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Clear Channel picks StarGuide Digital for store & forward

It's official: all Clear Channel stations (N:CCU) and Premiere Radio Networks will go with StarGuide Digital, which has beaten Wegener in the RFP to replace the outdated SEDAT satellite technology with its digital store and forward system. This adds 459 stations to StarGuide's current stable of 163 Infinity (N:INF) stations, plus Westwood One (N:WON).

The proposals have been under review since 1/8 (*RBR* 3/1, p.8). "We're looking forward to the advantages of using the new digital technology, the improved quality and extra flexibility it can give us. We're considering it state-of-the-art," said **Bill Suffa**, VP Strategic Development, Clear Channel.

StarGuide's "StarGuide Express" allows multiple platforms, last-minute delivery and changes of programming, localized ad inserts, and localized voice-tracked opens and closes for syndicated programming over satellite and Internet.

Says StarGuide President **Jeff Dankworth**: "We're excited about Clear Channel's and Jacor/Premiere's decision to use StarGuide's technology. Combined with our relationship with CBS/Westwood One and others, we now have a new digital standard for the radio industry."

The transition over to the StarGuide receiver box for Premiere affiliates will be gradual—none of the systems are close to being in place for the transition. "We've developed a plan two years in advance of the departure of our SEDAT delivery systems, so as to give affiliates and our network plenty of time to absorb a new delivery system that's clearly superior," said Premiere President/COO **Kraig Kitchin**. "Giving affiliates more than a year's advance knowledge gives them the ability of planning for it in next year's budget so there are no surprises." Premiere will be giving all affiliates a barter option for the new equipment when the time comes.

***RBR* observation:** As speculated before (*RBR* 12/21/98, p. 3), a logical move would be to move StarGuide technology over to DG Systems/DCI (**Scott Ginsburg** is CEO of both companies) and fold the private into an already public company. Now that Infinity/WW1 and Clear Channel/Premiere have selected StarGuide for their new infrastructure, the critical mass for this move is building. ABC may also follow suit, according to *RBR* sources. Right now, the average price of a one-minute feed through DG Systems (O:DGIT) is $34. StarGuide is doing it for $1.99.—CM

Expired permits could lead to minority opportunities

FCC Chairman **Bill Kennard** has made clear that one of his primary goals as head of the agency is to broaden minority ownership and programming diversity. And it's no secret that he intends to use low-power FM (if adopted) as that vehicle. But the Minority Media Telecommunications Council (MMTC), joined by several civil rights groups, are supporting an additional way to advance Kennard's goal.

That way, proposed by Hispanic TV owner Entravision, is to allow the holders of expiring construction permits to sell them to entities in which minorities own at least 20% of the equity, or to entities which commit to serve the programming needs of minority or foreign language groups for at least 80% of their operating time. As it stands now, the permit is automatically forfeited when a three-year construction period expires. Under Entravision's proposal, if the FCC approves the transfer, the minority-controlled company would be automatically given two additional years to build the station and begin broadcasting (*RBR* 4/26, p.6). "Completing construction on an existing permit would significantly reduce some of the start-up costs and risks that present the most significant barriers to minority entries," stated the MMTC.

Though the MMTC supports Entravision's proposal, the group did suggest that the Commission revise the proposal "to ensure that minorities not only participate in control, but they must have control." The group also stated that the proposed rule

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should contain an anti-trafficking requirement but not a programming format requirement. "Unrestricted programming options would increase the potential for the proposed rule's success by allowing the assignees to be responsive to competition and market needs in structuring their programming," wrote the MMTC.

Additionally, Costa de Oro Television (whose president is an officer of Entravision) filed comments, saying the plan should be passed because "A program structured with these benefits...can be expected to increase minority ownership during a period in which media concentration is leading to a contrary result."—TS

Lucent announces successful DAB test; signs agreements with Nautel, Electronics Research

Lucent Digital Radio (LDR) announced it had successfully tested its FM IBOC DAB system on WBJB-FM Lincroft, NJ, an NPR station, last week (6/2). The tests showed no interference or degradation to the host analog signal. Both the analog and DAB signals were transmitted from the same antenna. The LDR IBOC exciter was tied into a 600 watt QEI Quantum 600E (same as USADR—*RBR* 4/19, p. 6) transmitter and combined with the station's existing Harris FM-1H3 transmitter at 11kW analog. "We [had] the analog continuing host signal over the air and then sent digital music over our exciter and had it received over the air in a computer and played it," said LDR Director of Marketing and Sales **Bill Casey**. "What this test is telling us is we're on track with the development of our system—we were able to put it over the live air and not impact the host signal."

Further upping the competition with USADR for an IBOC standard, LDR and transmitter equipment manufacturer Nautel have entered a testing and development agreement for its upcoming AM IBOC exciter unit with the XL and ND series. You will recall, Nautel is also working with USADR as part of its Technology and Marketing Development Alliance. It is under non-disclosure with both IBOC developers. "It's a pretty common practice in technology development to be working with multiple players, as long as information is not being passed back and forth. Most companies are very respective of that, so this is a comfortable situation," said said LDR President **Suren Pai**. Harris is working with both LDR and USADR in technology development and testing, but hasn't formally entered into any agreements beyond non-disclosure.

"We have agreements with both parties. As a transmitter manufacturer, we have little choice because nobody's picked a system. We assume eventually out of all this, the broadcasters are going to be broadcasting in digital, and we want them to be doing it on Nautel transmitters," said Nautel President **David Grace**.

While LDR's AM system is still in development, Nautel will be lab testing the prototype at its lab in Halifax, Nova Scotia over the next few months and participating in field tests in September and October. Said Pai: "We want to work with them up front, even in the design of the technology itself, just so we have their input. They need to help us understand the operating constraints so that we can design the system to work within the constraints that the operating environment poses."

LDR has also signed a JDA with Electronics Research, Inc. to co-develop combiner technology and improve efficiencies in the analog and digital combining process. LDR is using ERI's IBOC combiner at WBJB, and plans to use others in this year's FM field testing with Nassau (*RBR* 3/29, p.6) and other broadcasters. Pai tells *RBR* more development announcements are forthcoming.—CM

And the award goes to...

The richest competition in advertising, the 1999 Radio-Mercury Awards has its five finalists for the best radio station-produced commercial. Gangstad Productions, Inc., The Memphis Radio Group, Pride Communications, Salem Communications and The Zimmer Radio Group are among other nominees who will vie for $210K in cash prices, including the grand prize of $100K.

The Radio Creative Fund also announced the agency finalists for the best creative in radio commercials. Goodby, Silverstein & Partners, San Francisco and Lowe & Partners/SMS, New York stole the limelight with six nominations each.

