

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

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AMERICAN URBAN RADIO NETWORKS

#1

THE URBAN RADIO LEADER



NEW YORK
655 THIRD AVE. • 24TH FLOOR
NEW YORK, NY 10017
(212) 883-2100 • FAX: (212) 297-2571

CHICAGO
30 NORTH MICHIGAN AVE., SUITE #218
CHICAGO, IL 60602
(312) 558-9090 • FAX: (312) 558-9280

DETROIT
1133 WHITTIER ROAD
GROSSE POINTE PARK, MI 48230
(313) 885-4243 • FAX: (313) 885-2192

RADIO NEWS

Arbitron: Have sombrero, will rate	2
Radio ratings firm Arbitron is heading south of the border to do its thing for Mexico City (which will not be rated as market size #2).	
Pacing: DC dollar doldrums continue into fall	2
Victory at NTIA, loss for taxpayers?	3
Satellite services put previews online	3
FCC throws the book at Tampa buccaneer	3

RADIO ADBIZ

Taking advantage of hot Hispanic category	6
-------------------------------------------------	---

GM TALKBACK

Running with Hispanic in marginal markets	7
-------------------------------------------------	---

MANAGEMENT SALES & MARKETING

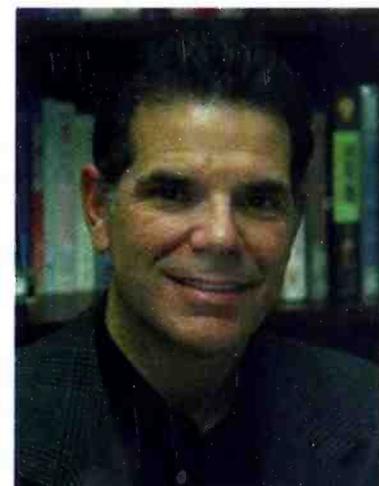
Hispanic revolution: Where they are, who's listening	8-10
------------------------------------------------------------	------

MEDIA MARKETS & MONEY

Emmis beats Q1 forecast	12
...but it's unsure enough about the rest of the year to lower the bar a bit—Smulyan still sees no confirmable end to slow times.	
Macon FM's big market plans earn \$55M from ROIA	13
NextMedia hopes investors will trust its bond	13
Commonwealth aids CCU's KY stopgap measure	15

Myers staying pessimistic, despite hint of recovery

A quarterly survey of advertising executives by Myers Reports Inc. has found a slight upturn in confidence about ad spending, but forecaster **Jack Myers** is sticking with his pessimistic forecast for 2001 (*RBR* 5/7, p. 1), saying that an advertising recovery still appears to be 18 months away.



Myers' Advertising Confidence Index (ACI) rose 2% from March to June, but still remained 26.3% below December. The index is based on a survey of 152 advertiser and ad agency executives responsible for media planning or buying decisions.

"Based on the results of the third quarter ACI, we are not

Emmis CEO Jeff Smulyan bullish on radio but not on the economy.
Page 12



Adriana Soto shares selling newer Hispanic stations in this week's GM Talkback.
Page 7



July 2 2001, Volume 18, Issue 27

BPA International membership
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Executive EditorJack Messmer
Managing EditorDave Seyler
Senior EditorCarl Marcucci
ProductionMichael Whalen
VP AdministrationCathy Carnegie
FCC Research ConsultantMona Wargo
Administrative AssistantApril Olson
Publisher.....Jim Carnegie
VP/GM, Associate PublisherKen Lee
Senior Account ExecutiveJohn Neff
Account ExecutiveJune Barnes

Editorial/Advertising Offices

6208-B Old Franconia Road
Alexandria, VA 22310

PO Box 782 Springfield, VA 22150

Main Phone:703/719-9500
Editorial Fax:703/719-7910
Sales Fax:703/719-9509
Subscription Phone:703/719-7721
Subscription Fax:703/719-7725

Email Addresses

Publisher:.....JCarnegie@rbr.com
Editorial:.....RadioNews@rbr.com
Sales:KLee@rbr.com
JNeff@rbr.com

Nashville Sales Office

June Barnes

Phone:615/360-7875
Fax:615/361-6075
Email:JBarnes@rbr.com

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revising our media spending forecasts for 2001 and 2002, which we published in May," said Myers. The guru noted that his forecast has "a slightly more negative outlook" than the revised outlook of Universal McCann's **Bob Coen** (*RBR* 6/18, p.1), but said he and Coen are on the same wavelength for several media. Myers also noted that Coen's projected rise of 2.5% in 2001 ad spending drops to 1% if you remove direct marketing revenues and focus exclusively on consumer media advertising for an apples-to-apples comparison with Myers' projection of a 1.5% decline. The two forecasts were compared side-by-side last issue (*RBR* 6/25, p. 8-9).

Myers' estimate that an advertising recovery is still 18 months away is based in part on survey respondents' answer to this question: "If we are heading into an economic downturn for the media industry, how long will it take before it recovers?"

- By mid-year 2001: 0.8%**
- By year-end 2001: 20.5%**
- By early 2002: 25.0%**
- By mid-year 2002: 32.6%**
- By year-end 2002: 16.6%**
- Beyond 2002: 4.5%**

Average number of months for media economy recovery: 17.5 (Source: Myers Reports Advertising Confidence Index)

Myers also noted that 10.1 of respondents did not think we are heading into an economic downturn for the media industry.—JM

Arbitron heads south of the border

Mexico City will be the newest Arbitron market beginning in the Fall 2001 survey, and it will mark the first time the ratings giant has provided its services for a market on foreign soil. All

but one current Arbitron market is in a US state, the lone exception being US territory Puerto Rico.

Five radio groups have signed contracts. Between them, they run 23 stations in the Mexico City-Valley of Mexico region. Arbitron also holds contracts or letters of intent from a significant number of agencies and media buying services, including BBDO-OMD, Control Media, FCB Worldwide, Initiative Media, Leo Burnett-Starcom, McCann Universal, Media Planning Mexico and Mindshare.

Whereas Puerto Rico is considered part of the US for ranking purposes, that will not be the case with Mexico City. It will not—repeat—not take over #2 status from Los Angeles.—DS

Campaign finance reform gets a boost

Opponents who claim the McCain-Feingold Campaign Finance Reform bill would violate the US Constitution have less ground to stand on. Although the issue wasn't precisely the same, the US Supreme Court ruled 6/25 that an existing law which limits how much political parties can spend on individual House and Senate races is not unconstitutional. By a 5-4 vote, the high court overturned a federal appeals court which had ruled that the limits violated the free-speech rights expressed in the First Amendment.

McCain-Feingold remains bottled up in the House after winning Senate passage. Although the bill would have no direct impact on radio, one provision

DCTCs still have DC by the throat

DCTCs, or dot-com tough comps, are supposed to become a thing of the past at some point. However, in the last three markets for which we've received pacing reports from anonymous sources, the same ugly numbers—the kind with minus signs in front of them—continue to prevail. We published pacing reports for New York and Los Angeles last week (*RBR* 6/25, p.2). This week its Washington, with much the same story to tell as those other two woeful markets.

