IDEAS WORKING NOW™

SMARTMEDIA™

FEBRUARY 2007

Radio Outlook for 2007

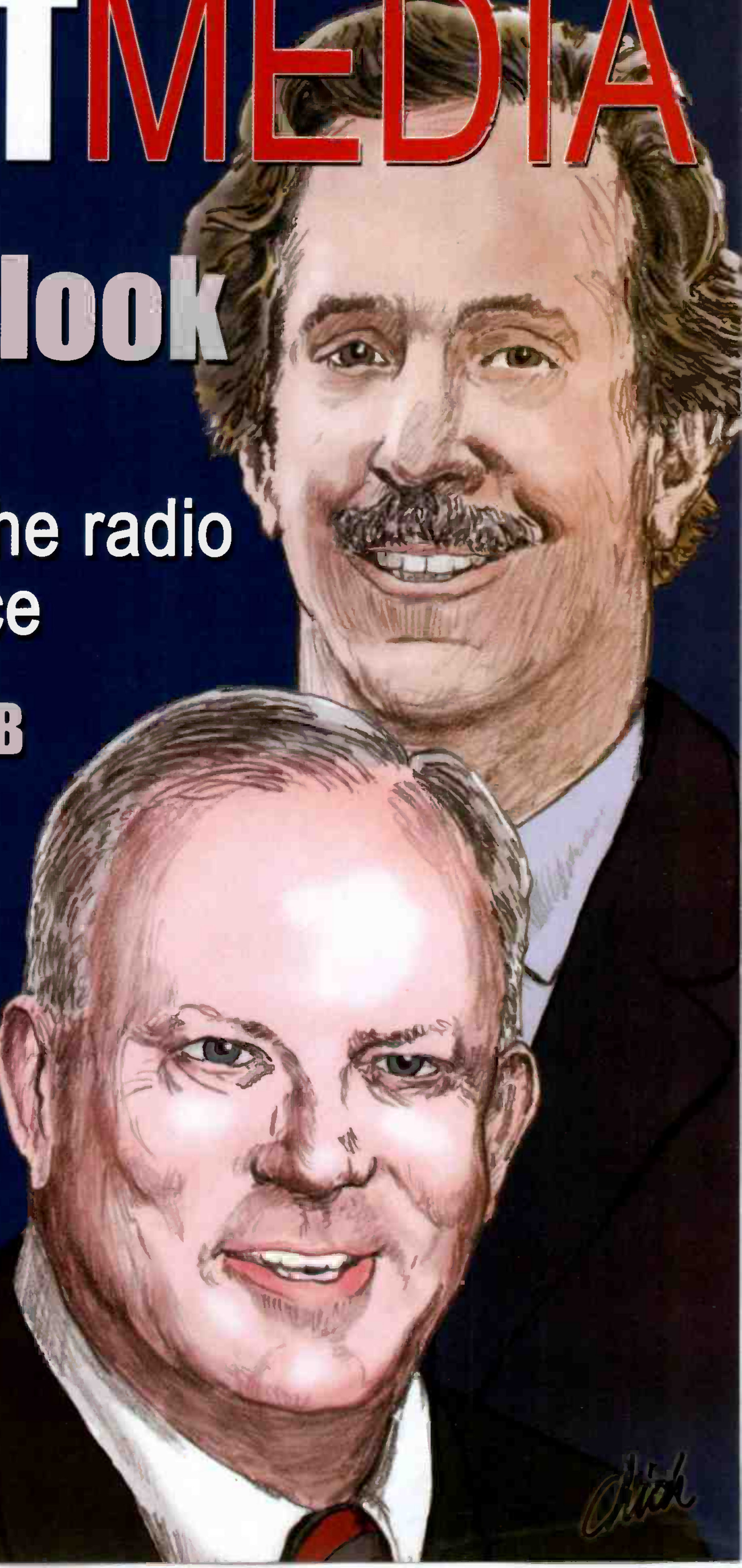
Brokers look at the radio deals marketplace

Welcome to the RAB

A conversation with its new president

The Great Ad Ratings Debate

A look at Nielsen's plan



RBR
TVBR
MBR

A Publication from Radio & Television Business Report

Kick Off RAB 2007 with Interep

Interep is proud to sponsor the

Opening Keynote Breakfast
Friday, 7:30-9:15AM

Featuring Futurist Daniel Burrus

Presenting...

Futureview: Creating and Sustaining Competitive Advantage

Immediately following the keynote, please stop by the Interep-sponsored panel

Radio 2.0: Interactive, Measurable and Sexy

Silicon Valley By the Dashboard Light

Friday, 9:30-10:45AM

A host of technology companies are scrambling to produce the killer app that will allow radio to share in the millions of ad dollars pouring into the interactive space.

Who are they?

What's available now?

And what's in the pipeline that could usher in the next phase of radio's growth?

Moderator:
Jim Mazzarella,
Independent Consultant/
Emerging Media Technologies

Panelists
Bob Scannell, CEO TagNow Media
Josh Wexler, CEO Softwave
York Eggleston, CEO Crave Technologies
David Russek, CEO SevenEcho

Preparing for the Next Phase of Radio's Growth...

INTEREP

1-800-INTEREP · www.interep.com

RBR TVBR MBR

SMARTMEDIA

Publisher & Editor........................Jim Carnegie
Managing Director ....Carl Marcucci

RBR/TVBR/MBR Staff
Executive Editor ....Jack Messmer
Managing Editor ....Dave Seyler
Senior Editor ....Carl Marcucci
Production Manager..........................Michael Whalen
VP Administration ....Cathy Carnegie
Administrative Assistant ....April McLynn
Marketing/Sales Director ....June Barnes

Corporate Office
Radio & Television Business Report
2050 Old Bridge Rd., Suite B-01
Lake Ridge, VA 22192
Main Phone: 703/492-8191
Editorial Fax: 703/997-8601
Subscription Phone: 703/492-8191
Subscription Fax: 703/997-2677

Email Addresses
Publisher:..........................JCarnegie@rbr.com
Editorial:..........................RadioNews@rbr.com
..........................TVNews@rbr.com
Sales:..........................JBarnes@rbr.com

Bradenton, FL Office
Jack Messmer
Phone: 941/792-1631
Fax: 253/541-0070
Email: ....JMessmer@rbr.com

Columbia, SC Sales Office
June Barnes
Phone: 803/731-5951
Fax: 803/731-5982
Email: ....JBarnes@rbr.com

 Printed in USA. SMART MEDIA is published monthly by Radio Business Report, Inc. Publishers of RBR/TVBR Daily Morning Epapers, MBR Daily Afternoon Epaper, rbr.com and tvbr.tv.

Annual Memberships
SMART MEDIA $89
RBR Epaper $108
TVBR Epaper $108
MBR Epaper $89

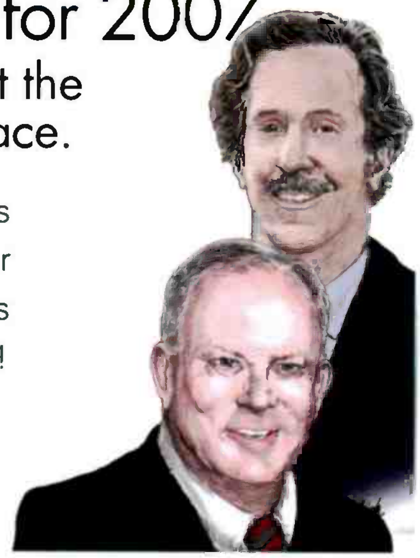
Cover Art Credit:
Chick Alcorn
9630 Mistletoe Rd.
Tujunga, CA 91042
818-951-5908
chickalcorn@aol.com

CHICK'S CLIQUES

February 2007 Volume 24, Issue 2

[contents]

Four gurus gaze into their crystal balls and tell us what is ahead in 2007 for radio industry revenues, station sales and multiples. An active year awaits!



Cover Art (top to bottom): Elliott Evers, Broker, Media Venture Partners; **Larry Patrick**, President, Patrick Communications

DEPARTMENTS

Minority buyers interested in CC spins, but where do they get funding?

Minority Media & Communications Council (MMTC) Executive Director **David Honig** was happy that about 120 people turned out last month for a three-day conference in Washington for minority and women entrepreneurs to find out how they can best position themselves to buy the radio and TV assets that Clear Channel has up for sale. Some 60 potential bidders were represented, with lots of station brokers, lenders and such also on hand.

Finding financing, though, is an issue. One broker who attended the gathering complained that without seller financing from Clear Channel itself, the effort to attract first-time minority buyers is an exercise in futility, since there is almost no lending available for broadcast deals under five million bucks. Clear Channel has ruled out the idea of providing any financing itself, but Chief Communications Officer **Lisa Dollinger** noted that "many financing sources attended the conference."■

A Nielsen stock in 2007?

That would be a pretty good bet. New VNU CEO **David Calhoun** has begun reconfiguring the company to create a payoff for its new private equity owners. In fact, it is no longer VNU. Calhoun jettisoned the old name and rebranded it as The Nielsen Company, as had been predicted by RBR/TVBR. Also as we predicted Nielsen Media Research boss **Susan Whiting** has been promoted to Executive Vice President of the entire company.

The European business-to-business magazines, mostly computer titles, are being sold to 3i, a European private equity company, and a company-wide payroll reduction to eliminate 10% of the workforce is underway.

In doubt, though, is the bid by VNU to buy out the public shareholders who own the 39.5% of NetRatings not already owned by VNU. The independent directors at the web ratings service rejected the $16 per share offer by VNU as too low, and added that VNU had not returned to negotiations after the rejection.

What's next? Job one for Calhoun, recruited from the upper echelons of GE, is to improve profitability and prepare VNU for an IPO. Look for a reincorporation in the US from The Netherlands and an IPO filing. All of that could well happen this year. ■

Biggest retransmission fights ahead

In 2005 it was Nexstar and in 2006 Sinclair stepped to the forefront in battling for retransmission consent payments from cable MSOs. Sinclair's fight continues, with Mediacom trying to enlist Congress to sidestep the FCC and federal courts and force Sinclair to restore its 22 network affiliate signals to Mediacom cable systems serving over 700,000 households.

As this issue goes to press, Sinclair is also going down to the wire in talks with the two cable giants, Comcast and Time Warner Cable. Comcast has been adamant that it will not pay anything to anyone for the right to carry broadcast TV stations on its cable systems.

But the skirmishes by Nexstar and Sinclair are just the opening acts, with the biggest battles yet to come. CBS Corporation CEO **Les Moonves** has said repeatedly that he will be demanding payment when his O&O retransmission deals come up for renewal. Fortunately for the MSOs, there is still some time remaining on the old deals struck when the CBS and (then) UPN O&Os negotiated alongside their Viacom cable stablemates, MTV, BET & etc., for a package that allowed the MSOs to insist that they were refusing to pay for broadcast TV signals, even though they really were. Thus, CBS currently receives a portion of those payments, even though it is now separate from Viacom.

Moonves said last month that negotiations are underway with three smaller MSOs. Those bargaining sessions will just be a warm-up for the CBS negotiating team, with the big contracts coming up in 2009-2010. ■

What could Google deals do to rates?

While Google will likely not get into the TV inventory space until they accomplish their likely imminent major radio deals, the television industry (local affiliates to rep firms) may want to educate early on some of the issues circulating around Google Radio/Audio and potential inventory deals. One reason we speculated there was no CBS Radio deal (rumored to be imminent) announced by deadline is over ongoing issues that may be going on between Westwood One and CBS Radio over inventory. The problem is if CBS Radio, WW1's management company, does a deal with Google, they may be creating a new competitor for WW1 in the marketplace which could put further downside value on its stock. Kosann and the board may be worried about shareholder lawsuits and liabilities.

The same could be said for local or national/network television station inventory scooped up by Google—what would that mean for rep firms like Blair and Petry, which may find their inventory suddenly devalued? If big blocks of inventory bought by Google ahead of time become commoditized and priced less than Blair or Petry are pitching, it could spell trouble. Just as in radio, Google's entry into the broadcast inventory biz could get pretty complicated.

So far other radio groups have been hesitant to do a deal for similar reasons. Greater Media CEO **Peter Smyth** tells SmartMedia recently: "I am not going to go into competition with myself, nor am I going to do anything to go against Katz or the people that nationally represent me...or compromise our own sales departments across the country—that's ridiculous."

Kim Vasey, Senior Partner and Director of Radio, Mediaedge, CIA, also questioned the rep issue at a recent Bear Stearns conference call: "I think also it's a bigger mix of complication in the sense of the national rep firms being involved. We do a great deal of business and want to protect that partnership there as well. We want to protect the partnership with the stations, the rep firms, but also we want to be opened to allowing a client to have inventory that can be obtained on a remnant basis at the last minute."

