INTEREP invites you to hear some of the best minds in radio discuss the future of our medium.

The NAB Group Executive Super Session

Thursday, Sept. 22
1:30 PM - 2:45 PM
Pennsylvania Conv. Ctr.

Panelists:

ED CHRISTIAN,
President and CEO, Saga Communications

JOHN HOGAN,
President and CEO, Clear Channel Radio

JOEL HOLLANDER,
President and CEO, Infinity Broadcasting

MARY QUASS,
President and CEO, MFG Media

CHARLES WARFIELD,
President and CEO, iHeart Broadcasting

LEADING RADIO'S NEXT REINVENTION...

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Churn, baby, churn!

RBR has been warning for years that churn—subscriber turnover—is the threat that should be of most concern to shareholders of XM and Sirius. Hardly anyone else has paid attention to it and, incredibly, Wall Street has blithely accepted the statements each quarter from management at both companies that their churn rates remain "low" at 1.4% or 1.5% per month. Never mind that that works out to 16.8-18%, which is well above the 15% annual rate that both companies projected would be their churn rate when their business is mature—something that's still several years away.

But now reality has set in. XM passed the supposed magic number of four million subscribers at which it was supposed to become cash flow break even. Didn't happen. But most investors seemed unperturbed as XM lowered the bar and said it expected to be cash flow break even by the end of 2006. when, if its growth rate holds, it should have nearly 10 million subscribers. But the satellite radio hype machine is still running full force, and CEO Hugh Panero declared in his Q2 conference call that consumer adoption of satellite radio is outpacing new products of the past. Likewise, Sirius has abandoned the four million target and CEO Mel Karmazin now says he expects the company to be free cash flow positive for all of 2007—maybe even in Q4 of 2006.

RBR observation: While 17-18% churn looks worrisome to us for these early stage companies, XM for the first time disclosed a number that should really frighten investors. It proudly declared that six out of 10 people who buy new cars with XM receivers installed are continuing to buy the service once the trial period built into the sticker price expires. That's a 40% churn rate for OEM sales! While the company was pitching that as some sort of success, it finally got someone in the financial press to wake up and smell the coffee. Scott Moritz of TheStreet.com wrote an article noting how that OEM churn rate posed a threat to both satellite radio companies and both companies' stock price took a hit—at least temporarily.

Meanwhile, we learned from Saga Communications CEO Ed Christian that the $13/month official price for both satellite radio services isn't necessarily what they're collecting. When the 90-day trial on wife Judy's Cadillac STS ran out, company reps began calling repeatedly. "A cheery XM representative who offered me a rate of five bucks a month, which, if I agreed to that, would automatically turn my XM into a $14.95/month service," Christian said. "I made it clear that was no way I was going to do that. I told them I would not do that at any price. They hung up on me and I didn't hear from them again."

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Future uncertain for TV ratings bill

There were supposed to be four amigos pushing a bill to regulate TV ratings in the US Senate, but when witnesses were called to weigh in on the pros and cons, only a single Senator, Conrad Burns (R-MT), the original sponsor, even bothered to show up to hear what they had to say. Tribune Broadcasting President Pat Mullen made the pitch in support, complaining that broadcasters were powerless to make Nielsen Media Research fix problems with its Local People Meters without government getting involved. As you would expect, Nielsen CEO Susan Whiting denied that there are any major problems with LPMs—that some station owners just didn’t like the numbers. And Kathy Crawford of MindShare was there to represent agencies and advertisers who oppose the bill and are pleased with the increased data they’re getting in LPM markets. For his part, George Ivie of the Media Rating Council straddled the fence and never really said whether the MRC even wanted the additional responsibility of Congress making its accreditation mandatory for TV ratings companies. The hearing was held, the views were heard and then Congress adjourned for its August vacation, with no indication whether S.R. 1372 was on the fast-track, slow-track or any track at all.

TVBR observation: Since the hearing, most of the publicity about the TV ratings bill in the general press has been about a side issue—News Corporation and Rupert Murdoch, normally seen as part of the right wing, cozying up to Democrats to try to win support for the anti-Nielsen legislation. After being caught unawares, Nielsen has cranked up its own lobbying effort, particularly lining up civil rights activists and minority group leaders to say that the main claim of opponents—that LPMs undercount minorities—is a bunch of hooey. RBR TVBR surveyed its readers online and found that among rank-and-file broadcasters, about two-thirds don’t think the bill will do anything to make Nielsen’s ratings more accurate and by about the same two-thirds margin, oppose the legislation. Despite its embrace by the NAB and many broadcasters, we think they’re making a big mistake in backing the Burns bill. In fact, it won’t do any good and will turn around and bite them in the butt by raising costs and slowing down future improvements in ratings technology and methodology. We’re trying to save Rupert Murdoch from himself.

National business outlook still soft

It’s not just the Automotive sector, although that’s certainly a big part of it, but other sectors as well where advertisers aren’t spending as much on TV advertising this year—at least at the national level. That has TV groups telling Wall Street not to expect much improvement in national spot revenues for the rest of this year. There’s better news on the local side, where quite a few companies have been reporting improvement. And there are hopes that auto spending at the national level will improve as the new model year begins, since the domestic car makers had cut back after flushing out inventory backups with their employee-price promotions. One TV executive noted that there could be a silver lining in that for local stations. As a result of those record new car sales, many dealers are now overloaded with used vehicles. How best to solve that problem? Advertising.

NCTA wants to downgrade costs by upgrading affiliate status

A cable system pays just a quarter for copyright royalties when distant signal equivalent (DSE) conditions are present if a station is a network affiliate, for every dollar it pays when a station is not. For that reason, the National Cable and Telecommunications Association is prodding the Copyright Office (CO) to revise its definition of what constitutes a network affiliate station and what constitutes an independent. It contends that the current 30-year-old definition, including only ABC, CBS and NBC in the affiliated group, is outdated. NCTA wrote, ‘This designation is significant because whether a television station is considered to be a ‘network’ or an ‘independent’ station affects the calculation of the amount owed in copyright royalty fees by larger cable systems for carriage of that station on a distant signal basis. Cable operators pay one-quarter of a distant signal equivalent (DSE) conditions are present if a station is a network affiliate, for every dollar it pays when a station is not.” The bottom line is that NCTA wants Fox, WB, UPN and PAX included on the indy list. It argues that the current 30-year-old definition, including only ABC, CBS and NBC in the affiliated group, is outdated. NCTA wrote, ‘This designation is significant because whether a television station is considered to be a ‘network’ or an ‘independent’ station affects the calculation of the amount owed in copyright royalty fees by larger cable systems for carriage of that station on a distant signal basis. Cable operators pay one-quarter of a distant signal equivalent (DSE) for ‘network stations’ and full DSE for ‘independent stations.’ The line is that NCTA wants Fox, WB, UPN and PAX included on the indy list. It argues that all four meet the CO’s definition of a network, including nationwide transmission, provision of a substantial portion of an affiliate’s daily programming, occupying a substantial portion of the station’s typical broadcast day. 

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What are the most critical issues facing you the rest of this year and into 2006?

Bill Figenshu is the President/CEO of FigMedia1 LLC recently formed in July '05. His battlefield experience is in excess of 34 years and is still on the radio front every day. In this edition of GM Talkback 'Fig' offers frontline solutions to these issues voiced by a number of broadcasters below: You can locate him at www.figmedial.com.

