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Pickering apart the FCC

Rep. **Chip Pickering** (R-MS) is at it again. The FCC is once again the target, and limiting their power is the objective. The Telecommunications Subcommittee passed Pickering's Telecommunications Merger Review Act of 2000 (HR 4019) which gives the FCC 90 days to decide on mergers. The four amendments to the bill not only limit the FCC's lobbying practices, but also hold the Commission directly responsible for proving why mergers are denied or approved. The bill was forwarded to the full Commerce Committee for a vote.

To add salt to the wound, the full House adopted an amendment to another bill that cuts the FCC's appropriations for next year. Rep. **Cliff Stearns** (R-FL) introduced the amendment, which reduces the budget for the Office of Media Relations from \$1.1M to \$640K.—ED

More test stations for USADR

News from the American Radio Manufacturers Association (ARMA) convention in Baltimore: USA Digital Radio's next round of field testing will include the following stations for the next two months: WILC-AM Laurel, MD, WTOP-AM Washington, DC, WCBS-AM New York, KABC-AM and KLLC-FM San Francisco and WRIF-FM and WWJ-AM Detroit. A Los Angeles station is soon to be announced.

USADR's "EASE" program for early adopter stations now has 500 stations from 109 owners in 105 Arbitron-rated markets. EASE helps stations find the right solutions for upgrading to IBOC DAB broadcasting. **Jeff Detweiler**, USADR Broadcast Business Rollout Manager, tells *RBR* he will be key to the EASE program. "We are basically going to

be visiting the radio stations. We are doing meetings with the groups initially, hitting as many people as possible, but it will ultimately get down to working on a station by station basis. My role is pretty much putting the right people with the right radio station, 'Nautel's got a solution for you, Harris has a solution for you on this'."—CM

WXTB questions FCC indecency guidelines

The FCC wants its money. Clear Channel (N:CCU) is still refusing to pay a pair of fines totalling \$30K imposed for indecent material broadcast on WXTB-FM Tampa, during the time when the station was owned by Jacor. Clear Channel wants the FCC to explain what was indecent about the broadcast, "Bubba, the Love Sponge,"

May revenues spike radio's roll even higher

Gains of 22% in local business and 38% in national pushed radio revenues for the month of May 25% ahead of the same month in 1999, according to figures released by the RAB. All of the first five months of Y2K have hit 20% or better (see chart). YTD gains stand at 22%.

All five regions participated in the bonanza. The West enjoyed a 27% gain in local business, with the other four regions tightly packed between 18%-21%. The West also led the way in national, with an amazing 49% surge. The Midwest rode the caboose with a mere 27% gain (a slump it can be happy to live with).—DS

Mo.	Local	Natl.	Total
Jan.	18%	25%	20%
Feb.	17%	38%	22%
Mar.	15%	40%	21%
Apr.	19%	32%	22%
May	22%	38%	25%
YTD	18%	35%	22%

before they pay the hefty fine. WXTB said that indecent material might not have been broadcast if the Commission's guidelines were clearer to begin with. The Commission acknowledged that there is a need for more precise guidelines, but said there was ample precedent to demand the payment anyway. —ED

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Email the Publisher: JCarnegie@rbr.com • Email Editorial: RadioNews@rbr.com Email Sales: KLeerbr.com • JNeff@rbr.com • SPritchett@rbr.com

Britney boondoggle, the sequel

Another station has treated its fans to a fake **Britney Spears** appearance, despite the fact that a recent Britney hoax in Binghamton ended in tragedy (*RBR* 6/26, p. 6). This time the perpetrating station was CHR WBHT-FM in Wilkes Barre-Scranton. Britney's fans, some of whom had been waiting since 2AM, were then treated to the 8:30AM appearance of a limousine-driven Britney Spears doll.

RBR observation: Is it open season on little girls in the Northeast? Is this supposed to be funny? Yes, let's all rock with laughter as we look into the crestfallen faces of all the young girls who suddenly realize they've been duped by their favorite station. Let's shake with hilarity at all the angry parents who gave up their morning to bring their kids to the big non-event.

In this case, the disgruntled Spears fans had an answer for WBHT, according to a report in the *Scranton Times Leader*. It was crosstown CHR WKRZ-FM. WBHT managed to drive its fans into the open arms of its chief competitor. What a brilliant promotion!—DS

Japanese listening habits—not so foreign after all

Arbitron snooped around in Japan late last year and found out that when it comes to media habits, the Japanese aren't all that different from Americans.

Earlier this month, The National Association of Commercial Broadcasters in Japan (NAB-J) presented the study "Media Targeting 2000—Japan" to more than 1,000 broadcasters, advertisers and agencies in Tokyo and Osaka. 1,697 Japanese age 12-69 were asked about their use of major media.

