

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

Volume 18, Issue 37

September 10, 2001



Recession-proof, but surely not frost-proof:

New Northwest's Anchorage, Alaska cluster GM Mike Hood talks about this healthy revenue market

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AMERICAN URBAN RADIO NETWORKS

#1

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Eating gumbo and waiting for recovery

Attendance was sparse, with Infinity on the outs and Clear Channel's managers attending mandatory meetings in Atlanta, but vendors were split on whether the NAB Radio Show in New Orleans was worthwhile. Some said that those radio pros who did head to the Big Easy were serious buyers, while there were grumblings from others that they'd pass on the event next year.



Meanwhile, broadcasters were mostly asking the question, "When is the recovery going to begin?" As reported on page 6, panelists had no answer—only optimism that good times would return. The good news was that this recession was not like the one ten years ago. Stock prices may be down, but consolidation has kept station values high and wiser bankers haven't allowed radio groups to get over-leveraged—so they're still lending instead of foreclosing (page 6). With no definitive word on where the economy is going, there was nothing left to do but relax and enjoy a good meal—and good gumbo, jambalaya and bread pudding were fortunately easy to come by in the Big Easy.

RBR's in-depth coverage in this issue includes the advertisers' take on what's good and bad about radio (page 2). There was still more to come as this issue went to press, so check out updates on RBR.com and come back for a wrap-up of the 2001 NAB Radio Show next issue.—JM

iBiquity strikes three deals at NAB



Sole digital IBOC AM and FM developer for US broadcasters iBiquity Digital announced at NAB in New Orleans it has completed licensing deals with Broadcast Electronics and Nautel, as well as a deal with Philips Semiconductors for chipset development. Both Broadcast Electronics and Nautel will integrate iBiquity's technology into a new line of IBOC transmitters and excitors, scheduled for launch at NAB 2002.

"The products that will result from iBiquity Digital's IBOC technology will allow us to penetrate new markets and increase our presence in existing markets," said **John Pedlow**, President and CEO, Broadcast Electronics. "We are very excited to work with iBiquity to bring digital broadcasting capability to AM and FM radio stations everywhere."

Philips Semiconductors, a division of Royal Philips Electronics (N:PHG, A:PHI) will bring to market an ASIC semiconductor solution for iBiquity's system. As part of the agreement, Philips will combine its IC technology with iBiquity's IBOC technology, enabling receiver manufacturers to produce IBOC-capable AM and FM radios.

"We are very pleased to announce this agreement with Philips Semiconductors, with whom we have been working with for some time," said iBiquity President/CEO **Bob Struble**. "This agreement formalizes our relationship into a long-term partnership to evolve IBOC semiconductor offerings for multiple integrated solutions for consumer electronics."

iBiquity also has a working relationship for chipset development with Texas Instruments.—CM

September 10 2001,
Volume 18, Issue 37

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Radio Business Report is published weekly by Radio Business Report, Inc. Publishers of Radio Business Report, The Source Guide, www.rbr.com and the Information Services Group database.

Subscription rate: One year \$220.

Radio News®

Big advertisers sound off on radio

They all use radio already—and they're not going away—but four big advertisers told NAB Radio Show attendees that the radio industry needs to improve its performance.



(l-r) Mary Kay Eschbach, McDonald's, Jeni Cramer, Pfizer, and Joseph Iannelli, P&G, are all radio users, but delivered some complaints about the medium in their appearance at the NAB Radio Show.

"The industry needs to do a better job of selling themselves," said **Joseph Iannelli**, Assistant Manager of Media at Procter & Gamble. He said he'd like to see better information about the audience that radio can deliver and what the medium can do for advertisers.

In a similar vein, **Jeni Cramer**, Media Manager of National Radio for Pfizer (via a recent merger acquisition of Warner-Lambert), suggested that the industry needs to develop new tools for calculating radio's national reach—including both network and syndicated programming—since the current models are outdated and underestimate radio's audience reach.

"I must have about eight Infinity reps calling on me," Cramer complained. Now that consolidation is settling down, she said the big groups really need to get a handle on who is going to call on national advertisers.

Rex Conklin, Manager of Broadcast Media for Sears, complained that he has a problem with stations who don't run his ad flights correctly. In many cases, Sears' radio advertising is time-sensitive to promote short-term sale items. But Conklin said he has a consistent problem with spots running out of the flight time.

The big advertisers all indicated that they are making at least exploratory buys in the satellite radio startups and praised the notion of less clutter. "That's something that's very attractive to us and something that many stations should think about," said Cramer.

But would the advertisers be willing to pay more if stations run fewer spots?

"I think there's a possibility of that," said **Mary Kay Eschbach**, US Media Director, McDonald's Corp. But not all of her fellow panelists agreed.

"No, I don't want to have to pay a premium for it," said Cramer.—JM

NAB attendance; Hot floor rumor

The official attendance figures for this year's NAB Radio Show are in. 5,227 made the trek down to New Orleans to join the festivities.

Meanwhile, the hottest floor rumor concerned the FCC. Everyone else is consolidating operations—station owners, reps, consultants—so we guess it was only a matter of time before the government regulatory agencies did the same. The rumor that the FCC intends to merge the Mass Media Bureau into the Cable Television Bureau has actually been making the rounds all summer. Now—according to the buzz on the floor at the NAB Radio Show in New Orleans—it appears a date has been set. If the rumors are correct, the merger will take place 9/13. If

From the NAB in New Orleans



Host Eddie Fritts takes in the sights with Tim Schweiger of BSW



Susquehanna's David Kennedy hobnobs with Fred Bennett of Westwood One



From the Group Exec Super Session: Lew Dickey of Cumulus, Joan Gerberding of Nassau, Radio One's Alfred Liggins and Clear Channel's Randall Mays

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Ad sales are down and dirty

The total revenue of all advertising media for the first half of 2001 is down 5.9%, according to a report just released by CMR. This is based on a total of \$47.5B this year compared to last year's total of \$50.4B during the same time period.

Out of 12 media categories, national spot radio by far suffered the most, dropping 22.4%. National newspaper was in the same neighborhood, down 19.7%. Spot TV was third-worst with a 14.7% decline, followed by the other radio category, network, which was down 12.5%. Local spot radio is not part of the CMR study.

National syndication, cable TV and outdoor were the only categories to register increased business, with gains of 5.1%, 4.6% and 3.1% respectively. Of the top ten advertisers, only AOL Time Warner has significantly increased advertising expenditures. Most of the others are down.

RBR observation: While it is well documented that ad revenues are mired in a slump, this study shows only part of the picture. Radio's greatest strength, local business, is completely unrepresented here. While things aren't good, they aren't nearly this bad, either.

