Karmazin defends consolidation, wants more

Consolidation in broadcasting was inevitable in order to maintain a even playing field with giant ad agencies and cable MSOs, Viacom (CN VI) President Mel Karmazin told the 2002 TVB Marketing Conference 3/26 in New York. “We didn’t want to consolidate. They made us do it. In order for us to keep a balance between the agencies and MSOs, we have to be big,” Karmazin said.

The Zen Master also insisted that the public and advertisers benefit from media consolidation, as he said will be shown in the study that Viacom’s Infinity and other broadcasters commissioned for the FCC’s review of its radio ownership rules.

Karmazin wants to see the FCC move much more slowly and the current auction method is currently restricted to combining a top four TV station with one below the top four—and only in the largest markets. “We’d like to see a spectrum, not just within the number four or number five,” he said.

Those remarks didn’t spark any outbursts of shock from fellow panelist Irwin Gottlieb, CEO of Soundz Worldwide. Rather, the ad agency chief agreed that the move toward more and more narrowly targeted media vehicles necessitates that those vehicles be clustered under broader corporate umbrellas. “The greater degree of fragmentation, the greater the need for consolidation,” he said.

In another TVB session, NAB’s chief lobbyist, Jim May, warned that passage of a campaign finance reform law didn’t mean that the industry no longer has anything to fear coming from Capitol Hill. The bill that was passed didn’t include a provision which would have further reduced political ad rates, due to heavy lobbying against it by broadcasters. But May expects the so-called Toomey Amendment to come back in some form. He also expects Sen John McCain (R-AZ) and other reformers to keep pressing the issue—with free broadcast ads for campaigns as their ultimate goal.—KL, JM

AURN, Radio One are Parr for the course

American Urban Radio Networks (AURN) has signed an alliance with Radio One (O:RHA) for sales and syndication of its Russ Parr M-F morning show (3/26). Superradio was Parr’s syndicator for M-F and still retains Parr’s weekend show. In the deal, AURN picks up 28 new major market affiliates for its American Urban Pinnacle network (12 are Radio One). Olivia Fox co-hosts with Parr from flagship WRRYS-FM Washington.

“We are delighted to create this unique alliance with Radio One and The Russ Parr Morning Show With Olivia Fox,” said Jay Williams, President of AURN. “This new alliance expands our stations and audience reach, and assures us in continuing to be the largest company in the network radio industry serving the Urban listener. No other network company reaches more Urban listeners than AURN. We welcome Russ Parr and Olivia Fox to our winning team.”

Williams said he expects this alliance to lead to other joint ventures between the two companies. Russ and Olivia’s blend of music, comedy, news and entertainment information makes the #1 morning show in Washington, DC and also the #1 Urban radio show against its target audience in Detroit, Raleigh, Richmond, Cleveland and Boston.

This is the second RADAR-rated network deal Radio One has struck recently. ABC Radio Networks’ Urban Advantage Network also signed on with Radio One (RBF 12/12/01) to cover a portion of its commercial inventory on many of Radio One’s 65 stations.

RRB observation: We expect 2002 to be a major growth year for AURN. The Russ Parr and Olivia Fox deal may be the tip of the iceberg. In addition, Radio One funnyman Steve Harvey (RHBGFM Los Angeles) would be another target for AURN, or any syndicator for that matter, to go after.—GM

Arbitron asks Congress to oppose CARP panel royalties

Shining more light on the ridiculous, Arbitron sent a letter to Congress 3/25 asking it to oppose the copyright royalty fees proposed last month GOST 2/25 p.d. by the Copyright Arbitration Royalty Panels (CARP), and is recommending a five-year freeze be instituted on any streaming fees.

“We foresee that the impact of these fees will dramatically reduce the consumer’s choice of streaming content, limit the diversity of streaming voices on the Internet, stifle competition among content providers and impede the growth of a popular new medium,” wrote Arbitron VP GM, Webcast Services Bill Rose. “Streaming media serves the interests of the public by making available thousands of signals from around the country and the work required to propose fees would be prohibitive and restrict the widespread distribution of music entertainment on the Internet. A moratorium on digital rights fees would not only make the broadband streaming media industry grow, but more importantly, serve the public interest by assuring a broad distribution of program and consumer choices.”

Rather, Rose recommends that for a NY station would total merely $15M yearly and represent more than a quarter of what the station currently derives from traditional over-the-air ad revenue. Rose also calculated the fees for a national network—with $15M in royalty fees that would equal 39% of the entire radio network ad industry revenue. The entire radio industry fees would be approximately $2.4B, equal to 13% of radio’s total ad revenue last year.—GM

No bonuses at CCU

Top executives at Clear Channel Communications (C.CCU) got no bonuses last year, according to the annual shareholders meeting proxy filed with the SEC. CEO Lowry Mays had to due make his annual salary of slightly over $1M, but without the $4.5M bonus he’d received the previous year. Ditto for President Mark Marks and CFO Randi Allmand Mays, who each received $1.5M in bonus payments the previous year. Their base pay checks for 2001 were each $395K. Clear Channel Radio CEO Randy Michaels, who is paid a salary of just over $500K, got a bonus of $1M in 2000, but zero in 2002.

All did, however, receive stock options worth 2003. Lowry Mays got options for 750K shares, his two sons each got options for 500K shares, and Michaels got options for 160K shares.—JM

FCC should not override Congress

The NAB has filed comments with the FCC on the regulatory agency’s NPRM on local cable ownership limits. In short, it questions the FCC’s authority to do anything other than abide by the mandate of Congress as expressed in the 1992 Cable Act.

The NAB writes that the “act...does not authorize the Commission to reduce the level of ownership consolidation expressly permitted by Congress, and which has already been perceived and actually increased since Telecommunications Act.—JS

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Is proud to announce the appointment of
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to the position of Executive Vice President

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Kim A. Carlson • 719-337-6600
Biquity to recommend AM IBOC for days only

Sole IBOC BAS developer (Biquity Digital) plans to recommend the FCC that an AM IBOC system be used only during the day for now. Members of the BAS Substantiation Committee of the National Radio Systems Committee (NRSC) have voted against concerns about potential interference to existing AM stations by nearby clear-channel stations during nighttime operation of AM IBOC were used.

The NRSC in their draft report that I have seen looks like they are going to recommendation for the time being that is only daytime. And there’s going to have to be some more testing to figure out exactly what works or not at night, "Biquity CEO Bob Struble tells RBR. "The problem is the NRSC did not, in their test plan, specify a lot of nighttime testing, specifically skywave and so. We followed their first plan, so in the course of the evaluation of that report they should have said, ‘What goes on at night?’ There wasn’t a lot of good data out there, so rather than go down the road predicting what the ancillary data, they decided it would be best to move forward with daytime, get some more data, and figure out later what we’re going to do, but don’t stop the process while that additional analysis is going on. We agree with the NRSC’s recommendation at this point and we’re doing the testing now."

The nighttime tests are currently being conducted at KDKD Pittsburgh, KDKA Philadelphia, KDKA Cleveland and WYDP Cincinnati.—CM

Biqiuty’s American owners to a new company

58.4% owned by billionaire Philip Anschutz, the founder and Chairman of Anschutz Entertainment Group (AEG) Communications Group (Q) Communications, Inc. (Q) Communications Inc. (Q) Communications Inc.

