Radio Business Report™

Voice Of The Radio Broadcasting Industry®

March 26, 2001

Volume 18, Issue 13

RADIO NEWS

RADIO ADBIZ

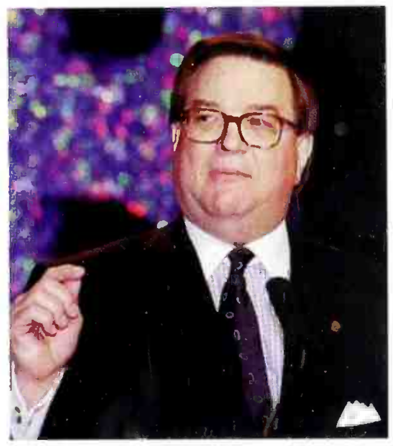
RADIO FINANCE

MARKETING

MEDIA MARKETS & MONEY

Senators target broadcasters

Broadcasters lost Wednesday (3/21) as the US Senate voted 70-30 to attach a new lowest unit rate amendment to the McCain-Feingold Campaign Finance Reform bill (S.17). The amendment, authored by Sen. **Robert Torricelli** (D-NJ), would prohibit bumping of cheap campaign spots from primo air times to make room for full-fare spots.



Eddie Fritts

Torricelli had accused TV stations of "price-gouging" and declared that cutting broadcast advertising rates is "the other half of the campaign finance problem."

"The Senate has voted itself a multi-million dollar windfall," **Eddie Fritts**, NAB President & CEO, said after the

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vote. "The Torricelli amendment will not reduce the cost of campaigns, but rather will unleash a torrent of negative attack ads. Only in Washington can this be called reform."

Fritts said broadcasters have four objections to legislation requiring free or discounted airtime:

- "First and foremost, we believe that free or discounted airtime will simply mean more ads from candidates." That, he said, will do nothing to reduce campaign fund raising.
- "Second, broadcasters already offer free time—but free time that is freely given, not mandated by government bureaucrats." Many candidates, he noted, refuse to accept free airtime for debate, which voters want more than candidate-controlled ads.
- "Third, an attempt by government to favor certain kinds of speech over others is strewn with constitutional problems. We believe that any mandated free time amendments, including further discounted time, runs straight into the First Amendment rights of America's radio and television broadcasters."
- "Finally, any such amendments would create a bureaucratic and organizational nightmare." For example, Fritts noted, stations in New York serve 44 US House districts, plus Senators and "countless state and local candidates." Who, he asked, would decide who gets what free airtime?

***RBR* observation**: The only campaign reform most Americans want is fewer political ads bombarding them. Sen. Torricelli's so-called "reform" would produce precisely the opposite.—JM

WOR Radio Network lays off Rich Wood

Not long after pulling WOR-AM host **Bob Grant** out of syndication, WOR Radio Network Director of Syndication and original founder **Rich Wood** has been laid off by the company. The biggest reason: a sluggish ad market. "Times are very, very tough—you've got Clear Channel owning many stations and they're vertically integrated so they have their own shows; CBS/Infinity, pretty much the same thing with Westwood. There's no growth left, at least within the company. And it became a velvet rut. I have been thinking, for the past six months of leaving, and they did me a favor," Wood tells *RBR*.

Rich Wood

"Rich is talented in any number of areas and a good friend. And he was really instrumental in launching our network 10 years ago," said WOR Radio Networks President **Kirk Stirland**. "But the business has changed and our organization kind of needed to evolve with that. Sadly, that has Rich leaving. It's a tough market out there, but I don't think of it as a negative, as much as a different business."

Woods' next move? "I'm looking to do something very interesting. I've got lots of Internet experience, obviously lots of broadcast experience—somewhere in there is a melding."—CM

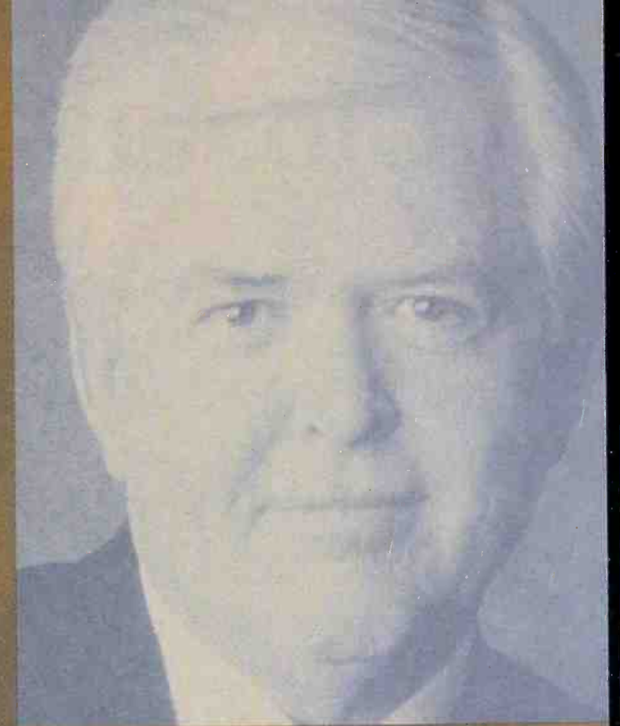
FCC trolling for EAS comments

The Commission announced an NPRM (FCC 01-88) on amendments to Part 11 of the EAS system, as requested by the National Weather Service and Society of Broadcast Engineers (SBE). The NPRM proposes to increase from 15 to 60 minutes the relay window within which the required monthly EAS tests must be retransmitted; reduce the required modulation level of EAS codes from 80% to 50% of full channel modulation limits; and to delete references to the Emergency Action Notification Network; eliminate the requirement that international high frequency broadcast stations purchase and install EAS equipment.

Commissioner **Harold Furchtgott-Roth** wrote a statement that questioned the fact that some of these new rules were voluntary: "The NPRM suggests new EAS rules, some voluntary, some not. The new rules would not be as clearly grounded in law, nor would they necessarily reflect sound policy...How are such rules applied and enforced?"—CM

Vital FCC case seems to go on Forever

Final attempts to block the sale and operation of two Altoona PA radio stations to Vital Licenses seem to have failed for **Rod Wolf**, owner of WRTA-AM. The FCC has handed down a "no go" for Wolf's appeal of his overturned petition to deny the granting of licenses to Vital



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KFIG/Fresno (Sports format): GSM Mike Kerr:

"In the first week that we aired Lou's reports, we sold a package to a large local brokerage firm. We are currently under negotiations with another brokerage firm and feel confident this too will be a successful sale. It is a great program and well-received equally by our audience and clients."

KGU/Honolulu: PD Mike Buck:

"A local company advertised their Japan cruise on Lou's reports and had a great spike in reservations; they attribute this to the upscale listener."

