

# Radio Business Report™

Voice Of The Radio Broadcasting Industry®

May 21, 2001

Volume 18, Issue 21

## AMERICAN URBAN RADIO NETWORKS

# #1

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### New FCC Commission on the way to being seated

It seems apparent that the makeup of the new FCC is going to be as suggested by President **George W. Bush**. Chairman nominee **Michael Powell** and Commissioner nominee **Kathleen Abernathy**, **Michael Copps** and **Kevin Martin** sailed through confirmation hearings by Senator **John McCain's** (R-AZ) Committee on Commerce, Science and Transportation.



Though never stated as such, an underlying theme of the proceeding seemed to be a commentary on the sometimes maverick activities of the Commission under former Chairman **Bill Kennard**. All of the

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nominess stressed a commitment to execute the law as passed by Congress. Indeed, not only was this a focus of some of the questions posed by committee members, but at one point Powell requested statutory guidance to help determine a course of action.

Powell said that the Commission is not elected, and should not impose its opinions on the public. It should enforce the rules of established by Congress, which as an elective body reflects the will of the people.

Powell reiterated earlier statements to the effect that current broadcast regulations, many of which are from 30-60 years old, must constantly be examined to determine whether or not they are still producing the intended results in the rapidly-changing media universe. He said he is not in favor of deregulation simply for the sake of deregulation.

As a parent, he expressed his dismay over the content of some television programming (as well as video games), but qualified this with remarks on the difficulty of writing regulations which effectively determine where the line is without running into First Amendment problems. This was specifically in reference to a question about violence on TV during the family hour. With the courts knocking down such rules, the challenge was to find a way to write a defensible set of regulations.

The committee spent the bulk of the session with Powell, devoting only 15 minutes or so to introductions and questioning of the remaining three candidates (all of whom had been interviewed privately by committee members). Those senators who remarked

at all professed their intention to vote for confirmation across the board, and there were no indications otherwise at all.

The confirmation is expected to be marked up for consideration by the full Senate next week.—DS

## Tichenor bullish on Census, cautious on economy

With Wall Street bulls celebrating the Fed's latest rate cut and some broadcasters suggesting that advertising demand is firming, Hispanic Broadcasting Corp. (N:HSP) CEO **Mac Tichenor** took a more cautious tone at yesterday's (5/16) Banc of America Securities media conference in New York. Tichenor noted that some people said the bottom of the ad market appeared to have occurred in February, then April, then Tuesday (5/15, with the Fed's action). "We're not ready to call the bottom," Tichenor said. "Business continues to be erratic. It gets your hopes up and then breaks your heart the next week."



Tichenor was bullish, however, on prospects for Spanish radio, based on the new Census numbers, which found about 2.8M more Hispanics in the US than had been expected. Because of that,

Arbitron will be adjusting diary placement to reflect those Census numbers. "On average, we expect to see a 7-8% increase in the weighting of Hispanic respondents in those surveys," Tichenor said. He also proudly noted that Hispanic Broadcasting Corp. managed to post a revenue gain for Q1, while many general market groups came in below the previous year. That, he said, proved that advertisers don't abandon Spanish radio when there's a recession.

As for concerns by some investors that the proliferation of new Spanish radio stations in Los Angeles might have gone too far, Tichenor noted that the Hispanic population of LA, around 7M people, is about the same as the entire population of Chicago. LA, he said, now has 13 Spanish formats. Would 13 radio stations be too many for all of Chicago? "It's not particularly scary to us as operators," he said, seeking to quiet fears about the Spanish radio battle in the nation's biggest Hispanic market.—JM

## Mays cautious on outlook

"Visibility has never been shorter," **Lowry Mays** told a packed luncheon at the Banc of America Securities Conference in New York. The Clear Channel (N:CCU) CEO said he hoped the turnaround has begun, but noted that the current situation varies by market. Mays said ad demand will pick up when consumer confidence improves. Earlier, Beasley Broadcast Group (O:BBGI) CEO **George Beasley** said he won't be convinced that the downturn is over until he sees four consecutive weeks of year-over-year sales improvement.—JM

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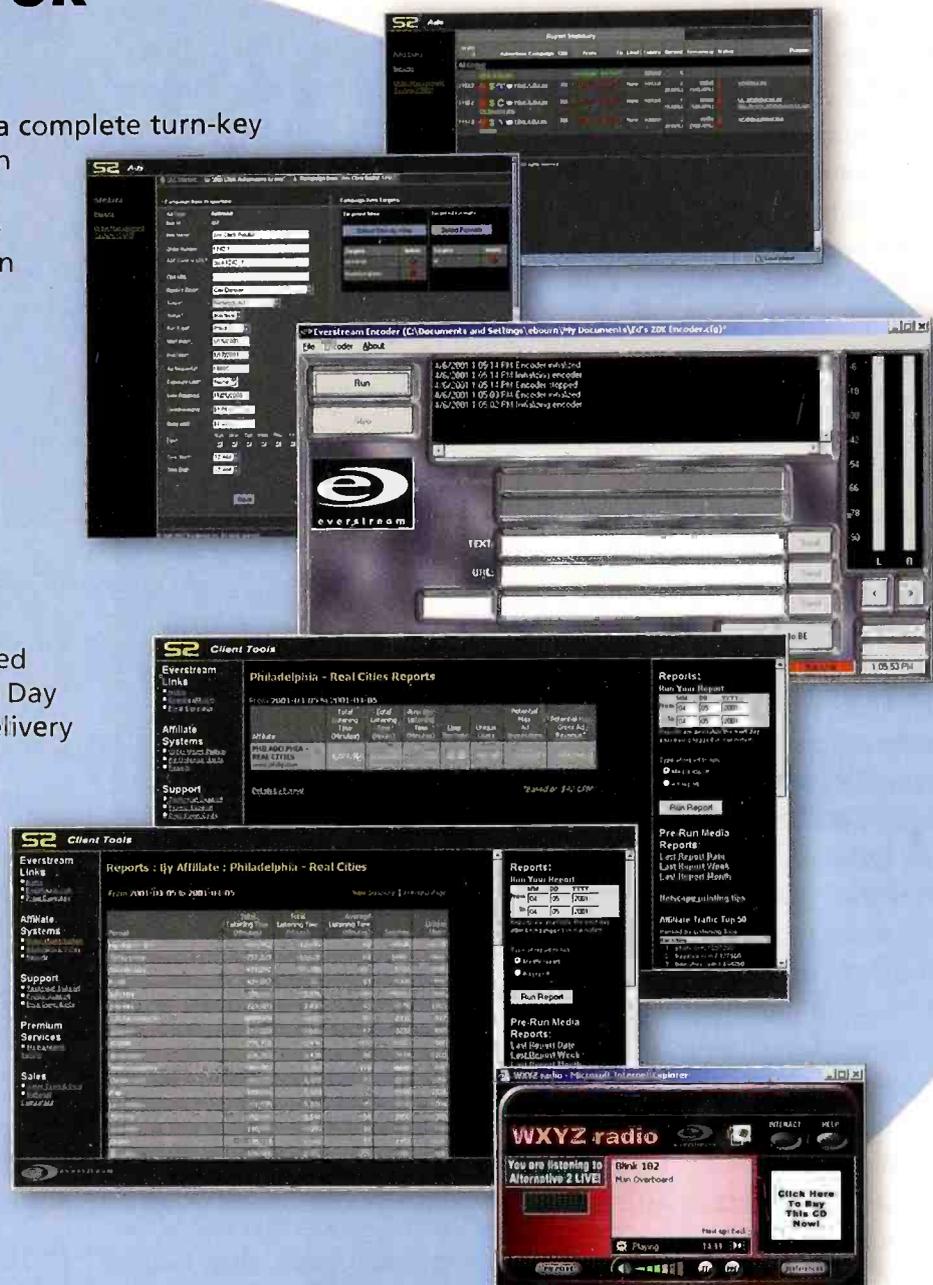
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## Who's getting flagged for interference?