Bruce Maduri, CEO, Genesis Radio Group:

(Challenge) We are seeing a great deal of sales growth in all three of our Florida markets. Staffing up is always a challenge as we add to our sales, traffic and promotions departments. We have run out of office space and are in the market to move to a much larger facility in Tampa. Finding the right property for engineering and studio installation can be challenging as well.

(Solution) The large groups may have extra space left over from consolidation. Check them out first. Studio instillation could be expensive. These guys may already have walls up there.

(Challenge) Also, the new technology has been a learning curve. Genesis currently has websites for all of its stations with Streaming, On Demand Programming Delivery and Podcasting Delivery which has been added in the last 6 months. We will be adding blogger opportunities, chat rooms and audience e-mail delivery this quarter.

(Solution) Just make sure you have the staffing to accomplish this well. If the on air product suffers you will hurt on the revenue line. All the new technology is expensive. And the revenue streams are elusive. Your main stations are your #1 priority. And your best potential for revenue every time.

(Challenge) In addition, power upgrades are in process at two of the stations where high power facilities are being built. This will naturally give us the opportunity to look at digital broadcasting as well, although we are skeptical about the night time issues facing AM radio stations broadcasting with IBOC. We will need to determine if going digital now is financially feasible as opposed to waiting for it to become the standard and when there are more than 5 radios in the marketplace.

(Solution) Here we have the chicken and egg issues. Transmitter upgrades are running in the 50 to 150K range. Move forward, but don't drop the entire wad in one year. Yes, distribution is an issue. Also, uh what are we putting on these additional channels. And at what cost?

Rick Guest, Market Manager, East Texas Radio Group, Tyler-Longview-Marshall, TX:

(Challenge) Arbitron. The exorbitant rates they charge us for two surveys a year for questionable data. We pay Arbitron over $10,000 a month for ratings data that national & regional agencies use as the absolute truth when we know it's problematic. Looking forward, Arbitron estimates that PPM will cost 40-65% more than diaries. Do you think the agencies are going to pay for this? If Arbitron plans to gouge radio broadcasters even more in the future, then we may just have to pass on their dubious service. Local retailers don't care about Arbitron and we don't do enough national business to justify spending $120K+ a year. If we eliminate Arbitron we can immediately increase the total worth of our radio group by increasing BCF by that amount. In our market that converts to about $1.8 Million in value.

(Solution) Well, depending on your market and the competition, you may be able to live without Arbitron. But, the time to find out is NOT when the contract expires. You must start weaning the sales department/national off the drug starting NOW! Here's a test. Spring book out? DON'T USE IT FOR 120 days. Can you live without it? Only your bottom line and the sales department knows for sure. (many have tried and failed)

(Challenge) People. We continue to search for the top people in every aspect of our business including on-air, sales and support staff. It is very easy to hire someone. The difficult part comes in hiring someone who has a work ethic, the ability to see how the job can be done better, and is not afraid to contribute their ideas to management. We have been lucky because we currently have a highly competent, agile and fun loving staff. They get the job done and then some. But we still face a stiff challenge in the
Reach: How Radio Builds Business in a PPM World

By Erwin Ephron

In today’s marketing, reach trumps frequency. It’s easy to see why. Reach is media’s gift to marketing. It is fundamental to how mass advertising appears to work.

The key idea is “Recency,” which is just common sense. Advertising is most effective when it is reminding people who happen to need the product about a brand they know. Recency is a reminding, not a remembering, model. The difference is critical because reminding is a stimulus that can be controlled; remembering is a response that cannot be.

On the face of it, reminding is a perfect job for radio, but not when used as a frequency medium. Frequency—contacting one consumer three times with a message—is not as good as reach—contacting three consumers once. This is because one consumer is far less likely to need the product than any of the three would be.

Given that someone who is the market for a product is usually more receptive to advertising for that product, fewer messages are needed. Again, reach, not frequency.

These ideas about how advertising works, together with growing media fragmentation, have made frequency a kind of media crabgrass. The planner’s challenge is to kill it.

All said, today it is not good to be thought of as a frequency medium.

Radio Is Ignored

Reach and television are where national advertiser dollars go today. Radio is largely ignored because it is thought of as a frequency medium. But that reputation grows more out of how well radio targets than from any inherent reach limitations. Radio’s targeting selectively, especially among younger demos, leads advertisers to use only the few best-targeted stations to keep the costs per-points low.

This emphasis on target CPP and few best stations artificially restricts the reach of a schedule, creating the familiar radio buy of low to moderate reach and lots of frequency. But when radio is planned differently, especially with the help of the new Arbitron PPM data, it becomes an ideal reach medium.

The new PPM data are especially helpful because they capture the full audience of a station and, on average, roughly double its weekly reach.

Reach Planning

Reach planning for radio increases the number of stations, reduces the number of weekly insertions per station and, if necessary, pays the higher target CPP for the higher reach schedule. This higher CPP is still far lower than for television.

The following table uses Philadelphia PPM data to demonstrate radio reach scheduling.

In this example, the demo target is the most common one, Adults 25-54. The schedules compare the one-week and four-week reach of a five-station and a 10-station buy (Mon-Fri 6AM-7PM Adults 25-54). Stations are selected to hold costs reasonably constant.

### More Stations Mean More Reach

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Arbitron PPM, Philadelphia, 2002, TAPSCAN®

The five-station buy produces a one-week reach of 31 and a four-week reach of 50. The similar-in-cost 10-station buy increases the one-week reach by 45% to 45, and the four-week reach by 36% to 68.

These are television reach numbers at a fraction of the TV costs. The net is, more stations with lower weekly weight per station turn radio into a highly competitive reach medium.

Reach Trumps Frequency

Advertising doesn’t do it alone. Today’s media planning focuses us more and more on the consumer’s role in making advertising work. Ads work best when the consumer is receptive. That tells planners that reminding many consumers is better than lecturing few.

In today’s planning, reach trumps frequency. It is media’s gift to advertising and, as this paper has tried to demonstrate, radio new PPM measurement can deliver it by the carload.

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industry in attracting bright people to Radio.
(Solution) One of my favorite subjects. 1. What are we doing at the station level to train? Usually it’s very little. Sales? “Here’s the phone book, good luck” Programming? Hmm, let’s see, we’ll start you for about $2.00 an hour LESS than you can make at Burger King. The “right” way?
1. Identify the “right” people. That means thoroughly checking references. (many do not). There are people who work hard. We must find them, treat them well and train them.
2. Give them a chance to grow. Good people will leave if they are not challenged. Mentor them and they will respond. Throw them in a low paying gig? Gone.
(Challenge) Competition: The big box radio stores that still sell and program radio as a commodity rather than as a very attractive and inexpensive way for any business to grow their traffic, sales & profits. Wall Street loves these guys but they do a great disservice to listeners and clients alike. The three most important things in radio are local, local & local. If we are to fend off even a miniscule attempt by satellite radio to challenge our terrestrial authority, then being live and local in every aspect is the only way radio can prevail. Our challenge now and into the future is to super serve the local community to the point where Radio becomes a part of the local fabric that makes up a vibrant and meaningful society.
(Solution) You are preaching to the choir. Now go hire a live overnight show, train, teach them how to weave themselves into the fabric of the community. Uh, by the way, this may mean an increase in expenses year over year. Are you willing to commit. Wall Street will follow Main Street. Provided the local, local, local pays off in ratings & billing. (it can be done)

Ron Frizzell, Mt. Washington Radio Group, New Hampshire
(Challenge) The most critical issue of us is the price of gas. We live in a vibrant vacation area. Over two million people from Boston, NYC and Philly visit us each year. Summer and ski business is critical. What we are seeing with the price of gas is that the further people have to drive, the more their numbers are now dropping off. NYC is down almost 20% while Boston is still holding their numbers. We are related to tourism. When it falls, we fall 60 days later.
(Solution) Perhaps all the merchants can get together and offer discounted gas coupons for every purchase. On the other hand, you may see MORE people up there. And most may be from Boston. They may not drive from NY, but the Boston people may not go far (assuming you’re 1 tank away.) Gas prices extend to airlines too. Flying to Colorado may become too expensive. People may stay close to home. Oh, and by the way, you have 59 days to price or replace the shortfall that will come in day 60.