Washington Beat

NAB wants to make iiBiquity ubiquitous

The National Association of Broadcasters has thrown its weight behind iiBiquity Digital’s FM in-band, on-channel digital radio system, requesting that the FCC adopt it as an industry standard for terrestrial digital radio. By definition, this would make iiBiquity the choice for the new technology, avoiding the need for additional spectrum allocations which would result from our-band approaches. The NAB made its comments in a reply to other comments on the topic. In addition to endorsing iiBiquity and iBiquity, the NAB urges the FCC to document the standard and set up a system for the transition, including rulemakings and the establishment of timetables.—DS

FCC looking to crack down on orbital litterbugs

The Federal Communications Commission has determined, as the sole government agency with jurisdiction over non-governmental satellites, that it is also responsible for policing the orbital paths around the Earth. It has issued a Notice of Proposed Rulemaking which would require all FCC-licensed satellite operators to submit information concerning their efforts to mitigate orbital debris.

"Since human activity in space began decades ago, there has been steady growth in the number of artificial objects in orbit around the Earth," wrote the Commission. "Studies show that continued increase in orbital debris may raise concerns regarding the reliability and cost of space activities, including satellite communications. The satellites of tomorrow are being built today. Some of them, if taken now, can reduce the growth of orbital debris."—DS

FCC fines Mancow S21K

The FCC is fining Emmiss Communications (O.E.M.M.), owner of Mancow flagship WRQX-FM Chicago, $21K for indecency on three Mancow shows in March and May of 2001. One broadcast involved *the use of a sexual stimulant by a female cast member as well as her appearance in a video.* Another included *a discussion of sexual and excretory responses to viewing pornography and contains sexual references that rely on innuendo.* The third featured *a discussion by a female cast member and a number of women guests in the "lava lamp love lounge" that relied on innuendo.—CM

RBR Stats

NAB2002: Who's attending

The NAB has released a chart showing who will be in Las Vegas this month for the big show by business and by job function. Total attendance is expected to be down from what it's been in the past, but should still wind up in the 90K-95K range.—DS

Business

Pct.

Video production
22.0%

Audio production
15.2%

Television
9.1%

Radio
5.2%

Motion Picture/Film
9.7%

Graphics/Animation/SFX
6.7%

Satellite/Microwave
7.5%

Cable/Fiber
7.1%

Streaming
5.6%

Internet
2.8%

Equipment
3.0%

Non-Profit/Govt
2.7%

eCommerce
1.9%

Job function

Pct.

Chief Exec/CEO/COO
25.6%

Corporate Management
18.0%

Engineering
15.5%

Production/Editor
12.7%

Sales/Marketing
8.0%

Station Management
4.7%

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Publisher: Jim Carraige
VP/Production: Publisher: Karl Lee
Senior Account Executive: John Noll
Account Executive: June Barnes

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Email: JCmmp@rbr.com
RBR News Briefs

Alpine strikes licensing deal with iBiquity

Alpine Electronics has licensed iBiquity Digital’s iBOC digital broadcasting technology to integrate into aftermarket receivers next Spring. Alpine also says it will integrate iBOC technology into receivers for automotive manufacturers. Alpine is a supplier of OEM electronics to BMW, DaimlerChrysler, Ford, Honda and Mercedes. Stations in New York, LA, Chicago, San Francisco, Seattle and Miami are expected to begin digital broadcasts later this year, followed by stations in Atlanta, Boston, Dallas, Detroit and Denver. —CM

Volkswagen, Audi double down in satellite sweetstakes

Auto manufacturers Volkswagen and Audi have signed agreements with both XM Satellite Radio (OXMSI) and Sirius Satellite Radio (OBRD), making equipment available to receive either satellite service. It marks the first time that car buyers are offered a choice as to which service they will be able to tune in.—DS

News flash from FlashNews

If you are one of the 600 clients of Wireless Flash News, you will have to start making out your checks a little differently. Tired of getting phone calls from non-media citizens asking about pages, the company is taking the “wireless” out of its moniker and henceforth will be known as FlashNews. When the service was founded 20 years ago, use of the term “wireless” did not create the same kind of confusion that it does today.—DS

Norfolk market to get first 24/7 all-Spanish station

DCRTV/VARTV reports on 4/1, WRJR-AM (Chesapeake-Portsmouth Broadcasters) Norfolk (Claremont, VA) plans to flip to all Spanish. “Radio Xad” will offer music, talk, news, weather, religion and sports. Dan Navroz is the GM.—CM

Business Worries Should Not Include Your Transmitter.

Principles that urges broadcasters to avoid exploiting violence, glamorizing drug use, and airing sexual material that "panders to prurient or morbid interests". “How I wish the industry would take these pleas and warnings,” Storliad in Media President Robert Peters told the Times. Peters said that if the industry took more responsibility, “the government can spend its tax dollars on something other than monitoring what goes out over the airwaves. These pleas have fallen on deaf ears.” Broadcasters did have varying levels of a code of conduct from the 1920s to 1983. DOJ abolished those, saying provisions of the code violated the Sherman Antitrust Act. The government alleged that the code's restrictions on commercials were actually a scheme by broadcasters to collude and drive up advertising rates. When those narrow provisions for commercials were outlawed, Copps told the Times, the industry abandoned the entire code, even though it "affirmed broadcasters' responsibilities toward children, community issues and public affairs." Violence and profanity will certainly be addressed at NAB2002, in which all the members of the FCC are scheduled to attend. Two seminars on the topic are scheduled. "Managing the Risks of Today's Controversial Programming" and "The Regulatory Face-off," featuring Copps and fellow FCC Commissioner Kevin Martin.—CM
Greater Media's Peter Smyth

"I'm probably kind of unique in the sense that I've only worked for two companies. I've worked for a public company, RKO General—I spent about nine years there—and for 16 years I've been with Greater Media, starting as a General Manager and now President. It's been a pretty interesting ride," Peter Smyth said KBBF. Just last month, Smyth received his MBA from ESCP (2002). In 16 months after being named President of Greater Media, he then reorganized all of RKO Media. Beginning less than five years ago, Greater Media went through a major transition period. Tom Milkiek died of lung cancer and Smyth became head of the radio group, just a year before company founder Peter Bordes died of pancreatic cancer. Then President/CFO Frank Kabella retired a year after that and Smyth became President/COO. The CFO title was added last month.

In his current position, Smyth oversees all of Greater Media—both radio and its community newspapers in New Jersey. (The company's cable holdings were sold several years ago.) He answers to the face founder's brother, Chairman John Bordes, and widow, Lee Bordes. "They are fabulous people. Lee and John's vision for the company is to continue to grow. They hope to grow the business," said Smyth.

"We would like to stay east of the Mississippi, if that's possible. We would like to move into the top 50 markets. We're pretty well filled out in Boston—we own two stations—but we wouldn't ever rule out looking at some of the AM facilities up here with what's going on in the digital world. We're very interested in everything on the East Coast—Philadelphia—we have great holdings there—Baltimore, Washington, Miami, Atlanta. The Midwest, up through Cleveland, Milwaukee. Our Detroit cluster is in good shape. We have a very strong presence all throughout New Jersey," he said. "We're looking at different groups and we're looking at different opportunities. This is a JBL free company and we have the wherewithal to go out and grow. That's the good news. It's not the quantity of the stations that we own—we're really not hung up on that—it's the impact in the markets that we operate in."

Public vs. private

Smyth bristles at any suggestion that private companies have it easy and aren't held to the same standards as those whose stock trades on Wall Street.

"I have stations in this company that do over 95 cents on a dollar. Our company is run on the same platform as the public companies. The knack you hear on private companies is, well, they don't really have to compete like us [public companies], they aren't held to the same standards. Well, that's not necessarily true," Smyth said. "We've been entrusted with some great assets and it's up to us to increase the asset value for the family. Our stations operate very competitively, no better, than any of the stations that we compete against. I think the reason for that is that we're able in these private stations and we do look at them for 90-day cycles. So we might make an investment in a market and see those margins decrease 5% for a certain period of time, but in the long run those margins will be on par, if not exceeding the public companies.