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LOU DOBBS
NBC FINANCIAL REPORT

for stations WVAM-AM and WPRR-FM. *RBR* reported (10/9/00, p. 6) that Wolf had originally petitioned the FCC in June of last year to deny the assignment of licenses to **Kristen Cantrell**, owner of Vital. Wolf accused Cantrell of being in cahoots with father, **Kerby Confer**—whose Forever Broadcasting has four Altoona stations—to jointly control six radio stations in the Altoona market, thereby giving them 77.3% of the market's advertising revenue. The intent, according to Wolf, being for Confer's Forever "which already dominates the market, to further consolidate its economic stranglehold to an intolerable degree."

The FCC ruled that Vital and Forever are separate and independent entities and that "the revenue shares of the father's stations and those being acquired by his daughter will not be aggregated and this transaction thus raises no concerns of economic concentration." Wolf intends to take his case to federal court.

***RBR* observation**: Wolf additionally accused Forever Broadcasting of retaliating against him by boycotting his Altoona-based ad agency. Wolf exclaimed, "They have never lifted that boycott." Perhaps Forever will suspend the alleged boycott when Wolf suspends his efforts to get the FCC to intervene in the alleged father-daughter tag team!—KR

NABEF awards grant to Howard University

The NAB Education Foundation (NABEF) will be awarding a $48,487 grant to Howard University in Washington, DC to help fund the school's newly developed Media Sales Institute. The Institute was created to mentor and prep students for careers in the broadcast sales industry. Personal Selling Principles Consultant **Jeffrey P. Myers** will coordinate and administer the Institute along with his partner, **Bartt G. Horton**.

All students wishing to enroll in the Institute must be graduating seniors and immediately prepared to enter the broadcast sales industry upon completion of the program. "At the end, there will be two days of interviews of these 35 graduating seniors," says Myers. Representatives from several media and broadcast companies—including ABC Radio, Belo, Cox Broadcasting, Hearst-Argyle and Katz—will be present to recruit students who have completed the program. Each graduate will also receive a free one-year subscription of *RBR* to help them keep on top of the industry.

Media professionals from the NAB, RAB, NABOB, and the TvBA will serve as guest

National has a retail tale to tell

Retail was the largest category in national radio for the year 2000, according to a study released by Interep, using data provided by Competitive Media Reporting.

Said Interep Marketing Group President **Debbie Durben**, "Advertisers' decisions to allocate an increasing percentage of their media budgets to radio is the best testament to the medium's marketing effectiveness."

The chart does not include dot-com business, which was spread throughout all of the categories (and subtracted from the totals). Collectively, dot-coms accounted for $501M in national business. This would, of course, blow retail out of the water for top category honors. However, if department stores (which CMR tracks as a separate category) are added into retail, it hangs on to its top spot by $6.5M.

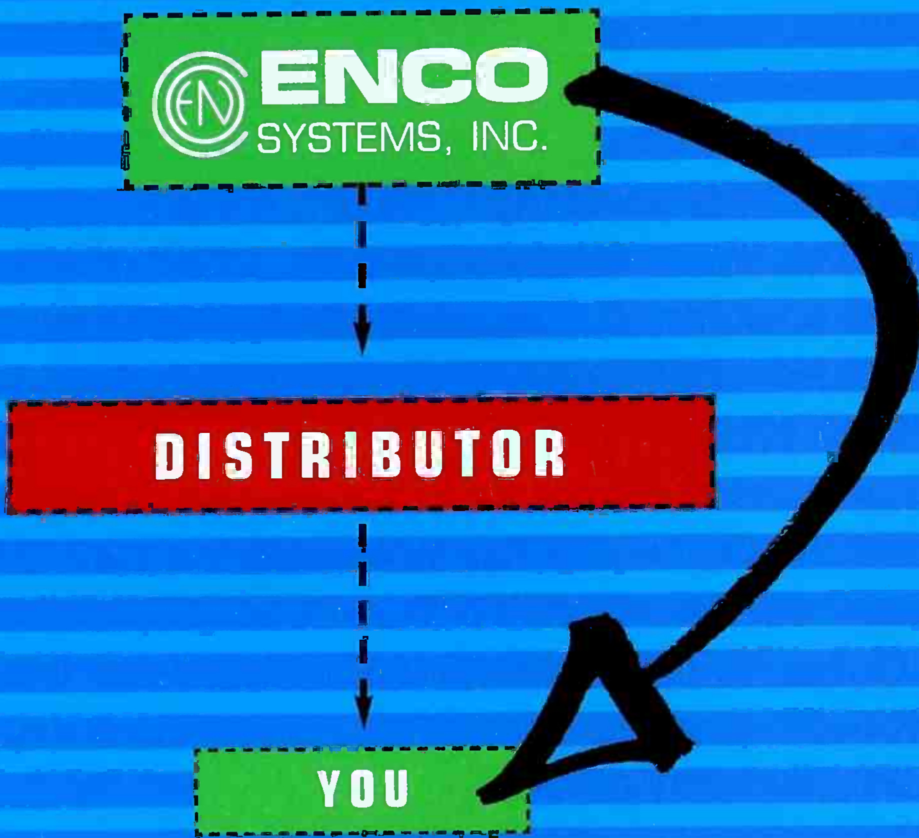
***RBR* observation**: We do not believe that the dot-coms will be duking it out for first place on the list for 2001.—DS

Top national categories of 2000

1	Retail	$396.9M
2	Media	$311.1M
3	Automobile	$287.9M
4	Telecomm	$275.7M
5	US govt	$172.7M
6	Financial	$164.5M
7	Restaurants	$150.0M
8	Medicines	$129.9M
9	Insurance/realty	$127.1M
10	Department stores	$110.7M

Source: Interep, Competitive Media Reporting

Eliminate the Middle Man.



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lecturers. Howard U. Professor **Ernie Fears** will be the Institute's Master Lecturer.—KR

BIA raises $60M for equity fund

BIA announced that its BIA Digital Partners LP has closed on the first round of financing for its new private equity fund. The fund, with up to $60M in available capital as a Small Business Investment Company (SBIC), will focus on mezzanine financing—making subordinated debt and preferred equity investments of $2-10M per transaction. It will concentrate on companies in the radio, TV, cable, telecom, publishing, outdoor, towers and related industries.

The fund, which hopes to reach $125M in capital in a second closing this summer, will be managed by **Lloyd Sams**, formerly of First Union Securities, and three BIA veterans—**Gregg Johnson**, **Tom Buono** and **Charles Wiebe**. Its advisory board includes former Assistant Attorney General **Anne Bingaman**, Emmis (O:EMMS) CEO **Jeff Smulyan**, former FCC Chairman **Dick Wiley**, Liberty Media (N:LMGa) Sr. VP **William Fitzgerald** and TeleCorp PCS CEO **Gerald Vento**.—JM

Two more aboard at Strategic Media

Not long after new Strategic Media Research (SMR) President/COO **Amy Vokes** took over (*RBR* 2/5, p.6; 2/26, p.2) the newly structured company, two new board members have been named: **Nancy Ryan**, Founder and President of the ProMedia Buying Service out of Chicago; and **Barry Mayo**, former Broadcast Partners exec. (was sold to Chancellor 4-5 years ago).