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Buyers, sellers address the 2006 radio upfront—Part I

The upfront network radio marketplace for most begins in September and runs through January. 20%-55% of 2006 network billing is placed during this period. P&G is always first out. Walgreens, Greyhound, Pfizer, Zales, Campbell’s, AutoZone, ONDCP and a half dozen others are active by September as well.

Syndicators and networks are again this year making the effort and spending the time and money to increase accountability. For instance, RADAR-rated Dial-Global and Verance announced 8/1 the signing of a multi-year contract with its ConfirMedia system for third party airplay verification of advertising on a next-day basis. The RAB and Dial-Global also announced 7/19 the signing of multi-year contracts with MRI, a provider of multimedia research data.

Natalie Swed Stone, US Director, National Radio Investment, OMD, tells RBR/TVBR: “We have been impressed with Dial-Global’s initiatives in many regards: they have shown dedication to accountability and technological advancements which will not only help them, but will help the ad community and advertisers as well. As you know, OMD has been working with the networks on improving accountability for the medium and we were delighted to hear this news.”

Her clients include JC Penney, Travelocity, Sterling Jewelers, McDonnell’s, Epson, ABC-TV, State Farm, Pepsi (no upfront this year), Visa, Clorox and Wrigley.

RADAR-rated nets are more than ever leading the marketplace in accountability and reliability. With the 100,000 telephone sample reached in RADAR 88 (March 2006), what does Arbitron say about RADAR’s reliability and consistency now vs. years past? “The more sample that is added the more reliable the results and there is less bounce in the audience estimates from report to report,” Bruce Supovitz, Arbitron VP/National Radio Services, explains. “New market-by-market analysis capability that was added to the PC 2010 software application is a direct result of the significant increase in sample size. Starting with RADAR 86, you will be able to see the contribution of each network within the top 50 markets. If an advertiser placed a buy on one Premiere network, one ABC network and two Westwood networks, PC2010 will allow a user to look at each network’s contribution to what the network delivered for the advertiser.”

PC2010 will also be offering “RADAR Plus,” a multimedia reach and frequency analysis capability allowing agencies to plan network radio along with other national media.

The buyers and sellers speak

Given the environment right now, what do national network radio buyers and sellers think the upfront is shaping up? Mostly flat to a modest increase.

“We don’t expect the radio upfront to be that robust. There seems to be more of a wait-and-see attitude at this time,” says Pat McNew, EVP/Directory of Operations, PHD Local Media Network. “Collectively our client budgets are generally flat versus ’04 but there is a potential for a slight increase. We negotiate, buy and steward a substantial amount of radio time on behalf of clients such as the DaimlerChrysler brands, Mercedes, Mitsubishi, Discovery Networks and Propane Council. It’s this wide diversity of clients that enables us to see virtually every pricing option radio has to offer.”

“We are placing lots of scatter business, and are even going into Q4 and Q1 ‘06, but none of the brands are planning upfront buys at the moment,” says Matt Feinberg, SVP/National Radio, Zenith Media Services. “We have been fortunate to win a lot of new business this year so therefore our budgets have increased by default. From what I can see from their histories many of these new brands are spending a little more than last year in both spot and network. Within our heritage client base we’re seeing a lot of new network spending this year with one notable exception.”

Feinberg buys for Red Lobster, Schering-Plough, General Mills, Verizon, Astra Zeneca, Nestle, Hewlett-Packard and Toyota.

“I’ve heard of several agencies that are in now. We are going in with one client who is on a fiscal calendar year to begin in September. Outside of that we won’t be entering the market until mid-September,” observes Kim Vasey, Senior Partner/Director of Radio, Mediaedge:cia. “Our upfront client list will remain consistent from last year. We continually encourage clients to enter the upfront and had several additional network radio clients place an upfront for 2005. I expect they will continue with that strategy for 2006, as well. We have also picked up several new accounts that we hope to have in, too.”

Vasey’s clients include Campbell’s, Cingular, Citibank, Gallo Wines, Chevron, Payless Shoes, Wrangler Jeans, PetSmart, Culligan, Xerox, Vanguard, Computer Associates and Pepperidge Farm. United Airlines, Lincoln, Land Rover and Jaguar are also clients, but for national spot.

ABC Radio Networks SVP Sales Mike Connolly tells us the upfront marketplace seems flat compared to last year: “Advertisers are scrutinizing their spending more than ever and expecting more in the way of results. That puts a lot more pressure on the planning process at the front end and expectations trickle down to the buyers responsible for execution. It seems that Network TV is becoming less of a knee-jerk media plan solution; alternative media solutions are being actively sought out. This should bode well for radio overall.”

And on that note, “In the next three to five years, a lot more advertisers are looking at the impact that TiVos, DVRs and PVRs are having on the upper-end demographic, because they are becoming the standard by which they are skipping through all of the commercials at home,” observes Mark Masters, Talk Radio Network CEO. “And the result, I think a lot of those dollars are going to transition to radio because radio is a more linear medium. People don’t want to skip through the commercials...”
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because embedded in those commercial breaks is traffic, weather updates, things that you need in real time."

**Susan Love**, MediaAmerica VP/Sales & Marketing, expects this to be a strong upfront: "We think there will be increased spending in several categories: Tune-In and Package Goods for sure."

Says American Urban Radio Networks CEO **Jay Williams**: "Many agencies are trying to convince scatter market clients to do up-fronts this coming year. Last minute clients are not able to get as much of the premium inventory that they would like."

“Our clients are pretty much intact with similar budgets,” notes **Rich Russo**, JL Media’s SVP/Head of Broadcast Services, whose clients include Tempur-Pedic, Old Navy and Great Foods of America, Lugg, Tribune Broadcasting, select Fox O&Os, McGraw-Hill, Country Music Television, Independence Community Bank, Ricola, Upromise and Modell’s Sporting Goods.


**Irene Katsnelson**, Universal McCann VP/Director of National Broadcast says even though currently the marketplace is relatively slow, she anticipates a healthy upfront: "As everyone knows and based on history of this medium, network radio experiences attrition every year with some clients leaving the medium. At the same time, new clients and additional spending from incumbent clients keep the revenues at a modest increase from year to year. Overall billings have grown steadily with majority of our clients are returning in '06."

