

Radio Business Report™

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AMERICAN URBAN RADIO NETWORKS

#1

THE URBAN RADIO LEADER



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CCU seeks radio ratings bids

Carrying its threat to operate sans Arbitron (N:ARB) a step further, Clear Channel (N:CCU) has sent out a request for proposal (RFP) to a few research companies seeking bids for creation of a new radio ratings company. It's not yet clear how many firms were solicited. Sources say the RFP went to TV ratings king Nielsen, Statistical Research Inc., which compiles the RADAR ratings for radio networks, and Symmetrical, headed by former Birch president **Bill Livek**. Whether any of them will even bid is a question, since the RFP would require the bidder to put up all of the cash to create the challenger to Arbitron, but put Clear Channel in control. Mean-



NAB photo roundup page 7-8

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while, negotiations with Arbitron continue.

A couple of likely candidates apparently weren't even on Clear Channel's mailing list for the RFP. At Eastlan, which does radio ratings in more than 50 mostly smaller radio markets, President **Mike Gould** says he didn't receive an RFP—although he would like a chance to bid for the business.

At Strategic Media, which formerly operated Accuratings, founder **Kurt Hanson** told *RBR* he had no knowledge of the RFP, but suggested that Clear Channel might look in-house to Critical Mass Media. "Critical Mass has a very nice report for programmers called 'The War Report' that is a tool for programmers to see what's going on in their market weeks before it would show up in Arbitron," Hanson noted. "So they've got a nice piece of software already developed, but the ownership thing is the reason they can't use it for that purpose."

That would, however, create an obvious conflict of interest and Critical Mass Media President **Carolyn Gilbert** confirmed that she's not in the running. "I helped write that RFP. Critical Mass will not be doing this—we have day jobs! I'm not EMRC accredited, nor do I want to be. That's not what we do," she told *RBR*. "First of all, we want something that's credible to the industry. And frankly, coming from CMM, how many ad agencies are going to buy that?"

Is Clear Channel really serious about this, or just playing negotiating games with Arbitron? "I would say that they are extremely serious about what they do. We are way too busy to do things frivolously. This is going to be a big job for somebody in the ratings business," Gilbert added.

Arbitron CEO **Steve Morris** was asked about the state of negotiations with his biggest customer in Arbitron's 4/24 Wall Street conference call. "All I can or should say at this point is that we remain in active negotiations," he said.

RBR observation: No matter how serious Clear Channel claims to be, the nearly universal perception is that the company is primarily interested in leverage to use in its negotiations with Arbitron. Given the likelihood that a bidder could spend lots of money on development, only to have Clear Channel renew its Arbitron contract, and the less than attractive terms of the RFP, it seems Clear Channel may have difficulties getting anyone to step up to the plate.—CM, JM

Deja vu for NAB, but this time in TV

President & CEO **Eddie Fritts** recalled the past split in NAB's radio ranks as he opened NAB2001 in Las Vegas without three of the four US TV networks even attending (officially) the world's largest broadcasting convention. "There was a time, for instance, when radio was deeply divided, but they came back together for the common good," Fritts noted. He was referring to the time back in the early 1980s when many groups-upset by TV domination of the NAB-left to start the National Radio Broadcasters Association, only to merge back into the NAB a few years later.

In his speech, Fritts thanked ABC for staying in the organization, but didn't mention the three big networks who left in the ongoing dispute over whether NAB should lobby for retention of the 35% national TV audience cap. The NAB president appeared to be predicting that

CBS/Infinity, NBC and Fox will eventually come back to the fold, just as the radio dissidents did. "At the end of the day, our internal issues will be resolved, one way or another. Then what? Will the NAB remain an umbrella organization?" Fritts asked himself. "You bet we will. Some say that this umbrella approach—radio and TV, large and small, network and affiliate is our weakness. I believe it is our strength, a strength that has given us many victories over the years."—JM

Horizon Media deals with major GEICO ad cutback

GEICO loves radio. Or at least it did. The direct response insurance company has cut a big portion of its buying for network and spot radio, which is done through NYC-based Horizon Media. These days, most buys are made with cancellation option built in.

"GEICO is taking advantage of some of the cancellation options that Horizon Media was able to negotiate for them. This is the way we place all of their business," Horizon Media Director of National Media **Mitchell Scholar** tells *RBR*. "This is not even close to a complete pull-out, GEICO is just exercising its options—in national TV and cable, as well as radio."—CM

Commissioner Ness set to exit

Susan Ness (D) will relinquish her seat at the Federal Communications Commission no later than 6/1. 5/23 will mark her seventh anniversary at the agency.

Her exit will come despite the probable lack of a replacement. The Senate Commerce Committee has not scheduled confirmation hearings for President **George W. Bush's** nominees to fill three seats, **Kevin J.**

Martin (R), Kathleen Q. Abernathy (R) and Michael J. Copps (D). Necessary White House paperwork has yet to reach Capitol Hill, a committee staffer told *RBR*.

"Although I do not know when the President will formally nominate or the Senate will confirm these excellent choices, I believe that an orderly transition is best accomplished by announcing when my time with the Commission will end," said Ness.

Ness's departure, if it comes—as seems inevitable—before any new commissioners are seated, would break a political tie on the Commission, giving the Republicans a 2-1 majority. Chairman Michael Powell and Commissioner **Harold Furchtgott-Roth** are Republicans, Commissioner **Gloria Tristani** is a Democrat. Furchtgott-Roth has also announced plans to exit the FCC, and it is widely believed that Tristani is planning to leave soon as well.—DS

Powell breaks eggs with broadcasters

FCC Chairman **Michael Powell** spoke with ABC news correspondent **Sam Donaldson** at the FCC Chairman's Breakfast at the NAB Convention in Las Vegas. He indicated his belief in a free market.

He generally opposes the 35% audience ownership cap for broadcast TV, saying that the concept that an entity cannot speak to more people than that flies in the face of the First Amendment. He also thinks that there the profit motive itself assures a certain level of diversity. If there is a consumer interest, someone will serve it.

However, according to a Reuters report, the FCC plans no action on this until after a ruling on the cap comes from a case pending before the US Court of Appeals in Washington, DC which has been brought by Fox and Viacom (N:VIA), who are challenging the constitutionality of the caps. The case is due to be heard this fall.—DS

Radio News®

RBR News Briefs

NAB2001 attendance: 112,776

Not a record breaker, but a huge attendance nevertheless. NAB announced 112,776 registered attendees at this year's Spring Show, including 29,632 international attendees. Last year the figure was 115,293; 1999 posted 106,372; 104,805 attended '98's Spring Show.—CM

After AFTRA, a "bilingual" solution

Media Touch Systems, a division of OMT Technologies, has come up an AFTRA solution that's compatible with any automation system. Its brand new iMediaAdCast system is unique in that it is an encoder and content substitution system rolled into one. It simultaneously processes RealAudio and Windows Media source data. Content can be filtered out and added in at will. The system sells for under \$1K.—DS

RAB offers more training

The Radio Advertising Bureau has expanded its Radio Training Academy course offerings with three new programs—"Sales 102" for advanced salespeople, "Management Training," and "NTR 101" for non-traditional revenue sources, co-op and event marketing. The new courses are three-day programs that focus on specific needs and challenges. The RAB Academy's foundation course, "Sales 101" for new salespeople, will continue to be offered as an intense, five-day, early acceleration program.—JM

NRB president ailing

Dr. **E. Brandt Gustavson**, who has been President of the National Religious Broadcasters since 1990, has been diagnosed with cancer of the liver and pancreas. The condition is terminal and the prognosis from his doctors is not good.

