

RADIO NEWS

Who wants to be a Billionaire? May is record month 2
 Actually, that's a Billionaire twice over, as May 2000's \$2B in revenue makes it the month to beat. Radio's pace of revenue growth is promising a total of \$20B for the year.

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May 2000 is best revenue month ever

According to the Radio Advertising Bureau, the radio industry is poised to top the \$20B mark in total annual revenue for the first time ever. \$2B of that came in the month of May, making it by far the biggest month in radio history. It was only six years earlier, in May 1994, when the industry broke the \$1B monthly threshold for the first time.

RAB President & CEO **Gary Fries** noted that the robust health of radio is a top to bottom phenomenon. "Every market size is reporting double digit increases. While the biggest gains have been in largest markets, we are now seeing significant growth in even

the smallest markets."

RBR observation: There are many factors which have contributed to radio's hot streak over the past few years. Ownership deregulation, a robust economy and the emergence of dot-com customers are just a few.

Ultimately, however, there is only one factor which really matters. Radio must move product for a fair price. If it fails, advertisers will be perfectly willing to spend their money with our friends in television, cable, newspapers, magazines, billboards, direct mail, telemarketing and/or the Internet. Obviously, radio is working.—DS

Arbitron splitting from Ceridian

By year's end, Arbitron will be spun off from Ceridian (N:CEN) to go it alone as a free-standing company. Arbitron President **Stephen Morris** will be CEO of the new, publicly traded Arbitron, which had revenues of \$215M last year.

Under the breakup announced 7/18, current Ceridian shareholders will receive shares of both companies, with the exact split yet to be determined, once the IRS gives its blessing to the tax-free break-up. Without its Arbitron unit, Ceridian will continue to operate its human resources and transaction-processing businesses, which had \$1.1B in 1999 revenues.

In recent years Ceridian CEO **Ron Turner** had been busy making acquisitions for the company's two other units, while adding nothing to fit with Arbitron's radio ratings business. Many observers had considered it just a matter of time until Ceridian either sold Arbitron or spun it off. Now we know it'll be the latter.

In a teleconference with reporters, Morris said the idea of spinning off Arbitron had been gaining momentum over the past three months within Ceridian, after looking at all options for a year or so. "The idea of being independent made a lot of sense strategically," Morris said of the view within Arbitron. "The opportunity to

Pacing on a plateau

Pricing is the key. September pacing is strong, so whether August is showing weakness depends on whether or not stations are keeping upward pressure on pricing. On a historical basis, the August sell-out percentage is still well ahead of figures in the 60s for 1997 and '98. Meanwhile, the July figures are pretty much on track because July 2000 is a five-week month on the standard broadcast calendar, versus four weeks in 1999.—JM

RBR/Miller Kaplan Market sell-out percentage report

	2000	1999
July 15	82.1%	86.4%
Aug.	72.8%	75.3%
Sept.	59.9%	60.4%

Note: The pacing figures which appeared in the 7/17 issue were as of July 1, not July 15 as indicated.

be out on our own in a market that's moving and changing as much as the one we're in is very exciting and, I think, very good news for our customers and the market we're attempting to serve."

Strictly speaking, for tax and structural purposes, Arbitron will

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**Seyler sails higher at RBR;
Derewitz joins crew**

Dave Seyler, Senior Editor at *Radio Business Report*, has been promoted to Managing Editor. "Dave has been there and has done it ... he is a true professional who has earned this promotion," stated **Jim Carnegie** Publisher/Owner of *RBR*.

Meanwhile, **Elisabeth Derewitz** has joined the staff to cover Capitol Hill and the FCC. "We have to constantly keep an eye on that FCC," noted Carnegie. "Who knows what harebrained idea they'll come up with next?"

Derewitz, a recent Penn State grad, comes to *RBR* with radio station experience including WGMR-FM Altoona, PA and an internship at WTOP-AM & FM Washington, DC.

in off the much larger Ceridian and Arbitron will continue to trade on the New York Stock Exchange in the position now occupied by Ceridian. will, of course, get a new (yet to be decided) stock symbol. Arbitron will also assume about \$250M of Ceridian's \$550M in outstanding debt. Arbitron CFO **Bill Walsh** said the company should have no problem servicing that debt.

Once it is separated from Ceridian, Morris acknowledges that Arbitron could be a takeover target, although he says the tax-free nature of the spinoff will prohibit any transaction for six months after the breakup. He would like to go out and acquire other companies to build Arbitron—those that would complement its future growth in measuring Internet usage and the Personal People Meter—but didn't rule out being bought out. "As a publically traded company, the name of the game is shareholder value," Morris noted.

RBR observation: There are two obvious candidates to either buy or merge with Arbitron, post-Ceridian. VNU, based in The Netherlands, already owns Nielsen Media Research—the only remaining TV ratings company in the US after Arbitron exited the field a few years back. Coincidentally, on the same day the Ceridian breakup was announced, Moody's Investors Service confirmed its bond rating (A3 on senior debt) for VNU, but said its outlook remained negative pending successful placement of an equity offering to help pay for a

National radio advertising up 33% in Q1

Interop Research's latest analysis of Competitive Media Reporting data shows that national radio spending was up 33% for Q1 2000. Retail continues to be the top spender and accounted for \$61.7M of expenditures.

Telecommunications (\$52.3M) slipped from the number two category in Q1 1999 to the number four category. Media/Advertising was number two (\$60M) and Automotive ranked third (\$55.1M).

Dot-coms were not included in the top national radio advertising categories—they were calculated separately and compiled into a "Dot-com Advertisers by Category" list. Overall, dot-com businesses spent \$141M in national and network radio, which represents a 295% increase from year-ago levels.—KM

**Top National Radio Advertising Categories*
1st Quarter 2000 (Ranked on Expenditures)**

(Dollars in millions)

1.	Retail	\$61.7
2.	Media/Advertising	\$60.0
3.	Automotive	\$55.1
4.	Telecommunications	\$52.3
5.	Medicines/Remedies	\$41.3
6.	Financial	\$34.1
7.	Government	\$33.3
8.	Restaurants	\$30.7
9.	Insurance/Real Estate	\$26.6
10.	Public Transportation	\$19.4

*Categories do not include dot-com businesses.

Source: Competitive Media Reporting, Jan-Mar 2000

**National Spot and Network Radio
Dot-com Advertisers by Category:
National Radio Expenditures**

Percent Spending Increases

1st Qtr. 2000 vs. 1st Qtr. 1999

1.	Computers	\$33M	383%
2.	Retail	\$23M	107%
3.	Media/Advertising	\$21M	385%
4.	Financial	\$16M	1000%+
5.	Services/Amusement	\$14M	69%
6.	Business & Tech	\$13M	774%
7.	Public Transportation	\$7M	249%
8.	Insurance/Realty	\$7M	1000%+
9.	Telecommunications	\$2M	554%
10.	Auto Dealers/Service	\$2M	N/A

*Categories include only dot-com businesses.

Source: Competitive Media Reporting, Jan-Mar 2000 vs. Jan-Mar 1999

National Spot and Network Radio. Categories with less than \$1M in spending eliminated from analysis.

pending \$650M buy of some US assets being divested by Britain's United News & Media. Even so, VNU could probably finance another big purchase. ACNielsen Corp. (N:ART), the other part of what was once one Nielsen company, is trying to make its mark on the Internet and its eRatings.com could make it eye Arbitron as a merger partner.—JM

DOJ blesses CCU/AMFM marriage

As RBR went to press, the DOJ's Antitrust Division announced approval of the merger of AMFM (N:AFM) into Clear Channel (N:CCU). DOJ's blessing was the only remaining barrier to the mega-merger, which is expected to close shortly.

