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FCC to appeal EEO ruling

by Frank Saxe

The FCC is moving forward to bring back its 30-year old EEO rules which were struck down last month by a DC Circuit Court (*RBR* 4/20, p.3).

"I was so disappointed when the Circuit Court last month held the FCC rules on equal employment opportunity unconstitutional," FCC Chair **Bill Kennard** (D) said to the NAACP board meeting in Baltimore May 18.

An FCC source says they will file their appeal on the May 29. The Justice Department will likely file its own appeal.

Many of the largest group owners say they will continue to live by the rules, regardless of what the courts rule. The NAB and the Broadcast Executive Directors Association will hold a EEO summit in Washington June 8.

Meantime, the Minority Media and Telecommunications Council has completed a comprehensive study of EEO enforcement and found it has been applied "very sparingly." The Council backs heightened enforcement, which it says will enable the FCC to sunset EEO rules by 2009—broadcasting's 100th anniversary.

PR&E diversifies with first acquisition

by Katy Bachman

Anticipating media convergence, Pacific Research & Engineering (A:PXE) is announcing tomorrow (5/26) it has signed a letter of intent to purchase Graham-Patten Systems (GPS), a manufacturer of digital audio mixers for video editing based in Grass Valley, CA. It is PR&E's first acquisition.

GPS may be unfamiliar to radio broadcasters, but the company's digital mixers are well known to TV broadcasters. GPS' digital audio mixers were used by CBS, Swiss TV and other broadcasters at the recent Olympic Games in Nagano. So were PR&E consoles.

PR&E CEO **Jack Williams** said the acquisition is a strategic one, allowing the two companies to combine R&D efforts in developing one audio engine that can be applied across product lines. "Our industry is populated by lots of small proprietorship companies. But pouring money all into one marketplace is a tall hill to climb. You really need to come up with fundamental core technologies that can be applied to more markets." For radio broadcasters, Williams promises "much more feature-intensive products at a price they can afford."

The acquisition also readies PR&E for the coming media convergence, said **Susan Dingethal**, VP/sales & marketing, PR&E. "A company that understands the audio application as it goes to video— that will be a powerful team."

***RBR* observation**: PR&E's diversification into TV is not unlike radio groups diversifying into other media, taking what they learn in one medium and applying it to another.

July inventory half sold

Demand for radio in Q3 is picking up more steam. According to the latest *RBR*/Miller Kaplan forward pacing report, as of mid-May, July is already 49.6% sold. That's a positive sign for stations targeting younger demos, since July is typically a strong month for beverage and entertainment categories. —KB

RBR/Miller Kaplan Market sell-out percentage report

	1998	1997
May15	86.6%	88.2%
June*	74.0%	73.1%
July	49.6%	45.9%

*Note: June 1997 was a five-week month; this year's June is four weeks.

Free time looms again

by Frank Saxe

Capitol Hill has not been the most friendly of places for the FCC lately, but Mass Media Bureau Chief **Roy Stewart** got off fairly easily when he testified before the Senate Subcommittee on Communications last week. In fact, only chair Sen. **Conrad Burns** (R-MT) showed up to question Stewart.

Although FCC Chair **Bill Kennard** has backed off his plan to mandate radio and TV stations give free air time to candidates (*RBR* 3/30, p. 3), Stewart said within the next two

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months the FCC will release a Notice of Inquiry to gather information. "The document will have a wide-ranging review of the avenues and courses as to how free time will be implemented."

Burns is among the many in Congress against such a move by the FCC. "The public interest standard has been stretched beyond all recognition in an effort by the Commission to engage in policymaking that should be the exclusive realm of Congress," said Burns.

RBR News Briefs

➤The Galaxy 4 satellite failure not only affected 35M paging subscribers, but NPR, Reuters, several state networks, CNN's Airport Network and UPI. NPR had to set up a RealNetworks (O:RNWK) feed for "All Things Considered" until ABC, PBS and Canadian Broadcasting Corp. lent satellite space.

➤Hicks Broadcasting, owned by former NAB Radio Board President **David Hicks**, is fighting to keep its license for WRBR-FM South Bend, IN. The FCC says the station was illegally transferred to the **Dille** family's Federated Broadcasting—which is under a similar order for WBYT-FM Elkhard, IN. Hearings dates have been set for both cases.

➤DOJ's **Joel Klein** told a House Judicary Committee last week he needs a larger budget to help the Anitrust Division keep up with the current merger mania.

➤American Radio Systems (N:AFM) and Palm Beach Radio have each been slapped with an $18,500 fine. The FCC says PBR handed over budgetary, personnel, programming and operational authority to ARS, which had set up the corporation in 1995 as a holding company for the stations if ARS decided to buy any of the trio.

➤ElectricVillage will employ Microsoft's NetShow audio streaming technology for its Radio-VillageNet network of radio stations.

➤In a surprising retreat, the FCC has put on hold its intervention into the issue of spiraling cable TV rates. FCC Chair **Bill Kennard** tells the *Washington Post* they'll focus on influencing debate in Congress. The clock is ticking toward a February 1999 deadline, when the Commission will lose its power to regulate cable TV rates, which have risen 143% since 1984.

➤The Supreme Court ruled last week that radio and TV stations may keep fringe candidates out of political debates.

