

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

April 9, 2001

Volume 18, Issue 15

AMERICAN URBAN RADIO NETWORKS

#1

THE URBAN RADIO LEADER



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CBS/Infinity exit NAB

The NAB's support for continuation of the 35% national audience ownership cap has been a bone of contention between it and the big TV networks. The NAB Television Board's vote 4/4 to reaffirm that commitment has caused one of them—Viacom's (N:VIA) CBS—to exit the association. Although unaffected by the television issue, Infinity Broadcasting, the radio wing of CBS, went out of the NAB along with the TV wing.



The Network Affiliated Stations Alliance (NASA), which supports the cap, filed a petition 3/8 with the FCC that enraged the networks. The NAB's TV Board has steadfastly supported the cap and both Fox and NBC, neither of which owns radio stations, quit the NAB last year over the dispute.

CBS released the following statement regarding its decision:

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1,318,932 Hits in March Alone!*

*Microsoft Site Server Analysis

April 9 2001, Volume 18, Issue 15

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Printed in USA.

Radio Business Report is published weekly by Radio Business Report, Inc. Publishers of Radio Business Report, MBR - Manager's Business Report, The Source Guide, www.rbr.com and the Information Services Group database.

Subscription rate: One year \$220.

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Radio News®

"CBS Television and Infinity Broadcasting today announce our resignation from the National Association of Broadcasters. We have been proud NAB members for many years, but it has recently become clear that we have a fundamental issue on which we and certain of the NAB's television members disagree. Until recently, we felt it was possible to remain members of the association with this disagreement unresolved. Due to actions taken by the NAB today, that is no longer the case.

"For some time we have called for the elimination of the nation broadcast ownership cap as well as other outmoded regulatory constraints on broadcasters. We are optimistic that through either the courts or the FCC, that reasonable goal may soon be achieved. CBS and Infinity will continue to work with others in the industry to make sure free over-the-air television and radio stand on an even footing with their competitors both for the good of the business and for the public we serve. It has now become clear that we cannot remain within an organization that is actively working against those objectives."

"It is regrettable when any member leaves an association," was NAB's only official comment on the CBS/Infinity exit.

Disney's (N:DIS) ABC is the only TV network still in the NAB, but that may not last. At a 4/4 symposium of Michigan State University's Quello Center, Disney Exec. VP **Preston Padden** ridiculed NAB as being inconsistent in trying to retain the 35% cap at the same time it is seeking an end to the newspaper/broadcast crossownership rule. "I don't believe the current position of the NAB, as controlled by the affiliates, is either

defensible or sustainable," he declared.—DS, CM, JM

FCC implements LPFM changes

Moving to bring its rules into compliance with the law passed last year by Congress, the FCC has revised its Low-Power FM rules to implement two changes mandated from Capitol Hill. First, and most importantly to existing broadcasters, LPFM stations are now subject to the same third-adjacent channel interference standards as other stations. Second, former pirate radio operators are barred from obtaining LPFM licenses. The FCC's original LPFM rules had permitted pirates to rehabilitate themselves if they'd stopped illegal broadcasts within 24 hours of being ordered to do so by the Commission or if they had not broadcast without a license after 2/26/99.

In announcing the rule changes, Chairman **Michael Powell** (R) noted that the FCC has also begun the independent testing ordered by Congress to determine what impact LPFM stations would have if allowed to operate without providing third-adjacent channel protection to full-power FM and translator stations.

Commissioner **Harold Furchtgott-Roth** (R) was alone in voting against the LPFM rule changes. Although he agreed with the intent of bringing the Commission's regulations in line with congressional mandates, he insisted that the FCC had violated the Administrative Procedures Act by not seeking public comment before adopting the rule changes.—JM

Dr. Laura drops off of the RADAR screen

RADAR 68 will be the last one for Dr. **Laura Schlessinger**, as Premiere Radio Networks pulled

the plug with the Statistical Research Inc. ratings service. Her show just finished #23 in the recently released survey with an 8.5% gain in total audience over her showing in RADAR 67.

Both Dr. Laura's recently canned television show and the network radio offering have been targeted by boycotters protesting her controversial remarks concerning homosexuals. This has led to a shift in the roster of advertisers sponsoring the network show, which, as a cost-saving measure, will in turn send it to Arbitron for ratings reports, according to a Premiere spokesperson.—DS

Chairman Powell meets the press

FCC Chairman **Michael Powell** gathered at the FCC with the members of the media trade press for a question-and-answer session on 4/5. Among his observations:

LPFM: The commission is awarding licenses, and in fact is much farther along than it normally would be given when final approval for the new service was made into law (this is, of course, due to prior chairman **Bill Kennard's** kick-off of the licensing process before Congress had a chance to weigh in). He expects that it will be some time before any testing can be completed to prove that 3rd adjacency protection for existing broadcasters is unnecessary, and that even if this proves to be the case, it would probably require further action by Congress to waive the requirement.

Market redefinition: Powell said that those who want to restructure the way radio markets are defined are generally trying to find a way to make them smaller. He wasn't sure that, beyond a point, more owners in a market meant more diversity of ownership. "If you



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think choosing between this member of the wealth class versus that member of the wealth class constitutes diversity, then yes, smaller markets promote diversity. But not in a way that consumers can see it."

Television/newspaper crossownership: "I don't know why there is something inherent about a newspaper or a television stations that means they can't be combined," he said. Asked if he would have enough votes to relax the rules, he joked, "Tell me who the Commission is."—DS

Fine-al notices?

Broadcasters, at the behest of the FCC, are filling the coffers of the US Government. Here are the recent contributors, along with the reason they received this fine opportunity.

- Re: WBTJ-FM Hubbard-Youngstown, OH. The FCC said Clear Channel (N:CCU) didn't even respond to its citation for allegedly assuming control of the station without FCC approval (*RBR* 2/19, p. 4), so it's fined the company \$25K. Clear Channel had gotten a state court to enforce provisions of an LMA which the FCC said weren't kosher—and licensee Stop 26-Riverbend gave the Commission the court record as evidence.

- WBOK-AM New Orleans. Owner Willis Broadcasting is liable for \$14K for a pair of violations. The first, failure to register its antenna structure, made the second—failure to respond to Commission correspondence—possible when Willis failed to answer the FCC's inquiries into the prior violation.

- KAAX-AM Eagle River, AK. American Radio Brokers, Inc. has been fined \$4K for failure to respond to Commission correspondence. The FCC had requested explanations of numerous rules violations during an inspection held 1/29/99. ARBI had received several time extensions during which to file its response, all of which it missed.

The Notice of Apparent Liability for the \$4K was issued 7/28/00. In a response to the NAL dated 10/13/00, ARBI's **Chester Coleman** argued, among other things, that the FCC "lacks the moral authority" to impose fines because the Commission itself often fails to comply with the requirements of the Rules and the Communications Act of 1934, as amended. This argument was dismissed by the Commission.

- KEGL-FM Fort Worth, TX. This Clear Channel station was hit with a \$14K fine for airing indecent material on several occasions in 2000. Clear Channel argued that the material included a "few scattered and vague references of a sexual nature...[which] are neither explicitly graphic or pandering." The FCC disagreed and said the fine will stick.