Her clients include Johnson & Johnson, Kohl’s, Sony, Lowe’s, Hotwire, Maytag and Microsoft.

**What about satellite and Internet?**

How are other forms of media like satellite, Internet and online streaming stations affecting budgets? How big a factor are they? "There’s a steady stream of questions from clients/planners, especially on satellite radio with select clients with actual budgets. In the grand scheme of things, in relation to overall budgets, this is not a significant factor," Katsnelson says.

"We will be taking a look at incorporating both satellite radio and Internet radio into our 2006 campaigns for some of our clients," Vasey told us. "However, budgets allocated to these venues will be a fairly insignificant portion of our overall budgets. The growing audience bases in both the satellite and Internet radio spaces clearly indicate a growing consumer interest. Lifestyles have changed."

Says Feinberg: "This is the year that other radio-based technologies have made in-roads and become commonplace on many of our media buys. On a percentage basis they are not a big number of total spend, but their growth is slow and steady."

"We will see increased use of both satellite and Internet as advertisers continue to ensure they are reaching all the ‘elusive’ consumers," adds Swed Stone.

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to know more. In point of fact, it's been reported in the trades that several of our clients are increasing Internet budgets. If there are only so many pennies to a marketing dollar, this will have an impact on traditional media and they way the marketing dollar is split and spent," McNew cautions. "The interest in satellite radio has not yet translated into a huge shift of money from radio, but make no mistake, both XM and Sirius are beginning to create a buzz primarily because of strong program additions. The traditional radio sellers have to be very careful how they sell against satellite radio. They have to carefully pick and choose their fights. The approach needs to be all radio is good, however, some is better and here's why."

Repping companies like Yahoo's LAUNCHcast, AOL Radio, Live 365, Microsoft's MSN Radio and Windowsmedia.com, Eric Ronning, Managing Partner, Ronning Lipset Radio, says the streaming audio market is really coming alive: "Everything kind of came into place in 2005 so the activity for 2006 is robust. Specific to online radio, buyers are telling us that they are including it based on its ability to deliver very limited commercial loads—three to five units per hour only; to offer first in pod position since every commercial on our affiliates is standalone; and to reach an upscale at work audience with their radio budgets. What the buying community has told us is that online radio is today delivering many of the elements that traditional radio as been asked to deliver on—less clutter, better accountability, and more information on who is listening."

Repping stations in the Chaincast Network, 3WK.com, KNAC.com, WMVY.com, Gotradio.com, SurferNetwork.com and others, Net Radio Sales President Jennifer Lane tells us several national network radio agencies are currently buying Internet radio for their clients. "In addition, we are meeting with more and more agencies who are putting together POVs for their clients for Internet radio. They are getting requests for more information from their clients. Internet radio's audience is much larger than satellite radio's. It's a free service, and it is highly trackable and measurable. That's what has gotten the radio buyer's attention."

Lisa Opensky Greenberg, Senior Network Radio Buyer, Starcom Chicago, says some of her clients have purchased large sponsorships on satellite for a low out-of-pocket cost. Others are experimenting with satellite and online buys using a small portion of their network budgets to test these emerging mediums. And, "In the future, as media becomes more fragmented, we may see more dollars allocated towards these media. Sort of like what cable TV did to TV."

Ironically, Peter Kosann, Westwood One Co-COO/President of Sales & Marketing, sees new media competition as a good thing for network radio: "The media world is fragmenting. This is a positive for radio because national advertisers need to reach the 200 million plus potential consumers in this country. You can't do that easily or cost effectively in a fragmented media world via all the 'new media' options. Radio—especially network radio—is still the most effective and efficient way to reach a massive amount of consumers quickly, effectively, and via targeted marketing campaigns."
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- The Countdown with Walt ‘Baby’ Love
- The Heat: Imaging
- Mix-Tape Radio
- Rick Dees’ Weekly Top 40
- Ross Brittain’s Weekend Hit Machine
- Russell Simmons’ Hip Hop Laws of Success
- Super Gold
- The Urban AC Countdown with Walt ‘Baby’ Love
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Tell us about the formation of MEC Interaction. We combined three pieces of our business which was The Digital Edge, the digital planning and buying operation; Wunderman Media, is our direct response media outfit; and Outrider, our search engine optimization company. And all three of those pieces ultimately deal with the varying forms of one-to-one communication with consumers. We brought those three pieces together as MEC Interaction to make one joined up, one-to-one capability.

How is one-to-one marketing playing a role in modern media planning and communications? It's a massive part of the future of media communications because I think that technology increasingly allows or creates the ability for even mass media to communicate and interact on a one-to-one basis with consumers. Then, of course, what the technology also does is it changes the expectations of consumers. Media consumers want their media entertainment or their media interaction—it has to be for them.

Down the road, what do marketers want wireless to be—broadband wireless Internet everywhere? I think that the connectivity angle is certainly in large part about the Internet but not only about the Internet. I think it changes the consumers' expectations. They are really the editor of content, the editor of information they want what they want—how they want it, when they want it and in whatever form that is right for them as individuals and it goes back to the first discussion we had about MEC Interaction and that is how much of the future is about our ability to communicate on a one-to-one basis with consumers. The answer is it's a huge part of the future because consumers like being in control. The technology has now put the consumer in control of content and of messages in general. And that will never change, because once you give control to the consumer he's never going to let it go.

What are the biggest challenges you see for the media business right now? I think it's managing change, because I think that the change that's going on at all levels of our business (and of course driven by this changing con-
sumer) means that as businesses we have to change as well. Because for the future it's not enough to be able to look at only traditional media. You've got to look at, with the consumer in control, what all of the connection points are between a brand and a consumer. That's a massive change, not just for media agencies or for the industry overall, but for marketing in its entirety. Managing that change, it is such a fundamental shift, both in terms of skill set and strategic thinking. That change can't be created overnight. I think the business is already changing significantly, but it's evolving through it.

**Geometrically accelerating too.**

Absolutely right, absolutely. So I think that managing that change is on one hand incredibly exciting, but the other aspect to it is it's a big challenge. It's a big challenge for media agencies and for clients and marketers in general. You've got to look across the board at how the consumers are getting their information. Recognizing that they are incredibly information-rich now. It doesn't matter really what you're trying to sell me. If I've got the time I can find it cheaper, whatever you're trying to sell me.

**Are there any new ad mediums that are getting your interest?**

There are two sort of broad areas. One is the whole area of the one-to-one media, and wireless phones is a good example of that. Cell phones are a medium and they're in peoples' pockets all day and they refer to them. They look at them how many times a day? So that kind of one-to-one communication is an interesting area. I think another area particularly for media agencies is the whole area of retail marketing. That's an area that as an industry we haven't spent enough time and effort on. Arguably the most powerful channel of communication is retail—actually when the people are in the store.

I'm not saying the communication doesn't go on in retail, because it does, but it's linking that up with all the other forms of communication that a client is doing and linking it with media in general. I think is another area that is going to become more and more important.

**What do you wish research companies could provide that they are not?**

I think there are two big areas for research companies in the future. The first one is the new world—measuring on-demand viewing, the integration of all the different forms of communication and measuring those and making them comparable with each other. How does online affect offline and vice versa? How do we measure on-demand services and how they are being used and how they are being consumed? How do you integrate those with all the different messages and the different channels of communication? On the second area for research is about attentiveness. So going beyond the numbers of, "Okay we're delivering this many eyeballs," but what is the level of attentiveness to either different media or different programs on different media? Because attentiveness is a very human trait, it's not about numbers.