BMI and ASCAP sign with NRB's MLC; RMLC next?

by Carl Marcucci

After years of negotiation and litigation, BMI and ASCAP recently signed five-year license deals (5/14) to begin 1/1/98 with The National Religious Broadcasters' (NRB) Music License Committee (MLC). The former agreements expired in 1992 with BMI and 1983 with ASCAP.

At issue were per program licenses which the NRB, representing 600 stations, found were costing more than blanket licenses. The NRB also wanted blanket fees that reflected the limited use of repertoire in the overall library.

After years of operating under interim agreements, a new per-program license was crafted, allowing stations to play up to 55% music/hour, but costing less than a blanket license. Additionally, fee rates on both incidental and feature use of music were lowered and monthly reporting was made easier. Blanket license fees were modified only slightly.

The NRB was aided by legislative support from Sen. **Strom Thurmond** (R-SC): "BMI and ASCAP originally were not understanding, or appreciative of [their position], that they should not have to essentially pay for full use of those organizations' repertoire."

The other 9,000 broadcasters, represented by the Radio Music Licensing Committee (RMLC), and BMI have also been operating on an interim license since 12/31/96. That may change in early June when the two parties meet again. If not, the next step may be Federal court.

According to *RBR* sources, the RMLC has already amassed quite a bit of money from its consolidation constituency for representation. However, with estimated legal fees that could cost the industry over $1M a year, both parties remain optimistic for a compromise.

In the interim agreement, BMI is getting a blanket license fee of 1.605% of adjusted gross revenues, the fixed 1996 percentage. BMI is negotiating for graduated revenues, based on the industry's increasing use of its repertoire, not to meet or exceed 1.765% at the end of the five year deal. The last deal (1/1/92-12/31/96) ran from 1.47% to 1.605%. ASCAP signed its latest agreement, stretching 1/1/96-12/31/2000, based on 1.615% of revenues for a blanket license, constant for all five years.

News Analysis

Radio's diversity divide

by Katy Bachman

Better late than never. In its third formal statement (5/15) following the leak of a now infamous Amcast memo, Katz Media issued a formal apology and said that it had retained diversity workforce consultants Alexander & Associates. Katz's action was prompted by outraged industry leaders both publicly and privately who were appalled at the insensitive language in a year-old Amcast memo that negatively positioned Urban and Hispanic radio audiences (*RBR* 5/18, p. 4).

For a medium that prides itself on serving a diversity of audience niches through targeted formats, a surprising number of radio's groups and companies have a mixed record of commitment to diversity in their own workforce. Most say they continue to support the FCC's EEO guidelines, which were recently overturned by the US Appeals Court (*RBR* 4/20, p. 3). A few, such as Arbitron, ABC and Cox have taken diversity seriously.

Diversity is not just compliance with EEO guidelines. "EEO is a starting point," said Cox's Diversity Manager, **Rosalynne Price**. "EEO rules focus on recruitment. Managing diversity has to do with managing, retaining and exploiting the diversity in the ranks. EEO regulations don't force you to develop your people. It's a retention issue."

Formal diversity programs include outreach, recruitment, retention, training and development programs designed to attract, select, promote and retain a diverse employee population including race, ethnic origin, gender, physical abilities, religious convictions, age, education, sexual orientation and other perceived differences.

"As I travel around the country, it becomes obvious to me that diversity is not a high priority to all broadcasters," said **Gary Fries**, RAB president. "Companies should take this seriously and realize it's important to our moral integrity for the communities we serve. We shouldn't have to wait for the government to make this a serious issue. It should become a part of the culture."

It starts from the top down. Arbitron President **Steve Morris** sits on his company's Diversity Team and he's been asked to moderate a White House panel June 10 before employees of the Executive Office of the President. The ratings company's multifaceted program won it the **James W. Rouse** Diversity Award by the Chesapeake Human Resources Association.

"We have to embrace the consumer and all that it represents. It's critical to what we do for the industry," said **Thom Mocarsky**, VP, Arbitron.

"If we aren't sensitive to the audiences we serve, we are out of business. The wider variety of talent you have, the greater potential you have for recognizing business opportunities," said Price.

Similar reasoning lead ABC Radio Networks to develop its program a year ago to complement a four-year-old corporate program. "It's hard to broadcast to the mass market and not have your workforce reflect the people you are broadcasting to." said **Darryl Brown**, EVP, ABC Radio Networks. Brown sits on both the Network Committee and ABC's Corporate Committee.

Interep 2000 president **Stewart Yaguda** oversees his company's diversity efforts which began two years ago when Interep hired a diversity consultant who started off conducting focus groups within Interep which led to developing a program. The consultant frequently travels to Interep offices where regular workshops are conducted among employees.

Emmis' **Jeff Smulyan** was quick to point out that "we have women running New York and Indianapolis." Smulyan said Emmis was "expanding our focus, and revamping our program to institute formal programs to sensitize people." As a company with a strong Urban presence, Smulyan sees diversity as a priority. "It's an issue that needs to be addressed. We have to work toward more minority ownership."

But other radio companies can't point to long-established programs. Some, like Capstar, haven't been around very long. "We're absolutely working on a formal diversity program that is above and beyond the EEO rules," said Capstar's **Lisa Dollinger**, who added that the IPO's quiet period didn't allow her to disclose more details.

Other companies say they support diversity, but are shy of the details. Jacor's spokesperson **Pam Taylor** said: "If we don't have something formally in writing it's because we aren't a very formal company. We have a policy to achieve EEO compliance; our general managers are compensated to operate at or above the parity level set at the FCC."