On the other hand, of course, Google may succeed in bringing in a vast array of local advertisers that have never used radio (or television), and advertisers that enjoy the convenience and ease of online advertising. The entire broadcast industry could benefit. It's really all about what kind of inventory deals Google scores and what they do with the pricing. If broadcasters and their rep firms do their homework properly and understand just what and how much inventory to offer up to Google, perhaps its entry into the market could be workable. ■

The Nielsen Company

Anytime Anywhere Media Measurement

Integrating Internet Usage into television samples

Measuring Television Outside the Home

All-Electronic Local Measurement

Measuring Video on Personal Media Devices

Working Directly with Clients to "Follow the Video" as it Moves to New Platforms

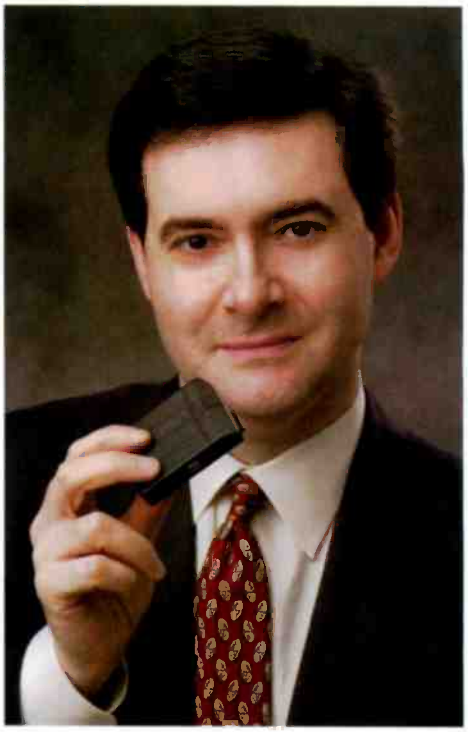
For more information: http://a2m2.nielsenmedia.com/

Anytime Anywhere
A2/M2
Media Measurement

nielsen

Why PPM?

As Clear Channel Radio remains virtually the lone holdout on encoding for PPM, Pierre Bouvard, President, Sales & Marketing, Arbitron, provided the top reasons the rest of the industry and agency world have gotten on board with this new ratings technology currently being rolled out in Philadelphia.



Eight things PPM can tell you about radio audiences

The Portable People Meter service ushers in a new era of radio audience measurement and provides exciting new insights on radio listening. Here are eight key conclusions from our analysis of the PPM data.

1. Radio is a reach medium! PPM reveals that the average station's cume doubles versus the diary. The cumes of radio clusters soar to the size of TV station audiences.

Erwin Ephron, the father of modern media planning says, *"Reach and television is where national advertiser dollars go today. Radio is largely ignored because it is thought of as a frequency medium. When radio is planned differently, especially with the help of the new Arbitron PPM data it is an ideal reach medium. In today's planning, reach trumps frequency. It is media's gift to advertising and, radio with new PPM measurement can deliver it by the carload."*

2. Know what works and what does not work. See cause and effect. Promotions that work. Marketing that drives audience. Special programming that pops. When Radio One Houston switched from Spanish to Gospel over the summer, PPM showed audience shifts occurring within days. When Mix 96.5 Houston implemented a TV schedule, the positive results were clear. Conversely, we saw the new morning show that tanked fast. On a week by week basis, we saw the fast downwards spiral of the morning audience.

3. With PPM, Audience trends will now be very stable with little bounce. No one likes bounce. With a panel and fewer of the "ultra core" long span radio entries prevalent in a diary, PPM audiences are much more stable. This stability is a major plus for agencies.

4. Faster data make radio more relevant to advertisers. On December 24th, 2005, KOVE-FM Houston changed formats and the impact was immediate and significant. Having more current and up to date data will make radio appear more vital and important to advertisers. **Kraig Kitchin**, CEO of Premiere Radio told me about a major pitch to a huge, well known advertiser.

The client asked about the personality being pitched, "What were their overnights?" The prospect was stunned to learn that not only did radio not have overnight electronic ratings; they were amazed to learn how long it took to get new radio data.

5. In PPM, younger stations get older. Older stations get younger. In Houston, the diary depicts young skewing Hip Hop KBXX with 40% of its audience aged 25-54. KBXX's 25-54 audience composition soars to 52% in PPM. In Houston, the diary indicates that the major AM stations have 27% of their AQH audience over the age of 65. In PPM the 65+ audience composition of these AM stations is only 9%. The 25-44 audience composition for the AM stations in Houston jumps from 25% in the diary to 34% in PPM.

6. Radio can quantify ROI with retail store encoding. PPM is encoding nearly 300 retail locations in the Houston market. Show the impact of the ad flight and the promotions on your stations with verified store visits according to PPM.

7. Quantify audiences on radio's new distribution platforms of HD, cellular, HD multiCast, satellite and streaming. A separate PPM encoder on each of your audio paths will show exactly how much audience is listening to each your distribution paths.

8. Radio's commercial audiences are much higher than anyone imagined! Agencies and stations perceive that radio commercial audiences are about 40% less than the lead in audience. The reality? A Coleman/Media Monitors study of 90,000+ commercial stop sets in Houston reveals that radio retains 92% of its lead in audience!

Thanks to PPM electronic measurement, we are now seeing radio audiences in a whole new light. We look forward to sharing more insights as we launch new PPM markets over the next year.

Sounding the gong of synergy:

Religion, retail, and summoning the spiritual through media

The intrepid journey into the heart of what our industry deems "synergy" has proven a wholly enlightening experience, drawing from the cerebral and dabbling in the mystical. By way of seeking its meaning and application, the world now appears like a conjunction of distinct elements whirling toward a mutually advantageous end! The objective question, then, is how to mark these elements to direct an individual's path so that the advantage is to *your* benefit – and profit. This is the spiritual path upon which I embarked, ignited by an ad agency buzz word turned scripture.

Synergism stems from the 1657 theological doctrine that humans will cooperate with the divine grace in regeneration. The term began to be used in the broader, non-theological, sense by 1925. (Wikipedia.org, *Synergy*). While the word's etymology morphed mysteriously from the theological to the scientific over the 17th-20th Centuries, it has only been recently employed as a media term in the last few decades. We can only assume the fragmentation and proliferation of "mutually advantageous elements," (i.e. media forms), have contributed to this evolution of meaning. It would logically follow that the answer to finding your way through the clutter must come from a higher power – or in this case, your local Account Executive.

Peering deeper into this phenomenon, it seemed only fair that I walk the path of righteousness and submit myself to the divine powers of synergistic marketing myself. What else could I do but use a star to light my path? The star was red; the red star of Federated Department Stores, Inc.'s big bad brand, Macy's. Since going national, *north* wasn't the only direction I needed to look to find my blazing red guide. I merely had to open my awareness and receive messages from *anywhere* – newspapers, magazines, radio, TV, internet, outdoor, direct mail, and coffee cozies! All elements were converging, drawing me closer, and searing the red-hot star-shaped branding iron permanently into the top of my mind.

Visualize Christmastime in New York: balmy evenings saturated with sweat-soaked scarf-toting strap hangers; tumult and tinsel infused with *nutmeggy* esters of eggnog lattes. As I ricocheted like a pinball trapped in the bumpers through the valleys of the urban canyons, I found myself reciting the litany over and over again, "The Way to Shop... The Way to Shop...," Macy's familiar slogan echoed like the voice of an Imam harmoniously droning his prayer from the minarets of the Great Mosque of Yemen. The whir of the retail machine grew dim as my mantra became the only audible command in my mind's ear. Suddenly I was transcended! My actual ear picked up a signal common to what was going on in my self-induced trance! A radio! A radio! Blasting in a car brought me clarity of vision and cheer... brought me clarity of vision and cheer.

The music was poppy, upbeat; strangely familiar... it was The Vandellas! The sweet sounds of "Dancing in the Streets" surged through my body and induced a state of ecstatic motion I likened to the long hours of dance-trance meditation practiced by the Whirling Dervishes of Turkey. Why had this song triggered this particular effect? (And how was it that a New York FM radio station was playing anything other than Christmas music around the holidays?) My synapses fired wildly and like sunlight breaking through the clouds after a squall, I had a revelation: this was Macy's song! Licensed by the company and worked into a remixed TV spot by (get this) Starcom USA (how ironic), my previous at-home homage to the cable TV gods allowed the omnipresent Macy's commercial to imbibe my spirit with visions of fancy CG images flying around the country and stopping off at one of the 800 Macy's stores now dotted throughout the land. This was the end result of a massive $11 billion buyout of May Department Stores executed flawlessly by FDS last year. (Wall Street Journal Online, *Federated to Dress Up Macy's In National TV-Ad Campaign*)

Upon returning to my stable, I was compelled to go online and preach to my disciples of where the Red Star commanded me. Logging onto my Yahoo Mail I was elated by what seemed to confirm my fated path. There it was, floating ethereally atop my most personal of dialogues; the Red Star of Macy's shining high and proud at the leaderboard position of my Inbox, verifying that I had indeed found "The Way to Shop."

The next morning, I felt refreshed and empowered with a renewed sense of ▸▸

fulfillment that I was now *one* with the message flow from the Great Red Star. I stopped in on my local coffee cart to shock my system into ultra-awareness. Shelling out a hard-earned $2.25 for a large regular coffee and croissant, my jaw dropped at what looked back at me from my coffee cup. Crimson as the evening sky, Macy's Red Star was there protecting me! Well, protecting my palm flesh from the molten bean juice seething in that flimsy paper cup. There, upon a reinforced trapezoidal sleeve of cardboard, beamed my sign, my savior, and my salvation. Caffeinated and confident, I strode triumphantly into my office feeling my journey had truly come full circle, that the divine wisdom of the universe had been bestowed upon me.

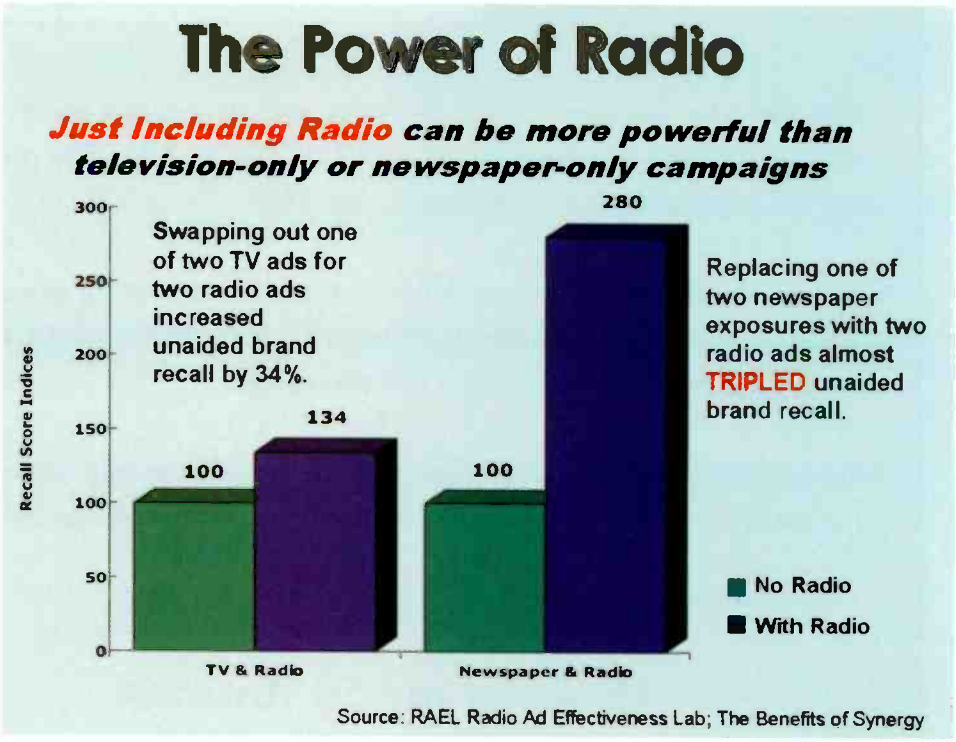
Upon my return to reality I realized the one major problem with a sense of well-being is that you can't take it to the bank and use it as equity toward a loan. By this I mean logistical concerns still remain for any successful synergistic media campaign. Mainly, there are specific concerns about advantages, disadvantages, the right combination of media, and cost. All of this combines to reveal yet another important question: How can I make this happen for real?

Take a look at cable TV: The reach is enormous. Cable TV now reaches some 85% of U.S. television households. (*Cabletelevision Advertising Bureau, 2006*) Within this massive audience, cable TV breaks up its programming to target specific demographics and interests through specialized programming and channels. In turn, larger audiences yield lower CPMs for a bigger bang for your buck.

Before you fire up your emails to start thrashing me for touting cable TV, remember there are some major disadvantages to putting all your eggs into one basket. That huge reach they have can be viewed as *only* 85% of U.S. television households, leaving behind 15% of the population that may never see the ad at all. Accumulatively the overall audience number is large but when broken down by channel and by region, the numbers diminish considerably. Consider also that production of a TV commercial, according to the American Association of Advertising Agencies (AAAA), costs on average $400,000. To create a spot that has the quality and appeal to create a lasting result can be a budget soaker with diminishing returns. Cable tends to be the dumping ground for poorly made commercials, in turn, tarnishing its image as a viable platform. Don't forget about ad clutter!