Arbitron strikes alliance with Lariat software

Arbitron New Media is licensing Lariat's MediaReports software for streaming media servers data collection for its InfoStream ratings system. The goal is to provide the most objective and comprehensive webcasting listenership information to advertisers and agencies, which will lead to higher adoption and more buys. InfoStream debuted 10/99.—CM

Fritts on USADR-LDR merger

NAB president **Eddie Fritts** issued a statement of support at the Lucent Digital Radio-USA Digital Radio merger (RBR 7/17, p.2). The new entity, pending approval, will be called iBiquity Digital Radio. "It's encouraging that these two companies are combining resources to develop terrestrial digital quality radio for the consuming public."—CM

XM raises additional \$235M

Completing its funding through commercial launch phase, XM Satellite Radio (O:XMSR) announced it has raised an additional \$235M. The investor group is lead by AEA Investors, which is purchasing newly issued preferred stock. The investment includes \$60M from AEA, \$50M from Madison Dearborn Partners, \$35M from Baron Asset Fund, another \$20M from DirecTV and \$20M from Columbia Capital.

Also, XM announced the opening of its new 150,000 sq. ft. HQ and stu-

Hughes receives diversity award

Cathy Hughes, founder and chairperson of Radio One, Inc., was honored with the Minority Media and Telecommunications Council's **Everett C. Parker Award** for promoting diversity and inclusion in the telecommunications industry. The presentation took place at the 7th annual public policy luncheon, which featured speeches by **Lowry Mays**, chairman and CEO of Clear Channel Communications Inc., and FCC Chairman **Bill Kennard**.

Mays began by stating that critics who say consolidation decreases diversity are "wrong, dead wrong." He also spoke about the importance of diversity in the workplace, in radio programming and radio ownership. He used the upcoming divestiture of 110 stations to highlight the work that Clear Channel is doing to promote diversity. In the deal, 46 of the 110 stations will go to minority broadcasters, creating a 14% increase in minority-owned stations. Mays hopes that Clear Channel will be a role model for the rest of the radio industry, yet he acknowledges that there is much more to be done to continue to make the workplace accurately reflect the community it serves.

Kennard used a variety of anecdotes to focus on his humorous past, both personally and professionally, with Hughes. He also expressed his deep admiration and gratitude for her work.—ED



Cathy Hughes



Lowry Mays

Team Mel honored

CBS Corp. fielded one of the nation's 25 best sales forces in 1999, according to *Sales & Marketing Management* magazine—not just one of the best for broadcasting or media companies, but for all companies in all US industries. The magazine focused on the CBS Television Network, noting that CEO **Mel Karmazin** had banned martini lunches, made paychecks more commission-driven and added incentives for both individual and team selling. Of course, Karmazin now has an even larger sales force to motivate, following CBS' merger into Viacom (N:VIA).

RBR observation: No surprise here for people in the radio industry, who've admired and frequently imitated the Zen Master for nearly two decades. He may be a tough taskmaster, but Mel makes it clear what is expected of his team's players—and follows through with promised rewards for those who deliver.—JM

Indecent in Spanish is still indecent

The FCC fined Communicast Consultants, Inc.'s KRXX-AM Rexburg, ID, for broadcasting a Spanish syndicated program from Z-Spanish Networks which included indecent material. The \$7K fine came as a result of a conversation between a woman caller and the host, which featured graphic seduction sequences and questionable use of whipped cream and strawberries. The show was aired between 8A-10A, which is its usual time for syndication. KRXX is no longer affiliated with Z-Spanish Networks.

The sale of KRXX and its combo-mate KGTM-FM to Pacific Empire Holdings Corp. is pending (RBR 5/15 p.15).

RBR observation: At least this time the material the FCC found to be indecent really was explicit. CCI used the excuse that they were providing a marital service by playing this program. Is that the same marital service they offer at that video store with the darkened windows? They also said that little kids would be in school at that time of the morning, but we'd be willing to bet that most three-year old preschoolers would recognize the word "strawberries". This could lead to some serious confusion. And finally, this is proof positive that indecent material cannot be hidden behind a foreign language.—ED

Other publications talk about internet radio stations...

we have one

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dios in Washington. 80 studios, a 2,300-ft performance studio and 100 employees are part of the plan, a "phased" move due to be completed in September. Klotz Digital supplied the fiber optic backbone of connectivity between studios, along with the audio mixing console surfaces.—CM

Entercom partners with Innuity for six markets

Entercom (N:ETM) announced an agreement with Innuity's Media Services (IMS) division to produce comprehensive revenue-generating web sites, along with training for the staff and their advertisers for 17 of its stations in six markets. The deal includes IMS's "e-ListenerSuite," providing listener profiling, contest management and an email marketing system that will be integrated into the sites.

IMS has more than 300 radio station clients.—CM

Political advertising: Just to clarify

In *RBR* 7/17 p.3, we had stated that commercial stations are not required to sell airtime to candidates. In fact, commercial stations are required to provide the same reasonable access to legally qualified federal candidates upon request. However since they can charge, minor candidates are rarely heard on the radio because they cannot afford it.

RBR News Briefs

Arbitron unveils station info website

Rumors of a new, secret radio web site can be put to rest. Arbitron has unmasked the site, which includes station profiles for all Arbitron-measured stations. Profiles including call letters, other identifiers, formats, frequencies, programs, personalities, addresses and more can now be found on the web at www.arbitron.com. Other valuable information includes a listing of how listeners identify Arbitron-measured stations. In addition to simply getting the information out there, the service will allow stations to easily check to make sure information is correct and up-to-date.—DS

RCS unveils two new ad insertion products

RCS has announced two new ad insertion software products, enabling broadcasters to insert separate ads on Internet audio streams. "InSert" and "SplitStream" both allow on-air spots to be replaced with a different ad or a different feed in general. However, SplitStream can deliver different ads at once, each targeted to individuals' demographic profiles. The two products are an upgrade from RCS's "MC Net," which is also capable of separate ad insertion, but not more than one at a time.—CM

FCC budget update

The Senate Appropriations Committee has restored the money that the House cut from the FCC's budget (*RBR* 7/3 p.2) a few weeks ago. The budget bill questions will now go to a conference committee in order to come to a final decision.—ED

CCU-SFX merger gets Euro-OK

The European Commission's antitrust authority has given the green light to Clear Channel's (N:CCU) pending acquisition of SFX Entertainment (N:SFX). "The Commission's review concluded that there is no horizontal overlap between the activities of the companies," the official announcement stated. The approval had been expected since, as the Commission noted, the companies aren't in any of the same businesses in Europe. For that matter, they aren't in any of the same businesses in the US either, nor anywhere in the world.—JM

Boomer Esiason joins Monday Night Football team

Cut loose from his TV booth after last season ended, NFL veteran and commentator **Boomer Esiason** has moved over to the radio booth. Westwood One (N:WON)/CBS Radio Sports has signed Esiason to join its Monday Night Football broadcast team of **Howard David**, **Matt Millen** and sideline reporter **John Dockery**. Westwood/CBS Radio kicks off its 14th season 9/4.—CM

News Analysis

DOJ applauds DOJ

Never hesitant to claim credit where none is due, the Department of Justice's Antitrust Division twice this month patted itself on the back for rubber-stamping divestiture deals that had to take place anyway.