Organized into 124 consumer categories including gender, occupation and key socioeconomic attributes, Arbitron found that about 70% of Japanese listen to radio during the week. Also mirroring American trends, about 74% of Japanese in-car commuters listen to the radio (80% of Americans do). **Brad Bedford**, VP/Asian Marketing, Arbitron, said that Japanese broadcasters commissioned the survey to enhance the reputation of Japanese radio in delivering consumers for advertisers and agencies.—KM

Noncom's balk at doing FCC's bidding

National Public Radio (NPR), the Association of America's Public Television Stations (APTS) and the Corporation for Public Broadcasting (CPB) filed a suit in federal court to overturn the FCC's decision to auction non-reserved spectrum to the highest bidder (6/8).

NPR, APTS and CPB believe that the FCC is violating the Communications Act, which exempts non-commercial educational applicants from bidding in auctions. Prior to the ruling, the FCC granted the spectrum to the applicant with the highest merits.

NPR President and CEO **Kevin Klose** stated in a press release, "Requiring non-profits to bid for spectrum is bad public policy." Klose believes that auctioning spectrum will limit diversity in radio and television.—ED

FCC database still fraught with problems

The new FCC AM and FM databases (Consolidated Database System-CDBS) are apparently still having problems and are currently not accepting new applications—each for different reasons. The databases have been labeled as "fraught" with problems.

There was a freeze on AMs for a couple of years which was lifted in the last week in January. "It was extended because they had filing problems. There is a freeze now on FM that began in May," says RadioSoft President **Peter Moncure**. "You can't apply for a new FM or AM station—except LPFMs and they have 722 of them. You can apply for minor changes only."

Communications Attorney **David Tillotson** tells *RBR* when asking the Commission when all of this will be fixed, "We get very vague answers. It seems very obvious that the Chairman's desire to do Low-Power FM has taken staff resources off of the idea of processing full service."

Neither Mass Media Bureau Chief **Roy Stewart** nor Audio Services Chief **Linda Blair** returned calls asking for comment.—CM

RBR News Briefs

Katz Streaming Media Sales signs Akoo.com

Katz Streaming Media Sales Network, which sells streaming audio ads, has signed to rep. Akoo.com. Akoo.com features programming from more than 3,300 radio and TV stations globally. Its "Radio Akoo Network" has nine music channels, thousands of music videos, and News, Sports, Business audio and video programming.

Katz also recently signed (6/15) Everstream, a network of streaming media that serves over 250 newspapers and publishers.—CM

Belo cashes out to Cuban

Yahoo! (O:YHOO) billionaire **Mark Cuban** is buying out minority partner Belo Corp.'s (N:BLC) 12.38% stake in the NBA Dallas Mavericks for \$34.5M. Cuban and his partners bought the team earlier this year for \$280M.

Meanwhile, Belo is also selling three small newspapers, for which the company expects to clear at least \$110M after taxes.—JM

Continental Electronics' parent company sold

Almost two months to the day after selling Continental Electronics' TV transmitter operations to ADC Telecommunications (*RBR* 6/5, p.3), parent company Tech-Sym Corp. has been acquired by Veritas Capital Fund for \$181M.—CM

Orban reunited with Orban

First Circuit Research Labs (O:CRLI) bought Orban from Harmon International (N:HAR). Now **Bob Orban** is joining the Circuit Research Labs board of directors. "Having Bob Orban on the board of CRL marks a return of his direct involvement managing the company he founded," said CRL CEO **Jay Brentlinger**. Also joining the board is **Phil Zeni**, a former NBC Radio and Group W executive.—JM

Radio Unica invests in sports portal

Radio Unica (O:UNCA) is making a \$3M investment in Sports YA!, an Internet sports portal in Spanish and Portuguese. The strategic alliance with Sports YA! will provide Radio Unica with sports content for its Website, www.radiounica.com. The two companies plan to work together to cover the 2000 Summer Olympics in Sydney, Australia. Sports YA!, whose Web site is www.sportsya.com, targets Hispanic sports fans in Spain, Latin America and the US.—JM

*CD unveils wireless web functionality

ConneXus Corp.'s "*CD," a CD buying tool linking for listeners (*RBR* 4/10, p.4), has launched its wireless Internet application. Allowing music identification on wireless web devices, users of PalmPilot VII organizers and those with Wireless Application Protocol (WAP)-enabled phones select the city, radio frequency and time and are instantly shown the song and performing artist was aired at that time on that radio station. Users can download the application from the (www.starcd.com) website.