Let's zero in on what it would be like to use your budget intelligently and include a hearty helping of delicious radio on your synergy plate. For one, radio's reach is not only enormous, it's excellent! Radio reaches 94% of all Americans 12 years and older every week where cable reaches only 61% of Americans in an average week. (*Arbitron/Edison 2006*). Contrary to the ever-expanding roster of cable quency is limited to an acceptable, and listenable, level. This power can also be attributed by the increase in unaided brand recall a radio/cable TV campaign delivers. Adding radio to a TV campaign can increase a consumer's brand preference in relation to purchase intent. (*RAEL Synergy study, 2005*)

It's not only evident that synergy works in media and that the term applies in both meaning and execution, it's downright blinding! The processes of my daily life became seamlessly intertwined with benign and joyful messages

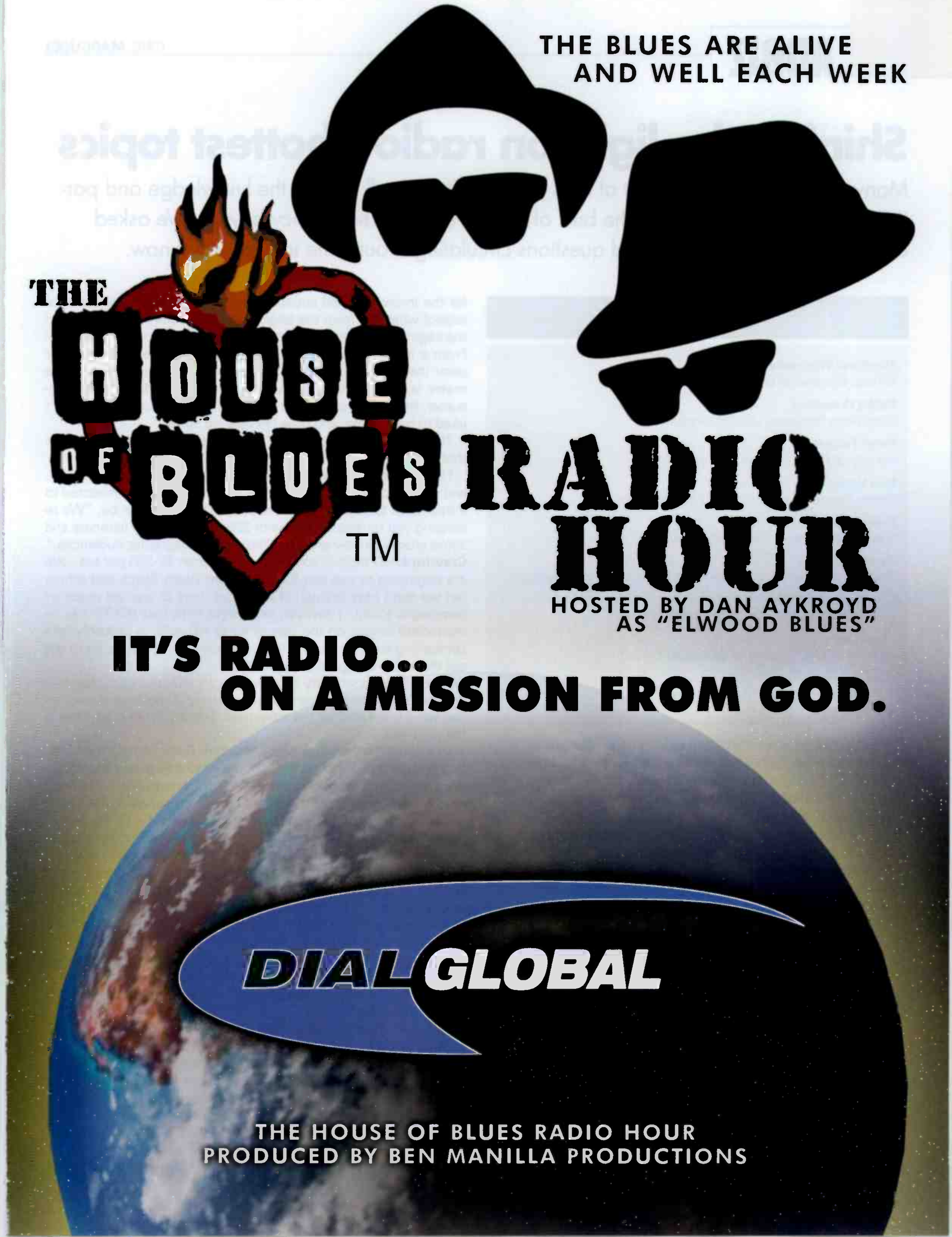


channels, radio's finite tuning band may work to its advantage. Smaller, more stable numbers of radio channels offer more concentrated and even larger audiences than cable in most markets. The disadvantages of media proliferation and fragmentation were never so evident than in the comparison of cable versus radio; radio emerges the clear winner in this battle of stability, audience loyalty, and results.

Additionally, radio stations nationwide have taken the problem of ad clutter to heart and reduced the amount of commercial time they allow in a given hour. Cable TV airs on average twice as many commercials per hour. (RAB.com, *Cable TV*) Decidedly, commercials yield a much more powerful response when their fre-

of shopping. With a star to guide me, the work of navigation was done for me. There was no other choice than for me to engage, retain, and react. Outside of being slightly over-dramatic about the whole thing, I saw through to an impacting strategy that can be replicated with boundless degrees of efficacy. Logistical concerns can be addressed through the weighing of pros and cons, not to mention a reasonable assessment of your budget threshold. In sum, our new world of seemingly infinite information can, in fact, be tagged with markers, guiding the consumer effortlessly to a mutually advantageous conclusion. ■

Rich Awn, AE, WOR-AM NYC
rawn@wor710.com


THE BLUES ARE ALIVE
AND WELL EACH WEEK
THE HOUSE OF BLUES TM
RADIO HOUR
HOSTED BY DAN AYKROYD
AS "ELWOOD BLUES"
IT'S RADIO...
ON A MISSION FROM GOD.
DIAL GLOBAL
THE HOUSE OF BLUES RADIO HOUR
PRODUCED BY BEN MANILLA PRODUCTIONS

Shining the light on radio's hottest topics

Many of the topics hashed out at RAB 2007 in Dallas will require the knowledge and participation of those that spend the bulk of radio's dollars: The agency buyers. We asked about four important topics and questions circulating around the industry right now.

The Participants

Matthew Warnecke, VP Mgr Network & Local Radio, MediaCom

Kathy Crawford, MindShare President/Local Broadcast

Peter Ferrara, HD Digital Radio Alliance President

Kim Vasey, Senior Partner/Director of Radio, mediaedge:cia

Pearl Kim, Supervisor, National Broadcast, Carat

Patrick McNew, PHD Detroit/Local Media Network EVP, LMN Director of Operations

Natalie Swed Stone, US Director, National Radio Investment, OMD

Rich Russo, JL Media's SVP/Director of Broadcast Services

Matt Feinberg, SVP/National Radio, SVP/Director, Interactive Broadcast, Zenith Media Services

The first questions revolve around monetizing the HD multicast channels. As has been speculated, some multicast channels may have sponsorship hours; some may be brokered out or branded ("The Starbucks Channel" or "Circuit City Channel") to start pulling ROI.

We asked if it would it make sense to begin "HD multicast networks," where these new formats with their sharply-targeted demos would be present in multiple markets (ie "Techno/dub" network).

As well, we think most larger markets have enough stations, where if all were multicasting, the end result could be a very competitive format offering to satellite. If the main formats folks (especially the 18-34 group) have jumped over to satellite are replicated for free in many markets, it may make them reconsider paying $12.95 a month for what they could get for free. Good format examples we've already seen include WIYY-FM Baltimore's HD-3 Indie Rock format; WCSX-FM Detroit's Deep Classic Rock HD-2 format and WXKB-FM Ft. Myers' Reggae Hits HD-2 format. There are plenty of good examples out there, they just all need to be in the Top 50 markets. A simulcast of an AM sister station is not going to cut it.

When should ads begin in HD multicasts? How do you think the HD multicast advertising model(s) should be formed?

Warnecke: They should have begun already. It should have been ad-supported from the beginning, because listeners who go there for the innovation and sound quality and all of that will come to expect what it is from the beginning. If it's commercial-free from the beginning then what happens when you get to hearing spots? From a media standpoint we start paying for them at whatever point the model can pay for itself, or it's efficient. Whatever the metric is, we can flip that switch as an industry. But for the consumer, they don't care about that stuff. All they know is, "I didn't used to hear spots, and now I'm hearing spots."

They ought to just run 5% of their units on their HD streams so that people are ready.

I think these channels will automatically be a real low spot load, and it's a place where there can be innovation that's connected to a traditional terrestrial schedule so that the pitch can be, "We're bringing you terrestrial radio with 225 million weekly listeners and some groovy niche-y great qualitative, psychographic audiences."

Crawford: HD radio is costing the consumer $2-300 per set. We are beginning to see ads for them from Radio Shack and others but we don't have enough of them out there to warrant major ad campaigns today. However, one might note that HD TV has an immediate impact on the viewer while HD radio is probably less compelling and considering the price point it may take a bit to get out there into the general population.

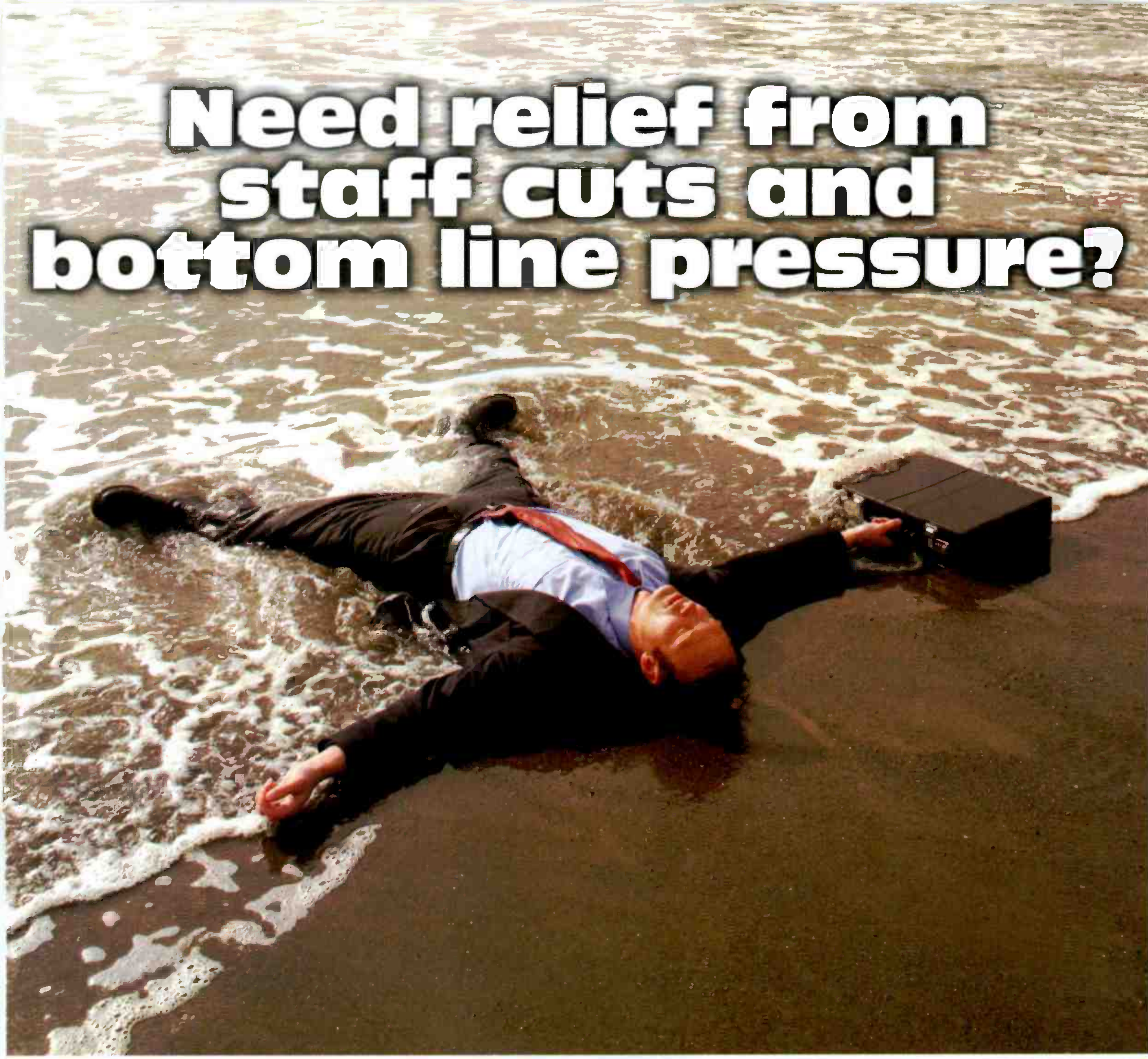
Ferrara: The opportunity to advertise on HD multicast channels will come at a point in time when a meaningful audience is reached and value is created for the advertiser. I doubt if that is anytime in the next year.

One of the most exciting things about HD Radio for both the advertiser and the broadcaster is the opportunity to create new and unique ways to reach the target audience. Certainly, some broadcasters will look at the current "spot" model, but I suspect most will look at things like advertiser featured hours, programs and even full-fledged sponsored branded channels. As HD Radio's interactive features expand in the coming years, the opportunity for on-screen display advertising, logo identification, coupons and even a "more information" or "buy-now" button will create yet other ways to reach the consumer.

Vasey: When consumer acceptance of HD reaches critical mass. The benefit to having all of these additional side channels is that it opens the door to several avenues of revenue for the station. For example, through the traditional "spot" sales, through branded names for an entire channel or for just an hourly segment. There is no reason to put any "restrictions" or limitations on the manner it can be/should be sold.