The two radio categories accounted for 3.5% of this study's 2000 figures; radio's share dropped to 3.0% for 2001. I think we all know where that drop dot-came from! Anyway, check out the charts below and behold the ugliness.—DS

Top ten ad spenders: first half 2000 vs 2001

Advertiser	Jan-Jun 2000 (000)	Jan-Jun 2001 (000)	Percent Change
General Motors	1,441	1,102	-23.5
Philip Morris	1,031	863	-16.3
AOL Time Warner	602	734	+21.9
Daimler Chrysler	783	715	-8.7
Procter & Gamble	708	688	-2.8
Ford	647	652	+0.8
Walt Disney	529	489	-7.6
Johnson & Johnson	471	479	+1.7
Pepsico	425	418	-1.6
Pfizer	412	405	-1.7

Ad spending by media: first half 2000 vs 2001

Medium	Jan-Jun 2000 (000)	Jan-Jun 2001 (000)	Percent Change
Network TV	10,678	10,430	-2.3
Magazines	8,480	8,100	-4.5
Spot TV	8,417	7,176	-14.7
Cable TV	5,278	5,521	+4.6
Sunday Newspapers	5,355	4,800	-10.4
Daily Newspapers	4,352	4,065	-6.6
Syndication-National	1,539	1,618	+5.1
National Newspapers	1,980	1,589	-19.7
Outdoor	1,184	1,220	+3.1
National Spot Radio	1,323	1,027	-22.4
Sunday Magazines	531	539	-1.5
Network Radio	466	408	-12.5

this does in fact happen, we can only hope that the FCC will change the name of the surviving entity to reflect the fact that it serves businesses that were in existence long before CATV got started.—DS

Radio News®

July revenues down 4%

The radio business is still unable to equal the numbers it put up in 2000, but it's getting closer, particularly on the local front. Figures from the Radio Advertising Bureau show that local business for the month of July dropped a mere 1%. The troubled national category was down 14%, however, bringing the total for the month down 4%. YTD, local is down 3%, national is down 20% and total business is down 7%. RAB President **Gary Fries** said that, while he was not predicting anything specific about the year 2002, "it's going to be positive."—DS, JM

DOJ launches Clear Channel Entertainment probe

According to a story in *The Rocky Mountain News* 8/31, Clear Channel Entertainment is now undergoing a "low-profile probe" by DOJ for possible antitrust violations. Congressman **Bob Andrews** (D-NJ) requested the investigation 7/9, but the newspaper says Department of Justice attorneys have been questioning witnesses for months. In fact, the paper claims a highly placed Clear Channel source said that the DOJ has an ongoing file on the company. Andrews sent the letter to US Attorney General **John Ashcroft** formally requesting an investigation of Clear Channel (N:CCU) and Clear Channel Entertainment.

"Some constituents came to me who are in the (concert) business and said they're concerned that one company is cornering the market," Andrews told the *News*. "They're freezing out the competition. I don't know whether they are right or wrong. But my job is to take credible questions that are raised—and these are credible questions—and ask the proper authorities to answer them."

Denver-based concert promoter Nobody In Particular Presents filed suit against Clear Channel last month (*RBR* 8/13, p.2), alleging antitrust violations.

"The entire business knows there's been this ongoing investigation," **Jesse Morreale**, co-owner of Nobody in Particular Presents told the newspaper. "We've had discussions with Justice along with everyone else."

In Denver, Clear Channel owns the Fillmore Auditorium and recently entered into a partnership with the Pepsi Center to give it an advantage in booking shows there. CCU is also reportedly working on an agreement with Denver officials to give it first rights to all future concert dates at Red Rocks Amphitheatre.

Clear Channel Entertainment spokesperson **Rachel Gary** told *The Rocky Mountain News* that the company was not aware of the investigation.—CM

BIA says 42% of stations now consolidated

According to a new study by the BIA Financial Network, 42% of all US radio stations are now part of a consolidated operation. Since the Telecom Act of '96, there has been a 20% increase in revenue generated and stations O&O'd and by the Top 50 groups. The study also says the Top 10 groups last year generated

50% of industry revenues, while owning 18% of the commercial radio station pool.—CM

Disney and Kellogg form marketing alliance

Will ABC Radio stations be giving away Mickey Mouse's Eggo waffles soon? Perhaps. The Walt Disney Company (N:DIS) and Kellogg Company (N:K) announced a new global, multi-year corporate alliance where Kellogg will have exclusive rights to market co-branded Disney/Kellogg breakfast foods based on Disney characters. Kellogg will also become the "official sponsor of breakfast" at Walt Disney World, Disneyland and Disneyland Paris. Kellogg's breakfast foods will be featured at select "character breakfasts" and sold at restaurants located at the theme parks and resorts.

As part of an "array" of promotional synergies, Mickey Mouse and Friends, Winnie the Pooh, the Disney Princesses and characters from "The Lion King," "101 Dalmatians" and "Peter Pan," as well as characters from Disney/Pixar's Toy Story, will be the featured characters in an assortment of breakfast foods that include cereals, Pop-Tarts and Eggo waffles. The worldwide rollout begins next year.—CM

Will \$10K fine will help Mega see the light?

The towers for WMGG-AM Largo, FL (in the Tampa-St. Petersburg market) were featuring some burned out lights. The Federal Aviation Administration, whose constituents rely on the lights to avoid any unwanted encounters with the towers, informed the FCC of the problem 1/8/01. The next day the FCC confirmed the problem.

Licensee Mega Communications' man on the spot told the FCC that he was aware of one outage, and unaware of another. The company was ordered to fix the problem, and was hit with a \$10K fine.

Mega argued that the fine was unnecessary. It did indeed fix the problem as ordered, and instituted new procedures to make sure that there is no reoccurrence of the problem.

For those of you contemplating the "we fixed it and are guarding against it" defense, the FCC basically said (not in these words), "That's very nice. Pay up."—DS

Satellite services will be pinning hopes on the young

A study by Eastlan Resources has identified the most likely customers for Sirius (O:SIRI) and XM (O:XMSR). To the surprise of nobody, young, affluent individuals will be the first to go for the new services. To a somewhat lesser extent, they tend to be male.

The push for subscribers is only barely under way, and the services have a long way to go to reach critical mass. This survey was conducted well before any major publicity push by ei-

ther service, running from 3/22 through 5/16.

