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Radio News

Radio revenues up 10% at the halfway point 3

...and the 10% gain should hold until the end of the year, if Standard & Poor's guesstimates are on target. National is leading the way, up 16%.

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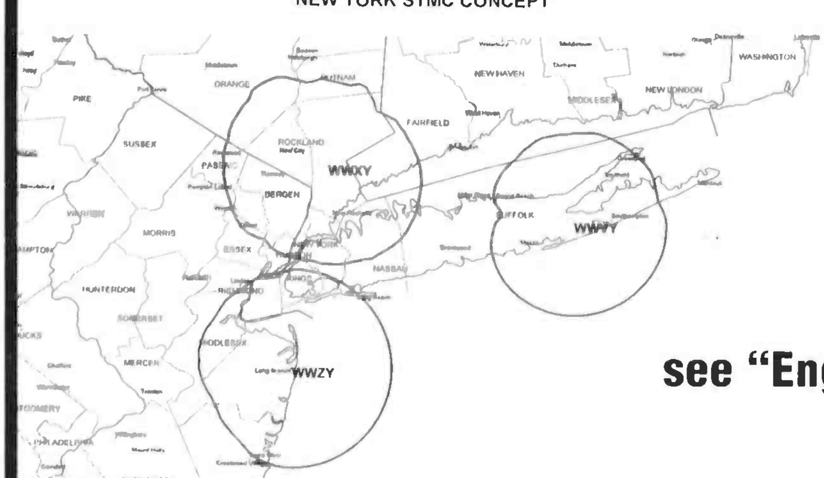

Odyssey re-invents the donut

see "Engineered for Profit" page 6

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Radio revs up 10% at mid-year

At the half-way point, radio revenues are up 10%, according to the latest numbers from the RAB. That puts radio on course to end the year up 10% as forecast by Standard & Poor's **William Donald** (*RBR* 7/14, p. 2).

National revenue is still boosting overall revenues. Through June, national is up 16% and local up 9%.

For the month of June, local revenue was up 9% with all regions of the country posting similar increases. National revenues continue double-digit gains, up 13%, with the West up 27%. National revenues in Southwest were flat and up only 1% in the Southeast.

New York revenues are doing somewhat better than the norm, up 11.3% to $244.6M for the first half of 1996. Local is up 11.9%, while national was up 8.4%, according to NYMRAD.

SFX bidding down to the wire

At deadline, there was still no final word on a sale of SFX Broadcasting (O:SFXBA), but bidding was in the final stages. Several major groups had been in the initial round of bidding, but our sources said the final competition was between Jacor Communications (O:JCOR) and Capstar Broadcasting Partners. The final price could approach the $2B mark.

Hollings fights for Everett; set to block Kennard

FCC General Counsel **Bill Kennard**'s impending nomination to FCC Chairman (*RBR* 7/28 p. 4) may not be a walk in the park. Sen. **Ernest Hollings** (D-SC) and The Congressional Black Caucus continue to support attorney **Ralph Everett** for the post. Senator **Jesse Helms** (R-NC) has also threatened to block Kennard's confirmation because of the FCC's role in forcing an Asheville, NC broadcaster off the air.

Everett has been a long-time telecommunications aide for Sen. Hollings. He's also the first African-American chief of staff on any committee. According to Senate sources, Hollings will continue to fight for Everett.

Kennard's Congressional support is coming from three Republicans—Sen. **John McCain** (R-AZ), Rep. **Billy Tauzin** (R-LA), and Senate Majority Leader **Trent Lott** (R-MS).

So far, the NAB has no official response. However, Radio Board Vice Chair **William McElveen** said: "I feel that we could work with either Kennard or Everett and welcome the opportunity to work with another Chairman who operates in the spirit of cooperation."

NAB's Fritts attacks Gore Commission

NAB President **Eddie Fritts** warned broadcasters last week that outgoing FCC Chairman **Reed Hundt** would be living on in the Gore Commission. The new Presidential Commission is charged with recommending new public interest requirements for broadcasters as the move to digital broadcast nears. So far, only the Co-chairs (CBS Entertainment President **Les Moonves** and **Norm Ornstein** of the American Enterprise Institute) for the 20-member Commission have been named; the other members won't be named until the fall, said Vice President **Al Gore**'s office.

The NAB sent a letter to Gore (7/24) opposing Ornstein's appointment. Ornstein, said Fritts, comes into the position with set views unpopular with broadcasters. "Should politicians have free campaign ads to help reelect themselves? If you say yes, then you are qualified to serve on the Gore Commission!" said Fritts.

Outgoing Commissioner **Rachelle Chong**, speaking to California Broadcasters, urged broadcasters to speak out in order to "end the trend of increased government intrusion" into program content, which, said Chong, "is reaching crisis proportions."

***RBR* observation**: Never since the FCC was formed in 1934 have four Commissioner seats been up for grabs. With Commissioner **Jim Quello** leaving, there will be no broadcaster representation on the FCC. The time to get involved in the process is now. Or else, Hundt's legacy may live on without him.

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Upped & Tapped

Susquehanna Radio Corp. has announced changes in two of its markets. In San Francisco, **Tony Salvadore** is Market Manager and VP/GM for Susquehanna's two AMs, KNBR and KTCT. **Dwight Walker** will remain as VP/GM at KFOG-FM/KFFG-FM and add the same responsibilities for KSAN-FM. **Julie Kahn** will become VP/Director of Sales for all stations. In Dallas, **Dan Halyburton** will be Market Manager, as well as VP/GM at KPLX-FM And KKZN-FM. **Dan Bennett** remains VP/GM at the two AMs, KLIF and KTCK.

Brand awareness: United Stations Radio Networks has hired **Debbie Brand** to work out of its Washington, DC affiliate relations and marketing department. Meanwhile, **Martin Quinn** has also signed on as GM, Comedy Operations.

Promotions promotion: **Rick Boeker** is the new Promotions Coordinator for KHMX-FM Houston.

KXGL-FM San Diego GSM **Bob Freeman** has been appointed to the RAB's 1998 Sales Advisory Committee.

Sharon Massey is the new Director of Marketing for the San Diego Radio Broadcasters Association.

Taylor-made position? Pacific Research & Engineering has tapped radio veteran **Gary Taylor** as its Director of Corporate Relations.

Little & King Co., a promotions company, has named **Dorothy Lancaster** VP/Account Supervisor.

The Longoria and short of it: Broadcast Electronics, with an eye toward the Latin American broadcast equipment market, has hired bilingual **Sergio Longoria** as RF Customer Service Rep. He'll be based in Quincy IL.

Chancellor Broadcasting's **Jacques Kerrest** is heading over to Harte-Hanks Communications as SVP/CFO. He will be unassociated with radio, as H-H recently announced the sale of its lone AM station.

Overpromotion: **G. Michael Donovan** has not been named President of the Washington State Association of Broadcasters as reported in *RBR* 7-21-97. In reality, he was named to fill a vacancy on its Board of Directors. **Mark Allen** remains President of the association.

News Analysis

by Jack Messmer

Capital gains tax cut welcomed

The package of tax and spending cuts agreed to last week by President **Bill Clinton** and GOP congressional leaders is welcome news to radio brokers. The package includes a long-sought cut in the capital gains tax, which is expected to bring more stations to the auction block. But with the station trading market already so hot, the impact isn't expected to be as great as it would have been a few years ago.

"So much has already traded that, in terms of dollar volume, I don't think it will have much impact," said **Jim Blackburn**, Chairman, Blackburn & Co. Even so, he hailed it as a "healthy move" for the economy and said it may convince some station owners to sell.

