Radio Business Report™

Voice Of The Radio Broadcasting Industry®

December 3, 2001

Volume 18, Issue 49

Paul Weyland offers an education on educating salespeople and their clients.

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RADIO NEWS

ADBIZ

SALES

MEDIA MARKETS AND MONEY

Pattiz's latest target demo: Young Arabs

Westwood One (N:WON) Chairman **Norm Pattiz** is trying to bring hits of the West and the Mideast to Arab audiences in their Mideast homes, particularly the young. Included with the music will be the message that while Americans are down on terrorists, they have nothing against Islam. "We want to talk to them and with them, not at them," commented Pattiz.

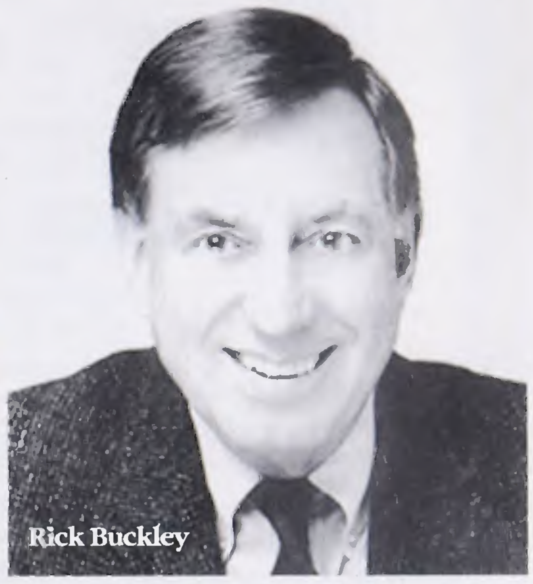
Pattiz was appointed to the Broadcasting Board of Governors by then-President **Bill Clinton** last year. The panel oversees overseas American broadcasts.

According to a report in the Wall Street Journal, Pattiz is spearheading efforts to build a 600 kw AM station in Cyprus, with initial broadcast targeted for 6/02. His group eventually wants to build two more AM and 11 FM stations.—DS

CCU draws support, flak for Ackerley deal

Clear Channel's (N:CCU) $800M deal to acquire the stock of The Ackerley Group (N:AK) has found a supporter and a detractor, each with a fairly specific agenda.

On the plus side is the Minority Media and Telecommunications Council, which filed comments in support of an extended waiver period for Clear Channel to spin off an estimated eight radio stations in Binghamton NY, Rochester NY, Santa Maria-Lompoc CA,



Rick Buckley

Syracuse NY and Utica NY. Clear Channel has asked the FCC for a 12-month waiver for the before spin-off sales are finalized, rather than a six-month period (or for that matter, no period).

MMTC noted that previous mass station sales by both Clear Channel and Infinity resulted in significant gains in minority ownership of broadcast properties. However, at this time, the lending climate is not favorable for buyers which lack a significant track record. MMTC believes that, given time, it may be able to find qualified buyers and help them secure the necessary funding, to participate in the sell-off. As such, it supports a 12-month waiver on the spin-off requirement.

On the other hand, a petition to deny has come in from **Rick Buckley**'s Buckley Broadcasting, specifically pertaining to the Monterey-Salinas-Santa Cruz CA market. Buckley operates an old-fashioned AM-FM combo there, while Clear Channel has a six-station superduopoly which Buckley claims already takes out a 48% of the market's radio revenue. Buckley feels that is enough, and petitions to deny the acquisition of Ackerley's two in-market TV stations (one is a CBS affiliate owned by Ackerley, the other a Fox-UPN-affiliated station operated by Ackerley in an LMA).

"...Clear Channel will dominate the spot advertising market such that no other radio or television broadcaster will be able to compete," wrote **Martin R. Leader** and **Brendan Holland**, counsel for Buckley. "Indeed, it is unlikely that any other media voice could match the control that Clear Channel would exercise in the market...Any fair examination of the Monterey-Salinas marketplace as it is proposed should reveal a lopsided competitive environment that is inconsistent with the Commission's policies and goals."—DS

FYI from Radio Business Report

Due to the holiday calendar *RBR* will not be printing the weekly on December 24 and December 31st. The first post-holiday issue will be January 7th, 2002.

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Executive Editor .... Jack Messmer
Managing Editor .... Dave Seyler
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Production .... Michael Whalen
VP Administration .... Cathy Carnegie
FCC Research Consultant .... Mona Wargo
Administrative Assistant .... April Olson
Publisher .... Jim Carnegie
VP/GM, Associate Publisher .... Ken Lee
Senior Account Executive .... John Neff
Account Executive .... June Barnes

Editorial/Advertising Offices
6208-B Old Franconia Road
Alexandria, VA 22310
PO Box 782 Springfield, VA 22150

Main Phone: 703/719-9500
Editorial Fax: 703/719-7910
Sales Fax: 703/719-9509
Subscription Phone: 703/719-7721
Subscription Fax: 703/719-7725

Email Addresses
Publisher: .... JCarnegie@rbr.com
Editorial: .... RadioNews@rbr.com
Sales: .... KLee@rbr.com
JNeff@rbr.com

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

Nashville, TN Sales Office
June Barnes
Phone: 615/360-7875
Fax: 615/361-6075
Email: .... JBarnes@rbr.com

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RADIO NEWS®

BMI strikes streaming deal with radio

Performing rights organization BMI announced that the BMI rate court has approved an interim license agreement for radio stations streaming their over-the-air broadcast signals. The agreement is available to stations represented by the Radio Music License Committee (RMLC), which is currently involved with BMI in the CARP/rate court proceedings in US District Court in New York to determine final license fees and terms for broadcasting over-the-air and streaming. The interim measure is effective until the final outcome of the rate court proceeding.

The RMLC's position has been that stations don't need a separate BMI license for streaming their over-the-air signals and should not have to pay separate fees to BMI. BMI's position is that a separate license is required and that stations should pay 1.8% of gross revenues (less certain deductions) from their websites, the same as the proposed over-the-air broadcast rate.

The agreement will be offered to a majority of US stations that are streaming their signals. The fees for stations already covered by a BMI blanket license will be 1.605% of the station's streaming Internet revenue, the same as the interim rate those stations pay BMI for over-the-air broadcasting. The per program-licensed stations who stream will pay the same net effective license fee as their over-the-air per program rate. The minimum fee for all stations streaming BMI music is $259 per year commencing in 2001 and increasing by CPI annually. The agreement also provides for retroactive coverage for stations that may have been streaming their signals online since 1997. The interim fees may be subject to either an upward or a downward adjustment based upon the court's final decision in the rate proceeding.—CM

***RBR* observation:** This deal makes things alittle clearer for stations wanting to stream online, but there are still lots of other issues remaining—particularly whether broadcasters will also have to pay performance royalties sought by the record companies. That's the subject of another court battle.—JM

FAA allows traffic copters back over DC, NY

The FAA has granted a waiver to Fetter Aviation to fly in the immediate DC area. Fetter is a Clinton, MD company that provides helicopters and light aircraft for DC-area radio and TV stations. Since the 9/11 attacks, the FAA has banned noncommercial flights within a 25-mile zone around DC. Fetter flies reporters for Metro Traffic and Shadow Broadcast Services. Since 9/11, Metro/Shadow has relied on traffic cams, mobile reporters and drivers who call in accidents and backups over cell phones.