The Greater Media said his group of stations has strong cash flow and, at the time of the company's third quarter, Q1 revenues were up 15%. "Our cluster up here [Boston] last year did $65M in 'dot-bash' business in 2000. In Q1 we did $200K. So if you see what our margins are—and Magic is one of the top stations in the country—we had to make up that business," he explained.

"In Q1 we didn't lay anybody off. We ran our businesses more efficiently. We went back and made sure that we were investing properly. You know, economics is the backbone of scarce resources ability to do what we're doing rather than just have to make draconian cuts. We cut back some marketing budgets in certain areas," Smyth said of the recent recession. "What we had to do was work on growing the top line. We had to go back and change the mix of business.

How did he move the company?

"Most of the stations that were having a rough time were straightened out. Our NTR group became more important. We have designated people in each of our markets and, as I said, part of our business grew dramatically. We found that in Detroit alone, where we had a very low profile in that business, we had a 100% increase in what we were trying to do there than over the previous years. We've moved into some business we've never had. We moved aggressively into telecommunication. We developed programs for our major partners—clients—to build that revenue base, where it wasn't dependent on our ratings or what was going on in the economy. It was a difficult period. I disagree with the economists—I think that was a recession," Smyth said. "We had to sell products and what people were looking for with those advertising dollars were vehicles that could sell products—and radio sells products better than anything else.
Greater Media: Thinking big while staying little

Greater Media is not going to blow any one over with the size of its station portfolio. However, its lineup is located on beachfront property, and includes precious little filler. To carry the beachfront analogy a step further, there are no miniature golf courses or hot dog stands in this lineup—it's hotels top to bottom. Greater Media is weighted heavily to the FM side, and it stays away from the expensive-to-produce big city NewsTalk format. It's lone big AM, WPEN in Phillie, plays Standards, leaving the chatter to Infinity.

It recently added to its collection of stations around New York City, putting it into three NJ markets where most of the listening goes to Big Apple stations. All stats in the charts below are from Arbitron’s Fall 2001 survey. Ratings are aggregate 12+ FM 6a-12m numbers. Ownership info is from RBR’s Source Guide database: *superduperulous, * duopoly—18

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INNOVATION. TECHNOLOGY. REALLY COOL STUFF.

BROADCAST ELECTRONICS...BUILDING SECRET WEAPONS FOR THE RATINGS WAR.
**Media Markets and Money**

By Jack Maasern

Broadcasters tap Wall Street for cash

Moving to fill their coffers while the window of opportunity is open, two more broadcasters have sold new stock on Wall Street and another has filed to let shareholders from a past merger deal sell their shares on the open market.

Eminis Communications (OTC BBM) has sold 4M new shares of stock under a shelf registration that's been sitting at the SEC for nine months. The offering was priced at $26.40 per share, down 20 cents from the previous closing price of $27. Eminis says the offering is expected to close tomorrow (4-2). After offering costs, Eminis expects to net $104.5M of the $107.4M total sale. That could go up if the underwriters exercise the 600,000 share green shoe.

The cash will let Eminis CEO Jeff Smulyan pay down bank debt and possibly reacquire shares of the company's 12.5% senior discount notes, which aren't due until 2011. Underwriters Deutsche Bank Alex. Brown is acting as the sole book-running manager and Credit Suisse First Boston is co-lead manager for the offering.

Radio One (OEOB) & RBSM has pulled the trigger on the $500M shelf registration that it filed with the SEC in January (RBR 2/4, p.12). The company is selling 16M shares of its non-voting Class D stock (OEOB.A), 4.7M new shares being sold by the company and 1.3M being sold by existing inside shareholders. As previously reported, these selling shareholders include Alfred Liggins (who's selling only a small portion of his total stake) and several former investors in Blue Chip Broadcasting. Lead underwriters: Bank of America Securities, Credit Suisse First Boston.

Regent Communications (OTC BBG) has filed with the SEC to register for public trading 174,917 shares of Regent shares that were paid to Connoisseur Communications as part of a past station transaction. These shares are currently worth about $1.4M. That registration is in addition to the $250M shelf that Regent filed recently (RBR 3/25, p.7) to raise cash for the company's own coffers.

Second public radio group issuing bonds

Nashville Public Radio is going to Wall Street to sell $5.5M in municipal bonds to pay for a station acquisition and studio expansion. The Fitch Ratings Agency has assigned a BBB+ rating to the issue.

This is the second time in recent months that a public radio operator has gone to the bond market for cash. Colorado Public Radio sold $3M in bonds in January (RBR 1/31, p.14).

As in the Colorado case, Public Radio Capital (PRC) has advised Nashville Public Radio on the offering, which is being placed by George A. Baum & Co. Marc Iland, who used to broker commercial stations, told RBR that PRC is working on several other bond offerings for public stations.

Although there were a few local bond issues by public broadcasters in the past—such as WBEZ-FM Chicago and Minnesota Public Radio, both of which marketed their bonds to local supporters—PRC has been working to make public radio bonds a mainstream investment vehicle. The non-profit entity (whose board of directors is drawn largely from public broadcasting groups) spent much of the past year acquainting Wall Street and the ratings agencies with the economics of public broadcasting to encourage them to invest in public radio.

In the current offering, Nashville Public Radio will use the proceeds to close its $3.8M purchase of WKDA-AM Madison-Nashville, TN from Bill Berry's Great Southern Broadcasting cluster as a NewsTalk fare for WKYN-AM. This buy replaces a previous plan to buy Jack Morton's WNAG-AM for $2.5M. WKDA, on 1,990 kHz, has a C4 to increase its power from 500 to 1,000 watts and has applied to take that even further—to 15,000 watts. Fitch's analysis, in part: "As of March 31, 2001, the station's balance sheet lined $9.7 million of cash and investments, versus $5.6 million in pro forma debts and $2.7 million in fiscal 2001 operating expenses. Fitch ratings believes that the station's investment and budgeting policies are likely to continue resulting in liquid assets ample enough to cover operating and development-related expenses. The station's endowment spending policy is more conservative than that of many investment-grade nonprofit institutions since more than 5% of the average annual market value of these assets may be spent only upon approval of 85% of the board's stated.

"The station's strong listener share in middle Tennessee is a favorable credit consideration," Fitch said, adding that the addition of an AM station with a news programming focus should expand that listener base. "Listener contribution and underwriting revenues have grown over the long term, as at all public radio stations, with surprisingly little change in public radio's audience. Nevertheless, the station must continue to grow these revenues at robust annual rates in order to cover anticipated operating and debt service costs comfortably. Average annual debt service over the next six years will equal approximately 19% of the station's operating expenses. In light of the station's $8.8 million of cash and investments, we expect the station to be able to budget slightly more than 9% of endowment assets for annual spending over the next few years until the station's frequency acquisition, increased corporate development efforts, listenership growth, and resulting revenue expansion catch up to expected spending growth."

RBR observation: Back when PRC started promoting the idea of selling public radio bonds to real investors, rather than just local supporters, no one could have known how well the municipal bond market would be this year. Just like their commercial counter parts, the public radio issuers are now finding Wall Street wide open to their bond offerings—and they have the advantage of being tax-free investments.

We're a little concerned about defaulting, you now, being so unfamiliar with the fierce loyalty that listener/donors have for public radio stations.

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**Northwestern**

By Joel Hollander

Westwood One (NWO) announced that its board of directors has approved adding an additional $200M to its ongoing stock buyback program. WB/F had already redeemed $33M worth of shares for $477.71 under its previously-authorized buyback program.

CEO Joel Hollander expects to continue growing its free cash flow, which totaled nearly $184M in 2001, so he plans to keep using the free cash flow "to buy back the company's own stock when market conditions are attractive."

