Radio Business Report
Voice Of The Radio Broadcasting Industry

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Karmazin to GMs: Raise prices now!

"We're expecting radio price increases across the board, and we're expecting them now," Viacom (VIA) President Mel Karmazin declared in his 10/24 Wall Street conference
call. Noting that CBS-TV and UPN-TV are on yet another stronger Q4, Karmazin expressed
disappointment that radio is tracking RIA. That's a departure from past recessions, when
radio led the recovery. "What ever happened historically doesn't seem to have any
relevancy this time around," Karmazin told analysts.

But The Zen Master isn't taking flat radio revenues lying down. Despite his past
opposition to combining management, Karmazin was for Infinity Radio's big market
close, Karmazin indicated that some GMs' jobs may be in jeopardy if they don't deliver.
Karmazin said he'll look at cutting costs by doing more in-market consolidation if Infinity
isn't getting any sales advantage from having multiple managers.

For Q3, Viacom reported pro forma free cash flow of $883M, down 34%
from a year ago. The company's net loss (actual) was $190M, up compared
to a profit of $334M a year ago.

Infinity's revenues (radio and outdoor) were $900M, down 11% from last year's
actual results and down 10% pro forma. Despite his comments about Q4 outlook, Karmazin noted that Infinity Radio's Q3 margin
was a strong 40%. Maintaining that margin apparently came from less overall cost-cutting, rather than top line sales. Infinity's overall
EBITDA (including outdoor) was down 20% to $375M.

Karmazin said he'll be in Washington in the next couple of weeks to lobby for further relaxation of media
ownership limits. He faced several regulations he'd like to see changed, including allowing companies to own
more than eight radio stations in a market. But he admitted that it was hard to gauge how much interest Congress
and the FCC would have in such ideas. —JM
Managing HV)I
tations Report, tho:hy
positions
Operations.
us.

the mail received at media out-
lets is being forwarded directly
to consumer affairs and a wave of
the mail already is being released
against broadcast and print.

Many stations are following
guidelines from the PM and other
law enforcement agencies concern-
ing the mail. Some mail consists
are being returned unopened to
the U.S. Postal Service.

na.

and is therefore not making
it into the files.

The NAHB asked for and
received a series of letters that
are due in 30 days, and requested consider-
ation of an extension if neces-
sary. The letter detailed the steps
that must be taken before the deal
persists.

Liddy's resignation is with-
Westwood.

We heard that G. Gordon Liddy
was likely not to resign with Westwood One after his contract expires
(IBRR 10/9/2.4). Liddy is
temporary in that deal after the
WII deal expires on Febru-
ary 3, he will continue the show
through another as yet unnder-
mined contract, but Westwood
one deal will be in place in enough
time to allow for a "seamless transition." RBR has learned that
they may not be able to keep him.

Liddy has resigned with
Westwood One. He will flag from
Washington, according to WBUR,
since being humped from the lineup at his former flagship sta-
tion, Infinity's WJFK-FM Wash-
ington, has been broadcast as the
CBS News Bureau at 20 M Street
in Washington, DC.

RTDNF sponsors satellite forum on terrorism coverage

The Radio and Television Dir-
cctional Forum (RTDNF) is sponsor-
ing an intensive satellite forum
titled "Terrorism Coverage:
Best Practices and Challenges.
Tips and expert advice will be fed live
to hundreds of radio and television
newsmen throughout the country.
The 11.2 event will be broadcast
from 10am-noon Eastern time via
cosatellite and streamed online
from the Newsroom in Atlanta.

The forum will address news-
room preparedness in the wake of
the 9/11 attacks and will feature
terrorism experts, local crisis man-
gagement professionals and vet-
eran newsroom reporters helping
them understand what information
drawn and assists listeners and
viewers for more information.

Paul Irwin at 203-467-5219 — CM

ARMER Plan gets national kickoff

The AMBER Plan, which began
in Texas and moved to other
states including Florida and
South Africa, will be widely
touted on 10/24 at the Na-
tional Press Club in Washington.
The AMBER Plan is a commu-
nity-based program to recover mis-
ning kids ASAP using the FAS alien
system and other methods.