A somber memo from NRB Chairman **Wayne Pederson** to other board members reads, in part: "Those of us on the Executive Committee and NRB staff are in a state of shock. Obviously, this heartbreaking and significant situation will occupy our prayers and discussions. We will discuss the immediate and long-term implications for the leadership of NRB."—JM

"Xstream" to debut at Radio Show

NAB once again confirmed it will debut its new technology conference and expo, "Xstream," at the Radio Show 9/5-7 in New Orleans. All Radio Show attendees will have full access to Xstream, which will focus on the Internet, webcasting, broadband, e-commerce and the latest equipment that makes it all happen.—CM

Harris to license iBiquity Digital technology

IBOC DAB developer iBiquity Digital and Harris Corporation (N:HRS), a leading manufacturer of digital broadcast transmission equipment, announced 4/23 at NAB2001 in Las Vegas that they have agreed on the terms for licensing iBiquity's technology. In the deal, Harris will integrate the technology into a new line of IBOC transmitters and exciters, scheduled for launch at NAB2002.—CM

US Copyright office sides with RIAA (again)

Yet another loss for streaming: The US Copyright Office has reiterated its December decision not to allow broadcasters to webcast their terrestrial signals over the Internet without additional fees for artists and record labels. It ruled that radio broadcasters are not exempt from licensing royalties when they simulcast their signal.

The NAB filed a suit in March against the Copyright Office that

said broadcasters shouldn't have to pay royalties for their Internet simulcasts and that The Digital Millennium Copyright Act covers them already. The NAB and broadcasters continue to challenge the fees. The actual fee structure and retroactive liability is expected to be determined sometime this year.

The Copyright Office also issued another ruling 4/20 on a dispute between Webcasters and labels about whether some types of personalized radio falls under the category of interactive services.—CM

Ad agencies seek common electronic platform

The world's three largest ad agencies, Interpublic Group of Companies Inc. (N:IPG), Omnicom Group Inc. (N:OMC) and WPP Group plc (O:WPPGY) announced the formation of a new joint venture aimed at creating an electronic platform to improve the flow of data and information for media buying. According to the joint announcement, the new venture's primary focus will be to connect

media buyers, sellers and information providers through a platform that provides common protocols. The platform will act as a service through which data and information providers can be easily accessed, replacing the fractured and labor-intensive process in which media data is exchanged today.

In a joint statement, Interpublic Chairman **John Dooner**, Omnicom Chairman **John Wren** and WPP Group Chief Executive Sir **Martin Sorrell** said: "Interpublic, Omnicom and WPP believe that technology presents a great opportunity to create a platform from which the billions of dollars now spent on media every week can be transacted much more effectively and cost efficiently. We expect that the platform will both improve service and cost-efficiency to our clients and simultaneously benefit media sellers."

The new company will be based in New York City, with **Michael Lotito** as CEO. He was formerly President & COO at Initiative Media North America. Interpublic, Omnicom and WPP expect to formally launch the new company in Q2. Other advertising/market-ing companies will be invited to join the venture.—JM

Class action filed against Winstar

As attorneys for Winstar Communications (O:WCII) were heading to the Federal Bankruptcy Court in Delaware (*RBR* 4/23, p. 16), other lawyers were en route to a Federal District Court in New York. Stull, Stull & Brody, one of the law firms specializing in shareholder lawsuits, filed a class action lawsuit charging that Winstar violated securities law "by issuing a series of material misrepresentations to the market between August 2, 2000 and April 2, 2001 regarding the company's performance and future prospects." The suit also accuses Winstar of improper accounting practices.

Following its Chapter 11 filing, Winstar was delisted by Nasdaq on 4/25. The belea-

Radio News®

They're coming to your town, will they party it down?

The FCC has granted its first 25 LPFM licenses in seven states. Leading the pack is California with 10, followed by Georgia with seven, Maryland with three, Indiana with two and Louisiana, Maine and Oakland with one apiece.

Four are licensed to stations which figure in the name of an Arbitron-rated market—Fresno CA, Augusta GA, South Bend and Ocean City MD (in the Salisbury-Ocean City market). Nine others are near rated markets. Two are near Visalia CA, the only one of these markets with more than one LPFM on the way.

Over 40% of the licensees appear to be religious in nature. A distribution chart with our best guess on type of owner appears under the list of granted stations. Mileage figures given under the market/locale column are estimates.—DS

COL	Freq	Market/Locale	Licensee
Fresno CA	104.5	Fresno	Hmong American Community
Lemoore CA	93.3	Visalia	Lemoore Union H.S. District
Lucerne CA	104.5	70mi NE—S.F.	Lake County Community Radio
North Edwards CA	102.3	50mi NE—L.A.	Calvary Chapel North Edwards
Oroville CA	107.1	Chico	Bird Street Media Project
Porterville CA	98.1	Visalia	Lawyers 2nd Amendment Society
San Clemente CA	104.1	Los Angeles	Setec Astronomy Club
Smith River CA	107.3	CA-OR border	Calvary Chapel of the Redwoods
Turlock CA	100.5	Modesto	Evangelical Free Church/Turlock
Woodland CA	93.3	Sacramento	Holy Rosary Parish
Augusta GA	100.3	Augusta GA	The Good News Church
Colquitt GA	103.3	45mi SW—Albany	M&D Christian Educational Media
Fort Valley GA	97.1	Macon	Calvary Chapel Heartland
Lavonia GA	105.3	NE GA near SC	Georgia Dept. of Transportation
Louise GA	97.1	40mi N—Columbus	Georgia Dept. of Transportation
Tallapoosa GA	92.5	45mi W—Atlanta	Georgia Dept. of Transportation
Trenton GA	98.7	Chattanooga	Mountain Educational Services
South Bend IN	98.1	South Bend IN	League/United Latin Amer. Ctzns
Valparaiso IN	93.5	unrated Gary IN	Book oif Life Bible Institute
Mansfield LA	106.1	30mi S—Shrvprt	First Baptist Church of Mansfield
Rockland ME	93.3	Augusta ME	Penobscot School
Oakland MD	95.3	35mi SW—Mrgntwn	St. Matthew's Episcopal Church
Ocean City MD	107.9	Salisbury-O.C.	Edinboro Early School Inc.
Sherwood MD	97.5	E Shore on Bay	S.Arundel Citizens/Responsible
Enid OK	94.3	unrated	Covenant Life Ministries Inc.

Type of Org.	Stns
Religious	11
Associations	6
Educational	4
Government	4

guered company's stock last traded 4/18, when it closed at 14 cents under its old symbol of "WCII." It's now using the symbol "WCIEQ," should anyone actually make an over-the-counter trade.—JM

Unveilings at Telos

Telos Systems unveiled two new entries in the broadcast equipment marketplace—the SmartSurface studio control surface and the new Zephyr Xstream product line.

