

# Radio Business Report™

Voice Of The Radio Broadcasting Industry®

March 12, 2001

Volume 18, Issue 11

## AMERICAN URBAN RADIO NETWORKS

# #1

### THE URBAN RADIO LEADER



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### Westwood One lays off 48

"In our continuing effort to watch costs—we watch costs all the time—we laid off about 48 people, company-wide," a source inside Westwood One (N:WON) tells *RBR*.



WW1 CEO Joel Hollander now has four dozen fewer staffers

And the official company statement: "In our continuing efforts to make our company more efficient and manage expenses, we are implementing changes in the field. We remain committed to our customers and will continue to provide excellent programs, products and services to meet their needs."

Many of the network's pink slips apparently went

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be counted under the 1996 Act's ownership limits.

He called on the FCC to resolve the "obvious inconsistency between the terrestrial radio ownership limits and the non-existent limits on the number of SDARS [Satellite Digital Audio Radio Service] channels available in a particular radio market." Murphy wants XM Satellite Radio's (O:XMSR) 100 channels to be counted against the local ownership limits in every market for XM partner Clear Channel Communications (N:CCU).

"If terrestrial radio stations are to be given a fighting chance to compete with SDARS channels, the Commission must do all it can to place owners of terrestrial radio stations on as much of an equal footing as possible with owners of SDARS channels," Murphy wrote.

# Radio News®

If Murphy's argument were to be accepted by the FCC, it would have two major impacts:

- Every market in the US would immediately jump into the top tier of ownership limits, since every point on the map would have more than 45 stations—more than 200 in fact, once both XM and rival Sirius Satellite Radio (O:SIRI) have their respective 100-channel systems operating. Thus, every terrestrial broadcaster would be free to own up to eight stations with overlapping signal contours anywhere in the US.

- XM and Sirius would each have to divest 92 of their channels to a dozen different buyers to

comply with the eight-station local limit. Also, Clear Channel would have to divest its interest in XM.

Reply comments in Mass Media Docket 00-244 are due tomorrow (3/13).

**RBR observation:** There are two chances that the FCC will agree with Murphy's proposal to count satellite radio channels against local ownership limits—slim and none. Even so, he does make a point that certain people at the FCC and DOJ just don't ever get—radio stations to not operate in a vacuum. Every station in every market has lots of competitors and most of them aren't other radio stations.—JM

## Greaseman's baaaack

Doug "The Greaseman" Tracht was back on the airwaves 3/5, in Portland, Binghamton and Washington DC, as mentioned on RBR.com. A Baltimore affiliate has not yet been secured. In Grease's hometown of Washington, he's buying time on Multicultural Broadcasting's time-brokered WZHF-AM (also the flagship), from 6-8AM. "And we're trying in the next few weeks to secure the 8-10 slot also," says **Jay Rosenberg**, Director of Sales, Dime One Productions.

The Grease says he's happy to be back in the saddle after two years: "I just took off runnin', feelin' good after a two-year rest and now I'm ready to take the world by the tail."

So, what's the show all about, Grease? "It's an unpredictable, rock 'em, shock 'em, fun fest as per usual," he tells RBR. "The people call in and I bounce off of their ideas and input on wacky flights of fancy. There's still an unpredictable foray into the absurdities of life's existence. It's me singin', it's me playing the guitar, it's me duck-walking across the room. It's me! It's ME...It's ALL ABOUT ME, do you hear me?"

Advertiser support for the show is there and growing, says Rosenberg. "The support has been great—much better than I actually thought it would. We have Rockville Harley Davidson, who is proudly supporting the Greaseman's show. We have some of the old advertisers coming back on and I haven't had too much negativity."

You can hear The Greaseman at [www.Live365.com](http://www.Live365.com).—CM

## Levitt and Quinn join Bloomberg board

Michael Bloomberg has added some star power to the board of directors of Bloomberg LP—

continued on page 6

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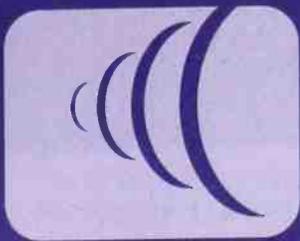
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and removed himself—fueling speculation that he'll run for Mayor of New York this year.

Former SEC Chairman **Arthur Levitt** joined the Bloombergboard (3/5), along with syndicated financial columnist **Jane Bryant Quinn**, Bloomberg executive **Thomas Secunda** and Alliance Capital Management partner **Frank Savage**. Bloomberg himself resigned as Chairman, elevating long-time board member **Peter Grauer**, a managing director of CS First Boston.

**RBR observation:** Bloomberg jumped from the Democratic Party to the Republican Party last year in what was seen as a move to avoid a crowded primary and set himself up as a moderate alternative to whom-ever emerges as the Democratic nominee. There may be more politics than business involved in the selection of Levitt and Quinn as well. Many New York Democrats are pushing former President **Bill Clinton** to run for mayor, although that's been blunted somewhat by his most recent scandals. Levitt is one member of the Clinton Administration who was seen as above all of the scandals that plagued Clinton's eight years in office. Jane Bryant Quinn, who is married to Washington Post Co. (N:WPO) Vice President At Large **Ben Bradlee**, is a Democratic Party power broker who is known to loath both Bill and **Hillary Clinton**.—JM

## Fred Reynolds stepping down at Viacom

CFO **Frederic Reynolds** is going to take a less demanding post at Viacom (N:VIA), allowing him to spend more time with his family on the West Coast. First though, he'll help President **Mel Karmazin** pick a successor CFO. Reynolds came to Viacom last year in the CBS merger and, in turn, had come to CBS via its merger with Westinghouse.

**RBR observation:** Fred Reynolds was the one member of the Westinghouse "old guard" who embraced Mel Karmazin's

transformation of the stodgy old industrial giant into an entrepreneurial media company. As we noted just last month (*RBR* 2/19, p. 10), Reynolds delighted in telling analysts, "We're not backing off showing growth in every quarter," as other media companies were warning of a tough first half.

As to a successor, we'd guess that if **Farid Suleman** wants the job, it's his. He may, however, prefer the challenge of his new post (*RBR* 2/26, p. 3) as President and CEO of Viacom's Infinity subsidiary.—JM

## JRN and Comedy World join forces

Comedy World Radio Network, offering seasoned comics and personalities in a 24/7 Talk format, has partnered with Jones Radio Networks (JRN) and Jones MediaAmerica for affiliate clearances and ad sales. Comedy World also named former Univision and Comedy Central exec **Jamie Weissenborn** as VP Revenue. Weissenborn will manage the relationships with JRN and JMAI and set strategy for all of Comedy World's affiliation and advertising efforts.