Legal Affairs David Marcus
of RAIN RadioWeb is "in the
process of negotiating strate-
gic relationships with a number of
how the company will survive
he neither RAIN RadioWeb nor
Legal Affairs David Marcus
could tell RAIN who they are negoti-
ating with. RadioWeb produces
internet radio for several leading
radio stations including
KFOG-FM San Francisco and
KKMR-FM Dallas — CM

Povell: Time to retune the rules

PCC Chairman Michael Powell
rejected his convention that many of
the FCC rules and regulations
in place are written to prevent
ownership caps in local markets and
eliminated the cap.

Still on the table are proposals
to eliminate or relax media cross-
overs to a vastly different electronic
media universe.

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undergone a sea-change of de-
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communications Act, which upped
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eliminated the national cap.

Still on the table are proposals
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overs to a vastly different electronic
media universe.
EMMIS COMMUNICATIONS CORPORATION
$1,400,000,000
Senior Credit Facilities
Co-Lead Arranger
EMMIS ESCROW CORPORATION
$370,000,000
Senior Discount Notes
Co-Manager
COX RADIO, INC.
$255,200,000
Follow-On Equity Offering
Co-Manager
BLOOMINGTON BROADCASTING CORPORATION
has been acquired by Citadel Communications Corporation
Sellside Advisor
CITADEL COMMUNICATIONS CORPORATION
$244,625,000
Follow-On Equity Offering
Co-Manager
CITADEL COMMUNICATIONS CORPORATION
$750,000,000
Senior Credit Facilities
Co-Documentation Agent
INNER CITY MEDIA CORPORATION
$25,000,000
Private Equity Investor
INNER CITY BROADCAST HOLDINGS
$120,000,000
Senior Credit Facilities
Syndication Agent
RADIO ONE, INC.
$260,000,000
Convertible Preferred Securities
Co-Manager
RADIO ONE, INC.
$350,000,000
Follow-On Equity Offering
Co-Manager
RADIO ONE, INC.
$300,000,000
Senior Subordinated Notes
Co-Manager
RADIO ONE, INC.
$750,000,000
Senior Credit Facilities
Documentation Agent

And the beat goes on.

FIRST UNION SECURITIES
A powerful ally.
Friend or foe: Premiere under fire

"They've created an extremely adversarial relationship with us and many other people. I just don't understand it," says Matt Feinberg, VP/Manager of Radio, National Broadcast Group, Zenith Media Services, about dealing with Premiere Radio Networks for this year's upfront.

"The biggest issue that I've ever been faced with, and it's not one that I think we'll ever see again, is that Premiere had to change the marketplace," says Feinberg. "It was a badly handled issue coming from the tones with AMFM Radio Networks. The biggest problem that Premiere had was that they consolidated. Clear Channel consolidated AMFM with Premiere right around the time the network was about to be launched. They didn't have time to form a strategy and to assess the marketplace. That was the biggest problem. They had new people in place, they were searching, they were integrating, and there was no time for us to slow, think and understand. They were definitely off in the marketing, with not because they were intending to be difficult, they just couldn't help it. They were having trouble internally. They thought they had a direction and then the marketplace changed. They had Diamond and Emerald and then they changed the inventory — it was cut in half and then they put the Clear Channel stations in there."

With recent reports that Premiere Traffic Network (PTN) was becoming Premiere Traffic NETWORK (GBR 10-12), an RBR source says Clear Channel's cost-cutting moves may be more than just PTN.

"I think the real story is Premiere itself. Premiere President COO Kraig Kitchin has been doing layoffs, maybe 10 to 15 at a time to stay under the radar screen. Premiere has gone from being a real strong premiere inside the company to being kind of a stepchild in one year. Knockout did not return calls seeking comment for this story."

Premiere's first round of layoffs occurred earlier this year, which included cutting 20 programs and services (RBR 2-12, cover). Yet, the bleeding continued for at least the first six months of '01. Premiere is presently down 15%-16%, or between $20-$30M. This is an improvement of where they were after the upfront market closed — the company made up some of those bigger losses with aggressive rate cuts in the scatter market, according to RBR sources.

