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Radio Business Report

Voice of the Radio Broadcasting Industry®

September 2003

Volume 20, Issue 9



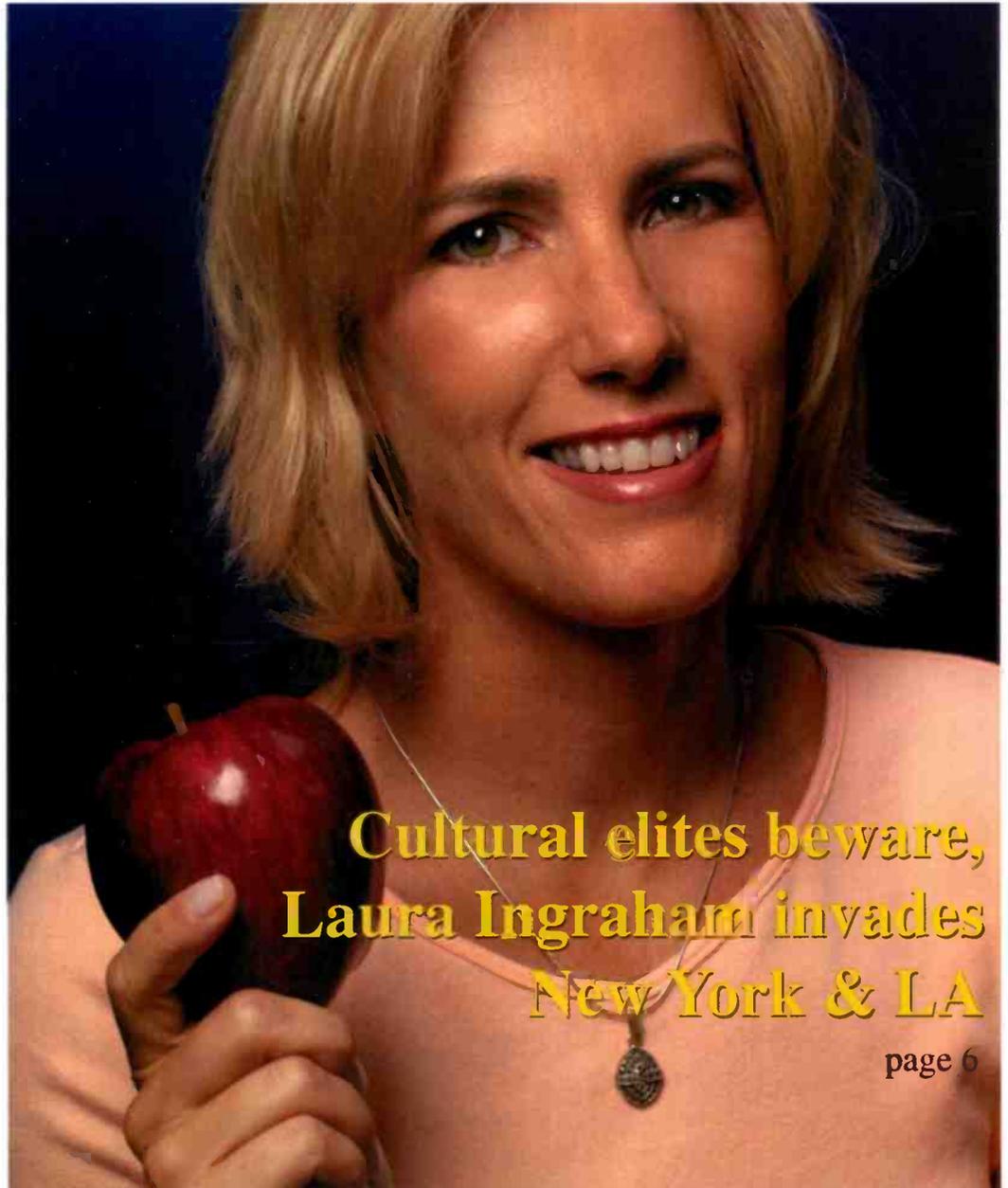
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Powell pushes back

After the June 2nd FCC ruling to reconfigure the media landscape FCC Chairman Powell found himself in what must have seemed to be an unexpected media frenzy. Critics from both Republican and Democratic sides put at risk his persona and some said he had no political future. How could he not see this coming? Was he really this politically unaware? Well the waters at the Potomac have now settled thanks to congress going back home to their districts for some chicken dinners. With their voices now gone the FCC chairman has begun to push back and redirect the conversation on June 2nd. It also helps when the President backs you publicly.

Powell launches localism, diversity initiatives

FCC Chairman Michael Powell defended the FCC's 6/2 broadcast ownership rulemaking, stating that it "...produced a balanced set of structural rules, faithful to the directives of Congress and the courts, to promote diversity, competition and localism in the 21st Century broadcast media marketplace."

That said, he admitted that he has heard the howls of protest generated by the proceeding. Of the three-pronged tests of ownership regulation (localism, competition and diversity), he believes that the concept of localism, and the perception that the new rules will damage localism, is what has generated most of the protest.

"During the proceeding and in the months that followed..." said Powell, "we heard the voice of public concern about the media loud and clear. Localism is at the core of these concerns, and we are going to tackle it head on."

Powell said that he himself was surprised, during the course of hearings in Chairman John McCain's (R-AZ) Senate Commerce, Science and Transportation Committee, by tales of voicetracking and pseudo-local radio stations, where distant DJs use crib sheets to feign intimate knowledge of a market to which they may never have even paid a visit.

To address this, Powell is setting up a Localism Task Force. It will have 12 months to gather empirical data and report on how localism protections can be built into the ownership regulations. This will include possible recommendations to Congress on legislative solutions.

Meanwhile, a Notice of Inquiry will be established, seeking comment on rules and procedures which would promote localism. It will look at the effectiveness of existing rules, and consider whether they need to be changed or supplemented. Voicetracking and license renewals will be among the topics considered.

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RADIO NEWS®

The task of the Localism Task Force

Just what are the tasks assigned to Michael Powell's new Localism Task Force? It will set out to accomplish the following (we quote Powell's release):

- * Conduct studies to rigorously measure localism and how it may be affected by existing FCC rules.
- * Organize a series of public hearings on localism around the country.
- * Advise the Commission on recommendations to Congress this fall relating to the licensing of thousands of additional low power FM radio stations.
- * Make recommendations to the Commission within 12 months on how the Commission can promote localism in television and radio.
- * Advise the Commission on legislative recommendations to Congress that would strengthen localism.

Low power proposals

Low power FM, the 2000 pet project of former FCC Chairman Bill Kennard, is about to get a boost from the current occupant of the Chair, Michael Powell. As part of his package to address concerns of localism in the broadcast media, Powell is taking steps to hasten the development of this most-local of all media.

First up will be a settlement window for competing, mutually-exclusive applicants. Individuals in such cases will have liberalized opportunity to amend their application to specify an alternative open channel.

Time-sharing arrangements will also be encouraged.

Powell thinks that he may be able to process over 1K LPFM licenses by year's end.

Ready, fire, aim! Copps consents to dissent

Michael Copps (D) fired off a dissenting opinion following Michael Powell's (R) press conference on localism.

"This proposal is a day late and a dollar short," said Copps. It highlights the failures of the recent decision to dismantle ownership protections. To say that protecting localism was not germane to that decision boggles the mind. The ownership protections, as well as the other public interest protections that the Commission has dismantled over the years, are all designed to promote localism, diversity and competition."

"We should have vetted these issues before we voted. Instead, we voted; now we are going to vet. This is a policy of 'ready, fire, aim!'" Copps continued, "We now hear that there may be localism issues after all. But what's going to happen while we study localism over the next year? The answer is: deals, deals and more deals." He adds that programming and localism will suffer, and indecency may well increase. "By refusing to stay our rules, we guarantee a rash of mergers, acquisitions and swaps that cannot be undone because the genie will be out of the bottle long before this new task force reports."

"If the majority here at the Commission now agrees this is a serious issue," he concludes, "why not put the new rules on ice while we do this study?"