Metro/NYC received a waiver 11/21 allowing its copters to fly over the "restricted zone" of the market for the first time since 9/11. Pilots still must avoid Ground Zero and the recent crash site of AA Flight 587.—CM

Recession began in March

This is hardly news to anyone in the radio business, but the National Bureau of Economic Research made it official last week (11/26)—the United States is in a recession. In fact, we've been in one since March.

"The committee is satisfied that the total contraction in the economy is sufficient to merit the determination that a recession is under way," was the official announcement from the committee which is charged with calling the beginning and end of each economic cycle.—JM

Non-competes outlawed in Illinois

Rebuffing Gov. **George Ryan** (R), both houses of the Illinois legislature have overridden the governor's veto of the Broadcast Industry Free Market Act (SB-0702, see RBR.com 7/24). The 11/28 vote by the state house, just 14 days after the state senate also voted overwhelmingly to override the veto, means that non-compete clauses in radio and TV employment contracts will be null and void in the state of Illinois.

"We're naturally disappointed with the override and remain puzzled as to why the Illinois legislature 'singled out' the broadcast industry," Illinois Broadcasters Association President & CEO **Dennis Lyle** told *RBR*.

Meanwhile, union leaders are celebrating and say they'll try to get other stations to enact similar laws. "No longer can managment in Illinois restrict competition for talent and keep wages artificially low," said AFTRA Chicago Chapter President **Dick Kay**.

What the new Illinois law (effective 1/1/02) says: "Post-employment covenants not to compete are prohibited. (a) No broadcasting industry employer may require in an employment contract that an employee or prospective employee refrain from obtaining employment in a specific geographic area for a specific period of time after termination of employment with that broadcasting industry employer. (b) This Section does not prevent the enforcement of a covenant not to compete during the term of an employment contract or against an employee who breaches an employment contract."—JM

O'Reilly still has no deal

While we reported (*RBR* 11/26, cover) that Fox News Channel star **Bill O'Reilly** is likely to sign with Westwood, no deal has been done yet (a WW1 source confirmed). Said an *RBR* source: "It's not done, it's not even close—believe me. O'Reilly is so pissed off that I doubt he will be doing anything for at least a year."

Why? Columnist/Premiere host **Matt Drudge** recently blasted O'Reilly for "marketing himself directly against **Rush Limbaugh**." O'Reilly blasted back (RBR.com 11/21).

***RBR* observation:** As we've said (RBR.com 11/21), O'Reilly may end up with a daily show not directly positioned against Rush. However, if Rush's upcoming cochlear ear implant surgery fails, he may leave radio. If so, O'Reilly may take the same slot, or replace Rush at Premiere—he would be a shoo-in for Rush's 600 affiliates. O'Reilly is likely in conversations with Premiere. No deal may be struck anywhere until Rush's hearing returns, or not.—CM

Radio needs a controversial person like O'Reilly. For example, millions were raised to help the families of WTC victims and not a single dime was paid until he shook the big apple off the tree. Is a controversial figure like O'Reilly good for radio? You bet. It gets the ad community's attention that radio is the medium that delivers consumer response and gets them to spend—especially during this recession.—JC

Infinity, Salem on the move in Cincinnati

Lebanon, OH is about 15 miles up I-71 northeast of the Cincinnati metro area, and it is home to Infinity's (N:VIA) WAQZ-FM. The station will remained camped out on 97.3 mHz, but it will be moving across the river into Kentucky, specifically to Fort Thomas, which is directly across from the eastern portion of Cincinnati.

Salem Communications (O:SALM) subsidiary Caron

What about XM ads on syndicated programming?

While we know that Saga (A:SGA), Cox Radio (N:CXR), Greater Media, Buckley/WOR Radio Network, NextMedia and Entercom (N:ETM) have decided not to air XM Satellite Radio ads (RBR.com 11/26), what happens if an XM (or Sirius) ad ends up on a syndicated program or ad network these stations are affiliated with? Contractually, wouldn't they have to air the ad?

Some say, it depends. "If the station has a problem with a commercial—any commercial of any advertiser, they can opt not to air it. They should inform us, and most would inform us if they had an issue with the content," says AURN President **Jay Williams**. "Generally, that has occurred in the past with something like a Gospel station not wanting to air a beer commerical in the old days. This would be different, and we would handle it on a case-by-case basis per station, without creating some major policy situation. I'm not aware of it coming up on the network side to become an issue."

ABC Radio Networks President **Traug Keller** says the details were being worked out as we spoke. "We're not forcing them—if they take it off, they take it off."

So it will show up as a clearance that wasn't filled? "Actually, we're working our way around that. We're trying to work with the different groups right now to figure out how to make that work. There's a lot of groups that are taking them—the ABC stations, Clear Channel stations. We're not accepting, by the way, any ads that slam radio," adds Keller. "Bottom line is what we're doing is we keep track for our advertisers whose not clearing it. We give them make-goods in terms of what they're actually receiving in audience."

What happens for those affiliates that pull the ads? What is substituted? "They are working that out now. We're policing the commercials that we get, making sure they don't slam radio, and we're working with the groups to try and figure out how to do it that don't want to run it."—CM

Seven newcomers on RAB Board of Directors

The Radio Advertising Bureau election results are in, and added to the Board are seven new Directors. They are: **Joan Gerberding**, President, Nassau Media Partners; **Jay Meyers Sr.**, VP, Clear Channel; **Michael Osterhout**,

Joan Gerberding

President/Radio, Morris Communications; **Bob Proffitt**, President, Citadel Communications; **Art Rowbotham**, President, Hall Communications; **Dan Savadove**, CEO, Root Communications; **Al Vicente**, SVP, Pamal Broadcasting.—DS

Broadcasting is helping out with a move of its own. It will restore first community FM service to Lebanon by moving its 96.5 Class B WYGY-FM there from Hamilton. Although the two towns are roughly the same distance from the city, Lebanon is located about 15 miles east of Hamilton.

Whereas the result should be comparable coverage for Salem, it will put Infinity's station much closer to the real estate that counts in the market.