*CD's regular phone service lets listeners find out the title, artist and album name of a song just heard on the radio. If they want to buy the CD, pressing a number on the keypad sends it directly to their home.

*CD is currently offered in Philadelphia, San Francisco and San Jose and plans to offer the service in all top 30 markets later this year.—CM

3COM buys Kerbango radio; RCA to distribute

In a deal worth \$80M, 3COM (O:COMS) has bought (6/27) the Kerbango standalone Internet radio line and Kerbango Tuning Service (www.kerbango.com). With the Kerbango radio, no PC is needed—just plug in the phone line, DSL, etc. Kerbango employs 30 people and is located in Cupertino, CA.

In a separate but related announcement, Thomson Multimedia signed a letter of intent with Kerbango to brand and distribute an RCA-branded Internet radio with Kerbango's technology.

Kerbango's CEO **Jon Fitch** takes the VP/GM slot of 3COM's Internet Audio Division.—CM

Blue Chip joins BroadcastURBAN.com

Blue Chip Broadcasting has signed (6/26) with BroadcastAMERICA's BroadcastURBAN.com to offer nine stations to the network of Urban sites. Blue Chip's other nine stations—including Oldies, CHR, Talk, NAC and Country—will be offered on the BroadcastAMERICA site. The deal brings BroadcastURBAN's station roster above the 100 mark. BroadcastURBAN streams Urban, Hip-Hop, R&B, Jazz, Gospel and Reggae.—CM

Guru raises ad spending forecast

Radio has made a believer out of **Bob Coen**, Sr. VP & Director of Forecasting at Universal McCann. In the mid-year update of his ad spending outlook, the closely watched forecaster increased his 2000 projections for most media, but raised his radio projection the most—both at the local (to 12%) and national (to 15%) levels.

"Back in December we expected that the many special millennium-year events would provide extra acceleration to the degree that advertising outpaced the US economy this year. The year 2000 census added millions of dollars of extra advertising expenditures in the opening quarter of this year and primary election contests involved exceptionally high advertising outlays," Coen said in his 6/27 "Insider's Report." "This is even before the main contests that will start in the late summer and early fall months, just about the time the Summer Olympics telecasts are aired from Australia in September."

While others have been warning of a drop-off in dot-com advertising, Coen sees just the opposite: "Despite some losses in stock market prices for a number of high-tech marketers, their advertising activities have not slowed; in fact the importance of advertising has continued to rise as they rush to build their share of on-line commerce."

Based on Coen's projections, it looks like radio is having some success in taking business away from newspapers at the local level. While the newspaper industry's effort to reassert itself as a national advertising medium is making some inroads, Coen has lowered his expectations for print at the local level—now forecasting a 5% gain, rather than 6%. His local TV projection held at 8.5% but radio shot up three full percentage points to 12%.

"Retailers are presently holding down their advertising outlays by switching from display ads in newspapers to less costly pre-prints, with much of the savings going into radio," Coen explained.—JM

Bob Coen's Advertising Forecast

(\$ in millions)

Ad spending National	2000 forecast gain as of 12/99	2000 forecast gain as of 6/00	2000 ad revenues forecast as of 6/00
Big 4 TV nets	9.0%	12.0%	\$ 5,636
Spot TV	8.0%	9.0%	\$ 11,445
Cable TV	15.0%	20.0%	\$9,000
Syndication TV	8.0%	9.0%	\$3,128
Radio (net & spot)	8.0%	15.0%	\$ 4,553
Magazines	7.5%	7.5%	\$12,290
Newspapers	8.0%	12.0%	\$7,121
Direct mail	7.0%	8.0%	\$ 44,715
Yellow pages	8.0%	7.0%	\$2,125
Internet	75.0%	75.0%	\$ 3,395
Other national media	8.0%	10.5%	\$28,469
Total National	9.1%	11.1%	\$141,877
Local			
Newspapers	6.0%	5.0%	\$42,304
TV	8.5%	8.5%	\$13,758
Radio	9.0%	12.0%	\$ 14,847
Yellow pages	6.0%	5.5%	\$ 11,253
Other local media	7.1%	8.0%	\$11,606
Total Local	7.1%	7.0%	\$ 93,768
Grand Total	8.3%	9.4%	\$ 235,645

Source: Universal McCann "Insider's Report," 12/99 & 6/00

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Lenders and radio: Money is plentiful, but how can you get some of it?

By Jack Messmer

Despite rising interest rates this year, there's still plenty of money available for lending to broadcasters who want to grow. Of course, you'll have to pay a bit more for it than you might have just a few months ago, so you'd better be sure that revenues will be sufficient for the payback. Also, just as the case has always been (except, perhaps for a few crazy years in the late 1980s), experience **is** required if you want to borrow money to buy a radio station.