"The way our board is constructed is there are six investors and there will be five non-investor/management appointed directors. Two of those five are myself and **Kurt Hanson**. The other three are Nancy and Barry—we are waiting on confirmation on one more," Vokes tells *RBR*. "Mayo has been a long term friend and client of Strategic and is one of the sharpest programming strategists in the industry; Nancy has built one of the most impressive media businesses on the east coast from the ground up and brings the agency/media buying world to the forefront with us."

The first official SMR board meeting is set for early April.—CM

Radio News®

News Briefs

Broadcast ownership reporting time

The FCC is reminding owners of radio and television stations to submit current and complete biennial ownership reports. Stations located in the states of DE, IN, KY, PA, TN and TX must file a report with the Commission on or before 4/2. The remaining stations are expected to file a report at two-month intervals throughout this calendar year. These ownership reports are collected every two years on the anniversary date of each individual station's renewal application filing date.

Forms for filing can be obtained by writing to the Commission's Form Distribution Center at 9300 East Hampton Drive, Capital Heights, Maryland 20743, or by telephoning 1-800-418-3676 and leaving a request. Forms are also available at the FCC's website, www.fcc.gov, under the Forms link.—KR

Arbitron shareholders to meet

Arbitron has set its first ever annual shareholders meeting for 5/30 in New York. By then, Arbitron will have completed two months as a free-standing public company after being spun off from Ceridian (N:CEN) this Friday (3/30). The radio and Internet ratings company will trade on the New York Stock Exchange as "ARB."—JM

Infinity begins collective contesting

Infinity began its collective contesting 3/22 at 38 stations in 25 markets. $1M is set to be given away in six weeks. Under the campaign, from 8A-8P ET $1,000 an hour will be awarded each hour each weekday except for Thursday, where that award is increased to $10K an hour. Infinity plans to properly identify the contest to listeners as a nationwide, rather than station-only promotion.—CM

Hiwire signs NetRadio

Not long after Katz Interactive Marketing called it quits (*RBR* 2/5, cover), Hiwire was chosen from amongst a handful of competitors (*RBR* 3/5, p.5) to exclusively represent NetRadio.com and provide targeted audio ad insertion services. With 120 format channels channels, Net Radio scores 5M aggregate tuning hours per month. Conservative estimates say the deal will add 30M impressions per month to the Hiwire ad network.—CM

XM's first satellite in orbit

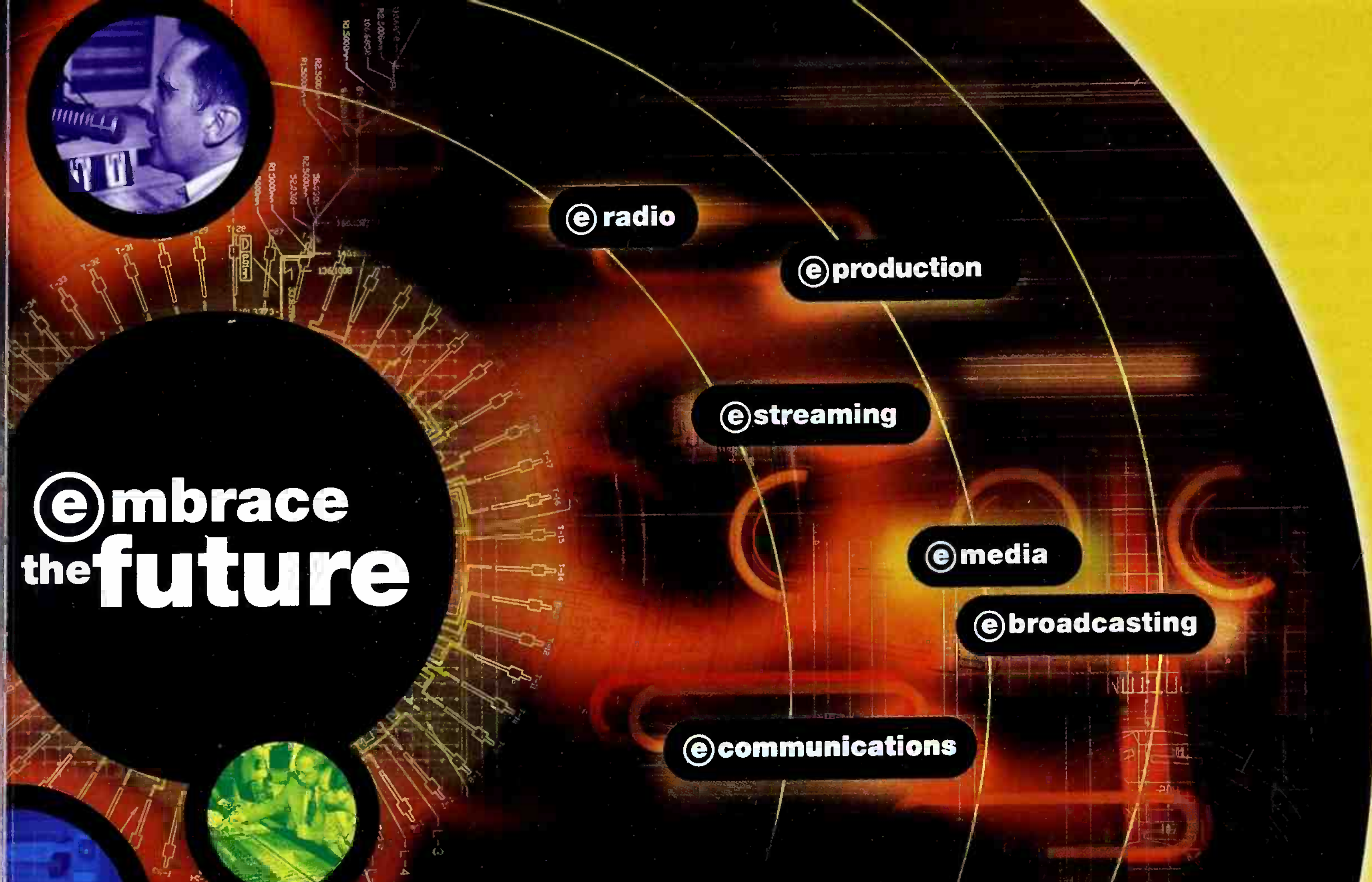
Good news for XM Satellite Radio (O:XMSR): The company successfully launched its first satellite (3/18 5:33P ET) "Rock" from the Sea Launch platform near the equator. The second and final XM satellite, "Roll," is scheduled to launch in May, just in time for XM's commercial launch this Summer.—CM

Mild malady in Steel City

RBR has obtained a Miller, Kaplan, Arase & Co. pacing report for Pittsburgh for the week ending 3/18, and things there do not look all that bad. While the numbers are mostly down so far, they are not down horribly, and local business is actually already in the plus column for March. Locals are expecting at least a 4% gain in revenues by the end of the year. For the record, Pittsburgh was not a hot spot for the dot-coms last year.

	Local	National	Total
March	+3%	-16%	-2%
April	-9%	-5%	-8%
May	-8%	-18%	-11%

Source: Miller, Kaplan, Arase & Co.