The event will take place at New York's Supper Club 6/10 and it will be emceed by the multi-talented morning show host of WRKS-FM N.Y., **Isaac Hayes**.—KM

Stop hiding, FCC; The public wants to see your faces

That was the message the Commission heard from over 20 representatives of the disabled community and consumer groups last week. During the second of three public forums designed to debate the FCC's role in the 21st Century, the agency was accused of hiding in the Portals building and not interacting with the public. During the first round table discussion held in May, various trade organizations urged the FCC to speed up its processes and to continue to deregulate (*RBR* 5/24, p.3).

"You (the FCC) do need to go beyond the Beltway... consumers are just not on the East Coast or in the DC metro area. All they know about you are what they read in the newspapers," said **Jenell Trigg** of The Telecom Opportunity Institute. "They just don't have access to the trade publications that can actually go in depth and teach them." Added the Media Access Project's **Andy Schwartzman**: "The future role of the FCC is not a question of making the FCC absent... it's to facilitate citizen participation."

continued on page 6

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continued from page 3

Schwartzman also said the FCC would be severely off-track in the future if the agency continues to throw "citizens out of the process." For example, he said, the FCC's web site still has no posting about the Commission's approval for a 60-day extension for low-power FM comments, which was granted 5/20. "That's not a good reflection of your agency as an outreach effort," commented **Alan Dinsmore** of the American Foundation for the Blind.

The FCC also heard pleas during the discussion for the Commission to remain an advocate of consumer protection as it heads into deregulatory mode. "We have the laws, but we still need the implementation," said **Karen Peltz Strauss** of the National Association of the Deaf.

The third public forum is scheduled for 6/11 when the FCC hears from academic and organizational experts.—TS

Marcocci files Petition for Reconsideration

Still not giving up after the FCC has approved the sale (4/29) of WFJO-FM, WHPT-FM and WTBT-FM for the Clear Channel-Jacor merger in Tampa Bay, WGUL-FM/"Music of Your Life" owner **Carl Marcocci** has filed a Petition for Reconsideration.

The Commission had called Marcocci's original filing an informal objection. "We very strongly make the case by citing the **Roy H. Park** case that it was absolutely not to be considered an informal objection."

The thrust of Marcocci's objections to the deal include that he was not allowed to bid on the stations that were spun off, and the situation in the market now is unfair to independent broadcasters. "If power ratios are used, and we use the latest Miller-Kaplan ratios for 1998, both Cox and Clear Channel will end up with over 80% of the sales revenues of the Tampa Bay market."—CM

Clarification

Randy Odeneal's comments during the Media Institute Communications Forum (*RBR* 5/31, p. 2) should have read: "To make room for LPFM, the Commission must do away with second and third adjacent channel protection for FM radio stations. Absent this rule change, very, very few low-power FMs can be licensed, making this whole exercise a waste of everyone's time."

HBC files to complete KSCA acquisition

Nearly two and a half years after taking over operations of KSCA-FM L.A. under an LMA with purchase option (*RBR* 1/6/97, p. 12), Hispanic Broadcasting Corp. (O:HBCCA, formerly Heftel Broadcasting Corp.) has filed at the FCC to buy the station. The purchase option was not exercisable until the death last October of long-time owner **Gene Autry**. The contract contains a time-based escalator clause which *RBR* calculates will add approximately $5M to the price announced in late December 1996 as $112.5M. HBC has already made $13M in option payments and says if the purchase closes 8/1 it will owe approximately $104.4M, for a total of $117.4M.

Meanwhile, HBC made use of a shelf registration filed last December and sold 2M new shares, which were priced 6/1 at $61.25 each. After paying $2.45M in offering costs, HBC put $120.05M in its bank account, so it will have plenty of cash available to close the KSCA purchase.

How important is the L.A. market to HBC? The company's latest SEC filing notes that 47% of its 1998 cash flow came from its L.A. stations, one AM and two FMs. Underwriter: CS First Boston.—JM

Why Art Bell resigned

Well, after eight months of wondering, we can now say for sure **Art Bell**'s resignation (*RBR* 10/19/98, p.4) during last year's Fall NAB show was no hoax or publicity ploy. He was actually off the air for only 13 days, due to "a threatening terrible event" that occurred to his family. The reality that his only son, **Arthur Bell IV** (who lives across town with his mother), was sexually assaulted by a substitute high school teacher infected with the HIV virus, fits that description well.

The teacher, **Brian Eugene Lepley**, 34, is now serving a life sentence for the 4/16/97 event, where he (according to the *Drudge Report*) took the boy to nearby Tecopa Hot Springs, CA, bound him in chains and forced him to commit a sex act. The younger Bell began contemplating suicide last October—that was the straw that caused his father's resignation. Arthur filed a federal lawsuit in November against the Nye County, Nevada School District for negligent hiring, supervising and retaining (Lepley has a sexual offense history); and Lepley, charging physical injuries and severe mental and emotional distress. On 5/28 the complaint was amended to include the boy's name, because the judge in the case said she would dismiss it with an anonymous plaintiff—the younger Bell turned 18 at the end of February, no longer a minor.

"As unfortunate as the circumstances are surrounding Art Bell, Jr., we are relieved to be able to tell our affiliate and our advertiser base the truth about why Art Bell was forced to leave the air last October, and we certainly supported his decision. One of the reasons that Art Bell did come back on the air 13 days later was that we were able to provide him the legal and the moral support to know that he was not in this fight alone," Premiere President/COO **Kraig Kitchin** told *RBR*.

Speaking of fights—as if the above weren't enough for one man to have to deal with—Bell has launched two defamation of character lawsuits with L.A. law firm Fox, Siegler & Spillane. The first is against shortwave broadcaster WWCR, talk show host/former FBI agent **Ted Gunderson** and guest **David Hinkson** for claiming Bell was indicted for child molestation on a 12/9/97 broadcast.

The other suit, as Bell told listeners 5/28, involves former "Coast to Coast AM" guests **Robert Stephens** and **David Oates** (a host for competing program "Sightings on the Radio"). Stephens' last appearance on "Coast to Coast" was in December. He became antagonistic towards now deceased guest **Richard Hoaglund**, and Bell publicly uninvited him on the air. Sometime later, Stephens allegedly came across a disabled vet in Monterey who worked with Bell in the 70's and told him that Bell was arrested in 1978 for producing and trafficking pornography tapes. He told the story on "Sightings" (4/3). There were more statements made, including that Bell was a pedophile. The $60M lawsuit, including six complaints, is how Bell is choosing to address it. No record exists of any such arrest in Monterey police files.