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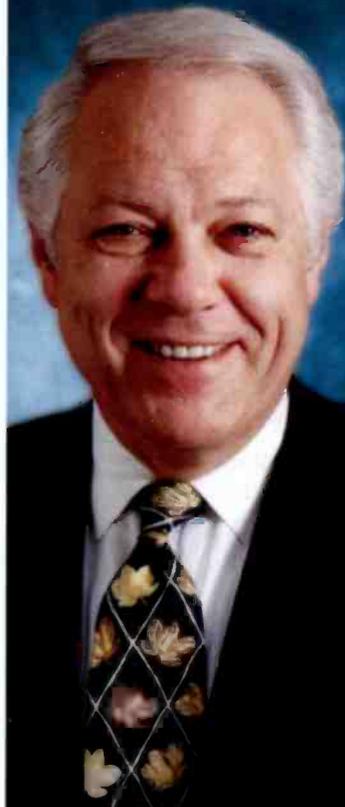
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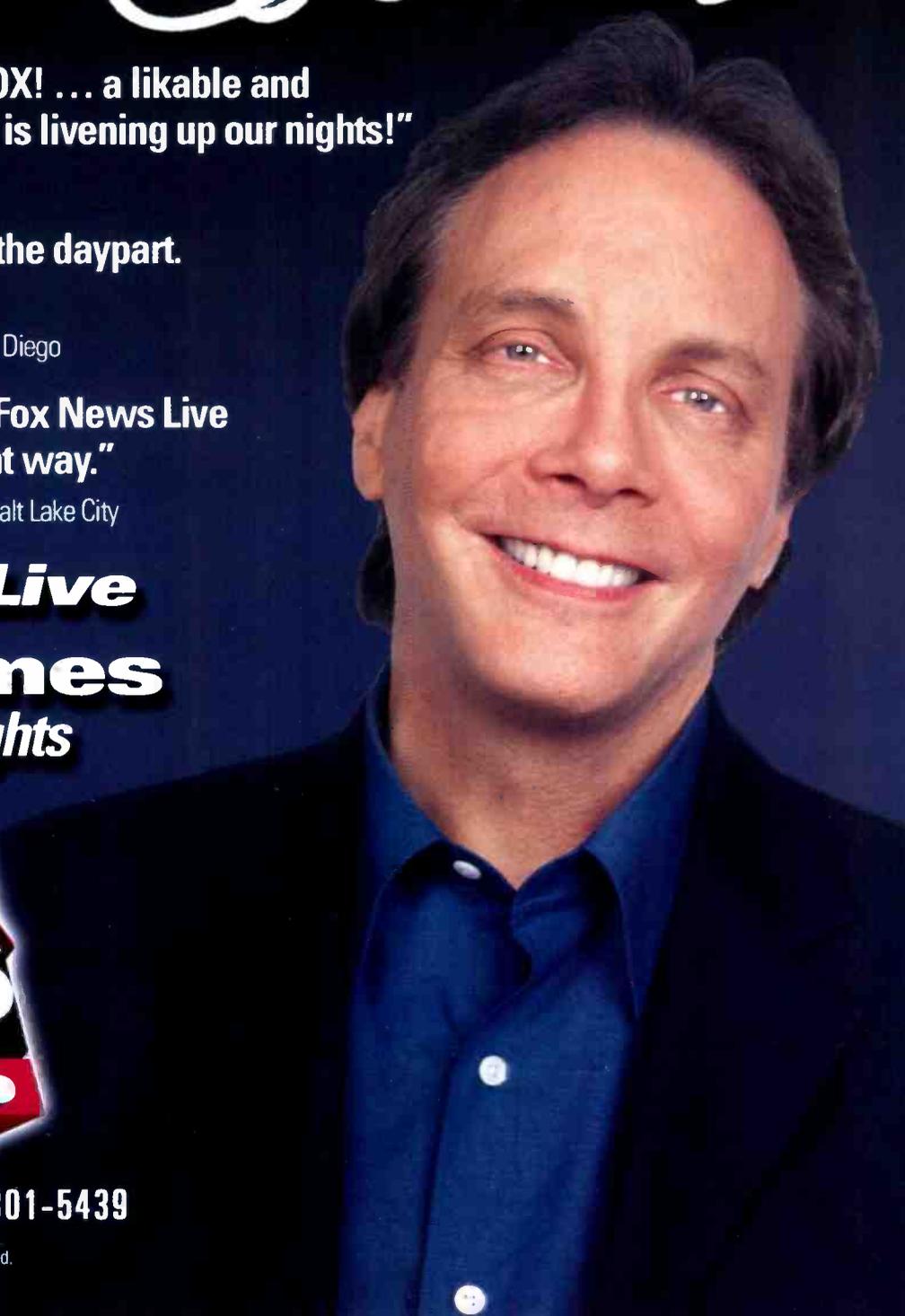
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RBR INTERVIEW

The Laura Ingraham show has relaunched September 1st with a new syndicator-Talk Radio Network-and she can't be more excited. *RBR* talked with her to find out why she bucked conventional wisdom and left the largest syndicator. We wanted to be the first to give the insights and thinking behind her decisions.

Tell us about the switch from Westwood One to Talk Radio Network.

I had always wanted to be on in the morning and I thought I would put in the two years from 7 to 10pm on the East Coast to see how it went. It turns out we developed a pretty good following in some major markets. So I decided, if I don't make the move to mornings now, it's just going to get harder, not easier, and Talk Radio Network was able to do it for me. I think Westwood liked our show, but they liked it in the evening and that's not what I wanted. So, Mark put the deal together and I was ecstatic.

You have within seven days cleared both New York on WABC-AM and LA on KRLA-AM

You know, it's funny how things work out. But, I always knew with our type of show, that isn't just straight politics, that it really needed a promotional push. Talk Radio Network believed in viral, guerrilla style marketing. Once you have great content and good substance and a good product, if you don't promote it and package it the right way, it could just sit on a shelf and he understands that. So we're very much on the same page when it comes to the need to promote and brand shows. Not just to throw them out there on the satellite, but also brand them. He is uniquely able to do that.

Mark Masters, Talk Radio Network's CEO, seems to be very passionate

Yeah he is. He's much like I am. He's an entrepreneur. I've always attempted to create something new wherever I go. When I was on cable television, I was one of the few female conservatives out there. I was ultimately the first female conservative to host her own TV show on



I know no one leaves, with these big radio companies. People looked at me like I was crazy. I just knew it was the right thing.
—Laura Ingraham



MSNBC. People said I couldn't do it. I couldn't do it. It's not going to work. We had a really good run for a year and a half. With no staff, we put out a great show. In radio when I realized, after being on the Imus show and enjoying it so much and enjoying the give and take, I thought to myself, you know something, radio really makes so much sense for me, because it allows me to use humor and my love of music and the movies and politics and sort of mix them all up together in one place. Where TV really limits you and I didn't want to be limited that way.

Are you going to do the same type of show you were doing before?

Yes, the same thing. I have a couple of producers who chime in. We disagree and laugh. We laugh most of the show. So we have a great time. Politics is very, very amusing. You just have to put it in the right light. We obviously are real serious and substantive. I think humor is how you get people. You can really get people with humor. You can reach them and touch them in a way you can't by just getting up on a soap box and expounding. If I have any talent, I think humor is definitely part of that talent.

How is it different working in radio and TV? Do you prepare differently?

It's just more free wheeling. I work really hard on my show. We look for great interesting sound. We don't just pull sound bytes from news services. We look for very funny things from The Tonight Show or from Oprah or from Dr. Phil. We find gems on C-Span that could get lost because people aren't paying attention and we play with those. We try to shine a light on what's happening in Washington and throughout the culture in a way that I think some other shows don't. Or just aren't interested in doing. I think that's why we have so much fun. I call it an addiction because I think people, once they listen, they hear and say this is different. First of all, it's a woman. Second of all, she seems fairly amusing and she also has experience in politics. I'm not coming at this with no background. I clerked at the Supreme Court. I did work in government. I was a practicing attorney. I've been around the game, a writer and columnist.



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*Kagan World Media, 1/21/03.



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It seems you are not afraid to take on both parties.

No. Not at all. We've been really tough on the Bush administration on immigration issues. How they deal with issues like school choice. How they don't push issues that they should like the judicial confirmation. I pride myself on having covered the recall effort a day before the recall effort was announced in February and everyone was laughing at me. I just knew there was something there. I've lived in California off and on and just knew something was going on.

You have a book coming out in September, "Shut up and Sing" – What is it about?

How the elites in Hollywood, politics and the UN are subverting America. It's about the elite in all different walks of life. "Shut up and Sing" is obviously a metaphor for shut up and do what your talent is doing. There's this really small segment of American society, and European society, that really thinks America needs to get with it and become more progressive and more urbane and less traditional. They're sort of tired of all the flag waving and the knee-jerking patriotism and people having lots of kids and people thinking the military is so great. They were happy when Clinton was in power because Clinton was much more like a European. He had a European sensibility. He didn't have a heartland American sensibility even though he was from the heartland. You see this elite versus America dynamic playing out all over the place, whether it's in gay marriage debates or in the discussion on the war in Iraq and on any number of social issues. I think it's really important that people understand it. Hollywood is sort of where the cultural war is being fought. We saw the inanity of it when all these Hollywood people started speaking out about politics and foreign policy. It would be like me lecturing Barbra Streisand on a cord progression. It's ridiculous.