RBR observation: About indecency: We've said it before and we'll say it again—it is only fair to have a rulebook in hand before broadcasters should be expected to get out a checkbook.—DS

Sirius wants to be standard auto equipment

Sirius Satellite Radio (O:SIRI) still has a zero in the revenue column of its quarterly reports, but the company conducted its first quarterly conference call (4/2) for Wall Street analysts—with the focus on plans for this year's launch of commercial operation and lots of questions about when car dealers will start offering factory-installed receivers.

CEO **David Margolese** cautioned that the company is going to check all of its systems thoroughly—and that receiver manufacturers, who've just received first-generation chip sets are doing the same—so he's not guaranteeing to begin selling

the 100-channel digital audio service to consumers by any fixed date. Wall Street analysts, he noted, have been making 2001 financial predictions based on service launching in September, so those projections will have to be changed if the actual launch comes later in the year.

As previously reported, Kenwood is already shipping Sirius-ready receivers (with a plug-in spot for the chip module). Margolese said Panasonic should do the same soon. The CEO said Sirius is still negotiating with its auto maker partners, including Ford and Daimler-Chrysler, but that the satellite radio company's intention is to have its receivers installed as standard equipment—the cost of the receiver and the first year's service would simply be rolled-up in the base sticker price. Margolese said that's not a sticking point with the auto makers, but that the bureaucracies of the auto giants simply make finalizing contract provisions a long, slow process.

Ford/Mercury/Lincoln/Mazda/Jaguar, Chrysler/Dodge/Jeep/Mercedes, BMW and Volvo will likely have the radios in their 2002 models, Margolese recently told *RBR* (3/12, p.11). XM Satellite Radio (O:XMSR) CEO **Hugh Panero** had similar news in the same story: "We anticipate that XM radios will be available in certain '02 GM models. As we move into '02, we anticipate being in many of GM's '03 models."

While XM's chipsets are already being shipped to receiver makers, including Sony, Pioneer, Alpine and Delphi-Delco for final validation, testing and integration, Sirius is delayed somewhat and doesn't expect them to be ready for production until August. Margolese said Agere Systems (N:AGR-Lucent's

recent 3/28 microelectronics spinoff) has begun shipping chipset samples.

In other news, Sirius named **John Scelfo** its CFO, replacing **Andrew Greenebaum** who left the company months ago. Scelfo was most recently VP Finance for Dell Computer's Asian operations.

RBR observation: **Rich Potyka**, KRXS-FM Phoenix GM and retired Motorola chip engineer tells us there's another issue to keep an eye on. "All three of the 'Big Three' require that all chips and their supplier be QS9000 or better certified. This is a long and disciplined process starting

Holding the line in San Diego

RBR has obtained Miller, Kaplan, Arase & Co. revenue figures for the San Diego market from an anonymous source. Pacing numbers are said to be unavailable due to the absence of Clear Channel (N:CCU), which is said to have 11 stations in the market (eight USO&Os, two more licensed to Tijuana, Mexico and a final US station which is in a JSA with Clear Channel).

Although dot-coms were active here, automotive seems to be doing better here than in many other places, and the market is close to matching last year's performance. Local in particular is doing quite well. Business is being booked much closer to the run date than was the case last year.

	February	YTD
Local	+6.0%	+7.0%
National	-27.0%	-23.0%
Total	-3.0%	-0.7%

Source: Miller, Kaplan, Arase & Co.

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from the chip design through the wafer process, packaging and testing. All people and processes in the program must be certified as QS9000 compliant. It would be good to find out just where ST Microelectronics is in the qualification process with each of the big guys, Delphi, Visteon and Chrysler Huntsville. For a chip to go into a radio for model year 2002, the devices must be fully qualified by now or sooner. I would assume there is really no chance of STM making the 2002 model year. The after market guys are MUCH faster as they have no real product liability issues. They could be out this year if all their tests go well. Just some comments from an engineer who has gone through this process."—JM, CM

Campaign finance reform passes

The McCain-Feingold Campaign Finance Reform bill (S.27) finally cleared the Senate (4/2), with 59-41 the final vote. That's not enough to override a veto, but the White House has warned congressional Republicans not to depend on President **Bush** for a veto—he might sign the measure. The bill now goes to the House, where the Majority Whip, Rep. **Tom DeLay** (R-TX), is leading the opposition and Speaker **Dennis Hastert** (R-IL) is reluctant to bring the bill up for a vote until work is completed on President Bush's tax cut plan.

Meanwhile, even some Democrats who'd supported campaign finance reform efforts in the past are expressing concerns about some of the Senate bill's more controversial provisions—increasing the amount of money individuals can contribute to political campaigns and including independent organizations (from the National Rifle Association to the Sierra Club) in a ban on broadcast attack ads for 60 days before an elections.—JM

Radio News®

Strategic may offer ratings deal to CCU

There is a chance Strategic Media Research (SMR) may offer a deal to Clear Channel (N:CCU) for ratings services in 130 markets that the broadcaster recently informed Arbitron it wouldn't be needing (see p. 12). "It [was] a topic of our board meeting [last] week—it's on our radar screen," SMR CEO **Amy Vokes** tells *RBR*.

SMR had previously been in the ratings game, providing its "AccuRatings" service from the early to mid 90s. While Clear Channel recently signed a contract extension to cover the Winter 2001 survey for 68 markets, the rest will be allowed to expire without renewal.—CM

WTNT-AM is new DC Hot Talker

The final decision has been made for Clear Channel's (N:CCU) new Washington, DC Hot Talker: WTNT-AM—"Dynamite Talk" is set to debut today (4/9). It confirmed our earlier report that WWRC-AM 570 kHz (Business Talk) will move to WGAY-AM's 1260 kHz spot and WGAY's "Music of Your Life" format and call letters will disappear.

The 'TNT lineup, which still has a hole noon-2P, includes: "Imus in the Morning" (WW1, moves over from CCU's WTEM-AM), **Michael Graham**, (also remains on CCU's WSCC-AM Charleston 3-7P), **Phil Hendrie** (Premiere), "Troubleshooter **Tom Martino**" (WW1), **Michael Savage** (TRN) and **Art Bell** (Premiere). The weekend lineup is still to be determined.

At WTEM, Imus will be replaced with ESPN's "Mike and Mike" 6-9A and Fox Sports' **Tony Bruno** from 9-10A.

Clear Channel Washington

AM GM **Jim Weiskopf** was happy about the lineup, which will compete with in-market Talkers WMAL-AM (ABC) and WJFK-FM (Infinity): "We are thrilled to offer listeners and advertisers many new opportunities in Talk and information radio. The stations have been really cleaned up. The production values are completely different."

RBR observation: "TNT may also take **Rush Limbaugh** from competitor ABCRadio's WMAL-AM when the contract runs out.—CM

Bubba goes to jail; claims sound wasn't real

Bubba the Love Sponge, a.k.a. **Todd Clem**, was charged by the Hillsborough County State Attorney's Office 3/29 with third-degree felony animal cruelty for his 2/27 wild boar castration and slaughter stunt, on-air at Clear Channel's WXTB-FM, 98 Rock (RBR.com 3/19). Bubba turned himself in and was released on \$10K bail. While asked by station management not to talk about the incident, he was on the air 3/30 laughing about it and while not denying that the boar was killed, said the agonizing screams that were broadcast, and got so many people angry, were only sound effects.