In case you didn't know, Channel 6 TV audio broadcasts on 87.7 MHz—two clicks from 88.1 MHz FM. In Carthage, IN, 30 miles east of Indianapolis, a battle is heating up. Homes in that community that don't have satellite or cable get Christian WJCF-FM's audio when trying to watch WRTV Channel 6. *The Indianapolis Star* reports residents of the small town are furious about the 2,700-watt radio station's emanations onto their ABC-TV affiliate. "This is ruining our life," said **Mike Small**, who can see the tower from his home. "It comes through our television, our telephone and our computer. It's too much."

**Marty Hensley**, who operates WJCF from his home, said he's doing nothing illegal and has tried to help Carthage residents by installing filters to improve reception.

The filters, residents counter, improve the picture but won't eliminate the music. He claims to have received nearly 50 complaints about the interference and that some residents have threatened to blow up the tower and made threats on his life.

Hensley says it's possibly WRTV's fault because the station changed its antennas when converting HDTV last year—the same time WJCF began ops. "It's unfortunate, but from a technical standpoint, Carthage is in a hole with hills around it," Hensley said. "Channel 6 has a weak signal out there because of lowering their antenna."

WRTV's CE says his station's antennas were altered but said they aren't causing the problems. "We did an investigation and found we have an adequate signal in the Carthage area and past there. The problem is, the closest thing wins," *The Star* quoted the CE.

It looks like the issue will have to be solved locally. WJCF isn't breaking any FCC regulations at this point. The Commission won't allow educational FMs to interfere with more than 3,000 people. Carthage has a population of 928.—CM

## Turpin sees ad slowdown

Growth in ad spending will slow significantly this year, but radio

should still come out better than most of its competitors, according to a new CIT (N:CIT) forecast released by **Steve Turpin**. Yes, that Steve Turpin—the long-time broadcast lender is now heading CIT's Equipment Financing division, part of the Specialized Finance Group.

"Ad growth in the broadcast industry has been fueled by the dot-com phenomena, the 2000 presi-



dential election, the Summer Olympics and an optimistic consumer outlook about the US economy in recent years, Turpin noted. "Although the economy is the main culprit behind the ad revenue growth slowdown, the slowdown is also reflective of the dot-com meltdown that began last year and continues into 2001. The dot-com's needed to get the word out about their Web sites so they began to advertise like there was no tomorrow—which it turns out there wasn't for many! Indeed, in many cases, well over 50% of a dot-com's expenses were spent on advertising."

CIT researchers **Michael Paslawski** and **Malory Pikar** are forecasting that total broadcast ad revenues will rise only 4.4% this year. Radio ad revenues are expected to rise 5.1%—a far cry from last year's 13.8%, but well ahead of TV's 2.3%. Cable TV is expected to be more robust, rising 10.5%. The CIT forecast sees radio returning to a more normal growth rate of 7.8% in 2002.—JM

# Radio News®

## News Briefs

### Philadelphia gets NAB Radio Show 2003

The Philadelphia Convention and Visitors Bureau has announced that the NAB Fall Radio Show will be held in the City of Brotherly Love in October, '03.—CM

### NRB President Gustavson dead at 64

Dr. **E. Brandt Gustavson**, President of the National Religious Broadcasters, died 5/14, just a few weeks after NRB announced that he had been diagnosed with cancer of the liver and pancreas (*RBR* 4/30, p. 3). Gustavson, who had headed NRB since 1990, was 64.—JM

### Kennard boards another company

Former FCC chairman **Bill Kennard** has been elected to the Board of Directors of the New York Times Company (N:NYT). Said Times Chairman **Arthur Sulzberger, Jr.**, "...His knowledge of telecommunications networks—broadcast, cable and Internet—will be immensely helpful as we evaluate our initiatives and opportunities in those areas."—DS

### SMR names Dave Kerr President

Strategic Media Research has appointed radio veteran **Dave Kerr** as its President, joining Founder/CEO **Kurt Hanson** and COO **Amy Vokes**. Kerr will be charged with staffing SMR's Sales and Marketing efforts and investigating joint venture and merger/acquisition opportunities.—CM

## ABC Radio unveils streaming strategy

Just two and a half months after ABC Radio killed its streams from the new AFTRA fee requirements (*RBR* 4/16, cover; *RBR.com* 4/8), New Media EVP **Geoff Rich** tells *RBR* the company's new streaming media solution should begin to launch next month. The need to replace or substitute online material was first discussed at ABC last December, stemming from the RIAA fees controversy (*RBR* 2/12, p.8, 12/18/00, p.4).

Working with Real Networks products and assistance, ABC has chosen Media Touch/OMT Technologies' "iMediaAdCast" for its streaming ad insertion solution, instead of using Real exclusively (*RBR* 5/14, p.8).

RBN is also working with ABC Radio on a number of these issues, in particular, international "gating." Rich explains: "If someone listens to one of our radio stations

in another country, we've caused an international performance of that show or music. The DMCA only covers performance rights relating to the US. Disney has businesses throughout the world, so we are much more vulnerable."

Rich says ABC will be doing its own streaming ad representation for the network of sites. "Real did help us early on with our first ad replacement system, which was with **The Tom Joyner Morning Show**. We've been repping our own advertisements, both streaming and website ads, since the beginning."

ABC will begin the new streaming model with its AM stations. "Because basically, they have less issues. And we're hoping to have some of those stations up and running in June. My goal is to have all of the AM stations up by July 1, but with the Internet, I have yet to find anything that goes exactly as planned."—CM



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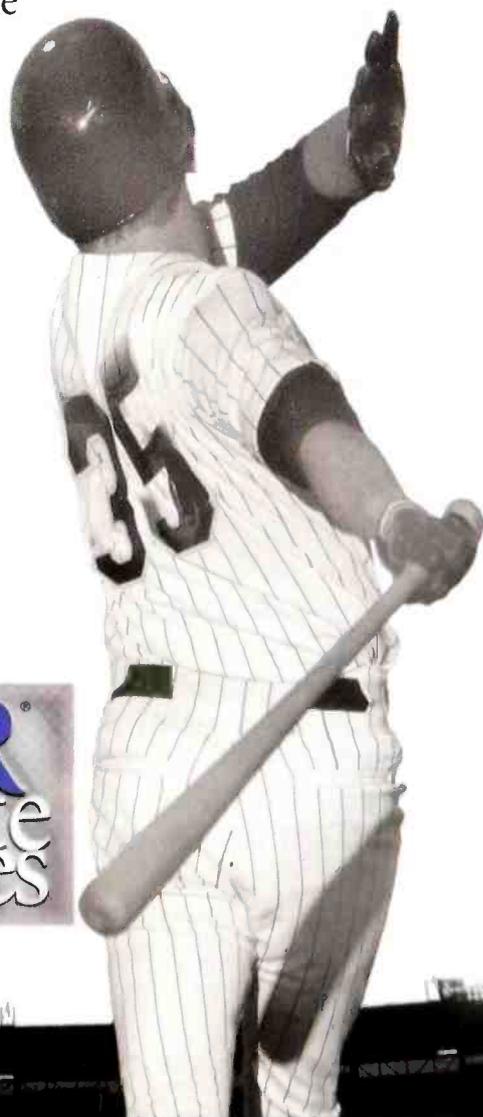
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## NTR: Home and health categories spring ahead

For the second month in a row, the Clothing NTR category came up empty, which is perhaps good news, depending on the physical attributes of the radio listeners in your area. It is good news in the sense that the "Nudefest" promotion we suggested last month (*RBR* 4/23, p.4) can now be extended into April! We note that the Health & Beauty Care category was way up, providing a critical underpinning for this innovative promotional idea.

