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Voice of the Radio Broadcasting Industry[®]

October 2003

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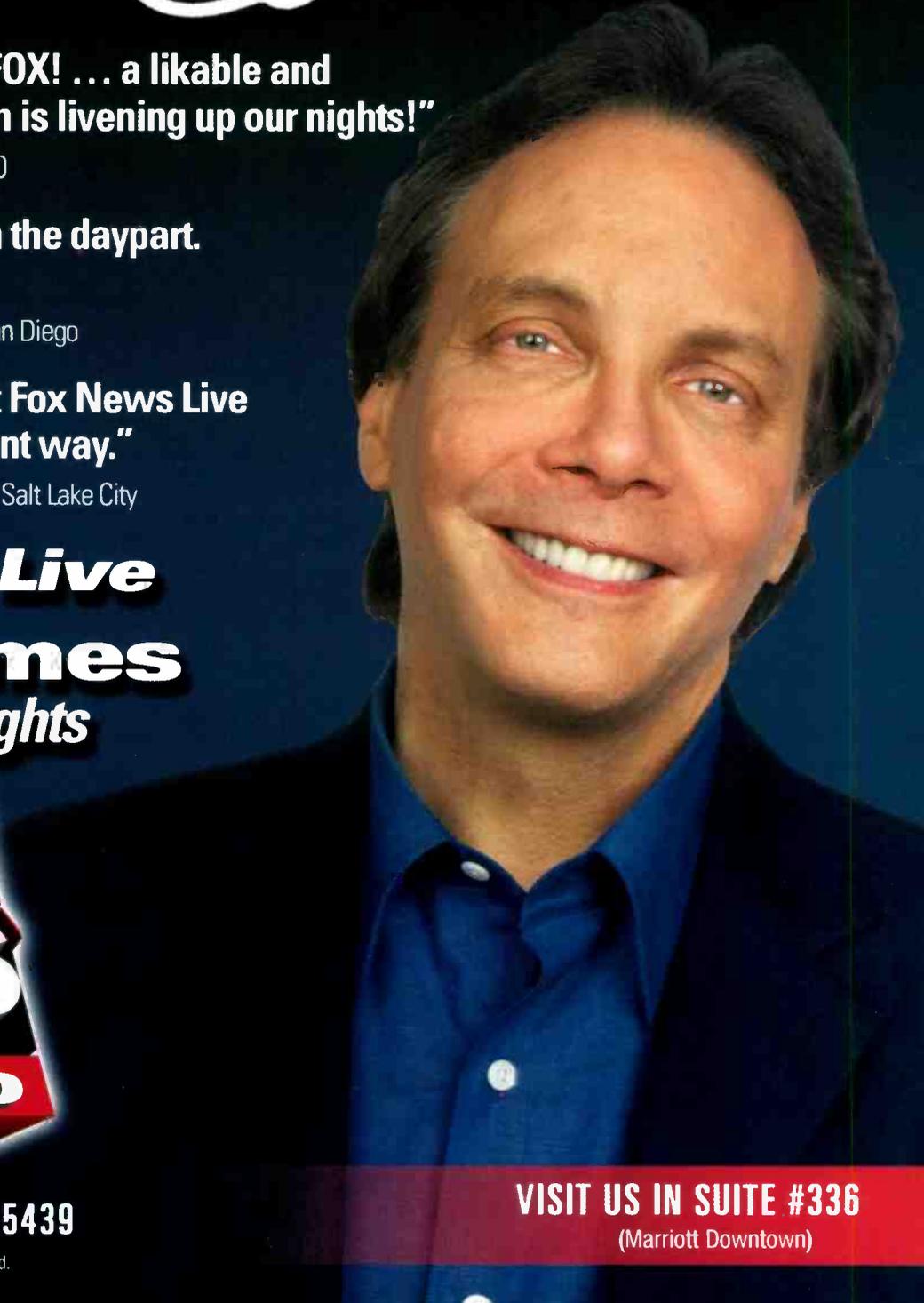
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Market schmarket: Who's in competition with whom?

How is the government supposed to come up with coherent broadcast rules when it can't even figure out what a market is, and who is elbow-to-elbow to whom trying to extract a healthy forkfull out of the advertising pie?



Forget the debate over contour vs. Arbitron for determining radio markets. Look at these two statements from the FCC Univision/HBC ruling. From the joint statement of **Michael Powell**, **Kathleen Abernathy** and **Kevin Martin**: "Both the FCC and the DOJ have long maintained

that television and radio are separate markets. In this transaction, a pure television company is buying a pure radio company and thus there is no reduction in competition."

Now this from Democrat **Jonathan Adelstein**: "...the FCC just this summer affirmed that it views radio and television in the same market for diversity purposes."

Are these people in the same FCC?

Let us answer this question: An advertiser is not in the business of advertising. An advertiser only cares about one thing: driving business. The advertiser will use any medium which works and is cost-effective.

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If you don't believe us, ask any AE from any one of these media.

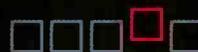
FCC's new definition is adverse in Traverse

Midwestern Broadcasting Company (MBC), one of several licensees operating large station "clusters" in the Traverse City-Petoskey MI Arbitron market, has filed a petition for reconsideration with the FCC rules. MBC's gripe? Using Arbitron definitions to determine market size and cluster limits, a move which MBC characterizes as "arbitrary and capricious."

Citing the "nefarious methodology of the Arbitron ratings organizations," MBC wrote, "Arbitron has a history of errors in market determinations. Arbitron's determination of 'Arbitron Metro' radio markets is not uniform, impartial, rational and coherent, but rather is based upon Arbitron's need to sell its ratings data to subscribers and the various agendas of its subscribers."

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MBC says that in its own market, subscribers pick and choose which counties are in or out of the Arbitron book.

"Further," continues MBC, "[MBC] requests that the Commission on reconsideration recognize 'satellite' radio stations in a manner similar to its recognition of 'satellite' television stations...so that such 'satellite' radio stations would not count against the maximum quota of radio stations in a given market that a broadcaster is permitted to own."

RBR observation: Traverse City-Petoskey is one of those far-flung markets which has been balled together with wire, paste, bubble gum, epoxy and duct tape. Just for starters, note that the two cities mentioned in the market's Arbitron name are a good 60 miles apart. The extremities of what is considered to be in the market are much farther apart than that.

To cover this market, it is necessary to have a lot of radio stations, and at our last count, there were four robust superduopolies in action, all of them bigger than you'd expect the law would allow in what is a very small market—Arbitron currently ranks it #192.

This is possible under the contour method. And the satellite stations MWB mentions are necessary since so few stations cover the whole market.

The Arbitron market definition would artificially cap the number of stations the groups there can own based on Arbitron's artificial market definition rather than the real-life definition provided by the contour method still in place.

Ironically, one of the original justifications for upping local radio station ownership caps was to create exactly the kind of regional radio programming operations that are flourishing in this market. In changing the way radio markets are defined, the FCC would be undoing one of its original rationales for allowing superduopolies in the first place!

The bottom line is this: There are many worms in the Arbitron market definition. We think

Arbitron is well aware of this, and to this day, Arbitron itself has been silent on the topic of its unrequested involvement in this issue. We predict there will be a great deal of nostalgia for the good old contour days -- from all parties -- if the Arbitron definition eventually takes hold.

Mixed review for radio clusters

Lehman Brothers has released a study which illustrates the pros and cons of radio station clustering. It's mixed conclusion: pricing power has improved, but ratings power has declined, leading to subpar overall performance.

The study, put together by **William M. Meyers, Scott J. Cohen** and **Michael Simpson**, includes 700 clusters in 250 markets.



William M. Meyers

LB concludes that cluster operators rake in 30% more revenue than their share of ratings would indicate. However, such clusters have been bleeding audience share at a rate that revenue gains are actually below market performance overall.

These tendencies are said to be stronger in smaller markets.

Groups can be grouped by the success of their clusters, although LB does not necessarily credit such success strictly to operational savvy. Rather, companies which tended to build their clusters with sticks and turnarounds had more room to improve.

Such stronger-performing groups include Radio One, Emmis, Cox and Entercom.