Here are breakdowns of the percentage of individuals from different demos who answered yes to the following question: "Would you be interested in purchasing a new satellite delivered radio service that offered dozens of commercial-free radio channels for a monthly fee of around \$10.00?"—DS

Age	Men
12-17	37.7%
18-34	27.1%
35-54	18.8%
55 plus	11.0%

Age	Women
12-17	37.1%
18-34	26.1%
35-54	16.7%
55 plus	7.9%

Age	Persons
12-17	37.4%
18-34	26.6%
35-54	17.8%
55 plus	9.5%

HH Inc.	Persons
below \$30K	18.2%
\$31K-\$60K	21.4%
\$61K-\$90K	22.5%
over \$90K	23.1%

Stern raises Canadian eyebrows

Industry watchdog organization The Canadian Broadcast Standards Council (CBSC) has determined that some segments of the **Howard Stern** show aired on CILQ-FM Toronto were "sexist and degrading" and breached the Sex-Role Portrayal Code of Canadian broadcasting. A CBSC panel specifically noted a show where a Playboy Playmate was told she would need to "smell underwear, be rolled up naked in a rug and forced to ride in an elevator, eat a carrot in Stern's lap while she is naked and eat food out of a dog dish while naked" was "demeaning and degrading in the extreme." The panel also objected to Stern's calling a complaining a "big fat cow" and a "fat, ugly girl who can't get squat."

The CBSC is asking CILQ for a written explanation and further steps to be put in place to prevent more of the same from happening over the airwaves there.—CM

Arbitron/Edison study the Internet

Arbitron/Edison Media unveiled their latest study, "Internet. VII: The Internet & Streaming: What Consumers Want Next." 56% of



Marcus: No end to downturn in view

Drew Marcus, Managing Director and Global Co-Head of Media Research at Deutsche Banc Alex. Brown, kicked off the NAB Radio Show with a pessimistic view of the immediate future for ad spending. After noting that September now looks to be yet another down month, although most analysts had originally expected a gain after eliminating the "tough comps" of earlier months, the analyst said to expect more of the same for a while. "We now think that the only month there's any chance of being up this year is December," Marcus told the opening finance seminar. Although his latest forecast has radio finishing 2001 with revenues down 4%, Marcus is expecting to

revise that outlook downward.

Even so, Marcus said he remains bullish on radio in the long term. He's expecting yet another major wave of consolidation. "Eventually a third major player will emerge," he said, to join Clear Channel (N:CCU) and Viacom's (N:VIA) Infinity at radio's top tier. He also noted that a large radio group would be a "perfect fit" for a media giant such as AOL-Time Warner (N:AOL) or News Corp. (N:NWS).

Despite the economic downturn, Marcus noted that multiples have remained high, due to the economics of consolidation—and unlike the situation in the last downturn 10 years ago. The analyst offered the opinion that we will "never again" see multiples below 15 times cash flow in the big markets, 12 in the medium markets and 10 in the small markets.

Although radio stocks have "kind of been stuck in a trough for the last six months," Marcus is advising investors to overweight their portfolios with radio and outdoor advertising stocks, since out-of-home media typically lead the way out of recession.

Quizzing his colleague from the audience, First Union Securities bond analyst **Bishop Cheen** asked whether investors should be buying radio stocks now, or wait until next spring?

Noting that the stock market tends to move ahead of the economy, Marcus said that if you think the economic recovery is going to begin in early 2002, now is the time to buy stocks. But if you think the recovery won't begin until later in 2002, you should put off buying until next spring. It is unclear now which scenario will actually occur, he noted. "As an arm chair economist, I'm pretty confused right now," Marcus admitted.—JM

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audio streaming listeners and 49% of video streaming viewers say they first began tuning in over just the past year. Overall, 67M reported having ever accessed audio streaming; 41M reported accessing video streaming at least once in the past year.

The study also revealed:

- 27% of audio "streamies" would be very interested in paying a small subscription fee to listen to songs or albums from their favorite artists. Both video and audio streamies are very interested in online concerts.

- 18% who listen online said they are "very interested" or "somewhat interested" in paying a small fee to listen to Major League Baseball games on the Internet.

- 44% prefer a "program your own" channel that asks them to indicate the artists they enjoy and plays music according to their indicated taste.

- 47% prefer the "no DJ" format and another 46 percent prefer programming "with a DJ."

- 33% are watching less television due to the time they spend on the Internet.

- 16% are listening to radio less because of the time they spend on the Internet.

- 71% would search for other types of Internet audio if the radio stations they listen to online were no longer available.—CM

GM Talkback

By Carl Marcucci

We asked a few General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed:

Bill Wells, GM, Saga Communications' KSTZ-FM, KLTJ-FM, KAZR-FM, KIOA-FM, KXTK-AM and KRNT-AM, Des Moines, IA



James Autry, GM, Crawford Broadcasting's KPBC-AM, KKSL-AM, KKPZ-AM, Portland, OR



Mike Hood, GM, New Northwest Broadcasters' KFAT-FM, KRPM-FM, KKRO-FM, KQEZ-FM, Anchorage, AK



Are you adding any new Fall promotions?

Wells Now, I'm not sure I want to tip my hand yet on what I'm going to do for fall promotions. We gave away three cars this summer, which is just amazing for a market this size. We gave away a '72 GTO on the Oldies station, which was so cool. And then we gave away a two year lease on a tricked out Mustang on Star, and for the Rock station, Laser, we gave away a Jeep.

This fall, we will do more of the same that we've done in the past.

What's big in Iowa is either cash or trips. People like to travel when they're from Iowa. On Star 102.5, we will be doing cash again this Fall.

On Lite 10.1, which is an AC, we will do some outside marketing, but we're not active on air with that. We do stuff with the "e-mail Club." We're not real active on-air with contests, which is kind of our philosophy.

On Laser 103.3, we have a promotion put together, which is really a prize closet—it's full of prizes.

Autry We don't have any new on-air sales promotions planned for the fall. Our focus at Crawford Broadcasting's Portland radio stations is primarily paid programming wherein we sell airtime to national and local ministries and churches to produce and air a daily or weekly 14 minute, 28 minute or 58 minute program of music, teaching, preaching and news from a Christian perspective. Even though we are a commercial radio station, the only commercial ads that we are currently selling are for local Christian events.

Hood In the fall I concentrate on my Christmas station. We do all Christmas music on our Soft Rock station from Thanksgiving until Christmas night at midnight. It has become a huge success. During this time period we enjoy the highest ratings in the market by quite a margin. Our listeners reap the benefits of a happy station to listen to while our advertisers enjoy the exposure in most every business in town. It's a great deal when the audience can't button push.

Year to date, the nation has been down 8%. Is your local market outperforming that? Why?