The charge is punishable by up to five years in prison.

Also facing animal cruelty charges are **Brent Hatley**, a producer at 98 Rock; **Paul Lauterberg**, a listener who brought the boar to the station and performed the castration/slaughter; and **Daniel Brooks**, another listener who helped.—CM

Della Femina happy with NYC radio campaign

United Stations CEO **Nick Verbitsky** tells *RBR* he is quite pleased with the results of a six-

week, two-station radio ad campaign that began in January for "Della Femina," the NYC restaurant he, former EFM President **Ed McLaughlin** and NY ad legend **Jerry Della Femina** are partners in. "It was an opportunistic situation—we took some excess inventory that we had available and created some great radio spots—and they worked!," Verbitsky tells *RBR*. "One of the things they tell you in the restaurant business is never advertise on the radio. Well, we proved them wrong."

Della Femina did the creative/copy, a "2001 lunch," prix fixe at \$20.01 for the yearly restaurant week in January. "[the v/o—a male and female version] talks about certain dishes, and they come across very appetizingly—they just sound mouthwatering," says Verbitsky. "We just jumped the gun on it, and instead of just having it for a week, it's still in existence—we're still offering it. It certainly goosed up traffic, let's put it that way. Hey, if radio people come into the restaurant, we generally don't overcharge them. That's my commitment to the industry."

The trend may be set. The Four Seasons also instituted its own prix fixe at \$25.

Della Femina: 54th between Park and Lexington.—CM

"Musicnet" kicks off

AOL/Time Warner (N:AOL), Bertelsmann and EMI announced they will be launching their own standalone Napster-like file sharing music service—Musicnet. However, this one won't be free. It's a subscription-based model, with the labels licensing the music and RealNetworks (O:RNWK) supplying the Internet and player software.—CM

Ad execs see slow recovery

Ad industry execs expect, on average, that it will take 16.5 months for the media marketplace to recover from the current downturn in ad spending, according to a quarterly survey by Myers Reports, Inc. The outlook is even gloomier among those people in the survey who work for advertisers, rather than agencies—they expect recovery to take 18.2 months.

Only 20.2% of the executives surveyed expect to increase ad spending over the next 12-18 months, compared to 47.6% who were planning an increase just three months ago. Those planning to cut ad spending, 35.6% (up from 12.8%), is now nearly as large as the group who plan to hold steady, 44.2% (up slightly from 39.6%). The Ad Confidence Index was based on a survey of 108 ad industry executives taken in mid-March.

There was a tiny glimmer of good news for radio in

the survey. More survey respondents indicated that they planned to increase network radio spending over the next 12-18 months, compared to what they'd been planning in December—pushing Myers' Ad Confidence Index up by 6.5% for network radio. "Network radio must be perceived as a promotional vehicle and also a lower out-of-pocket cost vehicle to generate reach," Myers Report President **Jack Myers** told *RBR*.

That was the only category with a plus sign. The index for local radio declined 26.2%—not far off the all media average of -23.8%. The index dropped the most, 35.9%, for consumer magazines. Among the major media, network TV was down 34.1%, local newspapers 27.6% and local TV 26%.—JM

Radio AdBiz®

The respect it deserves

By Marianne Cohn



Today's environment of radio consolidation, fragmentation of networks, growing numbers but limited inventory networks, streaming radio, satellite systems, multiple rating services and lack of a universal or dedicated billing system, make network radio buying and plan-

ning a challenge. With a career background in network radio (on both the sales and buying sides), I have seen both the potential and shortcomings of the medium.

Recently I had a conversation with a senior media planner who told me that they were not recommending network radio because planners didn't understand it, and it was too hard to explain to clients. Confusing...you bet. The varied number of rating services (RADAR, Arbitron, Bruskin), the inconsistent way that the networks represent themselves on sales plans, the almost quarterly reconfiguration of network affiliations, required money up-front for dot.com advertisers, the emergence of what appears to be a new syndicator or network almost daily, and the very realization that whether it be a \$200,000 scatter buy or a \$50 million upfront, much of the same work is required. The nearly universally used Donovan company provides specialized systems for network television, cable and spot radio, but not for network radio. It is just this confusion among planners and a dwindling number of experienced, passionate people on the buying side that limit its' potential growth. The loss of the Network Radio Association has created somewhat of an informational void and one less relatively unbiased representative for the medium. Maybe the elimination of some of this confusion will bring back the luster to the medium.

On the other hand, I have had the support of clients, planning groups and networks that can design and provide exciting promotions, added media value and efficient advertising campaigns that can work without pictures. Initiative Media's 30+ radio clients request information daily, requiring this agency to always be in the marketplace. This exposure to networks and syndicators has given us the ability to gauge inventory situations and have constant contact with network management, research, promotion and programming departments. We have forced to wade through the confusion and are still able to create innovative, effective marketing solutions using radio...despite the challenges.

This used to be a medium that was held in the highest regard. We have to implore both advertisers and agencies to give network radio back the respect, credibility and dignity it deserves. We have a way to go...let's get the personnel that sell it, buy it, plan it and account for it together to make this not only an advertising option of the past but one of the future.

Marianne Busse Cohn is Supervisor of National Radio for Initiative Media. She can be reached at 212-403-7727 or marianne.cohn@im-na.com.

Ad confidence index (% change Q1 vs. Q2*)

Consumer magazines	-35.9
National newspapers	-34.7
Trade magazines	-34.6
Network TV	-34.1
Web banner ads	-32.0
Local cable TV	-29.2
Local newspapers	-27.6
Interactive TV	-27.0
Local radio	-26.2
Local TV	-26.0
National spot TV	-21.1
Cable TV networks	-20.8
Syndication TV	-13.0
National spot cable	-12.5
Network radio	6.5
Overall media spending	-23.8

*Q1 ad spending outlook survey was conducted in December 2000, Q2 in March 2001.
Source: Myers Reports Inc.

Part I: Digital Debuts: What's next in automation?

In this two part series on digital automation systems, we first focus on what you can expect to see unveiled this month at NAB2001. Along with offering broader operating system and audio format support for new and existing systems, we look at ease-of-operation improvements, new delivery platforms and the use of XML files for unparalleled levels of interoperability. Windows XP support is another issue raised—the next OS on the horizon from Microsoft.

Dalet will be previewing its next generation content management, broadcast, and delivery system, "Dalet Plus." **Robin Wang**, Dalet Director of Marketing provides some detail: "With this system, broadcasters—TV, radio, Internet—will be able to assemble, produce, and broadcast multimedia content—news, entertainment, etc.—over multiple channels—radio, the Internet, wireless devices, enhanced TV, etc."

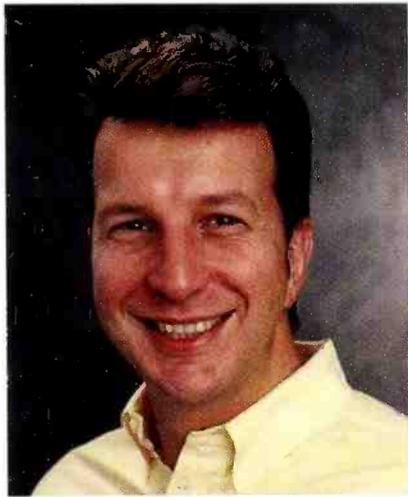
RCS is set to show off not only its latest version of "The world's #1 music scheduling system," Selector XV, but "i-Selector," a new Internet player allowing users to customize a streamed, branded version of a station's format. "The listener is in control and can create a unique flavor of his or her favorite station," RCS President **Philippe Generali** explains.