"Yes, the economy is bad, but so far, each quarter, Westwood One has been flat. ABC Radio Networks was also down, but not to a large degree. What happened? We've asked someone close to the people who buy Premiere for perspective on why the company lost out on this year's upfront. The general opinion of the whole market is that it wasn't just the upfront that was wrong with the market and didn't re-sign the network and market, according to ABC and Westwood did.

The reconfiguration of the original AMFM men networks and inventory reductions to accommodate the added Clear Channel stations last year (RBR 7-31, p. 2) is another story. Some say the company may have lost dollars due to a breakdown in communication."

"They alienated a lot of agencies because they are very, very difficult to work with. They've done two things. They've eliminated some of their gem networks, some of their strongest networks, and they've eliminated or cut back AMFM. That and they're insisting on packaging weaker networks with stronger ones, and weaker networks that don't necessarily meet the client's goals. So, they've provided overall weaker radio schedules," says Feinberg. "It's been our opinion that while they have some very strong properties, they package them in such a way that it takes away from the overall effectiveness of ad schedules. The frequency is very low, when you're buying one or two spots a network. This I don't fault them for — since they're -- they've limited inventory networks, this is difficult for them to overcome. Limited inventory networks — the strength in them is that they're very highly rated. But they can't give advertisers enough inventory to make it worthwhile in some instances. Premiere has some other networks and some very great properties. But if you don't give them frequency, it becomes a double-edged sword. If you don't get enough frequency on it, then you're better off to go to a lesser station with more frequency. Their ratings are not that disparate. It's not that big of a difference at you're going to go from one to the other. You're going from maybe one to three. It's not a big difference in an individual marketplace."

Natalie Swed Stone, Managing Partner, Director of National Radio Services, OHM USA, says Premiere was hard to work with, but adds it was largely a badly handled issue coming from the tones with AMFM Radio Networks. "The big problem that Premiere had was that they consolidated. Clear Channel consolidated AMFM with Premiere right around the time the network was about to be launched. They didn't have time to form a strategy and to assess the marketplace. That was the biggest problem. They had new people in place, they were searching, they were integrating, and there was no time for us to slow, think and understand. They were definitely off in the marketing, not because they were intending to be difficult, they just couldn't help it. They were having trouble internally. They thought they had a direction and then the marketplace changed. They had Diamond and Emerald, and then they changed the inventory — it was cut in half and then they put the Clear Channel stations in there."

A different perspective

Reyn Leutz, SVP/Director of Radio Negotiations, Mindshare USA, says he had a totally different experience with Premiere as the past year. "I've never had this over and over and over. There has been a lot of whimsing by agencies about how they didn't like the pricing for last year. I hear it all the time. We try to sit down and show them where the table, it was a long, protracted negotiation with Premiere, but we came to an agreement that was beneficial to our clients. I didn't take a dime away from Premiere a year ago. I think that they are a major force in the radio industry and I was able to sit down with them and negotiate a price. I think we came out very, very, very fair. I don't know why that didn't happen with other people," he told RBR. We asked Leutz what he feels that the market was softer last year, what's the hurry if someone doesn't find the price with Premiere that they like? Why not sit and wait, Leutz wondered? "I prefer if my upfront negotiations last year in some cases in January, so what was the hurry? To grab that money, they had to have been offering deep discounts. If people grabbed their money off the table and went somewhere else because they felt they weren't getting the right price, they, not the networks, were realizing the market incorrectly. That's why I'm always saying you can't have these sitting on the table until you're comfortable with what's being offered. Because when you pull away, you just have to re-work your upfront and your upfront schedule. It's surprising to me that buyers can stay at the table long enough to achieve their goals and not have to re-work the upfront."

A lot of people draw a line in the sand before it has to be drawn. The past two years have not been a time where any lines need to be drawn."

Back on track

While this year's upfront was a hard hit for Premiere, it looks like the company has learned from its mistakes — mistakes that were somewhat unavoidable. Many of the lost dollars will likely be recouped on an upfront to follow. There's no missed market of the this time around — everyone is certain on the same page. They are working from a much more united position. Much better. With a full year under their belt, they know what was the market. They are in place, they've had a year now of Premiere only. And I think they will be rowdy for the upfront. They will make their decisions going forward, attests Swed Stone. "Let's put it this way. They have very good product and I believe that they've integrated. Can they continue to improve? We all can. And I believe they can and will. Just as Westwood and ABC. All of them need to do some work, and Premiere needs to do some work, but Premiere is no more up for it than the other two."

