.A. for 495M French Francs (approximately \$87M).

"This transaction is the result of management's ongoing search for value on a global scale," said Clear Channel CEO **Lowry Mays**.

Sirocco has 22,000 street furniture panels (a popular form of outdoor advertising in Europe), which will add greatly to the 4,000 or so that Clear Channel already owns in France.

According to London's *Financial Times*, Sirocco concentrates on cities of 50,000 people or less. Its management had been wanting to expand that strategy into Belgium, Italy, Spain and Germany, but didn't have access to enough cash. Now, with Clear Channel's backing, that expansion appears likely.

## Emmis Q2 a record

Emmis Communications (O:EMMS) reported record financial results for its fiscal Q2, which ended 8/31. Net broadcast revenues rose 42% to \$48.2M and the addition of *Texas Monthly* boosted publication revenues (net of expenses) by 404% to \$1.2M. Broadcast cash flow rose 27% to \$23.6M. After-tax cash flow gained 31% to 92¢ per share.

On a same station basis, net revenues increased 13%.

## Radio stocks stage recovery

Radio stocks posted strong gains last Wednesday (9/23) as Federal Reserve Board Chairman **Alan Greenspan** hinted that an interest rate cut might come at tomorrow's (9/29) Fed meeting. Both Chancellor Media (O:AMFM) and Jacor (O:JCOR) gained \$5 for the day, Hefel (O:HBCCA) \$4.625 and Clear Channel (N:CCU) \$4.563.

Big City Radio (A:YFM) recovered from penny stock territory, closing at \$5 for the first time since Sept. 4.

The Radio Index (See p. 13) is composed of the following radio stocks:

- Chancellor Media (O:AMFM)
- CBS Corp. (N:CBS)
- Jacor Communications (O:JCOR)
- Clear Channel (N:CCU)
- Capstar (N:CRB)
- Cox Radio (N:CXR)
- Hefel Broadcasting (O:HBCCA)
- Emmis Communications (O:EMMS)
- Cumulus Media (O:CMLS)
- Citadel Communications (O:CITC)
- Saga Communications (A:SGA)
- Triathlon Broadcasting (O:TBCOA)
- Big City Radio (A:YFM)
- Westwood One (O:WONE)
- Metro Networks (O:MTNT)

## Disney set to Go on net

Disney (N:DIS) and Infoseek Corp. (O:SEEK) plan to offer the public a preview release of their new Internet portal before the year is out. The new portal, Go Network ([www.go.com](http://www.go.com)) will combine Infoseek's Internet search engine with access to Disney content, including material from ABC News, ESPN and Disney content for kids.

Disney is confidently predicting that Go Network will "have the third largest unduplicated reach on the Internet, in terms of unique visitors, at launch," ranking behind only Yahoo! (O:YHOO) and AOL (N:AOL). That would require beating the current #3 and #4, Microsoft (O:MSFT) and Netscape (O:NSCP), from the get go.

A transaction already in progress will result in Disney owning approximately 43% of Infoseek, with warrants to acquire a majority interest.

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## September 23—RBR Stock Index 1998