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**Jones Q4 came in better than expected**

The twice-delayed Q4 report from Jones Media Networks (Public bonds) is finally out and the company exceeded what it had told Wall Street to expect. Of course, results were still well below year-ago levels. Jones reported that revenues declined 23% to $18.7M and EBITDA dropped 49% to $3.5M.

Q4 network radio revenues were down 9% to $9.7M and radio network, EBITDA was off 28% to $1.8M. Still, Jones Radio Network President Ron Hartmann said that as positive, since Q4 revenues were up 13% from Q3. "Based on early indications of improvement seen over the last several weeks, we are hopeful that the advertising marketplace will begin to rebound in the second half of 2002 as economic conditions improve," said Hartmann.

In addition to radio, Jones operations include two cable TV networks and a satellite services business. All saw Q4 revenues decline.
Emiss Communications (OEMMS) is the latest broadcaster to exceed estimates. Emiss is expected to exceed the financial guidance it had previously issued. Emiss is now telling Wall Street that its revenues for its fiscal Q4, which ended 2/28, will exceed $114.1M and “other,” with TV revenues to top $23.3M.

As for the current quarter, Emiss said, “While it is too early to state numbers for the First Quarter, the tone of business appears to be improving. Radio One projections higher Q1 revenues

Radio One (ORRAA & RQSD) says it expects to beat what it had previously told Wall Street to expect for Q1. CFO Scott Ryssler included the good news in announcing a revision of the company’s $600M bank credit facility. “Furnishings were unexpected to base the outlook for our business has improved fairly dramatically. As such, we expect to exceed our first quarter guidance and are cautiously optimistic that the second quarter will show even faster revenue growth than which we expect to report for Q1,” said Ryssler.

Radio One said 2/21 to expect Q1 net revenues of $56M, broadcast cash flow of $25.5M, EBITDA of $21M and after-tax cash flow per share of one cent. That would put same station revenue growth in the mid-single digit range. The latter announcement didn’t say how much more to expect—just that it would be more.

As for the deal with its banks, the amended loan agreement allows Radio One’s debt leverage to rise as high as seven times cash flow in the second half of this year (from the current cap of 6.75 times), but then start coming down incrementally to hit 4.5 times 3/31/05 and thereafter. The amended agreement was signed by 18 lenders who are part of Radio One’s bank syndicate, led by Bank of America.

Fishers finances $150M in debt

Fishers Communications (FQSC) has completed a complicated deal with Merrill Lynch (N ML) to get up to $70M for construction of its Fisher Plaza headquarters real estate project in Seattle and refinanced $450M in bank debt—a total package of $150M. One part of the Merrill Lynch package is a $4.2M margin loan collateralized by 5M shares of Safeco Corp. (O SAFCS). Part two is a “variable forward sales transaction” collateralized by 5M Safeco shares which anticipate proceeds of up to $70M over the next five years. As that forward sales contract matures in five stages at six-month intervals, beginning two and a half years from now, Fisher will have the option of either paying Merrill Lynch the current market value of the pledged Safeco shares or simply handing over the actual shares. Fisher has long been a major shareholder of Safeco, an insurance company, and this transaction allows it to use that stake to finance construction of the Fisher Plaza project, which includes studios for its Seattle TV and radio stations.

At the same time, Fisher announced a deal with its banks to refinance $50M in loans which were used for recent TV station acquisitions.

Benedek files Chapter 11

TV group owner Benedek Communications Corp. has filed for Chapter 11 reorganization in the federal bankruptcy court for Delaware, where its holding company is incorporated. Illinois-based Benedek reported at least $450M in debt, mostly to holders of its 13.25% senior notes and a bank group led by Toronto Dominion. In a statement submitted to the court, President and COO Jim Yager reported that 2001 net revenues were $145.7M, down 10.2% from 2000. Broadcast cash flow fell 23.7% to $49.2M. That produced a net loss of $38.8M, compared to a profit of $15.8M in 2000.

“The advertising climate has rebounded during 2002, and the debtor expects to report broadcast cash flow for the first quarter of 2002 of $9.3M, which represents an approximate 25% improvement over the first quarter of 2001,” Yager told the court.

Benedek has been out of compliance with its bank loan covenants since 9/30/01 and announced last November (RBR.com 11/12/01) that it would not make a $20.2M interest payment to its bondholders. Yager said the company had held extensive negotiations with its major bondholders, but “was unable to obtain sufficient concessions or additional liquidity,” so Benedek had to go the Chapter 11 route instead.

Benedek owns 23 TV stations in markets ranging in size from #6 to #198. It lists 1,280 full-time employees. All of the company’s common stock is owned by Chairman and CEO Richard Benedek, his son, VP Stephen Benedek, and Yager. The company also has two issues of preferred stock, primarily held by GE Capital, Spear, Kellogg and Fidelity Investments’ National Financial Services Corp.

Lowry’s busy year

While watching the US economy (and ad revenues) decline in 2001, Lowry Mays was still closing lots of acquisitions at Clear Channel Communications (N:CCU). The company’s 10-K filed with the SEC spells it out. Over the course of 2001, CCU closed purchases of 183 radio stations in 63 markets for a total of $445.1M cash and the swap of eight stations. $355.8M of that cash was from the pool of restricted, tax-deferred exchange cash from CCU’s AMFM merger spin-offs. CCU also bought $5.3M billboards in 33 US markets and 25.5K billboards overseas for $350.6M. That’s not including $25M that was spent to buy stakes of less than 10% in some outdoor companies.

CCU Entertainment spent $125.5M on music, sports and racing events, promotional assets and sports talent representation contracts. TV activity was far more limited. CCU closed deals to buy four TV stations for $79.9M, including $11.7M in restricted cash. Two of those stations had already been in LMs with CCU.

That all totals $1.054B in acquisitions by CCU in 2001. While acquisition activity has slowed this year, CCU noted that it had already closed on six more radio stations and 1,958 billboards through February. And that’s not including the still pending $900M merger acquisition of The Ackerley Group (N:AKR).

CCU also spent $596.4M on capital improvements in 2001—$144.9M on radio, $264.7M on outdoor, $67.5M on entertainment and $121.5M on corporate. For the first quarter of 2002, 6.75% of the radio expenditure was allocated to consolidating operations.

As the company stands today, CCU reported that it gets 43% of its revenues from radio, 31% from live entertainment, 22% from outdoor and 4% from “other.” In this case, “other” includes TV, the Katz radio and TV rep firm and the CCU unit that represents professional athletes.

CCU also reported that it recently (1/15) refinanced $148.1M face value in 12.625% bonds issued by SFX Broadcasting, which came to CCU by way of the AMFM merger. The redemption cost $15.8M, plus accrued interest and CCU booked a net gain of $3.9M on the deal.

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Agencies react to NBC liquor ad reversal

We talked to two agencies that handle distilled spirits clients. Zenith Medial, which handles Allied Domecq brands (Guinness, Beamsteer, Kilbaba, Malibu's Mark, Courvoisier, Sauza, Tia Maria, Canadian Club, Turkey's Harvey's Irish Cream, etc.), and Carat USA, which handles Diageo brands (Jose Cuervo, Jack Daniel's Tower, Johnny Walker, Tanqueray, Bulleit, and Captain Morgan).

What were the initial reactions to NBC's TV announcement (5-20) that it has decided to run liquor ads in the fall for nondistilled spirits again? It was a complete reversal of its decision made last December (R/BB 12/14/00, 12/15/01), which would have included one in five ads to be responsible drinking spots.

Legally available products should be permitted to advertise. And we certainly believe that there should be some ability for people who are of legal age with advertising that is carefully crafted and constructive. We’ve advertised our Allied Domecq brands on television and on radio. There are many local stations and certain cable networks that will accept our advertising. We would like to see our advertising accepted as broadly as possible.

Does NBC withdraw open anything up for radio?