**What about the future or ROI measurement?**

I think the future of ROI is the ability to measure all of the non-traditional channels of communications and then link them together so they are comparable. What's the ROI of a message online vs. offline and how does the message online affect the offline and vice versa? How do you compare the return on investment of a piece of PR vs. a 30-second TV commercial etc. And even what's the value, what's the ROI on word of mouth? We're doing a lot of work in this area right now, in building metrics and models of how to measure in the channels of communication and then compare the two of them.
If you were to change anything right now about our government or suggest change what would it be?

I'd have them tell the truth. On second thought if they did that it would be less fun to play around with them and play sound bites that have Scott McClellan for example saying that anyone involved in a leak will get the axe. Another one where the axe goes to anyone who leaks classified information. And a third clip where the President says you have to break the law before you'll fire anybody. So on one hand, you know, I'd like them to tell the truth and I'd like there be less hypocrisy because the same people defending this administration went after Clinton and called him a liar. And this President has obfuscated, tap-danced through his spokesperson and personally. I just would like to see the same standards applied, to whether you're left or right. I thought what Clinton did was wrong but I didn't think it rose to the level of impeachment.

Now I know there are people on the far left who want to impeach Bush. I don't think that's going to happen and it's a big waste of time and money but I do think they should be held to the standard they promised us. Yet they play the same games once they get into power and money but I do think they should be held to the standard they promised us. So on one hand, you know, I'd like them to tell the truth and I'd like there be less hypocrisy because the same people defending this administration went after Clinton and called him a liar. And this President has obfuscated, tap-danced through his spokesperson and personally. I just would like to see the same standards applied, to whether you're left or right. I thought what Clinton did was wrong but I didn't think it rose to the level of impeachment.

I think what we're able to do is get top level guests in a daypart that isn't necessarily known to get day-level guests. We do breaking news when we can, being we have the resources of the Fox News Channel. We're bringing the interesting, the unusual and the topical. We do the news of the day, we also had a guy on who has a helmet that protects him from aliens. We try to find the angles on the news stories that nobody else is doing. We sell ourselves also as the most interactive radio show on the planet. We take a huge number of calls in a very fast pace to get as many different opinions on the air as possible. I think we can't ever forget that this is an entertainment medium and our goal is to get as big an audience as possible, to satisfy our viewers, our listeners, our advertisers and in radio, our affiliates. My goal is to entertain, I'm a radio broadcaster who happens to be liberal, not the other way around. I don't lead with my agenda.

Alan Colmes: Breathing fresh air into late nights

Alan Colmes joined the Fox News stable in 1996 as the liberal co-host of Fox News Channel's "Hannity & Colmes." Since then, in 2003, he took his very experienced talk radio voice national with a news-driven late-night talker syndicated by Fox News Radio, "The Alan Colmes Show." Here, Alan talks about America, the media and a bit about his particular brand of late night radio.

Tell us what you consider unique about your radio show.

I don't lead with my agenda. I don't know what the mainstream media is anymore because it's changing at a rapid pace. I always blank when I hear the media defined as liberal because the media is like a pipeline, it's a vessel through which information comes. Now some of that information is liberal, some of it's conservative. The Wall Street Journal is one of the biggest papers, are they liberal? No, they're conservative. I think the media, the big networks, are pretty much owned by big corporations and are big corporate interests. I don't think they're all that liberal. I think the media is basically middle of the road to right for the most part. I know the media did a lousy job of the run-up to the war, basically promoting the idea of war. The New York Times did a mea culpa and said, "You know, yeah we relied on some bad sources like Achmed Chalabi on the run up to the war with Iraq," and you had people like Judith Miller writing basically pro-administration pieces for the "Liberal New York Times" and now she's in jail defending a source—probably defending a source in the White House. So this idea, the media is so liberal when you've got a New York Times reporter in jail protecting a Republican—probably a Republican White House source—is ludicrous.

What are your show's biggest advertisers?

On the radio side we have Bayer, Glaxo Smith-Kline, GEICO, General Motors, Johnson & Johnson, Pfizer, Priceline. We have the National Association of Realtors. I'll do live reads for clients, I'll go visit clients. Dial-Global does our advertising. I'm in touch with them. I've gone to some of their presentations. I'm at the beck and call of our salespeople whenever they want me. I call my affiliates, I speak to them, I ask them what their needs are.

Who is your favorite guest on the radio side?

Well the guy with the alien protection helmet certainly was among my favorites. I loved, for example, I flew out to North Carolina and did (which we used on radio and television) a sit-down with John Edwards after the campaign was over. Bill Clinton. I did the show when his book came out. He's always a great interview because he's always got great things to say and he's not hard to draw out. My favorite guests span the gamut from top name newsmakers to somebody who thinks he's just visiting here from Venus. I mean if it's something that people are either talking about because it's in the news, just fascinating, or somebody who thinks that 9-11 was a big government conspiracy and Bush knew ahead of time.

Was the 9-11 guy Alex Jones, the radio host that's been on George Noory's show a bunch of times?

I've had Alex Jones on the show. I think he's very entertaining. I don't agree with him. I was put in the odd position of defending the Bush Administration! There were too many people who would have had to be involved that someone would have blown the whistle. I mean we have whistle blowers in the FBI like Cynthia Rowley who was on the show recently, who's now running for Congress. It's ludicrous on the surface, but yet when people hear these conspiracy theories their ears perk up and our phones are as busy for that as for any other topic we do.

Do you think the mainstream media should still be considered liberal?

I don't know what the mainstream media is anymore because it's changing at a rapid pace. I always blank when I hear the media defined as liberal because the media is like a pipeline, it's a vessel through which information comes. Now some of that information is liberal, some of it's conservative. The Wall Street Journal is one of the biggest papers, are they liberal? No, they're conservative. I think the media, the big networks, are pretty much owned by big corporations and are big corporate interests. I don't think they're all that liberal. I think the media is basically middle of the road to right for the most part. I know the media did a lousy job of the run-up to the war, basically promoting the idea of war. The New York Times did a mea culpa and said, "You know, yeah we relied on some bad sources like Achmed Chalabi on the run up to the war with Iraq," and you had people like Judith Miller writing basically pro-administration pieces for the "Liberal New York Times" and now she's in jail defending a source—probably defending a source in the White House. So this idea, the media is so liberal when you've got a New York Times reporter in jail protecting a Republican—probably a Republican White House source—is ludicrous.

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YOU CAN HEAR THE DIFFERENCE
2006 budgets and capital expenditures: VPs/Engineering discuss

In this two-part yearly RBR/TVBR series, we ask top engineers at the radio groups where 2006 budgets and capital expenditures are heading. What's tops on the list for projects and new equipment? This year, we asked the following:

**Glynn Walden**, Infinity SVP/Engineering
**Milford Smith**, VP/Engineering, Greater Media
**Cris Alexander**, Director of Engineering/Crawford Broadcasting
**Norman Philips**, VP/Director of Engineering, Susquehanna Radio
**Steve Davis**, CC Radio SVP, Engineering & Capital Management

What are your CEs asking for most for next year? Why?