If there is a bright spot on the Washington chart, it's that June local is only down 3%. That would appear to be yet another sign that much of the ugliness has to do with advertisers waiting longer to place orders. We suspect that the local numbers will improve significantly across the board. But a word to the wise: Hold your nose before you take a look at the August national number.

Perhaps the best thing about revenues in 2001 is that they will make comps for 2002 anything but tough.

The Washington pacings report was prepared by Hungerford, Aldrin, Nichols & Carter, CPAs and is as of 6/17.

Month	Local	Natl	Total
June	-3	-32	-13
July	-18	-27	-21
August	-18	-54	-30
September	-24	-38	-29

Source: Hungerford, Aldrin, Nichols & Carter, CPAs

would require TV stations to give federal candidates an even bigger price break on political spots than the current lowest unit rate rule requires.

RBR observation: Lest we forget, the ultimate goal of the so-called reformers is theft. They want to steal your air time. They don't really care whether they do so by passing a law to confiscate commercial air time to be given to their campaigns, or by having taxpayer-financed campaigns, in which case broadcasters can expect to see the lowest unit rate driven down to only a token amount.—JM

Nancy Victory new NTIA head

The White House has nominated Wiley, Rein and Fielding Partner **Nancy Victory** to be the new Assistant Secretary of commerce for communications and Information and Head of the National Information and Telecommunications Administration (NTIA). Previous head **Gregory Rohde** resigned in January. Victory has worked at Wiley, Rein and Fielding since '89.—CM

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RBR observation: We said it when the Democrats were in control and we'll say it again now that it's the Republicans wasting the taxpayers' money. NTIA serves no useful purpose (except for the spectrum managing engineers who could easily be absorbed into the FCC). President **Bush**, please shut it down!—JM

XM, Sirius offering a taste of things to come

As we reported over a year ago (*RBR* 2/21/00, p.6), XM Satellite Radio (O:XMSR) is offering a selection of its upcoming channels online.

From the XM site: "Up to 100 Channels of Programming? That Sounds Amazing. It is. With up to 100 channels of digital programming, XM is creating a new world of audio entertainment. Your interests are all here: music, sports,

news, talk. Ethnic programming, children's shows, off-beat entertainment. All presented with the passion and expertise that are hallmarks of that amazing XM sound. Explore our Programming section to get a sneak preview of a handful of channels we'll be debuting this Summer. Keep checking back as we'll be announcing new channels as we approach service launch."

Sirius Satellite Radio (O:SIRI) is also providing online listening samples. From the site: "take a test drive. Take a moment to browse through our platforms, and listen to some Sirius entertainment. You'll need the Real Player G2 to hear our samples. With so much to listen to, you may need to take the long way home."

The question remains: Will XM and Sirius will offer streaming simulcasts of all their channels after launch?—CM

FCC clamps down on Tampa buccaneer

Leslie D. Brewer, owner of L.D. Brewer 2-Way Radio, did more than just sell radio equipment. On and off since 1996, he has been operating a pirate radio station on 102.1 MHz. At times, the 102.1 signal has originated from his house, and at other times it was forwarded from his house to a local warehouse via an illegal studio-transmitter link.

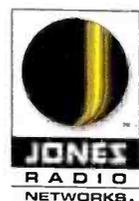
The pirate station drew interference complaints from WHPT-FM, which was owned by Paxson at the time (it's now part of the Cox superduopoly cluster) and broadcasts from nearby Sarasota to the Tampa market on 102.5 MHz.

Despite the fact that the FCC seized Brewer's transmission equipment 11/19/97, he was back on the air on the same frequency by November 1999. It was at this point the STL, on 950.095 MHz, came into use.

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The FCC says that its findings are uncontested. However, Brewer told *RBR* that he has not operated the station since the confiscation. "The FCC is totally out of control—they have a personal vendetta against me," he said (*RBR* 3/12).

Per the FCC's actions, Brewer's days as licensee of Amateur Radio Station and General Class Operator License KC4HAZ, and as licensee of Station KAE1170 in the General Mobile Radio Service are over. The FCC also proposes to lighten his wallet by \$11K.—DS

Tristani: An amiss dismissal

A viewer complaint concerning the broadcast of full frontal nudity on a newscast on Fox Television's WTXF-TV Philadelphia (ch. 29, Fox), said to have been aired at 8:53 AM 1/23/01, was recently dismissed by the FCC Enforcement Bureau on grounds that the complainant failed to provide a "tape, transcript or significant excerpts" of the broadcast.

Commissioner **Gloria Tristani** (D) is objecting to dismissal on those grounds. "People do not normally tape or transcribe the programs they are watching or listening to, and thus it is unfair to expect people file such material with their complaints."

She holds that the FCC should have pursued other avenues to acquire evidence of the broadcast. Broadcasters themselves should be subject to requests for evidence. The FCC would then decide, based on context, whether or not the program was actionably indecent.—DS

Journal Sentinel cutting staff

Employee ownership doesn't necessarily protect workers from layoffs. The *Milwaukee Journal Sentinel* has announced plans to cut about 30 jobs, citing an expected drop of nearly \$10M in operating earnings to \$31.6M this year. Those cuts are in addition to some 127 jobs already eliminated through attrition at Wisconsin's largest newspaper over the past

two years. The *Journal Sentinel* is the flagship property of Journal Communications, which also owns 36 radio and four TV stations.

For Q1 (ended 3/25) company-wide revenues were up slightly, gaining \$100K to \$185.1M, but pre-tax earnings fell 36.3% to \$14.6M. Newspaper revenues fell 8.6% to \$51.8M and pre-tax earnings were off 35.5% to \$6.8M. Broadcast revenues dropped 10% to \$26.8M and pre-tax earnings were flat at \$2.9M. Broadcast cash flow, however, fell by nearly half to \$3.1M from \$6.1M a year earlier. Most of that drop off was apparently due to an 18.1% drop in TV revenues. Radio revenues slipped only 0.8% to \$13.9M.—JM

iM Networks unveils new set of streaming tools

Promoted as a way for stations to take back control of their streaming content and revenue, streaming solutions provider iM Networks unveiled a new set of Internet broadcast solutions through partnerships with SLAM Media and Spacial*Audio Solutions. In addition, iM Networks is enabling stations to monetize their content through the integration of its iM ITTM ad-insertion technology, and is offering qualifying stations an opportunity to become part of its "Best of Planet" content offering.

SLAM is providing an upload solution that allows webcasters to program their station through a browser from anywhere in the world. Other services include a tool to manage and edit song sets, automatic creation of song reports and insertion of self-created jingles/promotions.

"Our goal is to help Internet radio stations...operate like traditional radio stations, providing the tools and support to help [them] take control of their streaming content by generating revenue, without the high operating costs," says **Scott Smith**, iM CEO.—CM

Premiere strong, but CNN Max still tops RADAR 69

While Westwood One's (N:WON) CNN Max continued to take the #1 spots in the 12+, 25-54, 18-49 and 35-64 audience share categories in the Spring RADAR 69 book, Clear Channel's (N:CCU) Premiere Radio Networks dominated most of the results, pulling seven of the top ten slots in all but 35-64. For Persons 12+, Premiere Morning Drive AM ranked second with a 2.7% drop, Diamond ranked third and Morning Drive FM ranked fourth. ABC Radio Networks' Prime was fifth, however, ABC claims Prime is the highest-rated full-inventory network.