Soft-growth companies include Infinity, Citadel, Beasley and Saga.



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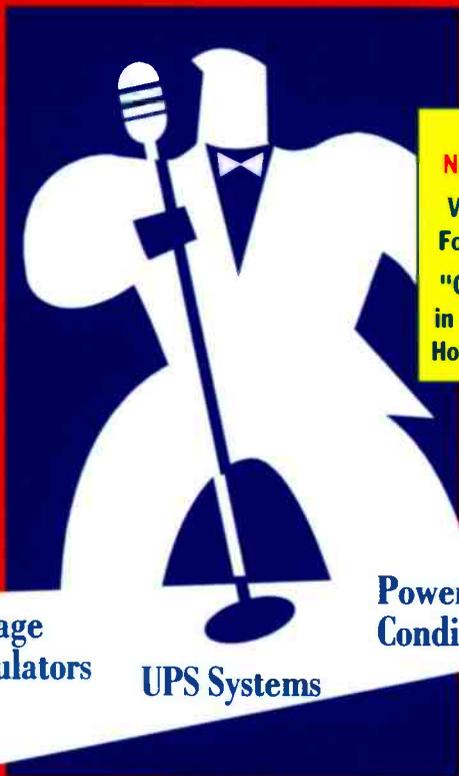
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"Bluto" speaks! Exclusive observations from Randy Michaels

Clear Channel's Randy Michaels finally got tired of RBR knocking on his door and agreed to offer some observations on the Washington circus.

On consolidation:

"It's amazing that anyone in Congress is upset with broadcasters who looked at the Telecom Bill of 1996 and did what that bill allowed them to do. Clear Channel should be admired for acting quickly to reshape the company when the rules were changed. Companies that did not take full advantage of the rules that were changed for everyone in the same way at the same time should get dunce caps. If some in Congress are unhappy with the results of the '96 Telecom legislation, they should be upset with the Congressmen who crafted and voted for it, not the broadcasters who followed the new law."

On flaws in the new radio market definition:

"Basing the new rules on markets as designated by Arbitron and BIA is worse than the old contour method. Arbitron geography and "home station" assignments can be manipulated by subscribing broadcasters. BIA's market definitions don't follow any strict set of guidelines."

"If BIA used some objective standard to determine what stations are in a market, then that standard could be adopted by the Commission. But BIA does not have set standards. Many assignments are inconsistent, and in some cases just wrong. It's as if the FCC, unable to craft a method of assigning stations to markets, has decided to solve the problem by using BIA, which isn't sure how to assign stations to markets either."

On looking for a workable definition

"The FCC's contour definition, originally designed to restrict ownership of overlapping big signals, sometimes had the opposite effect when the FCC decided to use the number of stations intersecting with contour unions as the denominator in determining station count by market. This is obviously flawed, and there are many fixes for the problem. Ignoring contours isn't a logical one. No system that does not consider both geography and coverage (contours) is going to work as the FCC would like."

Know The Facts

Clear Channel Radio Myth vs. Fact

MYTH: Clear Channel Radio sells its stations on a "clustered" basis.

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MYTH: Clear Channel Radio has increased the cost of buying radio time.

FACT: **Rates are a function of the marketplace**—it's Economics 101. If demand increases, rates will likely increase and if demand decreases, rates will likely decrease. Clear Channel Radio operates in a highly competitive marketplace and **CANNOT** unilaterally "raise rates."

MYTH: Local rates differ from national rates.

FACT: **At Clear Channel Radio, the rate is the rate.** Clear Channel Radio prices inventory the same regardless of who sells it. Our inventory management program, TradeWinds, provides real-time pricing and is used by both local and national sellers. There is no difference in pricing based upon who sells it, but rather the terms, conditions, and timing of a buy ultimately affects costs.

<http://knowthefacts.clearchannel.com>



We ask GMs (and others)—When is the right time to change formats?

Jeff Parke, Anaheim Broadcasting Corp.'s

KOLA-FM, KCAL-FM Riverside-San Bernardino, CA

Bill Figenshu, President Western Region, Citadel Communications

Cary Pahigian, President/GM Portland Radio Group/
Saga Communications



Parke: Certainly, if things are working properly, it's never the right time. But I would think that the time you start investigating it would be once you've seen perhaps at least a year of decline in your ratings. And then, providing that that decline in ratings can be correlated with a decline in revenue, then it's time to investigate a change in format.

With trends coming out now and access to good Arbitron data on a monthly basis, you can see so many highs and lows. I've seen stations in the market where I know for a fact their revenue is not doing well. I can tell from monitoring them and they're not getting on some large pieces of business. Even from talking to their personnel—that they're in a slump. And yet, you'll watch the ratings and say, "Geez, what's the problem?" They seem to be trending up, there seems to be some pretty good acceptance in the market. So it must be a sales staff issue. Maybe they need a new SM, maybe that's that problem.

But if you look at your people and ascertain that's not the problem, and maybe, while you did have a few good trends, the buying market is still not looking at you as a viable marketing source, then I would probably wait as long as a year though before I would pull the trigger on a format change.

The other thing would be if you suddenly had a large, deep-pocketed competitor that went right after you. Maybe you're a small independent, which is what we are, and you had Clear Channel or Infinity coming right after you and you knew with the money that they had, they could make you vulnerable, then you might want to start looking at some kind of research company to do a full-blown perceptual and see if there's any other holes in the market.

Under either one of those circumstances, that would also be my next move, though. Even if I had the 12 months of bad trends and bad revenue, I'd still hire out somebody. We always keep enough research budget available in the event that we would need to do something like this. And then I would go out and hire them to do a full research study and see if there was some type of a viable format where there was a hole, and then start taking the steps to go after it there.

We're in a shadow market where we've had anywhere from five direct competitors on KCAL to at least two coming right at us on KOLA from LA. Not to mention, within our own market within the last six-seven years, we've

had 103.9 as a competitor for KCAL. And there's been some lean times. But I look back and say, "Well, wait a minute, we've got the heritage station. In the law of positioning, we should be able to win the battle." Maybe it's just a matter of fine tuning, and let's make them leave the format. We've always been able to come out on top with both of our stations. And now on KCAL, we just absolutely dominate the Rock war that exists in this market, whether it be against X-103.9 or KLOS and KROQ, which penetrate the market. But we're #1 in all of our target demos. Now we're just down to K-Earth as a competitor on KOLA. But we do have the luxury that K-Earth doesn't want to be a player in this market. They don't try to get ratings in Riverside-San Bernardino.



Figenshu: When there's absolutely no chance to grow the station in the next year from a revenue standpoint. It's very typical of a Broadway show. If a Broadway show isn't selling seats—they're looking at their advance sales—its not going to happen. It's the same thing—if you look at the format, decide that you can't grow it over the next 12 months, and it's not a sales problem, then it should be changed.

For example, I find that people change Oldies formats because they think they can't grow. When, in fact, it's sometimes a sales problem. They're just not the biggest format in town, so there's pressure from the buyers that say, "Hey, I need younger demos." So we go ahead and flip a format even if it's got solid ratings.



Pahigian: There are a number of questions you have to ask yourself. First, from a programming standpoint, a very wise man once taught me it's great to be a great programmer, but it's more important to be a great counter-programmer. So I'd say first, surveying the landscape of the market to see if there's an actual opportunity or void in the

market that would make programming sense. Number two, you can have the greatest programming idea in the world, and if no one in the advertising community cares, it will be a flop. You have to see if there's a need, if you will, on the advertising and revenue side. Third, I think there's a great distinction between the large markets and the small markets. In the large markets, you can create a three share and make money, particularly if it fits nicely in your cluster portfolio. However, in a smaller or medium market, whether there's Arbitron or not, you really have to make many of your format decisions based on being advertiser-friendly and being wanted. I mean you can have a 10 share format in a small market that just doesn't feel right for the market. A niche format or one that isn't as advertiser-friendly certainly can be very difficult, regardless of following on the listener side.



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RADAR's frequency, stewardship from nets lacking?