SmartSurface is a control sys-

tem that acts as a console, but shares some of the computer-based applications as competitor Klotz Digital's Vadis DC II. SmartSurface integrates control for mixing, routing, playback, recording, editing, phones, codec ops and more.

Other SmartSurface features include personalized settings. There are no dedicated channels, so each personality can



configure the surface as he or she likes. Each personalized setting is portable and can follow to other studios.

Telos' new Zephyr XStream codec line will use the new MPEG-4 AAC-LD standard. While previous Zephyrs used MP3 technology, Xstream is said to avoid annoying compression/decompression delays while still delivering top-notch sound quality.

The XStream line supports 20 kHz stereo over two ISDN channels; 20 kHz mono over a single channel.—CM

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Interrep bets \$1.5M on radio

Chairman & CEO **Ralph Guild's** Interrep (O:IREP) is plunking down \$1.5M in an effort to boost the profile and the results of national spot radio over the next 18 months. "We can't afford to wait," he said. "...Interrep has to act...now to assure that the remainder of 2001 is radio's better half for clients, with growing momentum into 2002."

Interrep estimates that \$1.6B in billings will be necessary to bring 2001 into the black following the extremely sluggish start to the year of dot-com comps. The first goal of the initiative is to accomplish that task, and then move forward toward an 8% revenue boost for 2002.

Interrep's campaign includes

- A minimum of two specially-assigned target companies for each member of Interrep's sales and executive staffs. These will be companies with moderate to zero radio usage, an effort to develop new business. 1,500 companies are to be contacted by 6/1/02.

- A \$200K matching donation to Arbitron's proposed Radio Effectiveness Lab, which would provide advertisers with much desired and requested quantifiable data on the effectiveness of their radio campaigns.

- Making funding available to support business initiatives from the RAB and others.

- Funding the creation and production of effective radio commercials for advertisers.

- Initiation of a series of "power" events. These will focus on the ability of radio to go after a given population segment, such as "The Power of the Urban Consumer," slated for presentation in New York on 10/16.

Guild noted the similarity of this campaign with that of one begun in 1992. That initiative, which Guild credits with the generation of \$750M in new business, helped kick off a period of radio history in which the medium's share of the advertising revenue pie jumped from 6.5% to 8.3% over eight years. Said Guild, "We remain committed to investing in new programs that will increase revenue for all of our clients, not just a select few."—DS

Radio AdBiz



Cost per points and planning season: The cycle continues

by Matt Feinberg

For the last few months we have been planning our media strategies for the upcoming 2001/2002 advertising season. Here in the national radio buying group, we, like many of our colleagues at other media agencies, are asked to give cost information to

the various planning groups so they can construct a media plan to present to the clients. These costs as most of us know, take on the form of Cost-Per-Points. The way I normally supply CPPs is by asking vendors what their prices will be for the upcoming year. I assume that those prices given to me are based on a client's history in the market, daypart/programming considerations, and of course where they believe the market will be in the near future. When I first started in this business I would take the information supplied to me by each vendor, do an average using my abacus and incorporate the historical information I had gathered. The problem became that some of the vendors gave such high costs it threw the averages way off. Way off.

Nowadays, after a few more years and a few more pounds under my belt I do what many veterans of this industry do. I develop my own CPPs based upon the previously mentioned. I am not alone in this practice. Nor am I solitary in the frustration of still asking radio vendors for radio costs (both out of habit and "reassurance") and getting back TV prices. Now let me just say that I don't completely blame the sales organizations for making this process difficult. We as buyers have been trained, for the most part, not to give the true CPPs during the avail phase of a buy. The reasoning behind this is that if you low-ball the cost, you will be able to bring the buy in. Very much a spot approach, indeed I learned that practice in my early days of buying local media. Of late I have been much more open with salespeople as to what my cost goals are and tell them where they need to be in relationship to that planning number. It makes the process a little smoother—that is assuming your salespeople understand the dynamic of why a number five ranked station, or network, won't receive the same CPP as the number one ranked entity. If your salespeople can't grasp this, teach them, or ask their manager to assign someone to your shop who does (I am, by the way, fortunate enough to have salespeople calling on me who do understand this concept quite well).

However, when I am working with a planning group, especially one new to network radio, or a new client, and we have no price history it really "bothers me!" (read into bothers me) when I see some of the absurd costs some networks will provide to me. I can't give these to the planners (which is why I must continue the vicious cycle). They would look at me like I didn't know what I was doing. And though some salespeople might agree with the latter statement, the end result is that they would scare clients away. In fact, cost factors have been cited on more than one occasion as one of the reasons a client decides not to enter, or re-enter, network radio. CLEARLY some of the costs quoted of late are way WEST of what common sense dictates.

Many of us in the industry know radio can be a very effective part of an advertising campaign. However, we can't expect planning departments to add the great "theatre-of-the-mind" medium to the mix if at the end of the day the efficiencies aren't there.

Anybody else have some thoughts?

Matt is VP/Manager of Radio National Broadcast for Zenith Media Services, Inc. He can be reached at 212-859-5196 or matt.feinberg@zenithmedia-na.com

The view from the floor

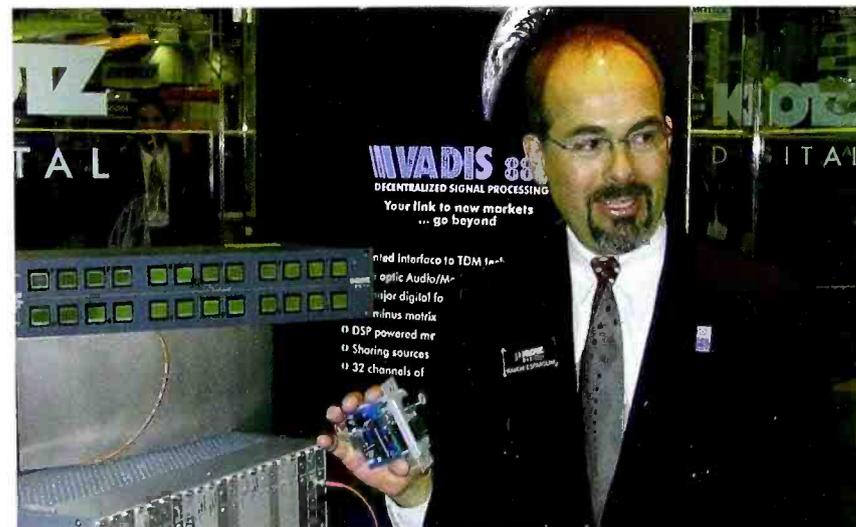
Even with CBS/Infinity, NBC and Fox out of the fold, NAB2001 drew 112,776 to the Las Vegas Convention Center and the additional exhibit hall at the Sands Hotel. As always, the Spring NAB Convention was dominated by TV (which is why there's a separate Radio Show in the Fall), but there was still quite a bit going on for the senior broadcast medium. Here's a quick pictorial review from the cameras of RBR and the NAB's shutterbugs.



Conventioneers stream into the main exhibit hall at the Las Vegas Convention Center.