"The effect ought to be primarily felt in the middle- to small-markets," said **Bill Steding**, Managing Partner, Star Media Group. "This will help the fence-sitters get off the fence."

"This is just another nudge," agreed **Mark Fratrick,** VP/Economist, NAB. With the top capital gains tax rate cut from 28% to 20%, retroactive to May 7, Fratrick expects some long-time owners to become more interested in selling.

"In the next year or so, you'll see about half of the remaining owner/operators moving out," predicted **Dan Gammon**, Managing Partner, Americom Radio Brokers.

If such a tax cut had come at a time when station trading was less active, it might have had a big impact, noted **Mike Hines**, a tax attorney with Dow, Lohnes & Albertson. "I think it's been overwhelmed by other factors," Hines said of the likely impact on the current station trading market.

Hines also noted that the budget deal's change in the federal Estate Tax could also be important to some broadcasters. The current $600,000 individual exemption will rise to $1M over a 10-year period, but for family-owned small businesses the shield rises to $1.3M in 1998.

Stock traders to cash out?

To avoid having to pay the capital gains tax, some past station sales were done as stock swaps. Now that the capital gains tax rate is being cut, some of those swappers who got publicly-traded stock for their stations may decide to sell the stock and pay the lower tax rate before the political climate changes and rates go up again. "That could have some minor effect of pushing down prices of radio stocks, but I suspect it's too minor to do anything significant to stock prices," said Hines.

"It really will help people who have a big stock position and want to sell," said broker **Gary Stevens** of Gary Stevens & Co. With less incentive for sellers to take stock instead of cash, Stevens said negotiations should be simpler.

Even if the capital gains tax cut means only a small increase in station inventory available for sale, brokers are moving quickly to contact potential sellers to list their stations. "There's a paucity of good inventory out there," noted **Pete Bowman**, VP and tax analyst, BIA. For long-time owners, he called the cap gains tax cut "a legal window of opportunity to enjoy an appreciable tax benefit."

DOJ threatens Heritage sale

Sinclair Broadcasting's (O:SBGI) $630M buy of Heritage Media's (N:HTG) radio and TV groups is on hold, due to DOJ antitrust concerns about News Corporation's (N:NWS) $1.35B acquisition of Heritage. **Rupert Murdoch**'s News Corp. wanted Heritage's in-store and direct marketing operations, and was spinning off the broadcast stations to Sinclair.

***RBR* observation:** And you thought the DOJ's scrutiny of radio deals was bizarre! The only business in which News Corp. and Heritage Media are direct competitors is in shelf-mounted coupon machines. Heritage had 100% of that "market" until a little over a year ago, when News Corp. jumped in and started eating up market share—proving that there's very little barrier to entry for additional competitors. Besides, there are lots of other ways to distribute coupons inside a store. Now, if DOJ thinks Rupert Murdoch is out to "dominate" the entire coupon industry, the investigators will have to enlist the Bureau of the Census to try to count all of the coupon businesses in the country!

Radio leads all other media in PSAs

Who says radio doesn't take its public interest obligation seriously! Radio stations donated $542.3M in air time to The Advertising Council in 1996, more than half of all donated media. The Ad Council is the nation's largest producer of public service ads. Cable

Engineering News

by Carl Marcucci

Website now offers radiation patterns for AM-FM-TV

Need quick technical info on a station? The Broadcast Station Location Page online service offers complete technical summaries on AM stations worldwide, and for all U.S. TV and FM stations. Information is based on FCC-provided and maintained data including call letters, frequency, power, antenna, bearing, location, and now—plots antenna radiation patterns. Stations can be sorted by distance, ERP and antenna height. Check out the site at http://www.jagunet.com/~kodis/station.html.

Two web sites debut for broadcast equipment

BroadcastSupplyWorldwide, along with other recent improvements, has added a Web site for convenience in purchasing and inquiries. The address: (www.bswusa.com/).

Looking to sell or buy surplus equipment? Now you can access a variety of offerings through PMA Marketing's Web site (www.amfmtv.com). Covering clients in all 50 states and many Canadian provinces, the site promises a quick and easy clearinghouse for independent station owners.

Prophet provides quick reference with the "Crystal Ball"

New to the Prophet Systems lineup, the "Crystal Ball" operating system allows instant retrieval of shows, promos, ads or anything else stored. To access, users need only type in date and time of audio piece—storage is pulled from hard drives of up to four computers, or from DAT tapes that can store up to 4 1/2 weeks of programming. Seven days of programming are retrieved through the hard drive, and anything previous will be retrieved from DAT. Cost for the system is $6500, with each additional station at $3750.

RCS offers small-market digital console

Now available, the "DC Lite" digital audio console by Klotz (Germany) offers flexibility and growing room in a smaller version of RCS's DC console. Offered for around $12,000, the unit features 10 faders and up to 20 analog or digital inputs, with modular add-on capability. Options include on-board processing for compression, limiting EQ and delay. Matching stages of station growth, the DC Lite is upgradeable to a full DC console equivalent. "Its a digital console for small and medium markets because we wanted to offer them access to digital quality without paying the major market prices," said **Rick Strage**, Digital Division Manager, RCS.

With DCI, you can "send collect"

Digital Courier International announced a new and unique collect sending feature for its 4,600 radio and production clients. With "DCI Collect," senders have the ability to digitally deliver a produced ad with costs now reversed to the receiver. "It's especially a godsend for radio stations who distribute audio that they produce from their own facilities," said **Al Kozak**, President and COO, DCI.

---

was the second biggest contributor at $197.3M, followed by TV's $91.6M. Newspapers donated only $14.9M.

New RadioWeb services target non-spot revenue

RadioWeb, a new web service for radio stations from Santa Ana-based World Media Network, is taking syndicated web programming one step further. While most syndicated web programmers, such as Electric Village (*RBR* 4/7, p. 16), seek to enhance a station's programming content and then sell advertising, RadioWeb is offering a suite of non-spot revenue services aimed right at a station's bottom line.

The RadioWeb services: World Singles Network (a dating service much like the radio dating services that use interactive phones); World Access Network (stations go into the Internet Service Provider biz); a directory for local businesses; and a classifieds section to tap into the $13.7B newspaper classified biz.

Stations make money by revenue-sharing monthly subscription fees for the singles network ($9.95), ISP service ($18.95), or advertising. All the bartered services are branded to the station and are exclusive to the market.

"Our goal is for stations to net $50,000 in gross revenues each month," said **Doug Hauptman**, VP, Marketing, World Media Network. If stations get to that goal, RadioWeb will go ahead and install the capability for stations to stream audio.

RadioWeb's first affiliate is WJML-AM Northwest MI.

PR&E woos Dingethal from BE

Pacific Research & Engineering (A:PXE) has appointed **Susan Dingethal** to VP Sales & Marketing, bringing over 25 years of radio broadcast industry experience to the firm. Her responsibilities are to include directing U.S. and international sales, along with overseeing business development initiatives with a focus on broadcast groups. Dingethal was most recently national sales director with Broadcast Electronics and put in 16 years as a division manager at Arbitron.

Spring survey: Zipless in Los Angeles

First Santa Rosa (*RBR* News Brief 7/30), now Los Angeles, the number two-ranked market. Arbitron contends its latest mishap—66 zip codes underrepresented or excluded from the starting sample for the LA Spring survey—won't have a "meaningful impact on the validity and reliability" of the book. However, the July 28 letter to clients from Account Exec **Rob Winston** cautions that some of the book's utility will be lost if clients are looking to do geographic breakouts based on the affected zips—53 in Los Angeles County and 13 in Orange County.