"I think what you've got is the potential that's there—that's what attracted us to the folks at Comedy World—**Doug Hertzog** the Chairman and **Jody Sherman**, who is the CEO and President," JRN CEO **Ron Hartenbaum** tells *RBR*. "So, number one was the people and what their vision is. And the fact that we're doing things for terrestrial radio initially, and then with Sirius Satellite Radio—Comedy World is supplying one of the channels."

Comedy World's "morning-drive style" programming includes the shows "Wrestling 101," "The Future with **Ahmet Zappa**," "The **Ken Ober** Radio Hour," "The **Allan Havey** Show," "Drastic Radio with Mark

Ebner," "The Manversation" featuring **Greg Behrendt** and "SANDRadio" featuring **Sandra Bernhard**.—CM

## FCC may revoke pirate's Amateur license

The FCC will begin a hearing to revoke the Amateur radio operator license of **L.D. "Doug" Brewer** as a result of his unauthorized use of the FM radio band in Tampa, FL. Since 1996, Brewer has allegedly run a pirate FM radio station broadcasting on 102.1 MHz. The FCC previously issued fines to Brewer totaling \$11K and seized his illegal transmitters. The FCC has also accused Brewer of marketing and selling unauthorized transmitting equipment.

Brewer told *RBR* that he has not pirated the radio airwaves since his equipment was confiscated on 11/19/97 by the FCC. Brewer stated, "The FCC is totally out of control...and they have a personal vendetta against me."—KR

## Citadel appoints nine to "Format General"

Citadel Communications (O:CITC), soon to be a private company with the pending \$2B buyout from Forstmann Little & Co., announced 3/8 it has upped nine of its programmers to the newly-created position of Format General.

The positions were created to "bring a greater focus to Citadel programming system-wide, to facilitate communications between stations, and to build a format talent pool," the company said in its announcement.

The following get the new title:

- **Bobby Irwin** (AC); from Ops. Manger of the Rocky Mountain Citadel Group in Colorado Springs.
- **Mike Hammond** (Country); from PD, WIVK-FM Knoxville
- **Tony Bristol** (CHR); from PD, WPRO-FM Providence

- **Bruce Jones** (Rock/Alternative); from PD, KENZ-FM Salt Lake City

- **John Hager** (Classic Rock); from PD, WGRF-FM Buffalo

- **Terry Base** (Urban); from PD, WWVZ-FM Charleston, SC

- **Jeff Rickard** (Sports); from PD, KFNZ-AM Salt Lake City

- **Tom Miller** (Oldies co-General); from PD, WOMG-FM Columbia, SC

- **Ray Marshall** (Oldies co-General); from PD, WJIM-FM Lansing, MI

The new Format Generals will oversee programming (pending transactions included) on Citadel's 209 stations in 43 markets.—CM

## Infinity station fined for indecent broadcast

Infinity has been fined \$7K for a 9/11/99 broadcast on WLLD-FM Tampa. The FCC found the language contained in two excerpts from the station's live rap and hip hop concert, "The Last Damn Show," to be patently offensive due to its references to oral sex and sexual intercourse.

Infinity submitted a response to the Commission arguing that the language contained in the first excerpt in question conveyed no sexual meaning. Infinity went on to define the meaning of two slang words—which it said were mistakenly construed as sexual in nature by the FCC. The language contained in the second excerpt, Infinity argued, "is consistent with contemporary community standards, and...was so fleeting and isolated that no sanction is warranted."

The FCC flatly rejected Infinity's arguments with regard to the second excerpt (no, we won't print the actual words which were broadcast here), ruled it "actionably indecent" and said that alone was enough to warrant the \$7K fine.—KR

## Crystal finalists announced

NAB has announced 40 finalists for the Crystal Radio Awards, which recognize stations for year-round community service efforts. The finalists for this year's 10 awards, to be presented at NAB2001/24 in Las Vegas, are:

KABC, Los Angeles, CA  
 KELO, Sioux Falls, SD  
 KFOG, San Francisco, CA  
 KLOS, Los Angeles, CA  
 KMBQ, Wasilla, AK  
 KNX, Los Angeles, CA  
 KOZT, Fort Bragg, CA  
 KPAM, Portland, OR  
 KPLA, Columbia, MO  
 KPRS, Kansas City, MO  
 KQRS, Minneapolis, MN  
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 KUDL, Kansas City, MO  
 KUZZ, Bakersfield, CA  
 KXRO, Aberdeen, WA  
 KZLA, Los Angeles, CA  
 KZQZ, San Francisco, CA  
 WAXX, Eau Claire, WI  
 WBEB, Philadelphia, PA  
 WCMT, Martin, TN  
 WEGR, Memphis, TN  
 WENS, Indianapolis, IN  
 WHIZ, Zanesville, OH  
 WHUR, Washington, DC  
 WIVK, Knoxville, TN  
 WJBR, Wilmington, DE  
 WJJY, Brainerd, MN  
 WKDF, Nashville, TN  
 WKHY, Lafayette, IN  
 WLEN, Adrian, MI  
 WLQT, Dayton, OH  
 WLTE, Minneapolis, MN  
 WNND, Chicago, IL  
 WPEG, Charlotte, NC  
 WQCS, Fort Pierce, FL  
 WRAL, Raleigh, NC  
 WUGO, Grayson, KY  
 WUSL, Philadelphia, PA  
 WWZZ, Washington, DC

# Radio AdBiz

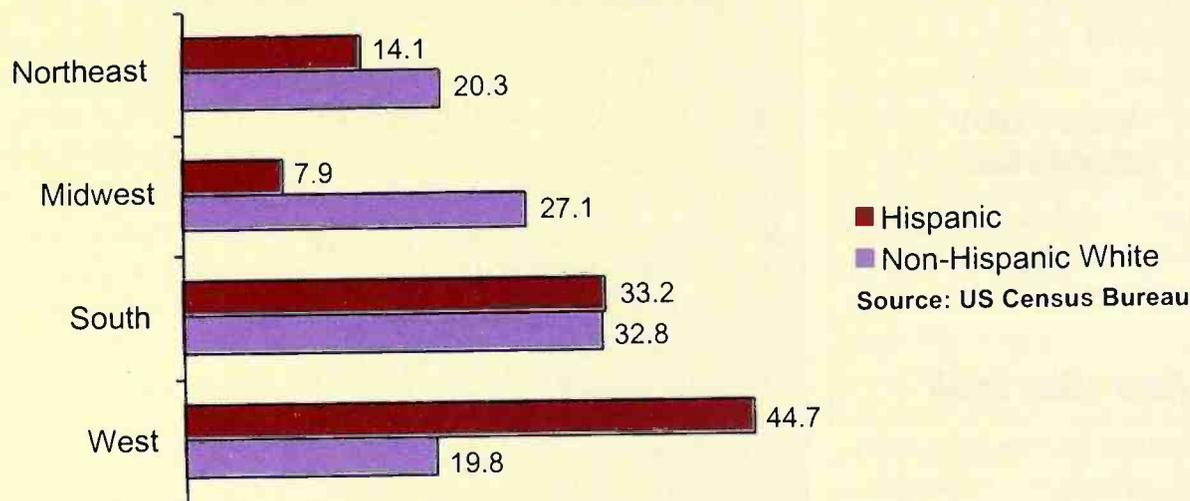
## Hispanic population bigger than thought