Paul Harvey remains the dominant personality, taking the #2, #3, #5, #9 and #18 spots. ABC also claimed over half of the Top 25 and seven of the Top 10 programs in network radio.

For Adults 25-54, Premiere's Diamond scored second, Morning Drive FM ranked third and Morning Drive AM ranked fourth. ABC's Prime again scored a fifth-place finish.

For Adults 18-49, Premiere's Diamond ranked second and Morning Drive FM was third.

Some of the largest P12+ gains from RADAR 68 were Premiere's Axis and Focus with 41% and 28% respective audience increases. Other increases were seen in the Adults 25-54 category: ABC's Galaxy Net posted a 8.9% increase; Westwood One's CBS and NBC were up 1.1% and 1% respectively; AURN's Pinnacle was up 8.2% and its Renaissance was up 11%; Premiere's Diamond climbed 2.2%; Pulse was up 1.3%.

RADAR 69 included 430,000 new listeners with a P12+ weekly reach of 172M.—CM

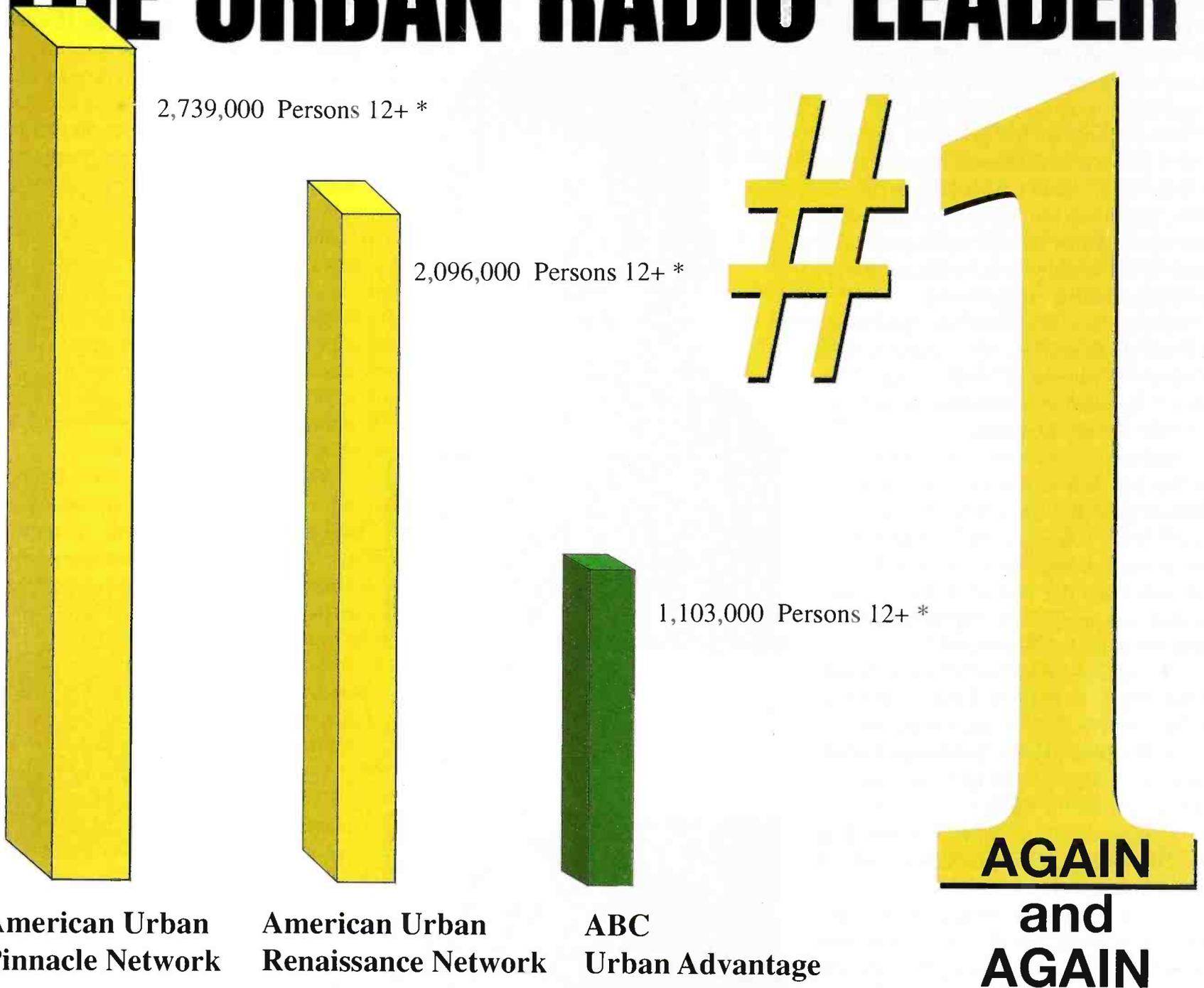
RADAR 69 network radio ratings (persons 12+)

Rank	Radio Network	AQH Rtg	AQH (000)	% Change
1	Westwood CNN Max	3.2	7,287	-2.2%
2	Premiere Morning Drive AM	2.5	5,653	-2.7%
3	Premiere Diamond	2.2	4,967	2.4%
4	Premiere Morning Drive FM	1.7	3,910	-7.0%
5	ABC Prime	1.7	3,871	-2.1%
6	Premiere Pulse	1.6	3,729	6.1%
7	Westwood Source Max	1.5	3,493	-7.3%
8	Premiere Action	1.4	3,217	8.8%
9	Premiere Focus	1.4	3,175	27.7%
10	Premiere Ruby	1.4	3,116	6.2%
11	American Urban Pinnacle	1.2	2,739	10.6%
12	Premiere Pearl	1.1	2,546	1.6%
13	ABC News/Talk Production	1.1	2,465	-1.6%
14	Premiere Emerald	1.0	2,365	2.3%
15	ABC FM	1.0	2,258	-9.0%
16	Premiere Axis	1.0	2,175	40.8%
17	American Urban Renaissance	0.9	2,096	12.9%
18	Westwood CBS	0.9	2,034	-1.6%
19	Premiere Sapphire	0.9	2,009	-6.3%
20	ABC Young Adult	0.9	1,963	-1.1%
21	ABC Genesis	0.8	1,896	3.8%
22	ABC Advantage	0.8	1,878	-1.0%
23	ABC Platinum	0.8	1,755	-1.7%
24	Westwood NBC	0.8	1,729	2.4%
25	Westwood NeXt	0.7	1,553	-7.3%
26	Westwood Edge	0.5	1,202	-7.5%
27	Westwood WONE	0.5	1,175	-9.0%
28	ABC Urban Advantage	0.5	1,103	13.2%

Source: Statistical Research Inc. RADAR 68, Winter 2001; RADAR 69, Spring 2001

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American Urban
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ABC
Urban Advantage

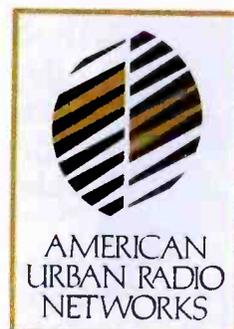
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Daypart Averages: All Broadcasts Monday-Sunday 6AM-Midnight

Hispanic radio repping is the place to be in 2001

While national radio rep firms are reeling from the dramatic drop-off in ad spending this year, 2001 should still be a pretty good year for national sales in Spanish radio—and the best is yet to come, based on US Census Bureau data showing a bigger-than-expected rise in the US Hispanic population (*RBR* 6/11, p. 8).