According to Arbitron, Metromail's exclusion of the zips was the source of the snafu.

***RBR* observation**: Arbitron has not said whether any station has asked for some sort of make goods, but a reissue like the case with Santa Rosa last week, seems unlikely. Nevertheless, some utility—what is at debate, is "how much"—is lost. As many broadcasters have discovered, qualitative data, especially data based on custom geographies, is often critical to bringing in business from certain retailers. So the errant zips could potentially effect an account. The station most likely to complain: KKBT-FM, which went down one point Winter to Spring.

Setting it straight

Cox owns The Eagle Group, not Eagle Marketing as we printed in our July 21 issue, p. 3.

ENGINEERED FOR PROFIT™

by Carl Marcucci

"Synchronized Total Market Coverage™"
—Odyssey's winning strategy for big markets

The Challenge: Blanket a large market area without using Class B or C transmitters.

The Solution: Buy up a few Class A's with the same frequency in and around the 'burbs and "tweak" them for seamless transition between coverages.

Odyssey Communications developed Synchronized Total Market Coverage (STMC™) as an inexpensive, effective way to reach the multitudes of the New York, Southern California and Chicago markets. It even trademarked the strategy.

In SoCal, there are now four transmitters—three stations with different call letters and one signal booster—all broadcasting "Y-107" (Modern Rock) on 107.1 mHz. In the New York area, Odyssey has three stations doing the same thing on the same frequency with New Country. So far, Chicago's northern and far southwestern suburbs are covered on 103.1 mHz, with the final unveiling still to come.

Traditionally, "rimshot" market coverage has been achieved by using stations with different frequencies (*RBR* 5/19 p. 14), but Odyssey believes the only way to keep people listening is by using the same frequency. That's not always easy—Odyssey's Director of Engineering, **Alan Kirschner** faced complications ranging from signals "phasing each other out" to the program sounding like it was inside a giant barrel.

But Odyssey is making it work, and ratings are proving it (especially when Y-107 is currently the only choice for Country in New York!). In this exclusive interview with *RBR*, **Mike Kakoyiannis**, President and CEO, Odyssey explained how they buy the donut and make it include the hole.

The situation in Chicago—what are format ideas and are you planning on adding a third station to complete that market's coverage?

We're in the process right now of doing a format investigation of the market and analyzing the Chicago market. As you know, the market is in a bit of a format flux with the Bonneville and Evergreen transactions. But it's not necessary for us to add a third station to achieve our goals.

How are ratings faring in New York and LA markets?

In LA we're barely a little over a year on air and we hadn't gotten all of the engineering going until well into '96. We've been able to cume at a high point of 700,000. I think we may be ranked with a 1.1 share with that signal right now. And in our in-cell demos we're really very effective. Our revenue growth has been excellent.

Y-107 in New York is the sixth most listened to Country station in the U.S. and Y-107 in LA is fourth in cume in the U.S.

How do you leverage Arbitron ratings that list your stations in different and embedded markets, while they're essentially one station?

The buying community knows that we're a metro station whether its a combination of stations or one. We market it as one station whether it's Y-107 east or Y-107 west or in Chicago the 103.1 frequency. We are looking for the metro ratings and that's what the buyers are looking for.

All of our properties are marketed as Arbitron metro-rated stations and, as such, we are evaluated on the same criteria.

We know you've used TV and billboards like any other big market entity, but what else are you doing to attract listeners?

continued on page 8

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Prophet Systems

CORPORATE

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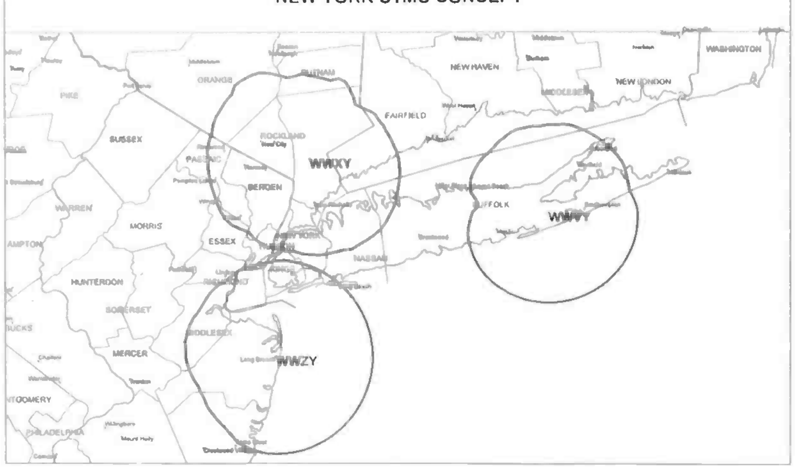
continued from page 6

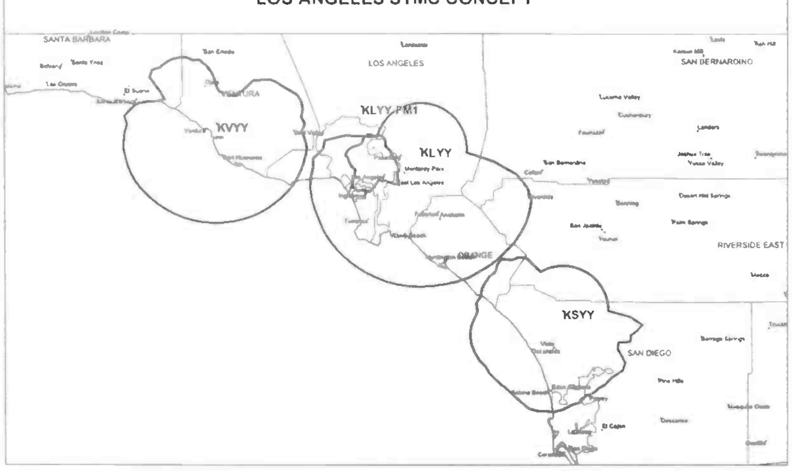
Contour maps for Odyssey's Top-3 market coverages. The stations: New York Metro—WWXY Briarcliff Manor, NY, WWZY Long Branch, NJ, WWVY Hampton Bays, NY. LA Metro—KLYY Arcadia, CA, KSYY Fallbrook, CA, KVYY Ventura, CA. Chicago Metro—WVVX Highland

Our biggest focus in station promotion is our street presence with our promotional crew in both markets, along with at least three or four vans in each market. We have a traveling billboard which we own in New York and we are very community-minded in terms of localization of our promotional efforts.

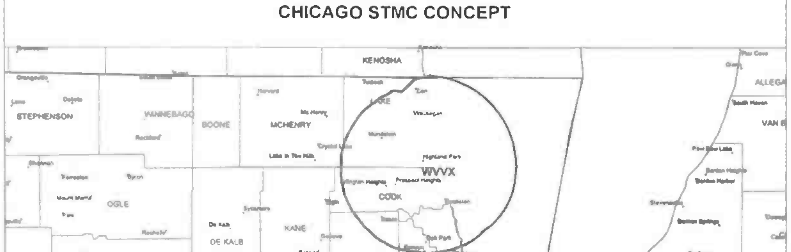
NEW YORK STMC CONCEPT



LOS ANGELES STMC CONCEPT



CHICAGO STMC CONCEPT



What difficulties arise in convincing advertisers that STMC works?

It's an educational process. We've been very successful in LA and we're starting to reach that goal in NY now with a 1.1 share. Basically, it comes down to us being able to deliver our media value...once we do that there are no difficulties.

