Radio Business Report™

Voice Of The Radio Broadcasting Industry®

June 25, 2001

Volume 18, Issue 26

RADIO NEWS

RADIO ADBIZ

MANAGEMENT SALES & MARKETING

PROGRAMMING & POSITIONING

MEDIA MARKETS & MONEY

Rehearing EEO doesn't appeal to Appeals Court

FCC Equal Employment Opportunity regulations remain history. The D.C. Circuit Court of Appeals has declined to review its earlier decision to strike them down on grounds of unconstitutionality (*RBR* 1/22, p.1). The Court stated, "We hold that the rule does put official pressure upon broadcasters to recruit minority candidates, thus creating a race-based classification that is not narrowly tailored to support a compelling governmental interest and is therefore unconstitutional."

The FCC's original EEO rules were toppled by a federal court back in 1998 after spending 30 years on the books (*RBR* 4/20/98, p.3). They gave the agency the power to deny license renewals on the basis of minority hiring practices. The new rules, adopted last year, reinstated recruitment and reporting requirements, but were no longer tied to the license renewal process.

***RBR* observation**: What was the point of this anyway? The FCC was going to

Guru's crystal ball a little cloudy
Page 8

Predictions of radio upfront seem soft
Page 7

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impose reporting and recruiting requirements without the existence of any consequences for those choosing not to report or recruit? Forget constitutionality—the rules should have been struck down on grounds of futility.—DS

Can the House resist the allure of LUR?

Part of a Senate-passed bill on campaign finance reform which would impose further burdens on television stations which are requested to run political advertising has run into opposition in the House of Representatives.

The bill would require that candidates be charged the lowest unit rate (LUR) which was in use during the previous 12 months, and would force the stations to air the ads at the time requested. Currently, the LUR is based on a two-month period prior to airing, and ads bought at LUR can be bumped in favor of ads purchased at a higher rate.

The Associated Press quoted Belo Broadcasting (N:BLC) EVP and NAB member **Jack Sander** as saying, "This is like every candidate getting a first class seat on an airplane, for the cheapest priced coach ticket from the previous year."

Some House members argued that the new rule would not limit money spent, but rather would increase the number of advertising units purchased, and without the ability to replace the political ads with others bought at full retail price, there would be a far greater burden on stations than under the current rules.

Action is expected after Congress's July recess. So far, radio has not been included in the debate.—DS

RealNetworks announces XMCL initiative

RealNetworks (O:RNWK) and numerous industry leaders including Clear Channel (N:CCU), announced the eXtensible Media Commerce Language (XMCL) initiative, an open XML-

Largest markets are not setting the pace

Radio should be seeing the light at the end of the DCTC (dot-com-tough-comp) tunnel, but in the two largest markets, there is not a ray to be seen as far ahead as September. This is according to forward pacing reports from the accounting firm Miller, Kaplan, Arase & Co. for New York and Los Angeles which were supplied to *RBR* by anonymous sources. New York numbers are through August, and LA goes to September. LA stats are as of 6/10; NYC's reading is as of 6/17.

In fact, September is by far the most gruesome of the four months on the LA chart, down 36.5% without DCTCs. In September 2000 the dot-coms were beginning to tank in earnest. As our LA source put it, "This problem is beyond dot-com." However, we suspect that the grotesque numbers farther into the future are largely due to the waiting game that advertisers are able to play since there is no lack of avails.

But that explanation doesn't work as well for New York, which exhibits numbers not quite as bad as LA's September, except that they're for July. Time is running out to turn them around. NYC's pacing numbers did show slight improvement in the course of a week—a total revenue loss projection of 30.9% for July taken 6/10 improved to only a 28.6% drop on 6/17. Incidentally, New York total revenues came in at minus 16.4% for the month of May.

***RBR* observation**: The smaller markets, which were not as affected by dot-com frenzy, offer the best hope for the industry as a whole to go back to using black ink in the ledgers. But it is hard for the Montereys and Baton Rouges of the country to pull in enough cash to negate the kind of numbers we're seeing at the top of the food chain, especially if for some ungodly reason LA's actual September revenue numbers end up matching these pacing numbers.

New York

	Local	Nat'l	Total
June	-14.0	-23.0	-15.8
July	-28.5	-29.3	-28.6
August	-28.0	-26.5	-27.7

Los Angeles

	Local	Nat'l	Total
June	+0.5	-34.0	-8.1
July	-14.1	-41.4	-20.4
August	-12.6	-43.8	-19.9
September	-33.3	-48.4	-36.5

Source: Miller, Kaplan, Arase & Co.

ased language designed to establish industry-wide standards or Internet media commerce. By andardizing the language for usiness rules, XMCL will enable ontent to be played in a way that independent of codecs, digital ghts management systems, and -commerce systems.

While XMCL could simplify eployment and accelerate the arket for digital media comnerce over the Internet, it will ompete for a standard with the xtensible Rights Management XRML) standard offered by erox spin-off ContentGuard, nd supported by Microsoft. Jeither XCML nor XRML have et been presented to official tandards committees, which ould take months or years to ligest. XRML has a published pec and is enjoying some comnercial use. RealNetworks intends to submit the XMCL proposal to the appropriate standards organization, and will work vith other industry leaders to nsure the initiative evolves into a widely accepted standard.

The XMCL and XRML initiatives propose a standard business rule definition language providing rights holders the ability to take existing media business models—such as purchase, rental, video-on-demand, and subscription services—and deploy them on the Internet to generate new commerce opportunities.—CM

Radio News®

Non-com admonished for running ads

The FCC says WHPR-FM Highland Park, MI (in the Detroit market) went over the line with corporate sponsorships into the realm of prohibited advertising. The licensee, an "educational" entity with the unlikely name R.J.'s Late Night Entertainment Corp., cooperated with the FCC's investigation and revised its underwriting guidelines based on the FCC's objections. "While we believe that no monetary sanction is warranted at this time, we find that an admonishment is necessary to redress the statutory and rule violations," the Enforcement Bureau ruled.

Smulyan proves button-pushing prowess

Emmis Communications (O:EMMS) CEO **Jeff Smulyan** was applauded for his button-pushing skills after he opened trading 6/20 for the Nasdaq stock market. Emmis will celebrate its 20th anniversary on 7/4, but since the market will be closed that day, Nasdaq gave the celebration an early start. The company's stock has traded on Nasdaq since its 1994 IPO.—JM

***RBR* observation**: These were not blatant violations, as seen on other "non-commercial" stations in the past, which announced prices or specifically encouraged a purchase. Rather, the announcements cited in the FCC order were more along the lines of slipping over the line to commercialism by touting discounts and extolling the attributes of a sponsor's products. Non-commercial station licensees would do well to read this FCC Order (#DA 01-1419) to make sure their sponsorship guidelines are up-to-date.—JM

Radio News®

Doctors want ad warnings

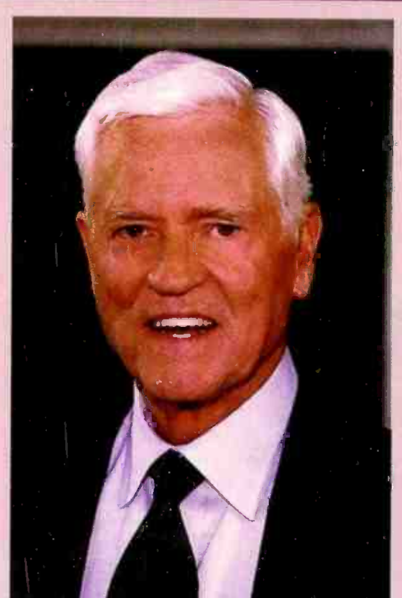
Delegates to the American Medical Association's annual meeting in Chicago backed off on calling for a total ban on direct-to-consumer advertising of prescription drugs, as several delegates had proposed. Instead, the doctors want the drug companies to add a disclaimer saying, "Your physician may recommend other, more appropriate treatments." The 500 delegates voted down a tougher measure which called for the US Food and Drug Administration to ban prescription drugs after free speech objections were raised.