The Home Improvement and Office categories also picked up steam as America chugged into spring cleaning season. Automotive, while slipping some from March, was still well ahead of its YTD pace.—DS

# Radio AdBiz

## Non-traditional Revenue Track % of vendor/new business by category (April 2001)

Category	Nov	Dec	2000	Jan	Feb	Mar	Apr	YTD
Automotive	12.11	1.55	10.27	0.22	2.45	9.33	6.43	4.84
Food/Grocery	19.52	29.28	26.35	19.89	33.05	27.85	27.10	26.91
Leisure	38.11	53.56	30.15	24.17	43.86	47.35	38.84	38.61
Health & BC	7.25	4.16	6.30	8.48	4.21	3.62	9.52	6.67
Home Improv.	4.97	1.81	6.39	1.24	5.49	6.28	9.98	6.06
Office	6.62	0.00	5.62	5.51	2.34	1.57	4.04	3.41
Clothing	1.05	5.63	4.67	8.32	2.44	0.00	0.00	2.47
Recruiting	10.37	4.02	10.22	32.12	32.12	4.00	4.08	11.03

Source: Revenue Development Systems, based on revenues from 76 stations in 32 markets



## Should Arbitron be the Radio Bible?

by Amy Nizich

Certainly we need to have something to guide us when choosing the proper stations for our clients' radio buys. We need to have some estimate of audience delivery so that intelligent decisions can be made as to how much to buy and tell us the relative value of stations.

Arbitron goes a long way towards filling many of these needs. We can look at age cells, check turnover, and get share and average quarter hour (AQH) information. We can average books and use the information to trend stations as well as find out our schedules reach and frequency. It sure beats buying blind!

The problem is that we are dealing with samples and statistical models. Reliability is what Arbitron is all about, nowhere is the word "accurate" used. We are looking at highly fragmented audiences in most major markets. Many of the samples must be weighted to compensate for poor diary return among certain target demographics. There is no real statistical difference between a station that has an AQH of 0.8 or a 1.3 and yet we buy the station with 1.3 as if it were a much better station.

People further complicate the inherent Arbitron statistical problems by buying toward very narrow demographics and narrowing dayparts, even buying by the hour. This may make the numbers look better and yield a better cost per point on paper, but sample sizes begin to get very shaky.

So what's a buyer to do? Market specialists should use multiple sources when making decisions on which stations should be included on buys. Qualitative sources such as Scarborough and Media Audit should be consulted. Formats should be carefully chosen to complement each other and help target your audience.

Talking to the station people in the market is extremely important as they can guide you as to how the Contemporary Hit Radio (CHR) station in market A is different from the same format in market B. Daypart narrowing should be kept to a minimum. They can also give you the latest gossip as to what might occur down the road that could impact your schedule.

When there are market changes, which are not yet reflected in Arbitron, buyer logic must prevail over existing data. Sometimes just looking at the overall demographic composition of a market can guide you as to how a new format might be received.

Buy by the numbers? The answer is yes and no. All possible sources of information should come into play allowing the buyer to use broad strokes to create the best and most effective buys to help our clients sell their products.

Amy is EVP/Director of Local Broadcast Negotiations at Initiative Media. She can be reached at 323-370-8490 or amy.nizich@im-na.com.

# Sales

## Howard University Media Sales Institute draws big names in radio

By Carl Marcucci

The National Association of Broadcasters Education Foundation (NABEF) recently provided a \$48K grant to fund the 10-day Howard University Media Sales Institute taking place 5/15-5/24 on campus in Washington, DC. The first-ever event, developed by Personal Selling Principles (PSP), a media management and training company founded by radio vets **Jeffrey Myers** and **Bart Horton**, includes some of the biggest names in broadcast marketing, all of them speaking (and recruiting!) to students in attendance from universities from around the nation.

Howard University's School of Communications has been recognized for producing the largest number of African American graduates in the field of communications. Said recent Howard Grad **Dana Camak** on the event: "I've learned so much from this opportunity. The ten days really have been vigorous, but the training has been awesome. We've had some really wonderful people come in and really take time with us, and that's really good to see. They're trying to give back to younger people and pave the way for us. Through it all, I believe that we all will succeed and do well. It's good to see that we have a leeway into the industry."

The event is designed to serve as a pipeline for funneling talented students with diverse backgrounds into the broadcast industry. Speakers include: **Eddie Fritts**, President & CEO, NAB; **Chuck Sherman**, President, NABEF and EVP, Television, NAB; **Richard Ferguson**, VP/ Co-CEO, Cox Radio; **Gary Fries**, President/CEO, Radio Advertising Bureau; **Chris Rohrs**, President, Television Bureau of Advertising; **Jay Williams**, President, American Urban Radio Networks; **Tony Washington**, VP Corporate Sales, Radio One; **Bennett Zier**, EVP, Clear Channel Communications-DC; **Jim Winston**, Executive Director, Na-

tional Association of Black Broadcasters; **Ralph Guild**, CEO/Chairman, Interep; **John Hare**, President ABC Radio Division; **Larry Julius**, VP Sales, Lightningcast; **Stu Olds**, CEO, Katz Media Group; **Kevin Barry**, VP, Local Sales & Marketing, Cable Television Advertising Bureau; and RBR's **Ken Lee**.

RBR attended lectures by Dick Ferguson, Stu Olds and Gary Fries. Telling his story, Ferguson described his ascent from setting up a broken down college carrier current AM

9) Do your homework. Don't show up unprepared. It's better to apologize and postpone than show up not prepared.

10) Follow through. Make sure all you say you are going to do gets done.

11) Keep balance in your life—take a few minutes to pull back and look at the big picture.

12) Life isn't always fair. Clients and employees will give you some really bad breaks. It's how you deal with that that's important.

13) Be a leader. Leadership is the "Spreading of hope."

he's been a manager, he has only fired three people, two of which over a loss of trust and respect. "I can't tell you how important I think core values are and the courage to stand behind them. The core values you have to live by in this business are trust, integrity, excellence, dedication. And I want to tell you, one thing to never do is compromise your integrity or personal values. The reason I say that is once that's tainted, good luck. But if you think of a person that's very principled on a personal basis, you think of an

individual that you know is going to do the right thing every step of the way. That's a person you feel comfortable doing business with. That's a person you will share information with. That's the person you will give the benefit of the doubt to. And in selling media time, you're going to need

the benefit of the doubt a lot."