The government of Canada has a say in this one, which it has yet to offer. The moves for each station have been granted conditionally.—DS

Rex Broadcasting signs Lionel in $15M deal

Now we know what newly-formed Rex Broadcasting Corporation founder/CEO **Bob Meyrowitz** (creator of the King Biscuit Flower Hour) is up to: signing radio talk show host **Lionel** to a $15M, multi-year deal. The three-year agreement builds upon the Libertarian, former trial lawyer and stand-up comedian Lionel's clearances at stations across the country.

Lionel was twice named one of the "100 Most Important Talk Show Hosts" in the country by Talkers Magazine. hosted a No. 1-rated morning drive-time show on WABC-AM, hosted Court TV's Snap Judgement and made regular appearances **Geraldo**, The **Ricki Lake** Show, and programs on CNN and CNBC.

Says Lionel: "I have never discussed a topic or engaged in a conversation that one could not possibly hear in your local tavern. You'll never see two friends belly up over a cold one and opine anent the applicability of NAFTA in a macroeconomic milieu. You can expect to hear my thoughts on, say, terrorism, jurisprudential aspects of military tribunals, all the way to what is the worst thing you've ever smelled."—CM

AZ the dial turns: An Arizona allotment drama

Perhaps the move of a Nogales station was seen as a "Vail'd" threat. Desert West Air Rancher's proposed amendment to the FM table of allotments to take Class A KZNO-FM from 98.3 to 98.5 mHz and plop it down about 40 miles or so to the north in Vail, AZ, drew comments from Big Broadcast of Arizona, REC Networks, Arizona Lotus Corp. and McMurray Communications.

Perhaps the fact that Vail is a scant 10 miles outside of Tucson had something to do with the high level of interest the proposal attracted.

When the smoke cleared, the town of Vail came out with two stations, where it had none before. KZNO was cleared to make the move described above, and in addition the FCC provided for an entirely new Class A to be built on 104.5 mHz, which the FCC did to accommodate a counterproposal submitted by Big Broadcast.

And that's not all. More or less replacing the Nogales version of KZNO-FM will be a new Class A to be assigned to Patagonia, AZ on 98.1 mHz.

***RBR* observation**: We note that the FCC, in approving Vail for two stations, wrote that the town "...is not within nor adjacent to an urbanized area..." Maybe, but as we see the map, the signals of the new KZNO and its new, as yet unlicensed and unbuilt townmate will have no problem with traffic as they tool up I-10 into the friendly confines of the Tucson market.—DS

Interep on advertising during downturn

Only days after economists declared the US officially in a recession, Interep released an industry white paper on the benefits of advertising during economic downturns. "The Power of Advertising Through Recessions: From Oxydol to Dell" is a research review and brand analysis on the benefits of maintaining or increasing advertising spending during periods of recession.

The report says research studies on recessions dating back to the '40s all point to the same basic conclusions: (1) Companies that maintain advertising during times of recession experience higher sales and income during the recession and in the years immediately following than companies who cut advertising budgets; (2) Recessions offer greater opportunity for companies to build market share than periods of limited growth or expansion; (3) Continuing to maintain or increase advertising during a recession solidifies a company's customer base, takes business away from less aggressive competitors, and positions a company for future growth during recovery.

The paper also highlights brand successes among products that advertised heavily in the past. Dating back to the depression, brands such as Camel and Chevrolet were able to overtake top market positions from competitors through aggressive marketing campaigns. Procter & Gamble also spearheaded some of its best-known brands during the depression, including Camay, Ivory, Lava Soap and Crisco, via radio soaps.

As recently as the last recession, the paper says Saturn and Dell Computers took advantage of competitors' relaxed marketing efforts to vault to the top of their categories.—CM

RBR news analysis

Clear Channel on the edge

It seems that multimedia juggernaut Clear Channel (N:CCU) is beginning to draw fire from all sides. Potshots are being taken at the company's use of its concert venue business, at alleged rate-slashing, at **Bubba** the Love Sponge, and particularly at the use of front companies and the operation of oversized radio station clusters.

The most recent complaint is from Buckley Broadcasting, which objects to a part of the CCU deal to acquire The Ackerley Group (see story, p.2). That petition pales, however, when compared to the **David Ringer** petition to deny which was filed a few weeks ago (*RBR* 11/19, p.1). It specifically objected to the sale of WKKJ-FM Chillicothe OH to CCU by Secret Communications.

As we noted earlier, it appears that CCU has just enough room to legally acquire WKKJ—it is destined to become part of the Columbus OH market via an as-yet unbuilt construction permit (RBR.com, 11/13). However, the Ringer petition cited the use of front companies which he claimed were holding the stations while CCU in fact operated them, including WKKJ.

We checked websites for WKKJ-FM, and also for the Clear Channel superduopoly cluster in Jacksonville, FL. The Chillicothe station was directly linked to CCU stations in that town. In Jacksonville, the Clear Channel website included two television stations, a link to the company's outdoor business in the area and one to the Clear Channel Marketing Group. And there are no less than 12 radio station icons displayed. A note at the bottom of the web page says, "106.5 The Promise, 1400 WZAZ, WJGR and WZNZ are Concord Media Group stations."

A page from the Clear Channel Jacksonville website

Are CCU and Concord allied in an LMA (local market agreement)? It is important to remember the rule of thumb on LMAs, which is that if you can't own it, you can't LMA it. We use the term LMA in this specific instance to imply some control over programming on the LMA'd station. Precedent is much less clear when it comes to a straight JSA (joint sales agreement), where only sales are concerned. To the best of our knowledge, the FCC has not made a negative ruling on any such arrangements. Therein may lie the key to CCU's response to the Ringer petition, which is expected to be filed this week.

We don't have a problem with so-called "front companies," nor have we noticed anybody, including the FCC and DOJ, voice any complaints about the use of them to help deal with the spillover from a complex merger. Often, these transactions have resulted in local cap overages, and result in an individual, often a station broker, being hired to run the stations—independently—until either they are sold or new regulations allow the station to be acquired by the original buyer. A recent example is the Z-Spanish Trust, created to handle spillover when Entravision bought the Z-Spanish radio group. Those stations were put under the care and feeding of **Mark Inglis** and the late, well-known media broker **Charles Giddens**. All of the stations have been sold.

Nonetheless, there are those on Capitol Hill who are spoiling for a fight with radio and television's big operators. As Senators **Ernest Hollings** (D-SC) and **Byron Dorgan** (D-ND) demonstrated in their infamous summer editorial (*RBR* 6/25, p.4), they aren't at all concerned about having accurate information—they are out to reregulate if possible, and hold the line where it is if they can't. And the FCC, despite sitting Commissioners with a dereg bent, is looking into local ownership caps, and the markets they've chosen to focus on, perhaps ominously for existing radio station clusters, are all highly consolidated.

It cannot be denied that radio has been the subject of stunning deregulation, and it has completely changed the face of the industry. In 1992, owners have were limited to two stations per market with a 12 station national cap. Now owners may have eight stations in a market, with no national limit at all.