Says Danchin: “You know, they were able to survive without the ad dollars in TV. I mean, you would like to have a benefit to the ad dollars in radio. It opens up another category, but the question is how much money is going to flow there? I still don’t know if it’s going to be such a huge impact. Print is still the major avenue for hard liquor advertisers.”

I was wondering about why they reversed their decision. Probably because they figure the pressure is still big. Obviously, maybe they feel that there are some signs that the economy is coming back. They figure that it’s probably not worth it to them in the long run,” adds Zenith VP-Manager of Radio, National Breakfast Matt Feinberg. “I think ultimately, radio will fall flat. I think if NBC is doing this, and none of the broadcast TV nets will take liquor ads. I mean, CBS is not doing it, and therefore Viacom’s stations and WestwoodOne shouldn’t do it. It’s a weight we come back to radio. We know the impact it will have on a station-by-station basis, but corporately, more everybody will follow suit.”

Wilson on Citadil

Citelad Communications President Bob Proft informed employees 3/15 in an email that company founder and Chairman Larry Wilson had departed due to personal considerations.

Wilson launched Citadil as an independent company late in the 1990s, and an IPO in the '90s and took Citadil nationwide. But after selling his stock to TCI for $1.4 billion, Wilson founded a new company, Citadil Nationale, which paid $260 million last year to take Citadil private.

While Wilson retained a personal stake in the company, Ted Forstmann had control and recently hired Farid Sulceman away from Viacom (NIA TV) to build up Citadil for what’s expected to be another IPO (R/BB 2.25, p. 1). The deal may also help with Sulceman brings in from Forstmann Little to run Citadil. Wilson had no day-to-day role in the company beforehand — and now he is gone — just

Adelstein FCC nomination in a lot of trouble

Senator Trent Lott (R-MS) has threatened to block Senate confirmation of Jonathan Adelstein as the fifth and final Commissioner at the FCC. This is in apparent retaliation for the demise of the effort to place Charles W. Pickering in an appeals court judgeship. Pickering is a friend of Lott’s, and a fellow Mississippian. Adelstein has been able to Senate Majority Leader Tom Daschle (D-SD) to kill the nomination. Lott denied that Pickering’s and Adelstein’s fates were tied together, noting the relative youth and inexperienced of Adelstein. However, other sources reportedly said the two events were related.

Saying that President George W. Bush’s selection for the open seat on the Federal Communications Commission is too young and inexperienced. Lott has thrown his support behind Andrew for the open seat. John Dingell (D-MI) Dingell and his staff have extensive experience dealing with telecommunications issues.

Adelstein, who turns 40 late this summer, is several months older than current FCC Chairman Michael Powell. —DS

FCC moves on four ancient pending deals

The FCC approved four long-pending deals and designated another for a hearing under an interse radio ownership policy while its Notice of Proposed Rulemaking on Local Radio Ownership is in the works.

Deals in and around Cheyenne WY, Columbus-Starkville MS, Trenton NJ and Columbus GA got the go-ahead. However, a proposed Clear Channel acquisition of WUMX FM in the Charleston radio market was designated for a hearing.

Clear Channel (N CCU) does not intend to take the decision lying down. CCI Radio President Randy Michaelen needed only one word for his answer when asked by RMM whether his company would stand and fight or withdraw the WUMX application. "Fighting is the right thing to do."

The interim policy was put in place by the FCC 11/8/01. At the time of deals, FCC staff was told to look at "product market definition, geographic definition; market participants; market shares and concentration; barriers to entry, potential adverse competitive effects, and efficiencies and other public interest benefits." —DS
MTV vet now heading Infinity Radio

Mel Karmazin has moved to fill the void from Jack Sacks’ departure as CEO of VanCom (NASDAQ: NMGE) to his current post as CEO Infinity Radio. That’s not the same job that Sacks had since he was hired as Infinity Radio’s new CEO, nor is it a name you’re likely to recognize. He comes from VanCom’s broadcast division, in which he’s currently running 150 or so VCs and VMT’s, the AC and Country operations within the MTV Networks Group.

Danny Mason will continue as President of Infinity Radio and report to Sacks, who will in turn report to Karmazin, President and CEO of VanCom (NASDAQ: NMGE). The new President of VanCom Outdoor, will continue to report directly to Karmazin.

**PPM work in progress**

Arbitron (N-NBR) is moving ahead rapidly with work on the Portable People Meter, with ongoing testing taking place in Philadelphia. The good news is that the radio industry is being well-represented as being made into an ultimate shape once it becomes a fully operational system. So says Infinity Radio (N-NVA) Senior VP of Research, David Perlmutter. He and other members of the Arbitron Advisory Council spend three days closed-

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Washington Beat

Hollings latches out at FTC

Still upset over an inter-agency agreement to put all media mergers under the Antitrust Division of the Department of Justice (DOJ), Sen. Ernest Hollings (D-SC) is using every tool at his disposal to attack DOJ and the Federal Trade Commission (FTC).

When FTC Chairman Timothy Muris appeared on Capitol Hill last week to talk about his agency’s budget, Hollings used the occasion to browbeat Muris about the agreement with DOJ and threatened to cut FTC funding in retaliation. Changing that the Bush Administration has “run amok.” Hollings said that the inter-agency antitrust deal was “not allowed by law” and said that if he can, he might start cutting checks at the FTC to get the attention of his top officers.—JM

WVDC fined for airing answering machine

Clear Channel’s (N-C OCO) WWDC-FM Washington, DC has been fined $6K by the FCC for airing a phone call without the permission of the person being called. In this case, the voice on the other end of the machine complained to the FCC and WWDC acknowledged that the recorded phone message was broadcast last 11/30. However, the station argued that the message was “generic and not a personal call,” and not like a previous message where another Clear Channel station was fined for airing an actual conversation pertained from an answering machine. The FCC didn’t buy that argument. It’s given WWDC 30 days to pay up or appeal.—JM

XM, Sirius get extension on special temporary authority

The special temporary authority for XM Satellite Radio’s and Sirius Satellite Radio’s terrestrial repeaters was set to expire 3/8, but reportedly, the FCC will allow the satellite companies to use the repeaters until it has permanent rules in place. The NAB has been lobbying the FCC not to grant permanent licenses for the terrestrial repeaters without including rules that prevent them from being used to deliver local programming.—CM

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First results of the RAIA's recent survey of radio stations showed that an overwhelming number are increasing efforts this year to bring in NTR...non-traditional revenues. In light of the economic downturn, RAIA was expecting a strong response to that question, and indeed found that 94% of respondents are increasing NTR efforts this year, with 14% holding steady and 3% saying they are actually decreasing NTR efforts. The top category for those increasing NTR efforts was event marketing, 15%, followed by cause marketing, 54%, Internet, 48%, and manufacturer direct, 3%

RAIA VP of Co-op, NTR Services Bill Barr said RAIA was actually surprised that the percentage of stations targeting cause marketing NTR was higher, following the events of 9/11-70% of all respondents said they were pursuing cause marketing, but that was still a drastic second to event marketing at 92%. As noted above, cause marketing was also second to event marketing as an NTR area for increased effort this year.

RAIA observation: Who are those 3% of stations who have so much money rolling in that they're cutting NTR efforts? Perhaps they're Cumulus stations, where an exec has gone out from headquarters to stop doing low-payback NTR events. However, CEO Lew Dickey has been careful to note that the company isn't abandoning NTR—only NTR that isn't profitable.—JM

RAIA's Rosens want meetings on indies

RRA President/CEO Hilary Rosens announced 11/14 that new rules need to be constructed for independent promotion, and she plans on talking to the FCC and broadcasters about doing just that. The music industry is currently a severe slump and the labels are no longer willing to shell big dollars to the studios to get songs played on the radio. Rosen is hoping the FCC will come up with new, tougher payola rules for radio. She compared independent promotion companies ("nodes") to political contributions. "It's legal, but it's not illegal. It isn't really pay-for-play, but it's like political money. I don't buy you votes, but you just hope you don't get kicked out of the table."