"Cousin Brucie" recalled the early support of his parents and the late programming guru Rick Sklar as he was inducted into the Radio Hall of Fame. Now in his fifth decade of broadcasting, Bruce Morrow rose to fame as a Top 40 DJ at WINS-AM and WABC-AM New York, went on to become a station group owner and still pulls a twice weekly air shift, playing the "oldies" that he first played as "hits" on WCBS-FM New York.



Ray Esparolini, Managing Director, Klotz Digital America Inc., demonstrated his firm's newest digital products for radio stations in the exhibit hall.



The NAB Congressional Breakfast drew a large crowd of early risers to hear moderator Jim Yager, NAB Joint Board Chairman, review the climate on Capitol Hill with Representatives Joe Barton (R-TX), Rick Boucher (D-VA), Elliot Engel (D-NY), Cliff Stearns (R-FL) and (radio station owner/Congressman) Greg Walden (R-OR).



Radio One founder and Chairperson Cathy Hughes was honored with the NAB's Distinguished Service Award.



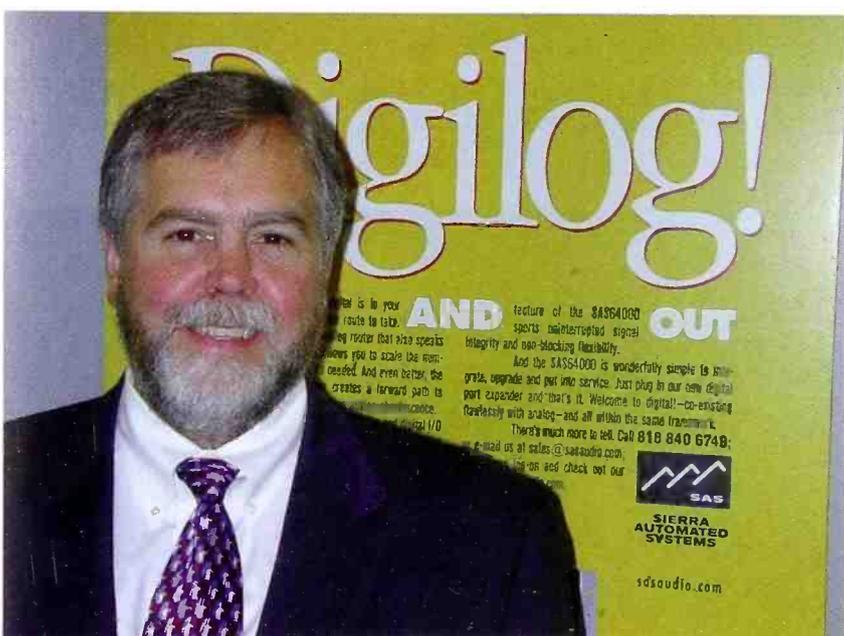
ABC-TV's Sam Donaldson has annoyed presidents and corporate moguls, but kept the kid gloves on for the most part as he conducted a one-on-one interview of the man who holds in his hands the fate of every radio and TV license held by Disney's ABC and all of its affiliate stations, FCC Chairman Michael Powell.



Jefferson Starship entertained at the "Freedom Sings" event sponsored by the National Association of Broadcasters' Education Foundation and the First Amendment Center.



Digital technology abounded at the second exhibit hall in the Sands Hotel.



We wonder, can Ed Fritz use his name (so long as he doesn't offer the spelling) to get a table at a fully-booked restaurant when the NAB Convention is in town? Here he is in his own exhibit hall booth as President of Sierra Automated Systems.



Rob Glaser may have seen his own company's stock slip even further than those of broadcasters, but the founder and CEO of RealNetworks remains bullish on streaming as the future of media.



Digital audio progress continues to be a hot topic at each year's convention. Lynn Claudy, NAB's Sr. Engineer, Science & Technology, welcomed engineers to the Broadcast Engineering Conference.

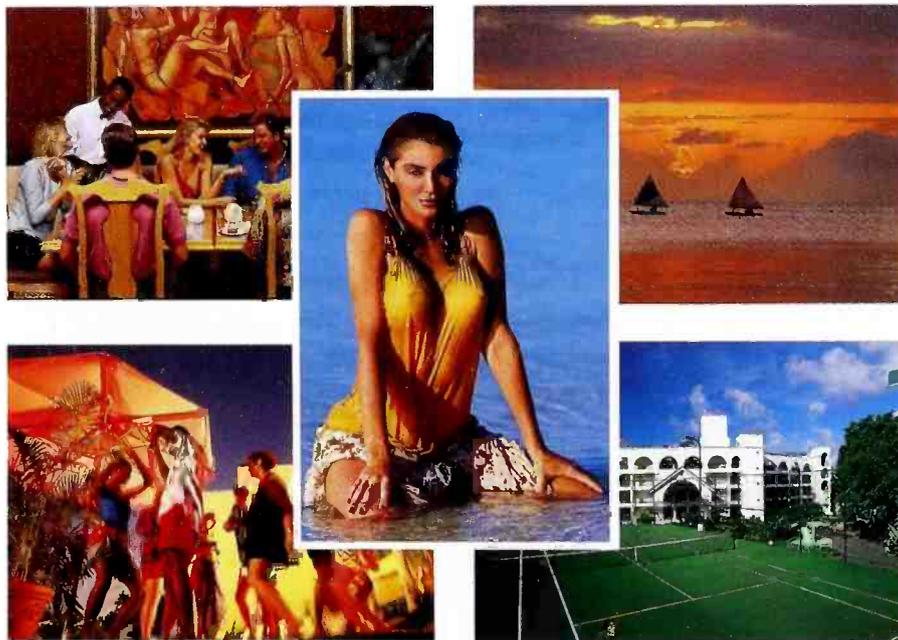


Nancy Logan, National President, accepts the Spirit of Broadcasting Award on behalf of American Women in Radio & Television from NAB Joint Board Chairman Jim Yager and NAB President & CEO Eddie Fritts.

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Dave Ramsey: Talking about money, life and who knows what

If you think "The Dave Ramsey Show" is a financial talk show, you're sort of right—and sort of not. There's a lot more to the three hour daily show (2-5p ET) program than P/E ratios, 401(k)s and the latest guess about what **Alan Greenspan** is up to.

Personal finance, after all, is just one part of personal life—and other aspects of life often impact people's finances. So Ramsey deals with lots of topics that, while not strictly "financial" in the sense that CNBC or *The Wall Street Journal* might report on them, impact his listeners lives and, in turn, their wallets.

"Winning at life, love and the money game," is the slogan Ramsey uses for his independently syndicated radio show, which is also streamed on the Internet by Yahoo! Broadcast. He also (no surprise here) does seminars and sells books and tapes on his Website, daveramsey.com.

Ramsey spoke with *RBR* about the launch and growth of "The Dave Ramsey Show."