CD Radio grabs content from radio

by Carl Marcucci

Broadcasters may find the competitive threat from satellite DARS company CD Radio (O:CDRD) is a lot closer to home. As CD Radio gears up for its 1999 launch date, it is seeking content from radio syndicators to fill the rest of its 50 channels (30 will be uninterrupted music). Last week it contracted with Sports Byline USA to provide programming. It has also lined up Bloomberg News for two channels, Dick Brescia Associates' Classic Radio for one channel, and C-Span Radio for two channels.

Sports Byline's station affiliates are still evaluating the impact CD Radio's contracts with radio syndicators on the bottom line. "We carry them overnights, so not being a key daypart, I don't think our ratings would be impacted. I would re-evaluate after the first quarter [of the CD Radio debut] to see if I notice any trend in it. However, for stations carrying Byline in afternoon drive or early evening with the possibility of people listening to CD Radio in their cars, I think it could be a major concern," said **Mitch Rosen**, PD of 50kW WMVP-AM Chicago.

David Margolese, chairman/CEO, CD Radio, says that CD Radio won't necessarily be airing the same content as that provided to radio stations. "Bloomberg will deliver programming to us that won't be available anywhere else. We will share revenues 50/50 with virtually all of our content providers—50% of commercial time is allocated to us, 50% to them."

In addition, Margolese points out other key differences: "Most content providers are not carried 24 hours a day in any particular market. We will have it on demand, so that's a different service. You'll be able to get that signal in vast areas that current affiliates won't reach, and in the markets you can get it, we're going to offer the networks 24 hours a day, not two or three."

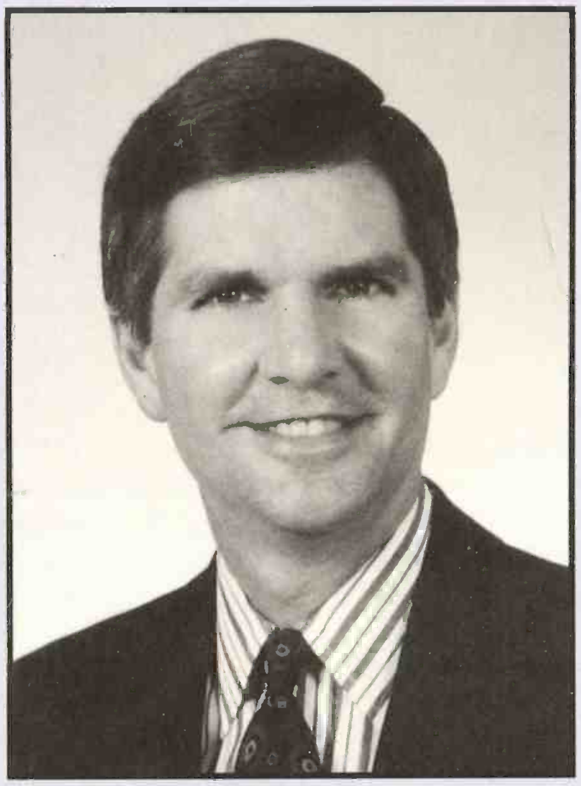
by Jack Messmer

Heftel:

Taking Spanish radio to new heights

A little over a year after merging his family's company, Tichenor Media System, into Heftel Broadcasting (O:HBCCA), CEO **McHenry T. Tichenor Jr.** is continuing to rapidly expand the nation's largest Spanish radio group. Tichenor, better known as "Mac," is having a great time growing the company, and his shareholders couldn't be happier.

Although Heftel has backed off from its all-time high of $51.75 set on Feb. 12, and is actually down about 10% so far this year, that appears to be just a bit of cooling off after a very hot 1997. The stock was one of the top performers among all radio companies last year, with a rise of 197% *(RBR* 1/26, p. 8). Only Faircom (O:FXCM) and Chancellor Media (O:AMFM) did better.



Mac Tichenor, Jr. CEO Heftel Broadcasting

Merger strengthened hold on profitable niche

Investors continue to see growth in advertising aimed at the US Hispanic community and Heftel is one of the few "pure" plays on Wall Street for Spanish media. A $205M sale of additional stock in January *(RBR* 1/26, p. 11) was oversubscribed.

"My job has not changed that much," Tichenor says of his personal transition from running a private enterprise to a public company (the closing was 2/14/97). "I find that I spend more time with investors and analysts than I did before. Otherwise, the job hasn't changed much, but the company has changed a lot."

Hispanic ad growth wows Wall Street

Combining the #1 Spanish group, Heftel—whose majority owner was then Clear Channel (N:CCU)—with #3, Tichenor, in a $690M merger *(RBR* 7/15/96, p. 14-15) created a mega-group with stations in nine of the ten US markets with the largest Hispanic populations. That nine-out-of-ten count hasn't changed (see chart, page 10), although there have been rumors that a San Diego deal is imminent, but Tichenor has made good on his pledge reported in *RBR's* story: "We're going to be very active on the acquisitions side within our markets."

Converting expensive sticks

In recent months, Heftel has announced deals to acquire WNWK-FM New York for $115M and the assets of WPAT-AM *(RBR* 12/8/97, p. 12) and to buy KKPN-FM Houston for $54M *(RBR* 3/30, p. 12). Both are cases where Heftel is buying a station which is not programmed in Spanish (although WNWK carries block programming in a number of languages, including Spanish) to launch a new format aimed at Hispanics.