The US Hispanic population grew by 58% in the past decade, according to the US Census Bureau, and virtually tied with African-Americans in the 2000 Census. A detailed report due out this week is expected to show 36.7M African-Americans and 35.3M Hispanics—3M more Hispanics than had been expected.

Another Census report, which focused specifically on Hispanics, showed that 44.7% of the population in western states is Hispanic (see chart). Hispanic Broadcasting Corp. (N:HSP), Entravision (N:EVC), Spanish Broadcasting System (O:SBSA), Radio Unica (O:UNCA) and Big City Radio (A:YFM) have been telling Wall Street that Hispanics will become the nation's largest minority group sometime this decade. It now looks like that will happen even sooner than they had anticipated.

### Population by Hispanic Origin and Region of Residence: 2000

(As a percent of each population)



## Newspaper ad dollars up 5.1%

Total ad spending in US newspapers rose 5.1% in 2000 to \$45.7B, according to the Newspaper Association of America. Retail advertising sector, which corresponds to local for radio, was the weakest performer—up 2.4% to \$21.4B. National newspaper advertising gained 13.7% to \$7.7B. Classified ad spending rose 5.1% to \$19.6B.

"While some media are seeing slowdowns in ad spending, these numbers show respectable increases across the board for newspapers, particularly in national, which faced tough comparisons from the previous year," said NAA President & CEO **John Sturm** in announcing the figures.

### Newspaper Advertising Revenues Year 2000

| Quarter      | National      | Retail         | Classified     | Total          |
|--------------|---------------|----------------|----------------|----------------|
| Q1 2000      | 18.70%        | 0.50%          | 6.70%          | 5.70%          |
| Q2 2000      | 14.30%        | 5.20%          | 5.50%          | 6.80%          |
| Q3 2000      | 14.50%        | 0.70%          | 4.80%          | 4.30%          |
| Q4 2000      | 8.00%         | 2.90%          | 4.00%          | 4.10%          |
| <b>Total</b> | <b>13.70%</b> | <b>2.40%</b>   | <b>5.10%</b>   | <b>5.10%</b>   |
| <b>2000</b>  | <b>\$7.7B</b> | <b>\$21.4B</b> | <b>\$19.6B</b> | <b>\$48.7B</b> |

Source: Newspaper Association of America

With its January revenue report (RBR 3/5, p. 2), the Radio Advertising Bureau also initiated the "sales index," which had been announced at RAB2001 (RBR 2/12, p. 3). How does the index, working against a base of 100 for the comparable period in pre-dot-com 1998, compare to the usual year-to-year percentage comparison?

## January 2001 local sales

- Up 1% against January 2000
- Index of 134.5 against base of January 1998

## January 2001 national spot sales

- Down 15% against January 2000
- Index of 125.2 against base of January 1998

## January 2001 combined sales

- Down 3% against January 2000
- Index of 132.1 against base of January 1998

## Auto sales weak

Is it because people don't want to buy new cars, or because panicked auto makers have cut back on advertising? An analysis piece from the Federal Reserve—based on data compiled through November 2000 by the Fed's 12 regional banks—states: "Auto sales apparently have peaked and are heading downward nationwide, notably in the Tenth (Kansas City), Eighth (St. Louis) and Seventh (Chicago) Districts. However, the Fourth (Cleveland) District remains an exception, reporting very strong vehicle sales."

That softness in auto sales tracks with what broadcasters have been saying about advertising cutbacks by US auto makers. Several, however, have also reported that foreign auto makers have been maintaining, or even increasing, their ad spending to take advantage of the situation.—JM



## Random Thoughts on This or That

By Mitchell W. Scholar

I have often been asked my opinions about what I truly think about the radio industry. I have usually kept my views to myself, or at least to a select few, at least until now, that is.

The first thing that I wish to say, is that the radio industry has always been its own worst enemy. I don't know of anyone who has ever taken the time to do the research to determine the most valid selling points about the medium as a whole. It seems that when business is good, sales people spend their time just writing up orders; and when business is bad, sales people just spend their time complaining about

how bad the business is and whining about why it isn't better. It seems that no one has ever taken the time to understand the reasons that make the medium so appealing to so many diverse advertisers. And the negative sell. After more than twenty-five years in the industry, my eyes have been known to glaze over when someone speaks ill of their competitors. Why can't people extol their own virtues, without speaking ill of their peers and associates.

And why isn't anyone trying to harness the synergies that now exist within the mega broadcast companies, such as Clear Channel or CBS/Infinity? My main emphasis is within the sphere of national radio, but I need to pay attention to local market deliveries for all of our clients, particularly in the top 30 markets. Now that these broadcast companies own multiple affiliates within many of the top markets, these companies should look for ways in which they can assist our clients when our clients have delivery deficiencies in many of these same top markets.

And what other medium relies on three separate research sources for its data? This would be unheard of and unthinkable in any other medium.

And when is electronic invoicing going to finally get off of the ground?

I do not mean to bash the industry in which I too have chosen to make a career. Radio has always been where I have felt the most comfortable and to which I have always gravitated throughout my career. But like a doting parent, I want this industry to be the best that I know it can be.

*Mitchell is Director of National Radio at NY-based Horizon Media.*

*He can be reached at mscholar@hmi-inc or 212-916-8600.*

## 2001 Mercury deadline approaching

The entry deadline for the 2001 Radio-Mercury Awards is Friday 3/9, with late entries accepted through next Friday, 3/16. The Mercurys are celebrating 10 years of honoring creative excellence in radio spots at a luncheon at the Starlight Roof Room in the Waldorf-Astoria Hotel, NYC 6/6. 12 cash prizes will be awarded, along with the \$100K Grand Prize.