"It's beginning. It's going to be next year, I believe. The Census is going to be a great tool," said **Laura Hagan**, President, Katz Hispanic Media. She told *RBR* that her staff has already made presentations to companies which hadn't advertised on Spanish radio before.

"Overall, it's incredible, the indications in every single market—even in the smaller markets—it's going to make a big difference," she said of advertiser excitement over the Census numbers.

"Nothing comes easy," she noted. "But we go out and knock on the doors. My primary goal has always been new business." Now, Hagan noted, Hispanic radio has an even stronger story to pitch. "It's not just radio. It's the power of the Hispanic market...It's going to be a number that they cannot say no to us anymore."

The same sort of excitement reigns at Interep's (O:IREP) Caballero Spanish Media, started as an independent rep three decades ago by **Eduardo Caballero** and now operated as part of McGavren Guild Radio.

"Agencies call us now," noted **Eric Bench**, VP of Sales for Caballero Spanish Media's New York office.

"The growth has just been phenomenal," Bench said of the changes he's seen in eight years as a Spanish radio rep. "It's skyrocketed. I can recall a time when a call on an agency for Spanish radio would really fall on deaf ears. Now, agencies and advertisers alike are really pro-active when they see the potential to grow new business revenues. To target-market Hispanics is a wonderful business opportunity."

Hagan was at Katz Media Group for the launch of Katz Hispanic Media 15 years ago. Back then, it was a tiny operation representing five AM stations. "Everything has changed," laughed Hagan, who left the company for a while, but came back to rejoin the excitement. Today, Katz Hispanic Media reps 72 stations, including all 46 stations of the Hispanic radio giant, Hispanic Broadcasting Corp. (N:HSP).

"They [the Spanish radio stations] have become more sophisticated, more knowledgeable, more powerful," Hagan said.

Radio AdBiz®



US Census data showing a larger-than-expected Hispanic population is a new tool for reps Eric Bench of Caballero Spanish Media and Laura Hagan of Katz Hispanic Media.



"Today we don't have one station in a market, we have multiple stations."

"At one time we didn't know what the sold-out situation was. Today it's an everyday occurrence," Hagan proudly proclaimed. "Today we are on par with any general market station. We compete with any general market radio station."

If HBC is at Katz, you've probably guessed that its chief competitor, Spanish Broadcasting System (O:SBBSA), is repped by Caballero. In fact, the Interep unit also reps the number three and four Spanish groups, Entravision Radio (N:EVC) and Mega Communications, along with many independents—a total of 150+ Spanish radio stations.

The reps have been out there pounding on doors for years, but many advertisers weren't interested. "I think there were many of the long-time barriers to entry," said Bench. "A lack of knowledge, a lack of understanding, a lack of awareness." He noted that there were only about 80 Spanish stations in the entire US in 1980, a number which has grown to "nearly 600 20 years later—within the career of some young media people—it's truly a Hispanic explosion."

It's taken many people in the advertising community time to wake up to what's been happening, with the US Hispanic population growing so rapidly.

"The Census has done a lot of great things. It's given us a lot of free publicity," said Bench. "If you're a person who reads or consumes any kind of media, you can't help but be impacted by stories regarding the growth of the Hispanic market."

For some advertisers who see the Census numbers as a wake-up call, the next question might be where to go to find someone who can produce good creative for Spanish radio—a specialty that may not be offered by their regular advertising agency.

"We have wonderful creative agencies," said Hagan. Off the top of her head, she named off Zubi in Miami, Vidal & Partners and Bravo in New York and Dieste in Dallas. "They're very in tune with creative and we have great, great minds in the creative departments at the agencies today."

"We are living in exciting times," Hagan noted. "We project incredible growth, a lot of changes, a lot of competition—but overall it's very good."—JM

We asked a few General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed the following GMs at newer Hispanic stations:

Adriana Soto, GM, Entravision's WZCH-FM, WRZA-FM (simulcast) and WNDZ-AM Chicago



Art Camiolo, GM, Mega Communications' WEMG-A/FM, WSSJ-AM and WTKZ-AM (an Allentown, PA simulcast) Philadelphia



What's it like selling Hispanic in a market that is still developing for you?

Soto I've been in the Hispanic market selling Spanish-language advertising for about 18 years. It's always been extremely challenging because the doors have been closed many times by general market advertisers. The first ones I think that started investing some money were the car dealers. I think people are more open to listening to representatives who have a story regarding the Hispanic market. In Chicago, when I started, we had about \$4B buying power. And it has gone up to over \$14.9B from the growth in population—we have more than doubled. Back then, I think we were about 600,000, about 14 years ago. Right now, we're estimated at about 1.5M; by the year 2010, we're estimated at about 2.5M.

GM Talkback

By Carl Marcucci

We came in at the end of December 2000 with Super Estrella, a fresh new Contemporary Hits radio. I think the market has been accepting us a little better. When I first started, there were only two radio stations, and now we're up to seven. So, it's not where it should be, but it's getting more acceptance. Locally, I think most stations survive on local dollars. Nationally, there should be more influx because if you consider that over one-fifth of the population is Hispanic, you would hope that one fifth of the budget for advertising dollars should go to the market. I would estimate it's not even one or two percent of it.

Camiolo Last year we had the luxury of being able to use the Hot Latino music—Ricky Martin, Jennifer Lopez, etc.—plus the new census information that was coming out to get into every door we wanted to. I mean it was a pleasure selling this format, because everyone wanted to learn more about it. We have been affected, just like everybody else, by the downturn. And, of course, we do feel sometimes that perhaps as an add-on to a schedule, we're one of the first things that gets eliminated in the downturn. So it hasn't been the pleasure this year that it was last year.

But the doors have been opened. Both the agencies and the larger accounts have really welcomed us with open arms. They want to learn more about selling to the Hispanic community that's growing so quickly.

How are national and local sales going so far?

Soto Nationally, the ones that have been very supportive have been McDonald's. They have more than doubled their advertising based on what they see has been the growth for the radio station. We've been getting some soft drink advertising as well, where in the past, we weren't

even considered. It's hopefully up and coming, but there's still a lot of dollars that should be allocated—from retail, automotive—that's not even considered. I think they still believe it's a high risk and most of the time, the response that I have gotten is, "We don't have the people qualified to service the Hispanic market." So even if they want to do it, they feel they are not equipped. And it's not even developing the campaign, it's the actual on-site service that they can provide somebody. I think it's just providing the right product, the right service and the right angle. But it hinders them, it holds them back. And others have said, "Yeah, we did it in Spanish, but there's like 50,000 dialects and we don't know which one to pick and we might be offending someone." So there's a combination of these.