Wells It's hard to answer that, because we have a new competitor come to town. And they stopped taking the market report—we don't have a Miller, Kaplan or Hungerford. They wouldn't pay for it. Obviously, I don't want to get into a tomato-throwing contest over it, but it was Wilks Broadcasting, the old Wilks-Schwartz company. This is the son—**Jeff Wilks**. They didn't want to spend the \$50 a month for the report, so they dropped it. I suggested that we pay for their part if they'd contribute, and they said they weren't interested. To me, it's one of the best management tools you can have.

So, it's Clear Channel, it's me, it's those guys and one independent FM that's about 70 miles away that tries to be a Des Moines station. Now, we're up over last year in this market locally—my stations are. We just invented ways to find more local. We just really concentrated

more on local sales. We have the advantage of having been in the formats since '97—we bought the last two FMs then. That first year takes a lot of building to get that done. For one thing, we've really concentrated on hiring the right people. We've been able to attract some good people, so that's helped us a lot. We've concentrated on sales training, by sending people to **Chuck Mefford's** University, for one thing. It's a real client service-oriented approach.

Revenue has been OK, but National has really been down, and that's been huge dollars and it's affected us. But we've picked up on local by 6-8% over last year. National has been down about 25%.

Autry In our niche marketing and programming, we have seen a leveling over the past few years, wherein we have maintained our billing at a consistent level. Due to many factors at work within the Portland market, we anticipate a steady rise in billing over the next few years as many of the local churches (1,958) and ministries (700) within our coverage area (that we work with through Mission Portland, www.missionportland.org) launch out into various types of radio outreach programs. Our market, much like many cities across the nation, is on the verge of exploding with Christian programming (due to the increased interest and availability of quality Contemporary Christian music, the need for accuracy and integrity within news reporting that is not censored by the mega companies and the overall general decline in the quality of entertainment that is continuing to become darker and darker, and in many ways anti-Christian and anti-Jewish.) As long as Christian programming is allowed in this nation, it will continue to flourish and expand to meet the growing spiritual needs of an increasingly negative and violent culture.

Hood Anchorage is up 1.3% for the year in total cash sales. It's a strong radio market and the competition is fierce. All of the management positions in this market are filled with long time Anchorage radio veterans. My competitors are quality broadcasters with a lot of passion for the business. So with Alaska being a great place to live and raise a family, and the fact that it does \$17M in market #168 our turnover is very low. There are 24 hungry-for-money stations in the market. I believe for New York to have the same stick-to-ear ratio, it would need 6,600 stations. This market does well fighting off that worthless word recession.

How did you get into radio?

Wells I'm actually a banker. A mentor I had at the time so many years back said, "You've got just a little bit of personality, not too much—you probably could make a lot more money in sales than in a bank." So I applied and got a job at what was then KSO radio. It was the original Country station in this market, that was in '74. And I was the rookie sales guy for that company, and worked for that company for 17 years. I went from sales to Sales Manager, went to Louisville, KY for nine years and was manager for them down there. It was Stoner. Then Stoner sold out to Steve Dodge at American Radio and I got a chance to come home to Iowa.

Autry I started in Christian media back in 1983 in Nashville, TN. While obtaining my degree in Marketing at Belmont University, I worked with various Christian music artists and helped facilitate the annual Dove Awards Week at the Tennessee Performing Arts Center. During college I became friends with **Steven Curtis Chapman** and various other "new" artists in the growing Contemporary Christian music field. In 1990, I left Nashville to work with Full Gospel Business Men's Fellowship International, the largest worldwide Christian businessmen's organization. In 1996, I left FGBMFI and was hired by Crawford Broadcasting Company (the 2nd largest owner of commercial Christian radio stations) to sell program airtime at their Portland stations. In 1998, I was promoted to Sales Manager and was also responsible for Promotions and Programming. In 1999, I was made the Station Manager over KKPZ 1330 AM, KKSL 1290 AM and the new expanded band KPBC 1640 AM (all of which broadcast in AM Stereo in anticipation of the long-awaited digital radio format).

Hood After college, I went to work for my uncle land surveying in my hometown in Orange County, CA. In the early 90s work got real slow so I moved to Anchorage and was told I needed to wait 60 days to work. Well, I don't have that kind of patience so I grabbed the want ads and found a new company looking for account executives. I thought it would be fun to write commercials so I fought my way in and haven't looked back. I don't believe I could ever have a real job again. Radio is in my blood!

US Copyright Office study suggests Congress clarify DMCA

Based on a review/study released 8/29, The US Copyright Office has recommended that Congress clarify the Digital Millennium Copyright Act (DMCA) of 1998. The review, requested by Congress, says among other things, that webcasters shouldn't have to pay royalties on temporary copies of streaming files, meaning when a webcaster streams music, it shouldn't have to pay for anything other than what it is delivering. Currently, music publishers get paid when songs are performed and when they are recorded.

The recommendations largely benefit webcasting companies. The study even suggested that Congress should pass a law that says the Internet services shouldn't have to pay royalties for the temporary, "buffer" copies of songs, claiming they "have no independent economic significance." The study was released as the Music Online Competition Act bill is up for consideration in Congress (RBR.com 8/3), and as the embattled CARP arbitration hearings continue (RBR 8/6, p.5).

Webcasters claimed in the study that the vague DMCA legislation's language harms their ability to conduct current and future business. They contend that the vague rules don't indicate what they must pay copyright owners when they release songs on the Internet, and that music publishers have sought multiple royalty payments. The RIAA says the law should remain as it currently exists and points to the recent US District Court's decision (RBR 8/6, p.4) upholding that radio webcasters must pay royalties for online as part of DMCA.—CM

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Secrets of sales success

Training was the word that kept coming up as a group of experienced managers in radio sales offered advice on how to recruit and develop top notch account executives—people who will become more than street sellers and develop into real marketers.

"Customer service is key," said panel moderator **Michael Davis**, Sr. Account Executive at Radio One's (O:ROIA) Dayton, OH cluster. "Radio missed the mark on customer service," said Davis, who drew on his own experience at Sears and other retailers before entering radio to focus on delivering results for his clients rather than just making his sales quota.

Dawn Jones, Local Sales Manager at Clear Channel's (N:CCU) Raleigh, NC cluster, said radio AEs need to go beyond agency buyers and develop relationships with decision makers. By reaching planners, she said, the radio AE can supply them with information and make radio a key component of the ad campaign at the development stage.

Jones emphasized the need to get back to basics and offer constant training to keep sales pros sharp, no matter how long they've been in the business. She noted that she had to refocus on the very basic elements of radio sales after taking on responsibility for a sales intern. "I had my highest billing month ever," she recalled.