What are the major obstacles in making STMC work?

It's not so much an obstacle as a very sophisticated engineering play based on the need to develop equipment and programs that adjust for the overlapping signals. You want to get rid of as much interference as possible—which we've been quite successful at doing.

How is STMC engineered?

It basically is an engineering play that takes into account the FCC contours. We've added a somewhat proprietary program to it that allows us to go a little bit further in defining the contours and really take a hard look at what areas we'll be able to cover effectively and be listenable. STMC uses digital time delay programs put in place, synchronization of the frequencies, and engineering out the overlap of signals as much as possible. We also use an in-frequency booster in LA. That's just one of the licenses we have there. You're allowed to use a booster within a certain dbU contour.

Explain how "rimshotting" works much better with listeners if it's all done on the same frequency.

That's just a marketing concept we believe in— that the way people listen is the way we should do our engineering and marketing.

Do you foresee Odyssey's vision as continuing to cover markets with multiple class A transmitters, or will Class B's and C's also be a part of your future portfolio?

I think STMC is a platform for growth for Odyssey Communications. And like any broadcasting group we expect to grow and take advantage of opportunistic purchases. STMC is certainly in the picture. And right now it's our revenue locomotive.

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by Gregg P. Skall, Esq.
Pepper & Corazzini, L.L.P.

Dealing with DOJ: The rules of consolidation

As consolidation in the radio marketplace continues and reaches ever smaller markets, more and more broadcasters are having to pay attention to an agency that, prior to last year's deregulation of ownership, had little to do with broadcasting—the U.S. Department of Justice's (DOJ) Antitrust Division. To help you find your way along this new path, here is an abbreviated summary of how DOJ analyzes proposed mergers.

First, it will define the market. Contrary to popular belief, the market is not always defined by the overall advertising revenue that will accrue to the combined entity. DOJ will look first at the geography of the market. It does not accept the FCC's overlapping contour definition of a radio market, but will look to the metropolitan area or the general listening area considered reached by the combined stations. Simply being heard is not sufficient—the department will look to see whether the station actually serves as a substitute for other stations to local advertisers.

It will also define the product market. In radio, that usually means the format or demographic listener group served by the station in order to deliver consumers to an advertiser.

Secondly, DOJ looks to see whether the merger will create or enhance market power within the market. It will do so under at least four analyses:

•Under the "Theory of Unilateral Affect" DOJ will seek to differentiate the various radio products available in the market by determining whether listeners have different preferences for the different radio stations being offered to them;

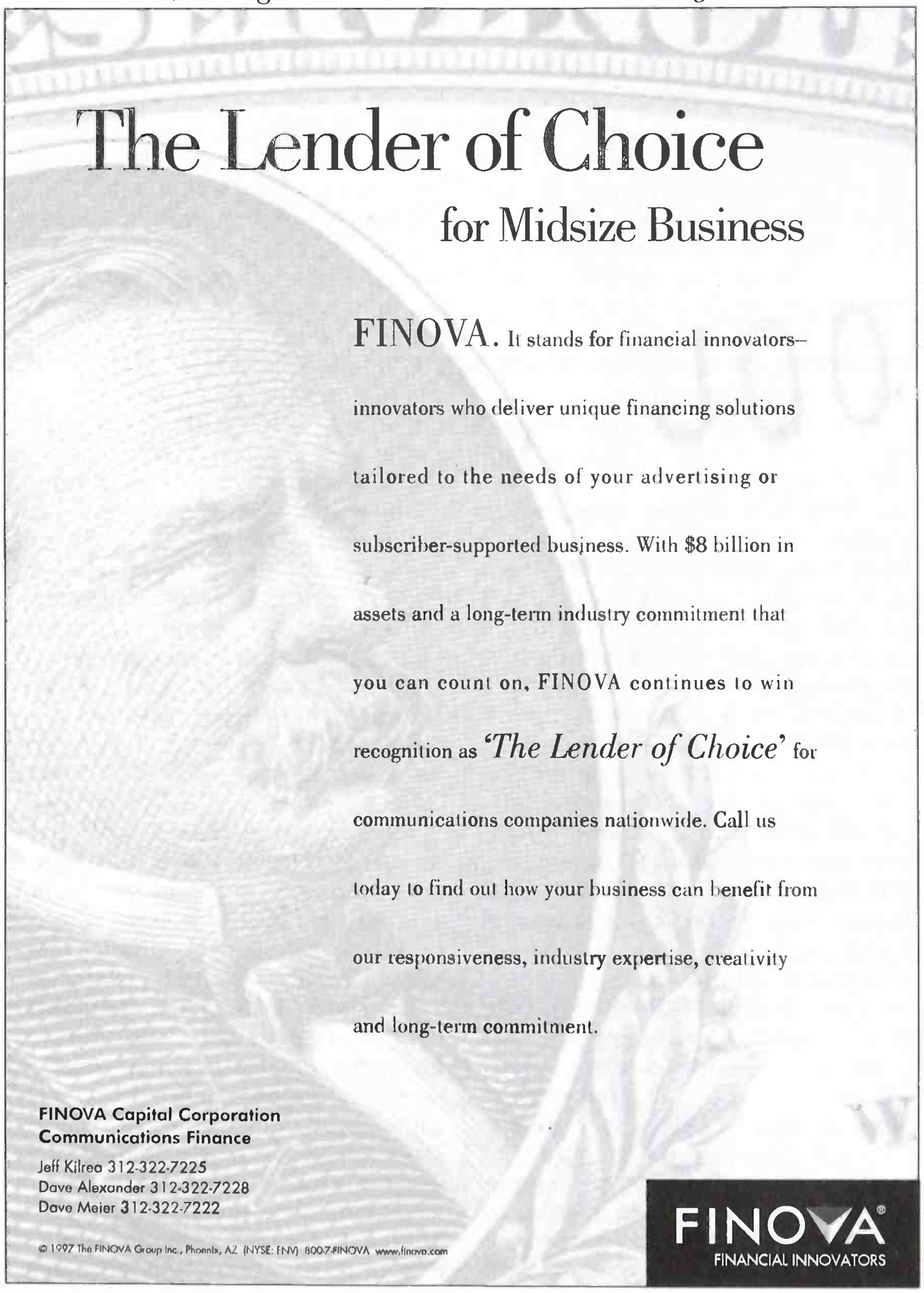
•Under the "Next Best Substitutes Theory" it will look to see whether an advertiser's options are being reduced by the merger so that it cannot play one station off against another (for example, in a situation where one buyer may buy all of the Rock stations serving the market);

•Under the "Buy Around Theory" it will look to determine whether an advertiser may reach its target audience without having to go through the merged firm, or whether as a result of the merger, it will not be able to avoid dealing with the new merged firm;

•And it will also look at revenue market share, although DOJ cautions that 40% is not the bright line test for safety that many broadcasters assume.

How much is too much?

The principal way that the department analyzes revenue market share is through the guidelines set up in its *1992 Revised Merger Guidelines*. The



Understanding the Herfindahl-Hirschman Index

Here's how DOJ uses HHI to analyze proposed mergers:

Step 1:

The pre-merger HHI level is set by adding the totals of the squares of the "market shares" of all the competitors. For example, if there were 10 radio stations in the market who each have a 10% market share, the pre-merger HHI level would be 1000. [10 firms x 10^2 = 10 x 100 = 1000].