Smith: It varies a lot from location to location but HD multichannel is right up there, along with automation system upgrades in many cases to allow "extra" streams to be created for multichannel, webcasts or other distribution channels.

Alexander: The one thing that no one seems to have enough of is hard drive space on the server. As we enter into the HD Radio, multicasting and streaming arenas, we are finding that we have to either upgrade or replace the file servers on our digital media systems. Our CEs are also asking for monitoring and test equipment for our HD Radio operations is also high on the list.

**Philips**: New studio work surfaces and router technology to replace early vintage digital consoles and to allow new functionality.

**Davis**: It really runs the gamut. A lot of reliability and hardening equipment such as lighting and surge protection, generators, UPS equipment, etc. Computers are always widely requested. Many stations are asking for RDS equipment to enable them to transmit song title and artist and other information for their analog channels. Servers and facilities to stream programming on the web are increasingly being requested. Remote RF or landline codecs are popular. Audio console and transmitter replacements as current equipment is aging or fully depreciated, or related to HD rollouts, are plentiful in our request lists. As we concentrate on improved commercial creative for our "Less is More" initiative, production systems including consoles and software are being requested.

Any major projects you're planning?

Smith: We are consolidating several of our NJ stations in a new facility, working on some AM improvements and putting the finishing touches on our company wide HD radio implementation.

Alexander: HD Radio, multicasting and streaming are priorities for our company, and we will be hip deep in implementing those new technologies in our facilities in the coming year. By the end of 2006, we plan to have HD Radio signals on most of our stations. All our FM stations will be testing multicasting. In one market, we plan to build an all-new consolidated studio/office facility, bringing all our operations in that market (five stations) under one roof.

**Philips**: Continued roll out of HD radio for the remainder of the stations.

**Davis**: We always have these on the books. We don't yet have approval, that won't come until around September. But we are looking at a major consolidation in New York City, new studio facilities in San Jose, a building expansion in Poughkeepsie, to name just a few. Plus a number of signal upgrade projects including relocating some AM DAs and increasing the heights of FM towers (some in response to CO triggering notices), plus a number of common antenna projects in partnership with other broadcasters. We also need to rebuild some AM DAs and phasors to make them "HD capable". We'll be building out new facilities for our Creative Ser-
services Group to help our stations to do agency-grade production and improve the quality of our commercial spots, and we’re building out new and expanded facilities for Evan Harrison’s CC Online division in New York, LA and other markets.

Are you attending the NAB Radio Show this year? If so, what will you be looking at?

Walden: Yes, I’ll be attending, especially since it is my back yard. I will be looking for improved streaming solutions, next generation HD Radio transmission equipment, test equipment, dual input antennas, HD and Internet audio processing and disaster preparedness equipment.

Smith: Since its right down the road in Philly, it would be hard NOT to attend! Seriously, the Radio Show has a wholly different atmosphere than the big spring show and the technical focus is much sharper; long form seminars on a couple of pertinent topics rather than the multiplicity of sessions in Vegas. It’s a great place to learn and a great place to spend quality time with exhibiting vendors as well as colleagues. Most group engineering VP’s are there and its a far less hectic environment in which to share experiences. I’m always on the lookout for anything new and improved and will, of course, be participating in all the various NRSC meetings at the show which are open to anyone who may be interested. A lot of where HD radio may be going takes place in the task and working groups of the NRSC.

Alexander: I do plan to attend the Philadelphia show. We will be looking at digital routers/control surfaces; ancillary equipment such as switchers; digital, analog and hybrid switchers; processing and digital STL equipment. In particular, we’ll be looking at ways to minimize the number of compression (MPEG and otherwise) passes between source and transmitter.

Philips: Yes, everything as always. The last show in Philly was great and I’m looking forward to this one.

Davis: We’re always looking at better/simpler more cost effective HD implementations, solutions to audio processing challenges for the HD codecs on AM and FM while maximizing Analog presence, and auxiliary data/signal transport solutions for bi-directional broadband connectivity like the LanLink and “Big Pipe” (we’d really like to see a “Medium Pipe” —we don’t necessarily need all the bandwidth available in the current version.) At minimum, Lucas Wrenn, Liz Chandler and I will be attending. More “one box” solutions for STL/TSL that will accommodate the analog air chain, bi-directional IP connectivity and enough bandwidth for HD and all ancillary data, PAD, possible additional audio channels (in data form) etc. Increasingly we’re looking to monitor our station transmitter and studio status via IP so regional managers can ascertain the state of their facilities throughout their regions at a glance. No two ways about it: bi-directional IP connectivity to all our sites is increasingly becoming a necessity.

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Halfway through 2005, Viacom, Univision register top deals

by Dave Seyler / dseyler@rbr.com

The $95M deal sending KEAR-FM from Family Stations to Viacom/Infinity was the biggest radio deal to hit the FCC database during the first half of the year. That transaction had other parts to it, including a $35M sale of KFRC-AM with the same principals occupying the opposite sides of the buyer/seller table, and a spin-off in San Jose which didn’t make it to the FCC until Q3. That one would tie for second if we added July to the cut-off. Barnstable, as a seller, was runner up twice over, with an $80M deal in the Virginia Tidewater area and a $45M deal in SC. Univision’s $190M LMA/option/stock deal for a pair of TVs in Puerto Rico was worth over two times as much as the second biggest deal, Viacom’s spin of stations in Indianapolis and Columbus OH to LIN. Here then are the top 25 radio deals and the top ten TV deals, as filed at the FCC, for the first half of 2005.

**Radio**

* $95 M KEAR-FM San Francisco from Family Stations Inc. to Viacom/Infinity. Superduopoly with KCBS-AM, KLLC-FM, KFRC AM & FM, KYCY-FM & KITS-FM, cross-ownership with KBHK-TV, KPIX-TV. Buyer spinning two San Jose FMs. [File date 4/19/05.]

* $80 M WXXM-FM, WCMS-AM, WGH-FM, WFOG-FM & WXEZ-FM Norfolk-Virginia Beach-Newport News from Barnstable Corp. to Max Media. [File date 2/4/05.]

* $45 M WROQ-FM, WTPT-FM & WNGC-FM Greenville-Spartanburg SC from Barnstable Corporation to Entercom Communications. [File date 6/20/05.]

* $36.7 M KXXX-AM & KQLS-FM Colby KS; KGNO-AM, KOLS-FM, KZRD-FM & KSSH-FM Dodge City KS; KZLS-FM Great Bend KS; KNNS-AM & KGTR-FM Larned KS; KWLS-AM Pratt KS; KILS-FM Salina KS; KHUB-AM & KFMJ-FM Fremont NE; KLCN-FM Lake City MN; KZSR-FM & KKY-FM Sioux City IA; KQWC AM & FM Webster City IA; KWBG-AM Boone IA; KLGA AM & FM Algona IA; KTHC AM & FM Wayne NE; KHTK-AM Humboldt IA; KUVR-AM & KMTY-FM Holdrege NE; KGFW-AM, KQKY-FM & KRRY-FM Kearney NE; KODY-AM & KXNP-FM North Platte NE; and KLIG-FM Hastings NE from Waitt Radio Inc. to NRG Media LLC. Merger, stock deal. Price is an RBR estimate. [File date 4/12/05.]