"What has made me successful is direct business," said **April Johnson**, Sr. Key Account Manager at Clear Channel's Jacksonville, FL cluster. You might not want to be driving next to her, she noted, since she is constantly scanning for new business openings. "I even talk to the hard hat guys," she said, stopping at construction sites to see what businesses are going to fill the space that's not yet built.



(L to R) Tim Menowsky, Dawn Jones, Michael Davis

"Training has gotten me to where I am today," she said, adding her voice to the call for constant training of radio sales people. Johnson also advocated perseverance as the way to deal with the current down economy. "If you're in front of enough people, somebody's going to buy you."

"I talk to a couple of hundred radio sales people a month," noted **Tim Menowsky**, Director of Training at Cumulus Media (O:CMLS). "You can often tell that a marketer has a direct relationship with the decision maker."

Even though the best AEs move beyond being "sellers" to become "marketers," Menowsky said that radio is "a fluid, flowing business. With pressures to make quotas, sell new packages and deal with a variety of clients, he said that those top level AEs still move in and out of "seller" and "marketer" modes, so they have to constantly strive to get back to that higher level.—JM

Radio AdBiz®



Quantity Doesn't Always Equal Quality

By Donna Spurrier

I love radio and think it adds great value to many of the campaigns we work on. Disturbingly though, radio appears to be following the path of many other industries now. Buy, sell, merge. Before you know it, we find ourselves with only two or three radio conglomerates in each market.

This can be great in some cases, not so great in others. I compare it to the banking industry. Big banks acquire small banks. Some consumers like the convenience and volume that a big bank offers. Others begin to dislike the "all-in-one" approach and begin to retreat back to a few local market banks that can offer the personal service they desire. As more and more consumers return to the smaller banks, these banks in turn build up their assets and become big banks, and the whole process starts over again.

The part that warrants the comparison is the all-in-one approach that many consumers (media buyers) don't like. I'm one of those. I realize that there are many issues on the table when it comes to ownership and acquisition of media properties. And I'm relatively certain that the perspective of media planners and buyers is not on that table. However,

there are also a few different ways media properties earn revenue, and then the buyers' input takes on a little different value. Or it should anyway.

What I'm seeing in local radio is concerning me. I'm seeing the greatest asset of the medium being diluted for the sake of the all-in-one sale. I came from an agency that wasn't a strong radio agency because of the fragmentation of the medium. They were all about reach and very heavy in broadcast television, and it works for their clients. But, in my experience, what can make radio so fantastic is the fragmentation, the differences. It's not unlike cable in that the format preference is so uniquely associated with the audience population that we're trying to impact. This is over-simplified, but we can almost pre-qualify the listener to some degree by the format choice alone. Research supports that there is great listener loyalty to their preferred formats.

The other fact about radio that just can't be compared to any other medium, and is essential for a great radio campaign, is the ability to greatly enhance schedule performance with added value. I have found that given the opportunity, most radio sales people actually enjoy the opportunity to be creative and to reach out beyond the spot schedule.

So that's what is so great about radio. BUT, with only two or three companies representing every station in a market, planners and buyers are being persuaded to **force** a connection between the varied formats and program offerings. Theoretically, when a buyer calls for station avails, that call list has been determined by significant qualitative research. This means, the format and delivery are a good fit for the target both quantitatively and **qualitatively**. What is starting to happen now, more than ever with multiple station ownership, is that buyers are being bombarded with "must-buys" and "special multi-station" deals. If multiple owned stations are needed and can enhance the overall performance to the qualitative target, then great. Let's make a deal! But a word to the wise...don't force these mega-deals on buyers, and by all means, don't penalize them if they don't take advantage of what your sales team feels is the deal of the century.

Often, buying additional stations deep and trying to stay within budget constraint creates weak frequency on all stations and no audience is being impacted effectively.

There are also obvious benefits of the combined ownership but not in every case. Like it or not, the media professional is the only person in the equation that is unbiased. Our job is to be the most effective and efficient. Most good media planners want and encourage good creative input, but that input should not be driven solely by the all-in-one approach. It's just not as simple as "Hey, I can sell you eight stations now...all our troubles are over."

I say all of this in the spirit of partnership, buyers and sellers. The better we understand each other's world, the better our clients will be served. I mean that—our clients. Our client is your client and we must remain in the partnership mode as much as possible.

Radio's greatest strength is in its unique formats and options. Don't lose that asset just because the same person may sign all the paychecks.

Donna is President of Richmond-based Spurrier Media Group. She can be reached at 804-698-6333 or dds@spurriermmedia.com.

Home fix-ups strong for NTR?

Summer weather makes it a good time for homeowners to be outside—fixing up the lawn, painting the house, even adding a garage or building the kids a new play area. In short, it's home fix-up time. Radio picked up non-traditional revenues from Home Improvement by far more than the annual rate in July.

Also pacing above the already high annual percentage was Leisure—another weather-related category. After all, how many people want to buy boats and campers in January?—JM

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

	2000	Jan	Feb	Mar	Apr	May	Jun	YTD
Automotive	0.22	2.45	9.33	6.43	13.08	8.75	5.29	6.68
Food/Grocery	19.89	33.05	27.85	27.10	31.42	37.02	38.79	30.96
Leisure	24.17	43.86	47.35	38.84	35.37	26.84	27.03	34.59
Health & BC	8.48	4.21	3.62	9.52	3.03	6.93	1.26	5.24
Home Improv.	1.24	5.49	6.28	9.98	6.69	10.58	13.66	8.05
Office	5.51	2.34	1.57	4.04	4.58	1.80	2.16	3.16
Clothing	8.32	2.44	0.00	0.00	1.35	2.30	5.34	2.76
Recruiting	32.12	6.16	4.00	4.08	4.48	5.78	6.48	8.57

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

Big City deals to pay its bills

Big City's (A:YFM) deal to sell its Phoenix FM four-some to HBC (see related story on this page) will bring much-needed cash into the company's coffers. It has been facing a big interest payment—\$9.8M on \$174M worth of outstanding public bonds—which is due in just a few days—9/15, to be exact (RBR 5/21, p.12). As of 3/31, the company's cash on hand was well short of the amount needed to stay afloat.

The group is now down to three markets, but they're the biggest three—New York, Los Angeles and Chicago. In each, the company operates a flotilla of suburban FM signals, each of which lack full market coverage. By using simulcasts, innovative engineering techniques and same or adjacent channels, it has been trying to use two or three stations to mimic the coverage of one full-market signal.

RBR observation: The jury is still out on the question as to whether or not Big City's game plan can be profitable. If nothing else, this deal should buy the group more time to try and make it work.—DS

HBC fills out in Phoenix

McHenry Tichenor's Hispanic Broadcasting Corp. (N:HSP) is filling a gaping hole in its station portfolio with the addition of four FMs in Phoenix. They are coming from Big City Radio (A:YFM) for \$34M cash. HBC already operates KHOT-FM in the market, so this deal will max it out on the FM side. It does not own any property on the senior band.