Last year's \$100K Grand Prize went to DDB Chicago for the "Heroes/Footlong Hot Dog Inventor" spot, developed for Anheuser-Busch's Bud Light.—CM

## CRB directors elected

Three new radio members have been elected to the board of directors of the Country Radio Broadcasters Inc.: **Becky Brenner**, PD of KMPS-FM Seattle, **Dale Carter**, PD of KFKF-FM Kansas City, and **Dan Halyburton**, Sr. VP/GM

Group Operations of Susquehanna Radio, Dallas. Re-elected to a radio seat was **Larry Wilson**, CEO, Citadel Communications (O:CITC).

A radio guy will also serve as President of CRS for the coming year—**Ed Salamon** of Westwood One (N:WON). Premiere Radio Networks' **Gary Krantz** is Secretary.

CRB also announced that registration for the recent Country Radio Seminar in Nashville was 2,421—up 3% from last year.—JM

## Debating the pros and cons of collective contesting

by Eric C. Corwin & Tony Jones



Corwin

Collective contesting—running a single contest across more than one radio station—is yet another result, extension, of the mega radio groups' desire to drive down costs. This will inevitably change the way groups market themselves now and in the future. Collective contests—network contests, call it what you may—are designed to create great excitement by offering large cash giveaways in radio markets not known for such grandiose prizes.

Collective contesting is the concept of multiple stations in different markets participating in the same contest. One example is to have each participating station play the exact same "song of the day" at the same time. The 100<sup>th</sup> caller on an 800 number would then win a specified amount of money. Another example: Some groups use the "Million Dollar Birthday Game" concept for a chance to win \$1 million.

There is controversy, though, within the radio industry on whether collective contesting is a good idea. Throughout the industry, individuals at every level within broadcast groups have differing views. On one side, it's considered a way for small markets to give away dollar amounts, which previously only large markets could afford to do. On the other side, some complain that it's like Powerball™—the multi-state lottery—great prize, low chance of winning. So, why alienate listeners who have little chance of winning?

We've seen firsthand the problems that can and have occurred when groups orchestrate a collective contest. Here's a look at the arguments for and against these multi-market contests.

# Marketing

## Pros

As noted, it's a way for smaller markets to give away money or prizes that are normally reserved for bigger markets. A small station in, let's say, Sioux City, IA, could run a collective contest with 20 other stations where the winner could win up to \$1 million. (We doubt that a radio station in Sioux City has ever given away anything close to such a prize). The big bucks contest would create a buzz in the market and garner free publicity from the local paper or TV newscasts.

Instead of 21 separate marketing campaigns, all with different creative designs, it allows all of these stations to pool their marketing resources and budgets together. As an example, instead of having separate direct mail creative for each station, it may mean changing just the logo on each mail piece and you're done.

You also need only a minimal number of people to run this contest. You basically need only one point person to oversee the contest and that person could be at any of the stations, or at the corporate level.

## Cons

Sharing with other markets takes localism out of your contests. The odds of a listener in your market winning are significantly reduced. If you compete against a station that does multi-market contesting, you can promote your station by saying, "all of our winners are local. You may not win a million, but at least you'll win something."

## Collective pitfalls

If you decide to do collective contesting (or your group owner decides for you), here are some potential pitfalls to watch out for:

1. Lack of a clearly defined project coordinator. You need to determine who will be the final decision-maker on your collective contest. This will avoid improper contest execution, missed production dates, poor and inconsistent creative, as well as lost impact on the Arbitron book.

2. While the thought of winning a large cash prize can be exciting to a listener, the listener may have no idea that he or she is competing with individuals from other markets—and some people could become angry if they think you've tried to hide that fact. In order to be fair to listeners, the station should consistently mention the contest rules on the air—while at the same time encouraging listeners to go to the station website for the full explanation of the rules. The station must protect the goodwill of its listeners by disclosing the winning odds that individuals have when participating in this type of a contest.

3. Be prepared for competitive fury. Your station's competitors will make the market aware that your listeners have little or no chance of winning in your collective contest. They may even promote the odds of your contest. Prepare for the worst and spin your story to promote the advantages of winning the "big" prize.

4. Don't let your legal guard down. Find a good sweepstakes lawyer and have him or her write ironclad contest rules. If the group's rules were written elsewhere, make sure there's no conflict with your state's laws.

So how do you finally determine whether to execute collective contesting or not? You don't! It doesn't have to be an either/or scenario. The use of collective contesting by itself limits the creative impact—saving money in the short run at the cost of reaching long term station revenue projections.

Our recommendation is, as one of our contributors suggested, keep the individuality of your station. Market your local image whenever possible and utilize the tenants of collective contesting when it helps the whole broadcast entity (your station, its parent company and likely your 401k). Collective contesting used hand and hand with marketing offers the best opportunity to greatly impact ratings and revenue.

*Eric C. Corwin is President/CEO and Tony Jones is National Marketing Specialist of Impact Target Marketing*

## Collective views

"I think collective contesting is good as long as it doesn't infringe upon a station's individuality. We like collective contesting to help us develop an idea as a group that would otherwise be difficult individually."—**John Gehron**, Sr. VP, Infinity Broadcasting

"When properly executed, collective contesting can have a lot of merit, especially for stations in smaller markets. At Jefferson-Pilot, we're not opposed to the premise—we simply haven't found an opportunity where the concept makes sense for us."—

**Don Benson**, Corp. VP, Operations/Programming/Radio Division, Jefferson-Pilot Communications

"Group Contesting Programs increase promotional and marketing spending power, allowing stations to provide their listeners the opportunity to win prizes on a scale that would not be possible on an individual station basis, and yield efficiencies allowing all other dollars in the promotion budget to go directly to external marketing. Without the program, by the time a small station allocates dollars to a book promotion, there may not be enough, if any, left in the budget to market the station. There are certainly pros and cons inherent in any collective initiative; accordingly it is important to weigh how those pros and cons impact your company and station's overall strategy prior to embarking on collective contesting. We don't struggle with the issue that some other national radio companies face as a 'con' given the large number of stations they involve across the country. Our stations are regionally located and I have divided them into small 'collective groups' which keeps the entrant pool low for very fair and reasonable odds. Providing listeners with big prizes is certainly an important factor for radio to remain competitive as the Million Dollar TV shows, McDonald's prizes and the like have become their expectation. As long as there is full disclosure, the station and listener can benefit from this initiative."—**Michelle Steven**, Sr. VP, Nassau Broadcasting Partners

## Satellite Snapshot: the latest from Sirius and XM

We asked Sirius Satellite Radio (O:SIRI) CEO **David Margolese** and XM Satellite Radio (O:XMSR) CEO **Hugh Panero** to update our readers on the latest development efforts—and for a little philosophy behind their respective missions—as they near official launch this Summer. It's still a bit of a horse race—Sirius has all three satellites already in the sky, while XM has none; XM is already delivering chipsets to manufacturers, while Sirius' contractor, Lucent, is a bit behind. Here, they explain.