Kitchin and Premiere are standing behind Bell. "With the filing of the second defamation of character lawsuit against Oates and Stephens [5/27], new information has come to us that would suggest that the first defamation of character activity, including WWCR-SW, Gunderson, et. al., and this latest event including Stephens and Oates are connected," said Kitchin. "And that the lawsuit suggests that there are individuals behind both defamation actions. We hope to be able to share that information with the legal authorities and with the audience at the appropriate time."—CM

MANAGEMENT SALES & MARKETING™

by Jack Messmer

There's no time like the present to find financing for radio

Even with hints that the Federal Reserve may tweak interest rates a bit higher, money is available to virtually all sizes of radio groups today—a far cry from the decades past when only the big players could interest major lenders or equity funds, or even the beginning of this decade, when the double whammy of a retail recession and a credit crunch dried up financing for almost all of the radio industry.

Radio is outpacing other media and the succession of radio IPOs has kept radio top of mind on Wall Street, which carries over to awareness in the banking and venture capital industries. That doesn't mean, though, that financing sources are throwing money at every deal that comes along.

"The money goes to the quality operators," said **Lisa Gallagher**, Managing Director and Group Head for Media and Broadcasting at BancBoston Robertson Stevens, a company whose various units offer a wide range of commercial banking and investment banking services, plus venture capital. "The good group operators who have a track record, whether it's in a previous life running another group or whether it's the existing group, and they've shown good results."

Interest rates may not be as low as the lowest point seen last year, but they're still quite attractive.

"Pricing is good. Pricing has gotten better again from where it was," Gallagher said. "Pricing was fantastic back in June of last year, and then the market tightened up and basically shut down—pricing got very high and now pricing has come back."

For buyers, station prices are still at historically high cash-flow multiples, but many in the industry don't expect to ever see a return to pre-deregulatioàêlevels. It could then be a case of "he who hesitates is lost."

"Some people say they want to wait until prices come down to buy more stations," noted **David Tolliver**, VP and head of the Broadcast Group at Daniels & Associates, an investment banking firm. "The problem with that is that when prices come down, the capital tends to go away."

"It's a great time to be borrowing money in the radio industry," agreed **Bob Maccini**, Director, Media Services Group. Maccini, a broker and a former lending officer, said options for small broadcast borrowers are still not as plentiful as for those seeking $20M or more, but that there are more lenders making smaller radio loans than five years ago.

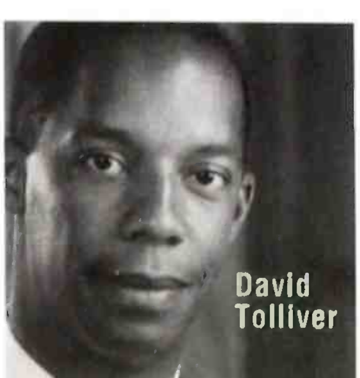
In what may be a first for the radio industry, it appears that the pool of available lenders for smaller deals is expanding, while the number of banks seeking to participate in large, syndicated radio loans has contracted slightly. That's due less to the banking industry's own consolidation (which has resulted primarily in name changes for some long-time radio lenders) than the ongoing financial crisis overseas, particularly in Asia.

"I think the fallout has been with the Japanese banks," Gallagher said. "There are not more banks lending. There are probably fewer because of some of the foreign banks falling back, but there are still a lot of banks out there. When you have a billion-dollar deal, you'll find that banks are having to have larger hold positions than they were willing to have before. So it is really important that these companies have good relationships with their banks."

Gallagher says those syndicated loans usually start at around $50M-$60M. Up to that point, a single large bank will typically hold the entire loan of an established client in its own portfolio.

Syndicated loans aren't really different from smaller radio loans. They're based on multiples of cash flow and the loan-to-value ratio. Gallagher says a typical large broadcaster could borrow six and a half to seven times cash flow through a bank syndicate. If the company wants higher leverage, it could also access the high-yield debt market (no longer referred to in polite circles as "junk bonds"), but that would reduce the level of bank lending. There could also be various types of debt at both the operating company and holding company levels.

"The big guys have always had multiple options," Toliver said. "The small guys haven't had the options and their cost of capital has tended to be higher."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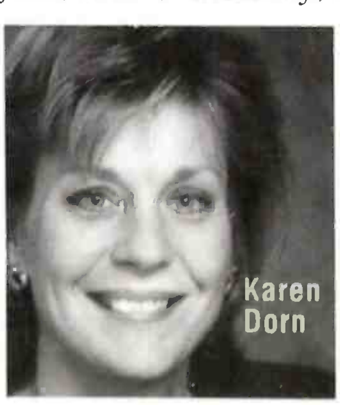
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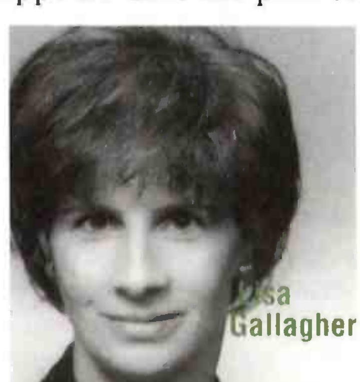
isa Gallagher

Banks opening doors to small market broadcasters

You might say that it's an example of trickle-down economics in action. The success of big radio consolidators on Wall Street has helped their smaller brethren gain access to bank loans on Main Street.

"We are seeing local banks being more active than ever," said **Susan Patrick**, Executive VP, Patrick Communications, a station brokerage and investment banking concern. "They are getting more and more comfortable with radio."

"One benefit of the Telecommunications Act and consolidation is that the radio business is in the press," said **Bill Fleming**, principal, William Fleming & Associates, an investment banker. That "buzz," he said, has made local bankers more interested in doing radio loans and attracted local venture capital to radio deals.

Historically, local bankers who were used to doing business loans based on the value of real estate, equipment and inventories found it difficult, if not impossible, to understand the radio business. That's still true for some bankers, but the picture is changing. "The banking world has really made the transition from hard assets to lending on cash flow," said Maccini.

For loans of $3M or more, Maccini said lenders are currently doing small market radio loans up to five times cash flow, with rates of prime plus one-half to a full point—"Which is a big change from a couple of years ago," he noted, since lenders used to demand larger premiums for small media loans.

For very small loans, though, borrowers have to pay more. Maccini said prime plus one and a half points would be more typical for a loan under $2M or $3M, depending on the particular lender's practices.

There are even a few sources who will fund radio loans below $1M, but they are rare and expensive, noted Patrick.