Step 2:

The increase in the post-merger HHI level is determined by doubling the product of the shared held by the acquirer and the target. Thus, if the two companies have respective market shares of 5% and 10%, the merger would increase the pre-merger HHI level by 100 points. [5 x 10 x 2 = 100].

goal of the guidelines is to determine whether a merger results in such market power by the merged entity that it would have the ability to maintain prices above competitive levels for a significant period of time or to reduce competition on other factors such as quality, service or innovation. If the merged entity could impose a "small but significant and non-transitory increase in price," or SSNIP, the department could determine that the merger would substantially lessen competition.

After defining a relevant geographic and product market, the next step under the merger guidelines would be to identify all the firms in the relevant market. In doing so, it will include uncommitted entrants—that is, firms which would enter the market within one year without incurring substantial sunk costs if incumbents imposed a SSNIP. Sunk costs are considered to be acquisition costs of tangible and intangible assets that cannot be recovered outside the relevant market within one year. Examples of sunk costs in a radio business would be the tower, transmitter, purchase price allocated to the FCC license and so forth. As a rule of thumb, sunk costs greater than 5% of the total annual costs are considered significant. DOJ will then consider a method for determining the nature of the market shares—a market measure that best reflects the station's future ability to compete. Depending upon the situation, that could be expressed in terms of gross revenues, ratings share points, or any other method DOJ considers useful for determining units of sales or production. However, in most cases it does use annual sales figures.

The next step is to apply the Herfindahl-Hirschman Index (HHI). This index isn't as complicated as widely believed. The chart, above, explains how HHI is applied.

There is a "safe harbor" exemption for mergers in markets with pre-merger HHI levels below 1000. Mergers in markets with pre-merger HHI levels between 1000 and 1800 and a post-merger increase of less that 100, as well as mergers in markets with pre-merger HHI levels above 1800 and a post-merger increase of less than 50, are unlikely to be challenged.

Mergers in markets with pre-merger HHI levels between 1000 and 1800 and a post-merger increase of more than 100, as well as mergers in markets with pre-merger HHI levels above 1800 and a post-merger increase of between 50 and 100 will "raise significant competitive concerns" and will require a close analysis of competitive conditions in the market.

Mergers in markets with pre-merger HHI levels above 1800 and a post-merger increase of more than 100 face a rebuttable presumption that they will create or enhance market power or facilitate its exercise.

A cursory look at the HHI numbers utilized in the *1992 Revised Merger Guidelines* demonstrates that as consolidation reaches the smaller radio markets with fewer existing stations, some of which may have large market shares, the likelihood of falling below the pre-merger HHI 1000 safe harbor is significantly reduced. Furthermore, a post-merger HHI level increase of less than 50 also becomes increasingly unlikely.

Will small market mergers be targeted?

DOJ has yet to speak on its attitude toward consolidation in the smaller radio markets. However, it is significant to note that the merger guidelines themselves suggest 35% of the relevant market is the benchmark above which there should be substantial pre-merger evaluation for the potential of unilateral anti-competitive conduct in the post-merger environment.

Thus, if a merged firm could make a unilateral price increase on one or more of its stations profitable after the merger where (1) the station's formats and the demographics they attract are such close substitutes that sales lost due to a price increase on one of them would then go to the other station, thereby making the price increase on the first station profitable, and (2) other stations cannot be repositioned to capture those sales, the merger might be considered anti-competitive. The agency will also inquire as to whether the merger will increase the combined stations' sales to the point where it would be profitable for the group owner to restrict advertising availabilities because the resulting price increase would be captured by the combined stations.

Predicting DOJ's reaction to a proposed merger is not an easy task, and may become even more difficult in smaller markets. Of course, many of the smaller market deals will not reach pre-merger notification requirements (under Hart-Scott-Rodino) and DOJ may not find out about them unless a competitor in the market brings the proposed transaction to the department's attention. However, that always remains a possibility. Therefore, mergers and acquisitions consolidating even smaller markets need to have provisions made for antitrust analysis. Be prepared to defend your deal before you have to.

Gregg Skall is an attorney with the communications law firm Pepper & Corazzini, L.L.P., based in Washington, DC.

Much of the material regarding analysis of the Herfindahl-Herschman Index was drawn from "A Road Map to the DOJ —FTC 1992 Revised Merger Guidelines," by Edward P. Hennebery and Rosemary H. McEnery of Howery and Simon, Washington, DC.

July 30—RBR Stock Index 1997

Company	Mkt:Symbol	7/23 Close	7/30 Close	Net Chg	Pct Chg	7/30 Vol (00)
Ackerley	A:AK	13.000	13.500	0.500	3.85%	70
Alliance Bcg.	O:RADO	3.000	0.625	-2.375	-79.17%	7
Am. Radio Sys.	N:AFM	42.937	44.000	1.063	2.48%	721
Ceridian	N:CEN	41.125	42.500	1.375	3.34%	2794
Chancellor	O:CBCA	40.000	40.750	0.750	1.88%	388
Childrens Bcg.	O:AAHS	3.875	4.125	0.250	6.45%	651
Clear Channel	N:CCU	59.625	60.125	0.500	0.84%	791
Cox Radio	N:CXR	25.000	24.000	-1.000	-4.00%	64
DG Systems	O:DGIT	6.000	6.125	0.125	2.08%	1294
Disney	N:DIS	77.750	80.937	3.187	4.10%	15825
Emmis Bcg.	O:EMMS	44.750	43.250	-1.500	-3.35%	384
Evergreen	O:EVGM	44.500	45.625	1.125	2.53%	3361
Faircom	O:FXCM	0.281	0.281	0.000	0.00%	0
Fisher	O:FSCI	140.000	131.500	-8.500	-6.07%	40
Gaylord	N:GET	23.375	23.062	-0.313	-1.34%	2403
Granite	O:GBTVK	11.000	11.500	0.500	4.55%	4314
Heftel Bcg.	O:HBCCA	57.000	59.062	2.062	3.62%	957
Heritage Media	N:HTG	19.187	17.125	-2.062	-10.75%	3824

Company	Mkt:Symbol	7/23 Close	7/30 Close	Net Chg	Pct Chg	7/30 Vol (00)
Jacor	O:JCOR	42.250	43.000	0.750	1.78%	1745
Jeff-Pilot	N:JP	70.250	69.562	-0.688	-0.98%	1240
Jones Intercable	O:JOINA	13.062	12.875	-0.187	-1.43%	213
Katz Media Group	A:KTZ	10.812	10.812	0.000	0.00%	14
Metro Networks	O:MTNT	32.250	32.625	0.375	1.16%	2538
New York Times	A:NYTA	52.625	50.312	-2.313	-4.40%	8934
Pacific R&E	A:PXE	3.062	3.125	0.063	2.06%	5
Paxson Commun.	A:PXN	13.000	13.000	0.000	0.00%	9712
Pulitzer	N:PTZ	52.000	50.750	-1.250	-2.40%	435
Saga Commun.	A:SGA	19.500	19.375	-0.125	-0.64%	0
SFX Bcg.	O:SFXBA	55.000	59.750	4.750	8.64%	1188
Sinclair	O:SBGI	35.500	33.750	-1.750	-4.93%	432
TM Century	O:TMCI	0.468	0.468	0.000	0.00%	0
Triathlon	O:TBCOA	8.312	8.500	0.188	2.26%	633
Tribune	N:TRB	53.562	52.812	-0.750	-1.40%	2511
Westinghouse	N:WX	24.500	23.812	-0.688	-2.81%	15471
Westwood One	O:WONE	31.312	31.875	0.563	1.80%	261

Q2: How high can you go?