Fries spoke to the students on the role RAB plays in the industry—a spokesperson, a provider of station support, a training entity, and an organization that works with national advertisers, educating them on radio's benefits and bringing that business to radio.

One student asked if Fries thought emerging technologies like satellite radio would hurt today's radio broadcasters. "Radio has reinvented itself many times. The reason I became a GM at 24 years old was because everyone was moving to TV. Radio survived TV. Radio survived the eight-track, the CD player and it will survive satellite and the Internet. We know the music, the socioeconomic background, etc. We have a handle on the audience of our communities. So if anybody is going to reinvent that infrastructure, I'd like to see it."

Scheduled speakers back-to-back, both Fries and Olds encouraged students to apply for Bayliss foundation grants, of which they both serve on the board.



Olds, Fries and Ferguson were speakers at the Media Sales Institute

with ad sales dollars, to the sale of 18 stations to Cox for \$20M in 1997. Ferguson, an excellent speaker, provided some valuable advice for the attendees, summed up in a list of 13 principles to work and live by:

- 1) Your name and your reputation are your most valuable asset. Building a career is like building a house. A good house is built on a strong foundation and a good career is built on honesty and integrity. Do the right thing.
- 2) Build on your strengths, manage your weaknesses.
- 3) Keep growing. You've got to fight the comfort zones to become successful.
- 4) Pick the right company—"hire the right company."
- 5) Work with the big rocks, don't get hung up with the small rocks.
- 6) Be a really good listener. Find out what the client needs.
- 7) When selling, think like a marketing person—strive to meet the client's needs.
- 8) Ideas are really powerful. You are a creative problem solver—use that to your advantage

Stu Olds, who happens to arrive at work each morning at 6:30 AM, gave sage advice on making the right choice for the first employer. "As you go through that process of selecting a job, I really think it's very important that you think very carefully about the company that you want to partner with to start off your career. That first job you get is really kind of a post-graduate degree. It kind of sets the stage for the rest of your life."

As to suggestions for good sales strategies, he offered a number of tips. Among them, "I want you to start thinking as if you were a customer or a client when you are getting involved with them. Because there's nothing more important to a media sales person than developing relationships that produce dollars. How you treat people, how you build relationships, things that you do from day one are going to build the relations that are going to make you a lot of money in this business and others going forward."

Olds closed by stressing the importance of values. In the 30 years

## Part II: Digital Debuts: What's Next in Automation?

In Part I of this Engineered for Profit series on digital audio and automation systems (*RBR* 4/9, p.8), we focused on NAB2001 product debuts and upgrades. In Part II, we look at the latest on the "Cart Chunk" file sharing standard, webcasting and compatibility with IBOC DAB.

### "Cart Chunk" communication

Can we call it a standard yet? Just about—Cart Chunk is becoming at least a de facto protocol between production and automation/on-air control systems. Cart Chunk, which began as a Microsoft-developed tagging algorithm, allows users to embed labeling information—program-associated data—directly into a .WAV (or WAVE) file. That additional data is attached as part of a .WAV file in the form of chunks, or units of data, so spots or promos from a production system can communicate the files' info with multiple on-air control systems. Cart Chunk, with its inherent pros and cons, believers and non-believers, has been submitted to the Audio Engineering Society for consideration as a standard. It's currently awaiting the "call for comments" period.

Broadcast Software International (BSI) President **Ron Burley** tells *RBR* his company not only supports Cart Chunk, but a few other tagging schemes as well: "We support the Microsoft RIFF tagging method, the Cart Chunk and the MP3 ID2/ID3 tagging methods. Interestingly, the Microsoft RIFF tagging scheme is the oldest, but still the most versatile. The information is placed at the end of the file, after the large audio data field. This allows for quick review and editing of the information without rewriting the audio data. The RIFF specification is highly used in the music and audio production sectors, less so in broadcast where digital audio developers historically favored proprietary constructions." Cart Chunk, on the other hand, places information at the begin-

# Engineered For Profit

By Carl Marcucci

ning of the file, and "forces a rewrite of megabytes of audio data any time the length of the information is changed. The Cart Chunk also limits users to a specific set of data fields. RIFF doesn't," Burley adds.

"DADpro32 has been Cart Chunk compliant since March 2000. Enco believes strongly in Cart Chunk and we will continue to support and act as an advocate for the standard," says Enco Director of Sales and Marketing **Don Backus**.

CartWorks and RCS also support Cart Chunk. All of RCS's products are XML (see Part I) and Cart Chunk ready. And for CartWorks, "We now support the Cart Chunk format and see it as being the best choice for this type of exchange. Our latest release of the *C a r t W o r k s W a v / M p e g* Digital Audio System includes support for the Cart Chunk standard, and automatic web site content generation," says President **George Thomas**.

Still, support is not yet universal for the developing standard, and it may not be the best solution in the long run, according to Prophet Systems Innovations Director of Marketing **Jackie Lockhart**. "We currently have no plans to use Cart Chunk to communicate between differing on-air systems," she says.

"Support of Cart Chunk to date has been spotty. At BE, we support as standard a Cart Chunk format as we can, given the specifications. Sound Forge 5.0 supports a standard implementation of Cart Chunk which allows edited pieces to be trans-

ferred to our Vault systems seamlessly," Broadcast Electronics Director of Studio Systems **Ray Miklius** explains.

To get around the fact that other systems still use their original proprietary formats, BE has had to take extra steps to make their systems compatible. "In order to move audio files from an older BSI version to AudioVault we had to build a custom software tool to convert that proprietary data into a standard Cart Chunk format. We expect more and more suppliers to migrate to the format. But in the meantime, we still develop many import

tools to allow for seamless sharing of audio assets," Miklius adds.

Cart Chunk, while probably the best sharing solution out there today, doesn't solve all of radio's needs and is limited in the amount of data it can carry.

According to Scott Studios

President **Dave Scott**, "The Cart Chunk doesn't allow rotating multiple cuts under one number, doesn't honor start/end times (just dates) and many other qualities essential to a real radio station. It may please the engineers but it is way short of what the traffic managers and program directors want. Also, it has yet to be really adopted as anybody's standard."

Arrakis Systems VP Broadcast Division **Rod Graham** agrees, "The only standard we can see is the file name itself. All of the data we have is put on the file name. And because it's there, it's easily retrieved. I'm not sure how all the differing on-air systems operate, but as far as the Digilink Free and our Digilink Max that

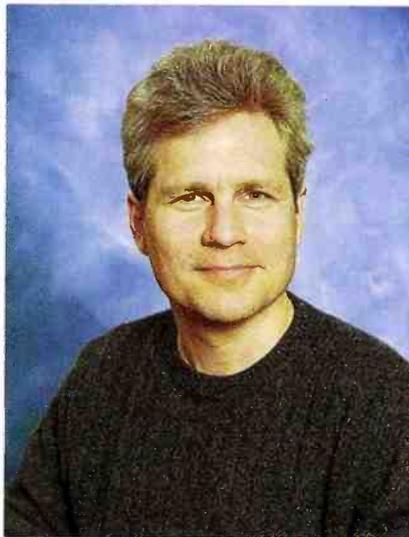
we're selling, all of our information is on that file name."