First, DOJ gave its official blessing to Entercom's (N:ETM) spin-off of three Kansas City radio stations to Susquehanna. The divestitures were required under the 1996 Telecommunications Act, since the four stations Entercom was acquiring as the last part of its \$824.5M group purchase from Sinclair Broadcast Group (O:SBGI) would have put it three over the limit in Kansas City. Entercom announced in May (*RBR* 5/22, p. 20-21) that KCMO-

AM & FM & KCFX-FM were being spun-off to Susquehanna for \$113M. It wasn't until 7/14 that DOJ issued its statement, with Assistant Attorney General **Joel Klein** stating that "the divestiture of these three stations will ensure that the consumers and businesses who buy radio advertising time in the Kansas City market will continue to have the benefits of competition, including lower prices and better services." Despite what he'd like you to think, Klein was not the broker for the deal, it was **Paul Leonard** of Star Media Group.

Again catching up with a Telecommunications Act-mandated divestiture announced in May (*RBR* 5/15, p. 12-13), DOJ announced 7/18 that it had forced Citadel Communications (O:CITC) to spin off three

Saginaw, MI stations to Wilks Broadcasting (formerly called W&W) for \$16.18M. In fact, Citadel had to make the divestitures to get under the 1996 Telecommunication Act's local ownership limits once it acquires the Liggett group. Now, two months later, Klein is claiming responsibility, saying "the sale of these three stations will ensure that businesses that buy radio advertising time in the Saginaw market will continue to have the benefits of competition, including lower prices and better services." (Gee, that quote sounds somehow familiar...)

As we've noted in the past, DOJ's Antitrust Division clearly has too many attorneys with too much time on their hands if they have to look for time-wasting tasks like this to justify their jobs.—JM

How to survive the broadband revolution

At this year's NAB Radio Show, you can expect the answer. Arbitron and Coleman Research will present the results of a survey which compared listener habits of consumers with home broadband Internet access and those without it. The number of consumers with broadband access to the Internet is expected to increase by 30 million within the next four years, and wise broadcasters will want to keep a careful eye on this new competition. The session entitled "Can Radio Survive the Broadband Revolution?" will be held on September 22.—ED

WebRadio.com issues checks

WebRadio.com, co-owned by GEO Interactive Media and Westwood One (N:WON), announced the issuance of its quarterly revenue-sharing checks to affiliate radio stations streaming on its network. The company claims some checks were 200% higher than the cost of streaming. One six-station market cluster GM, **Scott Gillmore** of LBJS Broadcasting in Austin, was quoted as saying, "Broadcasters are asking who's making money on the Internet...the answer is we are, with WebRadio."

WebRadio provides turnkey streaming solutions including website design and hosting, e-commerce links and unlimited streams with its proprietary "Emblaze" technology that doesn't require any downloads to stream.—CM

Citadel signs with Ubrandit.com for e-commerce

Citadel's (O:CITC) 183-station websites are now integrating Ubrandit.com's million-title music, book, video and DVD online store. The link is radio-station branded. Each station will earn commissions on orders and have the ability to customize their store to reflect the musical tastes of their listeners. Ubrandit expects to have all 183 sites linked within the next two months.—CM

ChickClick expands from the web to radio

So far, radio stations and syndicated services have been scrambling to get a presence on the Internet. Here's a company that is traveling the other way. ChickClick.com, a two-year-old Internet service for young women which boasts 1.3M registered users, has launched ChickClick Radio with affiliates in 27 markets nationwide. It can also be heard via WiredPlanet at <http://www.chickclickradio.com>.

The service is a combination of CHR music and features aimed at the young women of Generation i (teens and young adults). Visitors to the web version of the radio show can create their own virtual radio station, with the ability to determine music rotation and to buy any of their favorite selections.—DS

Yahoo! launches Yahoo! player

Yahoo! has officially launched its Yahoo! Player, a free streaming media player that provides Yahoo! music customers a solution for playing MP3 files, CDs, video and radio stations. An integrated web browser is included to deliver entertainment content from the Yahoo! Network, which includes Yahoo! Broadcast and Yahoo! Music. The player also features customizable playlists that can be created from consumers' CDs and MP3 files. Yahoo! also debuted a new version of its Yahoo! Radio, giving access to hundreds of radio stations and Internet-only webcasters.—CM

Microsoft unveils Windows Media Player 7

Available for beta test for months, Microsoft (O:MSFT) officially unveiled the latest, or "Gold" version of its Windows Media Player. Its multimedia functionality is aimed directly at competitor RealNetworks' (O:RNWK) Real Player. The new Windows Media Player allows users to record songs from CDs or download them from the net. Songs—in MP3 or Windows—can also be organized into playlists and transferred to portable digital music players.—CM

RBR streams radio to the radio industry

After 17 years of covering the radio industry, *RBR* has become the first radio trade publication to also communicate with the radio industry via a radio station, albeit an Internet-only radio station.

rbr.com has been streaming a daily newscast (about radio) 24/7 since 6/15 after launching the station 5/23. The "format" consists of a newscast of radio-specific business and industry news, plus classic radio jingles and bits. There are also Mercury Award-winning spots, with real paid spots to come. Veteran newscaster **Jack Messmer**, now Executive Editor of *RBR*, is back behind the mic for the audio updates. Streaming services are being supplied by WebRadio.com.

"Radio news is breaking at an incredibly fast pace and just can't wait for the morning faxes," said **Ken Lee**, Associate Publisher and General Manager. "Advertisers can now run audio spots on our Internet radio station, bundled with banner messages on the www.rbr.com web site, along with click-through messages on our daily email service, plus traditional advertising with *Radio Business Report*, *MBR* and *Radio AdBiz*."

For the month of June, rbr.com's audio stream recorded 3,002 users with an average TSL of 21.19 minutes.

The new *RBR* Web "radio station" is still early in its development and radio executives are encouraged to provide input on what they'd like to hear. (Please don't ask for **Britney Spears**, though.)—JM

Jobs.com in top 10

By spending nearly the same amount in Q1 as they did in all of 1999, Jobs.com found itself among the top 10 Internet/e-commerce radio advertisers in the New York market. Jobs.com found that by advertising on the radio, brand name awareness increased as did web site hits. **John Rizzuti**, president of Rizzuti, Beckman & Lyman, Jobs.com's agency, said: "When we ran radio [ads], hits on the website would go up 200-400%. Websites with short, memorable names get such good play on their offline advertising. And radio is a natural for that."—ED

with material supplied by

"Irrational pessimism" replaces "irrational exuberance"

By Jack Messmer

Talk about a disconnect! The best revenue and cash flow growth year radio has ever seen just keeps getting better and better. But on Wall Street, the radio stocks keep getting battered like the industry was in decline.

For some reason, stock traders have tied radio's fate to that of Internet start-ups. Sure, the dot-com business was a pleasant surprise last year, but it wasn't that big of a deal. It isn't going away, but even if it did it would have only a minor impact on overall radio ad sales. What's happening in the real world, though, is that the dot-coms—who are dependent on branding for their very survival—are still advertising on radio and other traditional media. The rise of the dot-com competition has also spurred increased advertising by their established brick and mortar competitors—either to keep traffic flowing to their physical stores or to brand their own dot-com identities. Those brick and mortar companies generally have established credit and aren't required to pay cash up front for radio spots, like the dot-coms, but radio wins either way.