Set the Dial for Success

Whether you create or deliver electronic content, the breakthroughs that affect radio come together this April at **NAB2001**. Electronic media's Convergence Marketplace presents the products and services fueling the digital revolution, and your future.

NAB2001 is the one place where you can truly experience the latest technology by seeing it demonstrated. It's a hands-on, practical way of comparing and selecting what's right for your company's future. And **E-TOPIA,** NAB's newest destination for next-generation technology, features breakthrough companies that are reinventing radio. Among the innovations you'll find are:

• Audio Production • Digital Audio Broadcasting (DAB) • E-Commerce • Streaming Technologies • Wireless • Webcasting • And much more.

Put your technology discoveries into perspective at NAB's educational events. Conferences and Super Sessions cover tactics to make you money and save you money. Topics include the impact of satellite radio on your markets, streaming and webcasting as profit centers and the status of IBOC digital radio for AM and FM.

Plus, you'll hear Mort Crim at the **NAB2001** Radio Luncheon when honors go to the NAB Crystal Award Winners and Bruce "Cousin Brucie" Morrow!

Dial in. Register online at **www.nab.org/conventions**

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Exhibits: April 23-26
E-TOPIA Exhibits Premiere: April 22
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CIT sees retail rebound

Retail sales will see a rebound in the second half of the year despite the continued economic slowdown, according to the "Third Annual Retail Outlook" from The CIT Group (N:CIT).

"Nominal retail sales (excluding autos) should see average increases of above 5.0% over the next two years, down from an 8% range achieved in recent years," the lender's report said.

"The latest consumer confidence figures, a drop to its lowest level in more than four and a half years, support our latest forecast for the retail industry,'" said **Lawrence Marsiello**, CEO of CIT's Commercial Finance Group. "We believe that any intervention on the part of the Federal Reserve, which has clearly indicated its will to combat the economic slowdown, will revive consumer confidence and contribute to a retailing rebound in the second half of 2001."

Last year proved to be quite challenging for the retail industry. Household wealth dropped nearly $2 Trillion from March through December of 2000, leaving a notable dent in the wealth effect, which had allowed consumers to forego savings, freely accumulate debt, and increase consumption. The sudden plunge in the University of Michigan Consumer Confidence Index from 108 in November to 98 in December certainly reflects the unfortunate peak in consumer pessimism, according to the report.

"Holiday sales in 2000 were a solid 4.5% above the 1999 season, and for the year, the giant industry did manage robust gains reaching a record $2.43 Trillion (excluding cars and auto parts) based on a US Commerce Department report. Estimated nominal sales rose nearly 8.1%, just as strong as 1999's 8.2% increase, with non-durable sales growing 8.9% and durables up 5.7% in 2000. Excluding gas service stations (to adjust for the unusual rise in petroleum prices) estimated total sales were up 7.1% and non-durables showed a 7.7 percent annual increase in 2000," CIT's report said.

Going forward, CIT said the retail industry should expect to see sedate activity over the next several months, before experiencing a rebound propelled by lower interest rates and further clarity on pending tax cuts.

"If passed, President **Bush**'s proposed $1.6 Trillion tax cut could give consumer spending an additional boost,'" said Marsiello. "However, funds from lower taxes will not be available before mid-year and actual tax cuts will most likely be scaled back given a split Congress and voiced opposition from Democrats. Nonetheless, any tax relief will bring more disposable income and significantly increase consumer spending."—JM

Radio AdBiz©

So many choices...

by Irene Katsnelson

Options, choices, so many of them. Radio has come a long way since Marconi sent and received the first wireless radio signal at the turn of the last century. Today, not only do buyers of radio airtime deal with everyday job stress, we are also educating ourselves and our clients about all of the options available in this medium.

Upon experiencing its best year ever, network radio is offering advertisers options previously unavailable, and to some, unimaginable. As new networks emerged delivering significant national ratings, advertisers had access to some of the top stations in the major markets.

New technology, currently being tested, will allow commercials to be individually addressable on a market and station level. This technology will provide advertisers with an ability to locally customize national commercials.

Streaming commercials via the Internet is another innovation allowing advertisers to reach a captive audience. With additional research and standardized measurement, streaming will be a viable advertising option. Add to that sophisticated software and providers will enable advertisers to target consumers who fit the profile of their product/service.

Just in case your pager, cell phone, navigation system, AM/FM radio with your favorite preset stations are not enough while you're driving, you're in luck. Car radios will soon have another 100 channels featuring all genres of music, talk, news, sports, some with commercials, others commercial free—and all just a button click away. This service, known as satellite radio, will be available as an option in new model-year cars or as a freestanding unit for the home. Consumers will have 100 channels of satellite quality uninterrupted service coast to coast. Advertisers will be able to target ads to their target audience, display something about the product and maybe even allow you to buy it without leaving your car. Sounds amazing, but judging by this awesome technology, realistic.

If traditional radio, streaming, satellite are not enough, suppliers are coming up with innovative ways of tying all these together.

With the ever-increasing number of vehicles and traffic jams on the road, drivers will be spending a larger portion of their fixed 24-hour day in their vehicles. By providing listening options with technological advances, radio remains an effective, growing real-time medium.

Irene Katsnelson is VP, Director of Network Radio for MediaVest Inc.
She can be reached at (212) 468-4068 or Irene.katsnelson@mediavestww.com

Radio Finance

Lenders say small markets are still active

By Jack Messmer

Station buying may have slowed down for the mega-groups, but lenders who specialize in smaller market radio lending say there's still plenty of activity below the Wall Street radar screen.

"We're in markets 50 and lower—there's still a lot of activity," said **Ross Secunda**, Eastern Market Manager of Silicon Valley Bank's Media Practice. "The activity is in the smaller markets to the unrated markets."

Even so, it's not a market that's hospitable to people looking to make their first station buy.

"I don't see any first-timers. Either they were in the business, sold, and now they're getting back in—someone who grew too fast, sold off a bunch of stations and is refinancing what he has left—things like that," said Secunda. "You see the effects of the [1996] Telecom Bill. People sold out, they made a lot of money and now they're getting back in."

When desirable properties come on the market, chances are established broadcasters will snap them up.

"I think the first-timers don't see the opportunities anymore," Secunda said. "If an opportunity to buy something pops up, somebody in-market or already in the business has a huge advantage over a first-time buyer."

The only hope he sees for first-time buyers is to prospect for opportunities in small, unrated markets. "The multiples are down. The opportunities are there in smaller markets," Secunda said, adding, "If you know how to run smaller markets."

A lender who deals almost exclusively in those small markets, **David Westburg**, President of Westburg Media Capital, says he deals with lots of GMs and sales people who are first-time buyers—many of them buying out their own boss. "Maybe the owner wants to sell. The owner has some good will toward the employee who's worked there for 15 or 20 years and really created the value that's in the station," Westburg said. "Having been a station manager, they may not have a lot of equity they can put in the deal, but they may have a little bit of earned interest and they'll come to us to make the deal happen."