Meanwhile, Salon.com columnist Eric Boehlert says labels are considering their own organized offensive against being squeezed out of radio independent promoters and others. In has "record companies. Save us from ourselves," story, labels are wondering if paying some $100,000 yearly to the radio stations in turn pass along money to radio stations whenever they add new songs to their playlists ("pay for play") is worth it. "The labels are going to ask the government to draw up strict guidelines that would wipe out the current pay-for-play systems—once they helped create to get around charges of payola—that pours millions of dollars into station coffers," Boehlert writes.—CM

Union attacks Cumulus director

Cumulus Media's COO (CMLS) 3070M in ideals to acquire Aurora Communications and DBBC LLC are expected to close this week, once shareholder votes are tabulated on Wednesday (3/2). That's despite efforts by the New England Health Care Employees Union (UNITE) to get the SEC to block the vote, charging that Holcombe Green has undisclosed conflicts of interest in his role as a director of Cumulus. The union has been locked in a bitter labor battle with Yale University, where Green is a trustee, and that's expanded to an attack on Green personally, as detailed on a union website, www.holcombegreennoforgan.com, which "examines the business acitivities" of Green and the various companies he has run or been affiliated with. "Green is not a direct investor in the two entities to which he is affiliated. However, Green has connections to the investors in these companies which are likely to affect his judgment in the case of the DirecTV and Weening, because he is a co-investor with them, in the case of Bank of America, because it is his principal creditor. Shareholders should be permitted to take these facts into account when evaluating whether or not to approve either transaction," the union said in its letter to the SEC.

Cumulus CEO Lew Dickey said Green's investments in CML Holdings, whose Cumulus stock is voted by former Executive Chairman Richard Weening, a very small and distant from an earlier investment in Weening's Quentin venture partnerships. And Dickey notes that CML is not an investor in DBBC, which is 96% owned by the Dickey Family and Richard Weening. Green was one of two outside directors who evaluated Cumulus' deal, with Gardner, Calvin and Douglas as an outside legal counsel, to acquire DBBC's three Nashville stations.

"So Holcombe had no interest in DBBC, so he was not conflicted, and Holcombe's interest in CML was disclosed to Gardner, Calvin and Gardner. Calvin dismissed it as immaterial. Certainly everything was above board," Dickey told RBR.

As for the suggestion that Green had a conflict because he owns money to Bank of America, whose affiliates are investors in both Aurora and Cumulus, Dickey noted that he also has a checking account at BofA.—JM

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RBR News Briefs

Smyth promoted at Greater Media

Peter Smyth needs to have new business cards printed again—this time to change just one letter, from COO to CEO. Smyth has been at Greater Media for nearly 16 years, rising from station GM to being named President and COO 16 months ago. Now he’s President and CEO. "We've worked with Peter Smyth in his current position and President, COO for 16 months and we're very pleased with the experience, hard work and management skill he has brought to the position and his forward-looking vision for the company," said Chairman John Bordes.—JM

The Hill comes to Las Vegas

The 107th Congress is sending a ten-member delegation to NAB 2002 in Las Vegas. They will serve as panelists at the Congressional Breakfast at the Hilton 4/8. Senator include Conrad Burns (R-MT) and Michael Crapo (R-ID). Coming from the House of Representatives will be John Dingell (D-MI, who is also receiving the NAB's Grover Cobb award), Richard Burr (R-NC), Gene Green (D-TX), Darrell Issa (R-CA), Charlie Roseman (R-ID). Jim Sensenbrenner (R-WI), Terry Lee (R-NH) and Greg Walden (R-OR) .—DS

Jean Rivers quits WOR radio show

Probably really due to being bounced out from her time slot from WOR AM NY in "WOR Radio Networks adding bill O'Reilly in May (Bob Grant moves to 5-7P, pushing her show forward): The New York Post's Page 6 reports. Rivers is giving up her WOR radio show after four years. "It's the first job I ever left," Rivers told Page Six. "It's sad, but it's time." —CM

400 "dis"-honor Olds in NYC

Unintended humor is often best, so RAIA President Gary Fries got one of the biggest laughs at the Bayliss Foundation Radio Boost when he introduced panelists. Radio News correspondent Stefan Tubb as "Ernest Tubb." Tubb, Stefan that was, the first former Bayliss scholarship recipient to be honored for his professional achievement. Some 400 people turned out for the black tie event, with Katz Media Group CEO Stu Olds in the hot seat as the "dis"-honoree. There were lots of goth stories and fake photos that purported to show Olds' Wisconsin hayseed. Each attendee received a bumper which featured a real photo of Stu, circa age 10, inscribed "Needa rep!"—JM
Two years later:  
Trag Keller's 
ABC RN

Trag Keller, ABC Radio Networks (ABC RN) President, took the reins (retire here June in 2000, replacing LynAndrews). Since we interviewed him a month before (www.rbr.com), he's pretty much accomplished all he set out to do—and a good deal more as well. Launching Sean Hannity and the Urban Advantage Network have come to mind, as well as upgrading ABC Radio News and expanding ESPN Radio's presence in the marketplace. ABCR's record-setting revenue growth is also a feather in his cap. 

Keller joined ABC Radio Networks as VP/ Eastern Sales in '94 and was appointed to EVP/Ad Sales and Marketing in '97. Prior to his work at ABC, Trag ran the Sales and Marketing office for AM/FM stations.

What has been your main modus operandi since taking the reins at ABC RN?

Focusing on growth, solidifying our distribution base, innovating in the new product and revenue stream models, building and strengthening my management team and people.

How have you changed the management style and structure of the network since taking those reins?

I'm one of a broader perspective of the whole power and potential of network radio and the quality of proprietary audio content. It allows me to see our operations and business model from this new perspective and it's allowed me to align the company to take advantage of the opportunities that exist there. I'm much more of a bottom-up than top-down kind of manager. I don't pretend to have all of the answers, but I rely on listening to people down the line who are close to the street, know what's going on and let that bubble to the top. I see that as an important way to drive business.

How has ABC Radio News increased its business since the 1991 tragedies?

We have been investment spending in news for a number of years. We've been growing it, as my supervise our different tiers of stations. And I think what happened with 9/11 is it made a lot of stations around the country realize that it does matter where you get your news. Radio is fast and foremost a server of the community of people. There was never a time like that was in those middle weeks of September when the combination of America became one radio station and was serving it. We estimate there were over 6,000 stations in the first few days taking our news.

The follow-up to all of that is I think a realization on the part of radio managers and GMs and operators is that they've got to be associated with news. Because you never want to be without it. When, God forbid, those times occur when you do need it.

Post 9/11, how many additional affiliates do you think ABC Radio News has signed?

I would say certainly in excess of 100, for FM and AM—from coast to coast coverage to 24/7.

Why did you take the gamble to hold back inventory in the 2002 upfront buying season (RRB 5/4, p.22)

We sell our product as a quality product, and we felt that it was a year when we felt that there was demand, high demand, for our product. We felt that instead of dropping our rate completely to take share in the upfront, we wanted, obviously, to try and maintain share—but not grow significantly.

What other trends are you seeing in the network radio business?

As I think stated when I started, content is key, to use an overused phrase. Look at major talent like Dan Patrick, Sean Hannity, Keith Olbermann. Bill O'Reilly. They're entering the business and the advertisers and allies are eating them up. You know, satellite radio needs and wants branded content with established megachurches like ESPN, Disney, and ABC News. New advertisers and categories are finding this network radio can really move their business.

What are your thoughts on XM and Sirius? Are they a threat to network radio, especially now since we're getting the idea they might be going local?