* $35 M KFRC-AM San Francisco from UPN/Viacom to Family Stations Inc. Buyer is selling KEAR-FM to seller. [File date 3/10/05.]
* $35M WEMG-AM Philadelphia; WLDL-AM, WBPS-FM & WBZS-FM Washington DC; WLCC-AM & WMGG-AM Tampa-St. Petersburg-Clearwater FL; WNEU-FM Orlando; and WAMG-AM & WILH-AM Boston. 17.5% of Mega Communications from George Lindemann (18% to 0.5%) to Adam Lindemann (82% to 98.5%). Sale of Boston stations to a third party is pending. [File date 3/10/05.]


* $30M KEDJ-FM Phoenix from NPR Phoenix to Riviera Broadcast Group. [File date 5/6/05.]


* $27M WNTA-AM, WXRX-FM, WYHY-FM and WGBF-AM Rockford IL, and WFLR-AM & WFPS-FM Freeport IL from Radioworks to Maverick Media. [File date 3/14/05.]

* $25M KJFX-FM, KTSX-FM & KFRR-FM Fresno from Mesosphere Broadcasting to Wilks Broadcasting LLC. [File date 1/18/05.]

* $23M KXCL-AM Sacramento from First Broadcasting to Busots Media. Duopoly with KTTA-AM. [File date 5/9/05.]

* $22.45M WCHA-AM/WKZ-FM, WQCM-FM, WHAG-AM & WDLD-FM Hagerstown MD-Chambersburg-Waynesboro PA from Dame Broadcasting to Main Line Broadcasting. [File date 5/26/05.]

* $21.31M WXTK-FM, WCOD-FM, WDVT-FM & WTVV-FM Cap Cod MA from Boch Broadcasting to Qantum Communications. Superduopoly with WVCI-FM Falmouth, WRZE-FM Nantucket and WPXQ-FM Hyannis. Of these seven stations, three (WDVT-FM, WTVV-FM and WPXQ-FM) are being put into the Cape Cod Trust for resale. [File date 2/9/05.]

* $20M KDDS-FM Seattle-Tacoma from Puget Sound Broadcasting to Busots Media. Superduopoly with KAYO-FM. [File date 6/15/05.]

* $19M KFON-AM, KKLAM-AM, KTVQ-AM & KELG-AM Austin Jose Jaime Garcia to Border Media. Superduopoly with KINL-FM, KOKE-AM & KXXS-FM. [File date 1/3/05.]

* $18M WARK-AM & WAXR-FM Hagerstown-Chambersburg-Waynesboro MD-PA from Manning Broadcasting Inc. to Nassau Broadcasting. [File date 1/5/05.]

* $15.5M KBRU-FM Denver-Boulder from On-Air Family to Denver Radio Co. Duopoly with KSIR-FM Bennett. [File date 4/29/05.]

* $15M WXVU-FM Cincinnati; WVXR-FM Richmond IN; WVXH-AM Harrison MI; WVXO-FM Manistee MI; WVXA-FM Rogers City MI; WXVO-AM Chillicothe OH; and WXW-FM West Union OH from Xavier University to Cincinnati Classical Public Radio Inc. Duopoly in Cincinnati with WGUC-FM. [File date 3/14/05.]

* $14.5M KGEA-AM, KRAM-FM, KEBV-FM, KHDV-FM & KJMV-FM Monterey-Salinas-Santa Cruz CA from Wolfhouse Radio Group Inc. to Latin Entertainment Network. [File date 1/3/05.]

* $14 M KSIR-FM Denver-Boulder from KKD-FM Broadcasters to Denver Radio Co. Duopoly with KBRU-FM. [File date 4/29/05.]

* $12.5M WAIB-FM, WUTL-FM, WEGT-FM & WHTF-FM Tallahassee FL from Triad Broadcasting to Opus Media. [File date 5/4/05.]

* $12M WBAZ-FM, WBEA-FM, WEHM-FM & WHBE-FM Hamp-
ton-Riverheads NY. 93.35% of AAA Licensing LLC from Back Bay Broadcasters Inc. to Cherry Creek Radio LLC. Price is from reports. [File date 2/14/05.]
* $12M KWIE-FM Riverside-San Bernardino CA from KWRP-FM LLC to Styles Media Group LLC. Merger. Duopoly with pending acquisition of KDAI-FM Ontario CA. Buyer is also acquiring KDAY-FM Redondo Beach CA, part of the adjoining Los Angeles radio market. [File date 2/24/05.]

Television
* $190M WLII-TV/WSUR-TV Puerto Rico. 100% of WLII/WSUR Inc. from Raycom Media Inc. to Univision Communications Inc. WLII overlaps WKAQ AM & FM San Juan. WLII serves San Juan; WSUR is a satellite of WLII. [File date 1/14/05.]
* $85M WNDY-TV Indianapolis and WWHO-TV Columbus OH from UPN/Viacom to LIN Television Corp. Duopoly in Indianapolis with WISH-TV. [File date 2/9/05.]
* $33.5M KSMO-TV Kansas City MO from Sinclair Broadcast Group to Meredith Corporation. Duopoly with KCTV-TV. [File date 1/13/05.]
* $32.1M KBLR-TV Las Vegas (Paradise NV) from Summit Media to Telemundo/NBC. [File date 2/28/05.]
* $22.5M KVII-TV & KVIH-TV Amarillo TX (Amarillo TX, Clovis NM) from New Vision Group to Barrington Broadcasting. KVII-TV is a satellite of KVII-TV. [File date 4/15/05.]
* $12.5M KIFI-TV Idaho Falls-Pocatello IL from The Post Company News-Press & Gazette Co. [File date 5/10/05.]
* $12M WTXL-TV Tallahassee FL from Media Venture Management to Telemundo/NBC. [File date 6/10/05.]
* $10.2M WNYTV Burlington VT-Plattsburgh NY from Channel 22 Television Station Inc. to Lambert Broadcasting. Buyer replaces Smith Media Burlington in the transaction, and will strike JSA/SSA/purchase option with Smith. Smith owns WFFF-TV in the market. [File date 2/9/05.]
* $10M WPXS-TV St. Louis (Mount Vernon IL) from Equity Broadcasting Corp. DaystarRBR observation: Marcus D. Lamb et al. $5M initial payment, $5M escrow. EBC also sends a St. Louis LPTV to buyer, and receives LPTVs in Atlanta, Minneapolis and Seattle. [File date 1/24/05.]
* $7M WEMT-TV Tri-Cities TN-VA from Sinclair Broadcast Group to Trumper Communications. 1.4M for license assets, 5.6M for intellectual property, which is being acquired by BlueStone Television Inc. (5/17/05 TVBR #97). BlueStone, which owns WCYB-TV, will enter into JSA/SSA with WEMT. [File date 5/27/05.]

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Davidson buys as others sit on the sidelines

By Jack Messmer / jmessmer@rbr.com

While there hasn't been a lot of station buying and selling action this year, a few companies have been very active buyers—rapidly expanding as the established large groups have been mostly sitting on the sidelines, held back by Wall Street valuations of their stock. One of those aggressive entrepreneurs who's been among the most active buyers is Peter Davidson, who launched Davidson Media with its first station buy just last year. He now has 30 stations in 18 markets—and don't be surprised if those numbers have increased by the time you read this.