Company	Mkt:Symbol	9/16 Close	9/23 Close	Net Chg	Pct Chg	9/23 Vol (00)	Company	Mkt:Symbol	9/16 Close	9/23 Close	Net Chg	Pct Chg	9/23 Vol (00)
Ackerley	N:AK	20.875	19.625	-1.250	-5.99%	133	Harris Corp.	N:HRS	34.500	37.062	2.562	7.43%	4101
Alliance Bcg.	O:RADO	0.688	0.687	-0.001	-0.15%	24	Heftel Bcg.	O:HBCCA	36.625	41.750	5.125	13.99%	3210
Am. Tower	N:AMT	23.250	22.687	-0.563	-2.42%	2740	Jacor	O:JCOR	51.500	52.250	0.750	1.46%	5391
AMSC	O:SKYC	6.375	5.375	-1.000	-15.69%	555	Jeff-Pilot	N:JP	61.375	62.812	1.437	2.34%	2249
Belo Corp.	N:BLC	19.938	19.437	-0.501	-2.51%	970	Jones Intercable	O:JOINA	25.375	26.937	1.562	6.16%	1514
Big City Radio	A:YFM	3.750	5.000	1.250	33.33%	162	Metro Networks	O:MTNT	36.750	35.250	-1.500	-4.08%	227
Broadcast.com	O:BCST	38.750	56.500	17.750	45.81%	6387	NBG Radio Nets	O:NSBD	1.000	0.937	-0.063	-6.30%	64
Capstar	N:CRB	15.000	16.562	1.562	10.41%	3186	New York Times	N:NYT	29.938	27.625	-2.313	-7.73%	7579
CBS Corp.	N:CBS	28.000	27.000	-1.000	-3.57%	27043	News Comm.	O:NCOME	0.781	0.687	-0.094	-12.04%	0
CD Radio	O:CDRD	16.938	19.625	2.687	15.86%	3892	OmniAmerica	O:XMIT	22.000	22.250	0.250	1.14%	406
Ceridian	N:CEN	57.563	60.250	2.687	4.67%	1375	Otter Tail Power	O:OTTR	36.500	40.750	4.250	11.64%	632
Chancellor	O:AMFM	32.000	37.500	5.500	17.19%	42944	Pacific R&E	A:PXE	2.313	2.250	-0.063	-2.72%	0
Childrens Bcg.	O:AAHS	3.156	3.218	0.062	1.96%	479	Pulitzer	N:PTZ	77.125	78.187	1.062	1.38%	90
Citadel	O:CITC	22.875	23.250	0.375	1.64%	47	RealNetworks	O:RNWK	24.500	31.625	7.125	29.08%	8164
Clear Channel	N:CCU	45.625	50.000	4.375	9.59%	12105	Regent Pfd.	O:RGCI	4.250	4.250	0.000	0.00%	0
Cox Radio	N:CXR	36.500	36.812	0.312	0.85%	1096	Saga Commun.	A:SGA	17.000	15.500	-1.500	-8.82%	39
Crown Castle	O:TWRS	7.875	8.375	0.500	6.35%	3825	Sinclair	O:SBGI	18.563	18.625	0.062	0.33%	4661
Cumulus	O:CMLS	10.375	8.875	-1.500	-14.46%	2121	SportsLine USA	O:SPLN	16.000	18.687	2.687	16.79%	6035
DG Systems	O:DGIT	2.625	2.750	0.125	4.76%	416	TM Century	O:TMCI	0.290	0.375	0.085	29.31%	0
Disney	N:DIS	25.750	26.750	1.000	3.88%	84370	Triangle	O:GAAY	0.060	0.065	0.005	8.33%	100
Emmis	O:EMMS	36.625	36.687	0.062	0.17%	606	Triathlon	O:TBCOA	11.000	10.500	-0.500	-4.55%	381
Fisher	O:FSCI	66.000	66.000	0.000	0.00%	3	Tribune	N:TRB	56.813	51.250	-5.563	-9.79%	12507
Gaylord	N:GET	27.063	29.250	2.187	8.08%	460	Westower	A:WTW	22.000	21.562	-0.438	-1.99%	55
Granite	O:GBTVK	7.250	6.875	-0.375	-5.17%	383	Westwood One	O:WONE	16.250	18.875	2.625	16.15%	689
							WinStar Comm.	O:WCII	24.063	25.437	1.374	5.71%	11828

### Clinton video boosts Broadcast.com

Dow Jones—Broadcast.com Inc. (O:BCST) shares rose after the release of President **Bill Clinton's** videotaped grand jury testimony on the Internet focused investors on the company's business of streaming audio and video on-line.

Broadcast.com, which aggregates and broadcasts streaming media programming on the Web, said that it set a record by supporting an estimated 50,000 simultaneous users on Monday (9/21). The company provided live audio and video streaming of Clinton's grand jury testimony on the Internet on its own site and provided broadcast solutions for CNN.com, MSNBC.com and CourtTV Online.

"They've built a very solid network, and they were put to the test," said William Blair analyst **Abhishek Gami**. "Most people who went to their site got good service."

The analyst noted that the company's network operates very efficiently. For instance, Broadcast.com uses multicasting technology, which enables one-to-many—rather than one-to-one—streaming, and caching technology, which allows servers in different places to store popular files to offload traffic from a central server.