McNew: Who cares? How about when cars are equipped with HD receivers? How about when Arbitron starts showing some numbers? As reported in your publication, didn't Trish MacDonald, famed Traverse City radio broadcaster, just try to buy an HD receiver while vacationing in Florida and the salesperson at Best Buy looked stymied and bewildered? Advertising models for HD radio should be formed about the same time that TV stations and local cable operators start charging for TV broadcasts in color.

Swed Stone: They should begin immediately. The ad model should ▸▸



ABC FM News delivers short news adapted for music audiences.

Call us to find out how we can help your bottom line.

Contact Ron Rivlin 212.735.1147

www.abcfmnews.com

be formed with fewer ads—I am a proponent of targeted ads in an uncluttered environment across all forms of radio.

Russo: Like we discussed last year, there should be and should have been the main station's ads and clocks running on the HD channel from the get go. It would have conditioned the listener as well as generating some goodwill and added value for the existing clients.

Since the PPMs will pick up these channels it should be sold as any other radio station.

Feinberg: I was under the impression broadcasters were waiting for FCC approval before ads could officially run on their side bands. As far as when advertisers will be ready...as soon as someone presents us with something we'll consider it. As far as what the HD ad model should be?, I don't know. I would imagine similar to existing broadcast ad model, commercials in program and variations thereof, i.e. billboards, sponsorships, content integration, vignettes, etc. Hopefully, though, the sidebands won't be as cluttered.

Should multiple markets form ad networks with HD multicast formats? Why or why not?

Warnecke: Absolutely. All of that stuff is possible. And that won't be the only reason or way we use it. But it seems to me the advent of all this technology means that the possibilities of how you use it are, if not infinite, certainly more varied than the traditional structure.

Crawford: You're really talking about an unwired network of a niche format. I think it's fine. I would do that in a heartbeat. The world of the rep needs to evolve and this is certainly one of the really smart ways to go about it.

Ferrara: Simple answer – whatever will deliver the best results for the advertiser.

Vasey: I think it makes sense for the broadcast groups to consider doing that. It will expand their product offering to include local and network packaging which will help drive revenue for them.

Russo: Sure. It's another unwired network option, just like most networks. Maybe they can really demo target these. It would be interesting to see if these networks are created by the groups only selling their stations or farmed out (Google, perhaps?) selling all of them regardless of ownership. Either way, we are a few years away from this being viable.

Feinberg: Sounds like an interesting idea, don't see why it couldn't happen.

Next topic, of course, was the biggest non-story of the last six months—Google Radio/ Google Audio. The trade press, including us, has been speculating and chasing rumors on their entry into radio. Right now (as of press time), there are not enough inventory deals to make them a major player in the radio inventory biz. However, with big inventory deals supposedly being negotiated with just about every radio group out there, the game may soon change.

Kathy Crawford, MindShare President/Local Broadcast

Patrick McNew, PHD Detroit/ Local Media Network EVP, LMN Director of Operations

Rich Russo, JL Media's SVP/ Director of Broadcast Services

What's your take on the Google Audio product for radio? Are you planning on using it?

Warnecke: I'm fascinated by the repurpose of all this, but I'm still not seeing how it becomes an everyday part of negotiations and audience delivery. It still, in my mind, falls into the innovation/ wouldn't this be interesting category rather than these are the big-gun reach builders yet. I like it, I just don't know that it's standard yet.

Crawford: They don't have any one total market for me to test. They have stations in markets but they don't have a total market. I told them that I would be happy to test it if they had a total market.

Vasey: It is not really a platform for our current national avails.

McNew: Now let me get this right. Since **Philo T. Farnsworth** first sketched his idea for television in 1922 for his science teacher, radio salespeople have been saying they are smarter, taller, faster, and better than anybody selling TV. In fact they say they are the best of the best when it comes to selling any media. To listen to these "giants of industry," selling radio is a special calling. Why? Creativity so they say. According to radio salesfolk every person selling newspapers, magazines, cable, satellite radio, TV, and cell phones could benefit from a course in selling radio. And, guess what? According to these same radio leaders only a small percentage of those applying for a sales job could even make it selling radio. So, if we were talking about the Google Television Product we might logically ask: What's wrong with this picture? But we're not, we're talking about the Google Audio product for radio. So what's wrong with the sound?

If you're a professional product mover in radio why would you want an internet company selling your medium? Can they do it better? Can they write scripts for local advertisers? Can they help in the production of spots? Can they package all the elements of a campaign better than an actual salesperson? Can they come up with national campaign ideas that drive an advertiser's message right down to the local market? In short, if you're the world's greatest professional product movers why would you even give an internet company access to your inventory?

All of that said, yes, we've seen the Google product. It certainly has some benefit for smaller advertisers who may have less restrictive media plans, and who can benefit from remnant inventory. It's kind of interesting that Google's first forays into the business were magazines and newspapers, the only two mediums where you can add a page. Their next push is radio. Do they assume that radio has excess inventory? Or that radio broadcasters value their inventory so lightly they are willing to allow it to be sold as a commodity? The Google product and those like it are here to stay particularly if media companies provide the keys to the kingdom, which is their inventory. ▸▸

Swed Stone: The product and its target has yet to be defined in its entirety—we have used it already to a small degree. Not sure if the larger agencies will ultimately be their business model—if so, we will evaluate.
Russo: There is no take on it yet, they haven't been able to secure enough inventory. If it is advantageous to our clients, we'll treat it as any other radio vehicle.
Feinberg: It has potential, but ultimately will rely on the total numbers of affiliates they have and the quality of the impressions they can sell. I think the bigger play for them is to incorporate the Google search technology into a radio campaign. That could be powerful.

Is satellite and Stern becoming a valid ad vehicle for you? Why or why not?

Warnecke: It is. The degree to which we use it varies, but we've been using it almost from the beginning for our clients. We see the value in those audiences. Are you going to tell me somebody buys Runner's World because it's a big reach magazine? No, they buy it because they recognize that's their consumer. The difficulty lies in fitting that lower audience figure into a traditional media metric. You're used to having lots and lots of listeners and now you're not.
Vasey: We have purchased satellite radio for several clients. However, our investment in that arena is minimal. We currently do not purchase Howard Stern for any of our clients.
Kim: Satellite radio has become an integral part of our radio buys as we try to extend reach with the newer forms of radio like satellite and Internet. Some of our clients bought Howard Stern when he was on terrestrial radio and want to continue the relationship now that he's on satellite radio. They like the way Stern can create chatter with his live reads.
McNew: We've certainly looked closely at satellite and we've dabbled in it. There's no question that satellite has a very loyal, but small, following. We may have to wait for Howard Stern to get another $83 million dollar bonus for creating an increase in subscribers before satellite becomes a big part of our radio plans. We were also thrilled to see in an article in the January 9, 2007 NY Times that Howard Stern is now censoring himself.
Swed Stone: Yes. Satellite radio offers some very attractive programming and sponsorships across various genres—some of our clients listen.
Russo: Stern is his own entity, if a client wants him he's valid, but of course there are content concerns for some. As for XM or Sirius, it's not truly valid yet and won't be until they release individual channel info on listenership. Hopefully with PPMs maybe the channels will get picked up and we'll get some data.
Feinberg: It's valid in that it's real. However, the same challenges face us with Howard on Sirius as they did when he was on terrestrially....content and price, plus with Sirius there is the issue of audience confirmation. I think for marketers who believe Howard works for them no matter what he's as valid as ever. ■

JENNIFER **LANE**

Developing interactive dollars for broadcasters

There are several reasons why Internet radio is the radio industry's best bet for revenue growth for the next five years. First, Internet radio's audience is growing fast. According to Bridge Ratings, it will top 72 million this year, which is almost 50% growth in 12 months! This rapid growth trend is not new, and is projected to continue for years. Driven initially by the penetration of broadband, the second wave of online radio audience growth will be driven by the expansion of wifi which will bring ubiquitous access to the internet. We're already seeing growing availability of in-car and handheld devices that are music capable. According to recently published research from Telephia, there are now 23.5 million mobile subscribers in the USA who have phones with music players. The number of consumers with music-enabled phones is up five times from the same period in 2005 and nearly 20 percent of the new phones purchased in Q3 2006 were music capable. Apple's music enabled iphone promises to increase those figures still more. And last week Avis announced a partnership with a company called Autonet – they make wifi access units that work with a car lighter to make cars wifi enabled. All these things point to huge continued growth for online radio for years to come.

That will lead to growth in revenues related to Internet radio advertising as more and more advertisers follow the audience. Internet radio advertising is in its infancy. Advertisers and agencies are learning more about this new advertising medium and its assets. Terrestrial radio companies have begun devoting resources to Internet radio and are now streaming many of their stations. "Streaming is a key focus for Entercom in 2007; our most passionate listeners spend hours a week listening and interacting with our stations online, and we are creating stream-only content to lengthen their engagement with our brands," says Entercom's **Sandy Smallens**, SVP, Digital. Currently, terrestrial radio's audience on the internet is small and is dwarfed by online only brands. As broadcasters begin to utilize their strengths to build an online audience, terrestrial radio's audience on the internet will continue to expand and surpass many online brands due to better content and greater resources.

The second reason broadcasters should put their eggs in the Internet radio basket is that internet radio is *precisely* what advertisers are looking for. Engagement and accountability are big words in the advertising world these days. Advertisers want to communicate with consumers via channels that provide consumers the chance to interact with their brand. Ideally they want to utilize channels that consumers strongly identify with. Wow! Radio stations already know how to build an emotional bond with their listeners. Online radio takes it one step further and puts it online where the listener can click, choose, look, and send, making online radio an ultimate engagement communication channel.

Internet radio's featured unit is the audio with synchronized banner on the media player. "The synchronized banner is a huge asset that Internet radio stations need to universally adopt. When advertisers tie the banner into their audio message—'Click on the banner now'—they can create a fantastic, truly interactive opportunity." Says **Kurt Hanson**, CEO of Accuradio.com, one of the country's leading multichannel internet based radio stations. One of the first Internet radio campaigns to do this was one for the United States Postal Service, which encouraged listeners to notice and click on the banner on their media player to buy stamps online.

To realize the revenue opportunity that Internet radio offers, broadcasters need to resist the urge to sell it as another form of radio and instead persist in pursuing dollars dedicated to online ad budgets. Internet radio is not just radio, and should not be analyzed, bought or sold against standard market cost per points for several reasons. First, a standard comparison with broadcast networks or stations does not acknowledge that the audience is fully concentrated online and can be immediately motivated to interact online. Second, the banner needs to have a separate value assigned to it. Since radio buyers are not equipped with the tools to provide analysis for integrated campaigns, the seller is forced to sell the banner as "added value." Thirdly, from a strategic standpoint, selling internet radio as part of a radio buy does nothing to increase radio's share of the advertising pie. To avoid simply slicing and dicing the same dollars in different directions, it's important to position Internet radio as an online media component. This requires a strategy that includes a dedicated sales effort, and the right audience measurement tools.

The world of interactive agencies is very different than that of traditional agencies. Planners and buyers are focused on results. Campaign planning is fluid based on those results. Interactive agencies were born and bred on banner campaigns which provide an extremely high level of accountability. Campaign analysis is sophisticated, in order to play in the online advertising world, Internet radio sellers need to be similarly equipped with tracking solutions and planning tools that are based on actual data. "With Internet Radio, advertisers can obtain the same impression measurement they have been accustomed to with other forms of interactive advertising. This world does not rely on estimates," states **Robert Maccini**, COO of Ando Media, LLC a leading Internet radio audience measurement and ad insertion firm. Plans must include data on the website and streaming impression capabilities of the station or network. Tracking methods must be used to track the delivery of audio impressions as well as the delivery of banner impressions. Reporting must include actual delivery data documenting real impressions on the audio as well as the banner units to establish separate value for each.

The Internet is a favored access point for media, particularly music, and that has driven the rapid growth of the online radio audience. More devices mean more ways to listen in more places. Online broadcasters can offer audiences interactivity, selection, and information. They can offer advertisers excellent communications channels for actively engaging consumers. It's a new media world, one that Internet radio can maximize by focusing on providing opportunities and analytics focused on engagement and accountability. ■

Jennifer Lane is President of Net Radio Sales. She can be reached at jlane03@snet.net

Debut RAB conference for Haley

Jeff Haley became President and CEO of the Radio Advertising Bureau (RAB) last September 18th, so the RAB Management Leadership Conference in Dallas February 8-11 will be his first. Prior to being recruited for the RAB position last year, Haley was Sr. VP of Global Marketing for Time Warner. He was initially recruited to Time Inc. to be part of the launch team for Entertainment Weekly, which RAB described as "perhaps the most successful new magazine launch of the last 20 years." He also served as Sales Development Manager for Time Inc. and Midwest Marketing Manager, both corporate roles designed to package the company's products in multi-title buys to its largest clients. In 1992, Haley joined Time Warner's Six Flags Theme Parks as Vice President of Sponsorships responsible for sales and promotions. He later worked at AOL in a business development role before joining the Global Marketing group in 2001. In his last position at Time Warner, Haley managed a team of sales, account and creative services staff and was responsible for creating and marketing advertising based programs (built using the media assets of AOL, Time Inc. Turner, Time Warner Cable, Warner Brothers Entertainment, HBO and New Line Cinema) to some of the largest advertisers in the US.