**Most potential subscribers are those currently disenchanted with commercial radio's "narrow playlists" and high number of hourly spots. How will your service be different in both of those respects and how will advertising be placed?**

**Margolese:** Conventional radio's job of delivering the largest possible audience to advertisers is what drives the proliferation of today's narrow playlists and lack of choice in programming. Sirius focuses entirely on the listener. Our 100 channels of programming mean 50 channels of music with absolutely no commercials, and up to 50 channels of news, sports, comedy and kids programming. We are music and entertainment programming that is simply not available on conventional radio in any market across the country. People dislike radio commercials, so our music will be 100% commercial-free but will retain the full flavor of great hosts and on-air personalities. Talk-based programming bears a higher tolerance for interruption. A subscriber listening to our Speedvision channel, for example, would consider a spot for Quaker State Oil to be information that relates to the content of that channel. It's less of an interruption in the right environment. Sirius offers 'themed' channels of programming...so we're not only providing advertisers with the most ears possible but also with the right ears.

**Panero:** Radio today is inherently local. XM intends to make radio national, with 100 channels that will broaden the music and talk programming experience beyond anything

# Programming for Profit

By Carl Marcucci



Panero

America has ever heard before. In addition, many of our channels will be commercial-free, while others will have an average of 6 minutes per hour. In many markets today, local radio averages commercial spot loads of 12 to 24 minutes per hour.

**Tell us about the current channel lineup. Are there any channels left to fill or program?**

**M:** We will always be looking for great, compelling content to deliver to our subscribers. We are already broadcasting our 50 commercial-free music channels. These are created and programmed by Sirius here at our state-of-the-art national broadcast studio in NYC. There are also approximately 30 talk-based channels that we have on the air right now. We are currently in the midst of our quality assurance program, where we are testing our system from both a technical standpoint, as well as obtaining feedback from listeners on programming. Being totally listener-focused, the door is always open on programming opportunities.

**P:** Our current channel lineup is comprised of 100 living, breathing radio stations. Most of the channels will be produced here in our 80-studio facility in Washington DC. We will have 50 music channels and up to 50 talk oriented channels, ranging from a broad variety of music, news, sports, talk, comedy, family and children's programming. We have not finalized our complete channel lineup but we are close.

**Tell us about your programming philosophy and about some of the programmers chosen for selected channels.**

**M:** Joe's Capobianco's staff is comprised of people who come not only from radio, but from other areas of the entertainment industry that bring fresh perspectives. They're geared to take Sirius well beyond what people have come to expect from conventional radio. Everyone here has enormous talent and expertise, and understands it's all about the music, the artists and the audience. Each channel has its own unique sound and strategy, and everybody works collaboratively to create the optimum listening experience across all our channels. That's why we don't farm out any of our channels. We put them together in-house, even when working with content partners like the Kennedy Center, House of Blues and Webster Hall. Our programmers, like **Meg Griffin, Swedish Egil, Felix Hernandez, Don Kaye, Kenny Washington, Mike Peters, Gabe Romero, Dan Carlisle, Steve Warren** and **Kaaren Hushagen**, are personalities, hosts, musicians, writers and producers who live and breathe the music. We will also have key artists on-air regularly.

**P:** **Lee Abrams** has been a musical consultant for over 30 years and has worked in over 200 markets. Everyone considered for a position at XM is put through a very thorough screening process to make certain that each of these folks will thrive in the XM environment. Essentially, we've hired three types of programmers. We've got future stars. They are young and talented but have not had a chance to shine because of their age. We welcome their fresh and unblemished input. We've also recruited niche experts from places like public radio and the music industry. These programmers will concentrate on specialized genres of music at XM. Finally, we have radio veterans who still are bursting with new and creative ideas.

**What is the latest feedback you are receiving from agency buyers? What advertiser categories and specific advertisers do you have on board?**

**M:** Much of the feedback has been from those who want to get their client associated with a cutting edge new medium—or want their client's message to really stand out in a very targeted environment. In addition, media buyers are coming to us because their clients are telling them that they want to be on satellite radio. We've got interest and commitments from a broad range of industries, including pharmaceutical, candy, television, consumer services, automotive, specialty retailers, restaurant chains, financial services, higher education, consumer electronics and more.

**P:** There has been a great deal of interest in XM displayed by a wide variety of advertisers. We will begin making announcements about our advertising relationships in the near future. Our platform will allow advertisers to select specialized groups of listeners that can't be reached today in other entertainment outlets; for instance, it is virtually impossible to reach Classical music enthusiasts across the country. The reach of our service will allow interested advertisers to connect with this specific group of listeners.

**What mix are you expecting for advertising vs. subscription revenues?**

**M:** Ad revenue should represent 10% of subscription revenue.

**P:** We expect that a majority of the company's revenues will come from subscriptions, particularly in the earlier years of the service.

**How has Lucent Microelectronics' year-plus chipset delay changed things? Does that affect the Kenwood aftermarket receivers already shipping to retailers?**

**M:** Lucent has already shipped

ample chipsets to our receiver partners, and these are performing to specification. We expect to see initial production of chipsets commencing in the second quarter, and production ramping up and moving to commercial quantities over the second half of the year. Radios should be available beginning this summer utilizing off-the-shelf components with the same functionality as the chipset. Kenwood has already begun shipping Sirius-ready radios to retailers nationwide and Panasonic, Jensen and Clarion will also be following shortly. Radios utilizing Lucent's chipset should be available shortly after the summer introduction.

**Your chipset provider, ST Microelectronics, has already delivered the goods to your receiver manufacturers, while Sirius is having delays from Lucent. Do you see this as a competitive advantage?**

**P:** We are focused on the operational goals that XM needs to reach to launch our national radio service this summer. We tend not to spend much time being concerned with what other companies are doing. Obviously the completion of our chipset is an important milestone, however, we have a lot of work to do in the coming months to make satellite radio a reality later this summer.

**Both XM and Sirius have stated that only 2M subscribers would allow the companies to break even. What subscriber estimates are you forecasting for the next five years?**

**M:** We don't publicly forecast subscriber penetration. To cover our fixed costs, we need approximately 1% penetration of the 200M cars and trucks out there.