***RBR* observation**: It's not that many of the doctors wouldn't like to see prescription drug ads completely banned, but that proposal was easily voted down after delegates to the AMA convention realized that it had little chance of winning support in Washington. In sessions where the call for a ban was discussed, doctors complained that patients who don't need medications are asking for them anyway, due to the ads, and that other patients are insisting on an advertised brand instead of the one the physician determines is best for them.—JM

Hiwire chosen for CCU ad insertion provider

Clear Channel Interactive CEO **Kevin Mayer** announced that ad insertion technology provider Hiwire has been selected to provide service for the Internet streams of all of Clear Channel's radio properties in the top 50 markets (Clear Channel's WorldClassRock.com was actually the first site Hiwire signed, in January). Ending over two months of net silence for all of CCU's radio sites after AFTRA imposed new fees for streaming spots produced with its talent

RBR News Analysis



Hollings lambastes consolidation

Senators **Ernest Hollings** (D-SC) and **Byron Dorgan** (D-ND) have come out as foes of broadcast, cable and newspaper mergers, perhaps signalling tough sledding for issues currently before the FCC such as relaxation of the 35% audience cap for television station ownership and broadcast/newspaper cross-ownership deregulation. The views of the two Senators were expressed in a co-authored op-ed piece entitled "Your Local Station, Signing Off" which appeared in the 6/20 edition of the Washington Post.

Hollings is in a particularly advantageous position to do something about his views. His recently-acquired stewardship on the Senate Commerce Committee gives him a powerful voice where activities of the FCC are concerned.

Radio came under attack in the piece. They claimed that, according to a "recent news report, the radio industry has consolidated into four companies that control 90% of radio advertising revenue." They continued, saying that while driving across country, "...your car radio too often plays only a handful of homogenized voices beamed by a few media conglomerates."

***RBR* observation**: It doesn't seem as if the Senators hold out much hope for undoing what's been done in the past. The Senators' radio story since Telecom (along with a similar tale for television production companies) seemed to be offered as a cautionary fable, a warning not to let the same horrible fate come to pass for TV ownership.

That said, we were horrified to learn of a news report which has concentrated 90% of radio's take into four companies. We are horrified that the Senators are using a news source that apparently is satisfied to report pure and unadulterated balderdash, because that is exactly what that statement is.

Comparing fresh group owner 2000 revenue figures from Broadcast Investment Analysts to the RAB's reported $19.8B in total radio revenues for the year, we found that the top four group owners took in 34.2%. Indeed, it was not until we added together the revenues of the top 20 groups that we got even as far as 50% of radio's total.

Now you may want to complain that 50% is too high for the top 20 groups. We do not intend to debate that topic here. We simply ask that the Senators, whose number was off by more than that (a stunning 55.8%), at the very least base their opinions on accurate data.

This reminds us of a time not too long ago when ex-FCC Chairman **Bill Kennard** wanted to do a study to determine why minority ownership of broadcast properties had declined since Telecom. In fact, not only had the number increased, one minority-owned group—Radio One (O:ROIA) has now made it all the way to #7. Before Telecom, no minority-owned group was even close to that achievement.

The homogenization of radio since Telecom is also a oft-heard myth. Sure, more talent is syndicated via satellite. But a far greater diversity of programming is also available—especially programming directed at minorities—and owners continue to be able to experiment and take chances with new programming in a way that simply was not possible before when all of their eggs were in one or two baskets.

And we don't know what its like where you live, but where we live, we tune in every morning to a station owned by a group owner based in Salt Lake City. Despite the fact that its headquarters are more than 2,000 miles from here, they do a fine job of giving us the local traffic situation. We wouldn't be surprised if the Senators themselves listen to the same station.—DS

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An Annual Program of the NAB Radio Show

WEDNESDAY, SEPTEMBER 5, 2001
8:30 A.M. - 11:30 A.M.
NEW ORLEANS CONVENTION CENTER

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Triad Broadcasting Co., LLC

Anthony S. Brandon
American General Media Corp.

Charles Brown
CIT Structured Finance

Lewis W. Dickey
Cumulus Media, Inc.

David Kennedy
Susquehanna Radio Corp.

Jeff Kilrea
Heller Financial, Inc.

William K. Lisecky
CIBC World Markets Corp.

Tom McKinley
Media Services Group, Inc.

Brian W. McNeill
Alta Communications

Lisa M. Pellow
FleetBoston Media & Entertainment Group

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(*RBR* 4/16, cover), the exclusive deal entails a scheduled roll out of 250 stations beginning in July. Hiwire and Clear Channel will share revenue from the sale of the new audio inventory. Percentages were not disclosed.

It was a final choice between Hiwire, Coollink Broadcast Network and Real Broadcast Network (RBN). Hiwire took the prize, partially due to the fact it could place inventory across Real, Windows and MP3 players, and also because it was able to fork over a certain percentage of estimated ad revenue upfront in an escrow fund, according to *RBR* sources. That's not necessarily "paying" Clear Channel for the deal as was speculated (and in turn denied by CCU), but it ensures that Hiwire's committment to the deal is sound.

The goal is to fill 1B ad avails in the first year across the network of streaming radio station sites. Hiwire has 23 people left after recent layoffs. Some have wondered if that's enough to do the job for CCU. "Right now, we're at a staffing level that allows us to get the Clear Channel stations up and running and to service our existing affiliates," Hiwire CEO **Warren Schlichting** responded.

So just how many ads will be substituted—AFTRA only or each and every? "Hiwire will be replacing any and all ads as determined by Clear Channel's stations. We have the capability to let certain ads play through, but we expect to be replacing most of the inventory," says Schlichting. "We're talking with a number of major national advertisers."—CM

Radio News

Radio execs scheduled for NAB Super Session

Five of radio's finest will share their insights on the radio business during a Super Session at The NAB Radio Show 9/6 in New Orleans. Taking part in the discussion will be: **Lew Dickey**, Chairman/CEO, Cumulus Media (O:CMLS); **Joan Gerberding**, President, Nassau Media; **Alfred Liggins**, President/CEO, Radio One (N:ROIA); **Randall Mays**, EVP/CFO, Clear Channel (N:CCU); and **Bob Neil**, President and CEO, Cox Radio (N:CXR).—CM

Family loses bid to save licenses

The FCC has turned a deaf ear to **G. Luz James**' plea to let him transfer WSTX-AM & FM Christiansted, US Virgin Islands to his children and save the stations' licenses (*RBR* 4/2, p. 6). An order by the full Commission, issued by **Magalie Roman Salas**, Secretary of the FCC, says there are no grounds to allow the in-family transfer, so Family Broadcasting Inc. must still face a hearing on whether the licenses of WSTX-AM & FM should be revoked for misrepresentation to the FCC, demonstrating a pattern of evasiveness and numerous technical violations—including transmitting from a site different from that of the FM station's license.