The stations are KEDJ-FM, KDDJ-FM, KBZR-FM and KSSL-FM. The latter is already programming an Hispanic Contemporary format. We expect that the others, currently spinning Alternative/Modern Rock offerings, will also wind up with some form of Hispanic programming.

Phoenix is Arbitron market #15 in terms of general 12+ population; it is the #12 Hispanic radio market. Despite over 450,000 Hispanics, Spanish-language radio has been surprisingly slow to catch on. Hoping to capitalize on the strong upside potential in Phoenix along with HBC are Entravision (N:EVC), with an AM and three FMs, and Radio Unica, with a standalone AM.

RBR observation: Tichenor must be hoping that the third time is the charm, because this is the third attempt his group has made to add stations in this market. HBC struck a deal worth an estimated \$25M with Z-Spanish for KLNZ-FM (RBR 4/19/99) which never closed—Entravision eventually scored the station. Then its deal to acquire KKFR-FM during last year's Clear Channel (N:CCU)/AMFM spin-off frenzy (RBR 3/13/00) was dismissed by the FCC due to CCU's stake in HBC—opening the door for Emmis (O:EMMS) to acquire it.—DS

Mapleton strikes again in Merced

Dale Hendry and **Michael Menerey** have struck again in Merced, CA, giving their new Mapleton Communications radio group just about everything that counts in local commercial radio except for Buckley's dual FMs. Mapleton is buying KRAN-AM (and its expanded band partner, KAXW-AM), KJMQ-FM & KLOQ-FM from **Randolph Holder's** Clarke Broadcasting. An LMA began 9/1 and comes

on the heels of Mapleton's deal to purchase three Merced stations from **Ed Hoyt** (KYOS-AM, KIBG-FM & KABX-FM). Current Clarke GM **Dan Robertson** says he'll be there until closing as Holder's representative, but then may go to work for Mapleton in another market. Sounds like a company that has more growth planned. Broker: **Elliott Evers**, Media Venture Partners—JM

How do you deal with a downturn?

It's time to stick with the basics in radio, group owners told the finance seminar that kicked off the NAB Radio Show (9/5) in New Orleans. "If ever there was a time to get closer to your customers, now is the time," said **David Kennedy**, President, Susquehanna Radio. Those advertisers, he noted, are going through the same difficulties that broadcasters are dealing with in the current soft economy.

Tony Brandon, President of American General Media, noted that his company had always preferred to operate in smaller markets where they could know their customers, rather than dealing with far away media buyers. But he noted that consolidation has also changed life for broadcasters in smaller markets, since giants such as Clear Channel (N:CCU) have bought down into those markets. "Some of us in these smaller markets are having to get used to having to deal with companies that have these tremendous resources," he noted, suggesting that their deep pockets give them an advantage in disputes over such things as call letters, copyrights and—naming names in this case—access to programming from Premiere Radio Networks.

David Benjamin, President, Triad Broadcasting, said the radio industry needs to focus on building new categories of advertisers. "Entire advertising categories this time around have completely disappeared," he said. And Benjamin noted that he wasn't just talking about dot-com, but also the telecom industry, which had been a major category but is now going through its own deepening financial difficulties.

In these tough times, it's important to remember that radio business growth is driven by the top line, Benjamin said. "As an industry, we have done about all of the cost cutting that we can."

Calm and cool after taking his company off Wall Street with new partner Forstmann Little & Co., Citadel Communications CEO **Larry Wilson** advised others to wait until they have critical mass to sell their IPO. "I have no regrets about going public—it was a different way of life," he said, noting that being public gave Citadel access to capital that

made it possible to grow. But after watching his stock price go through a meltdown after missing his number for one quarter, Wilson is happy to have a new, private partner. "My plan would be to get bigger—and I think Forstmann Little's [plan] would be the same—to do some smart acquisitions and then, probably, take it public again."

Wilson also offered the audience his own investment advice for the current economy. "I'm mostly staying in cash," he said, noting that there's no sign yet that the Fed's interest rate cuts are boosting the economy.



David Kennedy

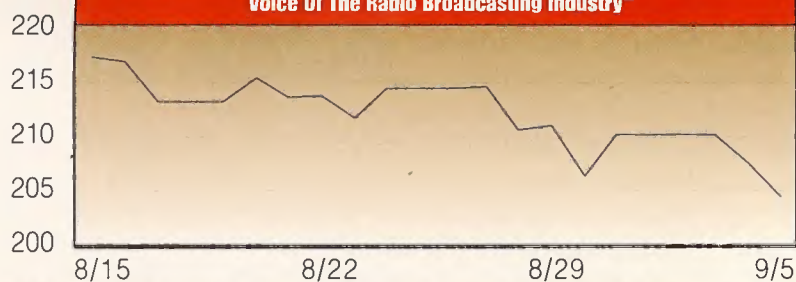
Wilson and Cumulus Media (O:CMLS) CEO **Lew Dickey Jr.** briefly debated what is likely to happen once the FCC's crossownership rule—generally prohibiting ownership of newspaper and broadcast properties in the same market—is eliminated. When Dickey suggested that Gannett (N:GCI) might jump back into radio, Wilson said no, "They had a very bad experience in radio." Drawing on his own experience helping to build Combined Communications as a radio, TV, newspaper and outdoor company, Wilson said newspapers are a better fit with TV, but suggested that the biggest radio group, Clear Channel (N:CCU) might acquire a newspaper group, just as it's expanded into other media. In support of that view, Wilson recalled how he and **Karl Eller** (now godfather of Clear Channel's outdoor division) fired up sales at the Cincinnati Enquirer for Combined Communications by introducing the novel concept of commission sales. But as for Gannett, "They took our radio stations that were doing very well at Combined Communications and just did nothing with them," Wilson said dismissively of the nation's largest newspaper chain.—JM



(L to R) Tony Brandon, David Benjamin, Lew Dickey, Larry Wilson

The Radio Index™

The Radio Index™ moved down 6.57 for the week to close 9/5 at 204.455.



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Lenders say they're lending less

Financing is still available for radio groups to expand, lenders said in the second panel of the 9/5 finance seminar. But while their official limits remain at 6-6.5 times cash flow, the lenders said that the economy has made them more cautious—so actual lending is now about a full turn below that. In other words, the real lending multiple is more like 5-5.5 times.