That's a sideshow, though. The main event is what's taken place inside the radio industry. The consolidation that began in 1996 is paying the dividends that had been promised. Advertising is being researched, packaged and sold better at both the local and national levels. It's easier for agencies to target the right audience for each advertiser and to get verification that each ad campaign was properly executed. Radio has reasserted itself as a primary medium, rather than an afterthought, and for the second year running will claim well over 8% of total ad spending—a level not seen since the rise of TV in the 1950s.

Quarterly Stocks Continued on p. 10

1st half 2000 radio stock performance by category

Radio Companies	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Saga Commun.	22	1.750	8.64%
Big City Radio	5.063	0.313	6.59%
Infinity	36.438	0.251	0.69%
Radio One	29.563	-1.104	-3.60%
AMFM Inc.	69	-9.250	-11.82%
Cox Radio	28	-5.250	-15.79%
Entercom	48.75	-17.500	-26.42%
Hispanic Bcg.	33.125	-12.984	-28.16%
Citadel	34.938	-29.937	-46.15%
Spanish Bcg.	20.563	-19.687	-48.91%
Salem Comm.	9.281	-13.344	-58.98%
Radio Unica	7	-21.875	-75.76%
Alliance Bcg.	0.055	-0.195	-78.00%
Cumulus	9.125	-41.625	-82.02%
Am.Comm.Ent.	0.3	-1.575	-84.00%

Radio IPOs	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Regent	8.594	0.094	1.11%
Beasley	13.625	-1.875	-12.10%

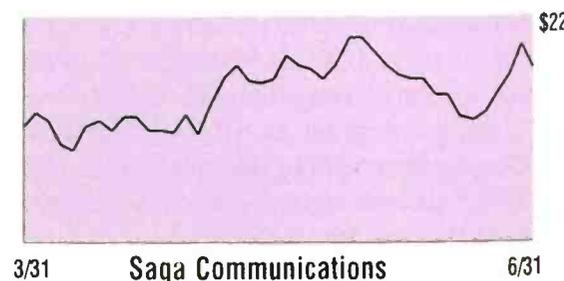
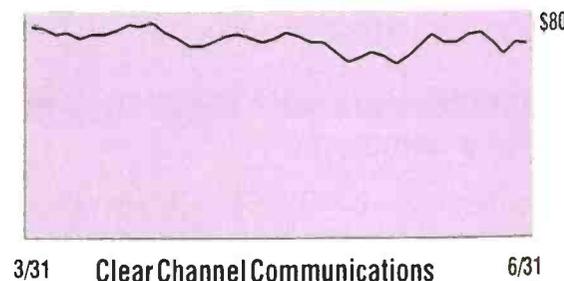
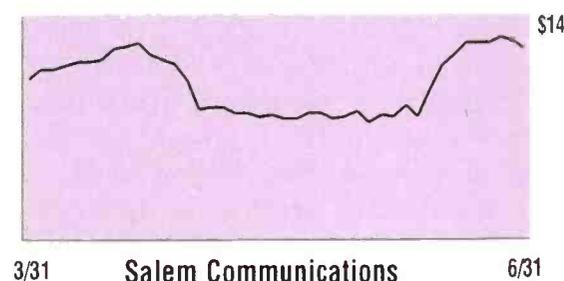
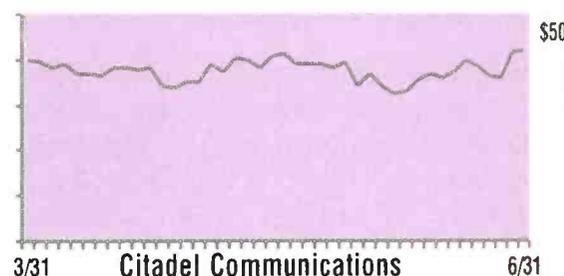
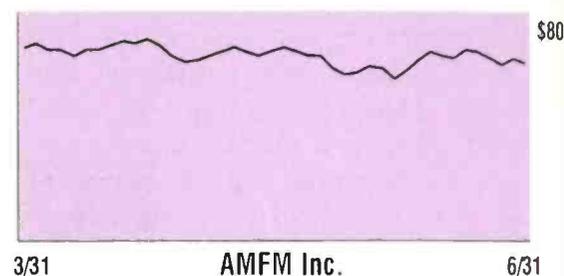
Radio Rep Company	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Interep	5.313	-8.062	-60.28%

Radio Networks	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Westwood One	34.125	-3.875	-10.20%
NBG Radio Nets	2.063	-1.031	-33.32%
Triangle	0.011	-0.009	-45.00%

Media Companies	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Disney	38.813	9.563	32.69%
Viacom, Cl. A	68.375	7.938	13.13%
Viacom, Cl. B	68.188	7.751	12.82%
Belo Corp.	17.313	-1.750	-9.18%

THE WALL STREET JOURNAL

R A D I O N E T W O R K

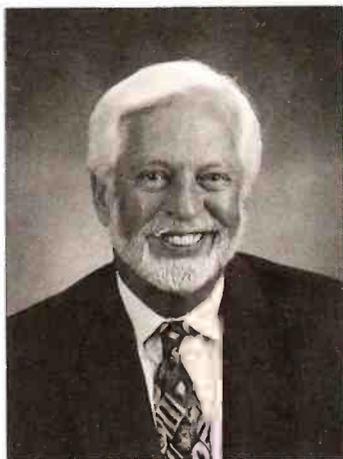


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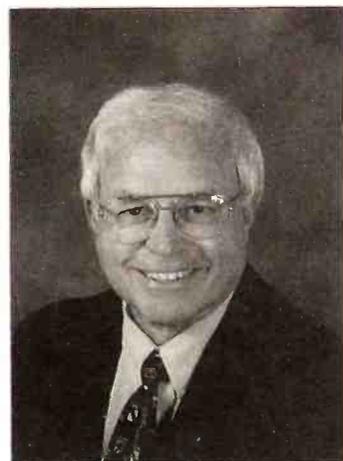
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But that's the real world. Let's look at what's been happening on Wall Street.

"Crazy Al" Greenspan and his Federal Reserve cronies finally decided that they had saved the nation from the looming threat of inflation—not that there was ever really any threat looming—and stopped raising interest rates. Greenspan has stopped babbling about "irrational exuberance" and the "wealth effect" and has switched to patting himself on the back for being a pro-active Chicken Little—one who took action to stop the sky from falling. If that position holds, the nation will at least have been spared a Fed-induced recession.

Meanwhile, Americans (even those who've seen their wealth on paper halved by the Fed's tomfoolery) got used to paying exorbitant prices for the only product which has actually experienced inflation—gasoline. Even with pump prices 60% or more ahead of a year ago, people are heading off on their Summer vacations. And there is hope for somewhat lower gas prices. International pressure has finally gotten the OPEC oil cartel to boost production and hold the line on prices, although we're unlikely to see them give back all that they've gained.

The Fed's interest rate hikes and "wealth effect" bashing of IPO run-ups had the desired effect. Stock prices were beaten down. Dot-coms were generally beaten down the most. Other sectors which had gained strongly the previous year also became suspect, so investors looked for reasons to dump radio stocks. They convinced themselves that ad revenue growth was hitting a brick wall.