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## Jacor Communications, Inc

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### KRKT-AM/FM

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*from*

## M3X Corporation, Inc

*for*

### \$3.825 Million

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by Jack Messmer

## CBS files Infinity spin-off, but details lacking

Expectations that **Mel Karmazin** would try to jazz-up the spin off of CBS Corp.'s (N:CBS) radio/outdoor operation with a major acquisition have proved unfounded. The IPO filing for Infinity Broadcasting Corp. calls only for a separation of CBS' "out-of-home" media operations into a new company, with CBS continuing to be Infinity's controlling shareholder.

"The company characterizes its business as out-of-home because more than two-thirds of radio listening, and virtually all viewing of outdoor advertising, takes place in automobiles, transit systems, on the street and other locations outside the consumer's home," the SEC filing explained.

Although CBS said it would sell about 20% of Infinity to the public (RBR 8/13, p. 12), the IPO filing left

virtually all financial details of the sale blank, to be filled in by amendment. The SEC filing covers only \$10M in stock to be sold, but that's likely to be changed to a few billion when the amendment is filed. Even with its overwhelming equity ownership, CBS is creating two classes of stock in Infinity. The Class B stock, all of which will be owned by CBS, will have five times the voting power of the Class A stock to be sold to the public.

The filing says that for the 12 months which ended June 30, the operations being spun-off as Infinity had pro forma revenues of \$1.952B and EBITDA (cash flow minus corporate overhead) of \$757M.

Most of the proceeds from the stock sale will be used to repay a \$2.5B loan from CBS, leaving Infinity with approximately \$725M in long-term debt.

Underwriter: Merrill Lynch & Co.

**RBR observation:** At a 15X multiple (which would be rather low) of trailing EBITDA, Infinity would have been valued at \$11.3B as of June 30—\$15.1B at a 20X multiple. Subtract the debt and CBS' 80% equity, and it appears the public stock sale would be in a range of \$2.1B-\$2.9B, plus a growth factor for the months that will have passed by the time the IPO is priced. Thus, it appears the IPO will raise a bit more than \$3B, leaving Mel with \$500M or more in ready cash for acquisitions before he'll have to take on any additional debt.

### Familiar names heading Infinity

Once the Infinity spin-off takes place, **Mel Karmazin** will be in the rare (if not unprecedented) position of simultaneously serving as president of three public companies. In addition to continuing as President & COO of CBS and President & CEO of Westwood One (O:WONE), he'll be Chairman, President & CEO of Infinity.

The other executives who'll head Infinity are also familiar names in their industries. **Farid Suleman** will be Infinity's Exec. VP & CFO, while continuing as Sr. VP/Finance of CBS and Exec. VP & CFO of WW1. Current CBS Radio President **Dan Mason** will become President, Infinity Radio Group, while continuing as a VP of CBS Corp. **William Apfelbaum** won't even need new business cards—he'll still be President & CEO of TDI.

Through an intercompany agreement, CBS will provide Infinity a wide range of services, including legal, human resources, investor relations, finance and other corporate services. Karmazin and Suleman will continue to be employees of CBS, rather than Infinity, with Infinity paying CBS for their services. That's similar to the deal the two already have with WW1.

**RBR observation:** A couple of details in this deal should put a damper on speculation that Karmazin is preparing to sell off CBS' TV assets and return to being strictly a radio guy. First, he's going to continue to par-

Christopher T. Dahl, Chairman of  
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## Infinity: The TDI connection

In addition to all 161 radio stations, CBS Corp.'s (N:CBS) spin-off to create Infinity Broadcasting Corp. (N:INF, IPO pending) will also include CBS' outdoor advertising division, TDI Worldwide Inc. The nation's fourth largest outdoor company (*RBR* 9/7, p. 2) came to CBS as part of the Infinity merger in 1996, just a few months after Infinity purchased TDI for \$300M. In addition to signage in 13 US markets, all of which are also CBS/Infinity radio markets, TDI has advertising displays in Great Britain (double- and single-deck buses and the London subway) and Ireland (bus, rail, bridges and billboards). Here's a market-by-market look (by Arbitron rank) at TDI's US operations:

#	Market	AM/FM radio	Outdoor
1	New York	3/3	bus, commuter rail, phone kiosks, billboards, walls, trestles, in-station displays, "spectacular signage"
2	Los Angeles	3/5	bus, phone kiosks, beach panels, campus kiosks
3	Chicago	3/5	bus, bus shelters, rail, bridge, bulletins (small billboards)
4	San Francisco	3/4	bus, cable cars, commuter rail
5	Philadelphia	3/2	commuter rail
6	Dallas-Fort Worth	3/5	bus
8	Washington	1/4	bus, commuter rail
12	Atlanta	1/2	bus, commuter rail, billboards
13	Seattle-Tacoma	1/4	us
14	Minneapolis-St. Paul	2/2	bus
20	Pittsburgh	1/3	bus
21	Tampa	1/3	bus
28	San Jose	0/2	bus

Source: Infinity Broadcasting Corp. SEC Form S1, 9/18/98

participate in the CBS incentive stock option plan, but not in the new Infinity plan, so Mel won't even own any Infinity stock unless he buys it through a broker. Also, if CBS ever distributes its Infinity stock to its

shareholders—a likely scenario for a TV sell-off—its super-voting Class B stock will become ordinary Class A stock. Karmazin would become the largest shareholder, but wouldn't have voting control of Infinity.

### RBR's deal digest

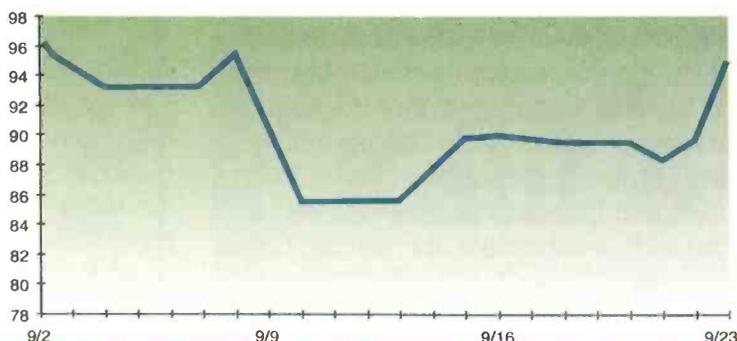
Chancellor Media (O:AMFM) is adding to its Phoenix superduopoly with a \$90M buy of **Fred Weber's** KFYZ-AM & KKFR-FM... **Alfredo Alonso's** Mega Broadcasting is buying WNFT-AM Boston from CBS (N:CBS) for \$5M. Broker: Norman Fischer & Associates... Jacor (O:JCOR) is adding another California desert signal with a \$3M buy of Saddleback's KBET-AM. Broker: Jorgenson Broadcast Brokerage... Jacor is also adding to its Chillicothe, OH AM with a \$4M buy of **Dave and Annette Smith's** WCHI-AM & WFCB-FM... CD Radio (O:CDRD) has completed syndication of a \$115M credit facility with Bank of America, Chase Manhattan, Credit Lyonnaise and Bank of Nova Scotia.

### The Radio Index™

**RADIO BUSINESS REPORT**  
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RADIO NETWORK

Stock prices soared in anticipation of interest rate cuts, taking radio stocks back near where they began the year. The Radio Index™ closed Wednesday (9/23) at 94.98, posting a gain of 5.19 for the week.



# SOLD!

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Elliot B. Evers  
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Charles E. Giddens  
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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.

**\$95,000,000—\* WRMR-AM & WDOK-FM Cleveland** from Independent Group LP (Thomas J. Embrescia) to Chancellor Media Radio Licenses LLC (Tom Hicks, Jeff Marcus), a subsidiary of Chancellor Media (O:AMFM). \$4.75M letter of credit as escrow, \$95M in cash at closing. **Superduopoly** with WJMO-AM, WZJM-FM, WQAL-FM & WZAK-FM.

**\$93,750,000—\* WZAK-FM Cleveland** from Zapis Communications Corp. (Xenophon Zapis) to Chancellor Media Radio Licenses LLC (Tom Hicks, Jeff Marcus), a subsidiary of Chancellor Media (O:AMFM). \$4,687,500 letter of credit as escrow, \$93.75M in cash at closing. **Superduopoly** with WJMO-AM, WRMR-AM, WZJM-FM, WQAL-FM & WDOK-FM. **Broker:** Star Media Group

**\$82,000,000—\* WEEI-AM & WRKO-AM Boston** from CBS Radio License Inc. (Mel Karmazin), a subsidiary of CBS Corp. (N:CBS), to Entercom Boston License LLC (Joe Field), a subsidiary of Entercom Communications Corp. (N:ETM, IPO pending). \$82M cash. **Superduopoly** with WAAF-FM & WEGQ-FM in Boston market and WWTM-AM in Worcester market. LMA upon antitrust approval.