There are some companies that are coming around. I think the ones that are have enjoyed the biggest winnings.

Local, there are enormous amounts of businesses that are owned by Hispanics. They tend to be the strongest supporters. There's a particular street, 26th Street, which, when you look at the revenue that it brings into the City of Chicago, your number one generator would probably be Michigan Ave.; The second would be 26th Street, The Little Village.

Camiolo For us, the real boom has been local sales. Even local agencies, it's really been all through the local marketplace where they can see all the articles come out in the papers about the explosion. And we can get in more face to face and do face to face sales. Nationally, the problem has been trying to create us as a marketplace. Our national is not unlike any other—they buy the Top 10 and we're not a Top-10 Hispanic market. Philadelphia falls right now, I think 15th or 16th—I'm used to

selling Philly as the 5th largest market. It's hard to get the buyers to look at it.

How did you get into radio?

Soto I started doing Marketing Research while I was at De Paul University. It was focused on minority groups, so I was doing research on African-American and Hispanic markets. I started working in print, managing sales for five years for a Catholic newspaper. I got introduced into Univision and I sold there for three years. I was then offered a position in radio in '94. And from there, I had moved to HBC to Lotus Communications to my own agency to Radio Unica as a GSM. And then I became the first Hispanic woman to be a GM in Chicago.

Camiolo Like a lot of people, coming out of college, I got sold on it by somebody. A great salesperson, a great sales trainer by the name of **Dick Reynolds**. He worked me over for a couple of months before I finally said, "Yeah, let me give it a try." And I was hooked. My first station was WEEZ in Chester, PA, just outside of Philadelphia. And I went right from there to Metromedia, WMMR. I was there when we created it. Basically, one of the fellas from WEEZ, one of the managers, went with Metromedia and took me with him. It's been a great career ever since then.

I have mainly managed in this marketplace. I've been one of those people that hasn't wanted to move around the country. I have family ties here and didn't want to move. And I've been fortunate that I have been able to run stations and pretty much stay in the Philadelphia area. It has gotten a little tighter under consolidation. I remember when I was GM at WIP here in Philadelphia, I'll bet there were still 25 GM jobs in town. Well I haven't counted them lately, but there aren't that many left!

Management, Sales & Marketing

By Carl Marcucci, Dave Seyler & Jack Messmer

Hispanic Americans: A population too big to ignore

"Spanish-language media has been the fastest growing segment of the ad market over the last five years, and longer-term we believe the growth outlook for this segment remains quite compelling," Salomon Smith Barney analyst **Niraj Gupta** wrote in a special "Industry Note" his firm issued 6/4. "Our full-year 2001 outlook is for the general market to be flat to slightly down, while we expect Hispanic advertising to be up about 5%."

That's not to say that Hispanic radio is an easy sell on Madison Avenue. Still, it's hard to ignore 35.3M people—the current size of the US Hispanic population as shown in US Census Bureau data broken out in greater detail for our previous report on Spanish radio (*RBR* 6/11, p. 4-10). The Hispanic population of America is growing faster than the general population, average incomes are also rising and Hispanic spending is rising. Still, advertising parity is a long way off.

"Currently, only 1% of total US advertising expenditures target Hispanics, even though Hispanics account for roughly 8% of total US consumption," Gupta noted. "If we simply assume this ratio increases to 1.8% by 2008, this represents a base case scenario of 15% annual growth in Hispanic ad spending—some-what below the 20.5% growth over the past four years."

The Wall Street analyst hosted a conference call for his firm's investors with representatives of Sears, Nielsen Media Research and Hispanic Broadcasting Corp. (CEO Mac Tichenor). Among the themes that emerged were that Spanish radio offers more targeted options than TV (although

Spanish TV is much less fragmented than the general market, with only two big networks) at lower rates and that radio usage is higher among Hispanics than the general population.

If advertisers think that they can reach a large portion of the Hispanic population with English ads on general market media, they'd better think again. Although Nielsen found that the use of Spanish in the homes of US Hispanics declined slightly over the past decade, a mere 1.5%, the Hispanic population shot up 58% for the same period—meaning that about two-thirds of a much larger Hispanic population prefers to speak Spanish.

Even in markets where many Hispanics have lived in an English-dominant society for generations, such as San Antonio, Tichenor noted that a large

portion of the Hispanic population remains bi-lingual. Also, broadcasters have reacted to such markets with specialized formats. He noted that HBC has both a bi-lingual station and one which targets English-speaking Hispanics in its five-station San Antonio cluster.

As *RBR's* number-crunch on page 10 shows, the number of Spanish stations continues to grow—and ad buyers expect to see even more outlets targeting Hispanics.

"I think it's evolving, and as they become bigger and bigger a factor in the marketplace, so will the media," **Jim Dregumis**, Group Head, TN Media, told *RBR*. "Media will follow where the market goes. It may be behind it, but it will get there eventually."

Even now, there are plenty of options available for clients who want to target His-

panics. "In newspapers, there are plenty, in radio there are all kinds of radio stations. There are hundreds—you've got Spanish-language, bilingual and you've got English-language radio. So you've got almost everything you need if you look at it intelligently," said **Doug Alligood**, Sr. VP, Special Markets, BBDO. "I think it's an excuse when people say there aren't enough outlets. The weakest part of the media in the system would be the number of magazines."

But, to repeat a quote from **Kathy Crawford**, Media Director, Initiative Media NA, which was in our earlier story: "Hispanics, I think, are radio listeners."

That assessment is borne out in our chart on page 10 and it's a point that needs to be made time and time again as advertisers wake up to the importance of the US Hispanic market.—JM, CM

The Hispanic dozen

Here are the largest Hispanic markets, as ranked by Strategy Research Corp., which supplies demographic data to many Hispanic media companies. This list is either a dozen, if you look only at the 50 states, or a baker's dozen, if you include Puerto Rico—as Arbitron does. The second column provides the Arbitron market ranking for comparison. These are 2000 estimates which pre-date recently-released US Census Bureau data.—JM

Largest Hispanic markets

Rank	Arb. rank	Market	Hispanic population	% Hispanic of total pop.	% of US Hispanic pop.
1	2	Los Angeles	6,928,500	40.6	18.3
2	13	Puerto Rico	3,884,400	99.6	10.3
3	1	New York	3,776,200	18.5	10.0
4	12	Miami	1,522,100	38.8	4.0
5	4	San Francisco	1,423,900	20.1	3.8
6	3	Chicago	1,354,000	14.2	3.6
7	10	Houston	1,312,800	25.3	3.5
8	32	San Antonio	1,167,900	55.0	3.1
9	6	Dallas-Ft. Worth	927,800	15.7	2.5
10	63	McAllen-Brownsville	874,100	89.5	2.3
11	15	San Diego	803,000	27.3	2.4
12	16	Phoenix	783,000	20.4	2.3
13	65	Fresno	737,000	44.3	2.2

Source: SEC Form 10K filings by Spanish Broadcasting System & Radio Unica

This Is Old News To Us.