•SFX Broadcasting (O:SFXBA) reported Q2 cash flow up 244% to $29.7M. Net revenues rose 221% to $89.1M. Net revenues from radio rose 137% to $65.9M and cash flow gained 209% to $26.6M. Concert promotion (new subsidiary) revenue was $23.2M and cash flow $3.1M. On a pro forma basis, radio revenues were up 11% and cash flow 21%.

•Paxson Communications (A:PXN) posted its first quarterly profit ever—$42.5M, due to the sale of its two network-affiliated TV stations. Q2 revenues were up 42% to $45.6M and operating cash flow from broadcasting gained 15% to $14M. For the radio group, which is being sold to Clear Channel (N:CCU), revenues rose 58% to $27.1M and operating cash flow gained 29% to $6M.

•Westinghouse—see in-depth story, page 13.

•Ceridian (N:CEN), parent company of Arbitron, had an 11.8% gain in Q2 revenues to $404.2M. Net earnings rose 18.9% to $48.5M.

•DG Systems (O:DGIT) posted a 129% gain in Q2 revenues to $5.4M. Cash flow (EBITDA) improved from -$1.2M to -$895,000.

Martz Communications Group, Inc.
Timothy D. Martz, President

operating 15 stations in the states of
Michigan, Wisconsin, New York and Maine

$4,900,000 Term Loan
$500,000 Line of Credit

Funds provided by:

Michigan National Bank

The undersigned acted as financial advisor to
Martz Communications Group, Inc. and secured the above financing

Robert J. Maccini
Phone: (401) 454-3130 Fax: (401) 454-3131
Internet: rjm@mediaservicesgroup.com
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Providence, RI 02903

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MEDIA MARKETS & MONEY™

by Jack Messmer

Chancellor buys Ever Green's Denver FM

No, not Evergreen Media (O:EVGM), which is merging with Chancellor Broadcasting (O:CBCA) to become Chancellor Media—this seller is Ever Green Wireless LLC, a local group which owns KXPK-FM. The Modern Rock outlet is licensed to Evergreen, CO.

Chancellor will pay $26M to acquire its fifth FM in Denver, Arbitron market #23. Revenue-wise, it will remain second only to Jacor, which has four AMs and four FMs.

Ever Green, headed by **Robert Greenlee**, funded construction of KXPK and exercised an option to buy the station for $4.5M less than a year after the May 1994 sign-on (*RBR* 1/16/95, p. 16).

Lowry heads for the beach

John Lynch is giving up his newly-acquired beachfront property, selling his two AM/four FM superduopoly in the Monterey-Salinas market to **Lowry Mays**' Clear Channel Communications (N:CCU) for $23.2M. An LMA will begin once the deal clears Hart-Scott-Rodino review. Clear Channel loaned Lynch $21.45M to close his deals to acquire the stations, plus it's paying him a $500,000 fee.

Then there's Lynch's consulting agreement and its payoff: If 1998 cash flow is $2.5M up to $2.7M, he gets another $500,000; if it's $2.7M or more he gets $1M.

***RBR* observation:** This sends Lynch back to the radio sidelines, after selling Noble to Jacor, then going on a buying spree in Idaho and Monterey-Salinas. The Idaho stations are all being sold to Jacor, so this finishes the second sell-off. We wonder, will Lynch be back for a third run?

Austin owners merge

The LBJ Co., owned by the late President's family, and Sinclair Telecable are merging their radio operations in the Texas capital. The deal, creating LBJ-S Broadcasting LP, is being valued at $80M. The Austin combine will include KLBJ-AM & FM, KAJZ-FM (all from LBJ) KGSR-FM & KROX-FM (from Sinclair).

LBJ's **Ian Turpin** will be President & CEO of LBJ-S, with Sinclair's **Bob Sinclair** as COO. Sinclair's other radio properties, in Richmond and Norfolk, VA, are not affected. Broker: **Paul Leonard**, Star Media Group

Jacor converts Religious FM

Chalk up station number four for Jacor Communications (O:JCOR) in St. Louis. It's acquiring Contemporary Christian WCBW-FM from Continental Broadcasting for $13M. The station is a Class C3 (7.8kw @ 574 feet) licensed to Columbia, IL. Broker: **Gary Stevens**, Gary Stevens & Co.

Gleiser into VS&A tent

Paul Gleiser's Gleiser Communications LLC is the latest to join VS&A's Broadcasting Partners Holdings LP. In addition to Gleiser's existing two AMs and one FM in Tyler, TX, they're also buying **Matthew Williams**' KEES-AM & KYZS-AM for $950,000.

Tampa AM duop split

Radio Tropical, headed by **Efrain Archilla-Roig**, is selling its two Tampa AMs to separate buyers. **Ron Gordon**'s and **Mark Jorgenson**'s ZGS Broadcast Holdings will pay $1.9M for WAMA; **Bruce Maduri**'s Genesis Communications II will pay $1.1M for WQBN. Broker: **Donald Clark**

CLOSED

Dan Mason, President of

CBS Radio

has agreed to transfer the assets of

KPIX-FM

San Francisco, California

for

$39,600,000

to

Bonneville International Corporation

Star Media Group, Inc.

"Radio's Full Service Financial Specialists" ™

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CBS: Q2 by the numbers

With Westinghouse (N:WX) preparing to separate into two companies, CBS Corp. (media) and Westinghouse Electric (industrial), the company's Q2 report holds special interest for investors and competitors—particularly the sector-by-sector breakouts. First, though, here's what Westinghouse had to say about its media group's performance:

"In the second quarter, Westinghouse's media group reported earnings before interest, taxes, depreciation and amortization (EBITDA) of $261M compared with $340M in the year-ago quarter, on a pro forma basis. Infinity's contribution to EBITDA for the quarter was offset by decreased revenue at the television network and a less favorable effect of purchase price accounting for program rights. On a pro forma basis, sales in the media group were essentially flat.

"The CBS Radio Group continued to outperform the radio industry, growing at a double digit rate. The group's EBITDA of $157M represents an increase of nearly 23% compared with the year-ago quarter, on a pro forma basis.

"Television station revenues declined 4% on a comparable station basis, and EBITDA was essentially flat. Cost reduction programs instituted over the past 18 months made significant contributions to EBITDA for the quarter."

Noting that the company recently consolidated its CBS O&O TV stations group with the radio group, all now headed by **Mel Karmazin**, Westinghouse CEO **Michael Jordan** was upbeat on the future: "Momentum at our television stations has improved rapidly as a result of our recent management actions and a strong May book. We expect our ongoing growth, particularly in the major markets, to benefit significantly from greater interaction among our television, radio and outdoor businesses." As reported *(RBR* 7/28, p. 4), CBS recently began efforts to trim costs, with most of the focus on its TV operations.

Overall, the company reported net income of $1M for Q2, compared to a loss of $89M a year earlier. For the first six months of 1997, the net loss declined to $150M from $747M.

Here's how the quarter and half shook out:

Westinghouse

Category	Q2 1997 ($000,000)	Q2 1997 Gain/Loss	1st Half 1997 ($000,000)	1st Half 1997 Gain/Loss
Media revenues	$1,283	16.6%	$2,609	17.6%
Radio	$378	160.7%	$691	159.8%
TV stations	$213	-5.8%	$390	-5.8%
TV network	$631	-7.3%	$1,424	-1.6%
Other media	$77	32.8%	$137	28.0%
Media cash flow (EBITDA)*	$261	-2.2%	$371	-1.6%
Radio*	$157	185.5%	$248	191.8%
TV stations*	$99	-2.0%	$166	-1.8%
TV network*	-$7	-106.5%	-$51	-143.6%
Other media*	$6	-45.5%	$6	-66.7%
Westinghouse (all continuing operations, combined media and industrial)				
Revenues	$2,413	12.3%	$4,636	10.7%
EBITDA*	$282	12.8%	$286	-5.3%

*without special items

Source: Westinghouse Electric Corp.