So why should a general manager, program director or owner add your show?

Because, people want to laugh and learn. It's about time, I think, that the old stodgy airwaves of radio got a little bit freer and sort of shake off the dust a little bit. Our show actually does that. You can listen to U2 and the Counting Crows and still understand tax policy. In fact, if you want to bring young people to the AM band, you've got to understand that stuff. You've got to know it. You've got to understand it. You can't just say, oh the culture's terrible, the music's terrible, movies are terrible. If you're going to attract a young interested audience, I think it helps to know the culture. And humor really helps. And that's what we do.

Ingraham will be carried live in LA on KRLA-AM 870 from 6-9am. In New York on WABC-AM her first hour will be live 7-8pm and then an hour replay of her national syndicated show will air from 8-9. To date she is syndicated on over 200 radio stations.

Know The Facts

Clear Channel Radio Myth vs. Fact

MYTH: Clear Channel Radio dominates radio in the United States.

FACT: There are more than 13,000 radio stations in the United States with 3,800 station owners. **Clear Channel Communications owns just 9% of the stations.**

MYTH: Consolidation in the radio industry is at dangerous levels.

FACT: Radio is the least consolidated segment of the media industry - by far. Media concentration by market share percentage for the top companies is comprised as follows: Music (top 5 companies) 85%*; Film (top 8 companies) 84%*; Cable (top 10 companies) 67%*; Ad Agencies (top 6 companies) 65%; Radio (top 10 companies) 43%*.

MYTH: Consolidation has provided a platform for management's political agendas.

FACT: **Clear Channel Radio local managers make their own decisions about programming and community events.** It's not about politics, it's about driving listenership by intimately understanding what audiences want to hear and delivering it. It's why we employ 250 local General Managers, 750 local Sales Managers, and 900 local Program Directors.

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* Source: Herfindahl-Hirschman Index/Media Concentration Study/February 2003

We ask GMs—How involved are you in making programming decisions for your station(s)? Why?

Roy Robertson, Somar Communications/La Plata, MD

Darren Smith, Cumulus Broadcasting/Lexington-Fayette, KY

Michael Mazursky, 4M Comm. (Radio Richmond)/Richmond, VA

Tom Bender, Greater Media/Detroit



Roy Robertson

Robertson: I guess I'm a different animal. I make, essentially, all the programming decisions. But my background includes being a professional musician for 15 years before I got into broadcasting. The next factor is what I've learned from hiring on-air personnel over the past 14 years—a song may have been, for whatever reason, more popular in the Midwest, and on the East Coast it may not have charted. And some songs may have charted on the East Coast, but not in the South. When you live in a

community, and I've lived in Southern Maryland essentially all my life, you get a feel for what people really want to hear.

I know that a lot of PDs, in my opinion, are really a waste of money. And consultants, most of all. I feel that they've become too mathematical, too research-oriented. I remember a guy back in the advertising business who was a king back in the 60s and 70s. David Ogilvy of Ogilvy and Mather. He made a very famous statement that he didn't see the necessity to spend hundreds of thousands of dollars just to prove that a jackass has two ears. Now, obviously, I've benefited from research over the years, just from things I've read, but at the same time, you get a feel. I'm sure "Woolly Bully" doesn't test well with a lot of the national consultants' lists, but you know, people love the song and they love "Little Red Riding Hood," whether it charts well or not.

Of course, each of my stations has a music director and when we sit down, I don't rule with an iron fist or anything. I usually pick every single song. But for the good or the bad, I get to take either the credit or the blame. When we get a song that's questionable, I'll say, "What's your opinion on this?" and "Here's my opinion." And then we sort of take a two-person vote and see which way we're leaning, one way or the other. And we've also learned that it's not what you play so much that makes people want to listen, it's what you don't play. Five bad songs in a morning drive shift can ruin you, even though you might have played 50 great ones.

Smith: I'm very involved with the PDs. Basically, in our setup we have brand managers that act as our consultants. So we kind of have in-house consultants, and we discuss strategy and programming issues collectively together. And then with the program directors and the operations manager here in the local market, we try to implement the best strategy in place, based on certain market conditions.

I do oversee everything that gets put on the air. They have autonomy—I don't want to make it sound necessarily that every single item that goes on the air needs to cross my desk, but if there's something that's outside the norm or we're doing something promotionally, then I'm going to need to look at it.

I would say that I'm not involved necessarily in the music

selection—we have the people that are doing the research. Basically what I do is kind of look at what the research indicates and if I feel like we need to look at it or take a different approach, we might do that. But those things are pretty standard stuff that we follow from a formula basis here. We look at research and we put them in play. I'm not going to sit here and ask why that song was played or not. We have the rotations in place based on what research is telling us.

I think for the day-to-day things, I think our PDs have autonomy. Mainly, they work collectively with our brand managers and product people. We put a plan of action together that we all review as a management team. And as long as we're following the plan of action, we're good to go. If the PD is going to deviate from the plan of action, then I need to be brought in the loop. That's kind of how it works.

Mazursky: I'm very involved, because being an AM cluster and being very community-oriented and focusing as much as we can on the local scene, I have to react quickly with the different variety of formats we have, the niche programming that we put out. We have Urban Gospel on "Rejoice Radio." Well, if a local ministry or another organization is holding a back to school program, if I can help them by putting on a series of month-long shows that help hook kids up to get better studying done, I jump in it. I don't have to run it up the corporate flagpole and say, "Well, let me check with a couple of people." I can just react on things like that.

And each one of our stations is so unique and different that I have to almost make decisions quickly, whether it's an infomercial and if that fits with us or a new study comes out on a health issue or new invasive surgery and we decide that's important. We'll get a group of doctors in here so we can react quickly.



Tom Bender

Bender: What do you expect from an old PD? Deeply, of course! Seriously, I think it's imperative to be involved in the product's execution of its strategic direction, but in such a way that the Operations Managers of each station are free to develop and customize the product to their audience, their marketplace segment, and their competitive situation.

We adhere religiously to the annual strategic session, at which we review the research and with the consultant and the management team, set forth the strategic direction for the next year. After that, it's the job of the Operations Manager to form the programming, promotion and marketing of the station to achieve those goals.

Where I get involved is to challenge a programmer's thinking, their financial decisions, and maintain the inventory discipline of the station. No one can add units or clutter to the station's air sound without my authorization. No PD can make a contractual commitment without a prior conversation with me. While it's not formal, there's a constant flow of information back and forth. I take an active hand in translating those product innovations into sales advantages and selling points.

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BIG Gains For Spring '03

Men 25-54 AQH Increases – Spring 2002 vs. Spring 2003

WGST-AM	Atlanta	2.7 to 3.9
KPRC-AM	Houston	3.1 to 5.6
WFLA-AM	Tampa	5.5 to 12.1
WTAM-AM	Cleveland	4.7 to 9.0
KFTK-FM	St Louis	1.3 to 5.1
WTVN-AM	Columbus	7.3 to 8.2
WOAI-AM	San Antonio	5.5 to 8.6
WJNO-AM	West Palm	2.1 to 6.4
KTOK-AM	Oklahoma City	4.6 to 9.0
WGY-AM	Albany	2.8 to 6.4
KFAQ-AM	Tulsa	1.7 to 7.5



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Source: Arbitron Spring 2002 vs. Spring 2003. M25-54 AQH Share Increases: Exact times.

POWERFUL

A look from the top: buyers address the 2004 radio upfront—Part III

Some 40%-50% of the \$1B annual network radio dollars allocated for next year will be spent in a couple of months—10-12 months' worth of inventory in one shot. For Part III of RBR's upfront series, we look at rate/CPP/CPM movement; how much inventory is likely to be allocated for the upfront and held for scatter; inventory availability concerns; and how :10s are playing an increasing role in the upfront.

In Parts I and II, we noted P&G, Red Lobster, Campbell's, Auto Zone, Walgreen's and Pfizer were already in the upfront. Since then, Petco, Lifetime, the National Association of Realtors and Kohl's are in as well.



How much up or down do buyers and sellers expect for this upfront? We're hearing, for the most part, up 3%-5%. What's the strategy? Pretty much status quo, as **Kim Vasey**, Senior Partner/Director of Radio, mediaedge:cia explains: "My goal is to keep cost increases flat or as low a percentage increase as possible. There is to get them up as much as possible. Hopefully, we'll find a meeting point we can all be comfortable with. My guesstimate is up about 3-4%."