**P:** We don't disclose our internal market research, but several third parties have projected that satellite radio will grow to 40-50M subscribers over the next 5-10 years.

**Are you concerned that the latest economic downturn could send potential subscribers away?**

**M:** We believe our value proposition is so compelling and affordable that this is a service consumers will demand. No matter how bad things get, people don't drop cable to go back to rabbit-ear TV. Once someone gets Sirius, we don't think they'll go back.

**P:** We are confident that small cost of our service (\$9.95) will minimize the impact of any unfavorable economic swings.

**What stage of development is your terrestrial repeater network in?**

**M:** Over 60 sites are completed. About 30 will be completed shortly.

**P:** The development of our repeater network is

on schedule. We will have approximately 1,500 repeaters in urban areas across the country to ensure seamless coverage in areas where satellites fall out of the direct line of the radio antennas. In addition XM radios will have a memory buffer of approximately 5 seconds to further eliminate any potential signal loss.

**In what '02 makes and models can we first expect to see OEM radios installed?**

**M:** Our automaker partners—Ford, DaimlerChrysler and BMW—represent approximately 50% of the new car market. We are currently working with them to determine which models will have satellite radio in '02.

**P:** Our primary focus this summer will be in the retail space. Our radios will be available across the country in Best Buy, Circuit City, Sears, Radio Shack and many other regional retail outlets. These stores will carry the 24 XM radio models developed by Sony, Pioneer, Alpine and other major consumer electronics manufacturers. In addition we anticipate that XM radios will be available in certain '02 GM models as well. As

we move into '02, we anticipate being in many of GM's '03 models.



Margolese

**Sirius recently stated it will offer service to in-home receivers and boomboxes. Why did that change from the original concept of service only to car stereos?**

**M:** The primary market for our service, in terms of revenue, is the car because that's where people really listen to radio. Radio is to the car what TV is to the home. We've always intended to provide service in the home, but it represents exposure, branding and a feeder for our primary market more than a direct material revenue stream.

**Sirius only recently stated it will also offer service to in-home receivers and boomboxes. Why did XM always want that market share?**

**P:** XM has always believed that making our service available outside of the car environment is important. We are thrilled that Sony has developed an XM Satellite Radio Plug & Play unit that is transportable between the car, home or office. This product is about the size of a typical radar detector and has a separate sleeve that connects to either your car radio or a home/office receiver. The XM Satellite Radio Plug & Play unit earned Sony the Consumer Electronics Innovations Award at this year's Consumer Electronics Show (CES). This achievement, coupled with XM's Best of CES award in the mobile category tells us that we are on the right track towards making our service available everywhere in the US. Also, Sharp is developing a portable XM Satellite Radio that is scheduled to arrive in retail outlets next year.

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Spanish Broadcasting System (O:SBSA) has cut a deal with The International Church of the Foursquare Gospel to LMA KFSG-FM Los Angeles before closing a \$250M purchase of the station later this year. The exact date for beginning the LMA has yet to be announced, but SBS CEO **Raul Alarcon** had said last month (*RBR* 2/19, p. 12) that he hoped to LMA the LA signal and launch its new Spanish format before the scheduled Q4 closing.

SBS has yet to specify how it will finance the massive purchase. Alarcon has said, however, that the company may sell off some stations viewed as less important to its long term growth.

by Jack Messmer

## Reps see light at the end of the tunnel

After a soft start to the New Year, national reps are beginning to see indications of increased activity by advertisers. No one is claiming, though, that any money spigot has been turned on yet for national spot buys.

"The decline is less in the second quarter than it was in the first, if that's any reassurance," noted **Ralph Guild**, CEO of Interep (O:IREP). "So I suppose you could call that an improvement in pacing, although it is still negative."

Guild sees national spot sales for the radio industry finishing

Q1 down 20% from last-year's dot-com bloated numbers. He thinks the shortfall will shrink to 10-15% for Q2 and then improve as radio moves beyond the tough months of dot-com comparables into the second half. He remains hopeful that the Q3 and Q4 gains will be enough to make the full year flat with 2000.

At Clear Channel's (N:CCU) Katz Media Group, CEO **Stu Olds** isn't putting out percentage projections, but also sees signs of improvement. "We saw an uptick last week in pacs going forward," he said. Olds also noted that national spot was only up 2% for the second half of 2000, making comps

much easier once past Q2.

Although dot-com spending is down 90% from last year's frenzied pace, Guild notes that it's still the ninth largest category for national spot radio. Also, there are major categories which are up: TV & Cable, up 25%; Retail, up 20%; Travel (except for airlines), up 17%; Movies, up 7%; and Telecommunications, up 3%.

Automotive, however, remains a problem.

"We're actually seeing higher expenditures by the imports right now than we are by the domestic car makers," said Olds. "One of the reasons the imports are spending more is that the dollar exchange [rate] is very favorable right now. They're taking advantage of that. I think we'll start to see now the domestic companies start to battle back with some reduced financing offers, rebates—all of the things that they've done in the past to stimulate car sales."

"That [auto] is running behind, obviously, for domestic," agreed Guild, "but the the imports are running about even—actually a little bit ahead right now."

Client groups, however, have been able to fill most of the national gap with local ad sales. Also, the tough national comps are heavily skewed to the larger markets.

"Markets 26-50 are running very close to flat [for national]," Guild noted. "The major negative numbers are all in the top markets."

"The deeper you get into the markets, the stronger the pacs are," Olds said. "The primary reason for that is that almost all of the expenditures for the dot-com category were in the big markets."

Both executives also say pricing is holding up well across the radio industry.

"In some cases the pricing is down from a year ago—and it can't help but be, we're in a supply and demand business," Olds said, noting that radio is able

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adapt very quickly to market conditions. "I think you're seeing a little bit of softening, but surprisingly CPPs as a whole are holding up a lot better than you would have thought."

Despite the overall softness for national spot, the reps have kept up efforts to attract new advertisers to radio—and they're having success even in this tough economic environment. Interep applied this list of new accounts who've launched national spot campaigns since June of 2000: Crest (Procter & Gamble), Dreamworks, Sharper Image, Oldsmobile (Cinemark), Excite.com, Proflowers, Warehouse, Replay TV and Autobytel.

### Salem Q4 up double digits

Demonstrating the stability of its Religious focus, Salem Communications reported that same station revenues grew 14% in Q4 and broadcast cash flow was up 22%. Compared to actual results of a year previous, the gains were even bigger—net revenues gained 47.7% to \$35M and BCF rose 47.3% to \$16.2M.