On the topic of improving network radio, a big three automaker media buyer recently told *RBR* off the record: "They need to make their stuff easier to steward: RADAR comes out four times per year, whereas if you buy television you can get national Nielsen numbers for network within 24 hours and cable is about 36 hours for most of it. For radio, you have to wait for four times a year and you have to fight for stewardship (accountability, verification)—the networks simply don't offer it. It puts them, in my opinion, in a serious competitive disadvantage."

You mean your dollars are going elsewhere because of this problem? "Well, if your client says, 'Can you verify the audience?' With television, you can verify it bing, bing, bing—you've got a guarantee. With radio, as a buyer or an agency, you have to turn yourself inside out. The numbers are not available on a regular basis and the networks don't take a sense of responsibility to do it themselves."

The buyer summed it up, "I think the current system is something that could be improved with frequency and the networks need to do better stewardship."



We asked **Natalie Swed Stone**, Managing Partner/Director of National Radio Services, OMD USA if she concurred with what this buyer had to say: "There are two separate issues as I see it: One is audience measurement to network radio and the other is accountability and stewardship of a schedule by the networks. The problem is

that some of the networks misunderstand the difference and pass their responsibility for accountability and stewardship onto the party responsible for audience measurement (in this case RADAR)."

She adds that she believes this behavior is an obvious disservice to RADAR and a disservice to clients: "The networks have for too long assumed that by having a reputable research company such as RADAR, they would be absolved of accountability and stewardship. It is true that the maintenance and stewardship of network radio schedules is not where it should be and does not compare to the attention paid by the network TV sellers to this area of the business. It is also true that radio networks have not trained their staffs to respond to and

encourage accountability requests. This is not simply about passing the buck to RADAR—RADAR is what it is—an audience measurement tool. The networks need to get their act together in providing accountability on the back end—after the buy is made, providing proof of performance in a timely fashion. Currently, proof of performance is not tied to payment and payment is made before proof is given. The advertisers have been operating in good faith—with technology where it is. It's time for the networks to provide the proof of performance before payment is expected—within 30 days, if not sooner—this is a real issue—and it is time that the industry understand the difference between audience measurement and accountability and stop hiding behind RADAR's cover."



"We stand by RADAR's unique ability to measure audience to cleared commercials—something that cable does not do," says ABC Radio Networks President **Traug Keller**. "However, on the stewardship side, I think that we as a medium have probably fallen short here. At ABC, we put together a commercial delivery and reporting task force

whose main objective is to improve clearance management—retrieving data from affiliate systems so as to shorten the time it takes to report clearance information. We are currently evaluating proposals from a half-dozen firms to assist us in getting this done."

Adds Dr. **Tom Evans**, ABC Radio Networks' SVP/Research: "When you do post-analysis, and request RADAR post-analysis, you can see the networks are delivering what they say they deliver. If a buyer wants overnight clearance information, that would be very good to have. The difficulty would be the cost of implementing that type of system. And one of the advantages of network radio is its efficiency. And all of the sudden the efficiencies might go out the window if you have overnights. And all it would show is that the stations are clearing as they have historically cleared in the past."



Rich Russo, JL Media's Director of Broadcast Services agrees, citing that radio has always been an "after-the-fact" research medium. "Which is why posting will never work in radio, with the RADAR exception, but always months behind. The radio companies and networks could never justify the investment to get instantaneous research, nor could you ever prove how much the medium is losing because of it. It's a non-issue."

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Men 25-54 AQH Share Increases – Spring 2002 vs. Spring 2003

WGST-AM	Atlanta	2.7 to 3.9	UP 44%
KPRC-AM	Houston	3.1 to 5.6	UP 81%
WFLA-AM	Tampa	5.5 to 12.1	UP 118%
WTAM-AM	Cleveland	4.7 to 9.0	UP 92%
KFTK-FM	St Louis	1.3 to 5.1	UP 292%
WOAI-AM	San Antonio	5.5 to 8.6	UP 56%
WJNO-AM	West Palm	2.1 to 6.4	UP 205%
KTOK-AM	Oklahoma City	4.6 to 8.8	UP 91%
WGY-AM	Albany	2.8 to 6.4	UP 129%
KFAQ-AM	Tulsa	1.7 to 7.5	UP 341%



For more information call 212.445.3935

Source: Arbitron Spring 2002 vs. Spring 2003. M25-54 AQH Share Increases. Exact times.

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Verance, Mediaguide possible solutions?

We asked the automotive buyer if the recent Verance deal with Premiere Radio Networks (8/20 RBR Daily Epaper #163), (8/26 RBR Daily Epaper #167) for quicker spot clearance reporting could help change the picture. It's more of a test of the system right now, more than anything else.

"I've seen a lot of stuff come and go," the buyer explained. "My favorite was a people meter-type thing that they had in the rooms of households. I've forgotten the name, it was in the middle 80's. It was going to be able to tell you who was viewing by the size and the heat of the warmth of the body. What happens if two people start 'doing it' in the living room or if a great big St. Bernard comes in and they don't know if it's the St. Bernard or mom?"

The buyer has a point, funny as it may be. However, the demand is high and the technology has improved since the mid-80s. As Verance CEO **Steven Saslow** had mentioned in the 8/26 write-up, Swed Stone assisted in the arrangement with Premiere. She's optimistic that the six-month testing of the system will help drive a permanent solution to the issues network radio is dealing with and potentially bring more confidence—and money—to the medium: "We applaud Premiere's contract with Verance—this is a step in the right direction—proof of performance can be generated within seven days or earlier—ask a network now and some will tell you 90 days. I agree that this is an issue. The single most important issue needing to be addressed in the network radio business. There are advertisers who need to see this improved before they will have confidence in spending large amounts of money in the medium."

Dial-Global Co-President/CEO **David Landau** tells RBR they've been very proactive in pursuing a relationship with Verance: "What Dial-Global has requested from Verance is some sort of electronic affidavit retrieval system.



We advised them during a meeting that this would be a great help to us, even if it was limited to say the top 50 markets. The retrieval of affidavits is a very time-consuming and laborious effort, plus there are now logistical problems with the various stations that make our attention to detail much more exacting. If a system could be perfected, it would make our job much more efficient. We told Verance if this could be provided, we would sign a contract with them immediately. However, we were told by Verance that their technology 'was not perfected yet.'

Dial-Global is obviously committed to these goals, with its upcoming addition of another RADAR network (9/12 RBR Daily Epaper #179).

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The screenshot shows the Radio Business Report website interface. At the top, it says "Radio Business Report Voice of the Radio Broadcasting Industry". Below that, there are sections for "Career Ads" and "Publishers Perspective". The "Career Ads" section lists a "SVP / Director of Sales" position at "Infinity Radio Houston". There are buttons for "RADIO CAREERS", "TV CAREERS", "SUBMIT JOB", and "POSITIONS WANTED". A "Radio News" section at the bottom mentions "Radio Index at record high".

Place your Career ad or have any questions? Contact me: Cathy Carnegie CJCarnegie@mediaheadhunters.com or fax a note: 813 909-2986

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Ira Berger, Director of National Broadcast, The Richards Group brings up a major fly in the ointment for overnight clearance information for network radio. He should know, being from both sides of the desk. Berger ran a bunch of offices for Westwood One for a long time and was a major buyer at Needham for Sears previous to that.

"I see it for local more than national. I've got my doubts if it's ever

going to work nationally. And it's got nothing to do with Verance," says Berger. "It's at the station level. If you're a station in a market, you might be getting the same commercial from tons of different sources on the network side. You might be an affiliate of a network, you might have a prep service you're getting from someone else, you might have a show you're taking from someone else. We'll pick a client of ours—say Motel 6. Some station in a metro is going to get six of the same commercials from six different sources. And I've got absolutely no faith at the local station level that out of the same commercial, they're going to slug the right one in and credit it when they're supposed to for that syndicator or that network. They're just going to slip the commercial in. So even though it's encoded, it might be encoded to say CBS, when it's really some prep service that they're wording it for."

On the local side, Berger says it would be simple: If he makes a local buy for Motel 6, he will send that one station in the market one commercial. "Now if there's a national buy and then there's a spot overlay, it can a little complicated. But with the straight local situation, you won't have the kind of problems I described on the national side."