Matt Feinberg, SVP/National Radio, Zenith Media Services doesn't think CPMs will be up tremendously in the upfront. "I don't think there's a real reason for escalating CPMs. I think CPMs have to be realistic, and it is a supply and demand equation. TV is a little more of a feeding frenzy, but radio can be. Generally, I think CPMs will increase slightly, a couple percentage points, say 3% approximately."

"The supply is fairly flat and the demand will overall be up around 3-5%," explains **Reyn Leutz**, SVP, Director of Radio Negotiations, MindShare USA. "Sometimes the CPM increases in television are predicated on the free fall in audiences during the year. If the demand isn't up and the audiences are down 15%, then the CPMs can be up 15% as well in TV. These kinds of swings just don't happen in radio because radio audiences, overall, are very stable. So again, I predict a flat supply of total radio TRPs and a 3-5% increase in budget demand within the industry."

Rich Russo, JL Media's Director of Broadcast Services takes the humorous-cynical view: "Rates and CPMs will be similar for the

savvy, the novices will get jacked as always. It's the law of the media jungle. Some new guy comes in and sees that radio is half the CPM of TV and thinks he's a hero to his client. Too bad he could've had it far better than he got it for. This is where the networks make their money and increases, I always pray that there are not too many fools like this, because it could start wiping out my deals. Like all situations in life, I like just the right dosage of fools."



Irene Katsnelson, Universal McCann VP, Director of National Broadcast wants to play her predictions close to the vest, due to any potential domino effects: "I'd rather not comment on our rate. If I tell you my expectations then everyone will expect the same and since everyone's rate structure is different, it's best that we each think 'I'm getting the better deal.' In general terms however, there should be no significant premiums."

Matthew Warnecke, Director, Network and Spot Radio Services, MediaCom National Broadcast is predicting less than +5%. "Because I don't see the business coming into the marketplace disproportionately affecting supply. And so the plus is a result of this overall healthier marketplace, but not to the extent that it's going to raise rates a lot."

Natalie Swed Stone, Managing Partner/Director of National Radio Services, OMD said she expects the increases to be modest given continued erratic economic climate.



Like budgets, Dial-Global Co-President/CEO **David Landau** agrees CPP movement also depends a lot on the economy: "I think CPPs have come down somewhat from last year, but not dramatically. I think they've stabilized and I think depending on the demand, CPPs will go higher next year. But by how much varies upon the company and the network. It also depends on the economy."

What about other sellers? Understandably, they usually posture at a point or two higher than the average buyers' predictions. For this is just part of the yearly process. "Up 30%-40%—only kidding," jokes ABC Radio Networks President **Traug Keller**. "We'd say mid-to upper single digits. There's a lot of 'stuff' in network radio. The buyers know there is only a certain amount of good stuff. And so we're going to get high single, maybe even low double digits on the desirable properties that connect—in our case, The Satellite Sisters, America's Most Wanted or Sean Hannity."

"I would say mid-single digits, which I think is more than fair," said Premiere Radio Networks EVP/Director of Sales **Rhonda Munk-Scheidel**.

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Hold vs. fold

What percent do you think the nets will sell now and hold for later in this vs. the last upfront? The networks usually sell as much as they can in the upfront. But unlike television, a large number of radio advertisers buy in the scatter market.

"I think that the television scatter markets could easily be soft," explains Leutz. "Everyone that could go 'upfront' this year in television did just that. So there may be very few left for scatter. It is just still too early to tell. I think that the same scenario could hold true for radio. So if I were a radio network I would sell as much I could."

Says Vasey: "I think about 35-40% is usually sold in the upfront (depending on the network and syndication company) and I suspect that will be the same this year. Given the uncertainty of the economic climate into next year I venture to guess the networks will try to go for as much share as possible and take the safe bet. Last year some of the networks held back too much inventory and then had to cut deals in the scatter market."



"I think last year, we were coming off such a bad year prior, networks were trying to get the money while they could," Feinberg explains. "And they didn't want to wait around and hope the scatter market would be bigger than it was. So they probably sold more upfront inventory than they wanted to. Then the economy picked up a bit and everything started getting tight. So this year, they're probably going to be a little judicious in allocating that upfront inventory."

Warnecke contends "everybody does a different number. And that's a hard one to read. I think the Premiere/Clear Channels may sell as much as they did last year in the upfront, but I think with the scatter marketplace being healthy they may sell a little bit less in the upfront."

Katsnelson thinks the nets will probably want to get a little more firmer dollars down in the upfront, especially in the quarters that have less activity. "I don't think that there will be a significant difference in the upfront vs. scatter commitment, most of the dollars will still be spend in the scatter marketplace. It's the nature of the medium."

What do the sellers say? Keller agrees it's still too early to tell. "But to determine that, we'll be looking at who is coming back and who is new into the medium."

Landau indicated it's a supply and demand issue. "It's very fluid. It all depends on the marketplace. I don't think there's any hard and fast rule on that."

Munk-Scheidel tells *RBR* she thinks Premiere make great judgement calls in how it manages the upfronts and the amount of

inventory that it released this year. She adds, "Mine, and our primary concern is certainly making available to all of the heritage network radio accounts in the upfront, enough inventory for the campaigns to be successful. As far as I'm concerned, that's our primary objective. And given what our anticipation is, I believe we're in good shape to make decisions on how much to release."

Swed Stone agrees, "Again, because of the volatile climate, upfront (stable) advertisers will continue to be favored—even more so, since the market experienced a tough 1st half of the year and scatter was weaker than expected 1st half."

Shut-out concerns?

Should advertisers be worried about waiting beyond the upfront to place the bulk of their buys in scatter? Could they get shut out later? Will next year's scatter inventory be tighter and more expensive than this year's?

Cathy Csukas, Jones MediaAmerica VP/Radio Sales Manager tells *RBR*, "any advertiser that doesn't participate in the upfront takes that risk. We are certainly optimistic that the 2004 scatter marketplace will be very strong. It certainly happened in 2002 and we think it could happen again in 2004."



Nick Krawczyk, Crystal Media Network CEO says getting shut out is a natural risk. "Having the ability to plan and buy in the upfront mitigates this risk. However, companies may not experience improved financial metrics until the first part of 2004, and this may lead to the weighing of improved financial metrics vs. a higher cost structure via higher rates."

What do the buyers say? "I am not worried about getting shut out, but we do have some programming incumbencies that I would like to protect," explains Leutz. "I mean we wouldn't want Delilah to suddenly start talking about sweaters available at Penny's during the Christmas holidays. So we won't wait too long to lock those things down."

Katsnelson says availability is always a concern: "You need to manage budgets and marketplace and keep clients in the loop by updating them on the status of supply/demand/pricing."

Russo, on the other hand says he's "never worried about getting shut out, there are enough places to go. This notion that avail situations can affect budgets is BS—if a marketer is doing his job correctly, avails and budgets are not even mentioned in the same breath. Anybody who thinks or acts otherwise is going to lose market share real quick."

Dana Detlefson, Supervisor, National Radio, Carat USA explains it was healthy last year and it is healthy this year: "We think we will place schedules early enough again this year to give our

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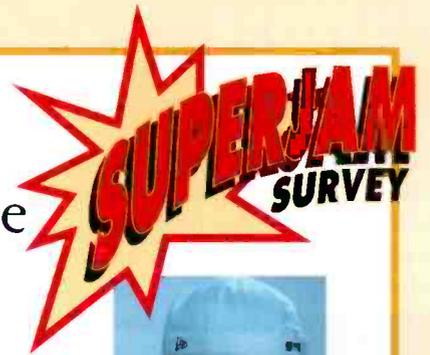
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THE WHITE HOUSE

REPORT

clients the quality of programming and daypart mix we would be looking for. We do predict that the clients who come in to late into the marketplace for next year could have the potential seeing inventory very tight to non-existent for the weeks they would like to be on."



Lisa Opensky Greenberg, Starcom/Chicago's Media Supervisor isn't worried, just as long as clients don't wait too long to place: "As with any upfront, our goal is to get the better inventory at a good price. If scatter advertisers don't wait until the last possible minute and allow a few months lead time, inventory will be tight, but they should not get completely shut out."

The :10s

How are the :10s/live reads playing a role in the upfront? Munk-Scheidel says they're gaining more and more acceptance. "One thing that's affecting the marketplace right now is :10s. It's huge, and I think advertisers, they could buy into major shows and they could get fixed positions in time and temp. I think that's affected radio, giving a discount mechanism for advertisers and I think that's pretty significant. We've introduced that concept almost three years ago. And it was new—we were the first network out there with that concept. It was a little slower in taking off, but the list of advertisers that use all three of our :10s products have grown."