Just last year Heftel blew up the Alternative format of KSCA-FM Los Angeles to launch a Regional Mexican station alongside its established Spanish AC KLVE-FM. In the Winter 1998 Arbitron, the duo finished #1-#2 AQH share 12+, not just for Spanish stations, but for all stations in the market—with upstart KSCA (5.4) bumping KLVE (5.3) from the top spot. Strictly speaking, KSCA is an LMA, but Heftel has an option to buy the station for $112.5M (minus interim payments) upon the death of the current owner, veteran broadcaster and movie/recording star **Gene Autry**.

Flipping stations to new formats is certainly an aggressive (and some would say risky) business practice, but it's almost a family legacy for Mac Tichenor. His late grandfather, **McHenry Tichenor** (with no middle initial), acquired the family's first station, KGBT-AM McAllen, TX, in 1949. After observing that the station's nightime Spanish programming was producing more profit than the daytime English programming, he switched to all Spanish in 1962.

Mac joined his father, **McHenry T. Tichenor Sr.** (who is a director of Heftel), and grandfather in the busi-

continued on page 8


enough said!
THE
Dr. Laura
PROGRAM
THE
RUSH LIMBAUGH
SHOW
The
(very independent)
Michael Reagan
Show
THE
JIM ROME SHOW
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Dr. Dean Edell
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Heftel continued from page 6

ness in 1979, just a few years before the decision was made to focus exclusively on Spanish radio. By 1989 Tichenor Media System had sold off all of its English radio stations and a TV station.

Despite his successful track record for converting English stations to Spanish, Mac Tichenor says the course has been dictated by market conditions. "We would like to see a combination of buying existing Spanish operators and stick conversions," he said. "When we see an opportunity come up, whether it's an existing Spanish operation or a conversion, we have positioned ourselves to be able to take advantage of it."

Measuring with a different yardstick

When you look at the roster of station owners in the McAllen-Brownsville-Harlingen, TX market, the big-10 group owners are noticable by their absence, except for Heftel. The market at the southern tip of Texas is hardly an expansion priority for CBS, Chancellor Media or Jacor. Arbitron ranks it the 62nd market in the nation, with a metro population (12+) of 648,200. To Heftel, though, the market rank is #8, since 544,400 of those residents are Hispanic—nearly nine out of every 10 people.

On the other hand, some of the largest Arbitron metros hold little appeal for Heftel with their low percentage of Hispanic residents: Boston 5.6%, Atlanta 2.3% and Detroit 2.0%. Chicago, however, is a Heftel market. Even with its relatively low percentage of Hispanic residents, 11.9%, the Windy City is such a huge market that it still ranks #5 among Hispanic markets, just ahead of Houston with nearly twice the percentage of Hispanic residents.

Festival Del Sol, sponsored by KSOL-FM & KZOL-FM "Estereo Sol" San Francisco.

According to a recent Heftel filing with the SEC:

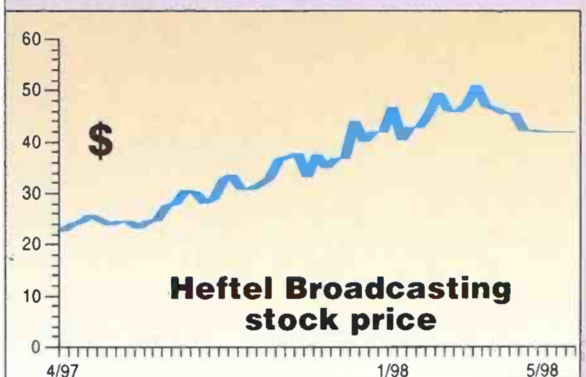
•The US Hispanic population is expected to grow from an estimated 27.2M (approximately 10.3% of the total US population) at the end of 1995 to an estimated 31.4M (approximately 11.4% of the total) by the year 2000.

•Approximately 71% (approximately 21.6M people) of all US Hispanics live in 15 markets. Since 1980, the Hispanic population growth has represented approximately 51.1% of the total population growth in the top 15 Hispanic markets.

•Advertisers target Hispanics because, on average, they are younger, their households are larger in size and they routinely spend a greater percentage of their income on many different kinds of goods and services than do non-Hispanic households.

•Total Spanish language advertising revenues have increased from approximately $721.5M in 1993 to an estimated $1.4B in 1997. This represents a compound annual growth rate of approximately 18%, which is substantially greater than the estimated growth rate for total advertising for the comparable period.

With annual billings nearly twice that of the second-largest Spanish radio group, Spanish Broadcasting System, Heftel is poised to claim the largest share of that explosive growth.



Heftel Broadcasting

1997 financial results

(pro forma for Heftel-Tichenor merger)

Category	$(000,000)	Gain/Loss
Net revenues	$141.0	+15.4%
Cash flow	$55.5	+99.1%

RBR Interview:
Heftel's Bill Tanner and David Gleason Riding the ratings to revenue

by Katy Bachman

Bill Tanner and **David Gleason** are on the forefront of Hispanic radio. As Heftel's VPs of programming, they have capitalized on the growing Hispanic populations in many markets. The result is that Hispanic radio and its many formats is visibly maturing, migrating from "power-challenged frequencies" to full market signals.

But despite smart business moves, Hispanic radio, much like its Urban brethren, faces the next important challenge of proving the value of the Hispanic audience in order to attract more advertisers.