Another change, Patrick said, is that some regional banks which used to do broadcast loans only in the area where they have bank branches are now looking to do loans from coast-to-coast. Michigan National is "a good example," she noted.

From the banker's point of view, there are fixed costs associated with doing each loan, so it's more profitable to do a large loan than a small one. Big banks still prefer to do loans of $10M or more and some are still sticking with the old standard of $20M for media loans. For some, though, the consolidation that's taken place since the 1996 Telcom Act has meant more big radio groups selling bonds on Wall Street, rather than borrowing primarily from banks, and fewer big groups overall seeking loans. That's meant more competition among the banks for the remaining business. "With consolidation, some of the bigger banks are trickling down in market size," said Patrick.

At the same time, aggressive small market broadcasters have taken advantage of deregulation to buy out competing stations in their existing markets and expand into new markets as a consolidator. That's meant, in some cases, outgrowing the lending capacity of the hometown banker who had previously raised their credit limit with a handshake deal over lunch.

"As companies are growing and consolidating, they are outgrowing their [banking] relationships," said Maccini, meaning that owners of growing groups may have to move up to a larger institution unless their original banker takes the initiative to bring in a larger partner so they can hold onto a piece of the business.

If you need to find a new banker, or are a first-time buyer, the experts who spoke with *RBR* were unanimous in advising that you get your ducks in a row before approaching a lender—you'll usually get only one shot at winning a loan. Develop a credible business plan, have your equity backing as nailed-down as possible (particularly important for first-time buyers) and put together detailed and accurate financial information.

"We like to see audited financial statements," said **Karen Dorn**, VP/Manager of the Communications Finance Group at Norwest Bank, although she noted that she may accept "reviewed" statements for smaller loans ($2M or so)—a financial statement prepared by a CPA firm, but lacking some of the assurances of a full audit.

In any case, Dorn said that for every transaction her bank will send out its own analyst to go over the borrower's internal accounting practices.

Most of the loan applications that Dorn and her staff see are from established broadcasters, but she does also deal with a few first time buyers—typically experienced managers who've been running other people's stations and now have lined up equity backing to buy stations on their own. "That's becoming more difficult," she noted.

A first time buyer might be able to borrow, depending on the quality of the deal, from four to five and a half times cash flow. That means that if the buyer is paying eight times cash flow, he and his equity backers will have to come up with from nearly a third to half of the purchase price in cash.

More groups moving into the big leagues

Not every radio group will move up from borrowing from a single bank to using a banking syndicate and accessing the big bucks on Wall Street—but more and more are.

"Radio One's (O:ROIA) had some wonderful growth, they've been acquiring stations. Entercom (N:ETM) was able to go public. Salem (N:SLC, IPO pending) has filed for its IPO. Regent Communications (O:RGCIP) is getting larger," Gallagher noted. "A lot of these companies that had been low on people's radar screens are coming onto people's radar screens—because they've been successful at acquiring stations. Some of them have acquired sticks, with good equity backing, and they've been able to turn around the properties, generate cash flow and then be able to tap the debt markets at favorable rates. There have been a number of companies that have grown up doing that."

For most companies, the first trip down Wall Street is with a high-yield bond offering. Although the size of the first-time public debt offering may seem huge to the radio group CEO, the big money managers aren't likely to even look at an offering with less than nine digits. After all, they want liquidity—an issue big enough that they won't have any trouble selling their position if they see something more interesting to do with their money.

"Most of the high-yield bond buyers will tell you that the cutoff is $100M for an issue," said Tolliver. He noted, though, that the market will sometimes accept a smaller issue for a special situation—a unique busi-

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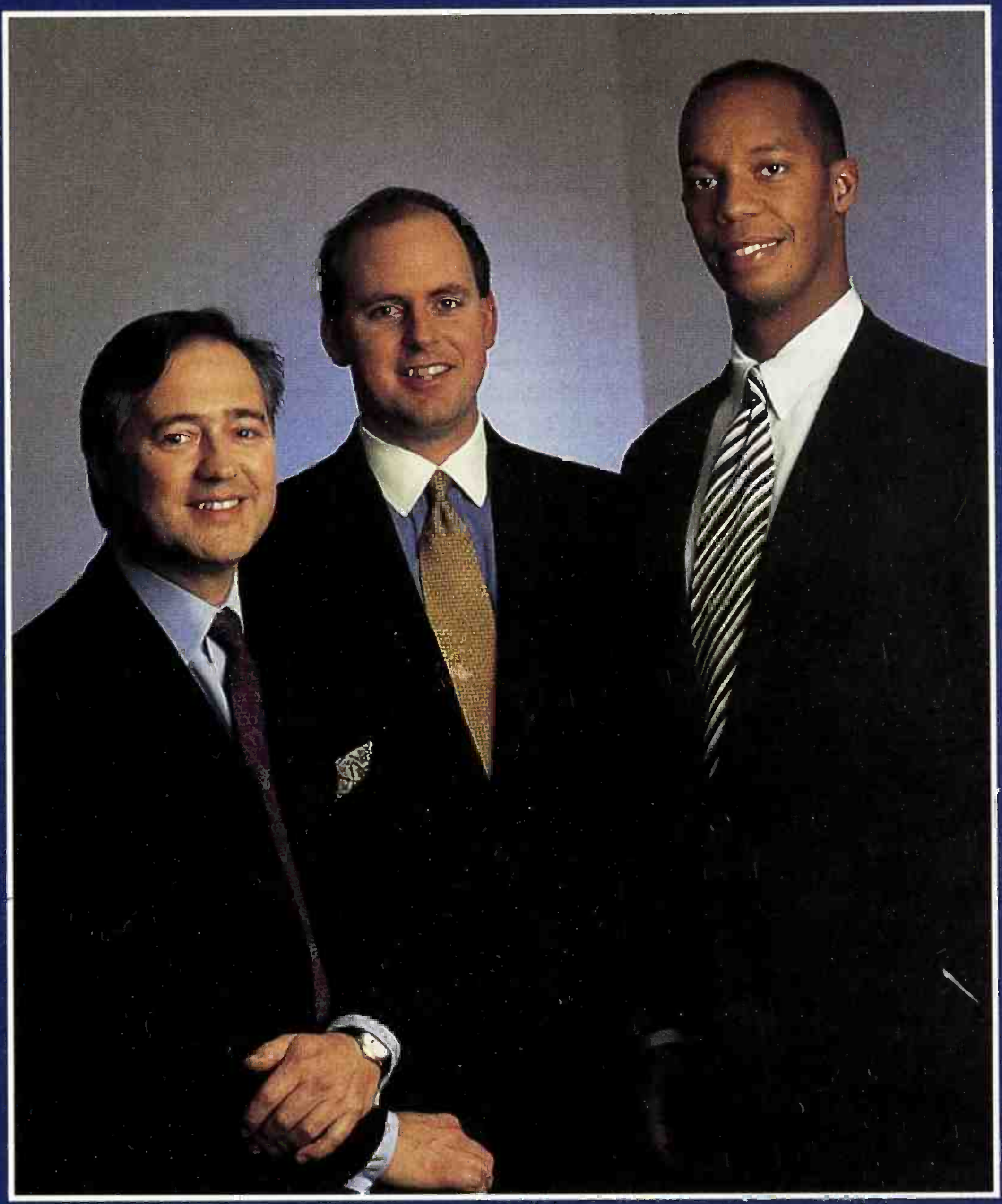

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ness plan or an equity backer with a stellar track record, for example.