Interestingly, **Peter Kosann**, Westwood One President of Sales, says Westwood was first with the :10s: "I think in general they have certainly become a more mainstream piece of the media pie—it's something that we invented and something that comprises over half of our company in terms of revenue. And we'll continue to package and promote them as best we can. And when appropriate, we'll utilize it in the network world, but fundamentally for us, it's more of a regional and spot opportunity."

Westwood One CEO **Shane Coppolla** says one of Westwood's big initiatives and mandates has been for some time (and brought to a higher level with Kosann's recent promotion), is to leverage both sides of the business to the benefit of their advertisers: "So, situations where we believe it will benefit them—grow the business and accomplish their goals—we will strategically work to bring both sides to bare in everybody's best interest."



In 2004, ABCRN will have :10s on ESPN Radio, "and it is all going to be in-program," says Keller. "We can control it, because ESPN is 24/7. And it will be within Sports Centers on ESPN Radio. We've watched and observed and what's clear to us is advertisers only think :10s are

worthwhile if they are in a premium location, within program, sponsoring something actual. And so we're going to stick with that and roll that out in 2004."

There's no official name for the :10s net on ESPN yet.

Detlefson says the :10s live reads compliment the :30 unit for frequency. She's purchased the :10s for minimal clients in the past for the upfront, but most often the :10s are purchased in the scatter marketplace.

Warnecke agrees, "Upfront advertisers are looking for their :30 second brand messages, that's what they're using the upfront for from my perspective, so I don't know that :10s play as large a part in the upfront. :10s still seem to me to be more in scatter or planned more from a scatter perspective."

Opensky Greenberg told RBR sellers seem to be pushing :10s more so now than ever before. ":10s work well with some clients, but for some clients there are creative issues with :10s. If the :10s are priced much more efficiently than a national :30, then they can be used as a frequency builder and may make sense for more clients. Current pricing for :10s is not that much more efficient than :30 pricing."

To help solve some of these issues, Vasey thinks the networks should try to package in the :10 second networks to help the efficiencies. She hasn't used :10s all that much. "I have one client right now that is interested in looking at them and I used some of the :10 second inventory from Premiere last year on one account but overall I do not incorporate the 10 second networks on a regular basis. If I'm going to look at doing :10's, I'm more partial to working with Metro/Shadow Traffic. Their :10s are sponsored traffic reports, also live reads and are standalone from the rest of the commercial pod. The 10's from the networks are 'supposedly' adjacencies to News/Traffic/Information/Entertainment features and not an isolated spot."



Rhonda Munk-Scheidel moving to Premiere's NYC offices

Same title, different office: Premiere spokesperson Amir Forester confirms Dallas-based Premiere Radio Networks EVP/Director of

Sales Rhonda Munk-Scheidel is moving to the company's New York offices the first week of November.



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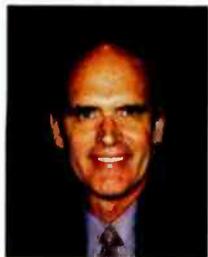


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Write before you speak



Writing is the most overlooked part of good radio news. A lot of managers even think writing isn't important because we work in a spoken, rather than a written medium. Nothing can be further from the truth...there is nothing that separates a good radio newscast from a bad one more starkly and more obviously than writing.

1) Have the courage to write simply. Limit one sentence to one idea. Omit needless words. Use short words and short sentences. All radio reporters think they're **Hemingway**, but I have yet to meet one who really is.

2) Write the way you talk. I know this sounds simple, but it isn't. Use words real people use, be aware of and avoid 'news words.' My favorite examples of 'news words' are 'Pontiff' and 'blaze.' Nobody sees the Pope come on TV and says 'hey look, there's the Pontiff!' People refer to fires as fires, not 'blazes.' These fabricated second reference news words should be obliterated. Use familiar words in familiar combinations. Avoid technical, municipal, and police jargon. Somebody died in a car wreck, they didn't 'expire as the result of injuries sustained in a multi-vehicle collision.'

3) Put attribution before assertion. If the police chief says crime is down, say 'the police chief says crime is down.' Avoid declarative sentences that trail the attribution. ("I object to being called promiscuous. That's what Mayor Smork said today") Not only are these passive constructions, but they are difficult and confusing for a listener to follow.

4) Sell the emotion. I don't know how many times I've seen a reporter run into the newsroom from covering a news story and proceed to tell me how exciting it was, how people were screaming and children were crying and dramatic and emotional scenes were unfolding, only to hear the story on the air: "A three alarm fire in the 400 block of Main Street caused 250 thousand dollars in damage..." blah blah blah. Tell the story like you'd tell a friend. There's nothing wrong with street reporters being human beings. Although anchors should avoid it, if it was horrible or shocking or thrilling, say so...the reporter is a witness too.

5) The lead is the key. Make sure the lead is active, captivating, and ALWAYS in present tense. Avoid cliched leads. Avoid questions as leads. Avoid leads that start with 'there is' or 'it is.' Never use words like 'continues' in a lead. Never lead with numbers or participial phrases ("saying he wants to change the tone of politics at city hall, Councilman Bob Jones shot himself in the head today...") Never bury the key point (like the previous example). Don't lead with names of people we don't care about ("Bob Roberts watched apprehensively today as two planes slammed into the World Trade Center.")

6) Be aware of, and avoid, meaningless phrases and unnecessary information. If you're reporting that somebody was shot six times, and he's not dead, I think most people assume he's hospitalized...so you don't have to say "he was rushed to the hospital..." I don't know how many times I've heard as a lead "Police are investigating a double murder..." (or even worse, 'police are STILL investigating...' which makes the story sound even older) Huh?? Tell me if police are NOT investigating. Don't hesitate not to use the names of people I don't care about, especially if they're in the story as supporting players. Avoid "Steve Smith saw the shooting..." Just use "...this man saw the shooting" and go into the cut. My trifecta of bad spot news writing is something like "The victim is in critical condition at Methodist Hospital according to hospital spokeswoman Debra Johnson (cut)." First...we assume the victim is hospitalized. Secondly, our listeners are not going to send a get well card, so the name of the hospital is not important. Thirdly, as much as Debra's mother would love to hear her name mentioned on the radio, it's not necessary to use the name of people who are in the news only as spokesmen or spokeswomen. Since presumably in the cut Debra discusses the patient's condition...just tell us what happened: ("the man was shot six times (CUT) 'he's in intensive care and is not expected to survive'") That makes the story much less cluttered, shorter, and more compelling.

7) Simplify, simplify, simplify. It's NEVER Mayor **William P. Daley Junior**. It's Mayor Daley or better yet, 'the mayor.' Don't worry about attributing obvious facts in spot news...I don't know how many times I've seen the AP report "the building was destroyed by fire, according to Fire Chief William F. Henderson." Ask yourself if the person you're interviewing is well known (**Tom Cruise** was among those on hand(cut)), is being interviewed because he/she has an opinion that matters (but Chamber of Commerce President **F. Murray Abraham** disagrees (cut)), or is important enough that a listener cares to differentiate the person by name. If NOT...LEAVE IT OUT. It's never..."Governor **Rick Perry** fully expects a tax increase, according to spokeswoman Roberta Dennison (cut)." It's "The governor's office says a tax increase is expected (cut)" unless...of course, you're in a market that routinely covers more than one state...and the state you're referring to is not previously identified (...lawmakers in Springfield expect to approve a tax increase, according to the governor's office (cut))

8) Never ever ever use words that a normal person would not understand. I saw a story on the Clear Channel wire the other day where somebody smuggled a 'cryptogenic' sperm kit into a federal prison. I have no idea what 'cryptogenic' is. Leave it out. We're not in the business of educating people, and nobody reaches for a dictionary while listening to a radio newscast.

9) Avoid scaring listeners. TV does this a lot. While a sense of urgency is important, you'll kill your credibility with sentences like 'your dog is going to die! That's the warning from local vets as cold weather approaches...'