CLOSED!

Capstar Broadcasting Partners, Inc., R. Steven Hicks, Chairman and CEO, has entered into an agreement to acquire **Community Pacific Broadcasting Company, L.P.**, David Benjamin, CEO.

Randall E. Jeffery,
Elliot B. Evers
and
George I. Otwell
initiated the transaction.

BRIAN E. COBB
CHARLES E. GIDDENS
703-827-2727

RANDALL E. JEFFERY
RANDALL E. JEFFERY, JR.
407-295-2572

ELLIOT B. EVERS
415-391-4877

GEORGE I. OTWELL
513-769-4477

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Transaction Digest
continued from page 16

Spanish Broadcasting Systems Inc. (Raul Alarcon), to One-On-One Sports Licensee of Florida LLC, a subsidiary of One-On-One Sports Inc. (Christopher Brennan, Combined Insurance Co. of America, Traco International, Thomas Murphy & others). $1.5M escrow for this and two related sales (above & below), balance in cash at closing.

$6,300,000—* WWKZ-FM Memphis (currently licensed to New Albany, MS in the Tupelo market, but with a CP to move to Como, MS in the Memphis market) from Broadcasting and Publishers Inc. (Houston & G. Dean Pearce) to Memphis III L.P., whose general partner is owned by Albert J. Kaneb and whose limited partners are members of the Kaneb family, part of the Barnstable Broadcasting group. $315K escrow, $3.5M (less escrow) in cash at closing, $2.8M note. **Superduopoly** with WGKX-FM & WSRR-FM. Note: 40 stations in market. Broker: Gary Stevens & Co.

$1,500,000—* KCDA-FM Spokane (Coeur d'Alene, ID). 100% stock sale of Rook Broadcasting of Idaho Inc. from John H. Rook to Z-Rock Communications Corp. (A.M., Carrier E. & Todd J. Hochstadt). $10K per month under 10-year consulting and non-compete contract, plus 30% of net sale price over $2.5M when KCDA is sold to a third party, plus 50% "of the net proceeds received from any judgement or settlement against Silverado or John Winkle." The minimum Rook is to receive is $1.5M. **Superduopoly** with KNJY-FM & KEZE-FM.

$200,000—WMNT-AM Manati PR. Transfer of Manati Radio Corp. from Pedro Collazo-Barbosa (57.14% to 0%) to Jose A. Ribas Dominicci (42.86% to 100%). Cash.

$187,500—* KSYC-AM & FM Yreka CA. Transfer of Siskiyou Radio Partners Inc. from Fred Missman, Thomas Franz Huth and Robert E. Darling to Four Rivers Broadcasting Inc. (John C. Powers, pres). $18.2K earnest money, balance in cash at closing. Buyer has LMA with KMJK AM-FM Mt. Shasta CA, which forms a **duopoly** with KSYC AM-FM. LMA since March.

$50,001—* WPAB-AM Ponce PR from Portorican American Broadcasting Co. Inc. to WPAB Inc. (BCI Growth III, L.P. et al). $1 cash, $50K stock. Combos with WOQI-FM and forms three separate **superduopolies**: with (1) WCTA-FM, WOYE-FM, WIOC-FM, WOQI-FM; (2) WIOB-FM, WOYE-FM, WCTA-FM; and (3) WCOM-FM, WIOA-FM, WZNT-FM.

$8,500—WDLK-AM Dadeville AL from Dale Broadcasting Inc. (Gary Burkett) to Little America Business Organization (Jim Nichols, Ben Armstrong, George Robertson). $4,750 deposit, $1,000 cash at closing, $2,750 within 30 days of closing. Buyer must change call letters and find new transmitter location.

$3,000—* WDAR-AM Florence (Darlington SC) from Atlantic Broadcasting Co. (Harold T. Miller) to Root Communications Ltd. (James Devis), a subsidiary of Root Communications Inc. (Susan S. Root, Chapman J. Root II, Susan Root Graham, William S. Root, R. Christopher Root, John S. Root, J. Preston Root). One-half of Atlantic's cost in returning WDAR to operation, up to $3,000. **Superduopoly** with WJMX-AM & FM, WSQN-FM & WDAR-FM, which Root is acquiring from Atlantic in a separate transaction. Note: This sale also includes an FM translator at Bucksport SC.

N/A—* WEHM-FM & WBEA-FM Nassau-Suffolk (East Hampton NY/Montauk NY). Merger of East Hampton Broadcasting Group and C&S Radio Corp. into Hamptons Radio Corp. Creates a **duopoly**.

N/A—WGOL-FM Roanoke-Lynchburg (Lynchburg VA) from LYH Broadcasting L.L.C. to The Shircliff Partnership (James & Sally Shircliff et al). Shircliff financed seller purchase of WLLL-AM & WGOL-FM. Seller has since sold WLLL, and has now defaulted on note. License will go to Shircliff and both buyer and seller will look for third party to purchase WGOL.

N/A—WHEE-AM Martinsville VA. Transfer of Patrick Henry Broadcasting Corp. from Thomas W. Patterson and Charles F. Adams to Nan P. Wood and Debra P. Doss. Gift. Wood and Doss are Patterson's daughters.

Clarification

In RBR 7/14, p. 15, the sale price of WZOS-FM Syracuse-Oswego, NY to Craig Fox's and George Kimble's WOLF Radio Inc. was reported as $80,000 in a 40-month note. In fact, the $80,000 was for the purchase of the transmitter site, tower and related assets from David Mance's OSQ Broadcasting. An additional $65,000 was paid in cash to purchase the license, files and records from Mary E. Leonard, bankruptcy trustee for Binder Johnson Broadcasting Inc. Media broker Ray Rosenblum represented Leonard in the sale.

Susquehanna Radio Corporation

David E. Kennedy, President
has agreed to sell

KBYA (FM)

Fair Oaks (Sacramento), California

for

$15,900,000

to

Entercom

Joseph M. Field, President

Patrick Communications was proud to serve as the exclusive broker for this transaction.

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Company Profile

Granite Broadcasting: TV group dips a toe into radio

Granite Broadcasting Corporation (O:GBTVK) Chairman and CEO **W. Don Cornwell** had said for years that he was interested in expanding his TV group into radio as well. Last year he finally took the plunge—well, it was more like wading into the shallow end of the pool—buying a Class A FM, which became WEEK-FM Peoria, for $1M.