"Our preference is to be backing experienced operators," said **John Brooks**, Sr. VP and Manager of the media division at Silicon Valley Bank in San Francisco.

That doesn't mean that the borrower has to already be a group owner. Someone with experience running stations for others—a proven track record—can still fulfill their dream of becoming an owner. If you go in with a strong resume and a business plan with reasonable growth "we certainly wouldn't want to say no without looking at it," Brooks said.

Silicon Valley Bank's media lending targets smaller companies—those below the radar screen of major money center banks. Brooks says he'll do senior debt up to \$10M, but the core of his business is loans under \$5M. "We concentrate on the other 75% or so stations that are not owned by the top consolidators," he noted. "That's

a market that is generally underbanked."

That means Brooks, whose bank lends nationwide, will lend money to buy stations in unrated markets as well as those with Arbitron books. For lenders, he notes, there's less of a risk now of being stuck with a bad loan on a small market station that no one will buy. "With deregulation there are exit opportunities that didn't exist before," Brooks said.

"At this stage of the game there is plenty of capital chasing a few select transactions," said **Jeff Kilrea**, Sr. VP at FINOVA Capital Corp. (N:FNV) and head of its Communications Finance Group. With an increasing number of large group owners able to tap Wall Street for both debt and equity, there are fewer big deals for the lenders.

"The banks are moving down market and are willing to entertain cred-

its that historically were passed on," Kilrea noted. "This makes it more difficult for FINOVA, so we must differentiate ourselves but be more aggressive with the closing leverage, repayment terms, response time, etc. in order win transactions and return acceptable levels of profitability."

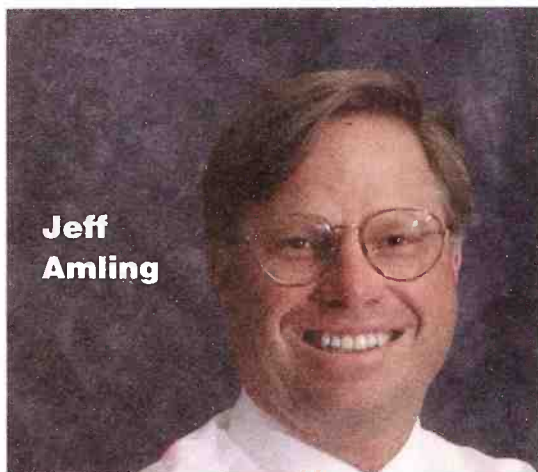
For borrowers, the competition among lenders may mean better terms and/or more financing options. However, from the lender's perspective, Kilrea notes that competition means lower spreads which are not always indicative of the risk profile of the transaction.

FINOVA (and its predecessor company) has been a broadcast lender since 1987. "Our focus is on transactions in the small and middle markets, which tend to be in the \$3M to \$50M size range," Kilrea said. "We do, however, have the ability and desire to do larger transactions."

Many lenders have moved in recent years to pricing business loans with rates tied to the internationally recognized LIBOR (the London Interbank Offered Rate), rather than domestic measures. Kilrea said FINOVA's rates generally run on a grid from LIBOR plus 3.5 points to LIBOR plus 4.25, depending on the specific borrower and the specific deal. The loans generally run for five years with a 10-to-12 year amortization schedule and closing fees are generally 1% to 1.5%. FINOVA, based in Chicago, lends nationwide.

The story is similar for Silicon Valley Bank: Seven-year loans with 10-12 year amortization.

While big market groups are able to borrow six to seven times their trailing cash flow—and leverage existing cash flow to buy sticks with little or no cash flow, the multiple get a bit lower



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as you go down in market size. Lending multiples, based on trailing cash flow, typically fall in the 5.5 to 6.5 times range for FINOVA's loans. Multiples are similar for rated markets at Silicon Valley (up to six and perhaps more for a "compelling growth story") and Brooks says for unrated markets that may drop to four or five times.

For first-time radio station buyers, the idea of a 12-year amortization schedule, but only a five-year loan term may sound scary—even contradictory. Lenders say, though, that they've seldom, if ever, seen a radio loan run to term, although virtually all are written for only five-to-seven-year terms. Borrowers tend to come back well before the loan has run its course to borrow for another acquisition or to restructure their debt to improve the terms. "I've been doing this for almost 20 years," noted Brooks. "I've never seen a radio loan go to term."

"It is our goal to become a repeat funding source for our clients as they continue to expand their holdings," said Kilrea. "We will create a template for growth upon closing the initial transaction and provide an acquisition line of credit for future acquisitions. We certainly expect borrowers to outgrow our facilities, but by proactively working with our borrowers and providing follow-up financings we can prolong the portfolio run-off and maintain a high portfolio credit quality."