Jim Forsyth is News Director of WOAI-AM San Antonio, TX

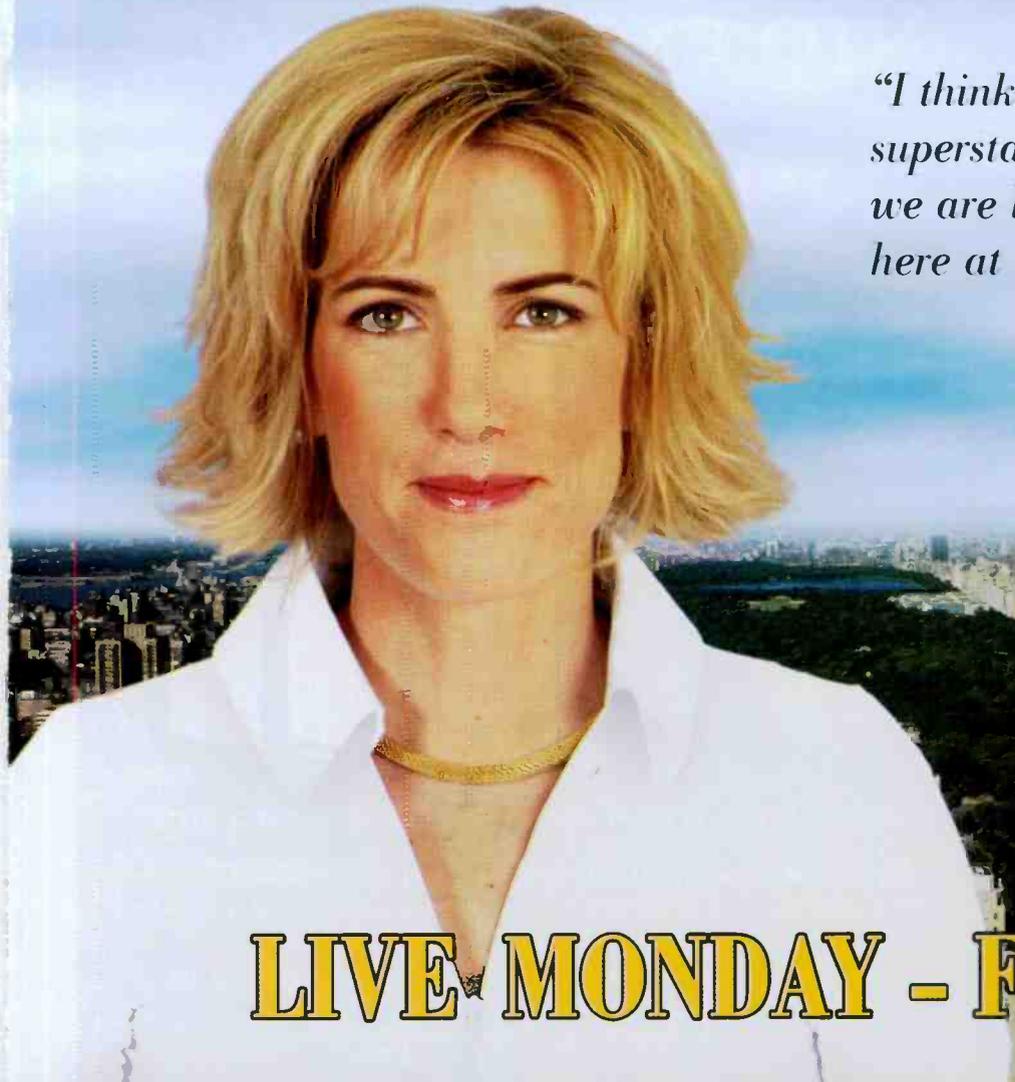


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LIVE MONDAY - FRIDAY

Capital Expenditures:

Is it finally happening? Part II

Are the wait-and-see attitude and cautious spending philosophies over the last couple years changing? Where are budgets and capital expenditures heading? We asked the following VP/Engineering and SVPs/Capital Management:

John Ehde, VP/Engineering,
Salem Communications

Steve Davis, CC Radio SVP,
Engineering & Capital Management

Clay Steely, VP/Engineering, ABC Radio

Milford Smith, VP/Engineering,
Greater Media

Gary Kline, Cumulus Corporate
Director of Engineering

Tom Ray, Buckley Broadcasting Corporate
Director of Engineering

Dave Remund, VP/Engineering,
Regent Communications

Mark Stennett, VP of Engineering,
NextMedia

Are there any facility consolidations planned?

Ehde: Undetermined at this time.

Davis: Too numerous to mention. Around 35 facility consolidations will be undertaken or completed in 2003. Somewhere around 25 will be undertaken or completed in 2004.

Steely: No consolidations are planned; our facilities are already consolidated in every market.

Smith: This year a number of digital transmitters and antennas or antenna modifications are on the agenda. There will be an appreciable amount of studio equipment attendant to the consolidation in NJ.

Kline: Yes. We consolidated several markets in 2003 and have some on deck for 2004. Topeka, KS is slated to begin late in the year and carry over into 2004. Nashville is already in the design phase and will carry over into 2004. The final list for 2004 is still being evaluated. I keep voting for markets which have plenty of sun and palm trees!!

Ray: Not to my knowledge. We've consolidated in each market we're in, and unless the corporation purchases another property or two, we would have nothing to consolidate.

Remund: When you buy stations that previously were owned by different operators, and

thus are in different locations, there can be efficiencies in putting all the stations and people under one roof. So certainly we must take a look at consolidation and if we find there is a tangible financial benefit, we'll do it.

Beyond that—and this sounds hokey—but there are significant intangible benefits to consolidations. We often find that we buy competitors who hate each other. They don't think of themselves as a team. After about six months of living together, we get a real operational benefit from the teamwork and other workspace efficiencies that result.

As far as specific markets, Albany NY is a situation where we have two studio locations, but due to an inherited long-term lease situation it has not made practical sense to make that move. With the end of those leases in sight, consolidation in that market is coming into view. Other markets where we have acquired stations from more than one source will also be considered for consolidation under one roof as situations dictate.

Stennett: We have a couple of studio consolidations possibly on the horizon.

What equipment are you looking to upgrade or buy?

Ehde: Salem Communications is in the process of developing our own open source automation system. We are also looking at equipment that will be the least labor intensive to install.

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Davis: IBOC equipment including transmitters and exciters; consoles, audio processors, remote equipment, telephone hybrids, computers and vehicles will be among the top categories of equipment purchased in 2004, plus redundancy items such as aux transmitters and antennas, generators and UPS equipment, along with just about every other type of broadcast equipment imaginable.

Steely: We'll be upgrading our digital audio storage systems in several markets. Our News/Talk stations continue to upgrade and purchase news editing and ENG equipment. We'll install new transmitters and associated equipment in several key markets. And ABC has a sizable investment in IT equipment, which will continue to be expanded and upgraded.

Smith: (see above)

Kline: I am always looking for products which enhance our on-air sound and/or signal quality. Audio processing and STL upgrades are always on the list. We have had good luck (and improved signal clarity) with digital wireless T1 and I suspect we will be purchasing more of that in 2004. We have some AM stations which will be getting an overhaul at the transmitter plant. I'm planning on purchasing additional test and transmission monitoring equipment so that we can do more work in-house. I'm also looking at new IP based remote control systems. We will continue to expand our HDisk audio aircheck systems throughout the company as well as our remote monitoring gear. We will continue to purchase antennas and transmitters as older ones are retired.

Ray: WOR will be putting in a completely new transmitter facility due to a forced move—the State of NJ has decided to develop the area our transmitter is in for a golf complex and we are being relocated. And many of our stations may be considering studio upgrades in the next several years. Most of our transmitter plants are in pretty good shape.

Remund: A lot of prior owners have ignored the technical plant in general and the transmission system in particular. It would be nice to go into a market and build a new facility from the mic to the tower, but that is just not practical. So we look at each station and prioritize the needs, and work down the list. Each market is unique, and in a different stage of development. If I were to generalize, there are still a lot of old transmitters out there. There are also a lot of old audio processors and STL equipment that is getting tired and less competitive than it ought to be.

Stennett: All areas of the operation. Reliability is important. A lot of older transmitters are being upgraded and the current main becomes a nice auxiliary.



Clay Steely

Steely: ABC typically buys direct, leveraging competitive pricing through group deals, etc. We haven't abandoned independent reps totally, though. When it makes sense to use an independent firm (and the personal attention they can bring to a project), that's the direction we take.

Smith: We, pardon the expression, go both ways. We buy many larger items direct and most smaller items through reps. The reps add real value in putting together pricing and availability on large lists of items. This also helps greatly to comply with our company policy of getting at least three bids on any significant purchase.

Kline: No comment.

Ray: There are several instances where we can go direct, but we generally go through a rep. I have one particular company that we use quite often, get great pricing and impeccable service, so I'm pretty happy in that respect.

Remund: The big ticket items are usually direct. Smaller stuff comes through reps. It pays to shop around.

Stennett: We are working with both manufacturers and independent reps.

How do you to save money for the company?

Ebde: Salem Communications values each area of engineering to implement the most cost effective, quality, and reliable systems that are currently available.

Davis: Our best tool for saving money is our ability to accurately forecast exactly what equipment we'll be buying, and when. This enables manufacturers and vendors to plan their manufacturing runs, and place orders, tool up, and allocate labor and resources accordingly.

Steely: Our group purchasing system is one primary way we save money. We are also implementing systems that save on operating expenses, such as more efficient transmitters, lighting and air-conditioning. Engineering staffs at the local level are encouraged to find unique, creative ways to minimize expenses without sacrificing the high level of quality we strive for.