Some will say that if it quacks, it's a duck, and if there are 12 radio stations listed on the Jacksonville website, then that's at least four too many. It seems to us that Clear Channel should not be doing anything which even suggests impropriety and may bring down the wrath of regulators from both the elected and appointed sectors of government. Having already been fined once for not adhering to the FCC's LMA rules (in Youngstown, OH, RBR.com, 7/23), Clear Channel is playing a risky game by trying to stay too close to the stations which it can't legally own or control. The Concord stations in Jacksonville should be cut loose, entirely, as should all others with which Clear Channel may have similar arrangements.—DS

By Carl Marcucci

Arbitron's RADAR transition to diaries: for better or worse?

As soon as Arbitron purchased SRI's RADAR Network Radio ratings service (*RBR* 7/9, cover), the ratings king announced it would transition the survey methodology from telephone to diaries. The earliest this will occur is RADAR 73, slated for publication next June. We asked Arbitron, the networks and some of the buyers (also see *RBR* 7/9, p.8), now that some data comparisons have been provided, what sort of an impact such a huge change in methodology could do for and against the network radio biz.

David Lapovsky

"We are committed to providing information to our network, agency and advertiser subscribers to help them anticipate what might change when we make the transition from telephone- to diary-based measurement. As part of that effort, we've produced a special RADAR 69 report (Spring '01) identical in every material way to the published RADAR 69 report except that we used a sample of 32,000 diaries instead of 12,000 telephone calls," Arbitron's EVP, Worldwide Research **David Lapovsky** tells *RBR*. "We've shown comparisons of the telephone- and diary-based reports to the Network Radio Research Council and to our agency and advertiser subscribers. We are talking with our subscribers about introducing diary-based reporting in RADAR 73. We believe that this gives our clients ample time to make whatever adjustments are required."

"At this point, Arbitron has only provided to the network and agency subscribers data for RADAR 69 based on the diaries to do comparisons. They are calling it 'RADAR 19.' One book a trend does not make. We need to look at a couple of comparisons," says **Dr. Tom Evans**, Director of Research, ABC Radio Networks and Network Radio Research Council Chairman. "We had sent a formal letter to Arbitron raising some concerns. We are meeting with them in December. One of the issues we asked was to see 19 issued again with a new diary database. At this point, they're saying 'No' to that. They're saying they will have RADAR 70 available for us, which is the live data in the marketplace right now. That would be called 'RADAR 20.' The networks have requested that not be released at this point so there wouldn't be a set of live data floating around in the marketplace. RADAR 71 comes out 12/17—maybe we will have RADAR 70 around that time. That will at least give us two sets of data to compare and get a feeling for because in comparing RADAR 69 and 19, certain networks (not ABC) experienced significant changes in their audiences. And I don't know if that was a function of that particular network, or the luck of the draw, a statistical bounce or what."

Kraig Kitchin

Premiere President/COO **Kraig Kitchin** tells *RBR* those numbers were quite appealing for his nets. "Anytime you access an entirely new database of respondents, you have the chance where the research is going to be completely different. We've seen some preliminary data that shows our networks actually have a very, very positive, almost artificially too good [report] for us to comprehend or to want to even take stock in. And similarly, I know that one of my competitors had dissimilar results. So hopefully, that's going to be a long transition process that gets everybody into the boat, and there will be a meeting of the minds of the research directors of the radio networks to give Arbitron a very good guidance through that process that hopefully will take 15-18 months. I am going to put a great deal of my faith in the Research Council."

Evans is hoping RADAR 20 will be enough to establish a real basis for comparison. He reiterates 19 was full of anomalies: "RADAR 19 gave us a chance to compare the two and do some statistical analysis. However, certain networks increased or decreased audiences by double digits! Others remained flat. At this point, in my analysis here at ABC, I just couldn't determine if it was an idiosyncrasy, a pattern or what. We need another set of data."

What if more data provides the same results: all over the map? "Arbitron's position has always been that they are going to move over to the diaries. I don't think there's any way the industry can turn them around, to back away from that decision. What we, the networks and agencies, have to do is work together to make sure that it is a smooth transition," responds Evans. "If they had come to me and said, 'We are going to give you 1.4M diaries,' I would be much more of a happy camper, because then I would have been able to provide to my clients not only national estimates, but also market-by-market estimates. That's really the advantage to having the Arbitron database, so you can get individual market information based on cleared audiences, not potential. And so that's down the road. At this point, the SRI software called 'SCAN' can only handle a limited number of diaries. That's why they went with 32,000 as opposed to 1.4M."

Lapovsky admits to the current limitations, but says RADAR 73 will definitely utilize more diaries: "The two diary-based demonstration reports have each been based on 32,000 diaries (8,000 per quarter). The exact number of diaries we will use in our first diary-based report will be driven by the speed of the desktop processing software, but it will be a minimum of 36,000, and very likely more."

Phone vs. diary

Certainly, switching from the time-tested phone-based survey methodology that RADAR launched with to diary-based will change some of the end results. But by how much, and will using a larger sample actually bring about more accurate results?

"Hopefully, we'll get better results, but I think at the same time anytime you shift one methodology to another methodology, you're going to see some sort of dramatic shift in the reporting at that point and it's going to make a lot of people uncomfortable. It's just simply for the fact that they've been doing it one way and all of a sudden, the numbers are going to look very, very different," **Doug Ray**, Managing Director, DiMassimo Brand Advertising, tells *RBR*. "The more that we can move to some sort of electronic measurement I think that's probably going to be the better situation, and that's proven itself out for advertisers who have used the Internet."

Matthew Warnecke

"Our Director of Research has been on the road for a lot of meetings, so I don't have a stance yet on the feeling about the changes," comments MediaCom Director, Network Radio Services **Matthew Warnecke**. "Hopefully, it'll be more uniform in how we deliver audience estimates and therefore will not be aggregating numbers that bear no universal resemblance to each other."

Amy Nizich

"I didn't like the idea that Arbitron got RADAR only because they've now got zero competition again. But once having gotten it, Arbitron has a much bigger diary base than RADAR ever had. We just have to make sure that Arbitron does the clearances properly," says **Amy Nizich**, Initiative Media EVP/Director of Local Broadcast Negotiations. "That's what Arbitron Nationwide was missing in the first place—is that it wasn't attached to clearances. What's the use? Especially with networks—you don't need them in local. So, if they can bring the clearances and with the bigger sample base, we should have a much bigger picture of want's going on in network. So I think that's a good thing. And, we'll be working with the same data for network and syndication, which we weren't before. You'd have to get your syndicated stuff from Arbitron Nationwide, no clearances, but that was the only way to go. And then your wired networks from RADAR. You really weren't working with the same data, so this is much better ultimately, as long as they do it right. This really should be much better for us."