Take for example, the slam dunk ratings success of KSCA-FM and KLVE-FM Los Angeles. According to Duncan's American Radio, while the two top the ratings rankers, #1 KSCA's revenues of $17.6M represent 3.0% share of the LA radio dollars for a revenue rank of 18 and #2 KLVE's $26.5M revenues and 4.6% share, rank it 10th.

For Tanner and Gleason, getting the revenues up to speed is the next big challenge for Hispanic radio.

Bill Tanner (top), who heads Heftel's FM formats, made KLVE-FM LA's #1 radio station in 1995. David Gleason (bottom) is working on building Hispanic News/Talk, particularly KTNQ-AM LA, which carries almost all original programming.

Why do the advertising dollars lag behind the ratings?

(Tanner) Advertising is still bought and sold too often on the principle that we're dealing with very small share stations that don't cover the market and are for a limited use— to cover part of the Spanish language market—and this is not very valuable to advertising. If you examine LA, for example, KLVE is the number one station P12+, 18-34, and 25-54 and KSCA is right behind it. This screams that Spanish is a one-stop buy. You can buy our radio stations and buy a huge number of people. But rates have not caught up. We're working on it, it's a high priority with us, and we'll keep at it.

What will it take to turn that perception around?

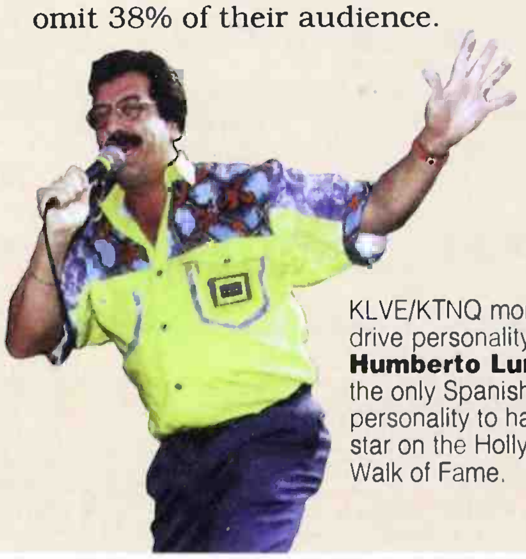
(Tanner) What it will take is for the general market to see that the Hispanic consumer is worth their efforts. It's going to take people crossing over into Spanish from general market radio.

Part of the blame is that Spanish radio, in its formative years, consisted of daytime AM stations that covered only a six city block area. The owners went into Spanish because with a limited facility there were not many other options left to them. But it wasn't a product they had any particular vocation or belief in. They sold it cheap and made a livable income, but they did not price the product comensurate to its value even back then. There's an enormous heritage of cheap Spanish radio.

What is the value of Spanish radio for advertisers?

(Gleason) Hispanic TSL is considerably high, depending on the market, frequently in excess of 12-13 hours. This loyalty causes advertising to work more. They hear the advertising more frequently and they're more motivated by it.

Studies time after time have shown that the portion of Hispanics that speak primarily Spanish respond much better to being sold in Spanish than they do in English. That seems like an obvious thing but I don't know that all general market advertisers realize that. When you consider that the population of Miami and LA is roughly, percentage-wise the same, about 37%-38% Spanish, I can't imagine why anybody with a product to sell in either market would like to omit 38% of their audience.



KLVE/KTNQ morning drive personality **Humberto Luna**, the only Spanish radio personality to have a star on the Hollywood Walk of Fame.

Has it gotten better; have advertisers awakened a little?

(Tanner) Some, but it's not enough to make us all jump up and shout. There's a reality out there that Hispanics are going to represent a huge percent of the population, and then you deal with the reality that the agency budgets for Spanish clients tend to be barely increased year after year.

What about purchasing behavior? Any differences?

(Gleason) The outstanding fact is—Scarborough and other qualitative information will point this out—that there is a greater brand loyalty and a tendency to buy branded products and merchandise. So you've got longer TSL getting you better frequency for your reach and then you get people identifying with branded merchandise, an ideal advertising environment.

Another thing that makes it ideal is you have a number of consumers all over the country who are recently new to the area and so you have the opportunity to reach them and establish brand loyalty.

Research will also show that many listeners do derive information value from commercials that assist them in identifying things that they need. It's more understandable with Hispanics because you don't have the degree of media saturation among them. You don't have a hundred different cable channels in Spanish so the share of voice you can achieve is impressive.

Heftel Stations

Key:

RM Regional Mexican

TR Tropical

TJ Tejano

N/T News/Talk

N/T/S News/Talk/Sports

FS Full Service

AC Sp. Adult Contemporary

Source: Arbitron (Wi 98), RBR database

Hispanic 12+ rank	Metro per. 12+ rank	Market	12+ Hisp. cume	P12+ Cume	Heftel station(s)	Format	Target demo.
1	2	LA	48.4	18.5	KLVE-FM	AC	25-54
					KTNQ-AM	N/T	25-54
					KSCA-FM	RM	25-54
2	1	NY	46.7	8.5	WADO-AM	N/T	25+
					WNWK-FM	(pending)	
3	11	Miami	49.1	19.5	WAMR-FM	AC	25-54
					WRTO-FM	TR	18-34
					WAQI-AM	N/T	35+
					WQBA-AM	N/T/S	35+
4	4	San Fran. (+ San Jose)	22.1	4.2	KSOL-FM	RM	25-54
					KZOL-FM	RM	25-54
5	3	Chicago	43.0	5.9	WOJO-FM	RM	25-54
					WIND-AM	FS	25+
					WLXX-AM	TR	18-49
6	6	Houston	35.6	8.5	KLTN-FM	RM	18-49
					KLTO-FM	RM	18-49
					KLTP-FM	RM	18-49
					KOVE-FM	AC	25-54
					KLAT-AM	FS	25-54
					KRTX-AM	AC	25-54
					KKPN-FM	(pending)	
7	33	San Antonio	48.7	24.9	KXTN-FM	TJ	25-54
					KPOZ-AM	Brokered	
					KROM-FM	RM	25-54
					KCOR-AM	RM	35+
8	62	McAllen-Brownsville-Harlingen TX	47.0	40.2	KGBT-FM	RM	25-54
					KGBT-AM	RM	25-54
					KIWW-FM	TJ	25-54
9	15	San Diego			none		
10	6	Dallas-Ft. Worth	46.4	6.8	KESS-AM	FS	18+
					KHCK-FM	TJ	18-49
					KMRT-FM	AC	18-49
					KDXX-FM	TJ	18-49
					KDXX-AM	AC	18-49
11	29	Riverside			none		
12	69	El Paso TX	38.9	29.0	KBNA-FM	RM	25-54
					KBNA-AM	RM	25-54
					KAMA-AM	TJ	25-54
13	17	Phoenix			none		
14	8	Washington			none		
15	64	Fresno CA			none		
Heftel station outside top 15							
30	43	Las Vegas	39.1	5.6	KLSQ-AM	RM	18-49

BROADCAST INVESTMENTS™

May 20—RBR Stock Index 1998

Company	Mkt:Symbol	5/13 Close	5/20 Close	Net Chg	Pct Chg	5/20 Vol (00)
Ackerley	N:AK	21.000	20.375	-0.625	-2.98%	96
Alliance Bcg.	O:RADO	1.000	0.812	-0.188	-18.80%	292
Am. Radio Sys.	N:AFM	66.125	65.250	-0.875	-1.32%	198
AMSC	O:SKYC	10.750	12.000	1.250	11.63%	563
Belo Corp.	N:BLC	54.187	53.500	-0.687	-1.27%	470
Big City Radio	A:YFM	12.437	11.250	-1.187	-9.54%	3
CBS Corp.	N:CBS	32.375	32.250	-0.125	-0.39%	28946
CD Radio	O:CDRD	34.500	36.875	2.375	6.88%	6301
Ceridian	N:CEN	59.375	58.562	-0.813	-1.37%	2813
Chancellor	O:AMFM	41.812	44.562	2.750	6.58%	6206
Childrens Bcg.	O:AAHS	3.343	3.281	-0.062	-1.85%	300
Clear Channel	N:CCU	92.562	95.125	2.563	2.77%	2807
Cox Radio	N:CXR	44.562	42.937	-1.625	-3.65%	68
DG Systems	O:DGIT	3.625	3.500	-0.125	-3.45%	122
Disney	N:DIS	118.500	110.937	-7.563	-6.38%	23321
Emmis Bcg.	O:EMMS	46.250	44.125	-2.125	-4.59%	1522
Faircom	O:FXCM	1.218	1.218	0.000	0.00%	939
Fisher	O:FSCI	72.000	72.250	0.250	0.35%	113
Gaylord	N:GET	34.000	34.000	0.000	0.00%	57
Granite	O:GBTVK	11.625	11.125	-0.500	-4.30%	251
Harris Corp.	N:HRS	52.000	50.500	-1.500	-2.88%	1460
Heftel Bcg.	O:HBCCA	42.125	40.968	-1.157	-2.75%	725
Jacor	O:JCOR	55.875	55.625	-0.250	-0.45%	8530
Jeff-Pilot	N:JP	57.062	56.750	-0.312	-0.55%	927
Jones Intercable	O:JOINA	19.687	20.062	0.375	1.90%	520
Metro Networks	O:MTNT	40.625	39.000	-1.625	-4.00%	66
NBG Radio Nets	O:NSBD	2.187	2.187	0.000	0.00%	0
New York Times	N:NYT	70.937	71.125	0.188	0.27%	890
News Comm.	O:NCOM	1.375	1.375	0.000	0.00%	0
OmniAmerica	O:SCTR	44.500	41.875	-2.625	-5.90%	2409
Otter Tail Power	O:OTTR	34.750	33.250	-1.500	-4.32%	303
Pacific R&E	A:PXE	4.437	4.500	0.063	1.42%	10
Pulitzer	N:PTZ	89.500	91.187	1.687	1.88%	211
RealNetworks	O:RNWK	28.000	25.437	-2.563	-9.15%	2106
Saga Commun.	A:SGA	21.375	21.500	0.125	0.58%	11
SFX Bcg.	O:SFXBA	74.500	74.625	0.125	0.17%	219
Sinclair	O:SBGI	53.000	52.312	-0.688	-1.30%	3867
SportsLine USA	O:SPLN	33.125	30.750	-2.375	-7.17%	3624
TM Century	O:TMCI	0.406	0.406	0.000	0.00%	0
Triangle	O:TBCS	0.080	0.115	0.035	43.75%	8784
Triathlon	O:TBCOA	10.625	10.437	-0.188	-1.77%	56
Tribune	N:TRB	67.875	67.187	-0.688	-1.01%	1856
Westower	A:WTW	26.125	24.625	-1.500	-5.74%	236
Westwood One	O:WONE	27.937	26.500	-1.437	-5.14%	946
WinStar Comm.	O:WCII	39.687	39.125	-0.562	-1.42%	3817

Financial news from *RBR* and the Wall Street Journal Radio Network

Stock market looking for trend

Stock prices were mixed through the early part of last week. Investors were pleased that the Federal Reserve decided against raising interest rates. However, the market was still trying to assess the impact of civil unrest in Indonesia.