"No matter what happens with Premiere, I think you can still get good deals with them if you are looking for the upfront. With Premiere's present difficulties, it's still a good add if you place a good schedule. The potential to place a good schedule is there. They just have to allow you to do it, that's all," says Feinberg. "Listen to what the advertisers need, rather than just showing what they have to sell down the road."

See previous real issue for Part II, Network Radio. The 2002 upfront.
Radio One, Inc. has agreed to purchase the assets of radio station WPEZ - FM Atlanta, Georgia from U.S. Broadcasting Company Don McCoy and Doug Grimm for $55.0 Million*

George R. Reed and Tom McKinley of Media Services Group represented the seller in this transaction.

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* Pending FCC Approval

Media Services Group

www.mediaservicesgroup.com
The Radio Index™
Stocks continued to drift amid uncertainty over the war and the economy. The Radio Index™ rose 4.313 for the week to close 10/24 at 172.665.

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Voice Of The Radio Broadcasting Industry

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Merrill analysts see Spanish flip in LA

"Spanish Broadcasting's O'SUSA new programming team of Bill Tanner and Pio Ferro has had phenomenal initial success in Los Angeles," Merrill Lynch analysts Jessica Reif Cohen and Keith Fawcett noted in their latest research on broadcasting stocks. As a result, they see SBS increasing revenues by 15% next year, to $340M, and cash flow (EBITDA) by 33% to $44M. On the other hand, the two see Hispanic Broadcasting Corp. (N-HSP) growing revenues only 4% next year, resulting in a cash flow decrease of 6% to $74M.

Jessica Reif Cohen
Fresno move-in
debut to BHC

We now know the fate of KAIZ-FM, the lone station retained by Ed Hoyt from his sale of Merced, CA stations to Mapleton Communications (EBRD-3, p. 1). Hispanic Broadcasting Corp. (N-HSP) is buying the station, which has a CP to move into the Fresno market for $55M.Broker Gregory Patrick Communications.

Vdict observations: The CP will actually be more than $55M since BHC still has to build the new facility. To cover the shortfall, BHC could use its $67.4M 10-yr bond issue (from 107.7) and change its city of license to North Fork, CA.

Flagstaff spin-off brings big profit

You don't often see a local buyer do a spin-off— and it's almost unheard of to spin off the biggest station of the cluster. That's what W. Grant Hailey is doing. Hailey's Flagstaff station KAIZ-AM is part of his A&Z group — and he's pocketing a big profit. Hailey's A&V Communications bought KVNA-AM & FM and KZUL-FM from Regency (RBR) just last year for $2M (RBR 4/10/01, p. 18). Now he's selling off only two of those three stations, KVNA-AM & FM, to Arizona Radio Partners for $1.875M. Although KVNA-FM is only the full Class C in Hailey's super diverse group, it still has one AM and three FM stations all clustered in the Prescott-Cottonwood end of the market. The buyer, Arizona Radio Partners is owned by Ed Seeger, James Fort and Andrew Guest. Although they already have investments in other radio properties, this is the first purchase for the new partnership. Broker: Kail & Co., Americo Media Services
**CCU details**

Ackerley spin-offs

Clear Channel Communications (N-CCU) is requesting a one-year waiver from the FCC to make required spin-offs from its pending $800M acquisition of The Ackerley Group (N-AK).

RBR had estimated that Ackerley's five Seattle radio stations accounted for approximately $125M of the total price (RBR 10/15, p. 1 & 6-7). Although Clear Channel's filing with the FCC acknowledges that six months has proven sufficient for similar divestitures in the past, it is asking for twice that because of the current depressed economy.

Based on contour maps filed with the FCC, Clear Channel expects to have to make station spin-offs in five markets where it is acquiring TV stations from Ackerley. If all of the divestitures are radio stations (which is not certain), Clear Channel would have to sell four radio stations in the Utica, NY market, two in Binghamton, NY, one in Rochester, NY, one in Syracuse, NY and one in Santa Barbara, CA.