As reported in *RBR*, James had accepted the blame for many of the violations. He insisted that he never set out to deceive the Commission, but was ashamed that WSTX-FM had been evicted from its authorized transmitter site for non-payment of rent. Although James is an attorney, he said he "made a mess" of trying to handle Family Broadcasting's FCC representation himself, instead of hiring a communications attorney. Rather than going through a license revocation hearing, James asked that he be allowed to transfer all of the stock of Family Broadcasting to his four adult children, "none of whom were involved in any of the alleged wrongdoing." One of the children, **G. Luz James II**, is the current Lieutenant Governor of the US Virgin Islands. Another of the children, **Barbara James-Petersen**, is now running the stations.

In rejecting the father's plea, the FCC said the proposed transfer—and stopping the license revocation proceeding in midstream—would violate the Commission's procedures. Family Broadcasting must either defend itself against the charges, which could result in fines of up to $275K and even the ultimate penalty—license revocation—or waive its right to a hearing and seek "mitigation"—essentially begging mercy from the FCC's Enforcement Bureau for its efforts, however belatedly, to fix the violations.—JM

Listeners seek out alternatives to downed radio streams

A recently released study by Arbitron and Coleman, "Broadband Revolution 2: The Media World of Speedies," says 68% of consumers who listened to their favorite stations' Internet streams before they were silenced over the AFTRA royalty fees have found other sources of streaming on the net. Nearly 70% of "speedies" who have used streaming audio are aware of disputes over AFTRA rights fees; 1/3 of those surveyed have encountered radio websites that have stopped streaming due to AFTRA.

The study also says 59% of those with broadband access are tuning into the same sources of audio repeatedly, while 24% seek new sources of audio when they tune in online. "If they can't find the audio they want, it will be far more difficult to win these listeners back after they leave," said Coleman VP **Warren Kurtzman**.—CM

$3.1B for streaming ads by '05

Spending on streaming media advertising will grow exponentially during the next four years, as increased residential adoption of broadband access service sets the stage for corporations to embrace fresh ways to deliver their product marketing messages to consumers, according to a report released 6/18 by the Yankee Group. Boosted by the higher fees created by on-demand marketing opportunities, spending on all streaming media-enabled advertising will grow to $3.1B by 2005 from $44M in 2000, the report estimates.

The report, "B to B to C Streaming Media: Helping Companies Streamline Consumer Communications," recommends that brand marketers begin experimenting with online multimedia promotion, with an eye on determining the best way to leverage existing promotional video to enhance the returns on the investments being made in streaming media-enabled promotions.—CM

Goldsmith dead at age 65

Pioneering radio sales trainer **Norm Goldsmith** died 6/15, two days after open heart surgery at St. Helen Hospital in California's Napa Valley. After serving as an executive for ABC Radio and CEO of **Curt Gowdy** Broadcasting, Goldsmith established his own consulting business two decades ago and was a regular speaker at industry events. According to an obituary in the *Napa News*, Goldsmith had lived in the "wine country" town for the past three years.

A note sent to industry friends by Cumulus' (O:CMLS) in-house sales trainer, **Tim Menowsky**, said of Goldsmith: "Norm was an original who always had a smile and a joke."—JM

Predicting the 2002 upfront

Many are saying the demand just isn't there to get the upfronts filled, as they were a couple of years ago. No big surprise there, given the latest predictions from **Bob Coen** and **Jack Myers** (see page 8). While it's still early to determine exactly how 2002's upfront will fare for radio, we asked a few buyers for their own prognostications; as well as what the rest of the year looks like in the scatter marketplace.

The prognosticators:

Mike Robertson, President, LA-based Ocean Media

Natalie Swed Stone, Managing Partner/Director of National Radio Services, NYC-based OMD USA

Matt Feinberg, VP/ Manager of Radio, National Broadcast, NYC-based Zenith Media Services

John Camilleri, VP, Technology Group, Philly-based Harmelin Media

Radio AdBiz®

By Carl Marcucci

Tell us how you think the 2002 upfront is shaping up.

Robertson 2002 upfronts are very slow to develop. While media continues to be weak across the board, advertisers are wisely hesitating to commit to next year. Many upfronts this year were renegotiated to keep advertisers happy and on board. No one wants to overpay which makes speculating about 2002 very difficult to predict, plan and buy.

Commitment levels are being scrutinized. It's difficult with the lack of demand. We deal with a lot of direct response accounts that are very conscious about return on investment and are paring down their budgets. If times continue to be lean, they need to be as effective as possible and it puts even more pressure to allocate the dollars where they're going to get the best ROI, that's going to put a lot of pressure on the media to compete for those dollars. I know that even now in the middle of the year what we're seeing are people willing to do certain things to get the longer commitments. Just literally starting last week did I get some money that I could take into the year 2002.

Swed Stone There is no radio upfront happening right now, period. They have one advertiser, maybe two—that is not an upfront. There was a time two years ago when the upfront happened in September. There may have been a little more talking about it in June, but it doesn't happen until November-December. You ask the networks, "What percent of your business is booked now if there's an upfront?" They will tell you 5% or 3%.

There is a television upfront going on now, where 80% of the business gets booked. When we get through the television upfront, when real dollars are committed, we will know more. I think there are clients still unsure of exactly how much money they want and have to spend. Once the agencies get that from the clients who spend a lot of money in television, they will get a sense of what 2002 will look like. Right now, the TV upfront is going slowly and it's conservative, basically.

Feinberg The marketplace is soft. A few of the vendors out there are really trying to push the envelope as far as rates. I think in the end they are going to get burned because people are going to buy around them, because they are just too damned high, I assume because of the debt service they have to pay. They are charging exorbitant prices and people are just walking away from them. There are deals to be had, so there's no need to be paying those kinds of prices.

Camilleri For 2002 radio upfront, we want to see how the TV upfront moves and right now it is stalled. The pendulum has definitely swung to buyers. Clients have been hesitant to commit to Q4 total (spot radio and other media) budgets (obviously network is laid in at this time), yet alone start to even think for 2002.

How is the rest of the year playing out?

Robertson From a scatter standpoint, it's anybody's guess. I truly don't know. Do I see current advertisers increasing budgets? Probably not. Do I see us being able to bring some new business to the marketplace? Absolutely, but on what level? It will be newer, less experienced advertisers who won't make big commitments. We're playing it very month to month right now.

Swed Stone I can only tell you what I am hearing from the sellers. I think we all agree now that nobody is saying the business is great! There is no more pretense.

However, I don't know if you can call this a recession because last year was such an anomaly. If we took last year out and looked at a five year track, we would not see a recession right now. So, what they're saying is we're back to where we were a couple of years ago, let's say in terms of moderate expectations and moderate growth. We all realize that there are lots of other ways to spend money and we realize that there's not enough money to go around. So, given a limited amount of money out there, how do we redefine our strategies and compete in this new world?

Feinberg I have no idea. I read Bob Coen's stuff, I look around, and I hope the economy takes a real quick vertical move real fast. We're in the middle of doing a lot of buying right now, so I'm seeing evidence of a soft marketplace with a few people holding ground. I don't know if they're going to cave or if they're just going to wind up losing a lot of shares. It will be interesting to see at the end of the year who fares really well. I said two years ago in an article that ABC, when they weren't getting involved in the flurry of station buying, that they had missed the boat. But I'm not so sure. I think now they're weathering the economic storm better than most. I don't think they have the financial debt hanging over their head. So they can roll with a soft marketplace and still do pretty well.