Paxson snares TV vet for Pax Net

Wall Street Journal—Paxson Communications Corp. (A:PAX) named entertainment-industry veteran **Jeff Sagansky** president and chief executive officer, boosting the profile of the company as it prepares to launch a new national television network.

Sagansky, a former top executive of Sony Corp. (N:SNY) and CBS Corp. (N:CBS), will take over the CEO title from company founder **Lowell "Bud" Paxson**, who will remain chairman.

"The first thing you learn as an entrepreneur is that it behooves you to bring in this kind of management," said Paxson, who still owns about 44% of the company's common stock outstanding.

Jim Bocock, who has been Paxson's president since its inception in 1991, will take on the new title of co-president and chief operating officer.

Belo planning all-Texas cable news network

Wall Street Journal—A.H. Belo Corp (N:BLC), already a major media player in Dallas and Houston, now is taking aim at all of Texas. The company is planning to launch a Texas cable news network early next year, taking advantage of its ownership of network-affiliated TV stations in Dallas, Houston and San Antonio, and its flagship publication, the *Dallas Morning News*.

The move builds on the Dallas-based company's experience in the Pacific Northwest with its NorthWest Cable News and reflects a nationwide trend toward developing regional broadcast networks that count on the expertise of existing television and newspaper reporters.

NBC wants to change affiliate deal

Wall Street Journal—General Electric's (N:GE) NBC, the country's top-rated television network, is proposing a radical new financial relationship with its affiliates that would shift some of NBC's costs for converting to digital television and paying for pricey programs like "ER" to the TV stations that carry NBC's programming.

Currently, networks like NBC pay affiliated stations as much as $200 million a year to carry their programs on local stations. Under the new proposal outlined in a memo sent to NBC's affiliates, that money would over the next decade be shifted to a new investment venture jointly owned by the network and its affiliates. The group of affiliates also would be offered the chance to buy a 10% stake in NBC's cable news channel, MSNBC, and would be given an early look at new media investments by NBC's sister company, GE Capital.

While a final deal with affiliates is still months away, NBC clearly is moving to ditch the system of affiliate cash compensation that has dominated network television since its inception. "The economics of the business have now shifted," said **Neil Braun**, president of the NBC Television Network. "We can't just argue about who gets to keep the $200 million. We're trying to move the ball forward."

MEDIA MARKETS & MONEY™

by Jack Messmer

Hicks, Muse buys book publisher, Chilean radio & TV

How did **Tom Hicks** find time to pose for the cover of *Forbes* magazine? Even as the issue was hitting news stands, the Texan who got his start in radio was wrapping up a couple of headline-grabbing deals.

Hicks, Muse, Tate & Furst is buying Simon & Schuster's reference and business/professional publishing operations for $1B in a spin-off by Britain's Pearson plc., which is buying all of the non-consumer publishing operations of Simon & Schuster from Viacom (A:VIA) for $4.6B. Pearson is keeping only the educational publishing division and Viacom gets to keep the Simon & Schuster name. Among other titles, the assets being purchased by Hicks, Muse include the Betty Crocker cookbook series and *Webster's New World Dictionary*.

In South America, which has been a key region for Tom Hicks' media investing of late, Hicks, Muse and its Venezuelan partner, Cisneros Group, have bought controlling interests in two Chilean radio stations and one TV station from Cia. Chilena de Communicaciones. *The Wall Street Journal* estimated the total price tag at $35M.

Back home, Hicks was waiting for Wall Street to price the IPO of Capstar Broadcasting Corp. (N:CRB, see *RBR* 5/18, p. 17). The Hicks, Muse-backed radio group, headed by brother **Steve Hicks**, was expected to raise $446M-$521M to help fund its $2.1B purchase of SFX Broadcasting (O:SFXBA).

Cumulus ups Wall Street ante

Cumulus Media (O:CMLS, IPO pending) has increased the total being sought in its pending sale of public stock and bonds (*RBR* 4/6, p. 19). Although Cumulus has actually reduced its common stock offering by $15M, it's increased three related offerings by a total of $222M. The company has not yet indicated how many shares will be offered, nor a per share offering price. Here's the rundown:

Security being offered	Original proposal	New offering size
Common stock	$115M	$100M
Exchangeable/ redeemable preferred stock	$133M	$219M
Subordinated exchange debentures	$133M	$219M
Sr. sub notes	$100M	$150M
Total	**$481M**	**$688M**

Cumulus' new filing also updates its financials with figures from Q1 of this year:

Q1 1998 Category	Actual	Pro forma
Net revenues	$12.5M	$25.8M
Cash flow	$1.6M	$3.1M
Net loss	$6.2M	$12.9M

As of its May 18 filing with the SEC, Cumulus said it owned or LMA'd (with purchase pending) 105 stations in 22 markets. Once all pending deals close, it will own 176 stations in 35 markets. Underwriters: Lehman Bros.; Bear, Stearns & Co.; BT Alex. Brown

***RBR* observation:** We can't let the moment pass without wishing a happy birthday to Cumulus. The company marked its first year of operation last Friday (5/22). The one-year-old is already the 16th largest radio group, according to BIA, in terms of annual billings.