"Our strong fourth quarter results highlight our unique position in radio, as well as the strength of our business model," said CEO **Ed Atsinger**. Those double-digit gains, he added, "underscore Salem's ability to deliver strong results in the face of a slowing economy," due in part to the stability of its long-term block programming business. In his conference call 3/8, Atsinger appeared to shock analysts by noting that Salem's national business will be up for Q1, along with local, while national is expected to be down substantially for most other radio groups.

For all of 2000, Salem reported that net broadcasting revenues rose 26.4% to \$110.1M and BCF gained 20.8% to \$49.4M. On a same station basis, revenues were up 13% and BCF 16%. After-tax BCF rose 10 cents per share to 99 cents. Salem's non-broadcasting media businesses (publishing and Internet) generated a full-year loss of \$7M—up from \$3.6M in 1999.

Salem also launched its Contemporary Christian "Fish" format in another major market last week (3/8). The company flipped its 106.7 MHz signal in Chicago from Talk WYLL-FM to the new format and calls as "WZFS-FM 106.7 The Fish." The new format debuted commercial free and will run non-stop Contemporary Christian music for "40 Days and 40 Nights" to introduce The Fish to Chicagoans.

### Ackerley sees Q1 radio shortfall

The Ackerley Group (N:AK) has told Wall Street to expect its radio revenues to be down nearly 30% for Q1.

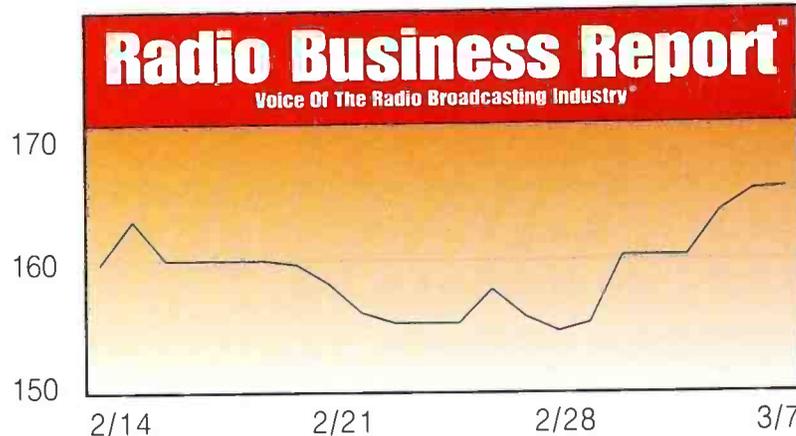
"We expect net revenue in our radio broadcasting segment to decrease in the high 20% range compared to the \$6.5M revenues reported in Q1 of 2000," Co-President **Denis**

Curley told analysts 3/6. "This is due primarily to two things. First, the Seattle-Tacoma market is down, especially compared to an extremely strong first quarter in 2000. This January's Miller, Kaplan report, which is the last sales figures we've been given, showed that national advertising was down over 40% for the market, with local advertising basically flat."

*continued on page 15*

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# 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.*

**\$6,500,000 KLTG-FM, KRAD-FM & KOUL-FM** Corpus Christi TX (Corpus Christi-Portland-Sinton TX) from Equicom Inc. (Randall Hale, Chairman; Jim Ray, Pres.) to Rodriguez Communications LP (Marcos Rodriguez, Marcos & Sonya Rodriguez Family Trust, Charles Brooks, James Gammon). \$325K escrow, balance in cash at closing. Existing superduopoly. LMA since 2/13.

**\$3,570,000 WAVG-AM** Louisville KY (Jeffersonville IN) and **WZZB-AM & WQKC-FM** Seymour IN, 100% stock sale of Sunnyside Broadcasting Inc. from James Robinson, Ronald Fifer, Bernard & Cheryl Fineman, Donald Sodrel, Larry Sodrel, Mary Ann Sodrel and Blair Trask to Susquehanna Radio Corp. (David Kennedy, Pres.), a subsidiary of Susquehanna Media Co., a subsidiary of Susquehanna Pfaltzgraff Co. (Louis Appell Jr., Chairman). \$3.3M for stock, \$270K in assumed liabilities.

**\$3,022,000 WGHC-AM & WRBN-FM** Clayton GA, **WEHR-FM** Elberton GA, **WNEG-AM** Toccoa, GA and **WFSC-AM & WNCC-FM** Franklin NC from Chase Broadcasting Inc. (Gordon Van Mol) to Sorenson Southeast Radio LLC (Dean Sorenson). \$3.022M cash. Creates combo with WSGC-AM Elberton GA (below)

**\$2,500,000 WLAK-FM** Huntingdon PA and **WIEZ-AM & WMRF-FM** Lewistown PA from Mifflin County Broadcasting Co. (Frank Troiani) to First Media Radio LLC (Alex Kolobielski,

Richard Marriott, William Prettyman Jr.). \$95K escrow, balance in cash at closing.

**\$1,500,000 KZAM-FM** Ganado TX from Hooten Broadcasting Inc. (Bill Hooten) to Fort Bend Broadcasting Co. (Roy Henderson). \$20K escrow, balance in cash at closing.

**\$1,500,000 KULF-FM** Brenham TX from May Broadcasting Inc. (Roy May Jr.) to Fort Bend Broadcasting Co. (Roy Henderson). \$100K escrow, balance in cash at closing.

**\$1,399,500** (for 66.6%) **FM CP** (97.3 MHz) Rio Grande PR, 66.6% stock sale of Rio Grande Radio Inc. from Rio Grande Broadcasting Co. (Noe Marin, Vilma Iris Arroyo, Jorge Figueroa-jointly 33.3% before, 0% after) and Irene Rodriguez Diaz De McComas (33.3%/0%) to United Broadcasters Co. (Josantonio Mellado Romero, Carmen Gonzalez Vega, Luis A. Guzman-Lluberes, Ana M. Velez-Borras-jointly 33.3% before/100% after). Stock for cash.

**\$478,001 WWRK-FM** Elberton GA, 100% stock sale of Radio Elberton Inc. from Gordon Van Mol to Douglas M. Sutton Jr. \$1 cash for stock, \$478K debt assumption.

**\$350,000 KMEN-FM CP** (100.5 MHz) Mendota CA from Wilber Johnson to Moon Broadcasting Porterville LLC (Abel, Arelia, Abel A., Krystina, Alejandro & Yesenia de Luna). \$35K escrow, balance in cash at closing.



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The other factor, he said was that Ackerley is rebuilding from a format change on one of its two FMs, "The Beat" KBTB-FM. All in all, he concluded, "Operating cash flow for the radio segment will be a loss of less than \$1M for the quarter."