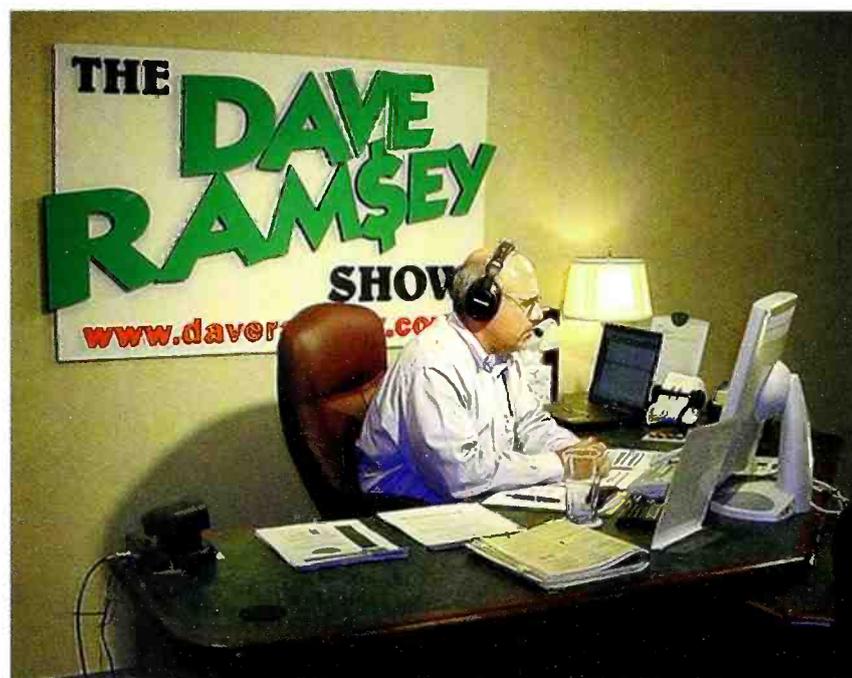
It seems you have a breakout show here. How did this all begin?

I guess like a lot of radio stories, it was by accident. I went on as a guest on the obligatory bad financial show. It seems like every city has one. The guy quit about three or four weeks later after I had been a guest a couple of times and that particular station at the time was in bankruptcy, so a friend of mine and I went down and said that we would do an hour and answer financial questions. We thought it would be fun. We won't even charge you, just give us some spots or something. We'll trade them with the local jewelry store. So, we worked for free and for fun for an hour a

day. From the moment we went on the air, it took off. As our skills have improved, our ability to deliver ideas in a short period of time have improved, the ratings have improved. Of course, about three and a half years ago we burst into syndication and in the last year or so, it's really taken on life.

What caused the sudden growth?

I think the sudden growth is caused by the fact that we've finally gotten ourselves in a position to where we can market the thing properly and let people know how



good we are. We were kind of a secret before. We've been able to, in the last 18 months especially, do a lot of strong marketing. That costs a lot of dollars. We had to sell some ads before we could do that. Because we are a debt free company, we don't borrow money. So, we had to have the money before we could go spend it. We've been able to hit that plateau of growth where we could go expediential with the thing. It's been exciting to watch the market kick in.

So it's a true entrepreneurial company?

Oh big time. It was me in my living room in 1992.

People try to peg you as a financial guy. Is there really more?

I do my best to only answer one 401(k) question a day—just because it's not good radio in the sense that it doesn't give information that everybody needs. I could sit and do individual's financial plans on the air—and talk about a yawner! But, investing is a part of life. So, what I do is take a 401(k) ques-

What was Dave Ramsey before radio?

I went broke. I was buying and selling real estate. I started with nothing in my early 20s. My wife, Sharon, and I ended up with, by the time we were 26, about \$4M worth of real estate, and I had way too much debt. We lost everything that we owned and went bankrupt over about a two-and-a-half-year period. So, that's where some of the compassion comes from. Been there, done that, got the T-shirt. I know what stupid looks like. I've lived it and I know what it does to your marriage. I know what it does to your kids. I know what it does to your self esteem. I know that even when it's bright and sunny outside you can't see the sun. I know how that feels. So, when those callers call I can relate to them from 15 years ago.

We started over at that point. I started doing real estate again, more of a broker at that stage, because I didn't have any money or credit, just to eat. Then we started teaching people the concepts we teach on the air and wrote a book which became a *New York Times* bestseller. We've sold almost a million copies. Then we wrote another book later, with the same type of situation, about 200K copies sold. So, in a sense, radio is a part of what we do. We're not radio people. We're more entrepreneurs on a crusade and we have a message. Anyway we can get that message to the consumer; we're going to get it to them.

We don't have any problems getting calls. We've got about a million listeners. The deal is that there are more people who listen in our time slot than do at 1am in the morning or 11pm at night. Our goal is to lock in there.

But, our goal is to help folks.

We do large seminars, about 2-5K people, about 15 times a year. I do them live. We have a video series called "Financial Peace University." Groups of people meet to watch that, about a thousand of those classes operating nationwide. We've got products in terms of software and New York Times best selling books and all of these other things that are a part of our operation here, that I run with some very capable, high capacity people helping me. Then I stop every afternoon and do a radio show that delivers the same message as all of those materials.

You were multitasking and repurposing content before it was the hip thing to do?

Exactly, it's mission statement driven. It's crusade driven. I remember how scared I was. I remember the terror in my wife's eyes when we were broke and couldn't pay our light bill, afraid we were going to lose our house. Our goal is to help as many of those people as we can and they're all over the place. Our goal is to not have to deal with the 68-year-old that called me yesterday, who was disabled and her husband passed away. She's never touched a dollar in her life—married 50 years and he did everything. She has no money. She has \$500 a month as an income. That just breaks my heart. So, these are real people who call—with tear-jerking and hilarious stories. It has a Dear Abby flavor to it, if you will. We all kind of know what Dear Abby is going to say, but we all tune in to see how she's going to say it.

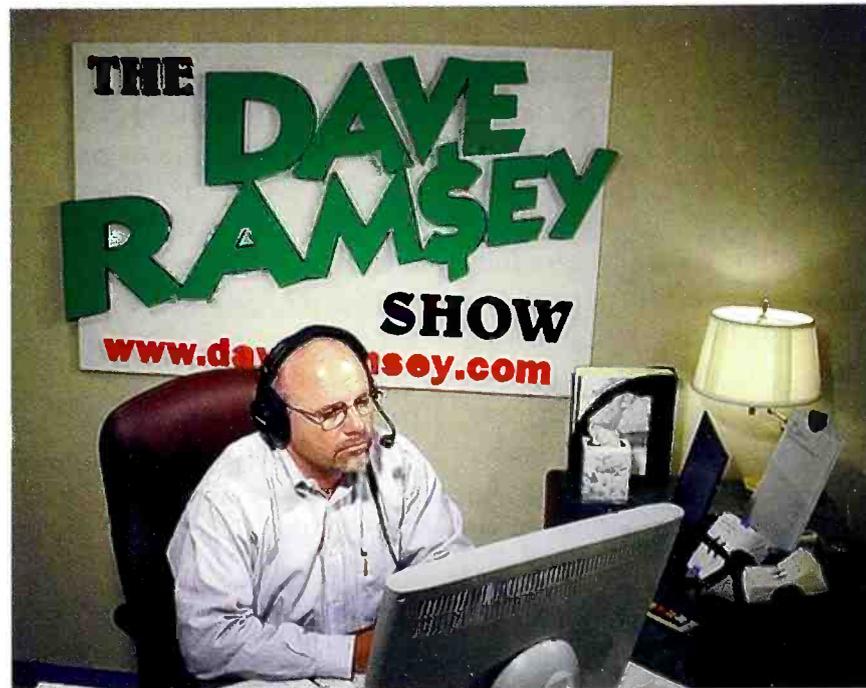
Do you learn the most in bad times?