Two other RCS debuts: "Smart Ripper," apparently copies CD content to Selector instantly and IVT, Internet Voice Tracking. "This is a new feature of our MasterControl digital automation system that allows users to insert 'real feel' voice tracks from any remote location into an automated program log via the Internet," adds Generali.

Debuted at the NAB2000 Radio Show, RCS will also be featuring its Internet application, RadioShow with SplitStream targeted audio ad insertion. The system synchronizes title and artist info with a station's over-the-air and streamed signal and designates different spot feeds to

different online users.

Prophet Systems Innovations will be demonstrating new features for its NexGen digital automation system, including expanded auto phone call record-



Generali

ing. "With this upgrade, you can obtain up-to-the-minute weather, commuter and traffic reports without station intervention. Multiple predefined spot numbers are available for any type of outside call the station would like to play back or re-record," **Lynn Moore**, Prophet's CTO explains.

NexGen also has improved platform support. Users can now automatically send email to support staff upon audio server or file server failures. "You can elect to send all unopened messages in the NexGen Digital support-user mailbox to technicians available 24 hours a day," Moore attests. Support is available for Windows NT, Windows 2000, Novell, and Linux based systems.

Scott Studios and Computer Concepts are now one under Scott Studios ownership, but have kept their product lines separate.

Dave Scott, President, Scott Studios, tells *RBR* first what's new from Computer Concepts, now repped by Harris (*RBR* 3/19, p.6): "We will have a new version of the Windows NT Maestro, Version 3.1. There are a lot of new features in Voice Tracker, like on-screen editing in the phone edi-

Engineered For Profit

By Carl Marcucci

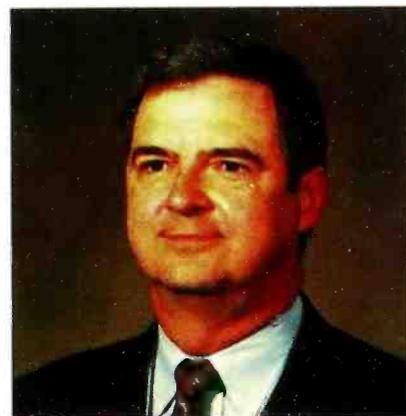
tor. We also will have what our working title was going to be—Maestro 4.0 for Linux—but because it's not totally compatible with the Windows NT version, we decided at the last minute to call it Symphony."

Symphony will be previewed at NAB and Scott says he will be looking for volunteers for beta testing.

"We really think Linux has a terrific potential in the air studio because it is so solid for mission-critical on-air applications," adds Computer Concepts VP/CTO **Greg Dean**. "Also new in the Maestro and Symphony lines is a new CD ripper that Computer Concepts has not had in the past."

Computer Concepts will also show enhancements to its EpiCenter digital audio engine including an interface with Telos' Smart Surface "console eliminator" and phone hybrid; and digital audio with up to 1,024 by 1,024 switching.

And on the Scott Studios side, "One of the new things we will have that our new customers



Scott

probably won't care about, but our old customers will, is we are adding apt-X audio compatibility within the SS-32, our main on-air studio system," says Scott. "And we will also be adding in Axs-3—that allows our older customers, our legacy customers, to not have to re-dub any of their audio—spots or music. It will play uncompressed MPEG, apt-X and MP3 all on a seamless basis. So if

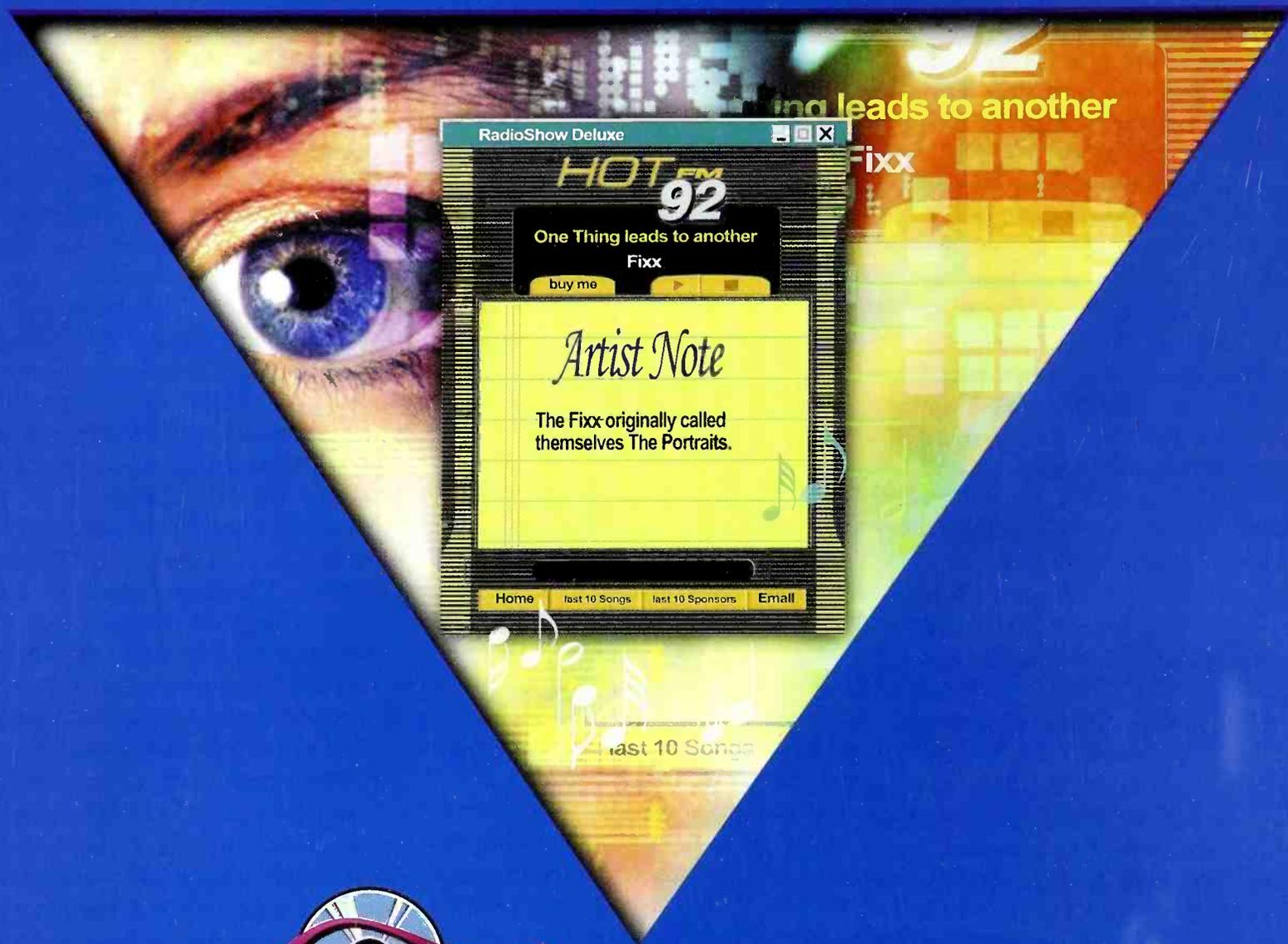
you get a new spot, you can do it however you want to do it and the old spots will play just fine."