The other people are losing their shirts over this—the last-minute desperation acts translate into being very difficult to work with. At times, they will come in with prices that are so absurd, we just go, "No." Then they come back with 99 offers and you're like, "The game's over, man. I've got to move on." It's certainly a dance—sometimes you lead, sometimes you follow.

Camilleri Right now we are still hanging tight for 2001 and are fairly positive at this point that our clients will not exercise any further cancellation options. We had some very minor cancellation options exercised about two months ago, but nothing significant at all.

By Jack Messmer

Forecasters see rocky second half before ad recovery

June 25. Thank goodness! We only have to suffer through six more days of this ad recession before the good times roll back in. That's what broadcasters have been saying, isn't it? The first half of 2001 will look bad by comparison with the dot-com-inflated first half of 2000, but once we're past those "tough comps" the rest of 2001 will see renewed growth.

We all know now that it's not going to be that easy. What we're in now is a real recession. The dot-com money is but a distant memory, but that's not the only problem. Automotive ad spending remains soft. Other major advertisers are cautious. Just about every day the big financial news story is about yet another big company announcing layoffs or telling Wall Street analysts to cut their earnings estimates—or both (as Tribune did last week).

When **Bob Coen**, Sr. VP and Director of Forecasting for Universal McCann, released his mid-year ad forecast revision, no one was surprised that he cut his 2001 growth estimate by more than half, to 2.5% (*RBR* 6/18, p. 1). Every other forecaster, Wall Street analyst and public company had already cut their estimates and Coen wasn't even trying to be coy about what his semiannual report would say. Everyone knew he'd lower his growth forecast—and most of us wouldn't have been surprised to see an even bigger cut than he delivered. Even so, word of the guru's mid-year negativity took an immediate (if modest) toll on media stocks.

Coen

Advertising doesn't occur in a vacuum. Its rate of growth is closely tied to growth in the Gross Domestic Product (GDP), a basic measure of the US economy, Coen noted in a speech last week (6/18) to the Midyear Media Review, a Wall Street get-together put on by a group of publicly traded newspaper companies.

"When advertising grows faster than the economy, as it did in the year 2000, that barometer goes up," Coen noted of his index compar-

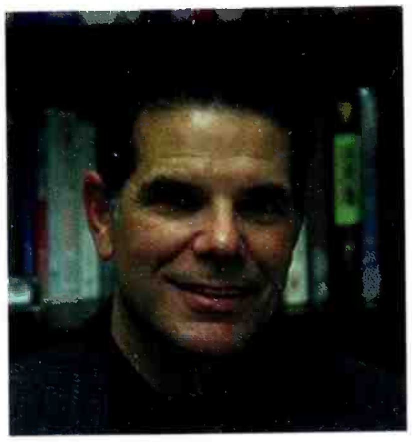
US media forecast by Bob Coen
($ in millions)

Ad spending	Yr. 2000 forecast on 12/99	Yr. 2000 forecast on 6/00	Yr. 2000 results on 12/00	Yr. 2001 forecast on 12/00	Projected 2001 revenues on 12/00	Yr. 2001 forecast on 6/01	Projected 2001 revenues on 6/01
National							
Big 4 TV nets	9.0%	12.0%	12.5%	1.0%	$15,865	-2.5%	$15,490
Spot TV	8.0%	9.0%	14.0%	-1.0%	$11,850	-6.0%	$11,530
Cable TV	15.0%	20.0%	20.0%	12.5%	$10,125	8.0%	$11,820
Syndication TV	8.0%	9.0%	9.0%	6.0%	$3,315	3.0%	$3,200
Radio (net & spot)	**8.0%**	**15.0%**	**18.0%**	**5.5%**	**$4,930**	**2.0%**	**$4,535**
Magazines	7.5%	7.5%	8.0%	5.0%	$12,965	1.0%	$12,495
Newspapers	8.0%	12.0%	13.0%	7.0%	$7,685	1.0%	$7,300
Direct mail	7.0%	8.0%	8.0%	5.0%	$46,950	4.5%	$46,600
Yellow pages	8.0%	7.0%	7.0%	5.0%	$2,230	4.0%	$2,175
Internet	75.0%	75.0%	65.0%	60.0%	$5,120	10.0%	$4,765
Other national media	8.0%	10.5%	11.4%	6.3%	$30,715	1.7%	$31,345
Total National	**9.1%**	**11.1%**	**11.8%**	**6.3%**	**$151,750**	**2.1%**	**$151,255**
Local							
Newspapers	6.0%	5.0%	4.4%	4.0%	$43,745	1.0%	$42,240
TV	8.5%	8.5%	7.5%	3.0%	$14,040	3.0%	$13,950
Radio	**9.0%**	**12.0%**	**12.5%**	**6.5%**	**$15,880**	**5.0%**	**$15,590**
Yellow pages	6.0%	5.5%	5.4%	5.5%	$11,860	5.0%	$11,690
Other local media	7.1%	8.0%	9.3%	8.3%	$12,715	5.6%	$15,070
Total Local	**7.1%**	**7.0%**	**6.8%**	**5.0%**	**$98,240**	**3.1%**	**$98,540**
Grand Total	**8.3%**	**9.4%**	**9.8%**	**5.8%**	**$249,990**	**2.5%**	**$249,795**

Source: Universal McCann "Insider's Report," 12/99, 6/00, 12/00 & 6/01 ng ad spending growth to GDP. "And in the year 2000 it rose to an all-time high of 2.45%. The question now and six months ago was 'how is the year 2001 going to turn out?' Could we expect to see advertising continuing to match or outpace nominal GDP growth?"

Since making his 2000 forecast last December, Coen saw the economy in general and ad spending in particular become much softer than he had expected. Coming off a year with 9.8% overall ad growth, Coen's forecast of 5.8% growth was hardly bullish, but it didn't anticipate how deeply many companies would cut ad spending as they saw the economy getting tougher. "At the time, it looked fairly reasonable," Coen said of his six-month-old forecast.

Indeed, *RBR's* report *(RBR* 12/11/00, p. 2) noted that Coen tended to err on the low side and predicted that he would likely come back in June with an upward revision of his radio forecast as



Myers

he had done in other recent years. At that time he was looking for national radio (network and spot) to rise 5.5% this year and for local radio to rise 6.5%. At that time, most people in the industry and on Wall Street were projecting total radio growth of 7-9% this year.

That story also noted that another ad guru, **Jack Myers** of Myers Reports Inc. had just issued a more bullish outlook *(RBR* 12/11/00, p. 6) which saw radio ad spending gaining 9% this year.

Now, six months later, their positions are reversed, although both have cut their forecasts for radio along with other media. Coen is looking for national radio to grow 2% and local 5% this year. Myers, on the other hand, has cut his forecast dramatically and is expecting radio's 2001 revenues to come in 6% below 2000—that's a $3B turnaround from his original expectation!

Myers reported last week (6/18) that his Advertising Confidence Index, based on a quarterly survey of executives at major advertisers and agencies, had recorded an upturn in June, compared to the pessimistic levels of March. "However, this good news is moderated by advertisers' expectations that a recovery in the media sector will not occur for another 18 months and that the overall prognosis for media spending in 2001 and 2002 remains glum," Myers said. So, he's sticking with the sharply lower forecast for 2001 that shocked media executives in May *(RBR* 5/7, p. 1).