Analysts remain bullish

Never mind that the experts who follow the radio industry closely said the opposite. Analysts who track radio companies have remained bullish on the sector, despite their misgivings about selected companies—such as Cumulus Media (O:CMLS), which now appears in print to have adopted "Troubled" as its first name.

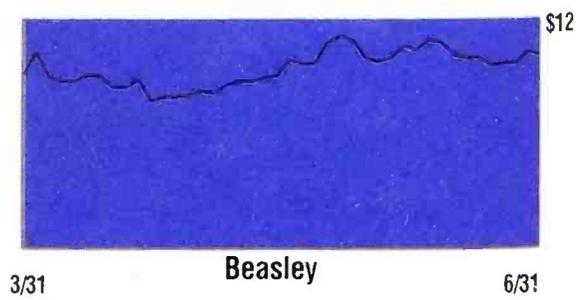
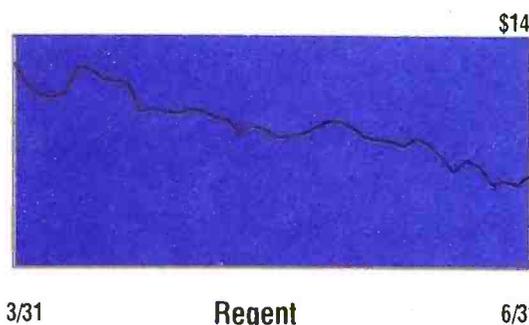
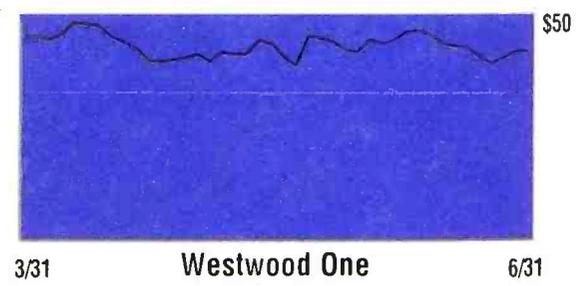
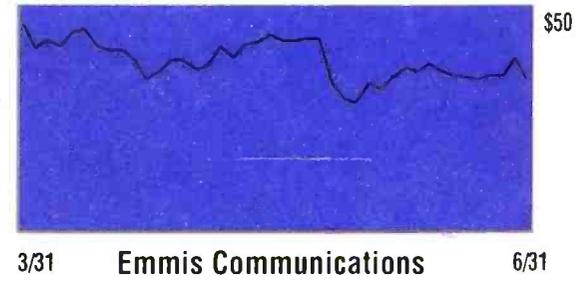
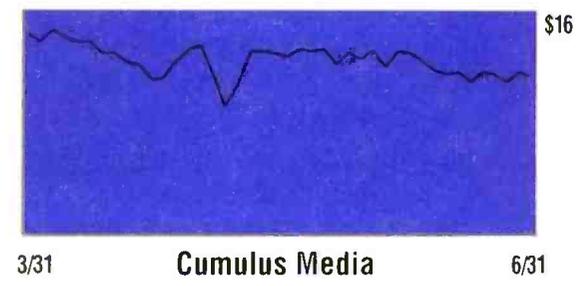
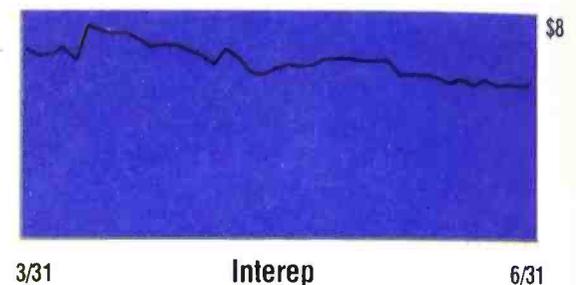
Even normally-conservative analyst **Bob Coen** of Universal McCann has dramatically upped his estimate of radio ad growth for this year and sees the industry posting strong double-digit growth to bag \$19.4B in

Clear Channel	75	-14.250	-15.97%
New York Times	39.5	-9.625	-19.59%
Hearst-Argyle	20	-6.625	-24.88%
Adelphia	46.875	-18.750	-28.57%
Gaylord	21.063	-8.875	-29.64%
Emmis	41.375	-20.945	-33.61%
Ackerley	11.75	-6.375	-35.17%
Tribune	34.813	-20.250	-36.78%

Radio-related Companies	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Cir.Rsch.Labs	10	8.000	400.00%
SpectraSite	28.375	17.500	160.92%
Am. Tower	41.688	11.126	36.40%
Pinnacle Hldgs.	54	11.625	27.43%
Fisher	76.5	14.750	23.89%
Harris Corp.	32.75	6.063	22.72%
Crown Castle	36.5	4.375	13.62%
Ceridian	24.063	2.501	11.60%
Harman Intl.	61	4.875	8.69%
Gentner	14	0.000	0.00%
TM Century	0.625	0.000	0.00%
DG Systems	6.75	-0.375	-5.26%
RealNetworks	50.563	-9.593	-15.95%
Jeff-Pilot	56.438	-11.812	-17.31%
Global Media	3.688	-1.000	-21.33%
WinStar Comm.	33.875	-16.292	-32.48%
Launch Media	9.25	-9.688	-51.16%
First Entertain.	0.275	-0.366	-57.07%
SportsLine USA	17.063	-33.062	-65.96%
PopMail.com	1	-2.000	-66.67%
WarpRadio.com	1.438	-3.187	-68.91%
FTM Media	3.563	-9.187	-72.05%

Satellite Radio Companies	6/30/00 Close	YTD Net Chg	YTD Pct Chg
Sirius Sat. Radio	44.313	-0.187	-0.42%
XM Sat. Radio	37.438	-0.687	-1.80%

Majorstock Market Indices	6/30/00 Close	YTD Net Chg	YTD Pct Chg
The Radio Index	181.53	-74.530	-29.11%
Dow Industrials	10447.89	-1049.230	-9.13%
Nasdaq comp.	3966.12	-103.190	-2.54%
S&P 500	1454.6	-14.650	-1.00%



venues (RBR 7/3, p. 4). Standard & Poor's analyst **Will Donald** is even more bullish (and, in recent years, more accurate). He sees radio breaking the \$20B mark this year and the \$30B barrier in 2004, if not a year earlier (RBR 7/17, p. 4). Both analysts, we would note, are with firms who do not have investment banking arms and thus do not have the conflict of interest that brokerage house analysts are sometimes accused of.

Three months ago we asked "How low can it go?" (RBR 4/24, p. 8-10). We still don't have the answer, but we

do know how low they went in Q2.

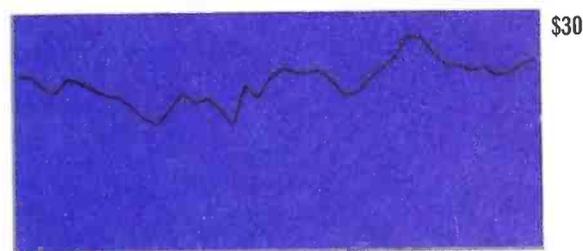
T. Cumulus Media dropped another 10 percentage points or so and, except for tiny penny stock American Communications Enterprises (O:ACEN), was the worst performing radio stock year-to-date. Others had a worse ride over Q2. Hispanic Broadcasting (N:HSP) gave up a 23% Q1 gain for a 28% loss YTD loss. Regent Communications (O:RGCI) gave up almost all of the 45% post-IPO gain it had enjoyed at the end of Q1 to hold onto only a 1% gain at the end of Q2.