Steve Newberry is President and CEO of Commonwealth Broadcasting Corp., a small-market radio group based in Glasgow, KY. He is chairing the planning committee for the RAB Management Leadership Conference for the second straight year, becoming the first person ever to do so.

Q. Jeff, you've now had a few months on the job. Have you gotten your arms around the radio business?
Jeff: Well I don't know that anyone every completely gets their arms around the radio business. It's a dynamic enough industry that I'm fascinated by it still and it continues to evolve and my perspective on it continues to evolve over time. After 100 days or so I do feel at least capable of carrying on a conversation and getting engaged and that's what we're really starting to do this month and this year and really engage in a lot of different areas across our three main functions which are: sharing knowledge; facilitating consensus and driving revenue.

Q. What are the most important things you plan to focus on in 2007?
Jeff: I think in those three areas it's the idea of sharing knowledge, which is kind of enhancing our training—looking at our mix of both on site and online resources for folks with regard to training—it's going to be important. I think looking to the one true thing we can say about the most divergent issues out there facing radio today, and that's still really in development, finding those common truths that we can all get behind on a consensus standpoint. Then lastly, I think most importantly, we're going to focus on a roll up the sleeves advertiser-by-advertiser approach to develop new experiences with radio. That's really the driving revenue piece in what we do and that's going to be key for us in '07.

Q. How important is electronic audience measurement to the future of radio?
Jeff: I don't necessarily look at it as just an issue of electronic audio measurement. The way I answer that question is as it reflects

Jeff Haley

Steve Newberry

across the whole landscape in media and looking across all media choices that are out there for marketers today. Media is moving from a perception-based measurement to a performance basis, so we're actually moving from what people think they watched, read or listened to, to actually behaviorally what they've done. We're going from perception-based to behaviorally-based measure and how we measure it in most cases is an electronic solution, but it's that real shift that we have to be on the bus for, which is where no longer media will be measured on a perception basis—it will be measured on an actual behaviorally basis. It's important that we are part of that shift. Which vendors we use and which time frame and how that all works, I don't think we're at a point we can really say just yet, but I think we need to be sure and certain that as an industry we are behind behavioral-based measurement.

Q. It seems that RAB has two main focuses: providing resources for local sales that primarily helps smaller stations who may not have the corporate resources of the big groups; and pitching radio to potential national advertisers which, when successful, primarily benefits big market stations and the big groups. Does that work well in serving the entire radio industry?
Jeff: To me that approach seems a little more bifurcated than I would like. As an ideal, what I would like to shoot for in sharing knowledge, facilitating consensus and driving revenue, that all of our activities benefit all of our members all of the time. I think you could argue that online services with regard to information and trading, that if they are easily accessible, I think you could argue ▸▸

that that serves a large market seller as well as a small market seller. I think you could also argue that if one of the leading national advertisers, whether it be a big box retailer or a package goods company, comes out and makes a very transformative bet on radio, and it's well known and it's out there, that that is going to have an impact on every single advertiser in radio because, one, it's more revenue and takes up limited amount of air-time and, two, it sets the course for what all advertisers do. Like any industry, advertising benefits from those bellwether leaders and I think we can target those leading national advertisers. I think all advertisers will look to that whether they be a local jewelry store or a local supermarket or a national advertiser, they'll look to how the folks who are on the cutting edge are doing and that's going to benefit all.

Steve: I would have to think that the major national advertisers demonstrating interest in good radio advertising, that is something that, while we may not get direct dollars back in small markets from the national accounts, it is hugely important for the small market guys to be able to demonstrate that our media is effective and we can translate that into local sales with our client strategy.

Jeff: I think if you look at the opposite of that, radio has, I think, been on the receiving end of a lot of grumpy investor stories because of some of the hype that has been out there in earlier years. That leads into the general opinions of what people think about radio and what we'd like to do is create success stories in advertising that just start to get into the national press that really shows what radio is; which is a tremendous reach media with tremendous local impact and that works for everybody.

Q. What is the thing you have learned about radio that has most surprised you?

Jeff: To me it's the diversity of how people can be successful in this business. Radio is a tremendously profitable business and it can be tremendously profitable for folks—you know, operators like Steve Newberry. It can be tremendously profitable for big companies like Bain Capital, which is a billion dollar investment fund. The fact remains that you can build a very strong, lucrative business in a variety of ways, in a tremendous variety of ways in radio, and that's exciting to me because it shows real vitality for us as an industry. I think the other thing that I feel very confident about is the strength of our listenership. It has not been diluted to the point of many other mediums who are out there. It's still strong, still growing and the engagement of our listener with the commercials is strong. I think the Coleman Research on the 92% of radio audience that stays tuned during commercial breaks is phenomenal. Its things like that that I continually learn and take a new perspective on.

Q. Aside from Jeff Haley, what's new at the 2007 Management Leadership Conference?

Jeff: Oh I think the number one ground breaking news about Dallas is that for the first time in the history of our 27 annual conferences we have a returning leader, Steve Newberry. He succeeds a long list of folks who have led this conference like Jeff Smulyan, Peter Smyth and Skip Finley. We are very, very appreciative and very, very rich to have someone like Steve to agree to do this a second year and that's our big, big news.

Q. How did that happen Steve? Did you step off to take a phone call when they voted or something?

Steve: That's exactly what happened. I went down the hallway and the next thing you know I'm doing it twice.

Jeff: It's really great. He's been a real partner in this process of me getting started here and I'm looking forward to this three-day event. We're calling this meeting high tech, high touch, high ROI and I think what we're really hoping to do out of this is really, this is kind of an interesting year with a lot of new technology and a lot of the issues that, in terms of the money, are starting to get real. The audience is starting to get real and the money is starting to get real with regard to the interactive aspects of our businesses and distribution for our content. How we integrate that into our day-to-day station sales processing is really an interesting piece.

Q. Radio has to deal with iPods, satellite radio, the Internet and other new technologies. Should those be viewed as competitors or opportunities, and what can people expect to learn at the conference to deal with those new technologies?

Steve: I would call them both competitors and opportunities. Competitors, not so much for the ad dollars, they are competitors for time that people spend listening to audio and I think they provide a very fertile ground where if we put really good content out I think it will become important for people to download it on portable devices. So it's a world of opportunity. We were joking a minute ago about how did I end up doing it two years in a row and the serious answer is that a year ago they wanted someone from a small market to get involved and then in the transition year Gary Fries asked me if I would do it again and I told him I'd be glad to. I think there is so much opportunity there, whether it's Glasgow, Kentucky or New York City. People are still walking up and down the streets with new technology; new devices and I think we can really capitalize on that for our future.

Q. Why should people come especially this year? What's special about 2007 Conference?

Steve: I think that we're coming from a year that as an industry, we saw challenges last year. I think those are indicative not so much of the radio industry, but probably the overall economy changing. I think 2007 has potential to be a great year and the reason that I would say for people to come to this conference is to get a good solid understanding of what the landscape is and get the tools and the knowledge that you need to be able to adapt to the changing landscape. Keep doing the same thing you've always done and you can get the same results, but I think there is so much upside for us and I'm sending people this year because I think we are facing new challenges where you really have to invest in education and knowledge.

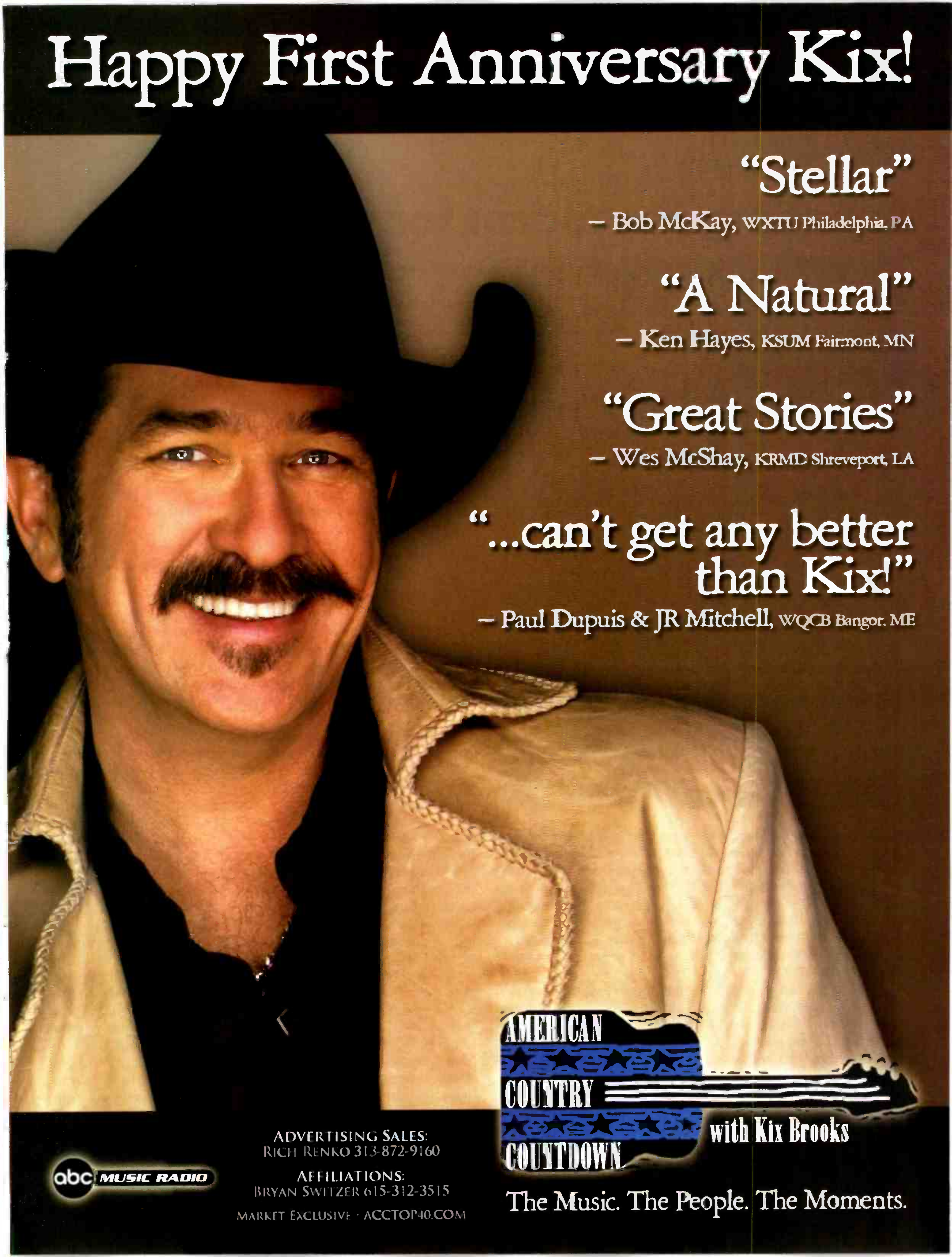
Jeff: Yes it's a very fresh conference with new ideas and new faces. More than half of this year's sessions feature topic and presenters that have never been heard from before at an RAB Conference.

Q. What are you going to learn at the conference from Betsy Lazar from GM that's going to help people understand the auto industry and figure out how it's going to relate to radio in future years?

Jeff: The automotive industry may be the only industry that's changing faster in a more dynamic way than radio. I think what Betsy was maybe going to say today is going to be different than what she is going to say in three to four weeks. We're in kind of a dramatic change there and I think she'll give us the latest and also how radio might play across the landscape of those changes.

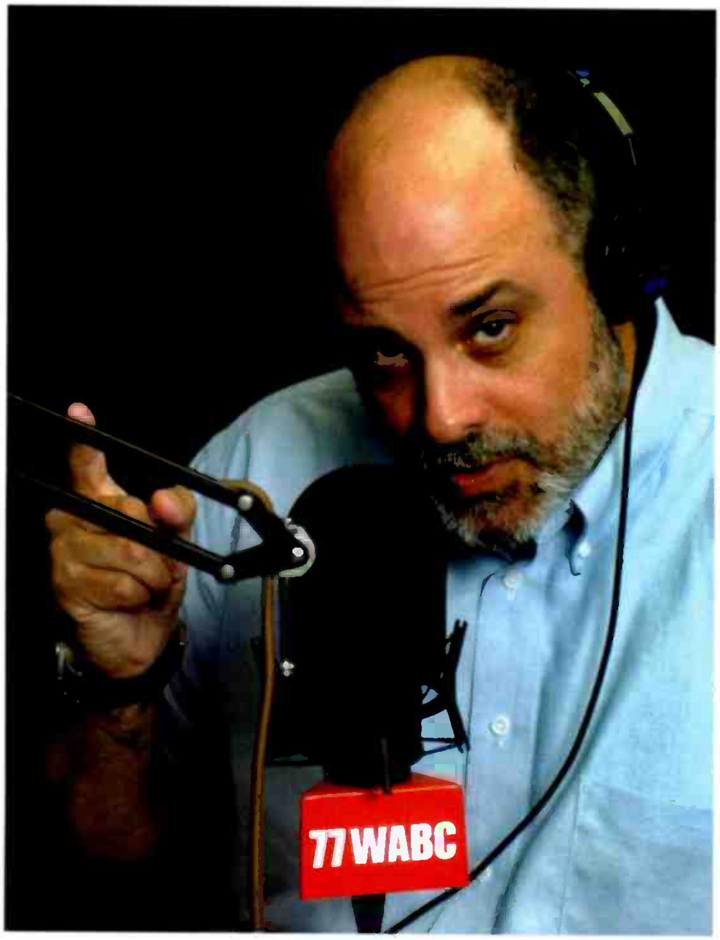
Q. What about the human side? We hear a lot of times how difficult it is to hire and keep good sales people. How is the conference going to tackle any of those challenges?