### Dot-com dollars diminishing?

The latest hype surrounding AFTRA's rates charged to radio advertisers for streaming their spots over the Internet simulcast (*RBR* 4/16, cover) may be hurting the webcasting software industry with hundreds of stations silencing their streams. Others still have gone to on-demand playback of content rather than continuous audio streaming. "Many are using on-demand audio for highlights, news reporting, etc. They are more for building brand than for monetization. Based on Internet economic conditions, the market will be spotty for awhile. But over the long haul, new concepts and business strategies will emerge," says Miklius. "Obviously, the golden days of audio streaming are over, for now. Many projects we were quoting or involved in have either scaled back plans, held off on investment, or went away. But we also have had many significant success stories."

"While Dalet has a strong base of webcasting clients, the current dot-com fallout is causing many potential webcasters to question their investments in content production and delivery tools. While we see this market as an important source of revenue, we have made plans to explore and develop other markets," confirms Dalet Director of Marketing **Robin Wang**.

Nevertheless, what's good for the radio studio is good for the webcaster studio. Some vendors contest there's a fine line distinguishing between the two. "We do business with a number of webcasting companies," Backus attests. "While the volume is increasing, I believe that the basic needs of that market overlap so significantly with our more traditional broadcasting market, it's



Ron Burley

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best to look at webcasting as essentially another facet of the broadcast market, and that is an important source of revenue for us!

"In our 21 years of experience, this is the most exciting and profitable time of all for RCS. Because we are at the intersection of radio and the Internet, we are seeing people from terrestrial radio and Internet radio," says RCS President **Philippe Generali**. "Both market segments need our tools for their Internet broadcasts; terrestrial radio needs our Internet integration systems and Internet radio needs our digital automation and music scheduling experience. With the dot-com economy frenzy lessening, we are seeing fewer new companies, but the serious and significant players are still around and still building their futures with tools and support from RCS."

BSI is seeing both an expansion and contraction in the webcasting sector. "Traditional broadcasters, reeling from license disputes with record companies and license holders are scaling back their efforts," states Burley. "They've also had problems developing a profitable webcasting model. On the other hand, web-only broadcasters appear to be making ambitious plans for the future. They use our products to provide a very economical core stream from which listeners/viewers can fork to other content."

Nevertheless, the issue of to stream or not to stream lies much more with streaming expenses than software and equipment. The ISP, AFTRA and RIAA fees have the greatest impact on demand for these vendors—instead of their individual pricing structures. For example, LPB offers its "Web Jockey" automation system for only \$99 (it doesn't interface with traffic and billing). While that price point should bring in a ton of business, National Sales Manager **Dave Strode** says not necessarily: "We are getting interest from tons of wannabes. And then they run up against their actual costs. Buying the software and putting the station online is one thing, but getting that ISP connection so that you can serve

a few people—that's where the big dollars run in. So then they realize they actually have to make money doing this. I'd say 1% of the people who are interested in it actually do it."

### IBOC integration

Another important consideration for both broadcasters and digital audio systems manufacturers is configuration decisions in anticipation of DAB. Nobody wants to have to throw out their existing systems to successfully add a DAB broadcast. We asked IBOC developer iBiquity Digital and the automation systems vendors what sort of changes, if any, may need to be made.

As part of the merger with Lucent Digital Radio (*RBR* 7/17/00, p.2), iBiquity will be using Lucent's PAC (Perceptual Audio Coding) compression scheme in its final system. Actually, iBiquity has its own version of PAC, "Q-PAC," which is customized for use in broadcast channels, STLs and studio storage. Because broadcasters are currently running MPEG-II, Dolby AC2 Apt-x or other data compression types, will these differing algorithms conflict with Q-PAC, causing audio artifacts or worse?

The issue centers around "transcoding," where a digital signal that's already been compressed is turned back to equivalent CD-quality, and then re-compressed. "You actually turn it back to digital audio, uncompressed and then you re-compress it again," says iBiquity VP Broadcast Engineering **Glynn Walden**. "We're not going to lie to you and

tell you that there are no issues with transcoding. To be honest, the full effects of transcoding are not known to us. We don't know how every other codec will work with PAC, but what will happen is broadcasters will implement IBOC and they will find which codecs are friendly and which ones aren't. And eventually, the marketplace will weed out the unfriendly codecs."

Q-PAC actually attempts to solve some of the conversion issues. "With Q-PAC, we don't do

transcoding, we do tandem coding—we take the Q-PAC that comes out of the studio or STL and translate it to broadcast PAC—without uncompressing and recompressing. We do the translation directly from the Q-PAC at the higher coding rate to Q-

PAC at the lower coding rate. We are working on versions of PAC that are specifically intended to support STLs and studio storage systems. These versions are designed to be free from artifacts that happen in typical transcoding operations. In the case of Q-PAC, we don't uncompress the audio. We merely convert it from the higher bit rate storage device, or STL, to the appropriate bit rate for transmission over the AM or FM channel."

Apparently, there's no need for alarm, at least not yet. Incorporating an existing automation system (i.e. one that uses MPEG-II) with IBOC may work just fine if it uses linear, uncompressed audio. "The best operation is where you don't do this transcoding, where you're uncompressing and

recompressing," stresses Walden. "For example, Apt-x runs at 384 kbps. A lot of broadcasters use that for storing audio, but it's a high bit rate. So, consequently, it might work fine. Over a period of time, broadcasters will learn what is compatible with the transmission system and what isn't and they will slowly adopt the technologies that are compatible. We think that we have the best solution, which is Q-PAC, of course, and we will be actively marketing it as part of the overall IBOC solution. Many of the digital audio storage system manufacturers have discussed this with us and are aware of what we think the right thing to do is."

"Prophet Systems currently offers configurations that allow for both compressed and uncompressed audio," confirms Lockhart, who doesn't anticipate a problem for client stations using the company's NexGen digital automation systems.

"Most of our storage customers employ some level of lossy compression to save disk space," says Miklius. "The fidelity affects of driving an audio stream generated from MPEG I Layer II files through PAC is still unknown. We are working with iBiquity to insure that cascading compression effects with PAC are understood and overcome."

Enco, Scott Studios, Media Touch, and others are also involved in the process with iBiquity. The solution is already being standardized to some degree just by using uncompressed, linear audio. "More and more stations are using uncompressed audio in their air studios because of the potential for dueling algorithms later in the air chain. Scott Studios and Computer Concepts both have been pioneers in that," Says Scott. "Scott Studios' new SS32 is also playing apt-X as well as MPEG-II or MP3 or uncompressed in our systems for



Glynn Walden

compatibility with our legacy clients who have a large library of previous recordings using apt-X. All of these formats (plus Dolby C-2) play seamlessly in Scott systems, and those classic units where might not can mostly move to the test with a software upgrade."

Backus agrees, any system that uses linear storage should be a good start for working with BOC. "Most people are not giving DAB an enormous amount of consideration at this point when it comes to designing and implementing a digital delivery system. Those that are, are typically most concerned with the potential for degradation of sound or artifacts appearing in audio due to cascading data reduction algorithms. In these cases, engineers are choosing to go with linear storage instead of the MPEG-I which is widely used with digital systems like DADpro32."