Unique is also good when it comes to an IPO. Gallagher noted that Radio One's IPO offered a focused Urban niche, which is unique among public radio companies. Likewise, Salem will be the first Religious broadcaster to go public. "A brand, a niche—doing something different from everybody else," is what Gallagher said helps to get attention from Wall Street.

Have I missed the boat?

With five radio groups now owning over 100 stations each (and two of those owning more than 400 each), wannabe group owners may be wondering if it is too late for them to get into the game.

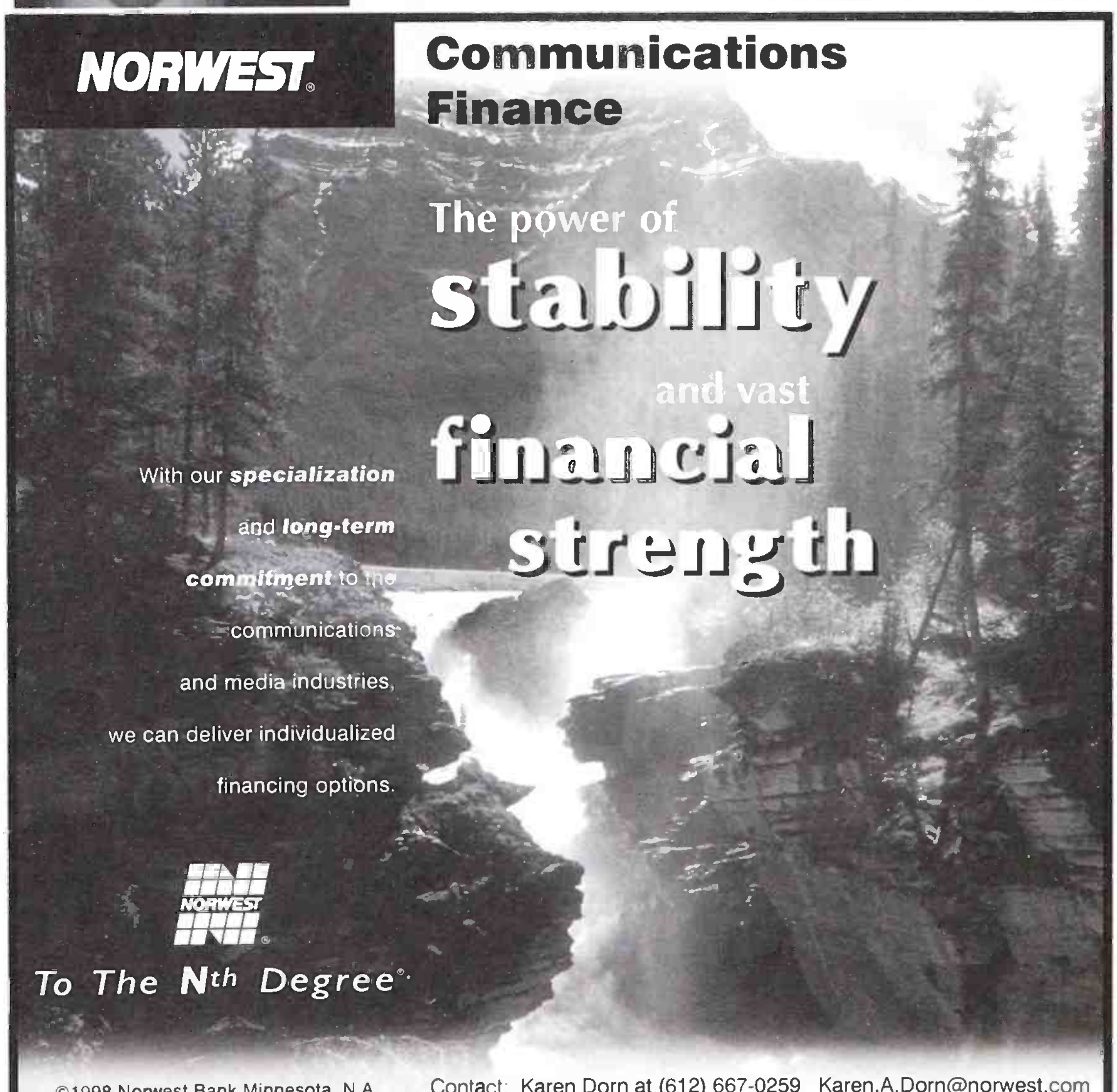
"I always said there's always room for smart entrepreneurs—for good operators. You'll always be able to find an equity sponsor who's willing to back a good operator," Gallagher said. "You don't have to to buy 10 stations at once. You can buy one station. There's a lot of equity money out there and it needs to be put to work. On the debt side, while the list of banks might have shortened, that is really only a factor if you're trying to do a $500M deal. If you're trying to do market-size transactions, there are plenty of banks out there."

And she added: "I don't think it's too late to make money in radio."

"We see a tremendous demand out there of clients from [venture capital] funds trying to get into broadcasting," noted Tolliver.

William Fleming

Bob Maccini



Smallest loans still hardest to find

It used to be that seller financing was a fact of life in all but the largest radio sales. That's still the case for deals below a couple of million dollars where the buyer doesn't have a credit line available from owning multiple stations. The seller, who's often retiring from the business, gets whatever cash the buyer can scrape up and takes a promissory note for the rest. Observant readers may have noticed one recent deal in which a seller accepted three classic automobiles as partial payment for a radio station (*RBR* 5/3, p. 15).

Another option is a government guarantee—a small loan backed by the US Small Business Administration (SBA). Virtually all local banks can do SBA loans, and many do, but there are few lenders marketing SBA loans on a national basis.

Kathy Marien

One of those is Westminster Development Bank, where veteran broadcast lender **Kathy Marien** was hired as President last year and began moving the institution into media lending.