Although the Coen and Myers forecasts aren't precisely comparable, the charts on page eight (Coen) and below (Myers) show that Myers is clearly the more pessimistic of the two at this point. He's predicting that total US ad spending will decline 1.5% this year, while Coen is expecting a gain of 2.5%—nothing to celebrate, but at least it's a positive number. For 2002, Coen's first take is a gain of 5%, while Myers is barely in the positive camp with a forecast gain of two-tenths of one percent.

We would also note that Myers is currently projecting that radio revenues will be down next year as well as this year. If that were to happen, it would be the first time ever for radio to record back-to-back down years since World War II. According to figures from the Radio Advertising Bureau, radio's only revenue declines came in 1961 (down 0.5%) and 1991 (down 2.8%).

"I hope things turn out better than I speculated," Coen said as he ended his presentation 6/18. We don't know of anyone in either advertising or the media who doesn't share that hope.

US media forecast by Jack Myers
($ in billions)

	Yr. 2001 forecast on 11/00	Projected 2001 revenues on 11/00	Yr. 2001 forecast on 4/01	Projected 2001 revenues on 4/01	Yr. 2001 forecast on 5/01	Yr. 2002 forecast on 5/01
Newspapers	2.0%	$50.67	0.0%	$49.68	2.5%	1.0%
Broadcast TV Networks	3.6%	$17.58	2.0%	$17.31	-3.0%	0.0%
National Spot TV	2.5%	$12.63	1.0%	$12.48	-15.0%	-4.0%
Local Spot TV	2.0%	$13.94	1.5%	$13.87	-7.0%	-4.0%
Broadcast TV Syndication	2.8%	$3.10	2.8%	$3.10	-5.0%	-2.0%
Radio	**9.0%**	**$20.81**	**5.0%**	**$20.04**	**-6.0%**	**-2.0%**
Yellow Pages	0.0%	$12.71	-1.0%	$12.59	-1.0%	-2.0%
Consumer Magazines	7.0%	$19.08	4.5%	$18.64	0.5%	-2.0%
Network Cable TV	14.0%	$11.13	1.1%	$10.84	8.0%	6.0%
Local/Regional Cable TV	18.0%	$4.31	16.0%	$4.24	5.0%	5.0%
Online	70.0%	$8.16	40.0%	$6.72	40.0%	30.0%
Outdoor	16.0%	$2.50	12.0%	$2.41	2.0%	-2.0%
Other	-2.0%	$40.38	-3.0%	$39.97	-6.0%	-2.0%
Total US Media	**4.9%**	**$217.01**	**2.4%**	**$211.86**	**-1.5%**	**0.2%**

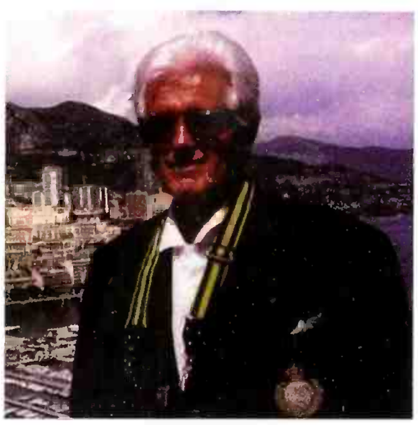
Source: Myers Reports Inc.

We asked a few General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed:

Tom Robinson,
GM, WXGM Inc.'s WXGM-AM/FM Norfolk

Todd Scott,
GM, Great Scott Broadcasting's WPAZ-AM Pottstown-Reading, PA

William O'Shaughnessy,
GM, Whitney Radio's WRTN-FM, WVOX-AM Westchester, NY



GM Talkback

By Carl Marcucci

How much do you value Arbitron ratings and why?

Robinson We don't subscribe to them, so I can't use the ratings. It's a pretty good sized chunk of money for me to get anything that's substantial. I've seen us 19-20-21 in the market, not too bad out of 40 stations considering we only cover part of the market. You've got to be realistic about this. An agency is going to look at us and say, "We're covering it by already buying four or five deep." So what does it pay for me to spend $12K or $15K to get Arbitron for them to tell me that when they'll tell me that without buying it?

Scott I don't value Arbitron ratings at all because Arbitron ratings are arbitrary. I don't think they show the mark of a station's true popularity in most cases. However, because of the lack of a better measuring stick, clients as well as people in the radio business tend to use them.

O'Shaughnessy Occasionally we run afoul of a Roseanne Roseanneadana time buyer who doesn't know the difference between Bronxville and Bridgeport. And thus every once in awhile we'll have to scramble to get WVOX and WRTN on a buy. But because Westchester is in the heart of the Eastern Establishment and because our stations are sui generis, we usually prevail at the client level. So the value of Arbitron "ratings" has always been de minimus in such a robust, complex and sophisticated area.

Do you think Arbitron poses a fair and efficient way of measuring listening? Why?

Robinson No. They never have. I don't think their methodology is that good. But they're the only game in town. You can't interview a thousand people and tell me that's what everybody in the area thinks about A, B and C. I don't know where they get these statistical numbers from, but to me, the sample size is just too small.

Scott We don't use them to sell our stations. Our station doesn't even show up in the Arbitrons. It's not highly rated. If our station were number one, we'd use Arbitron all the time.

O'Shaughnessy It's not a question of whether Arbitron is "fair" or "efficient." They're the only game in town. And for this predicament broadcasters have only ourselves to blame. "Grown-up" adult stations don't stand a chance with their diary methodology. Our substantial, upscale listeners really don't have the time to maintain a "diary" in this high-tech, electronic, speeded-up day and age. Thus, the only ones you get are those few odd souls who don't really have much of a life. It's a great exercise, I expect, for the **Howard Stern** aficionados or teenage groupies trying to ingratiate themselves with the rock or shock jocks. The late critic **John Crosby** once accused television of making the same mistake as radio: ignoring the intelligent.

How much do local advertisers look at your ratings for making their buying decisions?

Robinson Very seldom, and we're very fortunate. As we go further into the Newport News-Hampton area to sell, it becomes more of an issue than it does right here in my home backyard of Gloucester-Matthews-Middlesex-West Point. A lot of people are bright enough to realize that they're buying us to reach a certain target audience. And that's what we provide to them—if they buy us right, it's going to work.

Scott If our advertisers went by ratings, then they couldn't afford the station they wanted to buy. The truth is that local, small broadcasters like ourselves make as much or more of an impact for the dollar than the larger, higher-ranked stations do in the market. And that's because we're localized to the max.

O'Shaughnessy They know the rhythm and dynamics of their regional marketplace and thus are much more influenced by the standing, reputation, commitment, longevity, lineage and history of a particular station. Local marketers—the smart ones—base their strategic media decisions on what a station really <u>stands</u> for. Incidentally, it also helps that most of our competitors and colleagues have fallen to speculators and absentee owners. In other words, "staying power" counts for a great deal.

How did you get in radio?

Robinson I always wanted to do it. When I was in high school, I went to the National Academy of Broadcasting. I got my first job in radio in Clarksburg, WV at WBOY-AM in 1965, and I've been in it ever since. My dream was to always own my own radio station, and, I do!