Other upgrades to SS32 include a new phone recorder for the on-air studio with graphical waveform editing and audible "scrub" or "reel rocking," new "SS Everywhere" Internet remote control and new voice tracking for the on-air studio.

Enco Systems, recently opting for the direct sales option after taking Harris out of the loop, is set to debut a new virtual machine for DADpro32 called AirPLAY. It's a new user interface designed specifically for highly interactive live assist radio operations. "It's graphically attractive, easy to use and quite customizable, both in appearance and performance," says **Don Backus**, Enco's Director of Sales and Marketing. "Beyond that, we continue to enhance and develop our tools for webcasting as well as a number of enhancements and incremental upgrades for DADpro32."

CartWorks will be showing the latest release of its Music-on-Hard-Drive Wav/Mpeg digital audio system. Two major new features are support for the Cart Chunk standard (which we will cover in Part II) and automatic website content generation. Says **George Thomas**, CartWorks President: "CartWorks Music-on-Hard-Drive can automatically upload the currently playing song title, artist, and related links to the station's web site. This adds a live feel to what might otherwise be a stagnant web page."

Having a quick, easy way to use multiple audio formats for on-air and production is becoming more and more a necessity. Like Scott Studios, CartWorks is making it easier for stations to work with a broader range. CartWorks plans to introduce a new audio file conversion utility at the show, apt-Xchange. With it, stations can receive product in five different formats. Unlike Cart



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Chunk, apt-X was one of the first digital audio compression formats to be embraced by the radio industry and it's still in widespread use. "Stations using a digital audio system that stores audio in the apt-X compressed format (virtually all systems that don't use Wav or MPEG) will be able to convert files back and forth between apt-X and standard Wav formats," explains Thomas. "This will allow easily exchanging audio files between the stations on-air digital audio system and practically any digital audio workstation for editing, recording, and playback."

Broadcast Electronics (BE) is planning to show a major upgrade to its AudioVAULT system. Says BE Director of Studio Systems **Ray Miklius**: "We've completely migrated away from our AudioVAULT 100 architecture and replaced it with our VAULT2 platform. This new architecture allows BE to take advantage of the latest technologies developed for networking and storage. This yields more robust, more cost effective digital audio storage solutions for our customers. VAULT2 can also interoperate with AudioVAULT 100."

Some of the system changes include new Digigram audio cards, an off-the-shelf file system, support for the Windows 2000 operating system and the emerging "Cart Chunk" WAV audio standard (read in part II). "We are also debuting our new software versions," says Miklius. "These include Advanced Wide Area Network Support (Audio File Sharing, Automated Remote Scheduling, Remote File Maintenance) Advanced Remote Voice Tracking and Live Assist On-Air Feature Enhancements (per customer request)."

BE will also show its added studio software products, including VoxPro PC, via a partnership with Audion Labs. "We are all excited about integrating the all-new VoxPro PC software for Windows 98, NT, and 2000. Of particular importance with this new version is the ability to overcome file format incompatibilities with Mac files with our PC-based storage systems," states Miklius. "Now, once recorded and edited, these audio files will be available on any AudioVAULT workstation."

Another BE debut will be in the area of Internet audio streaming and ad insertion. In partnership with Everstream, BE will be offering broadcasters a custom player with integration to digital audio storage systems; title and artist presentation with album art and e-commerce options; targeted audio ad insertion with web-based traffic system support; streaming hosting services for Windows Media and 55 side format channel offerings.

XML and XP

XML file technology, while originally used for website development, has now opened plenty of doors for automated and live assist digital systems. XML's open architecture standard solves

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most of the other compatibility issues between systems and so much more. "Having introduced XML some time ago, it's quite amazing the different uses people are coming up with for the technology. I don't think any company can predict how people will use the tools that they provide. In our case, we just try to develop as many of these tools and technologies as possible and then support our user base in putting them to work in the field," says Backus. "We've implemented XML in DADpro32 to allow us to



Backus

talk with third-party traffic and music scheduling systems as well as various ad insertion technologies and other web based products."

RCS's Generali says the company prides itself on using open standards in its software development: "RCS is a pioneer and continues to be an advocate of open architecture standards for software and hardware vendors. As you may recall, we were one of the earliest supporters of XML technology and, in fact, created the first consortium of vendors to discuss these issues. RCS also uses the 'cart chunk' standard and our products are XML and cart-chunk ready."

And that philosophy also holds true with Dalet, according to Wang: "We have redesigned our architecture to incorporate XML wherever feasible. This is important because our systems must interoperate with many other systems and XML is becoming the de facto standard in exchanging content between systems. In some cases, we are using XML to exchange information between modules of our own systems."

Other Dalet software improvements include a scalable multimedia content database, also mentioned at the NAB 2000 Radio Show. Dalet has evolved its audio-only database into one capable of managing many different types of media, including audio, video, text and hyperlinks. "Broadcasters and content providers increasingly see the need to offer mixed media programming and the best way to offer this programming is if all the content is integrated into a single database. Scalability is also

key because these databases can fill up fast. XM Satellite Radio, for example, is currently using our system to load up a database that will eventually be 22 Terabytes large," Wang says.

BE has also incorporated XML into its systems, where applicable. Says Moore: "We have dabbled in XML, particularly in the schedule integration area. In addition, we have integrated the capability to export XML files from our storage system for Internet web page presentation."

The company is also implementing other developing technologies to its software suite, including the ability to integrate new storage advances ("RAID V" for redundancy, storage area networks), new database technologies including clustering and new networking technologies like 1 Gb ethernet.

Another issue for all automation systems developers to contemplate: Microsoft's new Windows XP operating system (to be released soon). "With Windows XP, the DOS kernel will forever be dead. No longer will there be any supported operating system that will support application software employing components of DOS," Miklius explains.

BE is currently performing validation testing to insure that AudioVAULT will work over XP. Miklius adds: This transition has serious implications for many digital audio storage vendors that still use components of DOS. And many customers of these vendors are looking at basing their broadcast operations on an operating system that will be obsolete in a matter of months. We at BE are committed to insuring that the investment that our customers have made is protected."

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THE 10 ESSENTIAL THINGS YOU MUST DO TO SELL MORE DIRECT BUSINESS IN A RECESSION

Sales

In part two of our exclusive RBR report, direct sales trainer Paul Weyland will finish discussing the 10 things you must teach your salespeople so that they can better educate direct clients in order to close and keep their business, especially in a recession. (See RBR 4/2, p.9 for part 1.)