So it's logistically almost impossible for the system to work properly? "Yes, that's how I see it," attests Berger. "If someone can come show me how that gets solved, which really isn't a high-tech kind of thing, it's somebody at the station, it's almost a human kind of thing. They've got to slug the exact right commercial in when they're sitting there with six different commercials, all the same thing. I'm not dissing it, I'm not negative on it. It's just if you can show me how you're going to overcome that problem, you're nowhere."

We offer a possible solution: The Motel 6 spot has two inaudible tones. One tone universally recognizes the spot ran. The other specifies the network's/syndicator's tone. Somehow if the system could be arranged for the universal tone to register for any party that scheduled that spot to run at that time, it should be enough, right? ABC, for example, would know that the spot ran when it should have. It won't necessar-

ily say it came from ABC, but the buyers will at least know the spot ran when it should have. Just a thought.

But wait—there's another new player in the space, ASCAP's Mediaguide (9/15 *RBR* Daily Epaper #180). Already, this new competitor to BDS and Mediabase 24/7 is monitoring more than 2,200 stations in 200 markets—and it can monitor both music and ads. The key differentiator is the way the Mediaguide network has been designed, and the way their fingerprint technology conducts real-time monitoring. Any content that a client needs to monitor is sent to Mediaguide, and a unique set of fingerprints is created. As a piece of music, advertising or promo airs, Mediaguide's technology goes to work comparing and matching it against the millions of fingerprints that reside in its memory.



CEO **George Searle** tells *RBR* Verance's use of watermarking for content recognition requires the active cooperation of content owners or broadcasters, "presenting a logistics nightmare and limiting applications that need to work on legacy content. Mediaguide's monitoring technology operates directly on the content, so the content doesn't need to be modified before release and there is no code or watermark to attack or alter. Mediaguide does not require any

cooperation or set-up by the station being monitored."

So, can Mediaguide deliver to advertisers overnight clearance information for network radio ads? What might the cost be?

"Watermarking for content recognition is redundant, if not extraneous; and the introduction of extraneous information to any auditing process breeds confusion, rather than clarification," says Searle. "Content is self-identifying and no additional signaling is needed. The objective to broadcast auditing is to verify that content, and not some arbitrary code, is played. As Mediaguide's monitoring technology operates directly on the content, that's exactly what we do. In Ira's example, Mediaguide would simply verify each of the Motel 6 commercials played by the local station—that the entire commercial and correct copy aired, at what time and in what rotation, regardless of whether the commercial was encoded by or for the syndicator or the network...or whether the commercial was encoded at all."

"The cost of delivering overnight clearance information will be dependent upon the customer's requirements for number of stations and number of markets monitored," adds **Steve Lubin**, Mediaguide VP/Strategy, Business Development.

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Just take a gander at this star-studded cast!



Randy "Bluto" Michaels: The crazed, pants-dropping emotional center of the derelict ClearHouse fraternity. Collected massive amounts of beer (which translates to radio stations) and whiskey (radio stations in Ohio). Bluto's modus operandi was in large part the catalyst for the massive food fight which ensued. But Bluto missed out on most of it—he broke one too many whiskey bottles over his head, and was shipped to a quiet corner of the campus by **Cowboy Lowry "Come What" Mays**.

John "Coldcut" Hogan: Named by Cowboy Lowry to take over for Bluto as the new President of the ClearHouse fraternity—Hogan's Heroes do their best to continue guzzling stations in the great Bluto tradition, but strive to avoid attracting unwanted attention by eliminating the pants-dropping incidents. However, use of LMAs (local malt-fermentation agreements) attracts unwanted attention anyway. And this is to say nothing of the furor when the ClearHouse "Why Not" Minot chapter was found with the lights out.



Michael "I'm Calling The" Copps: Governing board member who fears that ClearHouse and other fraternities like it threaten to destroy Campus As We Know It. For example, if such frats go unchecked, students will only have two or three brands of beer to choose from, and they'll only hear about student council candidates acceptable to ClearHouse's **Rush "Going Out On A"**

Limbaugh. Also down on campus loudmouths like **Howard "Stem To" Stern** and others. Frustrated in his attempts to clean out their wallets and rescind their student IDs, he has put them all on "double secret probation."

Mel "Zenmaster" Karmazin: Conceptually allied to Bluto, although with a contrasting style—the head of the multifaceted Viacom-And-Get-It frat. The frat wants more TV chapters. In fact, it HAS more TV chapters—it's just waiting for the campus by-laws to change so it can permanently ensconce them into the asset portfolio. Ran headfirst into trouble with Copps when two of his underclassmen (**Dopey** and **Anthraxie**) induced a pair of pledges to put "fizzies" in the campus chapel.



Michael "Let's Colin the Whole Thing Offspring" Powell: Also known as "The Chairmeister"—Head of the governing board. When professors for the DC Circuit sent back a couple of term papers for corrections, Powell tore up the old Greek by-laws, producing a new magnum opus (delivered by **Ferree** boat) that thrilled his two friends on the board, but infuriated almost everyone else—one way or another. The Cowboy didn't like some of the definition changes. Meanwhile, Zenmaster,

who after breaking out his microscope spotted a remaining restriction or two, thought it didn't go far enough. Also infuriated was Copps, who wanted to hold student council meetings about it all over the campus. Not only did Powell snub the meetings, he refused to release any funding for pre-meeting leaflets and campus shuttle fares.

Rush "Going Out On A" Limbaugh, Sean "Give Me A" Hannity, Bill "Of Goods" O'Reilly, Laura "Do Drop" Ingraham, etc.... It's the lovable TOGA GANG. These Talkative Tricksters, who congregate only on the right side of the frat house, get the attention of a large percentage of the student body, and along the way, sell massive amounts of goods and service to them. They spin their tales in hues of Red, White and Blue, but their success leaves liberals seeing only Red. The few lefties, with no frat house of their own, are forced to operate out of the odd dorm room here and there (although Windy philanthropists are said to be Anshelling out some cash to build a left-leaning frat). Seemingly, only leftie **Alan Colmes** gets into the right-house, and he's in constant danger of having the Bluto's of the world "smash his guitar."



John McCain "In the Neck": Representative from the "Arid Zone," who wants to take Powell's term paper and make a few changes himself, along with other members of his rollback committee. In fact, surprising agreement from usually-bickering committee members spawns new cliché: "You roll my rollback, I'll roll your rollback." Among other things, McCain's demanding that Cowboy Lowry and others put some of their stockpile on the

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market, probably at reduced, fire-sale prices. Was first to note that the NABsters are a wholly-owned subsidiary of the ClearHouse fraternity.



Byron "Slam the" Dorgan: From the frigid north, where you'd better wear "da kota." With a hair-trigger PR six-shooter, he's helping McCain, but also trying to erase the Powell term paper in its entirety. He's emulating "The Stork," trying to lead "The Chairmeister" and his band of deregulators trombone-slide first into a dead-end alley. Although he's got backing in the Upper Frat (many of whom signed his petition), he's running into a major **Delay** in the Lower Frat. The infamous "Why Not" Minot chapter of ClearHouse is in Dorgan's back yard. Ironically, for those equipped with body hair at the polar bear level or less, the question is generally "Why Minot?" (We suspect Cowboy Lowry has asked himself that one quite a few times by now.) *RBR* Publisher **Jim "Honey Hurry Up and Get In the" Carnegie** was in Minot, and when he left he didn't stop until he got all the way to Florida, where the only snow is that smuggled in from Colombia!

George "Dubya" Bush: Although he didn't originally hire Powell (that was done by **Bill "The Internalizer" Clinton**), "Dubya" gave him a big scholarship and moved him up to the head of the class as "The Chairmeister." Says he will back his teacher's pet, and he has a big enough pen to undo any changes that McCain "In The Neck" and "Slam The" Dorgan manage to push through through The Hill. But will he dip the pen into the veto inkwell? His office staff says "yes" but Dubya himself isn't saying.