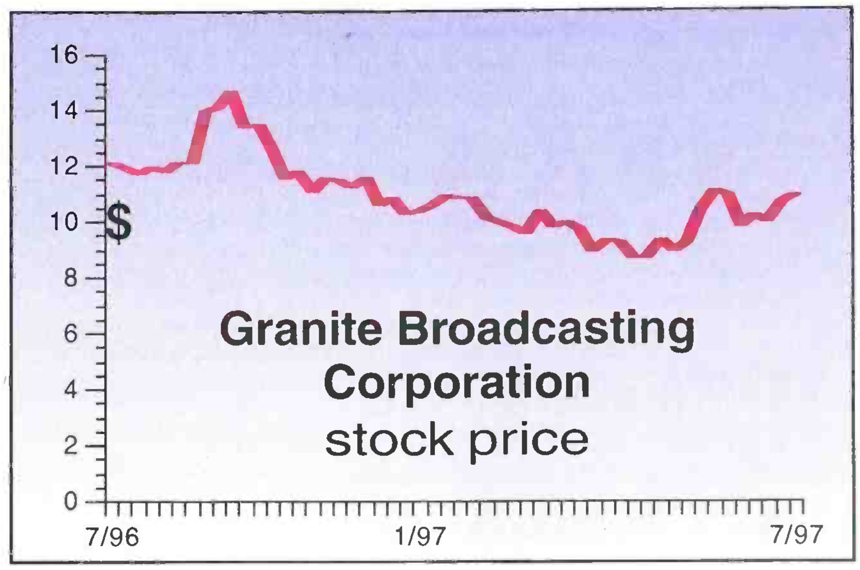
Paired with Granite's top-rated and top-billing WEEK-TV (Ch. 25, NBC), it remains to be seen whether the Oldies outlet, which had been WIVR-FM, can take ratings and revenue shares from the market's established radio giants. The switch to the new ownership and call letters took place January 10. Three FMs, one Class A and two Bs, commanded double-digit 12+ shares in the Spring Arbitron, while WEEK-FM posted a 2.3 (compared to a 3.8 Fall '96 and 2.9 Spring '96).

Since its creation in 1988, Granite has been the nation's largest African-American controlled TV group. The company now owns ten TV stations, plus an LMA with purchase pending for number 11. Five are VHF and six UHF. The network split is four ABC, three CBS, three NBC and one WB.

Most of Granite's stations are in medium to small Nielsen markets, from #37 Grand Rapids, MI to #134 Duluth, MN. However, the company jumped into the top 10 markets recently, closing January 31 on a $175M purchase of WXON-TV (Ch. 20, WB) Detroit. That added $17.8M to pro forma 1996 billings.

Granite is one of four TV groups—along with LIN (O:LNTV), Chris-Craft (N:CCN) and Schurz— which have invested in Datacast LLC, a company formed to operate a national data center and network to broadcast digital data via TV broadcast signals. Granite has committed to invest $2.5M in the project, of which $1.75M had been paid in through the end of 1996.

Another alliance, in place since June 1996, has linked Granite with Yahoo! Inc. (O:YHOO) to develop local Yahoo! Internet directories in all Granite TV markets. Each station will handle local advertising sales for the Web sites.



Granite Broadcasting
1996 financial results

Category	($000,000)	gain/loss
Net revenues	$129.2	29.3%
Operating income	$35.7	23.7%
Broadcast cash flow	$57.1	28.3%
Net income/loss	-$8.8	N/A

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$15,000,000
EQUITY CAPITAL
has been arranged for
Excl' Holdings, Inc.
COMMUNICATIONS EQUITY ASSOCIATES

$150,000,000
Senior Credit Facility
has been arranged for
Paxson Communications Corporation
COMMUNICATIONS EQUITY ASSOCIATES

$24,200,000
Senior Debt Financing
has been arranged for
Mel Wheeler, Inc.
COMMUNICATIONS EQUITY ASSOCIATES

$30,000,000
Radio Acquisitions
Represented buyer and arranged debt and equity financing
62nd Street Broadcasting*
COMMUNICATIONS EQUITY ASSOCIATES

*Closing subject to FCC approval

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Larry Patrick President
Susan Patrick Exec. Vice President
Terry Greenwood Vice President

410-740-0250

Transaction Digest™

by Jack Messmer & Dave Seyler

The deals listed below were taken from FCC filings made public during the week from Wednesday, July 23 through Tuesday, July 29. *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.

$83,500,000—* KZPS-FM, KDGE-FM Dallas-Ft. Worth (Dallas, Gainesville TX) from Bonneville International Corp. (Bruce T. Reese, pres) to WLUP-FM License Corp. (Scott K. Ginsburg, pres), a subsidiary of Evergreen Media (O:EVGM) which is to become part of Chancellor Media Corp. $8.35M escrow, balance in cash at closing. **Superduopoly** with KSKY/KHKS. LMA pending Hart-Scott-Rodino waiting period. Broker: Star Media Group

$62,000,000—* WGRF-FM, WEDG-FM, WHTT AM-FM Buffalo from Mercury Radio Communications L.P. (Charles W. Banta et al) to Broadcasting Partners Buffalo L.L.C. (Lee S. Simonson et al), a subsidiary of Broadcasting Partners Holdings L.P. Cash. This transaction follows the legal merger of WGRF/WEDG and WHTT AM-FM. Existing **superduopoly**. LMA pending closing. Brokers: Veronis, Suhler & Assocs. (buyer), Goldman Sachs & Co., Star Media Group (seller).

$42,251,030—* WTAG-AM & WSRS-FM Worcester MA from Knight Communications Corp. (Norman, Randolph, N. Scott & Robert Knight), part of the Knight Quality Group, to Capstar Acquisition Company Inc. (Steve Hicks), a subsidiary of Capstar Broadcasting Partners (Tom Hicks et al). $3M letter of credit as escrow for this and two other Knight transactions (below), $35M in cash for assets at closing, $1.26M under corporate non-compete, $3.5M under non-compete by Norman Knight, $1.5M under non-competes with three sons, $390K under consulting contract with Norman Knight, $130K under consulting contract with Randolph Knight, $248,016 under consulting contract with N. Scott Knight, $223,014 under consulting contract with Robert Knight. **Superduopoly** with Chancellor Media's WJMN-FM & WXKS-FM Boston, due to ownership interest of Tom Hicks. Broker: Blackburn & Co.

$18,000,000—WXLX-AM New York (Newark NJ) from Spanish Broadcasting System Inc. New Jersey, a subsidiary of Spanish Broadcasting Systems Inc. (Raul Alarcon), to One-On-One Sports Licensee of New Jersey LLC, a subsidiary of One-On-One Sports Inc. (Christopher Brennan, Combined Insurance Co. of America, Traco International, Thomas Murphy & others). $1.5M escrow for this and two related sales (below), balance in cash at closing.

$18,000,000—KXMG-AM Los Angeles from Spanish Broadcasting System of California Inc., a subsidiary of Spanish Broadcasting Systems Inc. (Raul Alarcon), to One-On-One Sports Licensee of California LLC, a subsidiary of One-On-One Sports Inc. (Christopher Brennan, Combined Insurance Co. of America, Traco International, Thomas Murphy & others). $1.5M escrow for this and two related sales (above & below), balance in cash at closing.

$10,085,900—WGIR-AM & FM Manchester NH and **WEZF-FM** Burlington VT from Knight Radio Inc. (Norman, Randolph, N. Scott & Robert Knight), part of the Knight Quality Group, to Capstar Acquisition Company Inc. (Steve Hicks), a subsidiary of Capstar Broadcasting Partners (Tom Hicks et al). $3M letter of credit as escrow for this and two other Knight transactions (above & below). $10M in cash for assets at closing, additional $85,900 for certain real estate in Manchester. Broker: Blackburn & Co.

$10,000,000—* WTMN-AM, WHEB-FM & WXHT-FM Portsmouth-Dover (Portsmouth NH-York Center ME) from Knight Broadcasting of New Hampshire (Norman, Randolph, N. Scott & Robert Knight), part of the Knight Quality Group, to Capstar Acquisition Company Inc. (Steve Hicks), a subsidiary of Capstar Broadcasting Partners (Tom Hicks et al). $3M letter of credit as escrow for this and two other Knight transactions (above). $10M in cash for assets at closing. Existing **duopoly**. Broker: Blackburn & Co.

$8,000,000—WCMQ-AM Miami (Miami Springs FL) from Spanish Broadcasting System of Florida Inc., a subsidiary of

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