"The SBA funding is definitely there and available to radio," said Marien, but there are strict guidelines for eligibility.

1) Total annual revenues from all of the stations that the borrower owns or is buying must be $5M or less.

2) There are limits on the liquid assets that the principal owners (20% or more stockholders) can retain outside the venture. Otherwise, they'll have to put up more equity.

3) The radio station being financed can't derive most of its income from donations or the block-sale of time for religious programs. It is OK, though, to have a Christian music format, so long as the revenues come from advertising sales.

If those guidelines are met, SBA will guarantee 75% of the loan value, up to a maximum of $750,000, whichever is less. That effectively limits SBA-guaranteed loans to $1.25M or $1.5M, since the lender would be carrying more of the risk than the SBA above that level.

BROADCAST INVESTMENTS™

June 2—RBR Stock Index 1998

Company	Mkt:Symbol	5/26 Close	6/2 Close	Net Chg	Pct Chg	6/2 Vol (00)
Ackerley	N:AK	19.000	20.000	1.000	5.26%	133
Alliance Bcg.	O:RADO	0.718	0.531	-0.187	-26.04%	0
Am. Tower	N:AMT	22.500	22.625	0.125	0.56%	2292
AMSC	O:SKYC	13.250	14.937	1.687	12.73%	1079
Belo Corp.	N:BLC	22.562	22.062	-0.500	-2.22%	1038
Big City Radio	A:YFM	3.937	3.875	-0.062	-1.57%	109
Broadcast.com	O:BCST	105.562	106.187	0.625	0.59%	7160
Capstar	N:CRB	24.375	25.625	1.250	5.13%	1321
CBS Corp.	N:CBS	41.000	42.750	1.750	4.27%	18798
CD Radio	O:CDRD	23.375	23.375	0.000	0.00%	2061
Ceridian	N:CEN	33.000	31.750	-1.250	-3.79%	4810
Chancellor	O:AMFM	50.625	52.812	2.187	4.32%	25010
Citadel	O:CITC	29.000	29.500	0.500	1.72%	751
Clear Channel	N:CCU	69.000	65.375	-3.625	-5.25%	12287
Cox Radio	N:CXR	53.250	55.937	2.687	5.05%	289
Crown Castle	O:TWRS	19.000	17.875	-1.125	-5.92%	5914
Cumulus	O:CMLS	17.750	17.875	0.125	0.70%	271
DG Systems	O:DGIT	6.000	5.468	-0.532	-8.87%	608
Disney	N:DIS	30.000	29.125	-0.875	-2.92%	32783
Emmis	O:EMMS	46.125	47.500	1.375	2.98%	690
Entercom	N:ETM	32.875	33.000	0.125	0.38%	337
Fisher	O:FSCI	61.000	60.750	-0.250	-0.41%	21
Gaylord	N:GET	32.375	31.125	-1.250	-3.86%	423
Granite	O:GBTVK	7.125	6.562	-0.563	-7.90%	10891
Harris Corp.	N:HRS	38.000	38.687	0.687	1.81%	1026
Hearst-Argyle	N:HTV	25.750	26.000	0.250	0.97%	279
Hispanic Bcg.	O:HBCCA	57.437	60.625	3.188	5.55%	12712
Infinity	N:INF	26.000	24.937	-1.063	-4.09%	23483
Jeff-Pilot	N:JP	65.250	66.937	1.687	2.59%	1577
Jones Intercable	O:JOINA	51.250	53.000	1.750	3.41%	670
Metro Networks	O:MTNT	57.000	49.750	-7.250	-12.72%	2311
NBG Radio Nets	O:NSBD	2.562	2.750	0.188	7.34%	23
New York Times	N:NYT	34.312	34.687	0.375	1.09%	2058
Otter Tail Power	O:OTTR	38.937	38.750	-0.187	-0.48%	132
Pacific R&E	A:PXE	70.187	62.625	-7.562	-10.77%	39157
Pinnacle Hldgs.	O:BIGT	1.125	1.062	-0.063	-5.60%	16
Radio One	O:ROIA	18.687	17.875	-0.812	-4.35%	851
RealNetworks	O:RNWK	36.375	45.625	9.250	25.43%	964
Redwood Bcg.	O:RWBD	11.750	11.250	-0.500	-4.26%	134
Regent Pfd.	O:RGCIP	5.750	6.125	0.375	6.52%	13
Saga Commun.	A:SGA	19.875	19.875	0.000	0.00%	74
Sinclair	O:SBGI	13.250	14.125	0.875	6.60%	4416
SportsLine USA	O:SPLN	34.750	35.625	0.875	2.52%	4118
TM Century	O:TMCI	0.625	0.625	0.000	0.00%	0
Triangle	O:GAAY	0.190	0.170	-0.020	-10.53%	21075
Tribune	N:TRB	74.687	78.750	4.063	5.44%	1388
WesTower	A:WTW	24.500	23.625	-0.875	-3.57%	20
Westwood One	N:WON	33.312	34.875	1.563	4.69%	2012
WinStar Comm.	O:WCII	47.000	54.500	7.500	15.96%	30414

AOL buys Net music firms

Wall Street Journal—America Online (N:AOL) said it will buy Internet music companies Spinner Networks Inc. and Nullsoft Inc. for $400M in stock, marking an aggressive move into the world of digital music.

Closely held Spinner, based in San Francisco, operates a popular music service that functions essentially as an Internet radio station. Nullsoft, also closely held, develops and distributes software for listening to music online.

The acquisitions represent AOL's first major plays in the online music space, which is enjoying explosive growth among Internet users but raising vexing copyright issues for music companies. The deals also give AOL access to programming and technology likely to become even more valuable as consumers switch to highspeed broadband connections, which can deliver songs online with fewer glitches.

"We've identified music as being an important category for our members," said AOL President **Robert Pittman**, himself a onetime disk jockey—and one of the founders of the MTV music-video network.

by Jack Messmer

Chancellor spins outdoor to Lamar

"Good things come to those who wait" might be the phrase to live by for **Kevin Reilly Jr.**, Chairman, Lamar Advertising Co. (O:LAMR). He badly wanted to add Whiteco to his outdoor company, but Chancellor Media (O:AMFM) snared the prize for $930M last Fall. Now Reilly is getting not only Whiteco, but the rest of Chancellor Outdoor (primarily Martin Media, for which Chancellor paid $610M) as well—nearly doubling the size of Lamar. The price is $700M in cash and $900M in Lamar stock—although the value of that 30% stake increased by $77M as Wall Street bid up Lamar's stock after the deal was announced 6/1.