Billy "I'm Stickin' My" Tauzin "The Water": A big fan of the Powell term paper, he's dealing with the uproar it has caused by pretending nothing is happening. "All is well, all is well," he is saying with an increasing level of urgency. He brings home the bacon by occupying one of the best seats in the Lower Frat, but some fear he'll wind up like Kevin Bacon, flattened by the stampeding feet of **Nancy "Lay Your Head On My" Pelosi** and the rest of the term paper rollback mob.



Eddie "On The" Fritts: Head of the ubiquitous NABster service frat and host of big parties in Las Vegas and—this year—Philadelphia. The Powell term paper had its pluses and minuses for Fritts. The toughest concerned the campus speed limit for the TV frats. Some—the affiliated frats—wanted to keep the speed limit at 35, while others—the networked frats—wanted to raise it to 45. The two groups rumbled right in the NABstar frat house. Fritts, caught in the middle of this massive pie fight, was left to "Flounder."

"On The" Fritz Hollings: The prototype Upper Fratster, he got regulatory religion long ago, declaring "I'm a born-again regulator" sometime during the preceding millennium. He'll have to get his licks in quickly, however. He's about to really go "On The Fritz!" He's scheduled to finally graduate from the Upper Frat next year, no doubt paraphrasing the late, great **John Belushi** by saying, "38 years of college down the drain."



Lew "Insert Your Own Joke Here" Dickey: Head of the Cloudy frat, got in trouble with McCain in the Neck for deciding, from frat headquarters, to kick some **Chicks** out of his local chapters after they spoke out of school about "Dubya" while across the pond. McCain said that kicking out the Chicks was a job for each chapter's own local bouncers. Interestingly, Dickey didn't kick the Chicks out universally—they were banished from the chapters where the dress code required chaps, but were still welcomed where it was OK to wear capris.



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Strange Bedfellows: One thing about a combination toga party/food fight. You never know who's going to wind up shacking up with whom! Heading off to the Toga Prom is this year's odd couple: The National Rifle Association and Code Pink! The two groups stopped throwing pies at one another (and the Code Pinksters stopped inserting daisies into the barrels of the NRA's trusty sidearms) long enough for both to agree that Michael Powell's new term paper was moose doots and cow flops rolled into one! NRA says Powell is too far to the left. Code Pink says he's too far to the right. It's no wonder that this ideological drawing and quartering has left the perplexed Chairmeister scratching his head in befuddlement.

Future of Music Coalition: Another of the campus groups asking for the Chairmeister's scalp—because, they say, his term paper means that local student musicians will be denied access to the campus radio station. They demand a return to the good old days when local musicians ruled the station. The only problem with the request is this: Those days never existed. Airplay has always been based primarily on national hits. It all goes to show that the past isn't what it used to be!



Jim "Lose, Draw Or" Winston: When he comes NABOB-bob-bobbing into the food fight, it's to complain that minorities and women aren't getting enough frat and sorority houses of their own. Although during a past expansion, ClearHouse sent quite a few properties to minorities, most seemed to go to Al "Shake A" Liggins and his Mom, Cathy "What's The Matter With" Hughes. Another problem—even when a frat house comes on the market, nobody is willing to come through with a student loan.

Rupert "First Degree" Murdoch:

The Foxy Thunder from Down Under is both the Darling and the Demon of the right. His Fox News Channel is widely perceived as the frat house of choice for right-leaning students. However, his Fox Television Network is equally renowned for its unclean and generally unsavory atmosphere. Rupert's plans to build a frat house in space has students on both sides of the aisle in a tizzy. Also of note: "First Degree," like "Zenmaster," already has a few more TV frats than current law will allow—How long will it be before we hear **Homer Simpson** yelling "Dooooohhh! Help me, help me, Mister Tauzin!!!"



Circuit Profs: A trio of overseers in Philadelphia are planning to review the Powell term paper. Many, such as the NAB, have an axe or two to grind. Ironically, although the NAB is going from Washington to Philadelphia to meet with its affiliated students,

many would like the Circuit boys to reverse that, and shift from Philadelphia to Washington! Nothing doing! The Cheesesteakers have their teeth sunk firmly into this one, and they aren't letting go!

Steve "Please Sir May I Have Some" Morris: His arbitrary test grading service has been named by Powell's term paper as a new source authority of which radio frats are considered to be in the same major. But does it want the job? Who knows? Morris isn't talking about it.

The 70 Dwarves: 70 GMs from the nets went to the Lower Frat to plea for the new 45 speed limit. By the time they were done, the Lower Frat went for 35 by a 400-21 margin, suggesting that they would have had better luck trying to convince Chewbacca the Wookiee to get a hair weave!

You: If you're reading this, chances are you're part of the show yourself! Perhaps upperclassmen like The Cowboy or the Zenmaster plied you with a beer, then sent you on a road trip. You were hoping to make the kiln explosion of consolidation work to your benefit, but your bookbag was overloaded and your new dates were stolen by hostile locals. The rules of the game were shredded into confetti and your hot deals were frozen solid. And to top it all off, you may be the last of your kind. The high school kids aren't paying any attention to you at all—they're all in the thrall of Internet House! In short, welcome to Media House, where the food fight is really just beginning!

Order today your own Media House poster - Only \$9.95. See order form in front section of this issue or call April McLynn at 703-719-7721.

Will You Make It?

By Jeffrey Myers

Will you make your 2003 budget?
How will your leadership be assessed in 2003?

The global facts are:

- Local sales are stagnant or up slightly,
- National sales have been erratic,
- Radio sales strategy of "Make and Sell" is obsolete and,
- Sales staff turnover, creating a loss of continuity in sales.

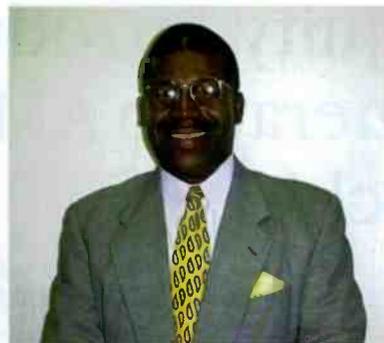
Based on these current conditions, sales management may be considering the following typical strategies to achieve budget:

- Increasing "Quality Client Accounts" rates.
- Forcing "Quality Client Prospects" to closure.
- Creating retail/holiday packages selling them to "Work Horse Accounts".
- Bringing closure to the "New Business Categories" that the sales department has been working on since January.
- Creating a 90% to budget inventory sellout utilization pricing structure.

If this is the case, it is unlikely that this year's budget will be achieved. Perhaps one of the reasons is that employee development was not one of the strategies. As stated in our March *RBR* article "Are Your 2003 Upgrades Completed?": "...companies must make a commitment to the development of their employees as part of the development of the corporate plan."

Investing in employee development will be paramount over the next 5-10 years, due to the projected shortage of qualified candidates, says the U.S. government. The shortage is projected to be between 10-15% and begin in 2005, which will make achieving future budgets even more challenging.

To achieve goal, you must get the best work from each of your employees. When an employee is hired, management supports the hire and



it is, in most cases, the right decision. However, once on board little attention is given to the employee's development. Therein lies the problem. The fact is, if you keep doing the same things, you can expect to keep getting the same results. The lack of employee development directly affects a company's productivity and the employee's

most productive interaction with management.

A recent study conducted by Rensselaer Polytechnic Institute found that "management by coercion is losing sway." This trend is supported in the book entitled "Primal Leadership" by Goleman/McKee/Boyatzis that examines the emotional intelligence of effective leaders. **Richard Boyatzis**, chair of the Department of Organizational Behavior at Case Western Reserve University found that "when you close things down, you don't work with your capabilities-on a mental, emotional, or physiological level." Data from 2M employees from 700 different companies said their top reason for leaving a job was their relationship with their immediate boss and that relationship heavily influenced their productivity. "And turnover has a definite cost associated with it" said Boyatzis.

As part of strategic planning for 2004 and beyond, your competitive advantages, successes or failures lie within your people. We at Personal Selling Principles believe there is no magic to making budget. Success simply requires a well thought out plan executed over time with people who are equipped to succeed. When you assess your 2003 performance and outline 2004, consider adding a line item for personnel assessment. It is one way to ensure revenue success now and into the future. These assessments should be non-threatening and not done with the intent of eliminating or replacing a person or position. The intent should be to find each individual's strengths, which can contribute to the success of future revenue goals.