How do you structure a deal like that? "The math is really pretty easy," Westburg said. "Let's assume a small market station sells at nine times cash flow. You can expect us to finance five times cash flow. So we finance 55%. If the station sells at eight times cash flow, we finance 62%. Sometimes people just put up equity for the rest." That may come from local investors backing the station manager whom they already know. Otherwise, Westburg says another option is for the seller to retain a minority position to be bought out later. That's retaining stock—not taking a note. "One of the fallacies I see again and again in the radio market is that people treat seller paper as equity—and it isn't. Lenders uniformly will not permit that," Westburg said. "If you don't make payments on seller paper it can force you into bankruptcy," he noted—a situation that no lender wants to see.

Ross Secunda

That doesn't rule out seller paper completely. Although it will cut the amount the senior lender will lend, seller paper can increase total debt to reduce the equity a first-timer has to come up with. For example, Westburg said a nine-times sale might be structured with 4-4.5 from the senior lender and 1-1.5 in seller paper, with the buyer needing as little as three times cash flow in equity.

For small market deals, there are often no Arbitron numbers or power ratios, so it comes down to determining whether the buyer's business plan makes sense.

"We like to know who else is in the market and what are they doing," said Westburg. "We like to know how are the formats spread around. In a small market, often times, you cannot thrive by a format switch. It makes no sense, with only three or four stations, to maybe go opposite the franchise Country station."

The lenders are clear on a couple of no-nos. Stick deals are 100% equity deals. No one is going to lend money to buy a station with no cash flow. Period. Also, don't count on revenues from the killer website that the new owner is going to launch. "If we see somebody include Internet projections, we take it out," said Secunda. "We want to know that the radio station stands on its own."

There may, however, be hidden value in a radio station that a would-be buyer can tap.

"There's a very intriguing trend that we've seen in the last year," noted Westburg. "Towers are the hidden source of value on radio station balance sheets. Towers now are worth more [in terms of cash flow multiples] than radio stations are worth. We've seen people bootstrap deals where they'll go in and buy a small market radio station for eight times cash flow. At closing, they will simultaneously sell the towers for a multiple of 10-12 times cash flow. In essence, they'll use the sale of the towers to create the equity to buy the station."

While small market stations never got to enjoy the revenues from free-spending dot-com companies in the second half of 1999 and first half of 2000, they're now being spared the revenue drop-off experienced by their major market brethren with the burst of the dot-com bubble. Even so, the general softness in the US economy is being felt everywhere.

"We anticipate a definite slowness in the growth—although it will be positive. We've scaled back our projections," Secunda said. "We're not using double digits any more—we're using, let's say, 5% growth on our deals."

Secunda says the typical radio loan is written to run from five to eight years, but utilizing a longer amortization schedule—say seven to ten years—with a balloon payment due at the end. Silicon Valley Bank has lent as high as six times cash flow, but Secunda says the bank prefers to stay closer to five—"especially now, with what's going on in the economy."

He doesn't, however, see a repeat looming of the tough times seen a decade ago in the radio industry. "I think we're much stronger. I don't think you're going to see negative revenue growth like you did in 1990. A lot of good broadcasters learned from that example." Secunda. "In 1990, when you had the economy hit the tubes, you had guys borrowing 10 times cash flow."

"The bankers learned too," he added.

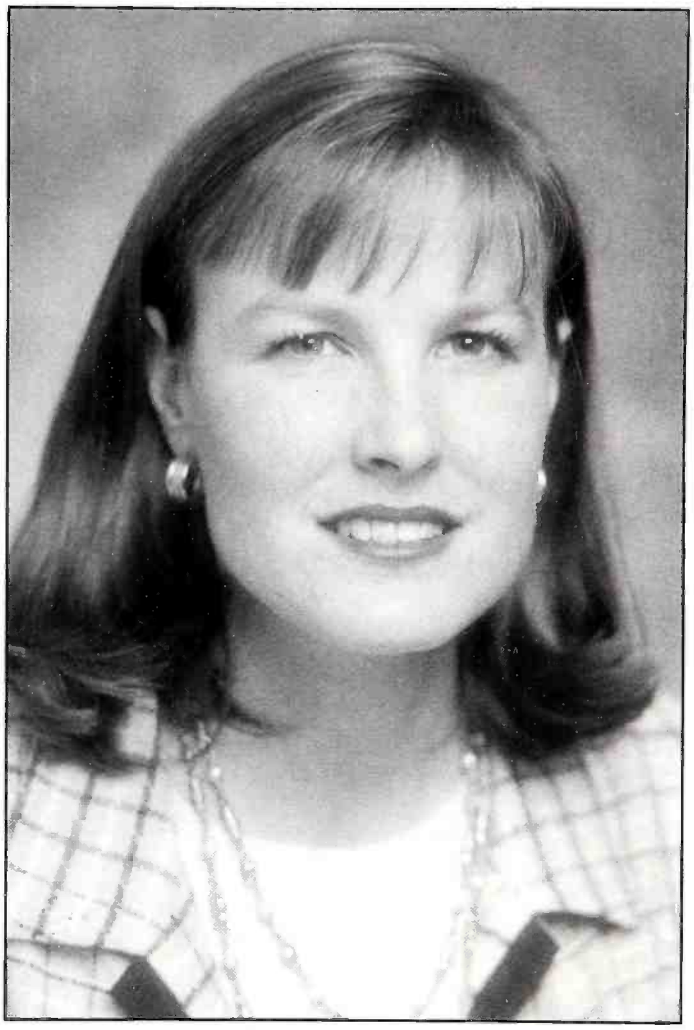
Following a two-year ramp-up of the media lending operation by Sr. VP **John Brooks**, Silicon Valley Bank now has $30M in its media loan portfolio, with another $20M committed and ready to close.

Westburg Media Capital has been in business for four years and has $65M in its portfolio, including $10M in radio loans.

Both companies see a profitable niche in the smaller markets. And while they won't finance sticks, they don't have the fear of single-station deals that many big lenders won't touch.

"We're willing to do single station deals, because in small towns, where there are not very many stations, it tends to be a little more stable competitive environment," said Westburg.

"There's a lot of successful people out there running one radio station," Secunda said. "The idea four years ago that you had two choices—sell or otherwise you're dead—I don't buy that. There's a lot of niche radio out there that's doing fabulously. A lot of opportunity popped up with all this consolidation. A lot of formats weren't being done properly—holes were being left in markets by consolidation. So, there's a lot of niche radio—AM radio, brokered, foreign language, multi-cultural—doing very well by owning one station. There are also some AM-FMs holding their own and doing very well against some bigger guys."



Kimberly Hogan

Bigger lenders seek new approaches

While not lending on the smallest radio deals, **Charlie Brown**, Managing Director of CIT's Communications and Media Finance Group, says his company is getting involved with start-up companies as both a lender and equity partner where the total may be as little as $4-5M. "The idea there being that if we believe in the management team, they will be able to accumulate some of these small markets efficiently and operate them well—and we'll have a larger customer going down the road, or they'll be swallowed up and we'll make out well from the investment that we've made." On the other end, Brown says CIT can lend up to a quarter-billion dollars—which allows for quite a bit of growth. CIT's Communications and Media Finance Group currently has $1.2B in its loan portfolio.