Sure, and there's bad times for different people at all times. Right now, some great times for some people. With the market slowing down and with people a little scared about the economy, our show is blasting off. Our book is back on the

bestseller list—and it was from 1997. It slowed down a little bit and everyone came running back to our material. Our ratings should be, for the Spring book, through the roof.

We're kind of laughing.

Rush [Limbaugh] got a recount to help him in the fall and we got a slowed economy to help us in the spring. They're running to us in



droves. Our phones are jammed, our sales are up. It is always an indicator of what our ratings do, too.

So, it goes to show that anything can happen in radio if you just put your mind to it?

I think that's true with a lot of businesses. If you get a good product and you help people, [famed super-salesman/author **Zig**] **Zigler** says that if you help enough people get what they want, you'll get what you want. That's what we've been doing. Our show is a little bit different. We do not attempt to do things simply for entertainment value. Life is entertaining enough if you just get it onto the radio. So, all we have to do is help people be compassionate, have integrity, consistency, have some fun with this thing. In the process have a sense of humor, laugh at ourselves and at the people when they're stupid. And, get them laughing at themselves, too. We don't have to destroy every caller for the purpose

of ratings, and our ratings have come. Sometimes they're a little slower. We're more of a crockpot business. It has to cook a little while. But, we stick in a market and we get a passionate following.

What stations are you on?

Well, I don't have them memorized. We're on about 85 or 90 at this stage of the

game. We're on in different markets all over the place. There's still enough holes that we're not happy about it. But, we're pretty excited about 90, considering we used to be 30. That tells us on that kind of curve that we'll be 200 in no time.

How long ago was 30?

I guess 30 was 18 months ago. So, if I can grow 300% in 18 months that puts me at what 300 stations? But, we don't take all of these junk clears. We only take live clears. We have a few week-end clears, one or two. We don't take overnight clears and junk just to get something on the list. I want to get to people. That's our goal. We're not about impressing the radio community with the length of our list. We're about getting to people.

Being a radio newcomer, how do you view the industry?

I don't think there's any question that the radio business is

in a high rate of change. Some of it for good, some of it for bad. Consolidation has brought a lot of wonderful economies of scale to these companies where they can have profit, they can centralize management in some cases. Some of them have done a very good job with that. Some of them have pulled so much decision making from the front lines that clueless doesn't even cover their management teams. It depends on the different situations and what's going on there.

The radio business is like most other businesses we are involved in, whether it's publishing or seminars or videotapes or whatever else. About 80% of the people in the business, you don't have to do anything except out-work them. Out of the other 20%, you can out-think 10% of those, and the last 5-10% is a dog fight because that's where you're up with the good guys. That's definitely where we are now. We're definitely in the top 10% of the things out there moving around. So, we're in the dogfight. We're up there with guys who think and work. So, that's our competition, which is really fun for us. We thrive on that stuff. We're entrepreneurs to the core up here

We like our competitors. We're not mad at them or something. It's not something where we have to lie about them or beat them up behind their backs. We actually help many of our friends get clears from time to time. We're independent. We don't have any obligation to any of them, except that I like their product and we're stirring up a lot. So, if we can throw them a bone every now and then, that's great. Because they're a good product and they're helping people.

We're just proud of the fact that good guys can win and we're having a good time with it.—KL

Ad recession may last a while

Ad executives surveyed by Myers Reports Inc. overwhelmingly see the US slipping into an advertising recession. As for how long the expected recession will last, few see an early end. Most see an ad recession lasting through the latter part of this year or through early or mid 2002.

When will the downturn end?

By mid-year 2001	7.4%
By year-end 2001	20.4%
By early 2002	24.1%
By mid-year 2002	21.3%
By year-end 2002	11.1%
Beyond 2002	6.5%
No downturn	6.5%
No answer	2.8%

Source: Myers Reports Inc.

Media Markets & Money™

by Jack Messmer

Merrill Lynch declares ad recession

"The advertising recession is here," is the blunt assessment that begins a new report on media stocks by Merrill Lynch analysts **Jessica Reif Cohen** and **Keith Fawcett**. But, they add, it may not matter because there are suggestions that stock prices have been beaten down so much already that valuations have fully discounted the ad recession. The Merrill analysts are estimating that Q1 radio advertising will come in 6-7% below last year, with TV down 10-11% and cable networks off 7-8%. "Pacings for Q2 are trivially better," they note.

Even with the Fed cutting interests in an attempt to stimulate the economy, Cohen and Fawcett say prospects are dimming for a broadcasting ad recovery in the second half of this year. More likely, they say, is a rebound in 2002.

At this point, the Merrill analysts see radio revenues trending down 3-5% in Q2. Even after clearing the dot-com tough comps, they see growth of only 5-7% in the second half, bringing the full year in at 0-3% growth.

No "pure" radio stock can be found on the pair's very short list of "favorite stocks" in the media sector. Viacom (N:VIA) is one of the few media stocks

they expect to have an up year, with pro forma EBITDA expected to gain nearly 10%. Fox Entertainment Group (N:FOX) is the best stock price value in their view. The only other stock on their favorites list is Gemstar (O:GMST), which holds patents related to interactive TV and has recently signed deals with a couple of the largest Cable MSOs for its Interactive Program Guide.

Viacom up, Infinity down

Pro forma revenues for Viacom (N:VIA) rose 6% in Q1 to \$5.77B, with gains in every one of the company's units except for Infinity, which was down 4% to \$835M. Infinity's pro forma EBITDA (cash flow minus corporate overhead) was off 5% at \$321.7M. Viacom President **Mel Karmazin** told analysts that was strictly a function of "tough comps" with last year (see page 15).

On a historical basis, Viacom's Q1 revenues rose 90% to \$5.75B and EBITDA increased 145% to \$1.15B. Free cash flow rose 169% to \$586M and after-tax cash flow gained 114% to \$691M.

Clear Channel hits the mark

At deadline, Clear Channel (N:CCU) reported that it had met its promise to Wall Street, with a penny to spare. Q1 after-tax cash flow was 52 cents per share, compared to 51 cents a year ago. Pro forma net revenues, however, were down 8% to \$1.8B and operating cash flow slumped 12% to \$520.9M.

"With the difficult comparisons from last year's first quarter coupled with the current economy, we are quite pleased with our results for the first quarter of 2001," said CEO **Lowry Mays**.