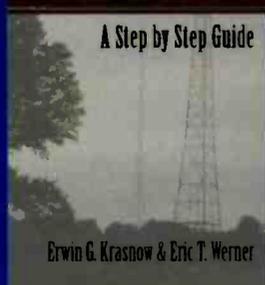
Will your leadership and current staffs make the difference in 2004?

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Jeffrey Myers is a principal of Personal Selling Principles. He may be reached at (301) 595-1871 or Jeffrey@PSPConsulting.net.

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TI and iBiquity introduce second-generation AM/FM, HD Radio chip

Texas Instruments (TI) and iBiquity Digital announced the industry's first single-chip baseband to integrate all of the digital functions required to build a combined analog AM/FM and HD Radio receiver. This is TI's second-generation HD Radio digital baseband, based on TI's programmable digital signal processor (DSP) technology, and a new, complementary intermediate frequency (IF) analog front end.

The first generation of HD Radio receivers will still use TI's first-generation DRI200 baseband (8/12/02 RBR Daily Epaper #26), although some manufacturers have told TI they will wait until the second gen DRI250 baseband is available. The DRI250 features a single chip, coupled with TI's new analog front end chip, the DRI8201, resulting in a savings of approximately \$20 per next-generation receiver

(The DRI200 cost is \$50 each; the DRI250 is \$30). The DRI250 basically eliminates the AM/FM processing chip that was incorporated separately before. The DRI8201 costs around \$8 a piece.



Some receiver manufacturers have decided to hold production for the DRI250 chip. However, **John Gardner**, TI's Digital Radio Marketing Manager, tells *RBR* what you'll see initially is a lot of receivers based on the DRI200. "We announced it in August

2002; we were sampling in Q4 of that year and went into production Q1 2003. Customers like Kenwood are coming out late this year with receivers based on that chip set. Kenwood has about 1,000-1,500 receivers it will be making available to broadcasters this year and then we'll be seeing some receivers also at the CES2004 that will be based on the DRI200. From what we've heard from our receiver manufacturer customers, they're indicating some time around the first half of 2004 HD Radio receivers will be available on a retail basis. We expect to see DRI250 begin development now and continue to sample in Q4 this year. Receiver production is expected some time next year."

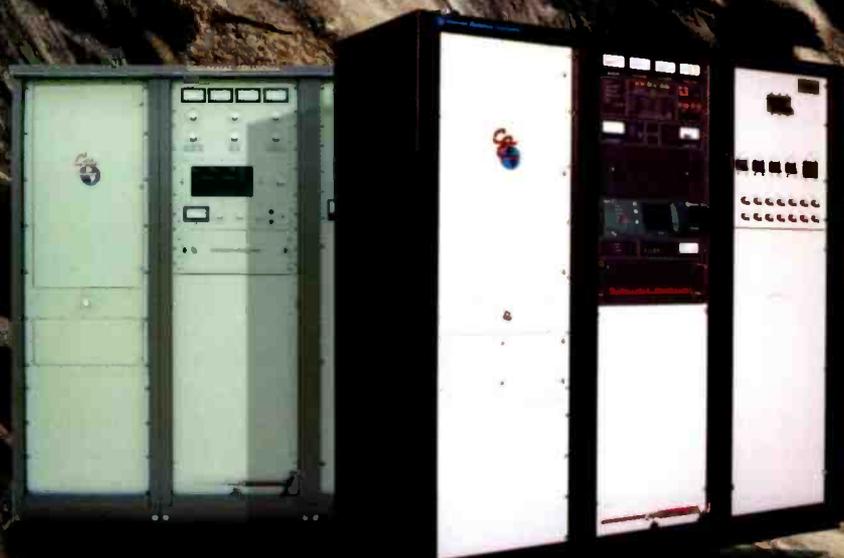
In addition, the DRI250 allows for several new differentiated features to be added in the future such as surround-sound FM, time buffering for the ability to rewind live radio and the possibility of the Tomorrow Radio Project (1/14 *RBR* Daily Epaper #9), a proposal that would allow a second audio stream to be broadcast on each station.

As a software radio, the DRI250 provides manufacturers the flexibility and processing headroom to add support for new standards, features or modifications, as experienced re-



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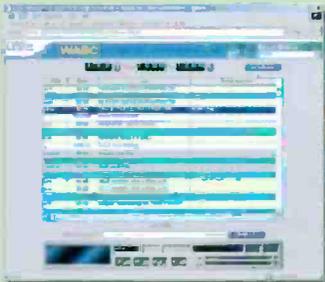
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A Kenwood receiver based on the DRI200 chip

There are some people that are talking about it, but the DRI250 primarily is targeted to the automotive market," says Gardner. "That's not to say we couldn't use this for home. Certainly, there are not automotive specifications we have to worry about in that regard. You're dealing with a stationary environment, as opposed to a mobile environment, which makes for a less difficult design. You're not dealing with power concerns so much, but obviously there are concerns on size."



The Visteon Navigation Radio

What production estimates for the DRI250 are you anticipating for 2004 and 2005? "I would put the order of magnitude in the range

cently with iBiquity's conversion to their proprietary HDC codec (8/13 *RBR* Daily Epaper #158).

Is the DRI250 slated for use in in-home or boombox units? "Most of the customers we're talking with are automotive.

Is the DRI250 the only HD Radio receiver chipset on the block right now? "There's no one else actually offering anything right now. There are some rumblings of something going on with Philips, but nobody else has any semiconductor solutions out there today."

of the hundreds of thousands. It's certainly something we're capable of with this chip. Exact numbers I don't have on hand."



A standard Visteon HD Radio receiver

to put them in late 2004 and 2005 models. Alpine, JVC, Sanyo and Harman Kardon are planning product launches in the 2004-2005 time frame.

And at the iBiquity booth #336 at the NAB Radio Show, the company will show off radios/prototypes from Kenwood, Visteon, Delphi, Alpine, JVC, Sanyo and Harman Kardon. There will also be a listening station for comparison testing for AM (source, analog, 20kbps, and 36kbps) and data demo of store and replay and some data messaging on a Visteon Navigation Radio.

Receiver details

Kenwood will be supplying a black box that will be compatible in 17 of its current 23 head units on the market, as well as some past head units with the "Sirius" or DAB" logos. The black box will plug into the CD changer bus. JVC and Panasonic will be coming to market next year with HD Radio technology already built inside the units.

Visteon and Delphi are both just about ready with HD Radio receivers, waiting for automakers

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Chris Berry
President, General Manager
News Talk 630 WMAL,
Washington

You've heard the old cliché, and maybe even said it yourself. "When news breaks out, we break in". For those of us in radio, news and information has always been an important part of our relationship with our listeners. Giving them the information that they need –

when they need it. This became all the more apparent when much of the Northeast lost power in August and again when Hurricane Isabel swept up the east coast in Mid-September. During these crises, our stations again proved that when people need news and information, and they need it quickly, radio delivers like no other medium.

In addition to the public service aspect, many local operators are once again realizing that newsrooms can be a very effective *profit* center for the station – not just a *cost* center. When radio formats started fragmenting and federal regulations no longer required a certain amount of time devoted to news and public affairs, many stations relinquished their commitment to news, in hopes of reducing cost. Now many managers are realizing that news, whether provided by a staff announcer or a network, has a variety of benefits for even the most niche of formats. Not only does news and information provide credibility and a positive image for the station, it has repeatedly proved to be a very effective vehicle for the advertiser.

Music on the radio, even the loudest and most popular artists, eventually becomes like wallpaper, a background to our lives. The foreground nature of the spoken-word piques the listener's attention. News for a CHR station might be quite different than that which is heard on a Jazz station, but when the listener hears something that is of interest, he or she tunes in with both ears, hearing not only the programming, but also the adjacent commercial. Newscasts, traffic reports and weather forecasts – especially when delivered by a strong personality – should always be sold at a premium on music radio stations, while sponsorships and billboards have tremendous value on news and news/talk stations.