(L to R) Tom McKinley, Jeff Kilrea, Chuck Dreifus

There have been signs recently that radio has gotten through its worst revenue period and is actually on the mend, said **Lisa Pellow**, Managing Director, FleetBoston's Media & Entertainment Group, but with battered TV ad rates putting downward pressure on radio, "nobody is expecting anything until we get into 2002." Thus, the lenders are more cautious, but are still lending for radio acquisitions—they're just lending a bit less.

What hasn't materialized is a corresponding drop in sale multiples. "Sellers are still looking at higher values," said broker **Tom McKinley** of Media Services Group. "It's slowly starting to sink in."

"Prices have to come down to make sense," said **Brian McNeill**, whose Alta Communications invests in radio and other media companies. "Sellers are the last people to come to that conclusion."



Brian McNeill & Lisa Pellow

Radio groups also have fewer lending sources to turn to, not due to anything that the radio industry has done. Rather, CIBC banker **Henry O'Connor** noted that there are fewer lenders because the banking industry has been going through its own consolidation. Fellow banker Pellow estimated that the number of radio lenders has shrunk from 100 to around 20 over the past five years or so.

Although there was murmuring about poor attendance at the New Orleans show, due to economics, Viacom's (N:VIA) exit from the NAB and Clear Channel's (N:CCU) own management meetings the same week in Atlanta, the opening financial session, sponsored as usual by the law firm of Dickstein Shapiro, Morin & Oshinsky, drew a standing room only crowd in a room that seated about 200. That crowded situation was not the case for the opening reception later that same day (9/5) in the exhibit hall—when elbow room was not a problem for anyone.—JM

Kolobielski grabs a pair of 'MOUs

Small group First Media Radio has expanded into two new markets via a deal with **Bruce Danziger's** and **Jeff Shapiro's** Vox Radio Group. Owner **Alex Kolobielski** is spending \$4.2M cash for WMOU-AM in Berlin, NH and WCED-AM & WMOU-FM in Du Bois PA.

Neither town is Arbitron-rated. In fact, if any section of Pennsylvania can be called "Nowhere," Du Bois seems to be in the middle of it. It sits on I-80, miles from places like Altoona, State College and Johnstown, and even further from Pittsburgh and Youngstown. It does boast a small field of yellow on our AAA map, indicating that it is a center of business for the numerous small towns surrounding it. In New Hampshire, the town of Berlin is similarly isolated.

First Media already owns an FM in the aforementioned State College market and has an AM-FM combo in Easton on Maryland's Eastern Shore. **Broker: Richard A. Foreman Associates Inc.** (seller)—DS

Is another station eyeing a move into Vegas?

KRCY-FM Kingman AZ has been sold to Spectrum Scan LLC. The buyer is made up of **Rodney A. Burbridge's** Rodco Inc. and another company called Chapco Inc., owned by **John Patterson** and others. The seller, Hualapai Broadcasters Inc., will be receiving the princely sum of \$4M, which is a lot of scratch for a standalone FM in a non-Arbitron rated market in the middle of the desert.

Could it be the possibility of moving the station to Dolan Springs, AZ has inflated its value? Apparently the engineers think the station could upgrade to a full Class C from that vantage point. It would also put the station some 25 miles or so closer to Las Vegas if the tower were constructed in the middle of town. If it was constructed to city-grade the town from the Vegas side, it could get a good bit closer to the large-and-getting-larger gambling capital.—DS

Newburgh not so new for Clear Channel

Clear Channel Communications (N:CCU) is buying WDLC-AM & WTSX-FM Port Jervis, NY from **Robert I. Wein's** Port Jervis Broadcasting Co. Inc. The radio giant has been running the stations in an LMA since 3/26. Before that, they were in an LMA with Nassau Broadcasting Partners. Clear Channel acquired Nassau's purchase option on the stations as part of a deal which sent a pair of Allentown PA stations to Nassau (RBR 11/20/00).

The deal is valued at \$2M. It marks the first pair of O&Os for CCU in this market. CCU also operates clusters in nearby Poughkeepsie, and WNNJ-FM, from its cluster in Sussex NJ (which was also part of the same Nassau deal) actually overlaps this combo.—DS

Transaction Digest

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

RBR's Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price. Broker credits are based on contracts filed with the FCC.

\$35,600,000 KPFL-AM/KTDY-FM, KRKA-FM, KFTE-FM & KMDL-FM Lafayette LA (Lafayette, Erath, Breaux Bridge & Kaplan) from ComCorp of Lafayette Licensee Corp. (Stephen P. Mumblow) to Regent Broadcasting of Lafayette Inc. (Terry Jacobs, Bill Stakelin), a subsidiary of Regent Communications (O:RGCI). \$1.8M escrow, balance in cash at closing. **Superduopoly** with KROF-AM & KPFL-FM, coming in separate concurrent deal. ComCorp has been running KROF/KPFL in an LMA since 12/9/98.

\$5,250,000 WCPT-FM/WKBE-FM Albany-Schenectady-Troy (Albany/Warrensburg) from Tele-Media Company of Eastern New York LLC (Robert Tudek) to 6 Johnson Road Licenses Inc., a subsidiary of Pamal Broadcasting Ltd. (James Morrell). \$200K escrow, balance in cash at closing. **Superduopoly** with WROW-AM, WAJZ-FM, WFLY-FM, WYJB-FM, WZMR-FM. WCPT does and WKBE does not overlap the stations to be co-owned. **Broker: Frank Boyle & Co. LLC** (seller).

\$4,300,000 KIBG-FM, KABX-FM & KYOS-AM Merced CA from Yosemite Radio Partners L.P. (Edward G. Hoyt Jr.) to Mapleton Communications LLC (Michael Menerey). \$430K escrow, balance in cash at closing. **Superduopoly** with KLOQ-FM, KJMQ-FM, KRAN-AM and expanded band KAXW-AM. **Brokers: Patrick & Co.** (seller), Media Venture Partners (buyer).

\$4,200,000 WCED-AM/WMOU-FM Du Bois PA & WMOU-AM Ber-

lin NH from Vox Allegheny LLC, a subsidiary of Vox Radio Group (Bruce Danziger, Jeff Shapiro) to First Media Radio LLC (Alex Kolobielski). \$210K escrow, balance in cash at closing. **Broker: Richard A. Foreman Associates Inc.** (seller).

\$4,000,000 KRCY-FM Kingman AZ from Hualapai Broadcasters Inc. (Rick L. Murphy, VP et al) to Spectrum Scan LLC, owned by Rodco Inc. (Rodney A. Burbridge, 50%); Chapco Inc. (John Patterson, Thomas A. Dieruf, Charlotte Elam, 44.9%) and six individuals. Cash. Station is seeking CP to move city of license to Dolan Springs AZ as a full Class C.