Educational Media Foundation

has agreed to purchase the assets of radio station

WKVE-FM

Danville, Virginia

from

Southern Entertainment Corporation

for

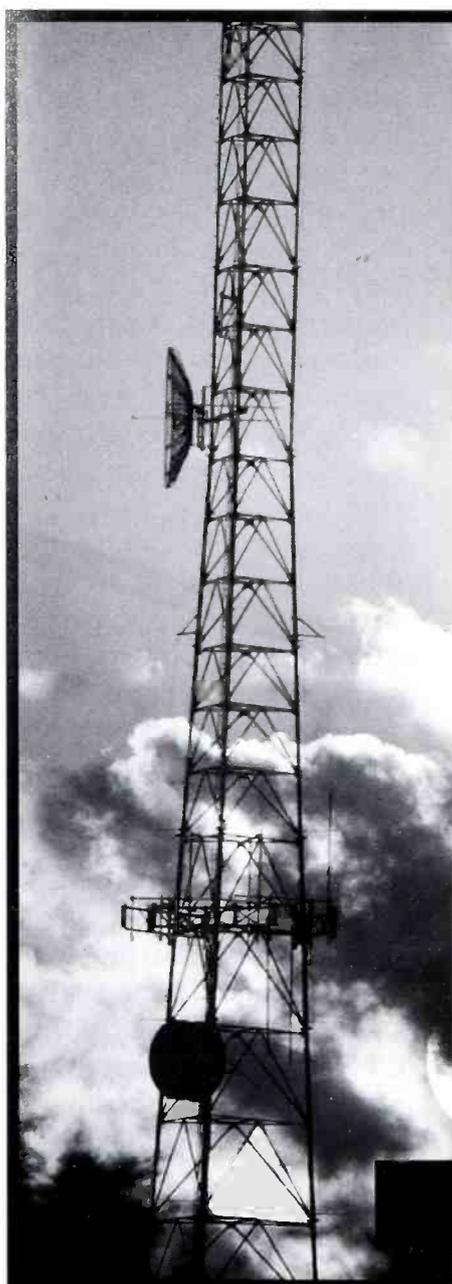
\$3.5 Million

Mitt Younts of Media Services Group initiated this transaction and represented the Seller in the negotiations.

6802 Patterson Ave., Richmond, VA 23226
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mittyounts@cs.com

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Spanish competitors flip Houston signals

Hispanic Broadcasting Corp. (N:HSP) is upgrading its Houston signal line-up by acquiring the 106.5 MHz signal currently occupied by El Dorado Communications' KQQK-FM for \$80M. In return, **Tom Castro's** El Dorado will LMA the 100.7 MHz facility now home to Hispanic's KRTX-FM and will have an option to purchase it.

RBR observation: Although El Dorado's Tejano format will move to a tower well northeast of Houston, it will still cover much of the market—as well as blanketing the adjacent Beaumont-Port Arthur market—while improving El Dorado's financial position. Hispanic Broadcasting CEO Mac Tichenor isn't saying what format he'll put on the superior 106.5 MHz signal, hinting that a reshuffling of the company's Houston formats may be coming. The programming being displaced by the swap is KRTX's Spanish-Urban "House Party" hybrid.

Citadel hangs tough

The advertising recession hit Citadel Communications (O:CITC), just as it did every other radio group. But CEO **Larry Wilson** had considerably less pressure on him as he reported Citadel's Q1 numbers yesterday (4/25). As *RBR* went to press, shareholders and the FCC approved a \$2B buyout by Forstmann Little, which is expected to close in late Q2 or early Q3. While Citadel will be exiting the stock market, Wilson says he expects to come back to Wall Street someday with a larger company. "I'm very bullish on our ability to take it the next mile, then out into the public arena again," he said, wrapping up what's likely to be Citadel's last Wall Street conference call—at least for a few years.

For Q1, Citadel's net revenues increased 58.6% to \$73.1M. Broadcast cash flow rose 50.4% to \$20M. Revenues were down on a same-station basis, but only by 0.7%, and same-station cash flow managed to gain 4.8%. So, Forstmann Little appears to be buying into a

radio company that's doing better than the overall radio industry.

NBG raises \$1M

NBG Radio Network (O:NSBD) announced a private placement of 600K units for a total of \$1.05M. "We will use this financing to continue to develop NBG's programming lineup, further expand our marketing efforts, and to

increase our visibility in the industry," said **John Holmes**, President & CEO. Each unit, which sold for \$1.75, included one share of common stock and one warrant to purchase an additional share for \$2 over the next two years.

Providence deal is a swap & spin

Radio Disney's signal upgrade in Providence will be a three-

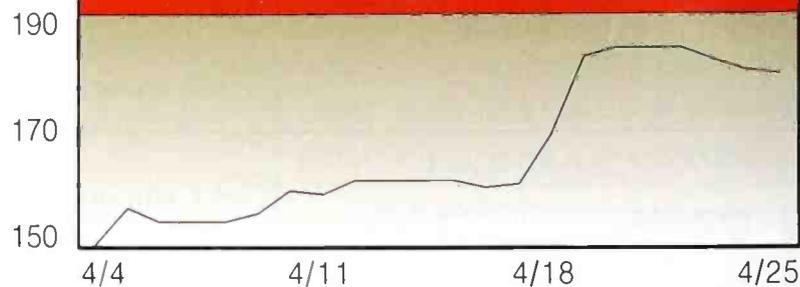
way deal. First is a swap. Disney's (N:DIS) ABC Inc. will swap Radio Disney's current 1kw signal at 1450 kHz, WHRC-AM, for AAA's WICE-AM, also 1kw, but much wider coverage at 550 kHz. **Peter Ottmar's** AAA will also receive \$2.05M in cash. AAA will then sell WHRC to Hall Communications for \$410K. Thus, Ottmar will put \$2.46M in cash into AAA's bank account.

The Radio Index™

The Radio Index™ fell back after hitting a year-to-date high of 184.274 on 4/20, gaining 10.583 for the week to close 4/25 at 179.876.

Radio Business Report™

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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.

\$2,460,000 WICE-AM Providence RI (Pawtucket RI) from AAA Entertainment LLC (Peter Ottmar) to ABC Inc. (Bob Iger, John Hare), a subsidiary of Disney (N:DIS). \$2.05M cash, plus swap of WHRC-AM (see below). Note: Radio Disney programming will move to this new facility with greater coverage of the market.

\$2,400,000 WISM-FM Eau Claire WI (Altoona WI) from Alpenglow Communications Inc. (David E. Barrett) to Clear Channel Broadcasting Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. Superduopoly with WBIZ AM & FM, WMEQ AM & FM, WQRB-FM, WATQ-FM, forming two distinct markets.

\$811,000 KSGO-AM Salt Lake City (Centerville UT) from Utah Spanish Radio Corp. (Sergio Armenta) to Lobo Broadcasting Corp. (Juan Jose & Oralia C. Lopez). \$1.5K advance, \$100K upon signing contract, and balance within 10 days of FCC approval via either a like-kind exchange through an intermediary or cash. Station was being run in LMA with Grande Broadcasting (Moises Garcia), who had right of first refusal to purchase station within thirty days of contract signing. Contract was dated 11/2/00.

\$645,000 KANE-AM New Iberia LA from New Iberia Broadcasting Co. Inc. (Art Suberbielle) to Michael F. Starr. \$35K non-refundable deposit, balance in cash at closing.

\$410,000 WHRC-AM Providence RI (West Warwick RI) from ABC Inc. (Bob Iger, John Hare), a subsidiary of Disney (N:DIS) to Hall Communications (Bonnie & Arthur Rowbotham, Howard Tuthill Sr.). \$20K escrow, balance in cash to AAA Entertainment as this station is spun off simultaneously with AAA's swap of WICE-AM to ABC (see above). Note: No contour overlap with any of Hall's Massachusetts or Connecticut stations.