**\$75,000,000—\* WYUU-FM & WLLD-FM Tampa** (Safety Harbor-Holmes Beach FL) from ECI License Company LP (Joe Field), a subsidiary of Entercom Communications Corp. (N:ETM, IPO pending), to CBS Radio License Inc. (Mel Karmazin), a subsidiary of CBS Corp. (N:CBS). \$75M cash. **Superduopoly** with WQYK-AM & FM. LMA upon antitrust approval.

**\$58,000,000—\* WAAF-FM & WEGQ-FM Boston** (Worcester-Lawrence MA) and **WWTM-AM Worcester** from ARS Acquisition II Inc. and CBS Radio License Inc. (Mel Karmazin), subsidiaries of CBS Corp. (N:CBS), to Entercom Boston License LLC (Joe Field), a subsidiary of Entercom Communications Corp. (N:ETM, IPO pending). \$58M cash. **Superduopoly** with WEEI-AM & WRKO-FM. LMA upon antitrust approval.

**\$51,250,000—\* WQAL-FM Cleveland**, 100% stock sale of Win Communications Inc. from ML Media Partners LP, controlled by Merrill Lynch (N:MER), to Chancellor Media Corp. of Los Angeles (Tom Hicks, Jeff Marcus), a subsidiary of Chancellor Media (O:AMFM). \$2,562,500 letter of credit as escrow, \$51.25M in cash at closing. **Superduopoly** with WRMR-AM, WJMO-AM, WZJM-FM, WZAK-FM, & WQAL-FM.

**\$35,000,000—\* WJMO-AM & WZJM-FM Cleveland** (Cleveland Heights OH), 100% stock sale of Zebra Broadcasting Corp. from Young Ones Inc. (Leon X. Zapis, Maria Zapis Wymer, Donna Zapis Thomas, Renee Zapis Seybert) to Chancellor Media Corp. of Los Angeles (Tom Hicks, Jeff Marcus), a subsidiary of Chancellor Media (O:AMFM). \$1.75M letter of credit as escrow, \$35M in cash at closing. **Superduopoly** with WRMR-AM, WZAK-FM, WQAL-FM & WDOK-FM. **Broker:** Star Media Group

**\$8,000,000—\* WZLE-FM Cleveland** (Lorain OH) from Victory Radio Inc. (Vernon R. & Marcella Baldwin) to Citicasters Co. (Randy Michaels), a subsidiary of Jacor Communications (O:JCOR). \$400K escrow, balance in cash at closing. **Superduopoly** with WTAM-AM, WMMS-FM, WMJI-FM, WGAR-FM & WMVX-FM.

**\$4,600,000—\* KLAD-AM & FM & KAQX-FM Klamath Falls-Bonanza OR** from B&B Broadcasting Inc. (Robert Barron, George Broadbin) to New Northwest Broadcasters Inc. (Michael Williams O'Shea, Ivan E. Braiker). \$230K escrow, balance in cash at closing. Existing **duopoly**. **Broker:** Elliot Evers, Media Venture Partners

**\$3,300,000—\* KBBO-AM, KRSE-FM & KARY-FM Yakima** (Yakima-Grandview WA) from Northwest Broadcast Representatives Inc. to New Northwest Broadcasters Inc. (Michael Williams O'Shea, Ivan E. Braiker). \$165K escrow, balance in cash at closing. Existing **duopoly**. **Broker:** Elliot Evers, Media Venture Partners

**\$2,510,000—\* WJMW-AM & WHLM-FM Scranton/Wilkes-Barre** (Bloomsburg PA) from Magee Industrial Enterprises Inc. (Harry M. Katerman) to Radio Friendz Inc. (David & Susan Bernstein, Arthur & Karen Bowen, Richard & Brandy Savidge, Pryor Neuber). \$250K escrow, balance in cash at closing. **Superduopoly** with WYGL-AM & FM, WLGL-FM & WWBE-FM.

**\$2,100,000—KGRC-FM & KZZK-FM** Quincy IL-Hannibal MO (Hannibal-New London MO) from Taylor Broadcasting Co. (Michelle Taylor) to STARadio Corp. (Howard & Michele Doss, C. Derek & Lisa Parrish, Jack W. & Sydney Whitley & others). \$100K escrow, balance in cash at closing. **Superduopoly** with WTAD-AM, WQCY-FM & WMOS-FM Quincy IL. Note: 16 stations in market.