"Certainly testing needs to be performed to determine what if any changes need to be made. Obviously, supplying uncompressed audio to the DAB system input would be a good choice. However, this may not be necessary in every case. It will also depend on the compression

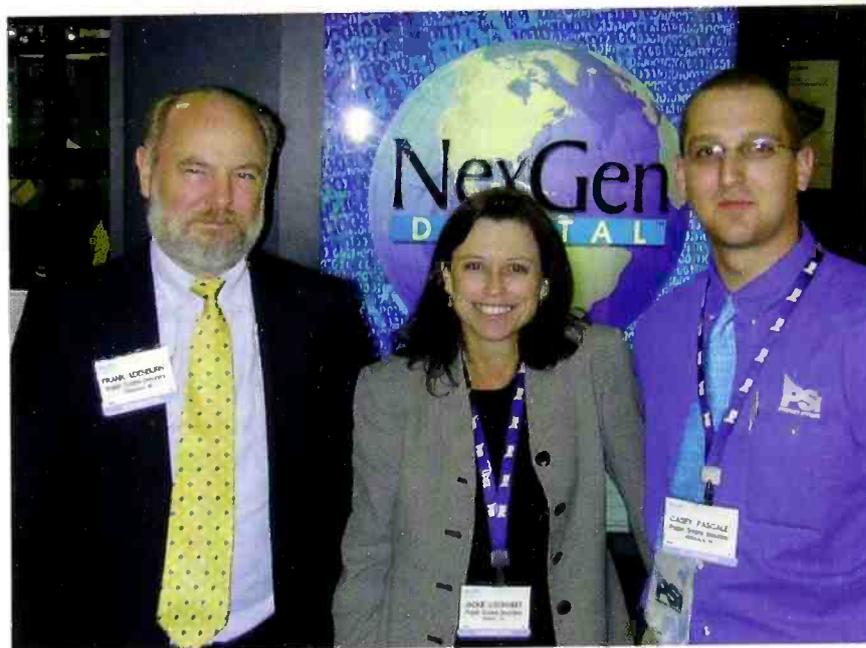
types used in other portions of the station's on-air chain (Satellite, Digital STL, etc.)," observes Thomas. "Our company is developing solutions for stations who have their valuable music libraries stored in a compressed format

they've been monitoring the introduction and development of DAB overseas for years. "The last thing the world of digital needs is yet another wannabe standard, mainly because there are so many already out there. RCS has been

a receiver-based concept, the end user can't hear the new transmission unless he gets a new radio. We've seen over and over that it's very hard to get people to adapt to new hardware, whether it's AM stereo, Quad FM or DAB. RCS has not yet had contact with iBiquity but we would be delighted to explore the possibilities with them."

Strode hasn't made technical contact with iBiquity yet, either. However, he's not too worried: "This is the stuff that we can't get out of iBiquity now—all their specs. It's a chicken and the egg thing. The chicken hasn't laid the egg yet, so which one do you want me to fix first? The worst case is you'd have to change out the audio card or compression scheme for a better sampling rate. But that's all based on the audio card—much less to do with the automation system. That probably applies to everybody."

Adds Burley: We can handle any audio technology supported either via audio hardware or software codec in the playback PC. This is what we mean by "non-proprietary." Broadcasters can make their own choices about audio format. Our tools don't limit their options."



(L to R) Frank Edenburn, Sales Manager; Jackie Lockhart, Director of Marketing; Casey Pascale, Sales Engineer

(apt-X, Mpeg layer II, layer III, etc.) and wish to convert to uncompressed audio without re-recording everything."

RCS hasn't yet sat down with iBiquity to examine compatibility issues. Generali says because RCS has 22 offices in 18 countries,

watching the development of DAB in Europe for quite some time and we have found that even public broadcasters in Scandinavia have become lukewarm after five years of trying very hard. Because iBiquity, like others before them, have created

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## Jeff-Pilot a takeover target?

Following the biggest insurance company deal ever—the \$23B purchase of American General (N:AGC) by American International Group (N:AIG)—there are rumblings of a consolidation spree. One Reuters report lists the top two takeover targets as Lincoln National (N:LNC), valued at \$9B, and Jefferson-Pilot (N:JP), valued at \$7B. Many of the potential buyers are European insurance companies, who would have to spin off J-P's radio and TV groups.

Jefferson-Pilot Communications recently reported that Q1 revenues were down 5% to \$50.6M. Broadcast cash flow declined 16.7% to \$16.8M.

# Media Markets & Money™

by Jack Messmer

## Bank cuts off Big City's credit

An SEC filing by Big City Radio (A:YFM) reveals that its bank lender, Chase Manhattan, has cut off access to its credit line. Big City asked to draw on the revolving credit facility in April, but was refused. "The lender informed the Company that it would not permit the Company to draw on the Revolving Credit Facility due to the Company's lack of compliance with a covenant that required that the Company's consolidated financial statements for the year ended December 31, 2000 be reported on by the Company's

independent accountants without a 'going concern or like qualification or exception,'" Big City reported to the SEC. Instead, the radio group borrowed \$425K in May from an "affiliate," apparently another company controlled by Big City Chairman **Stuart Subotnick**.

Big City faces the first cash interest payment of \$9.8M on its \$174M in outstanding public bonds (senior discount notes) on 9/15 and had only \$478K in cash on hand, as of 3/31. "The Company is in the process of seeking a new debt facility to finance its operating and debt service requirements and capital expenditure programs

through December 31, 2001," Big City said in its SEC filing. "There can be no assurance that any such financing will be available or available on acceptable terms. Management believes that its long-term liquidity needs will be satisfied through a combination of i) achieving positive operating results and cash flows through revenue growth and control of operating expenses and ii) the implementation and execution of its growth strategy to acquire and build a major broadcast group. In order to meet its long-term financing needs, the Company is currently considering all means available to it, including the raising of additional equity and the restructuring of the Notes."

At another point in the filing, Big City says, "Cash and cash equivalents are not sufficient to support the Company's operations through December 31, 2001 and its growth strategy. In addition, because of the Company's substantial indebtedness, a significant portion of the Company's broadcast cash flow will be required for debt. These matters raise substantial doubt about the Company's ability to continue as a going concern."

## Big City's Q1 revenues were down

In a departure from normal Wall Street practice, Big City Radio (A:YFM) did not issue a press release informing investors of its Q1 financial results. It has now, as required by law, submitted its financial results to the SEC. Net revenues for Q1 were down 9.1% to \$4.2M. Expenses were also lower, but the company remained in negative cash flow. Q1 negative broadcast cash flow was \$1.4M, compared to a negative \$1.5M a year earlier. The company said that revenues were down in New York and

John Borders, President, of  
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**(Highland Village) Dallas, Texas**

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Chicago, but up in Los Angeles. For Q1, Big City's net loss was \$8.8M, up \$139K from a year ago.

## Tough Q1 for Jones

With virtually all of its business lines dependent on national advertising, Q1 results were not pretty at Jones Media Networks Ltd. Company-wide, revenues were down 7% to \$18.7M and EBITDA plunged 92% to \$300K.

Jones Radio Networks actually posted a 1% gain in revenues, to \$9.9M, which President **Ron Hartenbaum** attributed to the launch of new programs and a new 24-hour format, "Rhythmic Oldies," in late 2000 and early 2001. New costs more than offset the modest revenue gain, sending radio EBITDA down 62% to \$900K.