4. Explain the concept of product or service branding. Draw a circle on a piece of paper. Draw little Xs in the circle. Say that this circle represents the inside of one of your listener's heads. Each X represents a product or service that that listener is familiar with. For example, if I say toothpaste, what brand comes to your mind? If I say safe automobile, what brand comes to mind? If I say local jeweler, what company do you think about? How about great local restaurant? Bar? Brand of watch? Movie theatre? Furniture company? Mobile phone? Insurance company? Now draw a little "X" outside of the big circle. Explain that this represents your client's business. How hard is your client making it for your listeners to do business with him?

5. Explain that it is logical that provided there are no marketing problems, "X" percent of any marketplace will buy "X" product or service from somebody this week. Even in a recession. And if your station is in line with the client's demographic then it is logical and statistical that "X" percent of those persons are listening to your station. But again, how can your listeners know to buy from your client if they don't know who he is, what he does or how to get in touch with him?

6. Tell your client how people really listen to the radio. Let's face it. Most people listen in their cars for 20-30 minutes at a time. Maybe longer if the traffic is bad. They are using the radio for background or environment. But even if you are having a conversation with a friend or a relative, what do you do when your favorite song comes on the radio? That's right. You turn it up. So we listen to the radio selectively. We hear what we want to hear. You know how you feel for example, when you know that you are going to buy a new car this week. If you're buying a green Toyota, you start noticing every green Toyota on the road. And if I begin a commercial with, "Green Toyotas are the most beautiful cars on the road you're much more likely to hear that spot.

7. Explain the importance of a unique selling proposition for every client. Clients must be able to associate themselves with one unique thing that their competitors cannot claim. Something that sets your client apart from his competitors. It must stand out and it cannot be cliché.

8. Explain the difference between a good spot and a bad spot. Every commercial must do the following three things or it will not work. First, get the immediate attention of those people who will buy "X" product or service from somebody this week. You will have to use a great headline to get their attention. Then you must explain benefits and results without clichés to your listeners. Exactly why should our listener choose your client's business? Finally, the call to action must be crystal clear. Precisely what does the

client want the listeners to do? Hold up a sheet of white paper. Explain to the client "If I were trying to sell this sheet of paper, would it be more logical to hold it up to a white background or a dark background?" Get your client to agree that in order to break through the clutter, you must not use a spot that sounds like a spot. Tell your client that nowadays, if a spot is not outstanding it will not stand out at all.

9. Explain the advantage of owning a day on your station. One of the greatest things about the radio as an advertising medium is that your client could be king for a day. On radio, your biggest client can only run spots that are 60 seconds or less. So can your smaller client. On radio, the biggest client is only allowed to run a spot an hour. Same with your smaller client. If your average Wednesday spot costs say, \$100, then you could own a Wednesday on your station for about \$1,000-\$1,500. Incidentally, that would be difficult to do in the newspaper. Also explain that national advertisers typically cut back on their advertising in a recession. There is typically less clutter. Logically, it would be far easier for a direct client to build market share while his big competitors are not advertising.

10. Explain how to calculate return on investment. Ask your client what his average sale is. Determine how many average sales it would take for your client to pay for the advertising schedule you are recommending. Do the math and show the client what a small percentage of your total 12+ CUME audience he'd

have to reach in order to break even. The number is usually ridiculously small. By teaching the client to calculate return on investment, you better manage his expectations. And you determine how much the client should actually be spending instead of just pulling a number out of thin air.

If you teach these 10 things to your clients you will look like an advertising and marketing resource instead of just another pesky media salesperson. You'll have clients who pay a higher average rate, who cancel less frequently and pay more quickly. Your business could actually increase during a recession rather than decrease. Your client will feel that he is being educated rather than sold. You will find that you don't have to talk about your format any more. You don't even have to sell against your competition.

The only real issue is that your client now understands the importance of advertising and marketing. He realizes that radio advertising is not a complicated or difficult process. He now sees the value of reaching your audience. He understands the difference between a good radio spot and a bad one. He better understands his position in the marketplace. He knows how to calculate his risk. And you look like a hero because you were able to tell a good, cohesive and logical story. Please feel free to call me if your station needs help with selling direct business.

Paul Weyland is president of Paul Weyland Training Seminars. He can be reached at (512) 236-1222 or by email at weyland@swbell.net

Chicago Fed warns of possible recession

Economists at the Chicago Federal Reserve Bank don't know whether or not the country is in a recession yet, but they say that's an increasingly likely possibility. Apparently it takes 20-20 hindsight to determine exactly when a recession began. The Chicago Fed collects data for a National Activity Index. That index dropped slightly in February to -0.89 and the three-month moving average fell to -0.81. The index's three-month moving average generally dives to below -1.50 in a recession. We're not there yet, but the Chicago Fed's Senior Economist, **Charles Evans**, called it an "early warning."

Media Markets & Money™

by Jack Messmer

Arbitron begins Big Board trading; CCU threatens to walk

Arbitron (N:ARB) opened at \$23.80 in its first official trading (4/2) on the New York Stock Exchange. In limited "when issued" trading the previous week, the shares had gone as high as \$26.80 on Wednesday (3/28), but plunged \$3 Friday (3/30) from Thursday's last trade of \$26 after Arbitron announced that its largest customer, Clear Channel (N:CCU), had signed only a short-term extension and was threatening to stop subscribing to Arbitron's radio ratings service altogether. Arbitron closed 4/2 at \$23.26.



Just hours before the official separation from Ceridian (N:CEN) on 3/30, Arbitron announced that Clear Channel had signed a contract extension to cover the Winter 2001 survey for stations in 68 markets. Arbitron also said it had received a letter from Clear Channel Radio in which the company states that it does not in-

tend to subscribe to any future Arbitron ratings surveys in the 130 markets currently under negotiation. The letter goes on to state that Clear Channel looks forward to continued discussions with Arbitron. If it doesn't come to terms with Clear Channel, Arbitron noted, its 2001 revenues would be negatively affected by approximately \$14M. (Clear Channel currently pays over \$40M in total Arbitron fees, but the threatened non-renewals would be for only the latter part of this year and not include all stations.)

Arbitron said that Clear Channel, its largest radio ratings subscriber, represents about 22% of its revenues. Clear Channel Radio had Arbitron ratings subscriptions for radio stations in 187 markets in 2000. Ratings contracts for all Clear Channel stations in 99 markets and some stations in another 31 markets expired with the Fall 2000 book. Clear Channel has ratings contracts with Arbitron that are still in effect in 88 markets. Clear Channel stations in 10 markets have contracts for radio ratings that continue through 12/31/01. In 39 markets, contracts continue into or through 2002, in 28 markets into or through 2003, in 13 markets into or through 2004 and in four markets through 2005.

In a press conference marking Arbitron's first day of trading, CEO **Steve Morris** was asked if Arbitron could still be a viable company without its largest client, Clear Channel. "My first assumption is that we are going to move forward and find a satisfactory conclusion for them and for us," Morris replied. "Economically, we can certainly be a viable company without them, but I don't think that's the way we proposed to go forward, nor do I really suspect that anybody would like to

Larry Wilson, Chairman, of Citadel Communications

has agreed to transfer the assets of

WFPG-AM/FM, WPUR-FM and the LMA of WKOE-FM

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Atlantic City, New Jersey

for

\$19,400,000

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do it in a bifurcated way in the industry. So I think the answer is, let's go out and find a good solution."