There were gainers as well, with

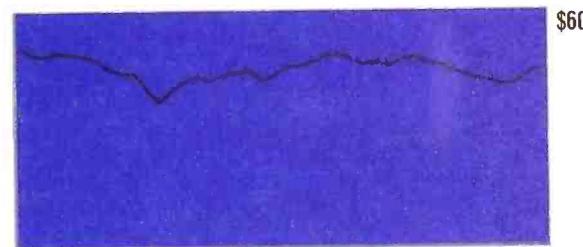
Saga Communications (A:SGA) erasing a 6% loss to gain nearly 9% YTD. Infinity Broadcasting (N:INF) went from an 11% Q1 loss to just a fraction above even by the end of Q2.

Years from now we may all have to explain to our grandchildren how it was possible for radio's all-time record growth year, 2000 A.D., to have produced a losing year for radio stocks. We may also need to explain why we didn't re-mortgage our house and max-out our credit cards to buy those bargain-basement stocks.

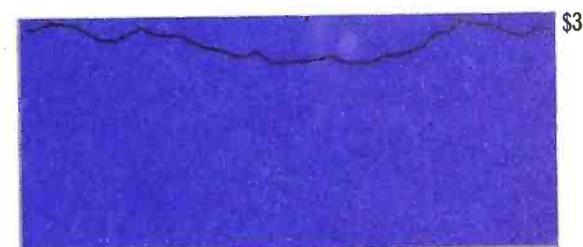
Of course, by then we'll all know with 20-20 hindsight whether the markets woke up and ascribed a more rational valuation to radio stocks in 2001.



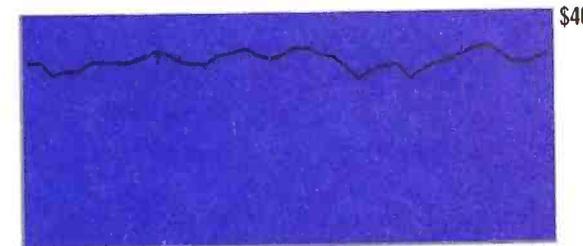
3/31 Radio One 6/31



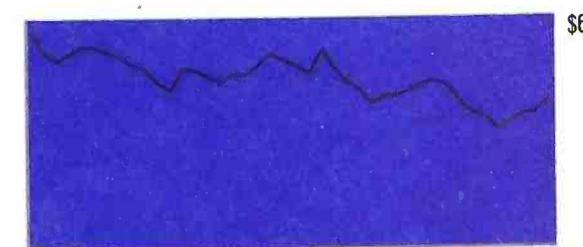
3/31 Entercom 6/31



3/31 Cox Radio 6/31



3/31 Infinity Broadcasting 6/31



3/31 Hispanic Broadcasting 6/31

Investors seek second-half fireworks

Dow Jones—A handful of Old Economy stocks were the real rockets of 2000's first half, while disappointing technology stocks provoked investors' red glares. But will this trend continue through the stock market's second half? Or will the resilient technology shares make yet another run?

One thing that is clear is that the stock market has rediscovered the quaint 20th-century notion of earnings. While the possibility of another interest-rate increase lurks, the biggest driver of the stock market recently has been corporate-earnings announcements. Surprises on the profits front have roiled whole sectors of the stock market.

Even as investors remain wide-eyed about the possibilities of the Internet Age, their patience has begun to wear out for companies that don't deliver.

"Risk is back, and normalcy has returned after a wild and woolly quarter," said **Jon Brorson**, director of equities at Northern Trust in Chicago. "You've erased the extremes of the dot-com foolishness. You had a full balloon that even a rusty pin could've popped."

Did it ever.

After reaching a record on 3/10 of 5,048.62, the Nasdaq Composite Index fell 37.3% to 3,164.55 on 5/23. Ultimately, the technology-heavy composite finished at 3,966.11, down 606.72, or 13.3%, for the second quarter.

Nevertheless, the index had a particularly strong June, jumping 16.6%—the fifth-best month in Nasdaq's history—leading many market watchers to believe that the technology sector's future may brighten in the third quarter, if a bit more soberly than before.

Count among the believers Brorson, skeptical though he is of the previous highflying technology-stock valuations.

"Investors kind of took the tech stocks out to the woodshed, gave them a spanking in March and April, and got it over with," he said. "But you can tell they want to get back into these companies now."

By contrast, the Dow Jones Industrial Average, which is dominated by Old Economy stocks, despite now including technology bellwethers Microsoft (O:MSFT) and Intel (O:INTC), hasn't been stellar. Certainly, its roller-coaster ride has had tamer ups and downs than the Nasdaq, falling a modest 4.3% for the second quarter to 10,447.89.

©2000, Dow Jones & Co.

by Jack Messmer

\$77M buys Clear Channel three new markets and fills out a fourth

It's getting harder and harder to find new markets for Clear Channel Communications (N:CCU). The mega-group of all mega-groups is already in, or has buys pending in the overwhelming majority of rated markets—not to mention its holdings in unrated markets. Even so, there are still markets not yet in the Clear Channel portfolio—although three more disappeared last week.

#1: In the larger of two multi-station deals, Clear Channel agreed to pay \$57M for 13 stations now owned by Sunburst Media. Sunburst, by the way, is headed by **John Borders**, who many years ago headed Clear Channel's radio group. The deal will give Clear Channel a 1 AM/4 FM superduopoly in Springfield, MO, a 2 AM/4 FM cluster in Abilene, TX and two FMs in Bryan-College Station, TX. Bryan-College Station is the only one of the three where Clear Channel already has stations, one FM of its own and a AM/FM combo which is coming in the AMFM merger. **Broker:** Salomon Smith Barney

#2: Moving to the northeast—just as far as you can go to the northeast—Clear Channel is entering the Bangor, ME market by buying the six FM superduopoly recently assembled by Eastern Radio Assets, which operates under the Radio Partners group umbrella. **Mike Osterle, Woody Stover** and the other Radio Partners group guys paid four sellers a total of \$13.7M for the stations in recent months. They're now selling the package to Clear Channel for \$20M. Part owner **Kerwyn Smith** will stay on as market manager. **Broker:** CEA

RBR observation: Still to be seen is what happens to the crown jewel of Border's Sunburst group, KLTU-FM Dallas. We've asked, but he ain't tellin'.

Salem spins an L.A. AM

Salem Communications (O:SALM) is raising cash by selling off one of its Los Angeles signals—and didn't have to look far for a buyer. Hi-Favor Broadcasting LLC, which is paying \$30M for KLTX-AM, is headed by **Roland Hinz**, who's a member of Salem's board of directors. Hinz is also the President and Editor-in-Chief of Hi-Torque Publishing Company (www.hi-torque.com), which publishes *4-Wheel ATV Action*, *BMX Plus*, *Dirt Bike*, *Dirt Wheels*, *Mountain Bike Action*, *Motocross Action*, *Motocross Journal* and *R/C Car*, magazines for aficionados of off-road motoring and pedaling and radio-controlled model race cars.

RBR observation: Don't look for busy biker babes on the covers of Hinz's magazines. These bike mags are strictly G-rated.