**\$1,482,400—\* KXRB-AM, KSOO-AM, KKLS-FM, KMXC-FM, KIKN-FM & KYBB-FM** Sioux Falls (Sioux Falls-Salem-Canton SD) and **KROC-AM & FM & KYBA-FM** Rochester (Rochester-Stewartville MN), 37.52% stock sale of Southern Minnesota Broadcasting Co. from Gail Ann Gentling and Cynthia Lynn Gentling to Gregory D. Gentling Jr. (63.38% thereafter). \$800K cash and two notes for the balance. Notes: The remaining 36.62% is owned by Anthony & Steven Gentling. If substantially all of the company's assets are sold within three years, Gail and Cynthia Gentling are each to receive 18.76% of any net proceeds which exceed \$5,479,975.

**\$489,000—KDDA-AM & KXFE-FM** Dumas AR from Eastham, Eastham & Graves (Craig Eastham & Estate of Alan Walter Eastham, Ruth Eastham, Executrix) to Metro Birch Enterprises Inc. (Jackie & Freddie Harris). \$25K escrow, \$295K (less escrow) in cash at closing, \$194K note.

**\$300,000—KFIG-AM** Fresno from Headliner Radio Inc. (Ron W. Ostlund) to Valley Broadcasting Inc. (Mike Munoz, Antonio Rabago). \$135K paid into escrow under LMA/option agreement dated 2/24/94, additional \$165K in cash at closing. Note: The buyer will also pay \$84.5K in back rent at closing.

**\$296,530—WATG-FM** Trion GA from Tri-State Broadcasting Co. (William B. Farrar) to TTA Broadcasting Inc. (Randy Davis, Jim Bojo, Erle J. Newton). \$40K in cash at closing, plus series of monthly payments and \$82K under a non-compete agreement. Total payment ranging from \$171,530 to \$296,530 under a complex formula. Combo with WGTA-AM Summerville GA and WLAQ-AM Rome GA.

**\$285,000—\* WNCQ-FM & WYSX-FM** Morristown-Ogdensburg NY from Border Broadcasting Inc. (Jeffrey D. Shapiro) to Cartier Communications Inc. (Timothy D. Martz), part of the Martz Communications Group. \$285K cash. Existing **duopoly**.

**\$200,000—KVWG-AM & FM** Pearsall TX from Pearsall Broadcasters Inc. (Noelia S. Herbort) to Pearsall Radio Works Ltd. (John W. Barger). \$5K escrow. At closing, the buyer will pay either \$195K in additional cash, or \$15K cash and a \$180K note.

**\$200,000—KRNN-AM** Little Rock (North Little Rock AR) from Citadel License Inc. (Larry Wilson), a subsidiary of Citadel Communications (O:CITC), to Equity Broadcasting Corp., a subsidiary of Arkansas Media LLC (Larry E. Morton, Gregory W. Fess, Max Hooper, Neal Ardman). \$10K escrow, balance in cash at closing. Note: The buyer LMAs KDRE-FM & KSIZ-FM in the Little Rock market.

**\$100,000—WEBG-AM** Johnstown (Loretto PA) from Allegheny Broadcasting Corp. (James A. Mistick Jr.) to Jesus Is Lord Ministries International (Michael Yeager, Donald Sites, Eugene Paul, Floyd Mackey). \$10K non-refundable deposit, balance in cash at closing. **Broker:** Gordon Moul, Ray Rosenblum

**\$100,000—WBHL-FM** Huntsville (Florence AL), transfer of all seats on the board of directors of Tri-State Inspirational Broadcasting Corp. from Dennis Jones et al. to Aaron Clemmons and his designees. \$10K earnest money, balance in cash at closing, all paid to International Bible College.

**\$70,000—WBFC-AM** Stanton KY from Parks Broadcasting Co. Inc. (Walter H. Parks) to James Harold Combs. \$70K cash.

**\$56,000—\* KAPV-FM** Elma WA, 51% stock sale of Marrow Inc. from Skip Marrow to Gregory J. Smith (100% thereafter). \$56K cash. **Duopoly** with KBKW-AM & KAYO-FM Aberdeen WA.

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