Later, Morris noted that "Clear Channel is a big and demanding customer." He said Clear Channel has ideas about what can be done with Arbitron data to advance the radio industry—ideas Morris said Arbitron would like to accommodate. Arbitron is preparing to launch a new initiative which Morris said will use research to help build advertiser confidence in radio.

RBR observation: If not Arbitron, what are Clear Channel's options? There is no existing competitor to Arbitron where Clear Channel could take its ratings business. Clear Channel has refused to comment on its contract negotiations, but the letter that Arbitron reported receiving from Clear Channel is clearly a carrot and stick proposition. Carrot: Give the nation's largest radio group a rate break and get a contract renewal. Stick: Hold out for too much cash and Clear Channel can go elsewhere.

It wouldn't be easy for Clear Channel to get along without Arbitron, but alone among the big radio groups (with the possible exception of Viacom's [N:VIA] Infinity Radio), Clear Channel is big enough to make that a credible threat. What are its options?

- One thing that is NOT an option is for Clear Channel to create its own ratings service. No ad agency or buying service would pay any attention to ratings from a wholly owned subsidiary.

- Although no current competitor to Arbitron exists, Nielsen alone has the potential to launch a competitor which would have instant credibility on Madison Avenue. There are a couple of problems with that scenario. We and just about everyone else in the radio industry and on Wall Street expect Nielsen's owner, VNU, to make a takeover bid for Arbitron just as soon as six months expire following the spin-off from Ceridian (N:CEN)—a period where a merger with another company would carry a tax hit for Arbitron. (Arbitron's board of directors

last week adopted a "poison pill" provision to keep would-be suitors away, but only for that six-month period.) Also, Nielsen and Arbitron are partners in Scarborough and Nielsen is backing Arbitron's development of the Personal People Meter.

- Clear Channel could issue a request for proposals from all comers to create a new radio ratings service—an RFP that "The Myers Report," which tracks ad spending, said 4/2 is rumored to be under consideration. Any such new service would need some time to establish its credibility with advertisers, agencies and buyers—and you can bet that they'd demand rate discounts from Clear Channel's stations until that credibility was established. That's a financial hit that **Lowry Mays** would have to think long and hard about taking—particularly in 2001.

- The most likely scenario, of course, is that Clear Channel and Arbitron will come to terms. Clear Channel is playing hard ball—and it clearly has the power to do so—but has no incentive for walking away from the negotiating table unless there's no other choice. This is a business decision. Clear Channel's people know how to crunch the numbers and drive a hard bargain with Arbitron. They're going to use their clout to get the best deal possible—and well they should—but they're not going to cut out Arbitron just because they can. The numbers have to make sense.

Carter grows to three in KC

Carter Broadcasting is paying \$1.5M to add KCKN-AM to its Kansas City operation. The deal will give **Michael Carter** a second AM in his hometown, where his family-owned company already has Gospel KPRT-AM and Urban KPRS-FM. The current licensee is **Bill Johnson's** Johnson Broadcasting, but Carter is also buying out the James Crystal group's LMA and purchase option. **Jim Hilliard's** James Crystal still has an LMA/purchase option deal with Johnson's other Kansas City station, KPHN-AM.

Youngstown pair sold

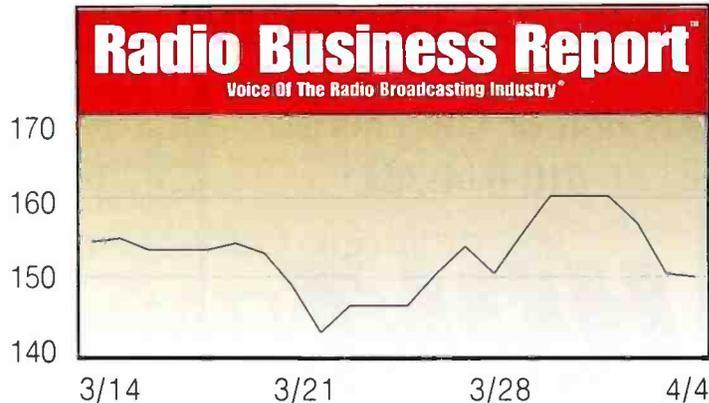
Local broadcast veteran **Dale Edwards** is becoming an owner in the Youngstown market. His new company, D&E Communications, has a \$300K deal to buy WRTK-AM Niles, OH and WPAO-AM Farrell, PA from Clear Channel (N:CCU). Clear Channel actually owns WRTK and is selling Edwards its right to buy WPAO, whose licensee is Youngstown Radio License Inc., headed by **Richard Gorman**.

Joyner adds in Virginia

Group owner (not "Fly Jock") **Tom Joyner** is expanding to five stations in Virginia. His latest deal has him buying WFXQ-FM Chase City, VA from **Patricia Wagstaff** for \$735K.

The Radio Index™

The Radio Index™ was essentially flat for the week, slipping 0.402 to close 4/4 at 150.141.



**WDYL-FM, Richmond, Virginia and
WJMZ-FM/WPEK-FM, Greenville, South Carolina**
from Radio One, Inc.
to Cox Radio, Inc.
for \$52,500,000

Charles Giddens represented Cox.

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Transaction Digest

by Dave Seyler & Jack Messmer

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.

\$5,075,000 WSKN-AM San Juan PR, **WORA-AM** Mayaguez PR and **WPRP-AM** Ponce PR from Radio Cadena Informativa Inc. (Reynaldo Royo) to Arso Radio Corp. (Jesus, Luis, Anthony, Manuel & Jaime Soto). \$5.075M cash. Expands daisy-chain **superduopolies** in all three Puerto Rico market areas. Arso will own a total of nine AMs and six FMs on the island.

\$400,000 WSPX-FM Columbia SC (Bowman SC) from Boswell Broadcasting LLC (Charles Boswell) to Glory Communications Inc. (Alex Snipe). \$10K escrow, balance in cash at closing.

\$2,700,000 KPLT-AM & FM, KBUS-FM & KOYN-FM Paris TX from Carephil Communications (Phillip Silva) to East Texas Broadcasting Inc. (John Mitchell, James Kitchens). \$100K escrow, \$2.3K (less escrow) in cash at closing, \$20K in advertising time per year for five years, buyer to pay \$82.5K brokerage fee, additional cash for settlement payments and other costs related to pending upgrade of KPLT-FM from Class C2 to C1. Existing **superduopoly**.

\$300,000 WPAO-AM & WRTK-AM Youngstown OH (Farrell PA-Niles OH) from Youngstown Radio License LLC (Richard Gorman) and Jacor Broadcasting of Youngstown Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU), to D&E Communications Inc. (Dale Edwards). \$300K cash. Note: D&E is acquiring Clear Channel's contractual right to buy WPAO.

\$250,000 WESO-AM Worcester MA (Southbridge MA) from Eastern Media Inc. (John Neuhoff) to Money Matters Inc. (Susan Armstrong). \$12.5K escrow, additional \$112.5K in cash at closing, \$125K note. Note: No contour overlap with WBNW-AM Boston.

\$1,500,000 KATP-FM Amarillo TX from Cropper-McGuire Broadcasting Inc. (Steve Cropper) to AMFM Radio Licenses LLC (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). \$1.5M cash. **Superduopoly** with KIXZ-AM, KMML-FM, KNSY-FM & KBUY-FM.