Cable ad sales, the cable infomercial business and satellite uplinking services—the other main businesses of Jones Media Networks—were down even more than radio.

Having just jumped into national representation of Internet streaming a few months ago, Jones is already having second thoughts. In Jones' conference call with Wall Street bond analysts, Hartenbaum noted that many radio com-

panies have stopped streaming because of the AFTRA/SAG demands for payments for union talent. He also recounted the impact of the generally soft ad market and the reluctance of advertisers to enter new types of media in a time when they're cutting back on traditional media spending. "All of these issues have prompted us to re-evaluate and make a decision regarding our future involvement in this business—a decision we expect to make very shortly," Hartenbaum said.

Although the sector generated "no significant revenues" during Q1, Jones' Internet business posted an operating loss of \$600K.

## Liggins buys Radio One stock

There's no better way to show confidence than for a CEO to invest in his own company's stock, so it appears that **Alfred Liggins** has great confidence in Radio One (O:ROIA & ROIAK). The company says Liggins recently bought 1.5M shares of its Class D (O:ROIAK) stock at the market price. Based on recent trading, that would put the price tag around \$30M. The entire purchase was made with a loan from Radio One.

The company also announced that it had granted a total of 1.25M in options to buy Class D stock to Liggins, Founder/Chairperson **Cathy Hughes** and COO **Mary Katherine Sneed**. That increases the company's tally of fully diluted shares to 89M.

Radio One issued updated guidance (5/15) for Wall Street analysts, reflecting

the increased stock numbers and the impact of this month's \$300M bond sale (*RBR* 5/14, p. 12). The advisory did not change the basic numbers from Radio One's previous guidance: Q2 should have net revenues of approximately \$64M and broadcast cash flow of \$34.5M and the full year should have net revenues of \$248M and BCF of \$132M. It also repeated the estimate that Blue Chip Broadcasting, whose acquisition by Radio One has now gotten a green light from the FCC, will have BCF of approximately \$11.5M this year.

Radio One hasn't said anything yet about a Cable World report that it is part of a group making a \$110M cash infusion into New Urban Entertainment Television (NUE-TV), along with AOL Time Warner (N:AOL), Goldman Sachs and a number of other investors. The cable TV start-up seeks to challenge Viacom's (N:VIA) recently-acquired Black Entertainment Television (BET).

**RBR observation:** Liggins had previously revealed that Radio One had taken a small equity stake in NUE-TV, mostly in trade—providing expertise in programming, marketing to African Americans and promotional support from Radio One's Urban stations—but very little cash. A close reading of the Cable World report indicates that the new deal is much the same—with Radio One providing little of the cash. In addition to Radio One, Clear Channel (N:CCU) and Hubbard Broadcasting are NUE-TV investors.

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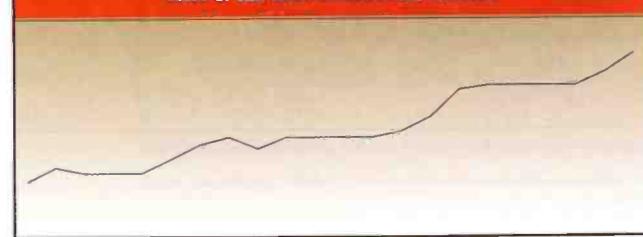
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190  
170

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# Transaction Digest<sup>®</sup>

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.*

**\$80,000,000 KQQK-FM Houston** (Galveston) from KQQK License Inc., a subsidiary of El Dorado Broadcasting Inc. (Roel C. Campos, SVP) to HBC License Corp., a subsidiary of Hispanic Broadcasting Corp. (O:HBCCA) (McHenry T. Tichenor Jr. et al). Cash. **Superduopoly** with KRTX-AM, KLAT-AM, KOVE-FM, KRTX-FM, KLTN-FM, KOVA-FM & KLTO-FM, forming three distinct radio markets.

**\$17,000,000 KOHT-FM & KTZR-AM Tucson** (Marana, Tucson) from Royal Broadcasting of Arizona LLC (Art Laboe) to Clear Channel Broadcasting Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. **Superduopoly** with KNST-AM, KRQQ-FM, KOYT-FM, KWFM-FM. Royal is also selling KXEW-AM South Tucson. CCU has assigned its right to acquire the station to a third party.

**\$9,000,000 KBZS-AM San Francisco** (Palo Alto CA) from In Radio License LLC (N. John Douglas) to SCA License Corp. (Stuart Epperson, Ed Atsinger), a subsidiary of Salem Communications (O:SALM). \$250K advance, balance in cash at closing. Seller must obtain new 10-year lease for its current transmitter site. Further, seller can earn additional \$2M if he successfully obtains a CP for a new transmitter site which reaches a nighttime population of at least 2,287,977, with a \$100K bonus reduction for each 1% of diminished population reach. **Duopoly** with KFAX-AM & KSFB-FM.

**\$7,200,000 WMFS-FM Memphis** (Bartlett TN) from Belz Broadcasting Co. to Infinity Broadcasting Corp. of Illinois, a subsidiary of Infinity Broadcasting Corp. (N:INF) (Mel Karmazin et al). Cash. **Duopoly** with WMC AM & FM.

**\$2,150,000 WWUZ-FM Fredericksburg VA** (Bowling Green VA) from Rappahannock Communications Group Inc. (W. Walden Abernathy) to The Free Lance-Star Publishing Co. of Fredericksburg, Virginia (Florence C. Barnick, VP et al). \$150K escrow, balance in cash at closing. \$150K put into

post-closing escrow account pending resolution of real estate litigation involving the station. **Duopoly** with WFLS-FM Fredericksburg. The Fredericksburg market is initiating Arbitron measurement for the Spring 2001 survey.

**\$1,350,000 WAZR-FM Winchester VA** (Woodstock) from Ruarch Associates LLC (Arthur D. Stamler) to Capstar TX LP, a subsidiary of Clear Channel Communications (N:CCU) (Lowry Mays et al). \$67.5K escrow, balance in cash at closing. **Superduopoly** with WACL-FM, WFQX-FM, WKCY-FM, WUSQ-FM & WKCY-AM forming two distinct markets.

**\$1,200,000 KBRE AM & FM St. George-Cedar City UT** (Cedar City) from Kolob Broadcast Radio Enterprises (Arthyr T. Challis Jr.) to MB Media Group Inc. (Jerold W. Johnson, Wallace C. Brazzeal, L. Brent & Debra L. Miner et al). Promissory note. **Superduopoly** with KSUB-AM & KCIN-FM Cedar City UT and KZNZ-FM Colorado City AZ. LMA since 9/1/98. Merger of MB Media and Southern Utah Broadcasting Co. with MB as surviving company.

**\$1,000,000 KBLK-FM Burnett TX** from Munbilla Broadcasting Corp. (B. Shane Fox) to Blanco Television LLC (Charles Crawford). \$100K escrow, balance in cash at closing.

**\$342,000 WHUG-FM CP Cooperstown PA** from Fox Allegheny Inc. (John A. Bulmer) to Forever Broadcasting LLC (Kerby confer, Donald Alt, Carol Logan O'Leary, Lynn Deppen). \$50K escrow, balance in cash at closing. Daisychain superduopoly primarily with WGYF-FM Meadville PA and WOXX-FM Franklin PA, along with an additional three FMs and four AMs, with no more than five stations, and no more than four stations of one service overlapping.