The deal came together quickly after Chancellor put its underperforming outdoor division on the auction block (*RBR* 5/24, p. 2). "We have a tremendous amount of respect for the Reilly's," Chancellor Chairman **Tom Hicks** said in a telephone conference with analysts. "Our outdoor assets will be better managed than we possibly could have."

Reilly may not be known to the radio industry, but he's been doing his homework on radio, investigating synergies and noting that outdoor's consolidation was following much the same path as radio. Reilly said he had spoken with Hicks' brother **Steve**, now CEO of Chancellor's AMFM New Media Group, two years ago about the possibility of doing some sort of deal with Capstar, whose middle and small market group had lots of overlaps with Lamar.

"This is a platform which will change the character of this company," Reilly said of the deal with Chancellor, which is expected to close in Q3. Rather than being a medium market specialist, Lamar will become one of three outdoor giants providing national coverage to large advertisers. It will rank third in billings behind Infinity (N:INF) and Clear Channel (N:CCU) and own more US highway billboards (118.5K) than either of them.

For Chancellor, the $700M in cash from Lamar will reduce its $6.4B debt load (pro forma for the 6/13 closing of its Capstar acquisition), while still maintaining a synergistic link to outdoor assets in 70% of its radio markets and allowing the company to share in Lamar's growth. DOJ is expected to require some divestitures, but the companies say that should amount to only about $10M in annual revenues. <u>Brokers</u>: Greenhill & Co., Morgan Stanley Dean Witter

Metro Networks to merge into WW1

Westwood One (N:WON) stunned Wall Street and the radio industry last week (6/2) with the announcement that it had a deal to acquire Metro Networks (O:MTNT) in a $900M stock swap. Metro is the nation's number one traffic and local news provider and WW1 already owns number two, Shadow Broadcast Services.

"We have been two years trying to make this deal come together," Metro CEO **David Saperstein** said in a conference call with analysts, referring back to the time that WW1 acquired Shadow. Under the deal, Saperstein will become a director of WW1, Metro President **Charles Bortnick** will become President/COO of the combined Metro/Shadow and Metro Exec. VP **Shane Coppola** will become Exec. VP of Metro/Shadow.

"The Shadow Traffic piece has been the fastest growing piece of WW1," noted CBS (N:CBS)/Infinity (N:INF) CEO **Mel Karmazin** (Infinity is a major shareholder and provides management services to WW1). He also noted that Metro and Shadow bring in local ad revenues, while most of WW1's business is national.

WW1 President/CEO **Joel Hollander** noted that he's already gotten inquiries from Internet site operators seeking access to Shadow's traffic information and said he expects the Internet to be a growing revenue source for WW1.

Wall Street traders, who'd bid up Metro's stock price on rumors of a buyout (*RBR* 5/31, p. 13), gave an immediate thumbs down to the deal. Metro had traded at $57 when trading was halted for the news. The stock plunged after trading resumed and closed at $49.75. WW1 had been at $35 and slipped to $34.875.

Although Shadow is only in 16 US markets, compared to Metro's 81, Shadow and Metro compete in every one of them and most are top 20 Arbitron markets. Karmazin noted that the transaction will require a Hart-Scott-Rodino antitrust filing, but he insisted the deal should have no problem winning regulatory approval: "We're confident that this thing is in no way anti-competitive on any front."

"There are absolutely no barriers to entry to anyone who wants to provide traffic in any market," added **Farid Suleman**, CFO of both Infinity and WW1. Brokers: Donaldson, Lufkin & Jenrette, Goldman Sachs & Co.

***RBR* observation:** We had discounted WW1 as a bidder for Metro because of the huge antitrust hurdles such a deal would face. Unless there's been a coup at DOJ that we haven't heard about, WW1 and Metro are greatly underestimating the battle ahead. Can Mel get over those hurdles at DOJ? We'll all find out in the next few months.

Mel in another Internet deal

CBS (N:CBS) is adding to its stable of Internet investments, acquiring a 35% equity stake in Switchboard Inc., plus warrants to buy an additional 5%. The new cbs.switchboard.com Web site will allow users to access a nationwide phone/address directory, plus maps and driving directions. As always, **Mel Karmazin** isn't putting up any cash, but will provide Switchboard with $135M in promotion and branding on CBS' and Infinity's (N:INF) TV, radio and outdoor properties.

Rambaldo expands

Richard Rambaldo's Rambaldo Communications is buying two AMs to go with its two FMs in the Erie, PA market. It'll pay $875K for **Timothy** and **Kathleen DeCapua**'s WLKK-AM and $840,118 for **Chris Hagerty**'s WFLP-AM.

Styles adds in Big Easy

Styles Broadcasting is adding a third FM in the New Orleans market with a deal to buy **Virgie Du Triel**'s WADU for $1.8M. The station on 94.9 mHz is licensed to Reserve, LA to the west of the city, while Styles already owns adjacent-channel WYLA on 94.7 mHz, which is licensed to Slidell, LA northeast of the "Big Easy." Styles' other New Orleans station is WYLK-FM on 104.7 mHz. Broker: **John Saunders**

Regent selling KCBQ

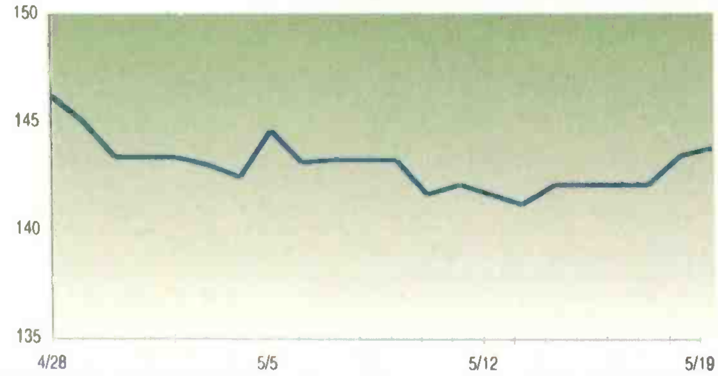
Terry Jacobs' Regent Communications (O:RGCIP) is selling its only large-market property, KCBQ-AM San Diego. **Mark Jorgenson**'s Concord Media Group will acquire the standalone AM by assuming Regent's $6M note owed to Citicasters, now part of Clear Channel Communications (N:CCU).

The Radio Index™

RADIO BUSINESS REPORT

THE WALL STREET JOURNAL RADIO NETWORK

The Radio Index™ gained 2.73 points last week to close 6/2 at 143.07.



TRANSACTION DIGEST™

by 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.