ABC's Hibernia price tag: \$19.8M

Jim Thompson, Mike Craven and their Palladium Equity Partners investors are taking about \$10M to the bank for the six Radio Disney affiliates they're selling to Disney's (N:DIS) ABC Radio. As we reported (*RBR* 7/3, p. 12), Hibernia Communications paid just shy of \$10M for the six AMs over the past three years. Now the contract filed with the FCC shows that ABC is paying \$19.8M to turn the affiliates into O&Os.

Wilks teams with Wicks

The new Wicks Group company formerly known as W&W is now Wilks Broadcasting LLC and veteran broadcaster **Jeff Wilks** has signed on as CEO. As reported last week (*RBR* 7/17, p. 12), the company is buying five stations in the Saginaw, MI market for a total of \$22.18M. Two Wicks investment partnerships will own 89.19% of the venture and Wilks and his limited partners will own the remaining 10.81%.

RBR observation: What Wicks and Wilks have in common is a past his-



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tory of buying radio properties, building them up, selling them, then buying more to build again. Jeff says his mission is to "acquire as many middle-market stations as possible." Lots of others are trying to do the same, but he adds: "I think there's more out there than everybody thinks there is."

WRDS enters Galaxy

Ed Levine's Galaxy Communications is expanding its cluster of stations in Central New York. Galaxy's 10th station will be WRDS-FM Phoenix-Syracuse, NY—coming from **Bob Short's** Short Broadcasting for \$3.75M. Broker: York Street Partners

Rosa reinvests

Fresh from cutting a deal to sell KATD-AM Pittsburg, CA to Radio Unica (O:UNCA) for \$4.5M (RBR 6/19, p. 12), **Joe Rosa** is reinvesting elsewhere in California. His People's Radio Inc. is paying \$1.1M for two AMs in the Monterey market, KNRY and KIEZ. Broker: **Andrew McClure**, The Exline Co.

Miller makes comeback

Free of his partners after selling off the Freedom Network (RBR 3/27, p. 13), **Otto Miller** is back with a new Peoples Broadcast Network LLC. He's buying WASA-AM Havre de Grace, MD (north of Baltimore) from **Nick Mangione's** M-10 Broadcasting for \$350K. Broker: **Norman Fischer & Barry King**, Norman Fischer & Assoc.

Radio One gets \$750M credit line

As it prepares to close \$1.3B in spin-off acquisitions from Clear Channel (N:CCU)/AMFM Inc. (N:AFM), Radio One (O:ROIA) has gotten a bigger credit facility from its bankers. Radio One now has \$750M in borrowing capacity to help close that pending mega-deal. Combined with cash on hand, CFO **Scott Royster** says Radio One has "the significant majority of the capital required to complete all announced

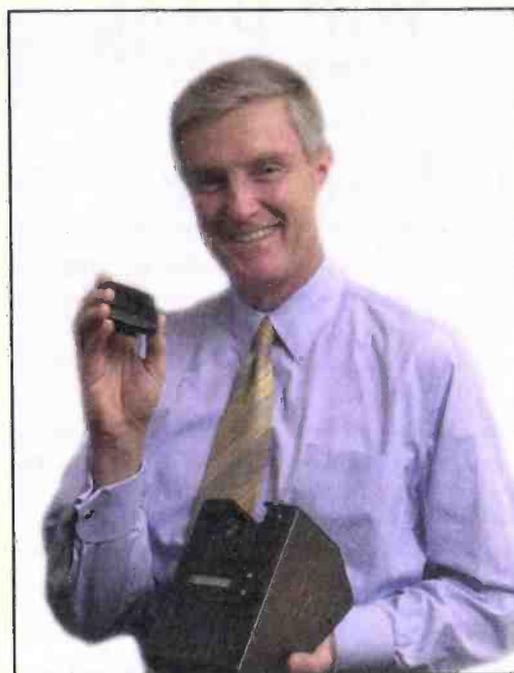
continued on page 15

What the new Arbitron will look like

As it announced plans to split into two companies (see page 2), Ceridian (N:CEN) also reported Q2 financial results. As it had for the past year or so, prompting speculation (now proven correct) that a sale or spin-off was in the works, Ceridian broke out separate financial figures for Arbitron. Thus, it's already possible to see what Arbitron's financial picture will look like after the breakup.

For Q2, Ceridian saw revenues rise 6.7% to \$343.8M. However, net earnings slipped 9.8% to \$32.2M. CEO **Ronald Turner** said revenues were lower than expected for the company's Human Resources division, which he attributed to 2000 being a "transition year."

Arbitron did much better than its parent company. Here's a comparison:



Arbitron CEO Stephen Morris with a Personal People Meter

Ceridian/Arbitron financial results

(\$ in millions)

Company results by category	Q2 2000	pct. change	1st half 2000	pct. change
Revenues				
Arbitron	\$60.7	11.4%	\$112.9	8.5%
Ceridian post-split	\$283.1	5.8%	\$592.7	9.9%
Ceridian (incl. Arbitron)	\$343.8	6.7%	\$705.6	9.6%
EBITDA*				
Arbitron	\$22.9	22.5%	\$39.3	13.9%
Ceridian post-split	\$38.3	-2.0%	\$88.6	0.6%
Ceridian (incl. Arbitron)	\$61.2	5.9%	\$127.9	4.3%

*Earnings before interest, taxes, depreciation and amortization, stated pro forma for special charges which occurred in Q1 2000. The pro forma adjustments were for other Ceridian units and did not change the EBITDA results for Arbitron.

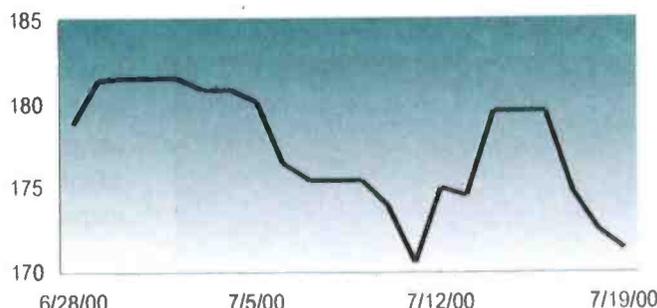
Source: RBR calculations based on Ceridian news release dated 7/18/00

The Radio Index™

RADIO BUSINESS REPORT
Voice of the Radio Broadcasting Industry

THE WALL STREET JOURNAL
RADIO NETWORK

Wall Street remains as clueless as described on pages 8-11. The Radio Index™ fell 3.72 for the week to close 7/19 at 171.34.



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TRANSACTION DIGEST

by Jack Messmer & Dave Seyler

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.

\$30,000,000 KLTX-AM Los Angeles (Long Beach CA) from Salem Media of California Inc. (Ed Atsinger, Stuart Epperson), a subsidiary of Salem Communications (O:SALM), to Hi-Favor Broadcasting LLC (Roland S. Hinz and Lila Sullivan Hinz Living Trust). \$30M cash. Note: Roland Hinz is a director of Salem Communications. Because his interest in Salem is attributable, this continues a **superduopoly** with six Salem stations in the L.A. market.