\$3,200,000 KROF-AM & KPFL-FM Lafayette LA (Abbeville) from Abbeville Broadcasting Service Inc. (D. Wayne Elmore) to Regent Broadcasting of Lafayette Inc. (Terry Jacobs, Bill Stakelin), a subsidiary of Regent Communications (O:RGCI). \$160K escrow, balance in cash at closing. **Superduopoly** with KFTE-FM, KRKA-FM, KTDY-FM, KMDL-FM & KPFL-AM, coming in separate concurrent deal. Seller had been brokering KROF/KPFL-FM to ComCorp; the seller of the KFTE et al, since 12/9/98.

\$2,000,000 WTSX-FM & WDLC-AM Newburgh-Middletown (Port Jervis NY) from Port Jervis Broadcasting Co. Inc. (Robert I. Wein) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Clear Channel received 8/7/98 \$2M purchase option on station as part of a deal with Nassau Broadcasting Partners Inc.

(Louis F. Mercatanti Jr. et al) (RBR 11/20/00). Includes non-compete valued at \$50K. **Duopoly** overlap with WNNJ-FM in the nearby Sussex NJ market. LMA since 3/26.

\$1,750,000 WABY-AM & WKLI-FM Albany-Schenectady-Troy (Albany/Ravena). 100% of the stock of DOT Communications Inc. from Tele-Media Company of Eastern New York LLC (Robert Tudek) to Pamal Broadcasting Ltd. (James Morrell). Cash. Pamal intends to instantly resell stations to Galaxy Communications L.P. **Broker: Frank Boyle & Co. LLC** (seller).

\$1,750,000 WABY-AM & WKLI-FM Albany-Schenectady-Troy (Albany/Ravena) from Pamal Broadcasting Ltd. (James Morrell) to Galaxy Communications L.P. (Edward F. Levine). \$100K escrow, balance in cash at closing.

\$1,500,000 KMJI-FM Texarkana AR-TX (Ashdown AR) from Bunyard Partnership (Jay Bunyard) to Clear Channel Broadcasting Licenses (Lowry Mays), a subsidiary of Clear Channel Communications (N:CCU). Cash. \$150K allocated to non-compete. **Superduopoly** with KKYR AM & FM, KPWW-FM, KYGL-FM. **Broker: MGMT Services Inc.** (seller).

\$525,000 KIKN-AM Port Angeles WA from Radio Pacific Inc. (Terry MacDonald) to Caron Broadcasting Inc. (Stuart Epperson, Ed Atsinger), a subsidiary of Salem Communications (O:SALM). \$26,250 escrow, balance in cash at closing.

Read about these transactions and more at our website rbr.com The place for leading industry news and information

Vic Michael, President, of
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and
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for

\$5,350,000

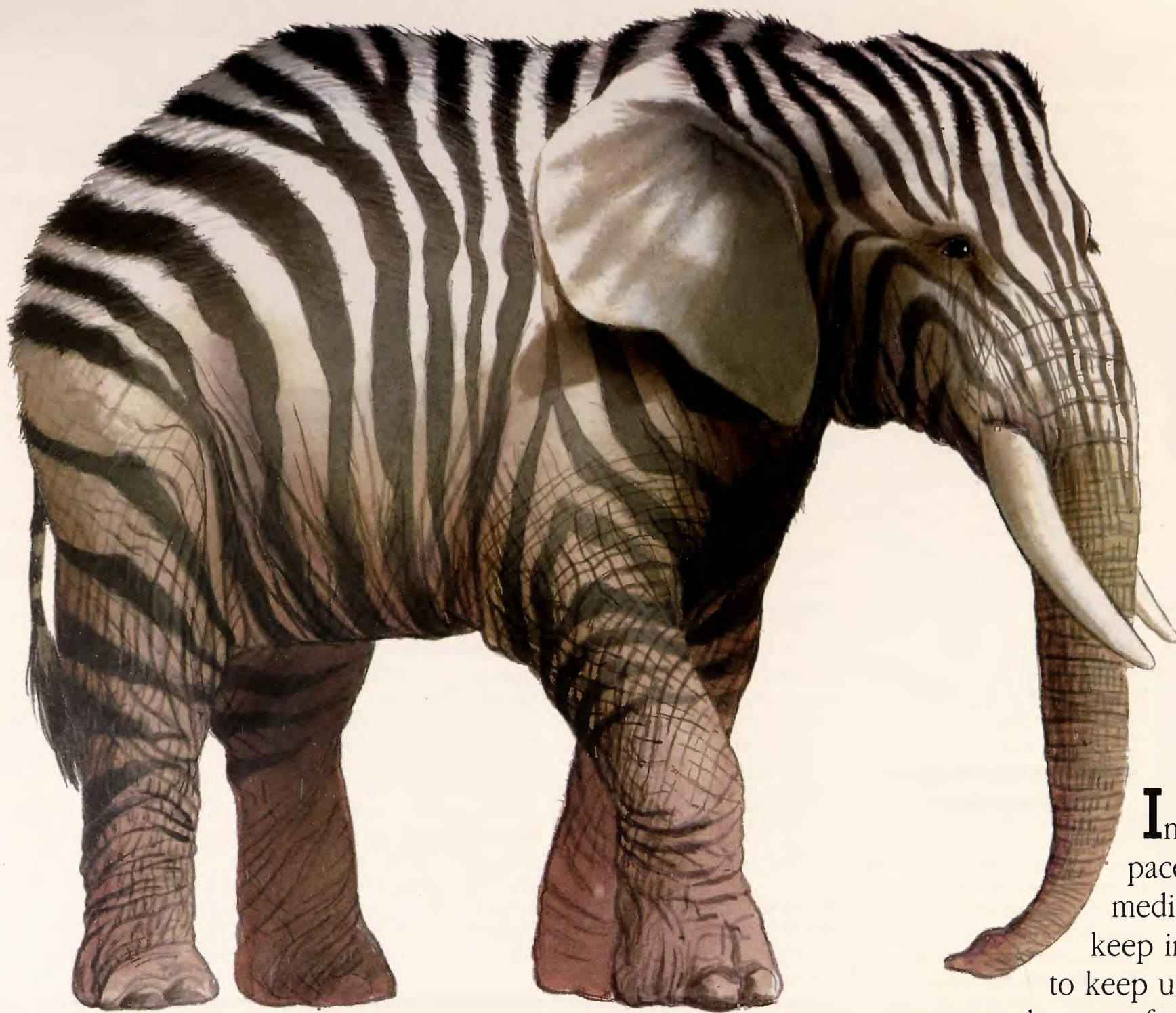
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