Smith: We bid nearly every equipment purchase to at least three vendors. Additionally, we are always looking for new technology and/or new ways of doing things more economically.



Gary Kline

Kline: We save money in a number of ways. We repair equipment before we replace it. Before we replace equipment we consult our used equipment database. Cumulus has an Internet-based database which is available to all company engineers. If Toledo needs a mic processor, they can check on-line to see if another market has a spare. We regularly cross-check pricing on equipment, transmitters, computers, etc. When someone comes up with a good idea we share that information through the Internet. I can send a cost savings idea in seconds to every engineer in the company.

Ray: If we can goose the air conditioning up a few degrees at the transmitter, we do. In some instances, we can custom build retrofits for older equipment to buy us a few more years of service, saving the company money. If we can do it more efficiently, we do.

Remund: Just about anything can be scrutinized for a better deal. It is not apparent to some, but it also saves the company money to replace a 1950's tube type transmitter with a more modern solid-state model, not only in lower electrical consumption, but in tube and maintenance costs too.

Stennett: One example is buying transmitters for several markets at once. Quantity buys usually result in a better discount.

Are you buying direct or via independent reps?

Ebde: Salem Communications buys both direct and through independents.

Davis: For specific manufactured items where there is a value in doing this for both Clear Channel and the vendor concerned, Clear Channel has direct purchasing agreements. These are put together by either [SVP/Engineering Services] Jeff Littlejohn or myself. For the remaining "boxed goods" to be purchased in meaningful quantities, we send our list of approved equipment out to various resellers to bid on. Bids are returned to the Tulsa Capital Management office and the low bidder for each make/model of equipment is awarded Clear Channel's buy for that equipment for 2004.

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2003 Marconi Nominees

Every year the radio business stops to thank those stations and on-air talent for a job well done. The NAB's Marconi Radio Awards will be announced October 2nd at the Fall show in Philadelphia. Below is a sample of the categories and people up for awards. Radio (Radio One) and Television (The WB) funny man Steve Harvey will emcee.

The nominees are:

Legendary Station of the Year

KSL, Salt Lake City, UT
WABC, New York, NY
WBEB, Philadelphia, PA
WLW, Cincinnati, OH
WRIF, Detroit, MI

Network/Syndicated Personality of the Year

Blair Garner, Premiere Radio Networks
Bob & Sheri, Jefferson-Pilot Radio Network
Clark Howard, Jones Radio Networks
Rush Limbaugh, Premiere Radio Networks
Sean Hannity, ABC Radio Networks

Major Market Station of the Year

KFI, Los Angeles, CA
KGO, San Francisco, CA
KPLX, Dallas, TX
WBEB, Philadelphia, PA
WLTW, New York, NY

Large Market Station of the Year

KIFM, San Diego, CA
KQRS, Minneapolis, MN
KSTP-FM, Minneapolis, MN
KYGO, Denver, CO
WMJI, Cleveland, OH

Small Market Station of the Year

KITX, Hugo, OK
KLVI, Beaumont, TX
KQMS, Redding, CA
WCRZ, Flint, MI
WFKX, Jackson, TN

Major Market Personality of the Year

Curtis & Kuby, WABC, New York, NY
Dunham & Miller, KTCK, Dallas, TX
Ramsey Lewis, WNUA, Chicago, IL
Howard McGee, WGCJ-FM, Chicago, IL
Ronn Owens, KGO, San Francisco, CA

Large Market Personality of the Year

Ryan Cameron, WHTA, Atlanta, GA
Mike McConnell, WLW, Cincinnati, OH
Joe Soucheray, KSTP-AM, Minneapolis, MN
Mike Trivisonno, WTAM, Cleveland, OH
Preston Westmoreland, KTAR, Phoenix, AZ

Medium Market Personality of the Year

Greg Garrison, WIBC, Indianapolis, IN
Matt & Ramona, WLNK, Charlotte, NC
Ted Ousley, WIVK, Knoxville, TN
Dino Tripodis & Stacy McKay, WSNY, Columbus, OH
Jim Villanucci, KKOB-AM, Albuquerque, NM

Small Market Personality of the Year

Marc Bernier, WNDB, Daytona Beach, FL
Jim Kerr, KNCO-AM, Grass Valley, CA
John LaBarca, WICC, Bridgeport, CT
Ken Lanphear, WQLR, Kalamazoo, MI
Max Tooker, KBGO, Waco, TX

AC Station of the Year

KOIT, San Francisco, CA
KSHA, Redding, CA
KSTP-FM, Minneapolis, MN
WJJY, Brainerd, MN
WMGX, Portland, ME

CHR Station of the Year

KCCN, Honolulu, HI
WBLI, West Babylon, NY
WMOM, Pentwater, MI
WSTR, Atlanta, GA
WSTW-FM, Wilmington, DE

Classical Station of the Year

KDFC, San Francisco, CA
KFUO-FM, St. Louis, MO
WCPE, Raleigh, NC
WFMR, Milwaukee, WI
WRR, Dallas, TX

Country Station of the Year

KMTK, Bend, OR
KPLX, Dallas, TX
KUZZ, Bakersfield, CA
WFRY, Watertown, NY
WIVK, Knoxville, TN

News/Talk/Sports Station of the Year

KFI, Los Angeles, CA
KKOB-AM, Albuquerque, NM
WIBC, Indianapolis, IN
WILM, Wilmington, DE
WTMJ, Milwaukee, WI

Oldies Station of the Year

KCMO-FM, Kansas City, MO
KIOA, Des Moines, IA
KOMA, Oklahoma City, OK
WGLD, Indianapolis, IN
WYNZ, Portland, ME

Religious Station of the Year

KJIL, Meade, KS
KNOM, Nome, AK
KSBJ, Humble, TX
WMBI, Chicago, IL
WNNL, Raleigh, NC

Rock Station of the Year

KQRS, Minneapolis, MN
KRRX, Redding, CA
WBAB, West Babylon, NY
WFBQ, Indianapolis, IN
WFYV, Jacksonville, FL

Urban Station of the Year

WCKX, Columbus, OH
WQMG, Greensboro, NC
WQOK, Raleigh, NC
WVAZ, Chicago, IL
WZAK, Cleveland, OH

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95.7 WMWX
100.1 WRZ
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When will station trading take off again?

The FCC's freeze on filing station transactions has ended, but the release of new forms to go with new rules hardly unleashed a deluge of filings. Station trading has been moribund all year, with public companies and station brokers reporting that would-be buyers and sellers at loggerheads, with potential sellers demanding pre-recession prices and finding no one willing to pay them.

So, when will trading pick up? Citadel Broadcasting (N:CDL) CEO **Farid Suleman** was asked that question in his first quarterly conference call since selling his IPO.

"My best guess is that there is going to be more activity toward the end of the year and into next year. I think a lot of sellers sort of are waiting for the radio revenue trends to pick up, obviously because they think they'll get a better price," Suleman said. "So I don't think that there will not be activity, I think it is more people are holding back for the industry to recover. I believe, certainly based on my discussions, there's going to be clearly more activity next year than there has been this year. And I think you'll see some activity beginning in the fourth quarter."



Don Bussell

"I would agree with that statement," broker **Don Bussell** of Questcom told *RBR*. "There are some encouraging signs on the horizon. I think it's only a matter of time until you'll see some further consolidation in the top 25 radio groups. It'll happen—whether it'll happen next month or not, I think you'll

probably need some more time. I also agree with the assessment that the numbers have to improve. I've also noticed encouraging signs outside of Farid's area. There are new players coming in with venture money who have contacted me recently. That's a very encouraging sign—guys who are general managers of major market stations and want to do their own gig. They're looking for deals," he said.

But, there's still that spread between the "bid" and "ask" prices.

"Right now, the deals that are being talked about, the sellers just have too high of price expectations," Bussell said. "So either the

sellers are going to be coming down in what they expect, or the more logical course will be further bottom line improvement that can support higher prices."

When will that happen?

"It's hard to say. I don't want to go out on a limb and predict. I don't know. I think you've got to get a couple more quarters under your belt. It's probably early next year when you'll be seeing some major deals," the Questcom broker predicted.



Glenn Serafin

Suleman, himself, is helping to move the industry back to trading, broker **Glenn Serafin** of Serafin Brothers told *RBR*.