The start-ups CIT is backing are typically run by experienced group owners who've sold their previous company to a big consolidator and are looking to get back in. The other situation is a single market operator who now sees an opportunity to grow. "You're looking at experience. You're also looking, in our analysis, at the feasibility of what they're about to do," Brown said.

For traditional lending, without the venture capital component, CIT doesn't often go below $5M, typically lending six times cash flow. CIT itself is in the midst of being purchased by Tyco International (*RBR* 3/19, p. 13), but will continue to operate as a stand-alone lending unit.

The merger of Norwest Bank—which had been focused on $5-10M radio loans—with Wells Fargo—which didn't have a media department, has produced a lender with a "two-pronged approach," according to **Kimberly Hogan**, Vice President of what's now the Wells Fargo Communications Finance Group.

"It's actually created more opportunities for us than we had in the past," Hogan said, since many small broadcasters are expanding and seeking larger loans.

"While we will continue to do smaller transactions, as low as $5M, the targeted transaction is more in the $10-30M range," Hogan said, for loans that the bank will keep in its own portfolio. It can and will go much higher in syndicated deals.

"What we're really looking for is someone that has a strong management team, diversification of revenue streams and a growth goal over a period of time," Hogan explained. "Closer to the $5M range it's most likely someone that has additional acquisitions coming in the future."

Like Brown, Hogan says a lot of the new customers she's seeing are single market owners who see opportunities to buy in another market. "Consolidation has weeded out broadcasters who weren't that serious—who happened to stumble into radio but never really became radio people," Hogan suggested. "It's people who've been in the business a long time who see growth opportunities."

Stealing market share and listeners while you're competitors pull back to cut costs.

By Tripp Eldridge, President, DMR

n spring of 1991, the Wall Street Journal published a well-researched series called "The Value of Advertising." While the economy is hardly in the shambles it was in the early 90s, the same opportunities exist for smart marketers as competitors cut back advertising and marketing during this tough economic time.

Less crowded field

With fewer stations advertising and less advertising in general, your message is seen more clearly and breaks through quicker. There's less clutter for the consumer to process. That decrease in clutter leads to increased visibility for your station and higher awareness. The American Business Press examined the relationship between advertising and its effects across 143 companies during recession. They found that companies that did not cut advertising had higher growth in sales AND net income during the two-year study. The studies also proved that companies that cut advertising during both years had the lowest sales and net income, not only during the study, but during the two following years as well.

McGraw Hill studied the 1981-1982 recessions and found that companies that cut advertising increased sales by only 19% between 1980 and 1985. Those that continued strong advertising grew sales by 275%! Clearly, your station is far better off to keep advertising when your competitors aren't or can't.

Frequency is key

Stations that stop or significantly pullback advertising, also lose sight of the crucial importance of repetition in any effective campaign. Study after study has proven conclusively that the more exposures people have to your advertising, the more they will like your brand.

A far-ranging study conducted by the Advertising Research Foundation found that low levels of advertising resulted in minimal gains in awareness, while higher frequency triggered gains of up to 600%. Moreover, research proves that positive feelings toward any brand are directly related to the number of advertising exposures or messages sent.

Hard-to-reach audiences require exacting aim and varied contact

In most markets today, 90+ percent of people will NEVER be regular listeners to your station. It's likely that most of your listening will be driven by that 10 percent of the market that are or could be loyal listeners. Unfortunately, it's not easy for your TV campaign or your billboard campaign to target those 10 percent either. No marketing strategy gives you as much control or varied contact vehicles as direct marketing. Controlling waste and increasing effectiveness gives you more dollars to increase frequency and advertise when your competition isn't.

Rating points, not shares, drive revenue

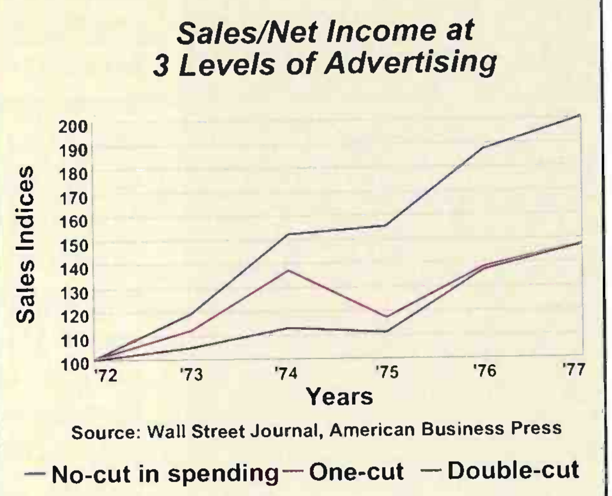
Deciding not to advertise when your competitors aren't can actually lower your revenues. Advertisers buy on a cost-per-RATING-point, NOT a cost-per-SHARE. We know that a SHARE is the percent of PEOPLE USING radio that are listening to your station during the time period. If there is a drop in the amount of people using radio (because they choose the Internet, CD's or satellite radio, etc), your share could remain the same, but your rating (and everyone else's) would drop. Lower ratings mean a lower CPP. Advertising can keep listeners from switching to other media and ensure that when they listen, they listen to you.