Like Ray, **Bernie Shimkus**, Director of Research, Harmelin Media, says Arbitron's Personal People Meter technology may be the best option. "Harmelin Media does not subscribe to RADAR currently, so our knowledge of it is from a peripheral sense. You certainly will see changes and the sample base will certainly increase. And that is a good thing in one sense, but will not necessarily equate to entirely more accurate numbers because within the diary methodology, as with the previous telephone methodology, there are biases. They're both relying on listener recall of their radio listening patterns, rather than a comparison of the people meter that they are testing as well where it's passive and doesn't require an action on the part of the survey participant to try and remember what it is that they listened to."

Irene Katsnelson

It will be a bigger sample. But will that bigger sample simply exaggerate some of the biases that are inherent within the diary sample? "Probably, but is that better than the telephone recall with the smaller sample? In my opinion, probably yes," adds Shimkus. "I think another problem with the telephone sample is that people tend to not be as forthcoming about their listening habits in a personal interview. They may not want to admit that they are a regular listener to an off-color show like **Howard Stern**."

Says MediaVest's VP, Director of National Radio **Irene Katsnelson**: "It's difficult say which is better since each has its positives and negatives. The larger sample size is a definite plus. Clients and buyers are excited that there will finally be a single measurement source."

Lapovsky says the advantages will be many: "We got into the network radio business because we believed that by adding a larger diary-based sample to RADAR's highly regarded clearance information, we would bring a greater credibility and utility to network radio ratings. The benefits are (1) Larger samples mean more stable audience estimates; (2) Having network and local listening data derived from a common measurement source; (3) The eventual integration of Nationwide and RADAR data into one software platform will make network radio a more accessible medium and (4) The opportunity for more networks to be measured in the RADAR service will provide credible measurement for an even larger segment of the national radio business."

***RBR* observation:** The solution may be a phased-in report. Instead of dropping all 12,000 telephone respondents at once, maybe Arbitron should drop a fraction of that and introduce the rest in diaries for RADAR 73—a transitional process. Arbitron could bring in diaries gradually as to avoid huge spikes in the numbers right off the bat, especially if RADAR 20 is also all over the map. Agencies don't want to go to their advertisers and say 'You know, those numbers we sold you last week, well they are now down (or up) 10% because of this change in methodology.' It's important that agencies and advertisers don't lose faith in the numbers—especially if the nets can't explain exactly how the changes occurred. It could really hurt radio if this transition is not handled properly.

Why Radio Advertising "Doesn't Work"

By Paul Weyland

Almost all of us have clients who say they've tried radio before and that "it doesn't work." But saying that radio doesn't work when you don't know what you're doing is like saying a car doesn't work because you don't know how to drive. Whose fault is it that the client is ignorant about marketing, advertising and an effective medium like radio? It's our fault. It's the radio industry's fault.

It's our fault that we fall all over ourselves offering bonus spots and free promotions to a client who threatens to cancel because his radio campaign "didn't work." But rewarding ignorance is ultimately a very short-term solution, because that client will eventually cancel.

It would be much smarter and less expensive to educate salespeople correctly from the get-go, so that the salesperson could properly educate each client. An educated client is one who knows the basic rules on how to use radio properly. An educated client knows the difference between a good and bad spot. An educated client understands the logic of owning a day or a daypart on your station. An educated client won't have unreasonable expectations because he understands how to properly calculate return-on-investment. Finally, an educated client is less likely to advertise a flawed product or service to begin with.

When an advertiser says that radio didn't work, just remember that one or more of the following five things occurred.

- **Wrong station**. It does not make logical sense to advertise skateboards to a classical music audience. Yet, some eager salesperson is out there right now talking some business owner into advertising his product or service on a station that does not correctly serve the client's demographic.
- **Bad schedule**. Radio is a frequency medium. Agencies don't buy in a results-oriented manner. They are only trained to buy efficiency. The best way to use radio is to OWN A DAY or OWN A DAYPART. If your station is selling thin rotator schedules to a client, then there is a good chance the campaign will not work. Think about it this way. If one spot equaled one liter and if your station ran 1,200 spots per week, then running a 10-spot ROS schedule would be like pouring a bottle of Dom Perignon champagne into 300 gallons of water. I don't think you'd taste much champagne. However if you concentrate a schedule by OWNING A DAY with eight to ten spots, your chances of success are much better.
- **Bad message**. Remember that our job is essentially to tell an audience who the advertiser is, what he does and how to get in touch with him. We do that by 1) immediately getting the attention of those people in our audience who WILL BUY "X" product or service from somebody this week, 2) explaining *without clichés* how that narrowcasted audience will benefit by doing business with the advertiser, and 3) clearly explaining and repeating the call to action.
- **Mismanaged expectations**. If the client and the salesperson haven't discussed what the client's average sale is and how many average sales the client would have to make to pay for the advertising schedule he is buying, then how can you possibly manage your client's expectations?
- **Marketing problems**. You must deal with marketing problems before you even begin to discuss an advertising campaign, because even the best advertising in the world will have little chance of success if the client has problems with his product or service and/or his sales force. Your client has marketing problems if his product or service is poorly conceived or packaged, overpriced or not conveniently available. Your client has further problems if he doesn't have a sales force that can successfully sell the customers who do call or come in. Always remember that advertising a flawed product or service is like putting lipstick on a pig.

I've seen instances where clients actually had all five of these problems at the same time. In most cases the exasperated salesperson is incapable of doing anything other than complaining about the client and wasting valuable time "putting out fires."

Putting out fires can get expensive when you're needlessly using free spots to extinguish them. By educating salespeople properly so that they can properly manage their client's campaigns and client expectations, you'll save time and money for your station and your client. You'll keep more clients long-term. And you're much less likely to hear your customers say, "Radio doesn't work."

Paul Weyland is President of Paul Weyland Training Seminars, Inc. He can be reached at (512) 236-1222, by email at weyland@swbell.net or by going to www.paulweyland.com.

No need for NTR with 0% loans

Auto dealers dramatically reduced promotions that produce non-traditional revenues for radio stations in October. After all, with the automakers offering 0% financing, who needs any other promotion? You just buy spots to draw in consumers. The Office category, including computers and telecommunications, was off significantly in October as well—a sign of the soft economy.