Of course, interest rates of all types have been rising in recent months as **Alan Greenspan** and the Federal Re-

serve Board have but the squeeze on credit to try to head off a perceived threat of lurking inflation (whose existence has repeatedly been questioned in these pages).

"Interest rate increases certainly have had an impact on multiples," agreed Kilrea. "There is only so much leverage and debt service a transaction can handle, therefore the level at which lenders are willing to finance has declined. This puts an increased strain on the equity sponsors, and impacts their IRR's [internal rate of return], to fill the gap if multiples remain at their current levels. Lenders want to see at least 120% to 130% total debt service coverage in their transactions and rises in interest rate will impact serviceability."

Silicon Valley Bank's Brooks said it's too early to tell how severely the Fed's tightening will impact media financing, but he noted that every 25-50 basis point increase (25 basis points=1/4 percentage point) has some impact and that the impact is likely to be felt more by smaller borrowers.

"Smaller companies don't always have the opportunities to enhance revenues that big companies have," Brooks said. "The higher cost of the financing is going to put a greater squeeze on debt service coverage."

Like Brooks, Kilrea says he's willing to look at proposals from first-time buyers. Again, the key is to have an experienced manager with a good track record in the deal. "With the industry in its current state of con-

solidation there is a surplus of management talent available for equity sponsors to tap," Kilrea noted, so whether it's a case of money looking for management talent or a veteran manager looking for an equity backer, there are partnerships to be created and deals to be done which should be able to get financing.

While big league venture capital is chasing medium and large market radio start-ups and small groups which are trying to become big groups, the VC firms aren't likely to be interested in a single market start-up or even a group that, for the foreseeable future, will be in only a handful of small markets. "Where the money comes from is, in some cases, significant personal resources, private funds from family and friends, or some form of seller financing," explained Brooks. Seller financing may be rare these days in large market deals where there are likely to be public companies among the bidders, but seller paper is still a necessity in many small market deals, depending on the universe of serious bidders for any particular property.

As in most ventures, success breeds more success, so the first loan is always the toughest to get. "If you demonstrate that you can do it once, you have that much more credibility when you come back to the table for subsequent rounds," said Brooks.

IPO? No thank you

For larger groups, the ultimate financial vehicle is to take a drive down Wall Street. Two broadcasters have IPOs pending—Entravision and Nassau Broadcasting (plus Jones International Networks, whose IPO is on indefinite hold)—but don't look for either of them to get in any rush to sell their public stock.

"Right now the window is closed. It's closed due to market conditions, but it's also closed due to the weak performance of the vast majority of the deals of the past year," said **Drew Marcus**, VP and media stocks analyst at Deutsche Banc Alex. Brown. "In the past year a number of second-tier firms were able to go public because of the rising tide and now the market regrets that."

Obviously, few companies in any industry are going to make their ini-

Internet strategy? Ho-hum

The Internet may someday fulfill the expectations of the venture capital firms and IPO buyers who've poured billions and billions of dollars into dot-com businesses (less this year than last), but for now a spectacular Web strategy isn't going to draw financing to a radio deal that otherwise couldn't stand on its own merits.

"We continue to be very interested in the Internet strategies of our borrowers from an ancillary revenue source and margin enhancement perspective, but do not assign it any real value when looking at the valuation of the overall entity," said **Jeff Kilrea** of FINOVA.

At Silicon Valley Bank, **John Brooks** says he's seen radio business plans that include an Internet component, but "I personally have discounted those." In his view, Internet operations may begin to have an impact on revenues and cash flow first for large market radio operations, then eventually trickle down to the smaller markets.

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tial stock offerings until the overall market gets stronger and a few enthusiastically-awaited IPOs build some momentum for the rest of the crowd. So, what's it going to take to make Wall Street once again receptive to broadcasting stock sales?

"To open the market it will require quality deals from quality companies," said Marcus. "Our guess is that the follow-up market for the quality names will open much earlier than the IPO market. The IPO market, for the next six months anyway, is probably going to be open only for companies that are real leaders in their fields."

Even in hot "niche" sectors, investors are being selective about which stocks they want to own. That could bode well for Entravision, which is a large and well-established Hispanic media group (radio/TV/newspaper), while Marcus noted that Spanish Broadcasting System (O:SBSA) and Radio Unica (O:UNCA) have been trading below last year's IPO prices.