Inquiring minds want to know

Chancellor Media (O:AMFM) CEO-to-be **Jeff Marcus** (profiled in *RBR* 5/18, p. 12 & 14) got a $1M signing bonus, plus stock options for 1.25M

Internet radio grows up: Broadcast.com files $35M IPO

Rather than seeing the Internet as some sort of threat, the broadcast industry has been one of the most active in embracing the new technology as a way to communicate with listeners and viewers, in addition to a (still small) growth avenue for ad sales. It's not surprising then that the first IPO filed by a company built on streaming audio and video over the Internet, Broadcast.com Inc. (formerly AudioNet) is not a challenger to traditional broadcasting, but rather an aggregator who gets a great deal of its content from radio and TV stations.

Broadcast.com has filed with the SEC to sell $35M in common stock to the public. It will be listed on the Nasdaq National Market as "BCST." Details of the IPO, such as the anticipated price per share and the percentage of equity being sold to the public will be filled in by amendment.

One of the most unusual things about Broadcast.com is where its financial backing to date has come from. Rather than high-tech venture capital funds, the source of cash for most Internet ventures, Broadcast.com's list of major shareholders includes a couple of Fortune 500 giants, Motorola (N:MOT), with 16.4% of pre-IPO equity, and Intel (O:INTC), with 6.1%. Smaller investors (less than 5%) include Jacor's (O:JCOR) Premiere Radio Networks and Hicks, Muse, Tate & Furst. Otherwise, the big shareholders are the two entrepreneurs who founded AudioNet in 1995: **Mark Cuban**, President and Chairman of the Board, at 32.6% and **Todd Wagner**, CEO and Vice Chairman, at 18.9%. Under the company's stock option plan, numerous employees have options to purchase a total of 2.15M shares of stock (nearly as much as Motorola's 2.36M share stake) at exercise prices ranging from $1.07 to $10.43 per share.

Broadcast.com says it currently streams audio and/or video from more than 310 radio stations and networks, 17 TV stations and cable networks and either play-by-play or other programming from more than 350 college and pro sports teams. As of March, the company was recording an average of over 400,000 daily hits on its Web sites. Underwriters: Morgan Stanley Dean Witter; Donaldson, Lufkin & Jenrette; Hambrecht & Quist

Broadcast.com financial data

($000,000)

Category	1996	1997	Q1 '97	Q1 '98
Revenues	$1.76	$6.86	$1.09	$3.18
Gross profit*	$0.46	$3.91	$0.62	$1.95
Net operating profit/loss	-$3.07	-$6.69	-$1.12	-$3.00
Net profit/loss	-$2.99	-$6.47	-$1.06	-$2.72

*Revenues minus costs of generating revenue

Source: Broadcast.com Inc. S-1 filed 5/15/98

shares, according to information filed with the SEC. The five-year employment contract calls for a base salary of $1.125M per year, with annual cost-of-living increases. His annual bonus will be determined by the board's compensation committee, but must be between $2M and $4M. He also gets stock options for 200,000 shares each year.

Marcus' "golden parachute" isn't quite as generous as the package that softened **Scott Ginsburg**'s exit *(RBR* 4/27, p. 4). If Marcus is fired or forced to resign "without cause," he gets $6.25M cash and an immediate grant of all of the stock options called for in the contract.

Third time around...

Ken Johnson is back with a third Mobile-based radio company, but this time "Capitol" is not to be found in the name. Johnson's new company is .COM+ Inc. It's first purchase is WNSP-FM Mobile-Bay Minette, AL from **James Faulkner**'s Bay Delta Media for $1.05M. The station is currently in a JSA with Johnson's former stations, now owned by Clear Channel (N:CCU).

Consolidation hits brokers too

Whitley Media is merging into Media Services Group, with **Bill Whitley** managing what will now be MSG's Dallas office.

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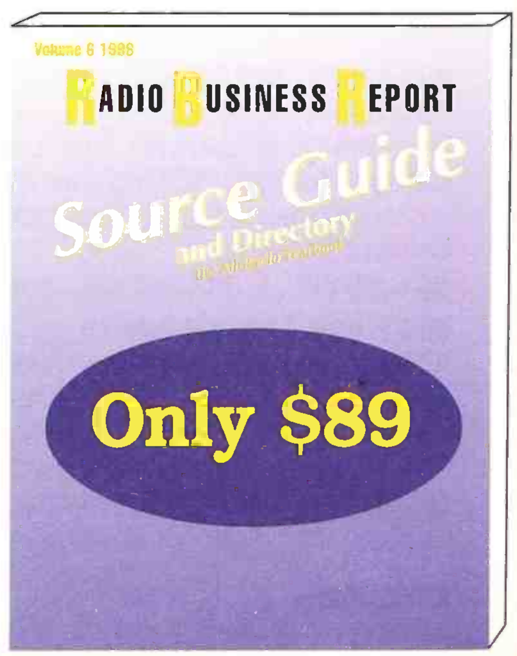

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