I don't think they're a threat. I think as a national vehicle, it's on its own. If there's something you can do to change the fact that's true, it's inevitable that XM was going to happen. That's what happens with technology as technology moves forward. We found an opportunity to partner with them because I maintain we are in the audio distribution business. I'm still on the fence as to whether or not it's really going to work, but if it does work, we've got a ticket in that horse race.

Tell us the story behind signing Hannity

Mitch Dolan, who is one of the biggest players in the business, and I had been friends for a long time. And before ever got our current jobs, we always said that if we do move along and get those jobs we would work together to keep the good talent we have in-house, and capitalize on the strengths of our owned and operated, how to take advantage of those strengths, and radio's power to make changes to the kinds of stations that we have, to kind of spread like wildfire. And the rest is history—140 stations signed up to date, in four months. That's the real deal.

What was it? What is your vision behind Urban Advantage Network?

We want to be the leaders in Urban radio programming and distribution for advertisers. The first couple of years have shown us the model works and provides a solid platform on which to build not only revenue and distribution, but also to be a major influence of public opinion in the Urban marketplace.

For example, we've formed a pioneering strategic alliance with the US Department of Health and Human Services and the Urban Advantage Network, called "Closing the Health Gap." It's an impacting public policy at HHS and also getting the word out to the African American community that they have to take advantage of those health programs. We're working directly with Sec. Thompson and it's going General on this campaign. This has also provided a new avenue for strengthening and growing our business in the healthcare and pharmaceutical segments.

How did the deal come about with Radio One signing on with LAN? You seemed to be at the right place at the right time on that one.

Well, focusing on growth. We're both the leaders in Urban programming. They had terrific distribution in top markets, so it made perfect sense for us to get together. They've been terrific partners and are fantastic to do business with.

What do you think Radio Disney's importance is to the radio medium?

Radio Disney is bringing kids into the medium—it's what the old ABC was when we were growing up: Top 40, but it's Top 40 for kids. It's important for them to take advantage of the kids. They're working directly with Sec. Thompson and it's going General on this campaign. This has also provided a new avenue for strengthening and growing our business in the healthcare and pharmaceutical segments.

And of course it's making money.

Explain how you've grown the ESPN brand on the radio so effectively.

We're now at over 200 stations, 24/7, at over 400 affiliates in so many ways, shape or form, growing 99% of the country including New York, Los Angeles and Chicago. That's pretty impressive stuff. It's simple—ESPN is one of the most powerful brands on the planet. We just needed to make sure we didn't screw it up! We stayed close to the folks in Bristol (CT), and the brand group, to make sure we have the respect and the buzz that we have on the radio delivers the brand promise of ESPN, the ultimate sports fan destination.

Are you involved in much cross-platform selling with your Disney counterparts?

Yes, we are involved with something called ABC Unlimited. We sell across all of the venues available to Walt Disney Company, but what we really do is take whatever we have on the radio and deliver the branded promise of ESPN, the ultimate sports fan destination.
Getting It Right Across America

Sean’s audience continues to grow. Join these great stations and watch your 25-34 ratings soar!

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<tr>
<th>Station</th>
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Triad: Seven markets and growing

"Quality is a lot more important to Triad than quantity," CFO David Benjamin said in explaining Triad Broadcasting's acquisition strategy. "We're never going to have a thousand stations, nor is that our aspiration." But Triad does want to grow beyond its current 42 stations.

"In house, things we refer to is a Triad kind of deal! And some are not," Benjamin explained. "We're very cognizant of trying to have our portfolio be coherent internally.

In general, Triad is looking for closures in markets 50-200. However, three of the company's seven current markets are smaller than market 200. Small market closures pack quite a wallop when it comes to cash flow," Benjamin said proudly.

As he went on to explain the idea of a "Triad kind of deal," Benjamin said he's looking for quality clusters in terms of market position and local management.

And they have to be growing markets. "Not every market's going to be Triad," he said, "Bouke is FL or Savannah is GA—they're not all going to be growing at that pace—but they ought to be solid, local economies, because in this business you are really the prisoner of your local market," he said. "The other criteria we have is we don't want to buy anything unless it has at least a million dollars in demonstrated cash flow. It's not cost-effective for us to manage it if doesn't have at least that amount."

Although Triad has made a few add-on acquisitions along the way, it has gradually bought up already-accelerated clusters, but while Triad is focused on certain attributes for its markets, it is not limited by geography. "We are spread out. We're operating in every time zone, except Hawaii," noted Benjamin. In fact, his company doesn't have a single station in the same time zone with corporate headquarters, which is in Monterey, CA.

While Triad doesn't currently have any acquisitions pending, Benjamin told RBR that he is working on some new deals in the Midwest and South, although nothing is yet to the liner of intent stage.

"I would say prices are down from the really frounty period of the last couple of years, but they're by no means cheap. That's good news and bad news," Benjamin explained. "On the one hand, we don't want what we have to be worth seven times cash flow, but on the other hand we're certainly not going to pay 17 times cash flow. Even in this environment, and what the industry's been through since 2001, there are no screaming bargains, but clearly the crazy, days are over—and I suspect they will be for some time."

In at least one way, though, he sees the current station trading environment as making more sense than what was sometimes seen in recent years.

"One of the major changes has been that there's a focus on demonstrable cash flow, rather than projected cash flow. So many transactions in the past have been done on projected numbers," said Benjamin. "I think that part of it is over for sure.

Public vs. private: Is there really much difference?

For CFO Tom Douglas, joining Triad Broadcasting in 1999 marked a return to the radio industry after a stint with an electronics manufacturer. Douglas had been CFO of Osborne Communications Corp. when it was a public radio company, until it was sold to Capstar in 1997.

Although he's now with a private radio company, Douglas says the fiscal discipline is much the same as being a public company.

"We don't have public stakeholders, obviously, so we do not have to deal with public filings and the SEC and a broad shareholder group, including shareholder analysts," Douglas noted. "But basically everything else is the same. Our directors are our major institutional equity financing groups, so our shareholders are very visible and we communicate directly with them on a regular basis. Instead of hundreds of them, it's just a few."

While public companies are sometimes criticized for operating quarter to quarter, Douglas says the common perception that public companies think short term and private ones long term is an oversimplification. "You can want to be thinking short-term and long term at the same time. So I think you have the ability to plan out a little bit in the future, and not have to be slave to short-term or long-term comparisons, but I think you want to run your business to the maximum both in the short term and the long term."

As CFO, Douglas spends much of his time dealing with Triad's lenders and equity backers, letting them know how the stations are doing and lining up financing for additional acquisitions. Triad's principal investors are NorthWest Equity Partners, Bank of America Capital, Shamrock Capital Advisors and George Couch, a major Anaheim-Busch distributor who's been a long-time friend and business associate to CEO David Benjamin. Triad's banking syndicate is led by Key Bank.

So while it might seem strange at first glance to have the CFO in Connecticut while the rest of corporate headquarters is in California, there are actually advantages since many of those financial contacts are also in the Eastern Time Zone, as is the company's corporate law firm and its FCC counsel. So the CFO spends a week or two each month on the West Coast, but the bulk of his time at his East Coast office.

Of course, Douglas is also in constant contact with Triad's market managers to compare actual results to budgeting and to prepare budgets for the next year. "To the extent that the performance year over year would be better or worse, or we think there are things that need to be worked on, we would share with that the managers, but the first cut of the budget certainly is built at the station level," he said of the annual budget process. Each market's budget then goes through several stages of back and forth development until CEO David Benjamin, Douglas and the local market manager agree on what targets are set for the next year—both for revenues and expenses.

To convention or not to convention?