N/A KJON-AM Anadarko OK from Monroe-Stephens Broadcasting Inc. (Stanton Nelson) to Carrollton Broadcasting Company LLC, owned 80% by Monroe-Stephens Broadcasting Inc. (Stanton Nelson) and 20% by Elgin FM LP (Lorenza Garcia and her adult children, Nicholas Henderson, Reveesh Kurma). This is a settlement of mutually exclusive applications, whereby the applicants will merge, the new LLC will acquire KJON (850 kHz) and relocate it to Carrollton TX, in the heart of the Dallas-Ft. Worth metro, and withdraw the competing application to build a new station on 840 kHz in McGregor TX, which is in the Waco market.

\$1,500,000 KSNO-FM Aspen CO (Snowmass Village CO) and **KZYR-FM** Vail CO (Avon CO) from AGM Rocky Mountain Broadcasting LLC (L. Rogers & Anthony Brandon), part of the American General Media group, to Cool Radio LLC (Thomas Dobrez). \$75K escrow, balance in cash at closing.

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Audiohighway.com to merge with Shannon Technologies

Free audio content provider Audio-highway.com, after filing Chapter 11 and getting delisted from Nasdaq (O:AHWY), has agreed to merge with Seattle-based Shannon Technologies. Shannon, a manufacturing and product design service provider, may have plans to integrate Audiohighway's system into portable wireless devices. The merger is expected to close in June.—CM

Negative cash flow less negative at Big City

Positive cash flow still eludes Big City Radio (A:YFM), but the red ink flowed a little more slowly in 2000. The company—which specializes in linking together inferior and suburban FM signals in simulcasts to cover major markets—reported that net revenues increased 15.7% last year to \$23.8M. Operating costs were still greater, so broadcast cash flow was a negative \$2.2M. The cash flow deficit had been nearly \$3M the previous year.

Big City Radio also reported that it cost \$1.6M to operate its TodoAhor.com Internet operation in 2000.

The company noted that it is seeking a new debt facility to finance its operating and debt service commitments. "Cash on hand and amounts available from the company's revolving credit facility are not sufficient to support the company's operations through December 31, 2001," Big City noted in reporting its 2000 results.

Susquehanna Radio revenues rose 19%

Radio revenues increased 19% to \$35.7M in 2000, according to the annual report filed by Susquehanna Media. Although privately owned, the company has public bonds.

Total revenues, including cable TV, rose 18% to \$49.3M. Higher ad rates were credited for most of the radio revenue gain,

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although \$7.7M (22% of the gain) came from the acquisition of three Kansas City stations in July. Susquehanna Media's operating income gained 18% to \$12.6M.

Susquehanna also reported that its "Adjusted EBITDA" (EBITDA minus the expense of the company's Employee Stock Ownership Plan, which was \$8.3M last year) increased 19% to \$19.3M. Adjusted radio EBITDA shot up 29% to \$18.6M.

Winstar delays annual report

Winstar Communications (O:WCII) has advised the SEC that it will be late in filing its

2000 annual report because, "The company is engaged in discussions concerning certain material transactions which have not yet been completed." There was no hint of what sort of deal Winstar is working on. Its main business is providing voice and data service to businesses as an alternative to local telephone companies, but it also owns WinStar Radio Network. The company's stock has plunged from \$66.50 a little over a year ago and has fallen dramatically in the past month. It now trades for less than \$1. Some Wall Street observers have questioned

whether the company can support its \$3.5B debt load.

More signs of softness

You can add Pulitzer (N:PTZ) to the list of major newspaper companies which have said they'll miss Q1 targets because of slumping ad revenues. Pulitzer's ad revenues declined 1.8% for the first two months of the year. The company is projecting that its Q1 net earnings will come in at 16 to 21 cents per share—well below the First Call/Thompson Financial consensus of 32 cents.

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Scott Studios Delivers Radio's Only Self-Healing Redundant Digital System

Major stations in major markets choose Scott Studios' *Invincible*. It's a *mirrored* pair of top-of-the-line SS32 digital audio systems, plus Scott's *exclusive* diagnostic watchdog that double-checks everything several times every second by fast USB. At any *hint* of trouble, the backup automatically starts playing where the problem unit left off! *Invincible* switches so fast that most listeners hardly hear a glitch. In fact, one touchscreen controls both systems seamlessly so some announcers don't notice a switch.

Hands-free redundancy is one of many reasons why major stations in New York, Chicago, Los Angeles, Houston, Dallas, Philadelphia, San Francisco, DC, San Antonio, Phoenix and Toronto installed Scott Studios' SS32 recently. 3,500 stations in the U.S. have Scott systems and those of our sister company, Computer Concepts Corp. More stations use our systems than the second and third largest digital vendors combined! Our customers benefit from the biggest and best service and support staff in radio's digital audio industry, with 105 people at your service.

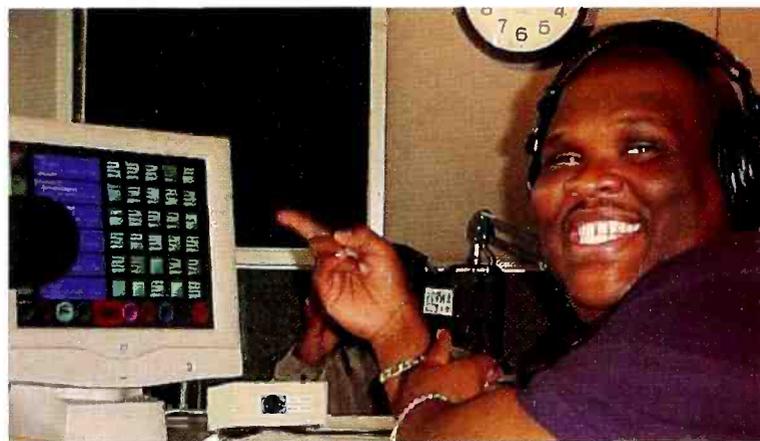
Scott's *Invincible* SS32 is the most robust digital system of all! SS32 delivers more streams of perfect uncompressed and MPEG audio than any other system. You get industrial rack computers, the fastest CPUs, mega-memory, hot swap redundant power supplies, ultra-fast RAID mirrored hard drives, extra cooling, NT networking, two premium four-output stereo audio cards per system, the best flat panel touchscreens and up to a 5-year exchange warranty! Nothing else gives so much peace of mind as Scott's *Invincible*.

Scott Studios SS32's user-friendly intuitive touchscreen is the simplest for announcers to use and gives all the features that creative major market air talent demands.

For example, SS32 delivers:

- 30 sets of 30 hot keys for instant play of jingles and effects.
- Cart walls that play song requests within 1 to 3 seconds.
- Display of last play and next scheduled play dates/times.
- Ripper puts CD music on hard disk digitally in 18 to 28 seconds!
- Easy voice tracking in context in air or production studios.
- Fast "no-dub" production uploads from Sound Forge.
- Phone recorder with audible scrub and waveform editing.
- SS Enterprise supervises 24 stations over the Internet!

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Shown above is the top-rated "Big Boy" morning drive personality pointing to the SS32 touchscreen at KPWR, Power 106 FM in Los Angeles. For details, visit ss32.com or call 1 888 GET SCOTT.

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