Most of the biggest radio groups are already public companies or subsidiaries of public companies (16 of the top 20, including #20 Nassau), so there aren't a lot of candidates left to tap the IPO market. If you discount the possibility of stock offerings by Mormon Church-owned Bonneville International and employee-owned Journal Communications, the pool of potential IPOs is even smaller. In Marcus' view, "future IPO candidates are likely to be roll-ups led by strong management teams—former group heads, former CEOs of public companies"—consolidators who assemble big groups by combining small ones.

Just because the public markets are closed, or at least difficult, it doesn't mean that there's not money available for big radio acquisitions.

"One can't overlook the large merchant banks—either money center banks or independent merchant banks—that have large pools of capital still available," noted **Jeff Amling**, Managing Director and Head of the Global Media Group at Deutsche Banc Alex. Brown. "Even if we see volatility in the public arena, that doesn't mean that these pools of capital, or even some institutional investors, wouldn't do privately negotiated transactions in the convertible debenture or con-

vertible preferred marketplace to satisfy the capital needs of the better companies to fill out their markets."

Rising interest rates, however, may force merger and acquisition activity to slow down. "I think we're in one of these transition periods where the private market values haven't come down over the past two years in broadcasting to reflect increased interest rates," said Amling. That will make would-be buyers ever more selective about acquisitions—lest they bump the limit for their credit facility or disappoint shareholders' growth expectations.

Despite that, the Alex. Brown executives don't expect to ever see transaction multiples drop back to where they were in the pre-Telecommunications Act days. Consolidation has made real changes in the financial structure of the radio industry—changes that are not going away.

"In the pre-deregulation/consolidation era, you reached 13 times in good times and eight times in bad times," said Marcus, referring to large market station sale multiples. "The good times/bad times range is likely to be 12 to 22 times. I don't think we'll ever go back to single digits. A multiple is composed of three factors: 1) Your cost of capital; 2) Your required rate of return; and 3) Your growth expectations. I think we've seen permanent improvement in all three of those factors."

For privately-held radio groups that hope to move into the big leagues and make the trip down Wall Street, the best advice the two Wall Street veterans have is to find another group owner of like mind and get married. Otherwise, building a big group piece-by-piece may prove difficult, if not impossible.

"A lot of the beachfront property, which is what radio really is in North America, has already been spoken

for," said Amling. "Unless you were to see a company like a Cumulus (O:CMLS), with its impressive size, break apart, it's going to be difficult for the regional players—unless they're particularly fortunate in some acquisitions—to develop a national business."

That doesn't mean that regional groups can't sell public stock, as Nassau (New Jersey, New York, Connecticut and Pennsylvania) is doing. "I think their valuation expectations have to be a little more con-

servative than perhaps nine months ago," noted Amling. Just to get Wall Street to look at your IPO, though, he says, you'd better have at least \$30M in cash flow.

One advantage to being big, after all, is being able to borrow money cheaply to fund growth and acquisitions. Industry giants Clear Channel (N:CCU) and Infinity (N:INF), for example, are investment grade borrowers able to borrow internationally as well as domestically. Once recent financing was at LIBOR plus 62 basis points—that's the base rate plus 0.62 percentage points, considerably cheaper than the LIBOR plus 3.5 to 4.25 percentage points cited earlier in this article for small- and medium-market borrowers.

Like many of its Wall Street competitors, DB

Alex. Brown is a one-stop financial center, albeit for rather large companies. DB Capital, the venture capital arm, might do placements as small as \$5M. For media lending, Amling associate **Bill Archer** and his crew start in the \$35-40M range and go up from there, sometimes putting together syndicated loans that run into billions of dollars. Depending on the size and circumstances of the borrower, rates can range from as low as LIBOR plus 75 to 100 basis points to LIBOR plus 300 basis points. Once again, big broadcast loans tend to be cheaper than small loans.



Drew Marcus



John Brooks

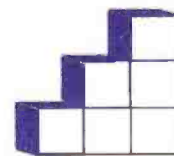
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Radlo Works, Inc.

has acquired

**WRWC-FM, Rockford, IL
WKKD-AM, Aurora, IL
WKKD-FM, Aurora, IL**

*The undersigned assisted
in the negotiations and
acted as financial advisor to
Radio Works, Inc.*

June 2000

Galaxy Communications, LP

\$6,550,000 Senior Term Loan

\$8,450,000 Revolving/
Acquisition Loan

*The undersigned served as
the financial advisor to
Galaxy Communications, LP
and arranged this financing.*

May 2000

Galaxy Communications, LP

\$5,250,000
Subordinated Notes
w/ Warrants

*The undersigned served as
the financial advisor to
Galaxy Communications, LP
and arranged this financing.*

May 2000

Radlo Works, Inc

has acquired

WNJY-FM
Delphi, Indiana

*The undersigned assisted
in the negotiations and
acted as financial advisor to
Radio Works, Inc.*

October 1999

Radlo Works, Inc.