While Davidson Media may be new, Peter Davidson isn't new to radio. He was one of the first to leap into Spanish media in a big way and his latest company is his third to operate in that broadcasting niche. After selling both Latin Communications Group (radio/TV/print) and Vista Media (outdoor) to Entravision, he ran an Internet incubator, also aimed at the Hispanic market, before returning to radio. He spoke recently with RBR/TVBR Executive Editor Jack Messmer.

What made you think it was the time to get back into radio when everybody else was selling and thinking that the conglomerates control everything that was worth holding?

That's a long question, but that consolidation has certainly happened. Consolidation has certainly happened in the Spanish side of the business too. There really got to be three guys who controlled the Spanish language—Univision Radio, Entravision and Spanish Broadcasting System. For various reasons they were just acquiring in the top ten, top fifteen markets. I've just always been very close to the market and engaged in the market and I've certainly had the impression there were a lot of potentially very strong Hispanic broadcasting markets out there in the country that didn't have Spanish operators. Or if they did have Spanish operators, it was the smaller operator—there was no kind of group that has the benefits of group ownership and group management. So I just thought there was a real opportunity for a company to launch or to acquire quality Spanish language stations in some of these fast growing mid-sized Hispanic markets.

Did you have much trouble finding people with money to back that kind of idea?

Yeah, it's never as easy as you'd want it to be but I have a fortunate track record and so I've worked with investors before and I'd raise a lot of money from private equity folks before, so there was pretty strong interest in backing me.

Are you buying Spanish stations or are you buying English stations and converting them?

I tell you, half and half. If they're good Spanish language operations and, for me a good market is number one, good signal is number two and it's even better if it's an existing Spanish operation and we can buy it at a right price. We're also very comfortable going in with the right margin and a good signal and launching Spanish language formats.

Are you bringing management in who have done Spanish or are you training people who may have never been involved in Spanish radio before?

That's a good question. We actually do both. Some of the acquisitions we've done I've been extremely fortunate that we just have great management there. Our acquisition in North Carolina, the general manager was a gentleman by the name of Russ Jones—those were five existing Spanish language stations and he developed them, he got them on the air and now he is my VP of Operations for the company. So he's just a great individual picked up through an acquisition. We bought a four-station group in Richmond, Virginia and the general manager there is Mike Mazursky, someone who has a
long history in Spanish radio in addition to general radio and he is now my VP of Sales & Marketing and just another great talented long term market manager.

Were any of those stations in Richmond already Spanish?
One was. We’re keeping three in English there. So one is Spanish. We just bought a signal in Norfolk, Virginia and that was a Country format and we flipped that to Spanish, programmed it and hired a great local general manager, Jack Raddigan. He had no prior history with Hispanic, but he certainly was a long time GM in the market and that has worked out very well for us also.

Are you shopping only for Spanish markets or English stations as well?
Right I mean I’m very focused; we’re creating kind of a multi-lingual broadcasting group. So the real opportunities we’re looking at are markets where there is a high immigrant concentration. Generally that means Hispanic, but we’re about to close on two stations in Minneapolis. That, in addition to being a very large Hispanic market is also a very large Asian market, so it’s Vietnamese, Cambodians, Mungs—so we’re actively exploring doing some programming in some of the Asian languages there.

What kind of market criteria do you have? What interests you?
I’m focused East Coast and Midwest. Everything is east of the Rockies and north of Texas and it’s markets where there’s been a fast growing immigrant population over the last 10 to 15 years.

Do you care whether it’s AM or FM, or are there opportunities both ways?
Our group now is 30 stations and we have 24 AMs and six FMs. We love AM; we think it’s very good for what we’re trying to do. It’s much more cost effective to be able to buy AMs. Basically every market we’re in will have a Spanish FM within the next 10 years. That’s just the way the market’s going and the country’s going. Sometimes we start off in a market with the AM and then over time we believe we will probably acquire or launch and FM in the same markets.

Are you doing this with 100% equity or have you reached the point yet where you are able to actually tap bank loans?
We have both debt and equity. I have some private equity investors. There’s Citigroup Venture Capital, then there’s a group out of Houston, Texas, Cap Street Partners, the Hillman Companies out of Pittsburgh, Mercury Capital Partners (Charlie Banta, Peter Handy) and The Black Enterprise Greenwich Street (a fund focused on minority opportunities).
What is the ultimate goal? Do you sell or do an IPO?

We just love the business and we’re finding great opportunities and the business is growing and my philosophy is if you build a strong business with strong revenue growth, strong cash flow and strong assets, you’ve got a great business. Then we keep it as a great business or maybe someone wants to acquire it or maybe take it public. So it’s really—and I’m not trying to be evasive—it’s just I think there are a lot of possibilities in the future if we execute correctly in these initial years.

How long does it generally take to turn around a new launch of an English station that goes Spanish and get it to the point where you are actually turning a profit? That’s got to be a difficult process.

Sometimes it is, but sometimes it’s going to hit it pretty quickly and it works. We certainly plan to do it in under a year in every case. Some of our stations we program, some of our stations we broker out to people. So if we broker out it out it’s a different risk-reward structure for us.

How fast do you plan to grow? Do you have a target of how many more markets?

I don’t have a target but there are a number of markets I’d like to be in and that’s about 30 markets I’d like to be in—and we’re in 18.

So you’re basically in markets where you’re going to be the big Spanish game in town—without the big three?

Yeah, but in some of these markets we have very strong local Spanish language competitors. If you look at Oklahoma City, it is a market we’d like to get into but there’s a very strong FM there. Wichita, Kansas—great market we’d like to get into but there’s a very strong local Spanish language competition there.

So you’re going to be the big Spanish game in markets I’d like to be in and that’s about 30 markets I’d like to be in—and we’re in 18.

Can you give us a little success story? Is there a market that stands out as one that just really took off once you went in and launched your Spanish station?

Let’s see, I can give you two. One is we acquired two FMs in Providence, Rhode Island from Citadel. They were rock stations and we launched one as a Spanish station and one as a Portuguese station and within the first full book the Spanish station, WWKB, went from number 17 in the market to the number five station in the Providence market. So from a ratings perspective that was a real hit within the first book.

And then the other one is Norfolk, which I mentioned before, where we took a country format at 950 AM and launched it as a Spanish signal. I think we did that four months ago and because we’ve been the first Spanish station in the market we’ve done very well in terms of billing. The ratings haven’t come out yet, but from a billing and market acceptance record we couldn’t be happier—that thing is just going through the roof.

What else should we know about Davidson Media?

Everyone kind of knows the story about the demographic change going on in the country in the top ten markets, but I don’t think people—whether it’s the media or really advertisers—have yet to come to realize that that same demographic change is really sweeping through other areas in the country. That’s what we’re finding, so we’re very happy with our Spanish language stations in places like Kansas City, Nashville, Tennessee, Springfield, Massachusetts, Richmond, Greenville, Spartanburg—places people don’t normally associate with big Hispanic markets or big ethnic markets we’re finding there’s a real opportunity. Part of the reason I’m doing it is I think it’s a good business opportunity, but I also think it’s an important thing we’re doing to make sure immigrants and newcomers to the country really are increasingly integrated in to what we’re doing. So I think that’s the whole program.
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