On the plus side, Leisure rose dramatically, as hotels, resorts and other tourist-dependent businesses sought ways to draw in customers in the face of Americans' reluctance to fly following the terrorist attacks of 9/11. If people aren't coming from afar, the obvious solution is to find ways to draw in the locals, which created lots of NTR opportunities for local radio stations.—JM

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

	Apr	May	Jun	Jul	Aug	Sep	Oct	YTD
Automotive	6.43	13.08	8.75	5.29	6.30	7.08	1.69	6.04
Food/Grocery	27.10	31.42	37.02	38.79	28.42	30.20	31.34	30.71
Leisure	38.84	35.37	26.84	27.03	25.39	14.82	54.92	34.81
Health & BC	9.52	3.03	6.93	1.26	21.36	26.75	4.26	8.28
Home Improv.	9.98	6.69	10.59	13.66	8.76	16.91	1.35	7.94
Office	4.04	4.58	1.80	2.16	1.83	2.68	0.42	2.65
Clothing	0.00	1.35	2.30	5.34	5.59	0.00	3.93	2.96
Recruiting	4.08	4.48	5.78	6.48	2.35	1.55	2.08	6.61

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

Lower holiday spending predicted

A report from the Conference Board says American households will spend an average of $462 on gifts this Christmas, down from last year's projected average expenditure of $490. Retail sales are expected to be approximately $50B—about 4% below last year's projection.

"The sluggish economy, declining consumer confidence, widespread layoffs and the tragic events of September 11 appear likely to hold down holiday spending as we head into the final five weeks of the year," said **Lynn Franco**, Director of the Conference Board's Consumer Research Center. "But retail outlets offering the price-conscious consumer a good buy may fare better than projected."

Approximately 21% of consumers purchased gifts over the Internet last year. 90% were satisfied with their online experience. This year, about 22% plan to purchase gifts online, with toys, games, books, apparel and footwear and music CDs at the top of the Christmas list.

This survey of Christmas spending intentions covers a nationally representative sample of 5,000 households. It was conducted for the Conference Board in November by Interpublic's (N:IPG) NFO WorldGroup.

Based on the survey results, the biggest holiday spenders this year will be in the Middle Atlantic region, where expenditures are expected to top $570. Next biggest spenders are in the New England ($558) and East South Central ($501) regions. Household spending plans are lowest in the Pacific ($385) states—almost 17% below the national average.

Approximately 33% of homes intend to spend $500 or more on Christmas gifts. Two out of every five households intend to spend $200-500 on Christmas gifts. The remaining 27% of households plan to spend less than $200.

Households with incomes in excess of $50K intend to spend more than $610 for Christmas gifts—almost one-and-a-third times the national average.

Close to 22% of respondents intend to purchase Christmas gifts via the Internet. Toys and games are the most popular gift item among holiday Internet shoppers. Approximately 43% of consumers have placed these gifts at the top of their Christmas lists. Books ranked second. Almost 40% of consumers claim books will be among the items they buy online this holiday season. Apparel and footwear are third on the list ñ 33% of respondents intend to purchase these gifts online. Music CDs are also a popular Christmas gift. Nearly 31% of consumers plan to purchase CDs on the Internet, according to the Conference Board's annual survey.—JM

By Jack Messmer

Coen speaks today

Universal McCann Sr. VP and Director of Forecasting **Bob Coen** is the leadoff speaker today (12/3) for the 29th annual UBS Warburg (formerly PaineWebber) Media Conference in New York. As always, Wall Street and Madison Avenue will be waiting anxiously to hear the prediction for the next year from the ad industry's most experienced forecaster.

In his first look at 2002 back in June (*RBR* 6/18, p.1), Coen was optimistic: "We believe the US economy will brighten and that, as a result of heavier political activity and the Winter Olympics, US ad demand should begin to move back up in 2002. The dot-com marketers will also undoubtedly return to a point of more importance eventually, but that may take a little longer. Therefore, our first projection for Year 2002 is for US advertising to increase by 5.0% over 2001."

But that was six months ago and much has changed (and not for the better) since then. *RBR* will be on hand for Coen's forecast, so check RBR.com for first word of his latest prognostication.

Myers still a pessimist

Stock prices have recovered from the sell-off that followed the September 11th terrorist attacks, but ad spending guru **Jack Myers** isn't convinced that the bad news is all behind us. Despite continued consumer spending, efforts by the Federal Reserve and Bush Administrations to boost the economy and widely circulated predictions that the current recession will be over by med-2002, Myers still sees some tough times ahead for media companies.

"The economic indicators that we study do not look as positive, and Jack Myers Report is restating our pessimistic forecasts for 2002 ad spending. Overall, we continue to project that the best-case scenario for ad spending will be an overall decline of 1.7%, with a worst-case decline of 7.4%. Our most likely spending projection based on current indicators is at -6.0%. This compounds 2001 ad spending, which appears to be winding toward the -6.6% we originally projected in mid-2001," Myers wrote in his latest report.

"Advertising typically pulls out of a recession six to nine months after a general economic improvement. But the auto industry will need to pay for the zero-interest financing deals of 2001, and the source of these funds will be marketing budgets. Advertisers are looking toward improved cost efficiencies from media. Fragmentation, consolidation of buyers and advertisers, and declining ad budgets will assure that they succeed. Other than the gaming industry, few categories are reporting expected increases in ad budgets for 2002. New product launches have been put aside. Across virtually every category except entertainment, ad prospects for 2002 look dim," he continued.

"Although the war against terrorism is succeeding beyond our expectations, many intelligence sources here and abroad expect that there will be more terrorist attacks on U.S. soil. Depending on their timing and severity, the impact on the economy could be devastating," Myers warned.

Myers is expected to issue an update of his detailed advertising outlook, medium-by-medium, for 2002 in the next few weeks.

Mercatanti reshuffles Nassau's deck

Here's a five-station deal that is pretty much guaranteed to go completely unnoticed by listeners. **Lou Mercatanti**'s Nassau Broadcasting Partners is buying back two stations that it used to own and still LMAs and the company is swapping one AM (and its expanded band sister) for another AM that it already LMAs, but will then LMA back one of the stations from that swap.

In the Wilkes Barre-Scranton, PA market (#67), Nassau is buying back WVPO-AM & WSBG-FM Stroudburg, PA, which it sold to **Arthur Liu**'s Multicultural Broadcasting for $7M in 1998. Nassau has LMA'd the duo continuously since that sale and also owns WILT-AM in the same market.

In Trenton, NJ (#137), Nassau is swapping WHWH-AM (1350 kHz) and its linked expanded-band station, WTTM-AM (1680 kHz), both licensed to Trenton, for Multicultural's WJHR-AM Flemington, NJ, which currently simulcasts WHWH under an LMA. Nassau will then own WJHR (and four other stations in the Trenton market) and LMA WHWH. It appears that the only station which Multicultural will be programming itself (likely with its trademark time-brokered Ethnic format) will be the 1680 signal.

Brokerage honors go to **Glenn Serafin** of Serafin Bros, who represented Nassau, and **Bill Schutz** of Schutz & Co., who represented Multicultural.

Small Town makes FCC debut

Small Town Radio (O:MOLY) has finally filed at the FCC to make some of the acquisitions it has announced over the part three months. In recent days the Alpharetta, GA-based company has filed deals to buy four stations from Merchants Broadcasting Systems and one from Greenwood Communications. All are in Georgia.