Here's how the contour maps submitted by CCU break down each of the 11 markets where the Ackerley acquisition will create new TV-radio combinations.

**New Clear Channel-Ackerley radio-TV markets**

**Non-compliant:**
Binghamton, NY: 1 TV, 2 AM, 4 FM---CCU is requesting a temporary waiver to get down to 1 TV, 4 radio.

Rochester, NY: 1 TV, 2 AM, 5 FM---CCU is requesting a temporary waiver to get down to 1 TV, 6 radio.

Santa Barbara, CA: 1 TV, 5 AM, 10 FM---CCU's maps identify three distinct markets. Two are compliant, but the company is requesting a temporary waiver to get down to 1 TV, 6 radio from the current 1 TV, 7 radio in the Santa Barbara-Santa Maria-San Luis Obispo TV DMA.

Syracuse, NY: 1 TV, 6 AM, 10 FM---CCU's maps identify two distinct markets. One is compliant, but the company is requesting a temporary waiver to get down to 1 TV, 6 radio from the current 1 TV, 7 radio in the Syracuse television DMA.

Utica, NY: 1 TV, 5 AM, 5 FM---CCU is requesting a temporary waiver to get down to 1 TV, 6 radio.

**Compliant:**
Bakersfield, CA: 1 TV, 2 AM, 4 FM.

Eugene, OR: 1 TV (plus 2 full-power satellites), 4 AM, 5 FM in two distinct markets, one with 1 TV, 5 radio and the other with 1 TV, 6 radio.

Fairbanks, AK: 1 TV, 1 AM, 5 FM.

Fresno, CA: 1 TV, 2 AM, 6 FM (however, two of the FM's do not city-grade Fresno and do not count toward the radio-TV maximum).

Monterey-Salinas, CA: 1 TV, 2 AM, 4 FM.

Santa Rosa, CA: 1 TV, 3 AM, 1 FM (all of the radio stations are in the San Francisco and Sacramento markets, but cover Santa Rosa with its city-grade contours).

**RBR observation:** Pricing and demand for middle market radio stations remains strong, so CCU's claim of a weak market for these spin-offs is false. It is true, however, that it is more difficult for new entrants and small minority-owned companies to license such purchases and CCU does have a proven track record for making spin-offs to minority buyers. --JM

_Sources:_
Bing Sussman, Clear Channel Communications; Barry Gordon, Ackerley Group; Bob Heyl, Ackerley Group.

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**Cox Enterprises selling cable stock**

In a rare move, Cox Enterprises is selling off some of its stake in Cox Communications (N-CCU) to shore up the balance sheet of the parent company, which also owns Cox Radio (N-CXR). Cox Enterprises, the privately held company controlled by siblings Barbara Cox Anthony and Anne Cox Chambers, has agreed to sell 13.5M shares of Cox Communications, the big cable MSO. That will raise about $528M.

"It was in the best interest of our shareholders," said Jim Kennedy, Chairman of both Cox Enterprises and Cox Communications, in an announcement. "This sale represents an opportunity to raise our balance sheet needs, with meeting an expressed demand from the investors for a larger stake in Cox Communications." Even after selling 13.5M shares of the cable company, Cox Enterprises will still be by far its largest shareholder—with more than 39M shares. Cox Enterprises also owns more than 64M shares of Cox Radio, the only other piece of the Cox empire which is publicly traded.
Today’s media are changing so rapidly, collecting media receivables calls for the sure touch of a professional who specializes in the industry.

At Szabo Associates, we’ve built an unequalled reputation for expertise in media collections. Now, we’ve reorganized to focus even more closely on each medium. We’ve created separate divisions devoted to radio, tv, cable, newspapers and magazines, with specialists in out-of-home media and the entertainment industry as well.

No other firm does so much to offer you more individualized service.

For you, this can mean more substantial settlements, without endangering client relationships you want to preserve.

It also means that we can offer a variety of value-added services: the world’s most comprehensive database on agencies and advertisers, valuable help in bankruptcy proceedings, proprietary management reports, and much more.

In a world where client relationships can be complex and fragile, it pays to know just how and when to apply pressure. Next time you have a problem with past-due receivables, call the collection service that really understands media. Szabo.