U.S. Hispanic population grows by 58%

Number of Hispanics Ballooned in '90s; Group Is About to Become Biggest Minority

LOS ANGELES TIMES

Latinos May Exceed Blacks in U.S.

Hispanics become Dallas' largest ethnic group

Hispanics fuel N. Carolina's growth



The state's Hispanic population grows nearly 400% in 10 years. 8A. Massachusetts'



Contact: Jack Hobbs
Ph. 214 525-7737



Management, Sales & Marketing

Hispanics taking up more room on the dial

There are now 480 stations programming foreign language programming in the Arbitron-rated markets. Of this group, the vast majority are using one of several Hispanic formats. 294 of them had measurable listening in the Fall 2000 Arbitron survey. The format's total listenership places it sixth among 14 format groups, following New-Talk, AC, CHR, Country and Urban. It is more listened to than Classic Rock, Oldies, Rock, Alternative, Standards, Religion, Smooth Jazz and Classical.

It has a significant presence on the AM dial. In many large markets which have only recently seen an influx of Hispanics, such as Philadelphia and Washington, AM stations were often the only ones available for start-up niche formats. Plus the Spanish News-Talk format can show up on the AM dial anywhere the population so justifies.

It is very much a large-market format. It ranks fourth among format groups in the top 50. Although the format is prevalent in certain small markets in Texas and California, it obviously has made few inroads in most such markets where there are few Hispanics present.

The Pacific region is far and away the best region for the format, although it does extremely well in the Southwest, thanks again to Texas. A strong showing in New York boosts its overall totals in the Northeast; a large cell of Hispanic stations in Miami does not boost totals for that region nearly as much. Midwest numbers are almost all from relatively low-rated

stations in Chicago, and there is even less presence in the Mid-Atlantic.

The Hispanic population skews young compared to general census figures (see chart, Hispanic population stats, *RBR* 6/11, p.8), and so does the Hispanic format cat-

egory. It accounts for 8.2% of all listeners aged 18-34, but only draws 6.3% in the 35-64 demo.

The format has seen dramatic growth in just the past four years, despite the fact that it lost 0.2 shares 12+ between 1999 and 2000. Since

1997, rated station totals have gone from 230 to 294, and its share of the listener pie has leaped from 5.6 to 6.6 after peaking at 6.8 in 1999. Expect both numbers to continue growing along with this rapidly growing population cell.—DS

Spanish format on the dial

Rank	Category	AMs	FMs	Pct	Index
6	P12+ AM-FM	306	174	6.6	100
3	AM dial	306	0	8.4	127
8	FM dial	0	174	6.1	92

Spanish format by market size

Rank	Category	AMs	FMs	Pct	Index
4	Mkts 1-50	232	124	10.7	162
10	Mkts 51-100	65	44	4.7	71
12	Mkts 101-150	21	20	2.1	32
10	Mkts 151-200	27	19	2.6	39
12	Mkts 201-250	10	7	1.8	27
12	Mkts 251-283	1	2	0.4	6

Spanish format by region

Rank	Category	AMs	FMs	Pct	Index
5	Northeast	33	5	7.9	120
14	MidAtlantic	19	3	0.5	8
10	Southeast	52	8	4.3	65
13	Midwest	21	4	1.8	27
5	SW-Rockies	102	75	10.1	153
2	Pacific	79	79	15.0	227

Spanish format by demo

Rank	Category	AMs	FMs	Pct	Index
6	P18-34	356	216	8.2	124
7	P25-54	356	216	7.1	108
7	P35-64	356	216	6.3	95
7	M18-34	356	216	8.9	135
7	M25-54	356	216	7.3	111
7	M35-64	356	216	6.3	95
5	W18-34	356	216	7.6	115
6	W25-54	356	216	6.8	103
7	W35-64	356	216	6.2	94

Spanish format trends

Spanish	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	8	230	5.6	—	—
Fall 1998	6	245	6.1	+15	+0.5
Fall 1999	6	275	6.8	+30	+0.7
Fall 2000	6	294	6.6	+19	-0.2
Change, last four years				+64	+1.0

Source: Arbitron, *RBR Source Guide* database

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Media Markets & Money™

by Jack Messmer

Citadel closes its public books

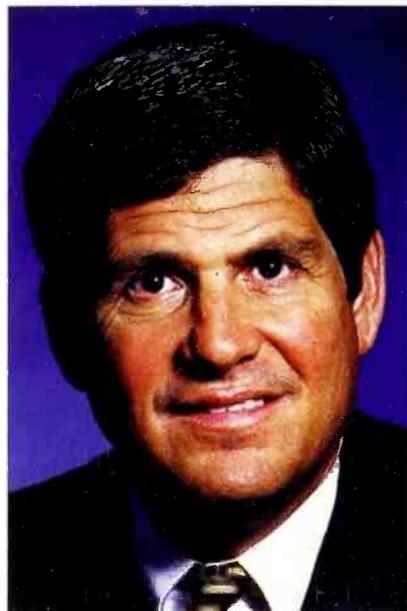
Don't go looking for a stock quote on Citadel Communications. Minutes after the market closed 6/26, the company filed a de-registration statement with the SEC for all of its stock and bond issues. The stock closed forever at \$25.95. The arbitrageur who presumably made that last buy will get a nickel more per share as Forstmann Little sends former Citadel shareholders checks for \$26 per share.

Citadel reported that 100% of its 1998 issue of 9.25% senior subordinated notes were tendered when the solicitation period closed at noon 6/26. The final tally was 99.96% for the company's preferred stock and 99.97% for its 1997 issue of 10.25% senior subordinated notes. The solicitation was managed by JP Morgan Securities.

Emmis beats Q1 target, but lowers full-year goal

Emmis Communications, with its off-beat fiscal year, is always the first radio company to report earnings—and its fiscal first quarter—March, April and May—exceeded what the company had promised Wall Street. Broadcast cash flow jumped 24.8% to \$48.3M. Of course, that included acquisitions. On a pro-forma basis, radio revenues were down 8.3% and broadcast cash flow was down 8%. TV fared far worse, with revenues down 9.8% and BCF off 20%.

CEO **Jeff Smulyan** said that Emmis' radio stations fared bet-



ter than their peers because of "good ratings growth and strong local sales."

For many on Wall Street, though, after-tax cash flow per share (ATCF) is the metric which matters most. Emmis had promised 35 cents per share for the quarter. It delivered 36 cents, so Q1 went into the "win" column. For the full year, however, Emmis has now reduced its ATCF target by 13 cents to \$1.87 (see chart, p. 15).

It was June of last year when the dot-com money spigot was turned off. So analysts wanted to know, are things looking much brighter for July and beyond? "The tough comps wear off. The question that obviously none of us are prepared to answer is 'what does all this mean,'" Smulyan told them. "I'd like to tell you that we have great visibility. We don't. We've left our radio numbers the same as we gave you three months ago. We see some positive signs, but it's very difficult to say that the end is in sight."

Smulyan said the economy is certainly softer than it was three months ago and he's more upbeat about radio than TV—if only because radio should get a psychological boost from the end of the dot-com inflated tough comps.