\$20,000,000
Senior Secured Term Loan
& Acquisition Line

*The undersigned served as
the financial advisor to
Radio Works, Inc. and
arranged this financing.*

June 1999

YORK STREET PARTNERS, INC.

Nassau moves toward pricing IPO

Lou Mercatanti's Nassau Broadcasting has filled in some of the blanks for its pending IPO (*RBR* 5/15, p. 12) and increased the maximum amount to be raised to \$236,075,000 from the previous \$190M. Nassau is projecting that its stock, which will trade on Nasdaq as NBCR, will price between \$16 and \$19 per share. The US underwriters are offering 9.94M shares in the US and Canada and the international managers are offering 2.485M shares overseas. (There's also a green shoe of 1.491M shares for the domestic underwriters and 372,750 shares for the international underwriters.)

Including pending acquisitions, Nassau will own and/or operate 17 FM and 15 AM stations in nine markets in New Jersey, Pennsylvania, New York and Connecticut. On a pro forma basis, the company said it had net revenues of \$55.9M and broadcast cash flow of \$20.6M for 1999 and net revenues of \$13M and broadcast cash flow of \$4.5M for Q1 2000. The chart (below) shows Nassau's historical financial results.

"By acquiring, developing and operating radio stations in demographically attractive suburban markets, we have substantially increased the net revenues and broadcast

cash flow of our stations resulting in 21.0% and 33.0% two-year compound annual same station net revenue and same station broadcast cash flow growth, respectively," Nassau said in its SEC filing. "We have organized our stations into four clusters: Northern, Northwestern, Central and Shore. We also have a division called the Nassau Radio Network [in addition to national rep Katz] that markets all of our stations to national advertisers. Our stations currently cover approximately 4.8M people and, if we complete our pending acquisitions, our stations will cover approximately 7.1M people."

If the IPO prices at the top end of the anticipated range, \$19, Mercatanti's 1.2M+ super-voting Class B shares will be worth over \$23M. He, his financial backers—Spectrum Equity Investors, Grotech Partners and Toronto Dominion Capital—and other top managers will own 27.2% of the company's equity and have 79.1% voting control. US-Canada underwriters for the IPO are Merrill Lynch, Salomon Smith Barney, Banc of America Securities, Lazard and Prudential Volpe Technology, a unit of Prudential Securities. The international offering is being managed by Merrill Lynch International, Salomon Brothers International, Bank of America International, Lazard Capital Markets and Prudential-Bache International.

Nassau Broadcasting Corp. Historical financial results (\$ in thousands)

Category	1997	1998	1999	Q1 '99	Q1 '00
Net revenues	\$19,079	\$24,996	\$31,402	\$6,267	\$7,281
Operating income	\$(158)	\$1,309	\$3,177	\$(131)	\$(86)
Net income (loss)	\$(6,739)	\$(3,981)	\$(4,640)	\$(2,554)	\$(1,024)
Broadcast cash flow	\$5,642	\$7,769	\$10,608	\$1,697	\$1,963
After-tax cash flow	\$(4,600)	\$(4,116)	\$(2,573)	\$(2,093)	\$(1,835)

Source: Nassau Broadcasting Corp. SEC Form S-1A, filed 6/28/00

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The deals listed below were taken from recent FCC filings. *RBR's* Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price.

\$300,000,000 WALR-FM Atlanta (Athens GA), **WSUN-AM** Tampa-St. Petersburg (Plant City FL) & **KLUP-AM** San Antonio (Terrell Hills TX) from Ring Radio Co., a subsidiary of Midwestern Broadcasting Inc. (Lewis W. Dickey Sr.) and CXR Holdings, a subsidiary of Cox Radio Inc. (N:CXR) (Bob Neil, pres) to South Texas Broadcasting Inc., a subsidiary of Salem Communications Corp. (O:SALM) (Edward G. Atsinger III, Stuart W. Epperson et al). Midwestern receives \$280M for the stock of WALR-FM from Cox. Cox will move the intellectual property of WALR-FM to the facilities of the current WJZF-FM, and will swap the WALR-FM facility to Salem, along with WSUN and KLUP, for KKHT-FM Houston. Total value of deal is an *RBR* estimate. **Superduopoly** in Atlanta between WALR-FM and WNIV-AM, WLTA-AM & WGKA-AM. **Duopoly** in San Antonio between KLUP and KSLR-AM. Broker: Media Venture Partners (Cox)