Jeff: Well that's our focus on High Touch and bringing sessions such as Leading Top Billers To Higher Performance and Proving Your Closings Percentage. All of those aspects of things are still a key part of radio. You know, you've got the influence of technology but it still has to be translated by human people and that's the reason for the High Touch element in this conference.



Happy First Anniversary Kix!
"Stellar"
– Bob McKay, WXTU Philadelphia, PA
"A Natural"
– Ken Hayes, KSUM Fairmont, MN
"Great Stories"
– Wes McShay, KRMD Shreveport, LA
"...can't get any better than Kix!"
– Paul Dupuis & JR Mitchell, WQCB Bangor, ME
AMERICAN COUNTRY COUNTDOWN
with Kix Brooks
The Music. The People. The Moments.
ADVERTISING SALES:
RICH RENKO 313-872-9160
AFFILIATIONS:
BRYAN SWITZER 615-312-3515
MARKET EXCLUSIVE · ACCTOP40.COM
abc MUSIC RADIO

Mark Levin:
Sounding the alarm for our freedoms



ABC Radio Networks' **Mark Levin** has become one of the hottest properties in Talk radio, via his top-rated show on WABC NYC. He's one of America's preeminent conservative commentators and constitutional lawyers, and has appeared on hundreds of television and radio programs. Levin is also a contributing editor for National Review Online, and writes frequently for other publications. His book "Men in Black" was released February 2005 and quickly climbed to Number 3 in the nation on the NY Times Best-Seller list.

Levin also served as a top advisor to several members of President **Ronald Reagan**'s Cabinet. In 2001, the American Conservative Union named Levin the recipient of the prestigious Ronald Reagan Award. He currently practices law in the private sector, heading up the Landmark Legal Foundation in DC.

Levin took over the WABC 6:00 PM slot on September 2, 2003. Before that, he hosted a popular Sunday afternoon program. Mark has been a frequent guest and substitute host on The Sean Hannity Show, and has also been an advisor to **Rush Limbaugh**, who frequently refers to him on the air with the nickname "F. Lee Levin."

In the Fall 2006 ratings Levin is #1 on the AM band across the board, in virtually all demos in The Big Apple: Monday-Friday, 6pm to 8pm: AM news, talk and sports stations: 12+ #1 WABC 4.1; Adults 25-54 #1 WABC 2.9; Adults 18-49 #1 WABC 2.4; Men 25-54 #2 WABC 3.7; Women 25-54 #1 WABC 2.0; and Men 18-34 #1 WABC 2.2.

Here, Mark talks a bit about his love for Talk Radio and few things we need to be aware of when it comes to that very important document from our Founding Fathers.

Tell us how your Landmark Legal Foundation is fighting unconstitutional rulings such as the 2005 Eminent Domain case (Kelo vs. New London) where private property may now be taken for non-public development (for greater tax revenue) locally. What are its other big fights right now?

Landmark has been involved in school choice, property rights, unconstitutional taxation, free speech, and free enterprise cases since 1976. One of the biggest cases we were involved in several years ago dealt with over 20,000 farmers and ranchers who owned land along the Platt River in Nebraska. A couple hundred environmental groups decided that they wanted to change the flow of the river. Basically they wanted to eliminate all the irrigation activity along 200 miles of that river which would obviously destroy all the land in many cases that have been in families for several generations.

They did the same thing in Oregon, too.

They've done it in Oregon they do it all over the country. They target these areas. Anything to destroy property rights, property ownership, in the name of the children of course. So anyway we got involved in that case and spent many, many years on that as lead counsel. We had a deal with the federal bureaucracy at many levels—the Fish and Wildlife Service, Environmental Protection Agency and so forth. The result was a compromise in which the landowners were in fact able to maintain their land and irrigate their properties. So we called it a compromise but in fact it was a victory.

Kelo was such an extraordinarily important case that a number of groups were involved in providing advice and counsel to the litigants. We were not a named party. The Institute for Justice, as well as private counsel, did an absolutely superb job. The problem is when you have five activists on the Supreme Court who do not respect the original meaning and text of the Constitution, no matter what you argue will be unpersuasive to them. This is the problem with our judiciary today—especially the Supreme Court. That majority of five, in my view, acts as an American Politburo and they rule in ways that are tyrannical. If you're not going to comply with the Constitution then your're undermining the rule of law. If they're undermining the rule of law what in the world are these Justices doing? It's no different than any other committee that would be sitting there and making decisions about how the rest of us are going to live. ▸▸

Tell us about your book "Men in Black."
I'm pleased to say we sold 200,000 copies of a book about the Supreme Court, which is unheard of. The impetus behind writing that book was to give a plain English explanation of how our liberties are being stolen from us and how our system of government is being undermined by a handful of individuals who serve on the Supreme Court; and how this has actually been going on now for decades. We have a Supreme Court that continues to seize power from the people; continues to deny them their franchise. Yes, we vote, but if five lawyers on the Supreme Court can continually and repeatedly neutralize our votes then just how free are we? The court is constantly legislating, constantly making decisions that belong in the Executive Branch—even now about the war and illegal immigration. What I wanted to lay out was that these are not exceptional human beings in the sense that they are smarter or better or more wise than the rest of us. They are not supposed to be making these decisions. They have a job. It's a limited job, it's an important job but it's not the job to run the country and impose their personal policy preferences on the rest of us.

How do you differentiate your program from the other conservative radio hosts out there?
It depends who the hosts are. I just do my show regardless of what the other hosts do. My mentors are **Rush Limbaugh** and **Sean Hannity**. They are dear, close friends of mine. Whenever I need advice I seek their advice and they are extremely willing in giving it to me. So I'm blessed by that but I am who I am. I have my own personality. I bring my own background to the air and I think it's unique. I served in the Reagan Administration, campaigned for Ronald Reagan when the Republican establishment opposed him. I served in the Reagan Administration including as Chief of Staff to the Attorney General, Attorney General [**Ed**] **Meese**. So I have an experience that some hosts don't have.

I was never a professional radio talk show host, although I would like to underscore that I've always been a professional talk radio listener. I've listened to talk radio since I was 12 years old. I listened to the Talk talent in Philadelphia and New York, **Bob Grant, Gene Shepherd, Dominic Quinn, Bernie Herman**—names people may not remember but I certainly do. I was a talk show fanatic when it came to listening to it. I went to bed with it and I woke up to it. That's where my interest came although I didn't pursue it originally.

My show in many ways is unpredictable but I like to have a good time. If there are major issues of the day I will deal with them but what I view as a major issue others may not. I am well aware that I'm hitting cleanup in the evening and at night after a full day of talk radio so I have to bring something unique to the microphone. The audience is extremely smart, particularly in talk radio. I don't take them for granted. They can go elsewhere. In New York they have 47 flavors. I want them to come back to me every single night. My show, whether it's different or not, what I try to do is bring solid substance on the issues. I bring my own strong opinions. I like to have a good time so I'll joke around and play around as well. When I decide to do one thing or another is unpredictable.

You are known to love the radio medium. Any advice to its operators, some of who are struggling a bit right now in the face of new media?
My advice would be as in any other business, you want to hire the very best talent you can. A radio station means nothing without top notch talent. I wouldn't try to be too clever. You don't have to go with any particular fad. I know it works, they know it works and the ratings tell us what works. I'll give you an example in talk radio—why in the world would you want to program 18 or 24 months out from a major Presidential election, shows that don't take advantage of that? For instance you wouldn't program a food show when you're coming on a major election or necessarily a business show, because it's out of sync with that the public's interested in. Also why would you try and force a liberal agenda into a market that is largely a conservative market?

You're now close to 100 affiliates in just a year. What's the secret to clearing so many, so soon?
Well our competition likes to pretend that the only reason we're able to break out from the crowd is because we're on the seven ABC stations. We're on over 20 Clear Channel stations. We're on Entercom, Emmis, Salem, Cox and Cumulus stations. Let me put it to you this way, if you don't have ratings you're not going to get on other stations. It's really that critical, so the product has to be saleable. Then you need a team that's going to help market the product and I have, I feel, a terrific affiliate team lead by **Darion Melito**. I also have a terrific boss in **Phil Boyce** who is Vice President News/Talk at the ABC Radio Network and also the Program Director at WABC, and he was the one who found me. He was the one who tried my talents and he's the one who urged along with **Mitch Dolan,** the President of ABC Radio and a good man, that I be syndicated.

To be honest with you, the syndication field is very cluttered. There is a weeding out that's going on now and that's good for the business. You want voices that don't all sound alike. You want personalities that aren't all alike and there is a separation taking place right now and that's been helpful to me because I just think our show is different in terms of content and entertainment and apparently so do other people.

What are the most important topics you're tackling right now? What are you hearing from listeners?
There are really two things that sum it all up—liberty and security. Liberty, whether it's a rogue Supreme Court or taxes or spending or congress conducting itself in a way in which it denies us certain rights. Security, and that would include the border and illegal immigration as well as terrorism and homeland security such as the various efforts we're undertaking to protect our citizens with intercepts of enemy communications and so forth. This is what the public is upset about. The public is engaged, intelligent, wants answers and wants to discuss these things. They want to be entertained too and that's my job to entertain them. They don't want a bunch of superficial platitudes. They don't want a bunch of phony shows that may make sense to a few executives sitting in some office somewhere. We're in the middle of a war for God sakes and if you're not going to discuss things like that on talk radio then where are you going to discuss them?

By the way let me just add this. I hear it said that political talk is on the way out. Well what's meant by this? What is political talk? Political talk is talk about culture and society and current events. Political talk is talk about liberty and national security. In other words, political talk is about how we as a people want to shape our futures. So people who make a statement like that don't even understand what political talk is all about. Typically you hear that from people who are programming music or business talk or trying to find some kind of niche to advance their own careers or business agendas. The fact of the matter is political talk covers the full horizon of issues that most Americans face every single day. ■

GSSNet extends utility of FM networks

Historically speaking, broadcast stations have been at the front lines in providing emergency information to their audiences. For example, the EAS (emergency alert system) with which Americans are so familiar – "This is a test of the Emergency Alert System. This is only a test ...." – has been used for decades to warn citizens of emergency conditions, and it was in 1963 that the president permitted state and local emergency information to be transmitted using the system. In more recent years, local emergency management personnel have used broadcast stations, cable and wireless cable systems along with radio and cellular dispatches to distribute information to local responders.

However, when the tragedy of Sept. 11, 2001, occurred, it became clear that the communications measures in place were inadequate and that there were fundamental flaws in emergency responders' ability to exchange or receive information during a crisis. Firefighters working within the World Trade Center towers were unaware of police radio warnings to exit the quickly failing buildings. In fact, many firefighters in the remaining tower had no idea the first tower had fallen. The problem wasn't that they didn't have communications systems in place; the issue was that those systems simply didn't hold up under catastrophic conditions. Different responder groups – NYPD, FDNY, EMS, Port Authority – used different UHF-based and VHF-based radio systems with varying degrees of success.

With 9/11 and other national crises underscoring the need for a better plaform for comprehensive and complete emergency alert messaging, Global Security Systems (GSS) developed a solution that takes the role of broadcaters to a new and more sophisticated level. The GSS single-point to multipoint messaging system uses the FM RDS (radio data system) frequency, the standard for sending digital text information along with an analog FM signal.

The "GSSNet" alert and notification system uses the existing nationwide FM broadcast infrastructure to provide Target Area Coverage messaging and a proprietary messaging system that allows secured and encrypted data with layered and targeted messaging to "need-to-know" personnel. Command and control centers (message point-of-origination) are installed with full redundancy, and messages are transmitted from a typical FM radio tower (a single point) to multiple receivers in the coverage area.

Fixed-wireless substation receivers and wireless receivers are made available to be distributed to all counties and other jurisdictions throughout the state as defined by the authorities. GSS uses a standard commercial FM receiver chip that can be inserted into pagers, smoke detectors, cell phones, PDAs, and other like devices to alert responders and provide vital information as a situation develops.

The potential of this emergency communications platform for public safety workers, first-responders and the general public is very exciting. It's also an exciting opportunity for FM radio broadcasters, who will also find that this network offers new options for revenue generation. Emergency alerts take priority on the system and are facilitated by the country, state or federal officials controlling and subsidizing the system. However, at times when there is no emergency, which is most of the time, the system can be used by FM stations as a private network to communicate encrypted and non encrypted data to a variety of audiences.

Private use of the system could include networks of pharmacies, or a network connecting university students and other types of schools with receivers in their classrooms. Companies relying on a nationwide fleet of trucks could take advantage of the nationwide coverage to connect with all of its units, or just those in a particular geographic region. In more serious circumstances, the network could be used by a nuclear power plant to alert people in the immediate area of the possibility of a meltdown, or it could be used similarly by a major plant to notify the surrounding community of a chemical spill.

Because this network is established as part of a nationwide emergency communications vehicle, messages are encrypted and directed only toward intended users. Furthermore, control over the system is limited to authorized administrators and official government enterprises at the county, state or federal level. As a result, the risk of abuse is very low.