The Merchants deal includes an additional $180K in compensation beyond what was previously disclosed in an SEC filing (*RBR* 10/8, p. 7). That will be in the form of a $36K annual salary to **Gil Kelley Jr.**, Vice President of Merchants, under a five-year employment agreement as Community Coordinator. As previously reported, Merchants will receive $800K in cash at closing and a six-year note for $550K at 7% interest. Thus, the total purchase price for WBBK-AM & FM Blakely, GA and WSEM-AM & WGMK-FM Donalsonville, GA is $1.53M.

In the second deal now filed with the FCC, Small Town Radio will pay $175K to Greenwood Communications for WDGR-AM Dahlonega, GA. Small Town also has to pay whatever it costs to get the station back on the air, with sellers **Doug** and **Lee Ann Roy** having no obligation to pay for any repairs. That deal was brokered by Force Communications.

Small Town Radio has reported to the SEC one other deal—a letter of intent to buy WJFL-FM Tennille, GA for $330K—which has not yet surfaced at the FCC.

The company's FCC filings reveal that President **Don Boyd** now owns a 1.2% stake in the company. Most of the company's directors own 2-2.7% each, including long-time broadcast investment baker **William Fleming**, who owns 2.4%. Former CFO **Robert Vail**, who is still a director, owns 9.8%. Otherwise, the largest shareholders are a group of investment funds and private investors who own 9-15.2% each.

SiteShell changes owner, not much else

SiteShell Corp., which creates and maintains websites for radio stations, announced that all of its assets have been transferred to Cavalry Finance Corp. That's not really much of a change, though, since the principals of Cavalry are mostly the same people who owned the old SiteShell, including CEO **Joel Hartstone** and other top management.

SiteShell's transfer to Cavalry was done to satisfy the debt (amount undisclosed) that SiteShell owed to Cavalry. Hartstone told *RBR* that the only former SiteShell owners who are not also owners of Cavalry were some institutional investors who had been given an opportunity to invest in Cavalry as well, but declined.

***RBR* observation:** SiteShell has had a "for sale" sign on it for months (RBR 9/3, p. 14) and the latest announcement (11/27) says Cavalry "hopes to determine a course of action for SiteShell's business within the next week." Should we expect that long-awaited sale announcement this week?

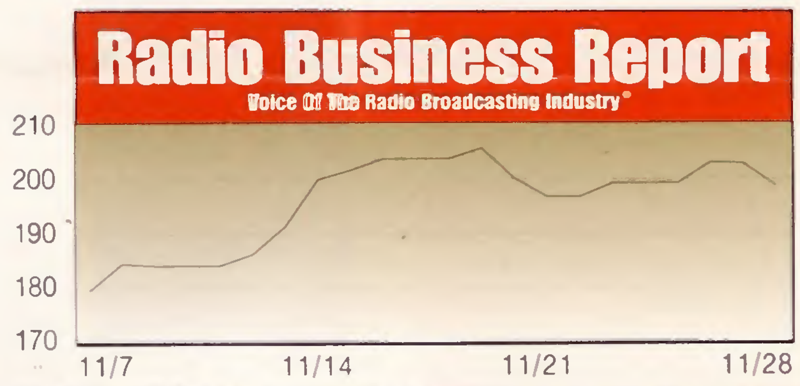
CCU already owns a stake in Ackerley

As it announced (10/8) an $800M merger deal to acquire the Ackerley Group (N:AK), Clear Channel Communications filed a disclosure with the SEC that it already owned 1.17M shares of Ackerley's public stock. There's no indication how much CCU's Clear Channel Investments Inc. paid for the shares, or when they were purchased, but they were worth $12.9M before the deal was announced—and now are worth a little over $19M. The CCU stake amounts to about 0.4% of Ackerley's stock.

***RBR* observation:** We wouldn't be surprised to find (not that they're going to tell us) that Clear Channel Investments owns stock in quite a few media companies that CCU's top management views as undervalued by Wall Street. After all, you usually do best by investing in what you know best. We only learn of such investments when the size of an investment triggers the 5% ownership level (as Jacor once did with its investment in Paxson Communications stock), when the inves-

The Radio Index™

Stocks are up one day, down the next, with traders uncertain whether the recession is on the way out or getting worse. For the week, The Radio Index™ edged up 1.851 to close 11/28 at 198.736.



tor puts a representative on the public company's board of directors or (as in the Ackerley case) when the investor bids to buy the entire company.

Journal radio revenues up slightly YTD

Journal Communications managed to finish Q3 almost flat with year-ago revenues—$632.1M, compared to $634.7M—but that was due to increased revenues for its telecommunications and marketing units. The employee-owned company saw revenues drop for its newspaper and broadcast operations.

Journal Broadcast Group reported Q3 revenues of $99.9M, down 11.5% from a year ago.

Through the first three quarters of 2001, radio revenues were $54.7M—still $100K ahead of the same point in 2000. TV, however, saw revenues plunge 22.3% to $45.2M.

The radio division's pre-tax profits for Q3 were $2.8M, up from $2.1M last year.

Regent sells $5.2M in new stock

Regent Communications (O:RGCI) announced a private placement of 900K new shares of its common stock at $5.75 per share (about 75 cents below the public trading price). Regent said the $5.2M sale of stock will net the company approximately $5M, which will be used to pay down its current debt—freeing up the company's credit facility for more acquisitions. The private placements, to both current and new Regent shareholders, were led by Robertson Stephens Inc.

Two views on satellite radio

No one knows how fast (or slow) the satellite radio industry will grow. About the only thing that everyone seems to agree on is that each of the satellite startups, XM Satellite Radio (O:XMSR) and Sirius Satellite Radio (O:SIRI), needs to get past 4M paying subscribers to make their business viable.

RBR has repeatedly predicted that the subscription model that both companies are currently banking on will fail and that, in order to survive (and perhaps even thrive), satellite radio will have to turn to the advertising-based revenue model used by terrestrial radio.

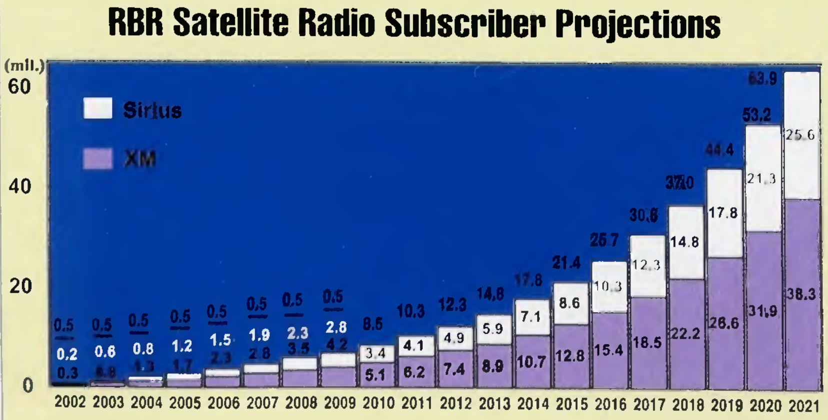
Since our predictions are as valid as anyone else's at this point (and perhaps more valuable than those of most of the "technology" analysts on Wall Street who have been assigned to the satellite radio stocks rather than the media analysts who might actually understand the business), here is a chart of our subscriber forecast and, for comparison, one compiled by Kagan World Media.