\$300,000,000 KKHT-FM Houston (Conroe TX) from South Texas Broadcasting Inc., a subsidiary of Salem Communications Corp. (O:SALM) (Edward G. Atsinger III, Stuart W. Epperson et al) to CXR Holdings, a subsidiary of Cox Radio Inc. (N:CXR) (Bob Neil, pres). Swap for the facility of WALR-FM Atlanta, WSUN-AM Tampa and KLUP-AM San Antonio. Total value of deal is an *RBR* estimate. **Superduopoly** with KKBT-FM, KLDE-FM & KKTL-FM, which Cox is acquiring via the Clear Channel/AMFM merger spin-offs. Broker: Media Venture Partners (Cox)

\$113,000,000 KCMO-AM & FM & KCFX-FM Kansas City (Kansas City-Harrisonville MO) from Entercom Kansas City Licensee LLC (Joe & David Field), a subsidiary of Entercom (N:ETM) to Susquehanna Radio Corp. (David Kennedy, pres.). \$6.3M escrow, balance in cash at closing. Creates new **duopoly**. Broker: Star Media Group

by Jack Messmer & Dave Seyler

\$108,000,000 KKFR-FM Phoenix (Glendale AZ) and **KXPB-FM** Denver (Evergreen CO) from AMFM Radio Licenses LLC and Houston AMFM Inc. (Tom Hicks, CEO), subsidiaries of AMFM Inc. (N:AFM), to Emmis Communications Corp. (O:EMMS, Jeff Smulyan, CEO). \$108M cash. **Duopoly** in Phoenix with KTAR-AM, KMVP-AM & KKLT-FM.

\$4,110,000 KXGM-FM Muenster TX from Gain-Air Inc. (Charles M. Henderson) to First Broadcasting Co. LP (Ronald A. Unkefer). \$800K escrow upon initial upgrade approval by FCC, \$200K escrow upon final upgrade approval, balance in cash at closing. Note: The upgrade is pending to move to 106.7 MHz and become a Class C covering the Dallas metro.

\$3,150,000 WINA-AM & WQMZ-FM Charlottesville VA from Charlottesville Broadcasting Co. (Catharine Richardson) to Yorktown Communications Corp. (William Bradford Eure and other family members). This sale replaces a \$4M merger pending for two years (*RBR* 7/20/98, p. 14) which would have merged CBC's WKAV-AM and the combo in this deal with another Eure family company. That was later amended to divest WKAV-AM and the Eure family's WCHV-AM to Clear Channel (N:CCU) for \$450K each. Because of the death of CBC principal shareholder Laurence Richardson 5/19/99, the Richardson family has decided to sell this combo to the Eure family rather than consummate the merger. In the end, the Eure family's Yorktown Communications Corp. will own a **duopoly** of WINA-AM, WQMZ-FM & WWWV-FM. LMA since 6/1.

For more Transactions go to rbr.com

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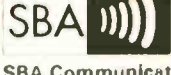



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 <p>\$23 billion Merger with Clear Channel Communications, Inc.</p> <p>Financial Advisor Pending¹</p>	 <p>\$1.3 billion Acquisition of 12 radio stations from Clear Channel Communications, Inc.</p> <p>Financial Advisor Pending¹</p>	 <p>\$825 million Sale of 46 of its radio stations to ENTERCOM Communications Corp.</p> <p>Financial Advisor Pending¹</p>	 <p>\$41 million Private Placement</p> <p>Sole Placement Agent May 2000¹</p>
 <p>€36 million Private Placement</p> <p>Sole Agent April 2000²</p>	 <p>\$200 million 5.50% Convertible Subordinated Notes due 2007</p> <p>Lead Manager March 2000¹</p>	 <p>\$350 million Follow-on Offering</p> <p>Co-Lead Manager March 2000¹</p>	 <p>\$500 million Senior and Senior Discount Notes</p> <p>Co-Manager March 2000¹</p>
 <p>\$379 million Initial Public Offering</p> <p>Co-Manager February 2000¹</p>	 <p>\$400 million 5.00% Convertible Subordinated Notes due 2010</p> <p>Joint Lead Manager January 2000¹</p>	 <p>\$424 million Follow-on Offering</p> <p>Lead Manager January 2000¹</p>	 <p>\$280 million Follow-on Offering</p> <p>Co-Lead Manager January 2000¹</p>
 <p>\$3.2 billion Senior Secured Credit Facilities</p> <p>Administrative Agent November 1999¹</p>	 <p>\$1 billion 1.50% Convertible Senior Notes due 2002</p> <p>Joint Book Manager November 1999¹</p>	 <p>\$259 million Follow-on Offering</p> <p>Lead Manager November 1999¹</p>	 <p>\$348 million Follow-on Offering</p> <p>Co-Manager November 1999¹</p>

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