

HLT Deadline Extended; Broadcasters Urge Change

The NAB has won a reprieve from federal banking regulators, giving it an extra month to rustle up broadcaster input on changing the rules for designating loans as highly leveraged transactions (HLTs).

Comments to the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Federal Reserve Board are now due September 23 (see R&R 8/16 for addresses). Even with the added time, it appears unlikely the NAB will get a mailing out to members until after the Radio '91 convention, just days before the deadline.

Broadcasters were greatly outnumbered by cable TV interests among early filings to the three agencies. But both groups had the same complaint — HLT rules don't fit cash flow businesses and have choked up media lending.

"Presently, the entire broadcast industry seems to be viewed as one large HLT," complained Blackburn & Company Chairman James Blackburn Jr. He said many bankers are trying to dump their broadcast portfolios to avoid having to justify their HLT exposure. "Some insist they will still lend, but the reality is they are not lending," Blackburn wrote.

'Dangerous Mistake'

Joyner Communications President Tom Joyner called it a "dangerous mistake" to lump broadcast loans with HLTs. He said one result of heightened regulatory scrutiny of banks owing to bad real estate loans has been to "squeeze the lifeblood out of the broadcasting business" by eliminating credit.

WEGX/Philadelphia Promotion Director Samuel Milkman told the agencies he hopes to buy his own station someday, but sees current

HLT rules as being out of tune with the marketplace. Rather than continue using rules "designed primarily for asset-based businesses," he suggested "a test based upon cash flow criteria."

Heritage Media Exec. VP/CFO Jeffrey Curtiss recommended a cash flow test specifically for communications companies. He said a media loan should be designated an HLT only if the debt to oper-

ating cash flow ratio exceeds 5-1; the cash flow to cash interest expense ratio is less than 1.5-1; and the cash flow minus taxes and capital expenditures to principal payments and cash interest expense ratio is less than 1.2-1.

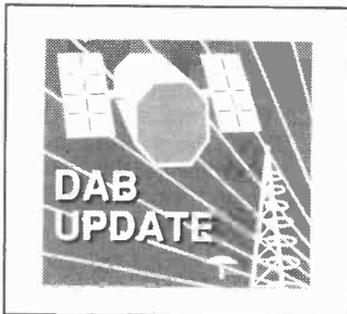
Special Counsel Jack Goodman said the NAB expects to file its own comments close to the extended deadline. In addition to urging broadcasters to file comments directly to the regulators, he said NAB is soliciting information from members about HLT difficulties "for a comprehensive filing" with the agencies.

Strother To Develop Own In-Band DAB System

Strother Communications Inc. (SCI) President Ron Strother has shifted course on his proposed laboratory to test all DAB contenders and has set out to develop his own in-band DAB system. Meanwhile, he has added L-band to his granted experimental licenses and has filed for FM test authority.

Strother announced Tuesday (8/27) that he's formed a new company, Digital Audio Technology Alliance (DATA), "to pursue the development of an in-band system." Initial participants, besides SCI, are LLD Communications, the du Treil, Lundin & Rackley engineering firm, and Broadcast Electronics. Strother confirmed that he's talking with other in-band designers about merging forces with his group.

Strother said DATA has funding committed "to get us to the proto-



type stage," but wouldn't say how many millions of dollars are involved ("certainly more than one," he quipped). DATA may have to move fast to catch up to USA Digital Radio's "Acorn" project. "Any system that can't be on the air by September 1992 is going to have a hard time being in the game," Strother said, giving himself until the NAB's Radio '92 convention to demonstrate a prototype.

Strother said he decided to jump into the design race because other in-band designs aren't "being configured in the manner that's best for the industry." He was particularly critical of efforts to create a lesser-quality DAB for AM — a thinly veiled slap at Acorn. Strother said his DAB goal will be to accommodate all AM and FM stations in the FM band, with coverage equivalent to their current market situation.

Strother is continuing with plans to build a DAB test facility that will be available to other designers. He said the FCC has approved his application to test at L-band (1547-1553 MHz) in Washington and Boston, although the actual license won't be issued until next week. Strother already has a UHF test license and access to an S-band facility. He's also applied for a blanket license to test DAB with FM stations in Washington, Boston, and Los Angeles.



DC REPORT

PAT CLAWSON

Douglas Does L.A.

Douglas Broadcasting CEO N. John Douglas is ringing Southern California with a Class A FM web operating on 107.1 MHz. He's spending \$2.1 million for KAGR/Ventura and KMLO/Fallbrook and plans to join them with his KMAX/Arcadia (Los Angeles), which operates on the same frequency.

"The way the L.A. market is growing geographically, you need lots of coverage. The current stick value for a Class B in L.A. is about \$50 million. We're getting in for just under \$20 million," Douglas said. He dropped \$17 million two years ago for the Arcadia FM.