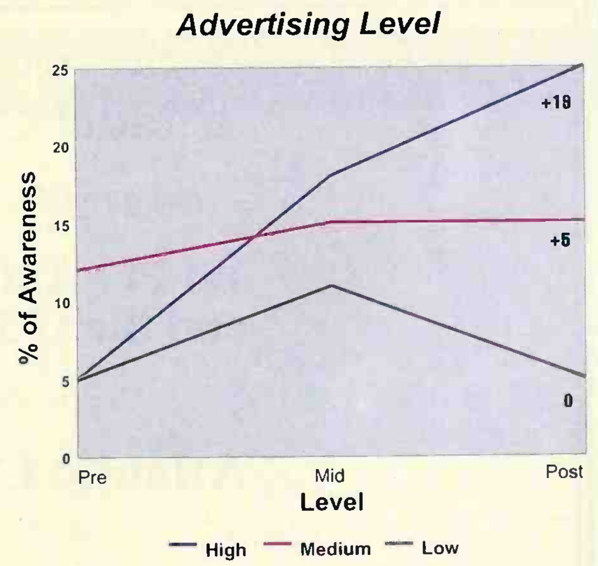
Go direct

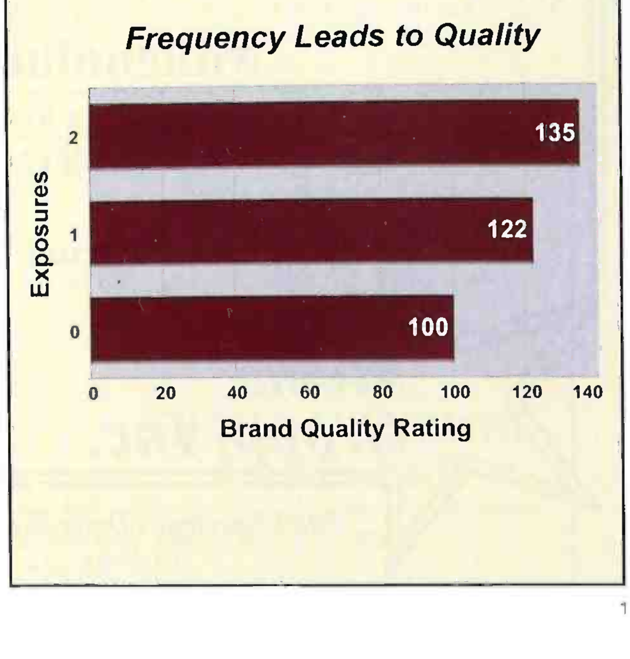
To sum up the opportunity that exists in these tough economic times, let's think of the example of the dramatic impact potential of a comprehensive, multi-contact, direct marketing campaign. First, direct marketing makes your marketing dollars work harder because you're targeting the right people, those most likely to be loyal or potential loyal listeners. Because your dollars are focused on the most-important consumers, direct marketing is perfect for tighter budgets. Second, you're advertising when your competitors aren't, so you're more likely to break through. Finally, you're employing the repeated and varied contact that dramatically boosts, awareness, positive feelings, and usage. The return on investment on your marketing expenditure is actually much higher when your competitors can't or aren't advertising.

Use this for your clients

These principles apply to your clients, just as much as they apply to you. Show your advertisers these studies to help them understand the opportunity they have to use the targeted and high frequency value of radio to reach their customers when their competitors aren't.







Where are multiples?

Despite the current economic downturn, panelists at the Kagan Radio Summit in New York (3/20-21) said stations in Arbitron rated markets are still selling for double digit cash flow multiples—in the mid-teens in top 25 markets and down to the 11-times area for markets 76+. "There's a tremendous population of people that want to buy at 10 times," said **Larry Wilson**, CEO of Citadel Communications (O:CITC), "but people would have to get their heads examined to sell at 10 times."

Also at the Kagan confab, Wall Street analysts generally said radio revenues would grow 4-6% this year, with Kagan's own **Robin Flynn** at the 6% end.

Media Markets & Money™

by Jack Messmer

Entravision cuts outlook

Entravision Communications (N:EVC) warned Wall Street 3/19 to expect weaker Q1 results than the company had previously forecast. The Hispanic-targeted media company now expects Q1 radio revenues to be $12.9M, rather than $14M, or down 9% from the year-ago pro forma number of $14.2M. Outdoor is expected to be down 19%. Entravision, however, expects TV to rise 17% and print 2%. That will give the company Q1 revenues of $43M—flat with year-ago pro forma revenues of $42.9M. Broadcast cash flow, however, is expected to decline 7% to $10.7M.

"In six weeks, the market has changed slightly. It's gotten worse and not better," CFO **Jeanette Tully** told analysts in a hastily arranged conference call. She said there's no indication that any dramatic improvement is likely in the second half of the year. For the full year, Entravision is projecting that revenues will be up 2-5%, with radio nearly flat.

CEO **Walter Ulloa** said the impact of the current advertising slowdown has been greater than expected just a few weeks ago and that it's hard to predict the future. "Our visibility has been narrow, making it difficult to project even 30 to 60 days ahead," he said.

Wall Street's take on radio's future

While RAB President/CEO **Gary Fries** is sticking with his forecast that radio ad revenues will grow by 8% this year, analysts who follow publicly traded radio companies on Wall Street have been revising their estimates downward. Small wonder, since the companies themselves have been reporting that Q1 is softer than expected.

One of the most bullish is Prudential Securities' **James Marsh**, but that's because he hasn't published an official revision since 12/22/00. He now says that it appears Q1 will be down 1-4%, so he'll be revising all of his 2001 forecast numbers soon. "I would expect to move the 6.5% [full year] number to plus or minus 4%," he said 3/21. "This change has not been made yet."

The advertising world's most closely watched analyst is on Madison Ave., not Wall Street. **Bob Coen**, VP & director of Forecasting at Universal McCann, predicted in December (*RBR* 1/1, p. 8-9) that local radio would grow by 6.5% this year and national (spot and network combined) by 5.5%. Although he is well aware that the advertising market has eroded in Q1, Coen told *RBR* that he'll not depart from his practice of issuing forecasts only twice per year. Unless things change dramatically—again—look for some major reductions in June.

"The key driver of the improvement in the second half of the year is the easier comparisons that the industry will come up against," said **Peter Mirsky** of SG Cowen Securities. "Expect some firming to resume after the pull-out of dot-coms essentially left a vacuum and a shift back to more normalized emand and lead times."

"I've modeled revenues to be flat in Q1 nd Q2 against tough dot-com comps, lthough this may prove optimistic if adver- sers pull back more than expected," said **ake Balzer** of Edward Jones. "I've pre- icted 8% growth for Q3 and 6% in Q4. :omps will be easier in those quarters, but think advertisers will continue to be wary his year and spending won't pick back up ntil next year's budgets, when we'll be ack to 8-10% [growth]."

"Currently we are projecting approxi- nately 4.5% to 6.5% overall growth for the adio industry in 2001," said JP Morgan's **/inton Vickers**. "Given the difficult comps hrough May 2001 and our expectations hat advertising growth trends should im- rove during the second half of 2001— given that we believe that a pick-up in dvertising spending will precede an actual ecovery—growth is more weighted to the econd half of the year."

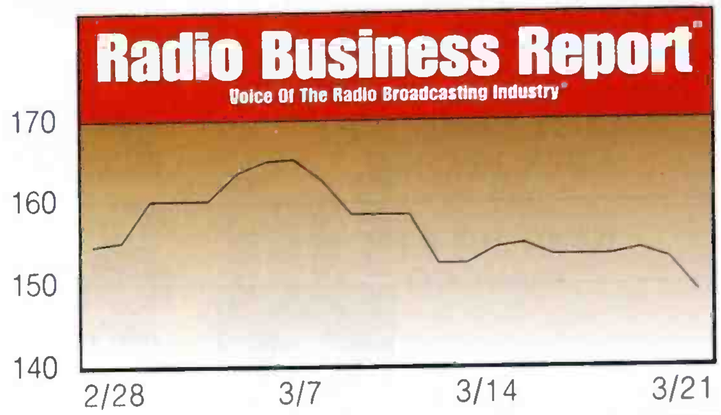
"While comps will likely remain difficult n the coming months, the local business emains healthy and appears to be re- ounding from December lows," wrote **Tim Wallace** of Banc of America Securities in his monthly update. "National, however, could continue to be a drag as the industry cycles through difficult dot-com comparisons."

"I am likely a bit below concensus, as we believe overall ad trends will worsen into Q2, though radio may begin to pick up limited market share," said **Frank Bodenchak** of Morgan Stanley Dean Witter. (Actually, his full year forecast of 4.8% was a tiny bit above the 4.7% average of the nine firms which responded to *RBR's* survey.) "We are also skeptical of a major second half spike, given lingering economic concerns. We nevertheless believe that the issues of replacing certain retail and Internet advertising will be less of a blight on revenues beyond May," said Bodenchak.