It's Immediate

When news breaks — anywhere in the world — no medium can get the word out to more people faster than radio. Those of us who work in radio don't have to run printing presses or

set up cameras and microwave links to disseminate the latest news. The telephone, especially the cellular telephone, has proved again and again that for a radio broadcaster it is like having a microphone at the scene, even if it's half a world away. This is evident even on the all-news cable television networks. Producers at CNN and MSNBC know when big stories break, they are essentially "doing radio", with a reporter or eyewitness on the scene describing the story as it unfolds, sometimes with just a map of the affected area filling the television screen.

It's Portable

When Hurricane Isabel marched up the eastern seaboard it left behind thousands of downed trees and power lines. Hundreds of thousands of people had no electricity for many days. No television. No internet. For these people who were touched so directly, battery operated radio remained their lifeline for information long after the skies had cleared. Whether they were listening to a Sony Walkman, a battery operated transistor or an elaborate sound system in their car, radio listeners again found that not only is radio news immediate – but "you can take it with you".

It's Everywhere

There are now more than 600M radio receivers in the United States. Unlike Wi-Fi pagers and satellite radio, the technology already exists in all of our lives. People have radios – lots of radios – and they use them.

It's Local

According to the National Association of Broadcasters there are now 13,383 radio stations licensed in the United States. Whether they are commercial or public, AM or FM, they are all licensed to serve the local community. Even with voice-tracking and satellite delivered programming, radio is still rightly perceived as be a local voice, a dependable and reliable source for news and information. For many smaller towns, aside from a weekly newspaper, the local radio station may be the ONLY source of community information. That, combined with the intimate nature of radio and the relationship between the listener and a station, is what creates a product affinity unlike that for any other communication medium.

Communications and technology are advancing at warp speed. Developments over the past decade have been fast and furious – with no sign of letting up. We in radio must remember that we have many advantages over the new technology. As managers we must remind our clients and our listeners of these strengths. Focus on the immediacy and the local nature of our information. Remember that everyone in our pool of listeners already has the technology and knows how to use it. From a programming perspective, we must strive to provide the highest quality content and focus on giving our listeners exactly what they want – and what no other medium can provide. If we keep our eye on the ball, radio's best days are still ahead of us.



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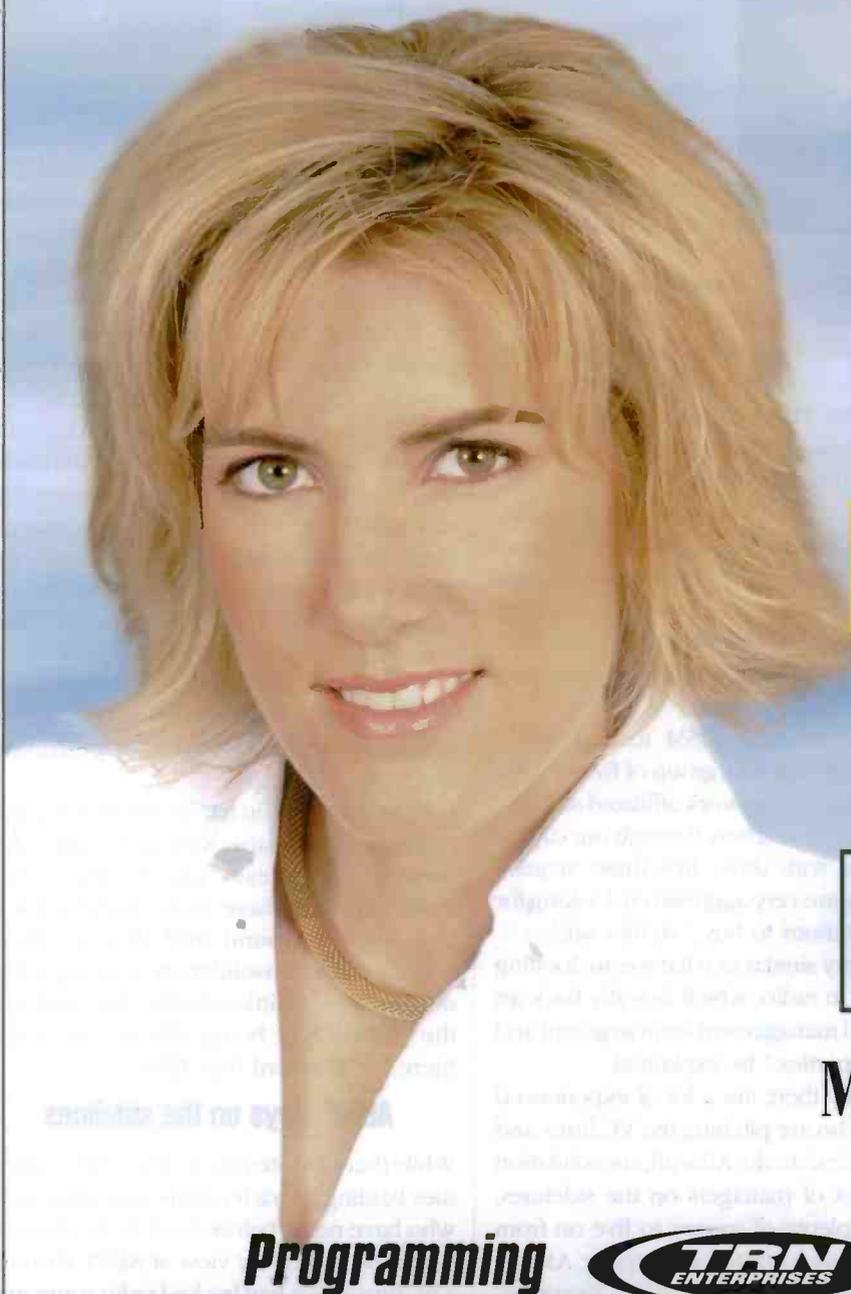
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MONDAY - FRIDAY



Programming



Performance

Journal IPO priced at \$15

As the second broadcasting IPO of the year Journal Communications priced its IPO 9/23 at \$15 per share, toward the high end of the anticipated range of \$13.50-15.50. The radio/TV/newspaper company is now trading on the NYSE as "JRN."

In its first day of trading 9/24, the stock opened at \$16.07 and ran as high as \$16.70 before backing off a bit to close at \$16.25, a healthy gain of 8.3%. CEO Steve Smith celebrated with the honor of ringing the closing bell at the exchange.

At the \$15 price, the sale of 17.25M shares raised \$258.75M. However, 396,000 of those shares were sold by the Albert Family Journal Stock Trust, rather than the company itself. Journal will use its proceeds from the sale to launch a tender offer for a third to half of the shares owned by its current and former employees, offering them a partial cash-out as part of the company's recapitalization.

The underwriters, led by Morgan Stanley and Robert W. Baird & Co., also have an option to buy 2,587,500 additional shares to cover overallotments.



Venture capital money is again chasing radio deals

There has been very little merger and acquisition activity in radio this year, but not for lack of interest by venture capital (VC) investors. Literally dozens of would-be group owners with VC backing are out hunting for deals in what is still a seller's market.



"One of the difficult things about radio acquisitions is that there are very few companies that come on the market, station groups that come on the market with \$5M in cash flow or north, and the competition for those groups is absolutely fierce," said **Perry Steiner**, Managing Director, Arlington Capital Partners. "There are at least a dozen other private equity funds that are very seriously looking to deploy funds in radio. There are a lot more than that looking at radio, but at least a dozen that are very serious competitors."

Arlington Capital is one of the many VC firms that is stalking radio deals, but hasn't been able to fund one yet. It did manage to get into television a little over a year ago, backing veteran TV operator **Jason Elkin** in his new company, NewVision Group, which has made three station buys to date.

"We've committed \$75M to that effort. We're looking to build a group of five to eight middle market TV, network affiliated stations. We're just about half way through our capital commitment with those first three acquisitions and we are very aggressively looking for additional stations to buy," Steiner said.

"That's very similar to what we are looking to try to do in radio, which is really back an experienced management team to go out and acquire properties," he explained.