"There's no question at all that the economics in the radio industry have changed on the transaction side. Citadel's very successful IPO launch is an event that has significant positive consequences for the industry in general and the transactions business in particular. On the heels of their launch, I just saw a story that Journal had indicated the pricing on its IPO in the \$14.50 range. And then it's no secret at all that NextMedia is probably the third one out of the box in this latest round of radio companies going to the public market—after the market collapsed in late summer 2000, so we've been really on a three-year hiatus here. Most of that I think is related to bad market economics, both on the macro and the micro level. And by that I mean the general economy has been poor, and then on top of that the equity markets have been difficult," Serafin explained.

"What all this means is that, in addition to companies like Citadel, Saga (A:SGA), Cumulus (O:CMLS) and other publicly traded radio companies, there are going to be some additions. Journal is next, and after that probably NextMedia. That has a positive effect on values in that it tends to keep station prices high," Serafin said. "For some of

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these companies, they use their stock as currency. Stock as currency is probably the least expensive form of currency that they have access to. Bank debt is still reasonable, but it costs funds in current principal and interest payments. For private companies, the equity markets are still demanding yields in the 25-35% and north of there range. So, when more public companies come into existence, it has an effect of keeping values of stations higher—or actually making them higher," he said.

"When those people who have been sitting on the sidelines during the last awful 36 months of poor revenue reporting and lackluster cash flow performance, see the economy looking better and more, and aggressive buyers coming in, it will have the effect, at the very minimum, of holstering or validating the current asking prices for some stations," Serafin told us.

Again, we asked, when?

"I think what happens is that a lot of people, when they get into the fourth quarter, and maybe things are starting to look better than they have over the past couple of years, they'll say, 'you know what, let's get the fourth quarter under our belt before we make any decisions.' Consequently, I don't think there's going to be an increase in sales volume for radio, in particular, in the fourth quarter. I think it will probably happen in early spring next year," Serafin predicted.

At Kalil & Co., broker **Kelly Callen** agreed that the station trading market is still at an impasse in many cases.

"I think there are still more buyers than sellers. Basically, what he (Suleman) is saying is that revenues are going to be up, so people are going to be making more money so they'll be able to get the kind of price that they've been looking for. I think that's true," Callen said. "There are people out there right now that could become sellers if someone was able to see a little ahead and try to get to them before they get the revenues. But, to answer your question, yes there still are more buyers than sellers and pricing is still real strong on the radio side."

What will be the impetus to change that?

"I think the impetus to change it is that companies need to grow, especially the guys like Farid—the public companies. They need to find acquisitions. Their stocks are trading at higher multiples now, so they should be able to go out and pay some of these bigger multiples to bring some of these guys who are sitting on the sidelines into the market. It's all a function of price. If you stack enough dollar bills on the table—if you stack 'em high enough—you can get a guy who's not willing to sell right now to become a seller. You can either wait until he has the cash flow, or you can go and try to do it now and pay tomorrow's price today," Callen said.

Despite the impasse over pricing, it is still a seller's market when anything attractive does come to market for serious bidding, so buyers must move fast.

"That's the big thing. When these things become available, you've gotta move. You've gotta be in a position to grab 'em, because they're not going to be around long. If someone is thinking about selling something, and it fits for you, you've got to make a decision and you've got to do it quickly," Callen said.

IPO market looking good for Journal

Hot on the heels of Citadel's (N:CDL) successful IPO, it looks like Journal Communications will be the next to debut on Wall Street. Its IPO has been pending since May and the pricing of public stock in the radio/TV/newspaper company should come soon.

Journal Communications recently updated its SEC filings and estimates that its IPO will price at \$13.50-15.50, so it is still expecting to raise the \$250M it was originally seeking from new investors. However, that could rise to over \$300M if the IPO prices at the top of its projected range, as did Citadel and the underwriters pick up the greenshoe of 2,587,500 to cover over-allotments.

The group of underwriters has expanded, by the way. Along with co-leaders Morgan Stanley and Robert W. Baird & Co., three other Wall Street firms have also signed on—Credit Suisse First Boston, Goldman Sachs and Merrill Lynch.

Journal is planning to sell 17.25M shares to the public. 16,854,000 of those shares will be new Class A shares being sold by the company. The other 396,000 shares will be sold by the Albert Family Journal Stock Trust, which after the IPO will own 25,000 Class B shares and 272,000 Class C shares.

Following the IPO, there will be 17.25M Class A shares outstanding, 59.61M Class B shares and 3.26M Class C shares. If and when any Class B or C shares are sold, they

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So, what are all of those classes of shares? The difference is voting power. The Class A shares being sold to the public will have one vote per share. Class B shares will have 10 votes each and Class C shares two votes each. Thus, the holders of the Class B shares will control the company, with about 97% of its voting power.

Those Class B shares will be mostly owned by Journal's current employee-shareholders, so the employees will effectively remain in control of the company. The Class C shares are almost all owned by Matex Inc., the investment vehicle of the founding Grant family.

One more thing to note about Journal, which will trade on the NYSE as "JRN"—it will be paying a dividend to shareholders right from the get-go. The company has paid cash dividends to its employee-shareholders for years and the board of directors intends to continue that practice. The company anticipates paying a quarterly dividend of \$0.065, or \$0.26 annually on its A and B shares. If the IPO prices at

\$14.50, that would constitute a yield of 1.8%. However, the Class C shares are contractually entitled to a minimum dividend of \$0.56 per year. Class B shareholders are also entitled to a special dividend of \$0.20 following the IPO.

Journal owns 36 radio stations, 11 TV stations, the Milwaukee Journal Sentinel, 90 community newspapers and shoppers, a telecommunications company (Norlight Telecommunications) and commercial printing operations.

Big City nearing wrap-up

Q2 financial results for Big City Radio (A:YFM) were pretty good—net income of \$142.3M, or \$9.83 per share. Of course, that's because the company had completed the sale of nearly all of its radio stations.

In its report to the SEC, Big City said it is close to a deal to sell its single remaining station—WYXX-FM Morris, IL. The buyer wasn't identified, but the price tag was—"approximately \$500,000." Big City paid \$1.1M for the station in 1997, but the signal is being downgraded as part of Big City's already-closed deal to sell co-channel WVIV-FM Chicago to Hispanic Broadcasting Corp. (N:HSP) for \$32.9M.

As of 6/30, Big City had approximately \$3M in cash on hand and 3,609,878 shares of Entravision (N:EVC), which it got as part of the payment for three LA stations. In all, the company valued its cash and marketable securities on hand at nearly \$41M.

Big City had originally gotten \$100M cash and 3,766,478 shares of stock from Entravision for the LA stations, but it has recently been selling off some of the stock. As of 8/1, Big City said it had sold 620,700 shares of Entravision stock for a total of \$6.8M.

So far, bondholders have been paid \$195.4M and Big City is still negotiating with the bondholders over exactly how much interest is owed on its bonds, which had an original face value of \$174M. Big City estimates that it may still owe about \$1.3M to the bondholders.

It appears that once all of the debts and taxes have been paid, there will still be millions of dollars left over at Big City. People buying the company's stock have been betting that the cash will be distributed to shareholders and the company folded. Big City announced that its board had approved a plan to dissolve the company, which is to be sent to shareholders for a vote.



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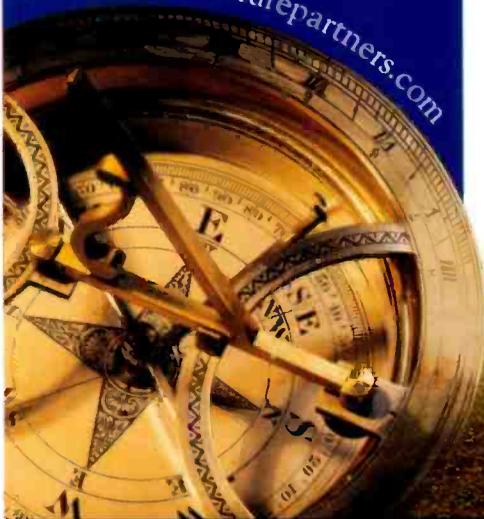
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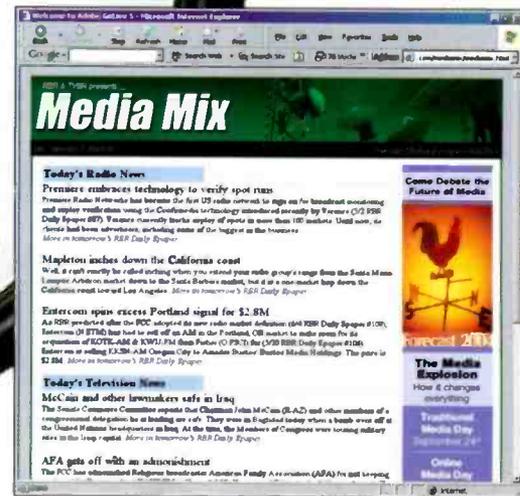
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