RBR's survey of Wall Street analysts found that most are now expecting Q1 to be down a bit to flat—an average of –0.9% for the eight firms who supplied quarter-by-quarter estimates. Although the year is expected to improve each quarter, none of the nine are now expecting second half growth to be strong enough to get radio into its typical growth range of 8-10% for the full year (let alone the much larger gains seen the past two years). The average full-year growth expectation is 4.7%.

The Radio Index™

Radio rode along as Wall Street continued its slide. The Radio Index™ fell 5.417 for the week to close 3/21 at 149.000.



Analysts' forecast of 2001 radio ad growth

Firm/Analyst	Q1	Q2	Q3	Q4	2001
SG Cowen/Ed Hatch, Peter Mirsky	-3%	1-2%	5-6%	7-8%	3-4%
Merrill Lynch/Keith Fawcett	-4-2%	-2%-+1%	4-7%	5-8%	1-4%
UBS Warburg/Lee Westerfield	-5%	-1%	8%	12%	4%
Edward Jones/Jake Balzer	0%	0%	8%	6%	4.5%
JP Morgan/Vinton Vickers	0-2%	2-4%	8-10%	8-10%	4.5-6.5%
First Union/Jim Boyle	—	—	—	—	4.5%
Prudential/James Marsh	3%*	5%	8%	9%	6.5%
Banc of America/Tim Wallace	1%	4%	10%	10%	6-7%
Morgan Stanley/Frank Bodenchak	-1.5%	0.5%	6%	9%	4.8%
Average	**-0.9%**	**1.6%**	**7.5%**	**8.6%**	**4.7%**

*Prudential's last revision was 12/22/00, but later research indicates Q1 will be in the –1-4% range.

Note: When an analyst submitted a range, the mid-point of that range was used in calculating the average for all of the analysts participating.

Transaction Digest©

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

RBR's Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price.

$7,650,000 WSFC-AM, WKEQ-AM, WLLK-FM, WSEK-FM & WWZB-FM Somerset-Burnside KY from First Radio Inc. (Nolan Kenner) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). $382.5K escrow, balance in cash at closing. **Superduopoly** with WLAP-AM Lexington KY. Note: This transaction was filed 10/13/00, but the paperwork has only now surfaced. Broker: Henson Media

$1,500,000 KUNF-AM & KREC-FM Washington-Brian Head UT from Marathon Media Group LLC (Bruce Buzil, Chris Devine) to Western Broadcasting LS LLC, a subsidiary of Simmons Media Group Inc. (Roy & Elizabeth Simmons and other family members). $50K escrow, balance in cash at closing. **Superduopoly** with KDXU-AM & KSSN-FM St. George UT and LMA of KZHK-FM St. George UT. Note: 14 stations in market. LMA since 12/15/00. Broker: Media Services Group

$650,000 WCBQ-AM Oxford NC and **WHNC-AM** Henderson NC from Radio Granville Inc. and Henderson Broadcasting Inc. (Anita & Alvin Woodlief) to The Paradise Network (TPN) of North Carolina Inc., a subsidiary of The Broheim Group LLC (Alvin Jones, Randall Williams Jr.). $32.5K escrow, additional $32.5K in cash at closing, $585K note. Broker: Hadden & Associates

$450,000 KSKD-FM Chowchilla CA from Del Rosario Talpa Inc. (Mario Meza) to Golden Pegasus Financial Services Inc. (Nelson & Debbie Gomez, Ricardo Torres). $105.1K downpayment, $450K (less downpayment) in cash at closing, plus assumption of undisclosed debt owed to Educational Media Foundation. LMA anticipated. Broker: MCH Enterprises

$340,000 KNOC-AM & KDBH-FM Natchitoches LA from Cane River Communications Inc. (Joseph Cunningham Sr. & Jr., Terri & Marva Cunningham) to Baldridge-Dumas Communications Inc. (Edwin & Patricia Baldridge, Tedd Dumas). $340K cash. **Superduopoly** with KWLA-AM & KZBL-FM Many LA and KZBL-FM Natchitoches LA. LMA once this combo resumes broadcasting.

$200,000 KSNA-FM Cheyenne WY (Laramie WY) from Pacific Broadcasting of Wyoming Inc. (James Withers) to Athomic Broadcasting Inc. (Vic Michael Jr.). $30K escrow, balance in cash at closing. **Duopoly** with KLDI-AM & KRQU-FM, but no contour overlap with KRRR-FM.

N/A KBSR-AM & KHDN-AM Billings MT (Laurel-Hardin MT) from Big Sky Radio Inc. (Karen Farrell, Executor of the Estate of Jean A. Solberg) to Sun Mountain Inc. (Richard Solberg). Transfer to a new corporation owned by the son of the decedent.

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MORGAN STANLEY DEAN WITTER

Making a Clear Connection for Broadcasting and Tower Companies

TIME WARNER
$350 Billion
Merger with America Online
Financial Advisor
January 2001

am·fm
$56 Billion
Merger with Clear Channel Communications Inc.
Financial Advisor
August 2000

VIACOM
$80 Billion
Merger with CBS Corporation
Financial Advisor
May 2000

SpectraSite
$1.3 Billion
Acquisition of SBC Tower Portfolio
$412 Million
Joint Venture with British Gas
Financial Advisor
December 2000, April 2000

Chancellor Media Corporation
$4.1 Billion
Merger with Capstar Broadcasting Corp.
$1.6 Billion
Sale of Chancellor Media Outdoor Corporation to Lamar Advertising
Financial Advisor
July 1999, September 1999

LAMAR
$200 Million
Follow-On Offering
Sole Manager
November 2000

SpectraSite
$200 Million*
Convertible Notes
Sole Manager
November 2000

Crown Castle International
$357 Million
Follow-On Offering
$350 Million
Convertible Preferred Stock
Co-Manager
July 2000

SpectraSite
$231 Million
Follow-On Offering
$436 Million
Follow-On Offering
Lead Manager
July 2000, February 2000

Radio One — The Urban Radio Specialist
$310 Million*
Convertible Preferred Stock
Senior Co-Manager
$350 Million
Follow-On Offering
Co-Manager
July 2000, March 2000

Cox Radio, Inc.
$255 Million
Follow-On Offering
Joint Book Runner
June 2000

SpectraSite
$560 Million
12 7/8% Senior Discount Notes
$200 Million
10 3/4% Senior Notes
Lead Manager
March 2000

American Tower
$400 Million*
Convertible Notes
Co-Manager
February 2000

Regent Communications, Inc.
$156 Million
Initial Public Offering
Senior Co-Manager
January 2000

Clear Channel Communications, Inc.
$900 Million
Convertible Notes
Co-Manager
$1.4 Billion
Secondary Offering
Joint Book Runner
November 1999, May 1999

Emmis Broadcasting
$230 Million
Follow-On Offering
Co-Manager
October 1999

ENTERCOM
$350 Million
Follow-On Offering
$306 Million
Initial Public Offering
Co-Manager
September 1999, January 1999

*These securities were offered pursuant to Rule 144A under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.