Scott My father [**Herbert**] was in radio, my three brothers were in radio—so I guess it's in my DNA structure. My father started WPAZ in Pottstown about 60 years ago. He and my mother, **Faye** Scott saved every nickel that they thought they ever had. He died in 1986 with a small group of radio stations worth about $8M. And here we are in 2001. My mother runs Great Scott Broadcasting and it's a $40M company now.

O'Shaughnessy **Martin Stone**, the television pioneer ("Howdy Doody" and "Author Meets Critic") hired me in 1957 at the age of 18 to sell ads for WVIP, a pristine jewel of a radio station in Mount Kisco, NY—one of America's first suburban stations that did more than play background music. We had three salesmen and a manager. But somehow, with sheer guile, and incredible Irish luck, I brought in almost 70% of the first year's billings. I also used to do traffic reports (from "Mobile #6!") and empty wastebaskets to supplement my $65 weekly draw. Then I went to the mighty WNEW, of sainted memory, and, during their halcyon days, became assistant to the legendary **John Van Buren Sullivan** before coming back to the suburbs as a GM for the Herald Tribune Radio Network founded by Mr. **Stone**, ambassador to England **John Hay "Jock" Whitney** and the publisher **Walter Nelson Thayer**.

Programming & Positioning

Format trends: Fall 1997-2000

he Urban format category has een the biggest gainer among 14 ormat groups over the past four ears. This has been in part due to ne proliferation of the Urban Old-es format, which, despite showing ome signs of wear recently, has still rought a considerable number of steners to the category as a whole.

The resurgence of CHR as a strong format is a notable. After a lengthy stay in the doldrums in the early to middle 90s, it has come back with a vengeance, gaining a 1.2% increase in audience share over the period. There seem to be three victims: Adult Contemporary, down 1.0% (CHR may have grabbed listeners from Hot AC stations), Alternative, down 0.7%, and Rock, down 0.4%.

The Rock category is getting it from both ends, also losing listeners to Classic Rock-Classic Hits stations, which is up 0.6%. The Classics may also be pulling listeners away from traditional Oldies stations.

The Spanish formats, like the Hispanic population, are experiencing strong growth.

Country is in one of its down cycles, but perhaps has turned the corner with an as-modest-as-you-can get gain of 0.1% between 1999 and 2000. Since 1997, its down 1.5%.

The Standards format is beginning to show serious signs of aging. Its numbers in the 35-64 age bracket are worse than its overall 12+ number, indicating that most of its listeners are (not surprisingly) aged 65 or older. It will increasingly become even more of a niche format than it is already. It's lost 0.8% over the four year period.—DS

News-Talk	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	1	686	15.3		
Fall 1998	1	699	15.4	+13	+0.1
Fall 1999	1	699	15.1	0	-0.3
Fall 2000	1	726	15.9	+27	+0.8
Change, last four years				**+40**	**+0.6**

AC	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	2	592	15.0		
Fall 1998	2	606	14.8	+14	-0.2
Fall 1999	2	609	14.5	+3	-0.3
Fall 2000	2	617	14.0	+8	-0.5
Change, last four years				**+25**	**-1.0**

CHR	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	4	269	10.1		
Fall 1998	4	298	10.6	+29	+0.5
Fall 1999	3	329	11.7	+31	+0.9
Fall 2000	3	359	11.3	+30	-0.4
Change, last four years				**+90**	**+1.2**

Country	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	3	632	12.5		
Fall 1998	3	622	11.6	-10	-0.9
Fall 1999	4	617	10.9	-5	-0.7
Fall 2000	4	626	11.0	+9	+0.1
Change, last four years				**-6**	**-1.5**

Urban	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	5	255	8.9		
Fall 1998	5	264	9.7	+9	+0.8
Fall 1999	5	307	10.3	+43	+0.6
Fall 2000	5	315	10.5	+8	+0.5
Change, last four years				**+60**	**+1.6**

Spanish	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	8	230	5.6		
Fall 1998	6	245	6.1	+15	+0.5
Fall 1999	6	275	6.8	+30	+0.7
Fall 2000	6	294	6.6	+19	-0.2
Change, last four years				**+64**	**+1.0**

Classic Rock	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	9	255	5.4		
Fall 1998	8	288	5.7	+33	+0.3
Fall 1999	7	308	5.7	+20	0.0
Fall 2000	7	327	6.0	+19	+0.3
Change, last four years				**+72**	**+0.6**

Oldies	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	6	314	6.2		
Fall 1998	7	318	6.0	+4	-0.2
Fall 1999	9	296	5.4	-22	-0.6
Fall 2000	8	310	5.4	+14	0.0
Change, last four years				**-4**	**-0.8**

Rock	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	7	234	5.7		
Fall 1998	9	222	5.1	-12	-0.6
Fall 1999	8	234	5.4	+12	+0.3
Fall 2000	9	242	5.3	+8	-0.1
Change, last four years				**+8**	**-0.4**

Alternative	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	10	175	4.9		
Fall 1998	10	167	4.7	-8	-0.2
Fall 1999	10	153	4.4	-14	-0.3
Fall 2000	10	155	4.2	+2	-0.2
Change, last four years				**-20**	**-0.7**

Standards	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	11	273	3.9		
Fall 1998	11	266	3.5	-7	-0.4
Fall 1999	11	254	3.2	-12	-0.3
Fall 2000	11	262	3.1	+8	-0.1
Change, last four years				**-11**	**-0.8**

Religion	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	13	324	2.4		
Fall 1998	13	334	2.4	+10	0.0
Fall 1999	12	345	2.5	+11	+0.1
Fall 2000	12	349	2.6	+4	+0.1
Change, last four years				**+25**	**+0.2**

Smooth Jazz	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	12	77	2.8		
Fall 1998	12	74	2.7	-3	-0.1
Fall 1999	13	66	2.5	-8	-0.2
Fall 2000	13	64	2.5	-2	0.0
Change, last four years				**-13**	**-0.3**

Classical	Rank	Rated Stns	Pct	Stn chng	Pct chng
Fall 1997	14	32	1.4		
Fall 1998	14	31	1.4	-1	0.0
Fall 1999	14	32	1.5	+1	+0.1
Fall 2000	14	28	1.4	-4	-0.1
Change, last four years				**-4**	**0.0**

Mel after Spanish TV?

That's the often-heard rumor—that Viacom (N:VIA) President **Mel Karmazin** is out to buy a stake in one of the two big US television networks that broadcast in Spanish. If the rumors are correct—and they seem to be coming from multiple independent sources—it appears Karmazin didn't succeed in making a deal with Univision (N:UVN) and is now focusing on Telemundo, a privately owned company whose big stake owners include Sony (N:SNE) and AT&T-controlled (N:T) Liberty Media Group (N:LMGa).

Mel's interest in Hispanic media is hardly a secret. He said last month at Viacom's annual shareholder meeting that the company was interested in Spanish broadcasting, but warned that current "astronomical multiples" could make a deal unattractive—at least for now.

Media Markets & Money™

by Jack Messmer

Sun sets, Word is up in Tampa

Salem Communications (O:SALM) is bringing "The Word" to Tampa Bay. Beginning 7/16, Salem's Christian Talk/Teaching format will begin airing on 570 kHz and 910 kHz. The latter is already owned by Salem, but the former, WTBN-AM, is being purchased from **Mark Jorgenson**'s Concord Media Group for $6.75M. The WSUN call letters have moved around the AM band in recent years in the Tampa Bay market, but will disappear (although Cox will still have WSUN-FM) as the 910 slot switches to WTWD and Salem christens the WTWD-WTBN simulcast "Central Florida's Word." **Roy Taylor** will be GM for the duo.