\$350,000 WIRA-AM Ft. Pierce-Stuart-Vero Beach (Ft. Pierce FL) from Genesis Communications I Inc. (Bruce Maduri) to Port St. Lucie Broadcasters Inc. (Carol Hutchison

Wyatt & John Gregory Wyatt). \$20K escrow, balance in cash at closing. Duopoly with WPSL-AM. LMA since 8/24/00.

\$80,000 WFOG-AM Nassau-Suffolk (Riverhead NY) from IW Limited Liability Company, a subsidiary of Barnstable Broadcasting Inc. (Albert J. Kaneb et al) to Five Towns College (David M. Cohen, Dean of Administration). \$8K escrow, balance in cash at closing.

\$55,000 WFXW-FM Geneva IL from Valley Communications Inc. (Louis F. Pignatelli) to Nelson Multi Media Inc. (Larry, Pamela, Douglas & Jennifer Nelson). Entire amount placed in escrow.

N/A WCUP-FM L'Anse MI from L'Anse Broadcasting Inc. (Robert & Sandra Schulz) to Keweenaw Bay Indian Community (Leonard Cardinal, chmn and 11 others, each listed with 8% of votes). Schulz's own 70% of WCUP-FM, Keweenaw owns 30%. The same ownership percentages also apply to WUPY-FM Ontonagon MI. Keweenaw has loaned Schulz's \$176K. The parties have determined that the remaining value of the loan plus the value of Schulz's interest in WCUP is approximately equal to Keweenaw's interest in WUPY. At closing, Schulz's will have full ownership of WUPY-FM and Keweenaw will have full ownership of WCUP for no further financial consideration. Breaks up duopoly.

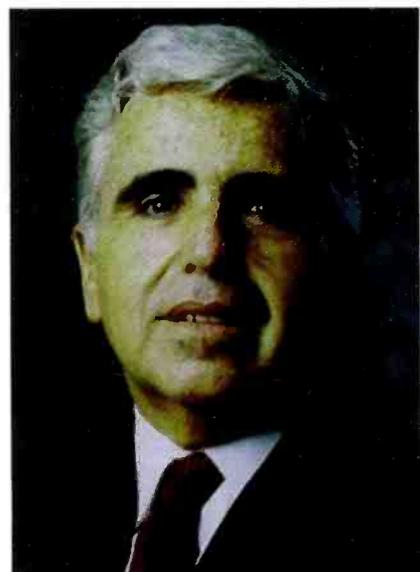
N/A WUPY-FM Ontonagon MI from Keweenaw Bay Indian Community (Leonard Cardinal, chmn and 11 others, each listed with 8% of votes) to S&S Broadcasting Inc. (Robert & Sandra Schulz). Schulz's own 70% of WCUP-FM L'Anse MI, Keweenaw owns 30%. The same ownership percentages also apply to WUPY-FM. Keweenaw has loaned Schulz's \$176K. The parties have determined that the remaining value of the loan plus the value of Schulz's interest in WCUP is approximately equal to Keweenaw's interest in WUPY. At closing, Schulz's will have full ownership of WUPY-FM and Keweenaw will have full ownership of WCUP for no further financial consideration. Breaks up duopoly.

From the mouth of Mel

As Viacom (N:VIA) reported yet another record-breaking quarter, President **Mel Karmazin** repeated his declaration that if there is a recession, Viacom simply won't participate. That said, he admits that the advertising climate is tougher. In fact, one Viacom unit, Infinity (radio and outdoor) actually reported lower revenues than a year ago.

Here's what the Zen Master had to say about the current economy and advertising climate:

"As you've heard, advertising is alive and well and living at Viacom. In five of our six segments we showed terrific revenue and EBITDA growth in the first quarter when there was a great deal of talk about whether or not there was a recession, or at least an advertising recession. While all this talk was going on, Viacom is producing 15% pro forma EBITDA growth. We've said in the past and we'll reiterate it today, that if there is to be a recession we just aren't going to be there. We're just not going to participate.



"This is not, by any means, a throw away quarter. The numbers that we out-delivered on are original numbers, not numbers that we have revised downward in the past. So, I really do think that this quarter, in light of other media companies—or in light of other companies in general—we show absolutely extraordinary growth. We continued to pick up market share. We continued to outperform our competitors. We do that in any sort of an environ-

Sound Off



There's more than one radio ratings company

The following letter was received from Eastlan in response to an article by *RBR* Executive Editor **Jack Messmer**:

I would like to take exception to your comment in the Media Markets & Money column of the April 9, 2001 edition of *RBR*. In an article entitled "Arbitron begins Big Board trading; CCU threatens to walk", under the *RBR* observation portion (bullet point two) of the story you wrote, "Although no current competitor to Arbitron exists..." Many broadcasters across America would disagree with that statement.

Since forming in June of 1999, Eastlan has quickly become the second largest radio audience measurement company in the United States. We are pleased to have been chosen as the audience measurement standard by over 200 subscribers in more than 50 markets across the United States. Eastlan's credibility is judged by the company we keep: our radio clients include the big guys like: Clear Channel, Entercom, Marathon Media, Fisher Broadcasting, Simmons Media, and New Northwest plus dozens of small companies across the country.

Eastlan offers three distinct advantages when compared to Arbitron's reports:

- **Sample size:** Eastlan samples are generally 100% larger than Arbitron.
- **Weighting:** Eastlan's sample is very precise and closely matches the population composition of the survey area while Arbitron is heavily weighted as they can not control which diaries are returned.
- **Turnaround:** Eastlan's data is released 30 days after the final data is collected. Arbitron's reports can be up to 3 months old before they are released.

Eastlan's audience measurement data is Tapscan, Strata & MRP compatible—allowing agency buyers to access Eastlan in the same way they look at Arbitron information.

Eastlan is certainly not the industry behemoth Arbitron has become, but we are pretty proud of serving 50 markets after less than two years of existence.

We hope this gives you a bit of background about us. We would be excited to answer any questions you might have. Please call us—toll free—at 877-886-3320.

Continued Success To You,

Mike Gould

President
Eastlan

ment. As we've said many times, Viacom is a free-cash-flow machine with great brands in growing sectors of the business."

Regarding Infinity, "which, as you saw, was the only segment of the company that did not show increased revenue and EBITDA growth. That is only a function of the tough comps that Infinity is facing as compared to last year.

"As [CFO] **Fred [Reynolds]** pointed out, the first quarter of last year, Infinity was up 24% in radio, or 23% overall. We told

investors for many, many years that the way they should look at the company is assume what they want to about the economy and assume GDP will grow at 2-3%. Advertising has historically out-performed GDP and our sectors will outperform that, and radio will out-perform all of that.

"So, we feel very comfortable that a number to use for pro forma and top line growth in the radio business, or at least with Infinity, would be in the high single digits. If you take the

markets that Infinity operates in—operates in 44 markets—in the first quarter those markets were down 8%. So, you take the 8% off the 24% growth of last year and you see that over the two-year period it was a compounded growth rate of 8% per year, which is exactly where we think you ought to be believing we can do in normalized conditions. In the first quarter, Infinity picked up about 14% in market share—once again outperforming its competition."—JM

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