In response to a question from First Union Securities analyst **Jim Boyle**, Smulyan indicated that rates are firming a bit for Emmis' inventory. "Rates are holding up a little bit better. They're down from last year, but up nicely over two years ago," the CEO said. "I think having more sales people on the street, putting more pressure on inventory—it's still supply and demand, Jim. Always has been, always will be."

Smulyan insisted that radio is really back to being the type of business it was before the dot-com craze of 1999 and early 2000, with inventory again being bought close to air dates. "If you look at a 20-year pacing

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history, we're probably back to where we've been for 18 and a half of those years," he said.

"We're beginning to get a little more leverage on the selling side," Emmis Radio President **Doyle Rose** assured the analysts. Despite all of the doom and gloom that's being heard about auto makers cutting ad budgets, Rose said the automotive category was up 33% for the radio group's Q1. Of Emmis Radio's top eight advertiser categories, four others were also up—media, beverages, restaurants and department stores—with entertainment flat and the other two—movies and telecommunications/utilities—down for the quarter.

Mover and shaker makin' \$55M in Macon?

The mover is WPEZ-FM. The shaking refers to the Atlanta market, which will undergo some degree of a shake-up when WPEZ completes its move to Hampton, GA and becomes part of that much larger market. It also explains how a small-market FM (Macon is ranked #149 as of Fall 2000) can command the \$55M price tag which Radio One (O:ROIA) is paying to US Broadcasting LP to add the station to its portfolio.

Cathy Hughes, Al Liggins and company will begin operating the station in an LMA in September. The moment that the engineers put the last wrench and screwdriver back in the toolbox will signal the upgrade of Radio One's Atlanta cluster to superduopoly status. The company currently operates WHTA-FM and WAMJ-FM in market #11. **Broker: George Reed and Tom McKinley**, Media Services Group (seller)—DS

NextMedia readies bond offering

As Citadel disappears from public market scrutiny (page 12), NextMedia is about to become an SEC reporting company. It's preparing to offer \$170M in se-

nior subordinated notes, to which Moody's Investors Service has assigned a rating of B3. Proceeds of the offering will be used to fund two pending acquisitions of billboard companies—PNE Media and Gaess Outdoor—and pay down bank debt. Moody's notes that over the past two years, NextMedia has spent approximately \$410M to acquire 56 radio stations, 4,000 billboards and 22,000 "alternative displays." The ratings company gives

NextMedia's management team high marks, but notes that over the near term the company will "likely be challenged to grow its cash flow and margins, since the environment for advertising spending has remained soft." To date, GS Partners, a Goldman Sachs equity fund, has invested about \$247M into NextMedia.

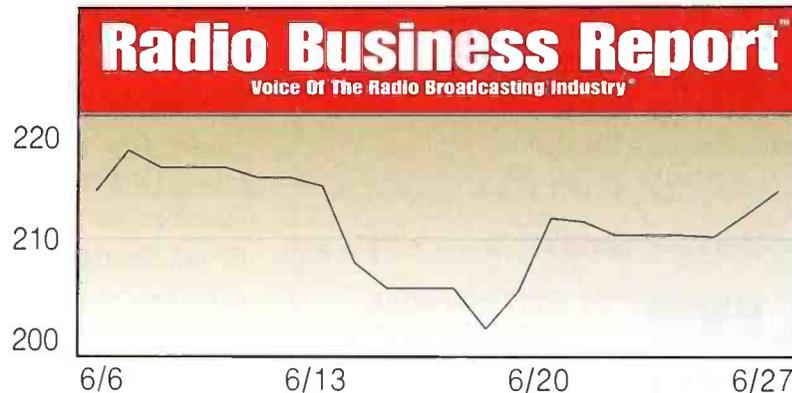
Pro forma for the \$170M bond offering, Moody's says NextMedia will be leveraged at 6.8 times (debt to cash flow,

with 7X allowed under the terms of the notes) and will have all \$125M of its current bank facility available. It will also have \$6M in cash on hand and access to draw down on \$75M in additional equity from GS Partners.

RBR observation: Once again, evidence that the public bond market is very receptive to media companies right now—and that Wall Street still sees out-of-home media (radio and outdoor) as a sector that's going to

The Radio Index™

Wall Street yawned as the Fed cut interest rates one-quarter of a percentage point. The Radio Index™ closed 6/27 at 213.896, up 2.264 from a week earlier.



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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. Broker credits are based on contracts filed with the FCC.

\$5,000,000 KZSF-AM San Jose CA from The Z-Spanish Trust (Mark Inglis, trustee) to Carlos A. Duharte. \$100K escrow, \$1M cash at closing, \$4M note. LMA in place.

\$3,400,000 WHAG-AM & WQCM-FM Hagerstown-Chambersburg-Waynesboro MD-PA (Halfway MD) from Gemini Broadcast Group (James H. Albright) to Dame Broadcasting LLC (J. Albert Dame). \$170K escrow, balance in cash at closing. **Superduopoly** with WCHA-FM, WIKZ-FM & WIHR-FM. LMA since 6/15. Broker: Kozacko Media Services.

\$2,350,000 KCAL-AM Riverside-San Bernardino (Redlands CA) from LCG Holdings LLC, a subsidiary of Entravision (N:EVC) (Walter F. Ulloa et al) to Lazer Broadcasting Corp. (Alfredo Plasencia). \$117,500 escrow, balance in cash at closing. Combo with KXSB-FM Big Bear Lake CA. Broker: Media Venture Partners (seller).

\$1,250,000 WMCH-AM & WEYE-FM Johnson City-Bristol-Kingsport (Church Hill TN/Surgoinsville TN) from Trent Broadcasting LLC (Dean E. Trent) to WTZY-AM Inc. (Edward F. Seeger, Andrew J. Guest, James C. Fort). Cash. Broker: American Media Services.

\$1,000,000 WGUY-FM Bangor ME (Dexter) from Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU) to Concord Media Group Inc. (Mark Jorgenson). Cash.

\$630,000 KUMU AM & FM Honolulu; **WAVF-FM** Charleston SC (Hanahan); **KHLO-AM, KKBG-FM & KKOA-FM** Hilo HI (Hilo, Volcano), **KLEO-FM**, Kahaluu HI. Control & 2% of Emerald City Radio Partners LLC from Paul Robinson to the licensee (Bruce Pollock, mgng dir; Centre Partners Management LLC). \$180K cash, two notes totaling \$450K. Existing **duopoly** in Hilo.

\$55,000 KTOR-FM CP Chester CA from M. Jayne Sawyer to Tom F. Huth. Entire amount placed in escrow. Station is on 99.7 MHz.

\$10,000 KFFW-FM CP Cabool MO from American Family Association (Donald E. Wildmon) to First Free Will Baptist Church (Gary Fry, Brian K. Mitchell, Jim Salyer, Ray Bradley, Rick Jesse). Cash. Station is non-commercial. Calls were KVBD-FM. Station must carry certain programming from American Family Radio Network for a period of five years, and seller has right of first refusal if buyer plans to resell station.

N/A KTWG-AM Agana GU from Trans World Radio Pacific (Thomas J. Lowell) to KTWG Guam Pacific (Walter Chris Perez, seven others). Gift.