***RBR* observation:** Both signals do a great job of covering the waters of Tampa Bay, but the 570 signal does a lot better job in the northwestern portions of the market, including Clearwater and environs. The 910 signal's strength lies to the northeast, where there's not as much population yet, but plenty of new subdivisions popping up.

Ratings services differ on Salem's outlook

It's unusual to see the two big bond rating firms take such differing views on a company's prospects, but it does illustrate their independence. Moody's Investors Service issued its rating on a proposed $150M bond sale by Salem Communications (*RBR* 6/18, p. 15) last week (6/18) and declared the company's outlook "positive." Just two days later (6/20), Standard & Poor's put out its rating and lowered its outlook for Salem from "stable" to "negative."

In its "positive" assessment, Moody's cited the Religious broadcaster's advantages over other radio groups in the current economic climate: "By virtue of its mix of block programming and local advertising, the company's cash flows have been less vulnerable to the recent deterioration in overall radio revenues which has been primarily driven by the decline in national advertising," said Moody's. "Notably, block programming is over 40% of Salem's total revenues and realizes greater than 90% renewal rates. Salem's local advertising is also significant—36% of total revenues are local and 5% are national. In addition, Salem benefits from its leading position in the religious radio niche, which is characterized by the absence of a significant competitor; its role as the programmer of numerous affiliate stations; and its representation in top radio markets."

Standard & Poor's agreed that Salem's block programming sales provide a revenue source that is "less volatile than spot advertising." But S&P says it based the negative outlook on "increased concern about Salem's high leverage, prospects for key credit measure improvement amid ongoing acquisition activity, and new station development." In addition, the ratings service added, "Salem also faces tightening bank facility financial covenants that could limit liquidity in the event of operating weakness."

Despite their differences on the outlook for Salem, the rival firms' actual ratings are quite similar. Moody's assigned a B3 rating to the proposed $150 issue of 10-year senior subordinated notes. That's the same high-yield (or "junk bond") rating as Salem's current senior subordinated notes which come due in 2007 (paying 9.5% on $100M face value). S&P assigned a rating of B- to the new bonds—also the same as its existing bonds.

Cumulus sets price, LM buys WSTL-FM

Lynn Martin's LM Communications has filed with the FCC to buy WSTL-FM from **Jack Mortenson**'s Mortenson Broadcasting Company for $4.8M. The contract filed with the FCC wasn't between Mortenson and LM, however, but rather between Mortenson and Cumulus Media (O:CMLS). Martin exercised an existing right of first refusal to buy the station after Cumulus gave Mortenson a signed contract.

In order to buy WSTL, which has a CP to upgrade from Class A on 100.7 mHz to Class C2 on 92.1 mHz, Martin will have to give up part of his pending deal to buy both WBTF-FM and WLXO-FM from Blue Chip Broadcasting. LM's FCC application states that WLXO is being sold to "a third party."

***RBR* observation:** Cumulus could still get something out of this deal. It is the most logical buyer for WXLO. It appears that a couple of the Class A signals that Cumulus already has in the Lexington market don't have city-grade overlaps with WLXO—so Cumulus could legally own five FMs in the market.

Dame gets Halfway from Gemini

Halfway, MD is little more than a crossroads which is apparently halfway between two places that someone at some time considered more important. The tiny hamlet hear Hagerstown, MD is however, the city of license for WHAG-AM & WQCM-FM, which **Al Dame**'s latest company, Dame Broadcasting LLC, is buying for $3.4M. That will give Dame five stations in the Hagerstown, MD-Chambersburg-Waynesboro, PA market and a total of 13 in three markets. The seller is Gemini Broadcast Group, headed by **James Albright**. Broker: **Dick Kozacko**, Kozacko Media Services

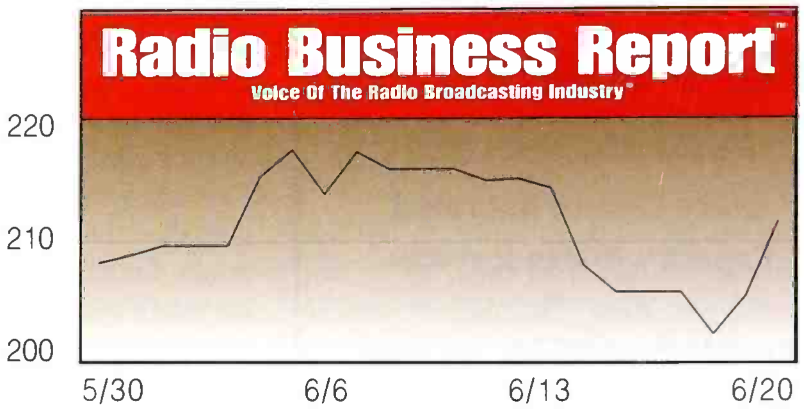
Shockley price is $7.5M

The contract filed with the FCC shows that **Duke Wright**'s Midwest Communications is paying $7.5M for Shockley's six-station superduopoly in the Duluth, MN-Superior, WI market *(RBR* 6/11, p. 12). Broker: Kalil & Co.

***RBR* observation:** The radio stations were excess assets when **Terry** and **Sandy Shockley** sold their broadcasting company to Northern Communications, a new entity created by **Roger Ohlrich**'s Northern Investments, in a tax-advantaged stock deal for $160M. Five of the six TV stations were then sold off to Quincy Newspapers and the other was sold back to the Shockleys. The last assets to be dealt with were the radio stations.

The Radio Index™

The Radio Index™ is bouncing around in a directionless stock market. The index closed 6/20 at 211.632, down 2.721 from a week earlier.



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. Broker credits are based on contracts filed with the FCC.

$7,500,000 KDAL AM & FM, KTCO-FM/ KRBR-FM, KXTP-AM & WDSM-AM Duluth-Superior MN-WI (Duluth MN/Superior WI) from Shockley Communications Acquisition Inc. (Roger C. Orlich, mgng member) to Midwest Communications Inc. (Duey E. Wright). $350K escrow, balance in cash at closing. Seller is responsible for making sure that concerns by the US Federal Emergency Management Agency (FEMA) concerning a leaking underground storage tank at seller's tower location are remediated. If not, sale price will be reduced by the fair appraised value or tax value of the site, and a leasing arrangement will be entered into. Existing **superduopoly**. LMA since 5/31.

$6,750,000 WTBN-AM Tampa-St. Petersburg (Pinellas Park FL) from Synchronous Media Group Inc., a subsidiary of Condord Media Group (Mark W. Jorgenson), and Mark W. Jorgenson, Guarantor to SCA License Corp. (Stuart Epperson, Ed Atsinger), a subsidiary of Salem Communications (O:SALM). $6.25M for station to Concord, and $500K to Jorgenson, Guarantor for real estate associated with transmitter location. Buyer will also loan $300K to Concord. **Duopoly** with WTWD-AM. LMA to begin 7/16.