Among the reasons the GSS solution is so powerful is that the broadcast signal is so much more robust than cellular signals. Overlapping signals from different stations helps to ensure that there is always a signal that can be received.

The national emergency communications infrastructure has not been improved greatly until now, but GSSNet represents a significant enhancement to officials' ability to transmit critical information to those who need it. We feel this concept is an excellent proposition, and the technology already is tested and proven through a real-world pilot test incorporating over 50 FM radio stations across the state of Mississippi.

The Mississippi statewide emergency alert network was designed and delivered by GSS under contract to the Mississippi Office of Homeland Security. During a test of the FEMA DEAS (Digital Emergency Alert System), driven out of Virginia, the GSS system demonstrated live interoperability by delivering EAS text messages via FM radio signals (through Mississippi Public Broadcasting and private FM stations) to the cell phones of test participants in Jackson.

Americans have become all too aware that rapid response to crisis situations can save lives. With continued deployment of GSSNet across the United States, broadcasters can play an even more vital role in the safeguarding of the public safety and help first-responders provide the type of aid required in times of turmoil. ■

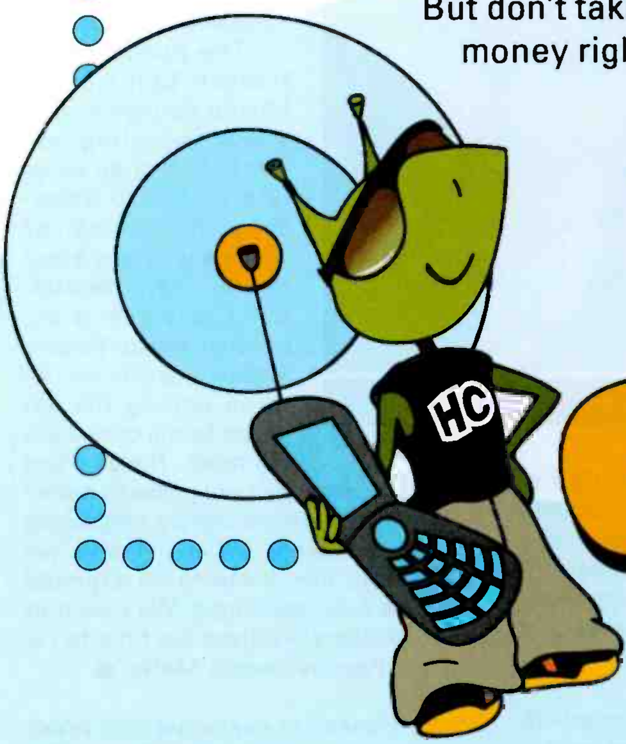
Eddie Fritts, former NAB CEO, is founder of The Fritts Group consultancy.

This Cricket Is Making Big Noise!

HipCricket is generating more money for more stations every day by making every ad and promotion totally interactive.

Only our industry experts can give you the tools to do text and the big idea promotions that fetch higher rates from advertisers.

But don't take our word for it. Hear from people who are making money right now with mobile text messaging from HipCricket.



Hip Cricket

Join us at RAB.
Our clients will demonstrate.
Friday, February 9th 3:45-5:00PM

(425) 452-1111 • HipCricket.com
Text "RAB" to 36617

SHARI ANN **BRILL** & RONNIE **BEASON**

The great ad ratings debate

New metrics needed, is Nielsen's plan is the answer?

On January 16, Nielsen Media Research formalized its plans for the measurement as well as the reporting details for its new service that produces average ratings for commercial minutes. If you have been keeping up with the ongoing media coverage that has been following Nielsen's initial announcement since last summer (including an article in The New York Times back in the fall), you might have gotten the impression that Nielsen's plans to produce commercial ratings via their existing People Meter methodology is the tool the industry is clamoring for. You might also have come to the conclusion that various vested-interest groups such as cable networks, syndicators, and—last but not least—media agencies, had been standing in the way of progress.

Everyone agrees that better television research is needed. Advertisers, who spend about $70 billion each year on TV ads, are justifiably concerned about the return on their investment. Their questions have taken on justifiable urgency as TiVo and other DVRs allow Americans to zip through ads. The question at hand, however, is this: do Nielsen's Commercial Minute Ratings. Answer the questions advertisers need answered? Many think not.

SHARI ANN BRILL

RONNIE BEASON

The Nielsen People Meter is designed to measure national program audiences. A continuous measure, it has the capability of reporting individual tuning at minute-by-minute increments. It accounts for program minutes containing national ad breaks only, not local breaks; so all local commercials are treated as programming, not commercials.

Additionally, the Commercial Minute Media information tape (MIT) is hamstrung by the fact that it doesn't return a pure commercial rating measurement. Rather, it rolls up program minutes that include one or more seconds of national commercial time. Since pods often overlap minutes, a more realistic measure of potential ad exposure would require Nielsen to report viewing on a second-by-second basis, not minute-by-minute. Nielsen cannot currently attain that level of resolution, and has no plans to achieve that in the near future.

Recently, TNS Media Intelligence made the case to the Advertising Research Foundation that it can provide more accurate data than Nielsen Media Research alone. The networks appear interested, however TNS has only the ability to measure set tuning, not individual persons' tuning—an advantage Nielsen currently has.

Quoted in The New York Times article (October 2006) is the 2005 American Association of Advertising Agencies' and the Association of National Advertisers' finding that on average only 5.6 percent of adults 18 to 49 years old actually skip commercials. Since it is solely based on channel-switching behavior, not fast-forwarding or any other form of commercial avoidance, this data is of questionable value in today's environment.

Understanding commercial viewership is much more complex than the Nielsen People Meter and other existing methodologies can measure. Many would argue (and some could prove) that various factors affect viewership: the length of a pod and its position; the program that the commercial airs in; the brand and the category that it competes in; the commercial itself; frequency of exposure to the commercial; target audience, multitasking activities, etc. Our own viewing habits can give us insights into what may or may not be happening during commercials—we are indeed consumers ourselves.

The push for the Nielsen Commercial Minute Ratings now is about recycling old numbers, not an accurate metric to determine the number of viewers who saw a particular commercial. Good research is expensive and up-to-date research design is critical in getting the answers to the questions we need. Nielsen and other companies already possess better methods of more accurately measuring commercial ratings. As an industry, we should urge that these to be explored and more fully developed. We owe it to our advertisers. Perhaps it's time to revisit the Passive People Meter. ■

Ronnie Beason is executive vice president, director of planning, Carat USA. Shari Anne Brill is vice president, director of programming, Carat USA. Shari also co-chairs a Nielsen subcommittee of The Council for Research Excellence. The subcommittee is called Media Consumption and Engagement.

Striking a balance between dealers and manufacturers

Rod Alberts is EVP of The Detroit Auto Dealers Association (DADA), which organizes and runs the yearly North American International Auto Show. Their most recent show (100th Anniversary—Jan 13-21), drew more than 700,000 attendees. Since its inception in 1907, the show has grown from a regional event featuring 17 exhibitors to an internationally-sanctioned show with over 90 exhibitors, adding more than 500 million to the metro Detroit region in 2006. With the support of Detroit area auto dealers, the NAIAS features more new vehicle debuts and garners more media coverage than any show in North America.

Automotive is still the single biggest category for radio advertising, with local dealers taking the lion's share. What do you recommend radio do more and less of to keep the business at current levels or to increase it?

From my standpoint, watching from the outside and the competitive nature of what's out there to purchase from on the Internet, radio, TV and newspaper, it's probably the age old, very aggressive relationship side that you have to have with the people that make the decisions—within the line group or the dealership. It's such a subjective area because it's very difficult to measure after the fact any kind of advertising you do. You have to be a believer in it and I think you have to be sold continually on the idea of the strength of what you have to offer. I know everybody is taking a bit of a hit with the Internet and the economy too at times but radio has always been kind of a strong, age old survivor in understanding what the capability and power of the medium is.

Radio has a great commodity and I think you have to be have that customer relationship, you have to be out there all the time selling it—kind of like [Detroit Radio Advertising Group President] **Bill Burton** does.

I'm a big believer in radio personally, we buy a lot of it for the auto show. I think dealers understand that if you're going to be specific to buyers of what kind of car and products you have to offer (which are very style driven now—it reflects people and who they are more than it did 20 or 30 years ago), I think it's easier too for radio to get in there and divide those demographics up and really pinpoint who they want to sell to. It's a great strength that you guys have that not everybody has in other areas.

What are local dealer groups such as your own asking the automakers for more and less of, especially in these challenging times for some?

I think everybody is looking to figure out who should take the burden. Here you are out there selling vehicles and one manufacturer will say you're out there to sell our product, and the dealer is saying well give me the right product to sell. I think at times the dealers, in my opinion, are looking for a better partnership with the manufacturers. They feel the manufacturer should take a greater part of the load to help them sell the product. Don't get me wrong, they are good partners, but I think at times, especially when they are challenged, you have to really step up, sit down and talk it through between dealer and manufacturer. When you start having inventories that are bloated everybody is unhappy. It isn't an easy task to try to figure how many cars are selling, what kind of cars to build—the kind and volume.

I don't get directly involved between the dealer and the manufacturer as much but I can tell you that it can be very challenging in the relationship. It's kind of just like a marriage at times—when the times get tough that's when you've got to sit down and talk it through and figure out how we both get through it because one way or the other they need each other. The franchise system has worked for a long time. It's somewhat traditional, but they've tried so many different ways to do it otherwise there is no doubt that's the way to sell a car.

Now that you are really serving a world market for automobiles, yet you're in the domestic capital of auto manufacturing, how do you strike a balance of service between foreign dealers and domestic dealers?

We don't have that many challenges internally because believe it or not from a DADA standpoint all the line groups (and we have 13 of them from Toyota to Mazda to Nissan) work independently but collectively when we meet every month. We have the leadership of each of those line groups and there are a lot of common interests in the needs and challenges we have as franchise car dealers, so we work very, very closely together. We are confident in keeping everything on an even keel for all dealers because it's a bond we have. Now when they walk out of the room and they've done their work here at the DADA, trust me that they are very competitive. The dealers are competitive between brands but also between dealer and that's why it works. It's kind of like a football game. You have to have a little healthy competition to make the game exciting and also to make it truthful for all.

Our strength (unlike shows around the world like in Frankfort, Tokyo, and Paris) our show in Detroit and other shows in the US are all run by dealer associations. That means that from Kia to GM everybody is represented and equally balanced in what you do with floor space allocation, press conference scheduling or whatever it may be. If you go to another place where it's driven by the manufacturing association (typically it's going to be that manufacturing country like Germany or France), they will have a bit of a stronghold on how the show will be laid out. So for dealer involvement, I think we have a balance that makes for good decision-making.

Three words:
Univision, Univision and Univision

The third quarter of 2006 marked a continuation of a slow slide, from $3.365B in Q4 2005 to $3.28B, then $2.15B, and Q3's $2.08B. Oh, but wait. There was that little $13.7B matter of the Univision sale. That sort of changes everything, taking the quarter to $15.58B. So instead of a slow slide, what we have is a huge bulge in the sales chart we've been keeping since Q3 2003. That $3.365B from Q4 2005 was the highest total we've recorded thus far, so obviously it has been blown out of the water. The Univision deal skewed heavily to the television side, accounting for $10.4B in value, compared to the radio estimate of $3.3B. What is most interesting about this record, however, is how short of a life span it has. When we repeat this little exercise for Q4 2006, the Clear Channel deal is going to blow Univision out of the water.

Station trading

Quarter	Deals	AMs	FMs	TVs	Value
Q3 2005	151	75	87	42	$2,483,326,054
Q4 2005	113	88	143	19	$3,365,567,974
Q1 2006	139	105	121	10	$3,282,445,811
Q2 2006	144	93	132	33	$2,150,615,819
Q3 2006	136	94	183	96	$15,579,141,844

Univision puts urban skew on trading

Since the high water mark of radio trading after Telecom 1996 came to an end, and in the face of ongoing television ownership caps affecting both local and national portfolio size, most of the action has been in the boondocks. It has remained active. Radio ratings services Arbitron and Eastlan are both adding territory to their areas of operation, and there is a new group cottage industry fueled by returning veteran broadcasters who have either waited out non-competes or simply become itchy for some action. While small market action was flat-to-slightly down, Univision fueled the top numbers. The total of 144 in the top 50 markets is more than double Q3 2005, the highest total in this series.

Quarterly station trading by market size

Quarter	Total Stns	Mkts 1-50	Mkts 51-100	Mkts >100	Unrated Mkts
Q3 2005	204	37	37	55	75
Q4 2005	250	69	34	54	93
Q1 2006	236	56	27	63	90
Q2 2006	258	32	30	97	99
Q3 2006	373	144	62	97	70

Radio was reasonably hot anyway

Since we started doing this (after the ill-fated FCC ownership rulemaking and subsequent transaction freeze), quarterly radio trading has only topped $1B three times. This would have been the fourth even without Univision. Add in Univision, and it chases the $2.7B ABC-to-Citadel deal, from Q1 2006, off the top of the chart. Again, it won't be for long, as the Clear Channel deal sits just off stage ready to claim the high ground.