Kagan's 10-year chart assumes a churn rate (lost subscribers who have to be replaced) of 2% per month, while *RBR*'s 20-year chart assumes a 30% annual rate (on par with cable TV). Both churn predictions are considerably higher than the 15% rate predicted by the two satellite radio companies.

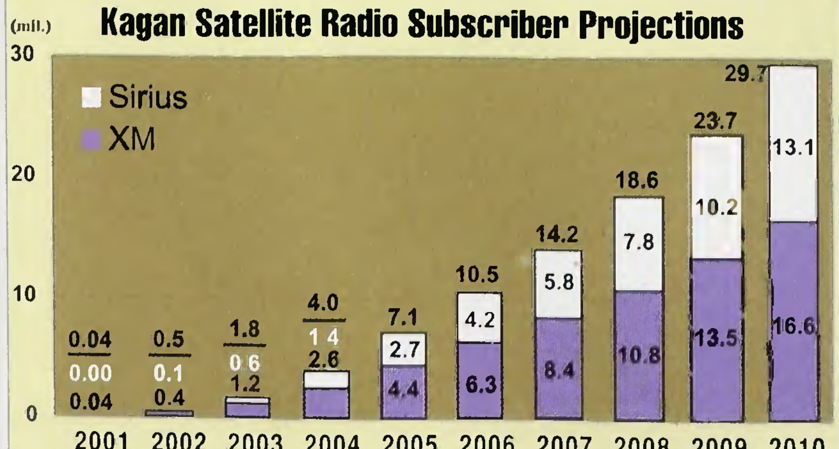
As you can see, Kagan's analysts expect XM to reach its 4M subscriber breakeven point in 2005 and Sirius the next year. *RBR*'s more pessimistic outlook doesn't see XM reaching critical mass until 2009 and Sirius not until 2011. Of course, if we're right, both will be forced to drop subscriptions and go to a 100% advertising revenue business plan long before then.

***RBR* observation:** So long as XM and Sirius stick to the subscription model, they won't pose much of a threat to AM and FM stations. Terrestrial station owners should be hoping for the satellite start-ups to achieve modest success with their subscription model and operate for a long time with modest market penetration and modest profits. But if they wise up and decide to compete head-on with free (to the consumer) over-the-air radio, the current radio industry could be in for quite a battle in any format that doesn't rely on a lot of local content.

RBR Satellite Radio Subscriber Projections



Kagan Satellite Radio Subscriber Projections



Source: Kagan World Media

TRANSACTION DIGEST©

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

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

$43,920,000 KKAR-AM, KOIL-AM/KAZP-AM, KQKQ-FM, KZFX-FM, KHUB-AM/KFMT-FM & KBLR-FM Omaha-Council Bluffs (Omaha, Bellevue NE, Council Bluffs IA, Lincoln NE, Fremont NE, Blair NE); **KGFW-AM/KQKY -FM/KRNY-FM & KLIQ-FM** Kearney NE (Kearney, Hastings); **KODY-AM & KXNP-FM** North Platte NE; **KUVR-AM & KMTY-FM** Holdrege NE. 100% of the stock of JCM Broadcasting Co. LLC from Mitchell Broadcasting Co. Inc. (John C. Mitchell) to Waitt Radio Inc. (Norman W. Waitt). $7.32M option payment, $36.6M cash at closing. Seller has the right to purchase 1,111 shares of stock in buyer up to 30 days prior to closing at $8.9K per share ($9,887,900 total). If buyer executes an IPO during this period, the $9,887,900 will be deducted from the cash to be paid at closing, and Mitchell will be entitled to receive $26,712,100. Various existing **duopolies** and **superduopolies**; stations have been operated by Waitt under an LMA/option since 2/29/00. Note: KSYZ-FM Grand Island NE is mentioned in the Multiple Ownership Study as one of the stations being acquired in this transaction, but was omitted from the application form.

$2,384,493.39 WVNO-FM Mansfield OH. 79% of the stock of Johnny Appleseed Broadcasting Co. Inc. from Charles J. Hire (55% to 0%), John S. Hire (8% to 0%), Christine Hire Schwein (7% to 0%), Phyllis F. Hire (4% to 0%), Roscoe W. Webster (3% to 0%), H. James Hire (2% to 0%), Robert Mabee (2% to 0%) to Gunther S. Meisse (21% to 100%). Combo with WRGM-AM Ontario OH, for which buyer is majority stockholder, as well as WMFD-TV and WOHZ-LP, both of Mansfield OH.

$1,530,000 WBBK AM & FM, WSEM-AM & WGMK-FM Blakely-Donalsonville GA from Merchants Broadcasting Systems (Gilbert M. Kelly) to Small Town Radio (Donald Boyd, pres et al). $70K escrow, additional $730K cash at closing, $550K note, five-year employment agreement with Gil Kelly Jr., who will be paid $36K annually as Community Coordinator. Existing daisychain **duopoly**. FMs overlap, AMs do not.

$950,000 KBIZ-AM & KTWA-FM Ottumwa IA from Gillbro Communictions LP (George N. Gillett Jr.) to Fairfield Media Group Inc. (Jay I. Mitchell). $300K earnest money, $650K note. **Duopoly** with KMCD-AM & KIIK-FM Fairfield IA. LMA until closing.

$265,000 WENG-AM Sarasota-Bradenton (Englewood FL) from Murray Broadcasting Co. (John H. Murray) to Englewood Broadcast Associates Inc. (Bruce L. Cox, James Spicuzza, Steven L. Delay). $20K escrow, balance in cash at closing. Includes five-year non-compete. Broker: Mayo Communications Inc. (seller).

$235,000 WKAD-FM CP Traverse City (Harrietta MI) from Donald James Noordyk to Cadillac Broadcasting LLC (Patricia MacDonald Garber). $5K escrow, $95K cash at closing, $135K note. **Duopoly** with WATT-AM & WLXV-FM Cadillac MI. Buyer also owns two additional AMs and two additional FMs in the Traverse City market which will not overlap this station. CP is for Class A on 93.7 mHz.

$230,000 WRVK-AM Mount Vernon KY from Cumberland Media Inc. (Larry & Gail Burdette) to Saylor Broadcasting Inc. (Charles W. & Bobbi J. Saylor). $5K deposit, balance in cash at closing.