N/A WMUL-FM Huntington WV from West Virginia Higher Education Interim Governing Board (J. Michael Mullen, Chancellor) to Marshall University Board of Governors (Gary White, Chairman). Transfer is a result of legislation passed by the legislature and signed into law by the governor of the state of West Virginia which reorganized the entire system of governance of the institutions of higher learning and only incidentally relates to any noncommercial radio station licenses which they hold.

N/A KXRQ-FM Roosevelt UT from Cruise Broadcasting LC (Charles Hall, Robert Davis) to Uinta Broadcasting LC (Charles Hall, Robert Davis). Essentially a licensee name change for no consideration.

N/A WJMP-AM & WNIR-FM Akron (Kent OH). 2% of Media-Com Inc. from Richard M. Klaus (2% to 0%) to Robert A. Klaus & William B. Klaus (each 49% to 50%). Gift.

N/A WAKW-FM Cincinnati. 100% of Pillar of Fire from. Refiling with FCC to reflect changes in Board of Trustees, which now includes Robert B. Dallenbach, Miriam Croucher, Donald J. Wolfram, Joseph Gross, S. Rea Crawford.

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grow faster than other media. We look for **Carl Hirsch**, **Steve Dinetz** and **Skip Weller** to come back to Wall Street with a NextMedia stock offering once the IPO market opens up again—and it will. We'll have no trouble finding a place for NextMedia in the RBR Radio Index.

CCU fills in narrow Kentucky gap

The contour maps for this deal ought to fill a book! Clear Channel (N:CCU) already owns major clusters in Louisville and Lexington, KY. Now it's buying a five-station cluster in the narrow gap between those two markets. It'll pay **Steve Newberry's** Commonwealth Broadcasting Corp. \$3.862M for WFKY-AM, WCND-AM, WKYW-FM, WKED-FM & WTHQ-FM. WCND-AM & WTHQ-FM are licensed to Shelbyville, KY, making them part of the Louisville market. The other three are licensed to Kentucky's capital city, Frankfort.

Not included in this deal are three other Commonwealth stations in the same area, WKED-AM Frankfort, which will likely be sold separately, and WKXF-AM & WXML-FM Eminence, KY, which will remain with CBC.

RBR observation: Newberry told us that operating in the shadow of a major market like Louisville requires a different management approach than his group's specialty—dominant local clusters in smaller markets. Thus, he was willing to talk about selling when he was approached by Clear Channel. Look for CBC to re-deploy the cash elsewhere.

Clear Channel strikes again

This time the biggest mega-group is buying in Victoria, TX, paying \$650K for KVLTV-FM. The seller is Coastal Digital Broadcasting, headed by **Jerry Benevides**. The sale was brokered by **Bill Whitley** of Media Services Group. Clear Channel already owns KLUB-FM & KIXS-FM in unrated Victoria.

Duarte grabs Z-spinoff

Another spin-off from the merger of Z-Spanish Media into Entravision (N:EVC) has found a new owner—and he was already in the building. **Carlos Duarte**, who has been LMAing KZSF-AM San Jose, CA, is now buying the station for \$5M—\$1M in cash and \$4M in a note. The seller is the trustee, **Mark Inglis**.

Yahoo! buys Launch Media

Yahoo! (O:YHOO) is about to get into the radio syndication business as a sidelight to a \$12M deal to acquire Launch Media (O:LAUN). Launch went public in the midst of 1999 dot-com euphoria at \$22 per share and hit a high of \$35 in early trading. The stock closed 6/27 at 58 cents per share, so Yahoo!'s 92 cents per share buyout bid announced 6/28 was a 58.6% premium for those lucky enough to have bought Launch stock recently.

Launch's main business is delivery of online music and music-related content. The radio syndication business, Launch Radio Networks—which provides music news, entertainment news and show prep to affiliate stations—wasn't even mentioned in the press release for the sale to Yahoo!

Launch also announced that it had settled a lawsuit in which Universal Music Group (UMG) had accused the Launchcast Internet audio service of copyright infringement. Launch will make a payment (amount undisclosed) to UMG and has been granted a non-exclusive license for future use of UMG's music. Lawsuits by other record labels against Launch are still pending.

RBR observation: In conjunction with the IPO, Launch paid Sony (N:SNE) \$12M in stock at a 20% discount from the IPO price for the former SW Networks (RBR 9/6/99, p. 13). That stock was worth \$23.8M at the peak for Launch's stock, but is now being sold to Yahoo! for \$627K.

Emmis Communications' changing outlook

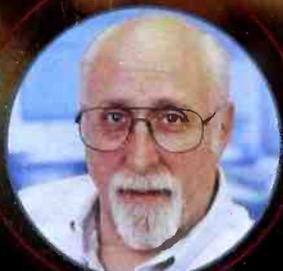
The ongoing softness in the US economy has caused Emmis Communications (O:EMMS) to lower its guidance to investors on what to expect from the company in its current fiscal year, which runs through 2/28/02. Only radio was revised upward (other than a tiny reduction in negative cash flow for interactive), based on stronger-than expected results for Q1. Even so, in its 6/26 update the company left its radio forecast for the rest of the year unchanged from its 3/29 guidance, while lowering expectations for its other major units, TV and publishing. The chart below shows Emmis' actual results for its fiscal Q1 and its latest forecast for the rest of the year. The last two columns show the full-year forecast as of 3/29 and the change from then to now.

Emmis Communications fiscal year 2002 forecast (all \$ in millions except after-tax cash flow per share)

Category	Q1 ended 5/31/01	Q2 ending 8/31/01	Q3 ending 11/30/01	Q4 ending 2/28/02	Full fiscal year 2002	Previous forecast	Change
Radio net revenues	\$65.4	\$72.6	\$77.2	\$62.2	\$277.4	\$275.4	\$2.0
TV net revenues	\$53.8	\$52.4	\$58.6	\$50.9	\$215.7	\$222.3	-\$6.6
Publishing net revenues	\$18.1	\$20.6	\$21.6	\$17.9	\$78.2	\$78.7	-\$0.5
Interactive net revenues	\$0.1	\$0.1	\$0.2	\$0.3	\$0.7	\$0.7	\$0.0
Total net revenues	\$137.4	\$145.7	\$157.6	\$131.3	\$572.0	\$577.1	-\$5.1
Radio cash flow	\$29.3	\$37.5	\$39.2	\$27.0	\$133.0	\$131.4	\$1.6
TV cash flow	\$18.1	\$18.0	\$23.5	\$15.9	\$75.5	\$81.2	-\$5.7
Publishing cash flow	\$1.1	\$3.0	\$4.4	\$1.8	\$10.3	\$11.0	-\$0.7
Interactive revenues	-\$0.2	-\$0.2	-\$0.3	-\$0.2	-\$0.9	-\$1.0	\$0.1
Total cash flow	\$48.3	\$58.3	\$66.8	\$44.5	\$217.9	\$222.6	-\$4.7
After-tax cash flow/share	\$0.36	\$0.48	\$0.59	\$0.32	\$1.74	\$1.87	-\$0.13

Source: Emmis Communications press releases 3/29/01 & 6/26/01

Radio. hear and now.



Walter Mossberg
Columnist
The Wall Street Journal

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