For the entire company, including its TV and outdoor operations, Ackerley is promising no more than flat for full-year after-tax cash flow in 2001.

### Gaylord reports on "difficult" 2000

"Looking at the whole, 2000 was a difficult year from a financial perspective," said Gaylord Entertainment (N:GET) President & CEO Dennis Sullivan Jr. "A number of our investment initiatives, particularly in the Internet world, proved unfruitful. That, combined with unplanned senior management departures and weakness at our Word Entertainment group, led to poor financial performance during 2000."

The numbers: Full-year revenues declined 3.4% to \$514.4M. Operating cash flow was -\$8.9M, compared to +\$47.9M in 1999. The company's net loss (including non-recurring items) was \$153.5M, compared to a net profit of \$349.8M the previous year.

Q4 wasn't quite so dismal. Revenues slipped 1% to \$137.8M. Operating cash flow declined 74% to \$2M, but at least it was a positive number. Gaylord's Q4 net loss was \$105.1M, compared to a net profit of \$268.6M in Q4 of 1999.

### S&P rates risks for satellite radio

Standard & Poor's didn't give XM Satellite Radio's (O:XMSR) \$125M

# Media Markets & Money™

## Contract Close-up

### Sweating the Details in Asset Identification

by Erwin G. Krasnow and Eric T. Werner of Verner Lipfert Bernhard McPherson and Hand

Any experienced buyer of radio properties knows the importance of including in the contract all of the assets of the station that will be necessary or useful to the continued successful operation of the facilities. Customarily, this is achieved by a general recitation that the buyer is acquiring "all of the tangible and intangible assets owned by Seller and used or useful in connection with the operation of the station" except any excluded assets separately identified elsewhere in the agreement. This general recitation is often accompanied by an enumeration of some of the specific assets being purchased (included "without limitation" of the general statement that "all" assets are being acquired).

Such a list of assets typically includes a description of the physical assets associated with the station (e.g., towers, transmitters, studio equipment, furnishings, spare parts, etc.); contracts to be assigned (usually listed in a separate schedule); a description of any real property to be transferred; the seller's business records; and any intellectual property (e.g., copyrights, trademarks, logos, slogans, etc.).

In their contract for the sale of stations WHBL(AM)/WBFM(FM), Sheboygan, WI, and WWJR(FM), Sheboygan Falls, WI, from Walton, L.L.C. to Midwest Communications, Inc., the parties supplemented this list with a provision that conveyed to buyer any warranty rights possessed by Walton. Specifically, they recited that, among the assets to be purchased, Midwest was acquiring "[a]ll right, title and interest of Sellers under or pursuant to all warranties, representations and guarantees made by suppliers in connection with products or services furnished to Sellers, pertaining to the Stations or affecting the Purchased Assets..." Similarly, in the contract for the sale of KPOD(AM), Crescent City, CA, and KPOD-FM, Crescent North, CA, from Let's Talk Radio to Bicoastal Holdings Co., L.L.C., the assets included "[a]ll of Seller's rights, title and interest in any manufacturer's and vendor's warranties relating to any of the Station's assets."

bond offering (RBR 3/5, p. 15) its lowest rating, but it didn't miss by much. The offering was rated CCC- by S&P. The only rating lower is CC (the bottom category doesn't carry plus or minus modifications). S&P's analysis pointed up the hurdles the start-up satellite radio company has to clear to reach its target of positive cash flow in 2004.

"The risks of potential delays and the ultimate cost of subscriber acquisitions remain significant

concerns, and the company will need to raise a substantial amount of additional capital before it becomes profitable," S&P said. "The cancellation of XM's first scheduled satellite launch in January of 2001 has pushed back the launch schedule by one or two months and, although this has not altered the timing of the company's planned launch of service, it has reduced testing time and flexibility. Furthermore, satellite radio

will remain vulnerable to competitive pressures from conventional radio and other media."

S&P also said its outlook for XM was negative. "The outlook reflects the considerable hurdles the company faces at this stage of its development. Ratings could be downgraded in the near term if the company experiences additional delays, increased costs in launching its service, or difficulty in raising capital."

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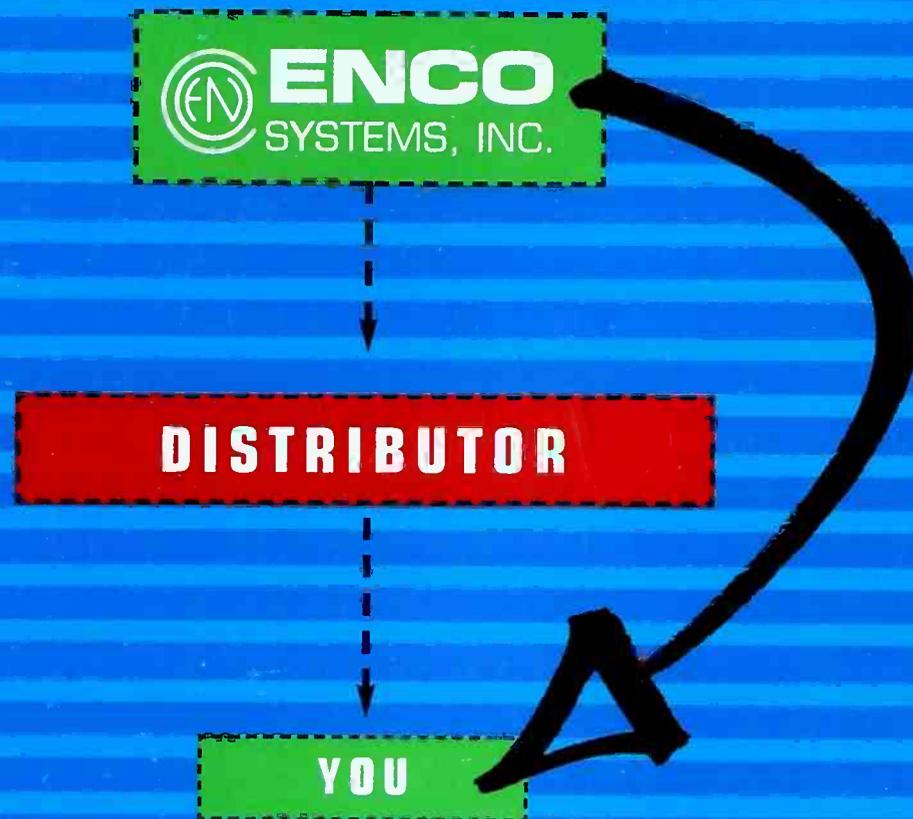
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