The deal creates the first contiguous identical-frequency, tri-station radio group operating under common ownership. According to Jorgenson, Chapin & Co. broker Mark Jorgenson, who engineered the deal, Douglas's signals will stretch from Santa Barbara to just outside San Diego.

"We'll have a lot of sheer coverage and be able to run on the same frequency. There ought to be something we can do with this," Douglas said. That something may be printing money. Time brokerage is the name of the game at KMAX, and cash up front is the coin of the realm. By selling time blocks to ethnic programmers, with little administrative or programming expense overhead, Douglas whistles all the way to the bank.

Soviet Coup Helps U.S. Radio

Boris Yeltsin wasn't the only big winner in last week's failed Soviet coup. Just ask American radio entrepreneurs Ben Doud and Mark Wodlinger, whose fledgling Soviet commercial radio ventures survived after teetering on the brink of collapse.

"Last week was kind of insane. I'd be lying if I said I wasn't worried," commented Doud. His Gillette, WY-based Video Communications & Radio was building a Moscow commercial FM station when the coup erupted. With Soviet reformers now strengthened, Doud said he's fielded calls from potential advertisers and plans to begin broadcasting in September on an existing Moscow shortwave station. Programming will move to the FM when it's completed in October.

WIXI/Naples, FL owner Wodlinger leaves this week for Vilnius, Lithuania with new studio equipment and fresh music for M-1, a pop music station he co-owns with a local entrepreneur. Following the abortive takeover, Soviet troops vacated the station, which had been dark since a Baltic crackdown last January. Then Wodlinger's on to Kiev, where he co-owns a TV station and hopes to open an FM station.

Gammon Move-In Decision Due

The never-ending saga of Tom Gammon's proposed suburban Atlanta move-in may be coming to a head. FCC Mass Media Bureau Chief Roy Stewart said Tuesday (8/27) his staff may render a decision within a week on Gammon's plan to relocate WHMA/Anniston, AL 100 miles to Sandy Springs, GA.

Stewart said it hasn't been decided whether the decision will be issued under the authority of the Bureau staff or the full Commission. Potentially controversial decisions often are issued by commissioners to reduce possible legal appeals. Gammon filed his application nearly 18 months ago.

Other deals in the hopper this week:

- River City Broadcasting L.P. has arranged a \$46 million debt refinancing package with the help of Communications Equity Associates. The company, headed by Barry Baker and Larry Marcus, owns KFXB & WFXB (The Fox)/St. Louis and several TV stations. Bankers Trust Co. renewed an existing \$30 million loan and increased it to \$36 million. Union Bank provided another \$10 million.

- Great Electric Communications sold KUHL & KXFM/Santa Maria, CA to Blackhawk Communications for \$1.14 million at presstime. William A. Exline Inc. brokered the deal.

- UPI creditors are demanding that the company redeem stock valued at \$2 million within 90 days. UPI refused to comment on its current financial status or sale negotiations, but said it has "substantial" debts.

- KCDA/Coeur d'Alene, ID owner John Rook is asking the U.S. Justice Department to launch an antitrust probe of North Idaho media magnate Duane Hagadone. The FCC recently approved the transfer of KVNI/Coeur d'Alene to Hagadone's son, a move that may allow Hagadone family members to control AM, FM, newspaper, and Yellow Pages properties in the same market.

- CBS has filed a \$400 million stock offering with the SEC. Standard & Poors has reaffirmed its single-A rating of company debt totaling \$825 million.

NAB Sets Panel On Radio's Future

NewCity Communications President Dick Ferguson will lead an NAB panel dedicated to helping radio prepare for the next century.

As Chairman of the NAB's Future of Broadcasting Committee's radio section, Ferguson will spearhead efforts to set an agenda for a Broadcast Industry Summit, which will coincide with next spring's NAB convention in Las Vegas. According to an NAB spokeswoman, the summit is envisioned as an opportunity for broadcasters to "get together and start talking" about long-term issues confronting radio and television.

Ferguson said he'll meet with other members of the radio committee, probably sometime after next month's NAB Radio convention, to outline a strategy for soliciting industry input on the summit. "None of us has time to conduct full-blown Congressional-type hearings," said Ferguson. "But I think it's important for us to come up with some way

for the industry to offer its thoughts."

Among the issues Ferguson expects the panel to address are digital audio broadcasting, the effect of possible changes in the FCC's ownership rules, and the role of local management and brokered time agreements.

Other members of the radio committee include CBS Radio President Nancy Widmann, Group W Radio President Jim Thompson, Westwood One VP/Operations Jack Clements, Shamrock Broadcasting President Bill Clark, Viacom President/Radio Bill Figenshu, Greater Media VP/Radio Charles Banta, WKYS/Washington President Skip Finley, WNSR/New York VP/GM Mark Bench, and WTCB/Columbia, SC President/GM William McElveen.