Radio only transactions

Quarter	Deals	Stns	Value
Q3 2005	132	162	$481,196,053
Q4 2005	105	231	$2,301,767,974
Q1 2006	129	226	$3,103,495,811
Q2 2006	126	225	$358,665,819
Q3 2006	112	277	$4,351,951,344

TV dealing remains relatively hot

Television trading would be well on its way to setting a new record without Univision, with about $827M in Q3 value added on to almost $2B already recorded. Some large groups have spent the year weeding the garden, while others have decided to exit altogether. The $10.4B value of the Univision properties puts the TV-only total way over the previous high, when in Q3 2005 total trading nosed past $2B. And no, Clear Channel is NOT going to blast this number out of the water.

TV only transactions

Quarter	Deals	Stns	Value
Q3 2005	19	42	$2,002,130,001
Q4 2005	8	19	$1,063,800,000
Q1 2006	10	10	$178,950,000
Q2 2006	18	33	$1,791,950,000
Q3 2006	24	96	$11,227,190,500

JACK MESSMER

Gurus forecast the '07 outlook for radio

What should radio operators expect for 2007? We asked a few industry observers—analysts and station brokers—for their views on what to expect for both radio revenues this year and where station prices/multiples are heading.

Larry Patrick, President, Patrick Communications

2007 station trading will be dominated by the Clear Channel spin-offs. With so much inventory coming onto the market, owners and investors will want to see what pricing CC achieves for its stations, whether those stations go in one or several big blocks or trades and whether there are duopoly opportunities that may fit their plans. This is the single largest group of stations hitting the middle and smaller markets ever. This sale will tell the industry a lot about pricing for these sized markets.

Business overall in a non-election year will face some tough comparables from 2006 in select markets. In those battleground states, like Missouri and Tennessee, for example, political revenues were tremendous in 2006. Just replacing those revenues to stay even with 2006 will be a big job for some owners. Overall, most projections seem to put revenue growth for the industry at the low single-digit level in 2007. Despite this less than joyous forecast, Wall Street has regained some confidence in radio and public stocks traded up 20 percent during the last half of 2006.

Private equity, in the form of both equity and debt, has moved strongly into broadcasting in the last year or so. I continue to believe that there is another round of consolidation ahead for the medium and smaller group owners and private equity may fuel that effort.

Many regional owners are carving out interesting niches for themselves while producing revenue growth and returns that far outstrip the news from the larger market operators. Cherry Creek, Mapleton and others have consistently delivered 10 percent plus revenue growth at a time when most larger operators are struggling to hit half of that number. Of course, the smaller market operators are more immune to the shifting winds of agencies as those shops explore "new media" advertising opportunities and reduce their commitment to traditional broadcasting. For the smaller market operators, local radio is still direct business and basic blocking and tackling for their clients. And these owners know that you cannot expense-cut yourself into a profit.

My forecast is for steady pricing levels in 2007, robust trading led by the Clear Channel deals and a real dichotomy between the performance of the bigger market groups (2-3% growth) and the rest of the industry (5-7% plus growth). These owners operate more on Main Street than Wall Street. Our industry's focus is all too-often on the mega-operators. There is a whole different dynamic in medium and smaller markets that remains far brighter. ■

Robin Flynn, Senior Analyst, Kagan Research

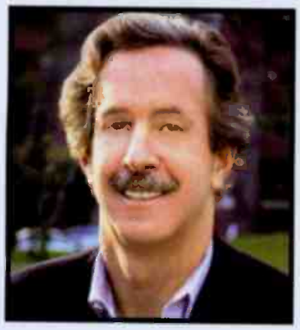
Radio revenues ended 2006 on a weaker-than-expected note, with the anticipated pick-up in Q3 not materializing to any great extent. We expect revenue growth will remain modest in 2007 after less than 1% growth in 2006, as groups still work to overcome the weak pricing environment that predominated in 2006. Indications are that Q1 pacings are not robust.

Our projections call for radio spot revenues to increase 1.7% in 2007 as larger operators work through inventory and pricing issues. Local should be up a little over 2% (after a flat-to-down 2006) and national down 1% after a relatively strong 2006. While the data reflect industry-wide growth, certain individual operators may do much better, benefiting from recently stronger fundamentals in mid-to-small markets.

In 2007, radio operators should benefit from easier comps due to the weak start to 2006. But that won't be as true toward the end of 2007, since some individual station operators reported much stronger growth rates in Q4 2006, in the mid-single-digit range. While political did not contribute heavily to operator Q4 results, it resulted in a tightening of inventory, which helps their pricing power. Clear Channel's "Less is More" initiative brought more inventory into the market via the parsing out of previous 60-second spots into smaller units, and that has limited the ability of operators in those markets to raise rates.

The bright spot for operators remains the growth in non-traditional revenue streams, such as Internet and other non-spot revenues, but these are coming off a much lower base vs. radio's $20 billion spot revenue. Operators do not expect to derive significant revenues from digital radio streams for some time, although they expect digital radio's spread will stem erosion in listening trends and maintain increases in spot revenues.

Radio operators should be able to benefit from less noise in 2007 vs. prior years over satellite radio, and also from advertisers taking advantage of radio's local Web presence. Certain trends that have worked against radio—such as migration of ad dollars to the Internet—may soon start to swing slowly in radio's favor. ■



Elliot Evers and Brian Pryor, Media Venture Partners

We expect 2007 to be an extremely active year for station trading. The combination of unprecedented levels of station inventory and extraordinary liquidity in the capital markets will create more velocity in the trading environment than we have seen for several years.

We see opportunities coming from the following sources:

Public Companies: After the consolidation phase that began in 1992 and continued at a dizzying pace well into this decade, 2006 marked the beginning of the disaggregation phase, i.e. where larger companies sell off stations they consider no longer relevant to their core strategy. Historically, stations purchased by public companies were "off the table," and we would never expect them to be sold again.

Now, large operators are realizing they cannot effectively manage huge portfolios of stations, and they are bringing non-core stations to market. Media Venture Partner's sale of Entravision's cluster in Dallas for $92.5 million is a perfect example. This realization creates a tremendous opportunity for entrepreneurial buyers who can bring focus to small and medium-sized markets. We believe Clear Channel's proposed sale of almost 450 stations in 90 markets will be one of several such sales, although the scale of the CCU sale will dwarf others that may follow.

Private Companies: Private equity sponsors who bought earlier this decade often ran financial models based on historical growth rates of 7% or more per year. They also expected to see a premium on their exit for having assembled multiple markets. As revenue growth has slowed and the benefits of consolidation have become less clear, many equity sponsors are moving more quickly to exit their investments—sometimes selling at a profit, if they bought right and ran the properties well; sometimes not. Going forward, we will see an ever-growing emphasis on day-to-day execution and quality of management.

New "Sticks", Move-ins and, Upgrades : These sources of inventory are nothing new, but more stations from FM Auctions 37 and 62 will be constructed and some sold in 2007, and the New Year will also bring Auctions 68 and 70.

Capital Availability: We are standing at the edge of what the *Wall Street Journal* calls 'The River of Cash"—unprecedented amounts of debt and equity capital are sloshing around the world. This capital stands ready to fund the buyers of newly-purchased inventory.

To date, we have seen quality assets trade for solid multiples (the ten-market CBS deals averaged 13-14x cash flow). With so much capital available, we expect multiples to hold for quality stations and clusters. However, with this much inventory available, buyers will be selective and will discount underperforming clusters and sub-standard signals.

Overall, we think 2007 will be a very busy time for buyers and sellers. ■

Mark Fratrik, Vice President, BIA Financial Network

Contradiction reigns in the radio industry! The industry suffers through another lackluster year in 2006 and the prospects for 2007 are only marginally better while there is increased interest in selling and buying radio stations. Do these new prospective owners see weak revenue growth as an opportunity to acquire underperforming stations and are willing to pay strong prices for that opportunity? Clearly, yes and only time will tell whether they are correct.

In the immediate future, the radio industry will continue along its path of weaker revenue growth. The industry ekes out a less than 1% growth for 2006, the third year of growth lower than the growth in the national economy and the growth in prices. For 2007, growth should increase only slightly to a rate of 2.0%, still noticeably below the growth in the economy and near the expected growth in prices.

The U.S. economy growth provides the foundation for this slight uptick in revenue growth along with certain industry factors. First, inventory level adjustments negatively affecting revenues in prior years should not be as severe this year. Second, stations that felt the effect of no longer having Howard Stern in the morning have adapted and will not see the same large drop off in that daypart revenues. Third, the full positive impact of more Hispanic formatted stations has not been realized as many of these newly formatted stations still have room to grow.

Finally, the recent spurt of station trading activity, and the promise for more, could lead to an added boost to revenues. New owners have ideas on improving the revenue performance of their new stations. While all of these ideas will not be successful, some will, boosting the overall performance of their local radio markets and the industry in general.

There are many new owners as the number of stations sold showed a noticeable improvement in 2006. Over 2,100 stations were sold for nearly $23 billion in 2006 including those in the Clear Channel privatization. Even if you remove those stations, almost 1,000 radio stations were sold, nearly 12% more than the previous year's total. As for the value, removing an estimated $16.7 billion for the value of all the Clear Channel radios stations, a 130% increase in the total value of radio stations sold in 2006.

This increase was the result of many radio groups deciding to exit part or all of the radio industry. Prices paid for many of these radio stations were solid, as the acquiring groups see opportunities for either revenue growth and/or managerial efficiencies (e.g., regional management). Strategic acquisitions should continue in 2007 as the vast numbers of stations that are for sale get sold. The total volume of sales for this year should be at a strong level of around $5-7 billion.

Hence, the contradiction will continue with prospective buyers planning for stronger growth in the stations they acquire than the overall radio industry. ■

Trusted relationships.

Entravision Communications
has sold its
Five Station Radio Cluster
serving Dallas, TX to
Liberman Broadcasting, Inc.
for
$92,500,000

Daystar Television Network
has sold
KDTP-TV
serving Phoenix, AZ to
NBC/GE
for an undisclosed amount

RadioVisa, LLC
has sold
KMXE (AM)
serving Los Angeles, CA to
LAA 1, LLC
for
$41,000,000

Lakewood Church
has sold
KTBU-TV
serving Houston, TX to
USFR Media Group
for
$30,000,000

Radio Fargo-Moorhead, Inc.
has acquired a
Seven Station Radio Cluster
serving Fargo, ND from
Clear Channel Communications
for
$14,000,000

David and Mel Winters
have sold
Two Radio Clusters
serving Marinette WI/Menominee MI and Ironwood MI to
Armada Media Corporation
for
$8,500,000

Results Radio, LLC
has sold
KRPQ (FM)
serving Santa Rosa, CA to
Maverick Media
for
$7,700,000

Results Radio, LLC
has sold
KMHX (FM) and KSRT (FM)
serving Santa Rosa, CA to
Lazer Brodcasting Corp.
for
$6,850,000

WCS Wireless, Inc.
has been acquired by
NextWave Wireless, LLC
for
$160,500,000

National Grid
Wireless Holdings, Inc.
has acquired
ClearShot Communications
235 Towers

Highland Cellular
has been acquired by
Dobson Communications
Corporation
for
$95,000,000

Riviera Broadcast
Group LLC
has raised
$60,000,000
in equity and debt capital

Denver Radio
Company, LLC
has raised
$27,500,000
in term loan financing from
Guggenhein Corporate Funding

Lazer Broadcasting
has raised
$23,000,000
in term loan and revolving credit
financing from
GE Capital

NewComm Wireless
has raised
$60,000,000
in senior financing from
D.B. Zwirn

National Grid
Wireless Holdings, Inc.
has acquired the assets of
Beacon Broadcasting
Corporation
for $12,700,000

TCP Communications, LLC
has sold
233 Towers
to
Global Tower Partners
for an undisclosed amount

A.L.B.S. Wireless
Services II, LLC
has sold
32 Towers to
Global Tower Partners
for an undisclosed amount

TX-11 Acquisition, LLC
has sold
18 towers to
SBA Communications
Corporation
for an undisclosed amount

BFT Tower Co., I&II
has sold
10 Towers
to
Global Tower Partners
for an undisclosed amount

Pendrell Sound
has sold certain PCS licenses covering
800,000 Pops
in Indiana to
Verizon Wireless
for an undisclosed amount

Summit Wireless, LLC
has sold certain PCS licenses covering
697,000 Pops
in Mississippi to
Sprint Nextel
for an undisclosed amount

Summit Wireless, LLC
has sold certain PCS licenses covering
191,000 Pops
in West Virginia to
Ntelos
for an undisclosed amount

Endless Mountains
Wireless, LLC
has been acquired by
Dobson Communications
Corporation
for an undisclosed amount

Tribune Broadcasting
Company
has sold a
Broadcasting Tower
in Albany, NY to
Bradford Realty
for an undisclosed amount

Towers of Texas
has sold
137 Towers
to
Global Tower Partners
for an undisclosed amount

AAA Entertainment, LLC
has sold its
Four Station Radio Cluster
serving Champaign, IL to
RadioStar Inc.
for
$3,500,000

AAA Entertainment, LLC
has sold
WXCL (FM) and WDQX (FM)
serving Peoria, IL to
Triad Broadcasting Company
for
$5,200,000

MEDIA VENTURE PARTNERS

Television ◆ Radio ◆ Telecom

www.mediaventurepartners.com

SAN FRANCISCO (415) 391-4877 | BOSTON (617) 345-7316 | KANSAS CITY (816) 523-8566