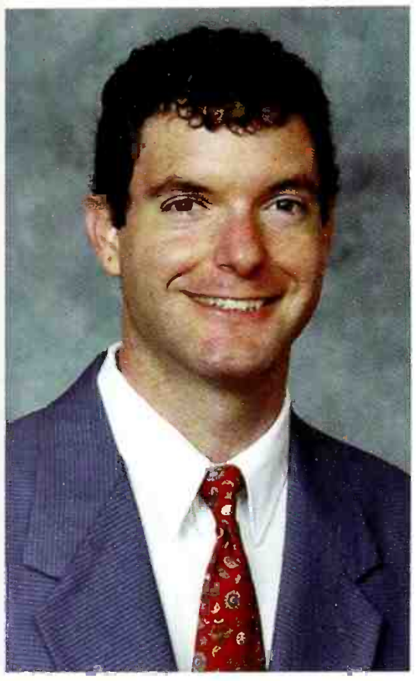
$4,800,000 WSTL-FM Lexington-Fayette KY (Carlisle) from Mortenson Broadcasting Co. (Jack Mortenson) to L.M. Communications of Kentucky LLC (Lynn M. Martin). $500K escrow, balance in cash at closing. **Superduopoly** with WLXG-AM, WGKS-FM, WCDA-FM & WBTF-FM. Buyer has pending deal to acquire WBTF-FM & WLXO-FM from Blue Chip Broadcasting, which, with this deal for WSTL-FM, would put it over the local ownership cap. Blue Chip is going to reapply to sell WLXO-FM to a third party. Mortenson originally agreed to sell WSTL to Cumulus Licensing Corp. L.M. exercised a right of first refusal to acquire station. LMA since 6/7.

$1,300,000 WVVV-FM Williamstown WV from Williamstown Broadcasting LLC (Ronald K. Bishop) to Bennco Inc. (William E. Benns III, Ronald & Melissa Bishop, Roger F. Weigle, Barkara K. Peel). Seller will transfer station to seller with its prior ownership lineup (Benns, Weigle and Peel, each with 33.3%) for $1.3M. Seller will, on the first business day of 2002, purchase a 25% stake in stock of the buyer in equal amounts from each of the prior owners, so that Benns, Weigle, Peel and the Bishops each own 25%. The stock will cost $325K ($25K cash, $300K note).

$975,000 WODX-AM & WMIB-AM CP (1660 kHz) Ft. Myers-Naples FL (Marco Island) from Cos-Star Broadcasting Corp. (Patrick J. Costa), part of the Costa-Eagle Radio group to All Financial Network Inc. (David M. Fleisher). $40K escrow, balance in cash at closing. LMA since 5/4. Earlier deal selling stations to Community Broadcasting Corp. was not consummated (*RBR* 8/28/00, p.14).

Radio One joins Emmis at the head of the class

Lehman Bros. analyst **Bill Meyers** has updated his "Ratings Report Card," based on Winter 2001 Arbitron numbers, and moved Radio One up to an A- (from a B+), matching Emmis Communications (*RBR* 4/23, p.17) as star pupil.



"We again focus on radio ratings share as an important predictor of relative revenue growth, cash flow and, ultimately, equity price performance," Professor Meyers wrote in this month's update. "Put simply, a station with improving ratings should generate above average revenue growth as advertisers pay more for greater reach. Of course, the opposite is true as well."

Meyers has been vocal in recent years about the negative impact on ratings from excessive commercial clutter and notes evidence from the ratings numbers to support his fight against clutter.

"Cox Radio's track record of buying stations and reducing commercial units illustrates this phenomenon. For example, Cox Radio acquired KKBQ-FM Houston from Clear Channel Communications in late August 2000 and immediately slashed its commercial load from 23 minutes per hour to eight minutes. Station ratings have improved from 2.4 (Summer 2000) to 2.6 (Fall 2000) to 3.2 (winter 2001)," he wrote. "Likewise, Radio One purchased Clear Channel stations suffering from deal fatigue. Since that period of unit-load saturation, the properties have realized strong ratings improvement. Specifically, the acquired properties' ratings climbed 12% in fall 2000 and 13.9% in winter 2001, sharply reversing declines from the two prior periods."

Although Cox hasn't yet moved up to the head of the class, Meyers likes the way **Bob Neil** and company operate: "Given Cox Radio's turnaround strategy of investing in underperforming properties and cutting their clutter loads, we do not find it surprising that clutter in the company's three largest markets—Atlanta, Houston and Miami—is on the decline. We note that the clutter decreases were most dramatic in the period following Cox's recent acquisitions in these markets."

As the chart indicates, Meyers has added a couple of groups to his class—Beasley and Saga—and excused two others—Hispanic Broadcasting Corp. and Spanish Broadcasting System. Meyers explained that he decided to suspend ratings of the two big Spanish radio groups "due to the large number of stations in the process of being relaunched."

In assigning grades, the Lehman Bros. analyst uses a weighted relative performance (each individual company's performance minus the industry average) over the past four ratings books. Meyers then assigns a grade of A for improvement of 5% or better, A- for 3-5%, B+ for 1-3%, B for –1% to +1%, B- for –3-1% and C for anything below –3%. He was able to get data for all of the markets with Infinity stations, but the percentage of total revenue covered for the other groups ranged from 64% for Saga to 99% for Emmis and Entercom.

"Overall, most companies maintained their previous grades or moved up/down one level," Meyers noted. "Emmis and Radio One received the top grades this quarter (A-), with Emmis returning as a repeat performer and Radio One moving up a notch from the previous book. Emmis' performance was driven by near double-digit ratings growth in its two biggest markets—New York and Los Angeles—while Radio One was buoyed by the continued strength of its recently acquired Clear Channel properties, which saw ratings improve 14% in the most recent book."

The analyst also had praise for those in the next level: "Cox Radio (B+) maintained its streak of positive performances, with at least nine consecutive books of ratings improvement—all within the context of a flat-to-down industry environment. Houston's superior performance (ratings improved a staggering 50%-plus) was a consequence of slashing KKBQ-FM's commercial loads from 23 units per hour to eight units. Similarly, Infinity Broadcasting (B+) maintained its streak of positive performances (four and counting), with gains in six of its top 10 markets."

Meyers appears to be holding out hopes for improvement from the rest of the class: "Clear Channel (B-) maintained its grade, although it generated sequential growth (Fall 2000-Winter 2001) in seven of its top 10 markets, positioning it to move higher in subsequent periods. Entercom Communications (B-) and Citadel Communications (B-) both declined a notch. We believe format changes at approximately eight of Entercom's 95 stations were partly responsible for the drop, while we attribute Citadel's modest decline in part to deal fatigue."

As for the new kids: "Saga Communications (B) was introduced into our analysis with a rating on par with the industry, while Beasley Broadcast Group (C) entered with a below-average rating, resulting in part from format changes in two of its top four markets. However, recent trends are encouraging."

There is, of course, no graduation from this University of Higher Ratings, so we'll continue to check back for updates from Professor Meyers.

Bill Meyers' Ratings Report Card

Company	Fall 2000	Winter 2001
Beasley (O:BBGI)	NA	C
Citadel (O:CITC)	B	B-
Clear Channel(N:CCU)	B-	B-
Cox Radio (N:CXR)	B+	B+
Emmis (O:EMMS)	A-	A-
Entercom (N:ETM)	B	B-
Hispanic (N:HSP)	C	NA
Infinity/Viacom (N:VIA)	B+	B+
Radio One (O:ROIA)	B+	A-
Saga (A:SGA)	NA	B
Spanish (O:SBSA)	C	NA

Source: Lehman Bros.