Apparently there are a lot of experienced managers who are pitching the VC firms and looking for deals to do. After all, consolidation has put a lot of managers on the sidelines, many with plenty of money to live on from their former stock holdings in Capstar, AMFM, Citadel, American Radio Systems, Westinghouse, Jacor and the list goes on—but now wanting to get back into the game and

build their own company. But only a very few have been able to get the cards to fall right. **Mary Quass** is a prime example—a former Capstar Regional VP who started NewRadio Group with backing from Alta Communications, which is probably the biggest VC player in radio, past and present.

"In overview, what our private equity fund is looking for is first and foremost good strong managers who know the radio business, know it well, and are operators," said

Jim Rutherford, who is Executive Vice President of the Veronis Suhler Stevenson (VSS) investment banking firm and also a principal in its investment funds. With the firm's own deep experience in doing media transactions, he said the operator may not need to have as much background in M&A, but absolutely must know how to run stations. "We're looking first and foremost for a good operator who knows how to run the business."



VSS recently raised its third equity fund for media investments—a \$1B fund—and is actively seeking deals. Its previous funds backed two related radio companies—Broadcasting Partners, which was sold to Evergreen Media (now part of Clear Channel) for \$243M in 1995, and the smaller Broadcasting Partners II, which was sold to Citadel—but VSS has yet to back a radio deal with fund number three. Does that mean that opportunities are harder to find?

"You have to dig harder for those opportunities and perhaps even start smaller than maybe a few years ago. In the current environment, where there aren't a lot of deals flying around and there's already been a lot of consolidation, you dig a little deeper, start a little smaller, but still have the objective of being able to build from there," Rutherford told *RBR*.

ABRY stays on the sidelines

While there are literally dozens of VC companies battling for radio deals, including some who have never before been in the industry, we found a contrary view at ABRY Partners, a VC firm which had backed radio companies in the past, but is staying on the sidelines today, at least as far as putting up equity

Seasons Change

So does ownership.

Crawford Broadcasting Company
(Donald B. Crawford)

has agreed to transfer the assets of
WDCW 1390, Syracuse, New York

to **Buckley Broadcasting**
(Rick Buckley)

for \$1.2 million.

Other 2003 Sales Include:

WBRI	Indianapolis	\$1.5M
WXIR	Indianapolis	\$5.6M
WJOC	Cincinnati	\$1.2M
WSOH	Louisville	
KOUZ	Alexandria	\$500K
KWDF	Alexandria	
WOBS	Jacksonville	\$1.1M
WCKO	Norfolk	

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money to buy radio stations.

"We have always been and are big fans of investing in the radio industry and, as you know, did very well with our investments in both Citadel and Connoisseur. But since we've exited those positions, at least from an equity investment perspective, we've had a hard time getting comfortable with values and the ability to generate the kind of targeted returns that we particularly focus on—because valuations have continued to remain high," said **Peggy Koenig**, a Partner at ABRY.

Indeed, Citadel Communications (the original, headed by **Larry Wilson**) was sold to Forstmann Little for \$2B in 2002 and **Jeff Warshaw's** Connoisseur Communications was sold to Cumulus Media for \$ \$242M in 1999, so ABRY has made money in radio. But with many other VC firms chasing deals to consolidate smaller markets, "We just don't see it," she said.

"Having said that, within the last couple of years, we organized a mezzanine fund which invests in preferred equity and subordinated debt, so it's not sort of the bottom part of the capital structure. We have certainly pursued multiple radio transactions—not being the control investor, but really a minority investor in a more protected security. While we haven't gotten across the finish line on any subordinated debt or preferred equity investments [in radio], we

certainly like the business and will continue to pursue that as an investment approach," Koenig said of ABRY's current efforts to invest in radio without being in control as the main equity investor.

What would it take, we asked, to get you interested in equity investments in radio?

"I think some valuation multiples that are more normalized. We have a hard time buying in at 14 times and believing that in a five to seven year period we would be exiting at similar valuation multiples. That's what you need to do to pencil out equity-like returns in the radio industry," she said.

What sort of returns are you seeking?

"We're still 30% [annual ROI] equity investors. We've been able to find attractive investment opportunities, albeit not in radio, but in other industry segments like publishing and cable and home security and rural telephony that give us those targeted rates of return, which is of course what we have promised our investor base," Koenig explained.

ABRY currently has \$1.6B in equity money under management and \$500M in its mezzanine fund. It is currently investing its fourth equity fund—a \$775M fund.

And while ABRY isn't in radio, it has found opportunities in television. It is the primary shareholder of **Perry Sook's** Nexstar Broadcasting, which has IPO pending that may be priced this month. It is also

the main backer of **Dan Sullivan's** Quorum Broadcasting, which is being rolled into Nexstar with a value estimated at \$222M in conjunction with the IPO. ABRY is also the majority shareholder of Muzak LLC, which is certainly an investment in an audio medium, but not commercial radio.

Deals must meet tough criteria

Interest rates may be at 40 year lows and stock market returns rebounding from negative numbers, but VC investors still expect big returns on their capital.

"We still target a 30% internal rate of return. We recognize that may not always hold. Certainly in the radio industry there is a good history of steady cash flow—and the ability to sell businesses at any point in time to get return of capital. So, arguably, you could look at slightly lower returns. Certainly not below 25% returns," said Rutherford.

Steiner said ROI targets vary by industry and by risk profiles. "A deal that is a real turnaround is going to have a higher return hurdle for us than a deal that's more of a plain vanilla deal," he said.

Generally, Steiner agreed, private equity funds are seeking returns in radio from low 20s to low 30s, depending on risk. "In the last two years, I'd say it's more like low to mid 20s overall," he noted.

Those returns are possible, Rutherford says, because radio is returning to its traditional growth rates. "We continue to see the radio business growing at a pretty healthy clip, certainly compared to a lot of the other traditional media and a lot of the advertising media," he said. VSS recently forecast that the radio station business will grow at a 7.5% annual rate over next five years. "You compare that to television, at 4.5%—and we like the television too—but the radio business we see growing faster," Rutherford said.

"The dynamics of the overall markets and the radio market seem to be such that we seem to have come out of recession. We don't have a robust recovery going, but the business is improving. People's attitude toward the business is improving. As underlying cash flows improve, the people who have been sitting on the sidelines thinking about selling, or raising money, will now feel, or should feel, better—and that makes for a good environment as people are more likely to do something now than a year or 18 months ago when nobody knew how far down the bottom was. So, the environment's good and it's getting better," Rutherford told *RBR*.

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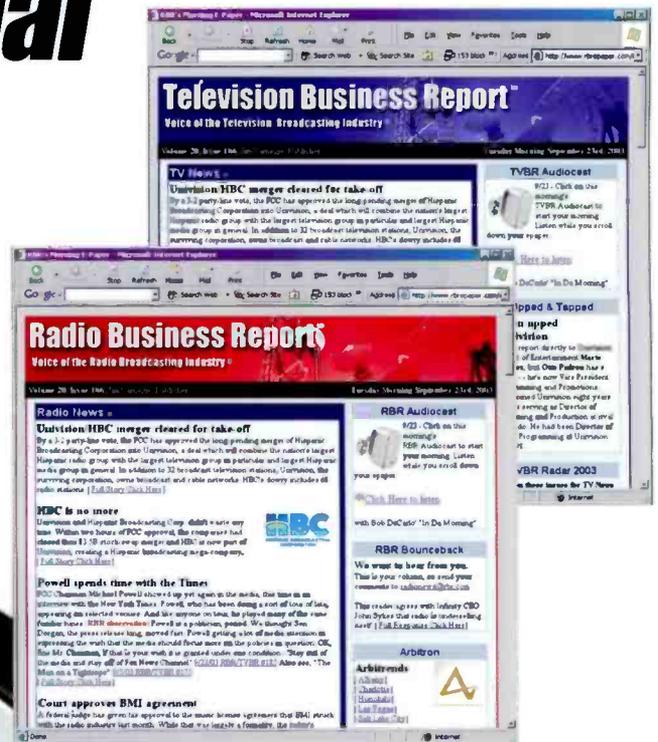
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