$84,000,000—* KNIX-FM Phoenix from Owens Broadcasting Co. LLC (Buck & Michael Owens) to Citicasters Co. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). $4.45M escrow, balance in cash at closing. **Superduopoly** with KESZ-FM, KMXP-FM & KZZP-FM. Broker: Blackburn & Co.

$23,720,000—* WGH-AM & FM & WFOG-FM Norfolk (Newport News-Suffolk VA) from Norfolk Trust (Ralph Becker, Trustee) to Tidewater Broadcasting LLC (Albert Kaneb and various Kaneb family members and trusts), part of the Barnstable Broadcasting group. $2M escrow, balance in cash at closing, with proceeds going to Sinclair Broadcast Group (O:SBGI). Existing **duopoly**. Broker: Kalil & Co.

$6,500,000—* WAKT-FM, WLHR-FM, WMXP-FM & WRBA-FM Panama City (Panama City Beach-Panama City-Callaway-Springfield FL) from Root Communications License Company LP (Susan Root) to Waitt Broadcasting of Florida LLC (Norman Waitt Jr.). $4.5M downpayment, additional $1.5M in cash at closing, additional $500K if no divestiture is required by the FCC. Existing **superduopoly**. LMA since 2/1.Note: The buyer is requesting a **waiver** of the one-to-a-market rule, since it owns WPGX-TV (Ch. 28, Fox). Broker: Kalil & Co.

$2,350,000—* KZIO-FM & WWAX-FM Duluth (Two Harbors MN-Hermantown MN) from Eclectic Enterprises Inc. and Harbor Broadcasting Inc. (J. Thomas Lijewski, Cheryl Pfeifer) to KQDS Acquisition Corp., a subsidiary of Curtis Squire Inc. (Myron Kunin). $250K cash, $2.1M assumed liabilities. **Superduopoly** with KDDS-AM & KQDS-FM. Note: The buyer is also requesting a **waiver** of the one-to-a-market rule, since it owns KNLD-TV (Ch. 21, Ind.). Broker: Kalil & Co.

$2,200,000—WSNO-AM & WORK-FM Barre VT from Bull Moose Broadcasting LLC (Roland Devost) to Vox Media Corp. (Bruce Danziger). $110K escrow, balance in cash at closing.

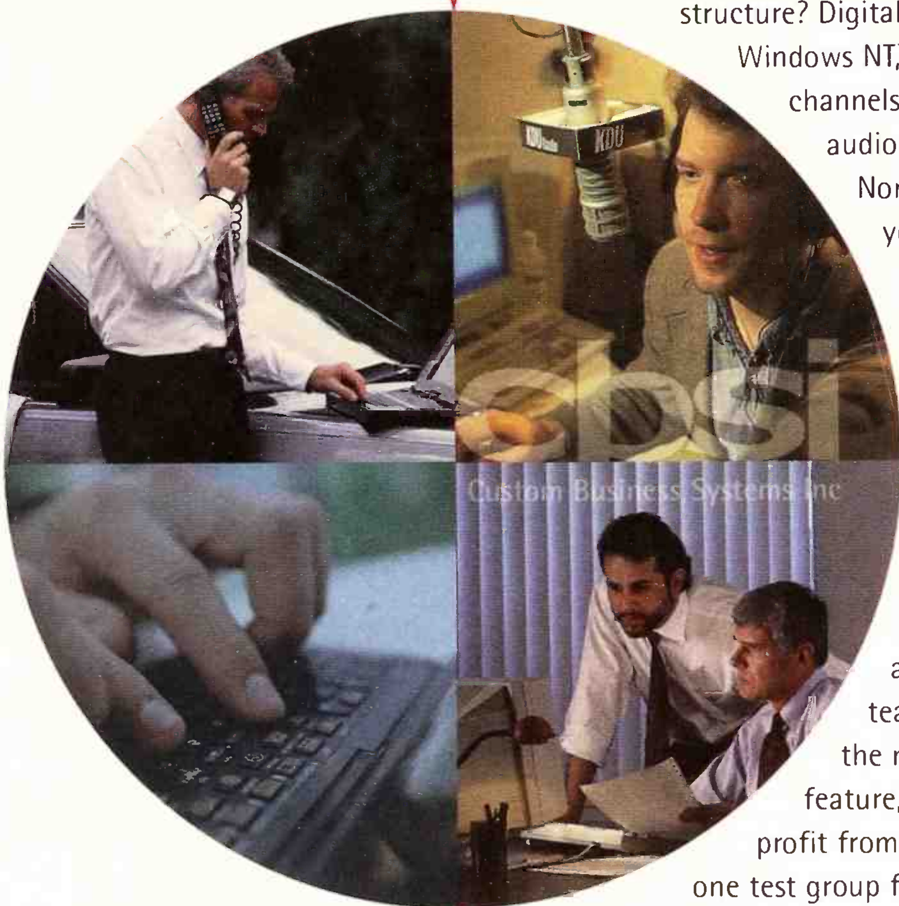
$1,100,000—* WYLT-FM Memphis (Byhalia MS) from the Estate of Albert L. Crain (Joy Crain Johns) to Clear Channel Broadcast Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). $1.1M cash. **Superduopoly** with WDIA-AM, WREC-AM, KWAM-AM, WEGR-FM, KJMS-FM & WRXQ-FM. Note: The buyer is also requesting a **waiver** of the one-to-a-market rule, since it owns WPTY-TV (Ch. 24, ABC). Broker: John W. Saunders

$1,000,000—* KNIK-FM Anchorage from Northern Television Inc. (Robert Gottstein) to Ubik Corp. (Aaron Wallender, Wolfgang Kurtz). $50K downpayment, additional $450K in cash at closing, $500K note. However, the buyer may elect to pay all cash and reduce the total price to $800K. **Duopoly** with KQEZ-FM (which Ubik is selling).

$765,000—* WEKY-AM, WKXO-AM & FM Lexington (Richmond-Berea KY) from Madison County CBC Inc., a subsidiary of Commonwealth Broadcasting Corp. (Steve Newberry), to Wallingford Communications LLC (Kelly Wallingford). $76.5K escrow, balance in cash at closing. **Duopoly** with WIRV-AM & WCYO-FM Irvine KY (no AM overlap). LMA since 2/26.

$195,000—* WLNB-FM Ligonier IN from Brian R. Walsh to GBC Media LLC, a subsidiary of The Brethren Missionary Herald Company (James Bustraan Sr. & others). $15K escrow, balance in cash at closing. **Superduopoly** with WRSW-FM Warsaw IN and WLZQ-FM South Whitley IN. Note: No overlap with WRSW-AM.

Another Day.
Another Challenge.



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