\$25,000,000 KBUC-FM San Antonio (Pleasanton TX) from Reding Enterprises Ltd. (L.W. Reding) to HBC License Corp. (Mac Tichenor), a subsidiary of Hispanic Broadcasting Corp. (N:HSP). \$1.25M escrow, balance in cash at closing. HBC has acquired a 1990 option from John Barger & John Furr following 2/18 approval by the FCC of an upgrade from Class A to C1 and designation of Schertz, TX as city of license. **Superduopoly** with KCOR-AM, KXTN-AM & FM, KROM-FM, KEYI-FM & KRNH-FM. Broker: John Barger

\$15,000,000 WAIB-FM, WWFO-FM & WHTF-FM Tallahassee (Tallahassee-Lafayette-Havana FL) from Capitol City Radio Partners Inc. (Michael Schwartz et al) to Monterey Licenses LLC, a subsidiary of Triad Broadcasting Company LLC (David Benjamin, George Couch, Trefoil Triad Investors, Norwest Equity Partners & others). \$750K escrow, balance in cash at closing (adjusted to 12.5 times 2000 broadcast cash flow). Existing **superduopoly**. Broker: Bergner & Co.

\$2,750,000 WBAZ-FM & WBSQ-FM Nassau-Suffolk (Southold-Bridgehampton NY) from MAK Communications LLC (Mal Kahn) to AAA Entertainment Licensing LLC, a subsidiary of AAA Entertainment LLC (Peter Ottmar, John Maquire, GE Capital Corp. & others). \$275K escrow, \$2.7M (less escrow in cash at closing, \$50K under non-compete agreement). **Superduopoly** with WBAE-FM & WEHM-FM.

\$950,000 KISP-FM Omaha (Blair NE) from Sunrise Broadcasting of Nebraska Inc. (Joerge Klebe) to Waitt Radio Inc. (Norman Waitt Jr.). \$45K escrow, balance in cash at closing. Note: This station has a proposal pending at the FCC to change its city of license to Whiting IA and upgrade from Class C3 on 101.5 MHz to Class C2 on 101.3 MHz. The move would take KISP away from the outskirts of the Omaha market and put it in the Sioux City IA market, where Waitt owns KZSR-FM. LMA since 5/18.

\$800,000 WRVZ-FM Charleston WV (Pocatalico WV) from Weigle Broadcasting Corp. (David Benns) to West Virginia Radio Corp. of Charleston (John & David Raese). \$10K under 1997 option, balance in cash at closing. **Superduopoly** with WCAW-AM, WCHS-AM, WSWW-AM, WKWS-FM, WVAF-FM & WKAZ-FM. LMA since 8/97. Note: 34 stations in market.

\$728,496 WICI-FM Sumter SC from Iris Communications Inc. (Ralph Canty) to Point 7 Entertainment Inc. (Jodi & Lori Gomes). \$700K escrow, balance in cash at closing.

\$250,000 WMTK-FM Littleton NH from White Mountain FM Inc. (Thomas Pancoast) to Vermont Broadcast Associates Inc. (Bruce James). \$25K under option agreement, balance in cash at closing. **Superduopoly** with WSTJ-AM & WNKV-FM St. Johnsbury VT and WGMT-FM Lyndon VT. LMA since 7/18/93.

more transactions @ rbr.com

acquisitions as well as provide us with financial flexibility and future capacity to continue to grow the enterprise organically and through acquisitions." He also notes that the bank facility, led by Bank of America, offers Radio One the flexibility to do a high-yield bond offering when the market is more attractive.

SBS lines up \$150M in credit

Spanish Broadcasting System (O:SBSA) has gotten a new \$150M senior secured credit facility. Much of the new credit line will be used to close SBS's pending purchase of six stations from Rodriguez Communications for \$165.2M, including some stations that Rodriguez is getting as Clear Channel (N:CCU)/AMFM Inc. (N:AFM) merger spin-offs. The SBS facility was arranged by Lehman Bros.

Infinity gets prime credit rating

Moody's Investors Service has assigned a Prime-2 short-term rating to a new \$3.25B commercial paper program launched by Infinity Broadcasting (N:INF). That's the same strong rating already carried by the short-term commercial paper of Infinity's majority owner, Viacom (N:VIA). Moody's said the Prime-2 rating was based on Infinity's "significant free cash flow generation ability, modest cash flow leverage, as well as its size, geographic diversity, and low ongoing capital requirements."

Broadcast drives Tribune growth

While the Tribune Co. (N:TRB) has been out buying Times Mirror's newspapers and such for \$8B, it's been broadcasting leading the company in growth. For Q2, Tribune's small radio group saw revenues rise 18% to \$16.9M and cash flow (EBITDA) increase 37% to \$7M. Overall, the broadcasting and entertainment division had revenue growth of 20% and cash flow gained 30%. Meanwhile, Tribune's publishing operations (not including Times Mirror) gained only 3% for both revenues and cash flow. All of Tribune posted pro forma revenues of \$1.5B,

Contract Close-up

Adjusting for Trade and Barter

by Erwin G. Krasnow and Eric T. Werner

The adjustments process is an integral part of the closing of a radio station sale transaction. Typically, adjustments to the specified purchase price are made in order to offset for the seller unrealized revenues due to the seller for services provided prior to the closing or to offset for the buyer any accounts payable attributable to the seller's operation of the station that remain unsatisfied as of the closing. Adjusting for the value of non-cash assets or liabilities can prove challenging, however.

In their agreement for the sale and purchase of KCMO(AM/FM), Kansas City, Missouri, and KCFX(FM), Harrisonville, Missouri, Entercom Communications Corp. and Susquehanna Radio Corp. applied an interesting solution to this problem relative to the value of goods and services due under trade and barter agreements. The parties' agreement provided that an adjustment would be made in favor of the sellers (Entercom and its affiliates) for any amount above \$50,000 by which the fair market value of goods or services due to the stations under such agreements as of the closing exceeded the fair market value of any advertising time that had yet to run as of that date. Conversely, the buyer (Susquehanna) would receive an adjustment in its favor to the extent that the value of any advertising time scheduled to run after the closing exceeded the value of any goods or services yet to be received by more than \$50,000.

Such an arrangement ensures that the buyer's and seller's respective interests in the value of non-cash assets are adequately protected. Moreover, the inclusion of a fixed benchmark (\$50,000) reduces the risk of litigation by preventing any disputes that might otherwise arise over valuation of goods or services.

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up 8%, with pro forma operating cash flow up 7% to \$432M. Earnings per share for Q2, excluding non-operating items, gained 13% to 44 cents per share.

Beasley joins Russell Index

The Frank Russell Company has added Beasley Broadcasting (O:BBGI) to its Russell 3000 Index. The broad index of the US stock market's 3,000 largest public companies, based on market capitalization, is reconstituted annually.

RBR observation: By being included in the Russell 3000, Beasley should benefit from having its stock purchased by mutual funds which mirror the index, along with getting a bit more attention from other money managers who may not have looked at the stock before.

Cox parent buys newspapers

Cox Newspapers Inc. is buying two daily newspapers in southwestern Ohio and several other publications from Thomson Newspapers. Since Cox Newspapers is a wholly owned subsidiary of Cox Enterprises and Cox Radio (N:CXR) is majority owned by Cox Enterprises, the ownership of the *Hamilton Journal News* and *Middletown Journal* will essentially block entry into the Cincinnati market by Cox Radio—not that there's anything currently for sale there anyway. The newspapers fit well with Cox's operations in nearby Dayton, where various entities under the Cox Enterprises umbrella own the *Dayton Daily News*, a TV station and several radio stations under a grandfathered combination created before the FCC established its crossownership rule.

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SHELBY, 20, WEST L.A.
WEST SIDE CAR SPOT



NANUK, 43, ALASKA
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