**\$260,000 WRHB-AM Kendall FL**. 52% of Baja Florida Radio Inc. from Richard A. Bowers (52% to 0%) to New World Broadcasting Inc. (Adib Eden, to 95% and Herbert M. Levin, to 5%). Cash.

## Regent enters Peoria for \$20M

The Cromwell Group has decided to part with its Peoria superduopoly cluster, selling to Regent Communications for \$20M. It will not be gone completely, however. \$6M of the deal will be paid in Regent Common Stock, which can be stacked next to the \$14M pile of cash that it's taking away from the negotiating table.

The stations are WVEL-AM & WGLO-FM Pekin, WPPY-FM Glasford, WRVP-FM Eureka, WIXO-FM Bartonville and WFYR-FM Elmwood, all surrounding the 141st Arbitron market. The cluster ranks second in audience share to JMP Media and ahead of AAA Entertainment, which itself only recently entered the market, striking four separate deals to acquire five FMs last year.

Regent also closed on its \$5M purchase of an AM and two FMs from

StarCom Inc. in St. Cloud MN, giving it to 2AM/4FM cluster there.—DS

## Salem adds in SF, Sacto, Richmond

Salem Communications (O:SALM) is adding a third station in San Francisco. The Religious megagroup is buying KBZS-AM from **John Douglas'** In Radio License LLC. The basic price tag is \$9M, but Douglas will get a \$2M bonus if Salem succeeds with efforts to boost the station's nighttime signal (currently 140 watts) to cover at least 2,287,977 people with its 11.1 mV/m contour.

The group is paying \$8M to swim its "Fish" Contemporary Christian format into Sacramento. Pacific Spanish Network is selling KLNA-FM, with an LMA putting the new format on the air immediately. The FM joins Salem's pair of AM stations already running in the market.

Although Salem does not own any stations in Richmond as yet, it does have tech subsidiary OnePlace in Virginia's capital, as well as an important group of stations up I-95 in the Washington market. It is paying \$735K to Cox Radio Inc. (N:CXR) to bring WVBB-AM into the fold.—JM, DS

## Greater Media gets greater in New Jersey

New Jersey-based Greater Media is expanding in "The Garden State" by acquiring four of the six stations under the umbrella of **Burke Ross Jr.**'s New Jersey Broadcasting Partners. Terms of the sale have not yet been filed with the FCC. Until closing, Greater Media will LMA the four stations: WRAT-FM in the Monmouth-Ocean market and WMTR-AM, WWTR-AM & WHDA-FM in the Morristown market—both new markets for Greater Media.

## Villalobos launching group

**Hector Villalobos** of Salinas, CA is launching a new radio group with six spin-offs that had been placed into trust when Z-Spanish Radio was merged into Entravision (N:EVC). Taking the literal English translation of his name, Villalobos has created Wolfhouse Radio Group Inc. to buy KCTY-AM, KTGE-AM, KHMZ-FM, KHNZ-FM, KRAY-FM & KZSL-FM, all in the Monterey-Salinas-Santa Cruz, CA market. The sellers are two trusts, with **Mark Inglis** as Trustee. Although the assignment applications were filed electronically at the FCC, the contract was filed on paper and is not yet available. According to an SEC filing by Entravision, **Amador Bustos** and his Z-Spanish shareholders retained the right to receive the proceeds from the sale of the spin-offs.

## New details of SBS' LA deal

The quarterly 10-Q report that Spanish Broadcasting System (O:SBSA) has filed with the SEC reveals lots more details of the company's LMA and pending \$250M purchase of KXOL-FM (formerly KFSG) Los Angeles from the International Church of the FourSquare Gospel. SBS has made \$25M in payments thus far—\$5M as a non-refundable deposit when the contract was signed 11/2/00 and an additional \$20M when it began LMAing the station this month (*RBR* 5/7, p. 2). That gives SBS the right to LMA the station through 3/13/02, but it can extend that to 12/31/02 with an additional payment of \$35M. All of those payments will be applied to the \$250M purchase price if SBS closes the acquisition by 8/1/02. After that date, each month's delay in closing will cost SBS an additional \$1.2M.

Meanwhile, the FourSquare Gospel church's LMA of SBS's 93.5 MHz simulcast stations, which began simultaneously with the KXOL LMA 5/1, has an initial term of 60 days. If the church doesn't extend its LMA, it will receive warrants to purchase 234,375 shares of SBS at \$6 per share (the stock closed 5/11 at \$5.12) each month until closing or 12/31/2000 (or termination of the sale contract). But if the LMA is extended, the number of warrants will be reduced to 197,917 each month. All of the warrants will be exercisable for five years after they are issued.

SBS has yet to specify exactly how it will finance and close the LA deal, which is an all-time record for the purchase of a stick and the second highest price ever paid for a single radio station. According to SBS' SEC filing: "The acquisition of radio station KFSG-FM [now KXOL] will be funded primarily from the senior credit facility, cash on hand and internally generated cash flow, as well as potential equity and debt financing and asset sales. There can be no assurance that the acquisition of radio station KFSG-FM will occur."

The SEC filing of the LMA terms also gives a pretty clear hint of what stations SBS CEO **Raul Alarcon** is thinking of selling to raise cash so he can close the big LA deal. If SBS sells any five of these six stations—KXJO-FM San Francisco (Alameda, CA), KTCY-FM Dallas-Ft. Worth (Denison, TX), KXEB-AM Dallas-Ft. Worth (Sherman, TX), KSAH-AM San Antonio (Universal City, TX), KMJR-FM (now carrying the KFSG call letters) Los Angeles (Redondo Beach, CA), and KNJR-FM Los Angeles (Ontario, CA)—it will then have to close the \$250M LA purchase within 60 days.

Meanwhile, outside director **Roman Martinez** has left SBS' board of directors, but declined to discuss his reasons for leaving with *RBR*. He'd served on the board since SBS went public in 1999 and says he'll continue to be involved with the company via his fulltime occupation, as an investment banker at Lehman Brothers. The company's quarterly SEC filing includes an amended credit agreement with Lehman Commercial Paper—extending the term by six months to 12/31/06, but capping the principal amount of what had been a \$125M commitment at the amount which has been lent, \$65M.

**RBR observation:** The statement, "there can be no assurance that the acquisition of radio station KFSG-FM will occur," is a standard legal disclosure under the SEC's rules, but the complexity of SBS' contract with the FourSquare Gospel church points up just how difficult it is for a second-tier radio group to pull off such a big purchase in the current economic environment. At this point, the church doesn't have any incentive to want to pull out of this deal—and plenty of reason to give SBS the flexibility to get this mega-bucks transaction to closing. Parishioners might even want to offer a prayer or two for SBS's stock price to go up and make those out-of-the-money warrants valuable. Also, SBS has an unrestricted right to assign its purchase contract, so—in a worst case situation—it could try to sell the station to someone else and recover at least part of its investment, rather than simply walk away if it can't come up with the remaining \$225M.

We thank the Gospel Music Association and the National Christian Radio Association for honoring our station with their Major Market Station of the Year Award. Just being nominated is an awesome honor.

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