As an active member of both the NAB and the RAB, David Benjamin is a supporter of the radio industry's annual conventions. But he told RBR that for a Triad manager to attend a convention, the expense has to be justified—there has to be a specific reason for that manager to attend an event.

"And I must say, as the industry has consolidated, the advantage of individual market people being at a lot of the events has diminished because there are so few that go," said Benjamin, noting that some of the large radio groups have taken all such events out of their managers' budgets.

"Although we have representation at most of the meetings, we don't have policies that we're going to have everybody there—or nobody there," he said.

Benjamin laughed at the suggestion that some groups have barred local managers from attending conventions because they're afraid of losing them to other companies. All of Triad's managers certainly know other people in the business and they have phones, he noted. "I don't think keeping people out of conventions is going to stop employee turnover," said Benjamin.

Triad: What's in a name?

While the name of Triad Broadcasting goes back to the company's first deal, before it was actually a company, when David Karmazin and Judy Peterson, who had been Vice President of Clear Channel Communications company, Community Pacific Broadcasting, were lining up the purchase of radio stations in the Washington, DC market.

"We had really three entities involved in that project—myself, NorWest, they were the principal backers of Community Pacific, specifically, and the partners were George Couch, who's an Anaheim-Busch distributor. Hence, Triad," Benjamin explained.

Strengthened Benjamin has added Bank of America Capital and Shamrock Capital Advisors as financial backers, but he's not about to amend the name. "What is a Triad? It's really three different legs that all bring strength. George Couch is probably the biggest radio user in his market—a huge radio user. In NorWest's hands, we have a bunch of companies, and then myself, we all bring a different perspective—but a very cooperative and constructive perspective."
Edwards scores first radio buy

TV veteran Eddie Edwards said his new company would buy both radio and TV (RRR 1/14, p. 14) — and he has indeed struck first with a tactic tried by Edwards Broadcasting Inc., the publicly traded spinoff of WCSSZ-AM San Simeon, CA, in the Greenville-Spartanburg market. The price tag is considered not much more than the $390K that Glenn and Charles Cherry’s Tama Group LLC paid for the station in 1996.

Edwards’ first FCC filing for his new company shows that he owns 9% of the equity of Edwards Broadcasting, but has 100% voting control.

RBR observation: Edwards will also be getting a somewhat improved signal for WCSSZ. At the same time the sale was filed with the FCC, the licensee also filed an application to slightly modify the 50kW daytime signal and increase nighttime power from 1.1kW to 1.9kW.

Glenn Cherry told RBR that the upgrade will improve cover of Spartanburg during the day and the entire market at night.

Business looking good in smaller markets

Medium and small-market radio panelists told the Kagan Radio Summit in New York (3/14) that business is looking pretty solid. Skip Wellner, President and CEO/Radio at NextMedia Group, said so for January was up 12% for his group and NextMedia is targeting 6% growth for 2000. “The marketing side has never been better,” he said.

Charlie Barton, CEO of Momentum Broadcasting, said his still-young company is looking for growth of 10-11%. Even so, the group owners say business is coming in low so they have no forward visibility, just the confidence of seeing sales growth build month by month.

While many broadcasters have been saying that satellite radio poses no threat, Wellner decided to check out the competition. He bought an XM receiver for his own car: “I’m not concerned about them,” was his verdict.

“It’s easy for me to look local, local, local,” said Rolland Johnson, CEO of Three Eagles Communications, of how his group defends its turf — both from satellite and remote voice-tracking by terrestrial competitors. Johnson condemned the practice of having DJs claim on the air to be in one town, when they’re actually hundreds of miles away. “To me that’s false and misleading. It borders on fraud,” said Johnson.

Regent files $250M shell registration

Terry Jacobs already had his work in the works when he heard investment bankers at the Kagan Radio Summit advising public companies to move on debt and equity offerings as soon as possible — since no one knows when the window will close. Regent Communications (RBCGQ) has filed with the SEC to offer up to $250M in new securities — stock, bonds, preferred stock or just about anything else you can think of. No underwriters yet listed.

Interop Q4 revenues down

It’s no secret that Q4 — indeed all of 2001 — was awful for national radio spot sales, and Interop reported the last budget week Q4. Q4 radio commission revenues fell 26% to $19.5M and operating EBITDA plunged 93% to $800K. For the full year 2001, commission revenues declined 19% to $80.4M and EBITDA plunged 77% to $5.6M. However, the company said, “if $14M in severance costs (due to an internal cost-saving program) and $1.2M in legal and other fees relating to acquisitions and the settlement of litigation are excluded, operating EBITDA was $10.2M for the full year 2001.” That would have cut the decline to 59%.

In his conference call with analysts, CEO Ralph Guild stock with a projection that 2002 revenues will be flat to up slightly, with the same for Q1. But due to cost controls, he expects to produce EBITDA of $17.18M even if revenues are flat.

“Due to several positive signs in the first quarter,” Guild stated. “Half of all radio ad categories are now pacing up, compared to the first quarter of 2001. Some of these include movies, fast food, restaurants, airlines, cable advertising, beer and wine and banking institutions. Automotive, which is radio’s third-largest category, is up 20%. Telecommunications, our second-biggest category, is up 30% and retail, which is one of the barometers of radio advertising revenue — growth or decline — and our other categories, is now up in single digits.” Guild also reported that Interop’s Internet sales division will operate in the black for the first time this month and not longer serve as a drag on earnings.

Beasley gets new terms from its banks

Another broadcaster has gotten some breathing room from its bankers. Beasley Broadcast Group (B BBOQ) announced that its loan covenants have been revised to allow its debt-to-EBITDA leverage to go to a maximum of 7.25 times as of 3/31, declining to seven times on 6/30, 6.75 times on 9/30 and 6.25 times on 12/31.

After applying $19.6M in net cash proceeds from its sale of WRNO-FM & KMZT-FM New Orleans to Wilks Broadcasting for $23M—a deal which closed 2/15 — Beasley will have $350M in senior debt. Beasley’s bank group includes Fleet, Bank of America, Bank of New York and Bank of Montreal.

XM gets Wall Street whiplash

The stock price of XM Satellite Radio (O:XSAT) plunged 22% on 3/19 to $13 after the Dow Jones Newswires ran a story noting that XM’s auditor, KPMG, had included a caution in its audit that the company’s need for future cash “raises substantial doubt about our ability to continue as a going concern.”

The Dow Jones story spoke to some investors, who apparently were not aware that the warning was routine. The stock went into a slide and prompted XM to issue a statement: “XM wishes to reaffirm the company’s confidence in its ability to raise sufficient capital to fund its operations on an ongoing basis,” that statement said in part.

Sinco Satellite Radio (O:SRS) has not yet filed its 2001 10-K. However, its auditor, Arthur Andersen, did not include a “going concern” caution in its audit statement for 2000.

RBR observation: Shouldn’t investors be paying more attention to where they’re putting their money? If (they didn’t know that) XM was an early stage company with high capital demands, and that “going concern” statements were boilerplate for the audit statements on such companies, what were they doing buying the stock?

We know of plenty of reasons to avoid this stock, but the KPMG statement isn’t one of them.

Media Markets and Money

By Jack Messimer

No wonder many high-ranking people in the radio industry are so mad; we’re spending billions of dollars on a business that has no national focus. Let’s look at the alternatives.

The first alternative is national media, where the national media companies own all the radio stations, such as theimedia partnership of Clear Channel—who owns 1,300 stations—or CBS, which owns 700 stations.

Then there is the Katz Radio Group, which owns 200 stations and other regional media companies, such as CBS Radio and Westwood One, that have national in-house production capabilities.

One final alternative is the local media companies, which control most of the radio stations. The key is to control the airwaves, but under the current regulations, it’s next to impossible for a single company to own more than a few licenses.

The answer lies somewhere in between national and local media, and the decision is up to the FCC.

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