Television Business Report™

Voice Of The Television Broadcasting Industry®

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A record-breaking network upfront; cable, syndication hoping for same

The TV upfront marketplace has so far proven to be a near-frenzy for network TV, with an early and more aggressive opening that began 5/29-5/30. The big six broadcast nets sold a staggering 80% of their inventory. Many had predicted this years' upfront would be stronger than last—with network CPMs climbing into the double digits, why hold back for scatter like last year?

Market strongman NBC was the first to cause the buyers to blink, with its sellers putting the word out to agencies that it would not drop CPMs any further. The buyers bit. The WB was also early in the buying game, on word that it would hold back more inventory for the scatter market.

NBC, which closed its Primetime upfront sales 6/4, posted a record $2.74B upfront, with $800M more than last year and $350M more than '00. NBC's CPM increases were up around 8% this time around. CBS also called this upfront a record-breaker, scoring $1.95B for the 2002-2003 season. CBS did $650M more business than last year and $300M more than '00. "This is the largest upfront in the history of CBS," said CBS President/CEO **Les Moonves** last week.

The WB, with the highest CPM increases (15.5%), also posted its highest upfront ever—$575M. That's $100M more than last year and $150M more than 2000. Fox scored between $1.2-$1.3B, on par with last year. ABC sold $1.5B, $100M less than last year. Its CPMs, however, were up 5%. UPN sold $235M, up from $150M last year.

Most projections for the total upfront were in the $7.5B zone. After all is said and done, however, doing the math, Y2K's $8.1B may well be broken. Needless to say, last year's $6.9B will be blown away.

Buyers and sellers extended the busy week into late Friday night-early Saturday morning (6/1), and the frenzy continued 6/3. **Harry Keeshan**, EVP, PHD, tells *TVBR* the fast pace came a bit unexpectedly. "I think it's due to the fact that there was more money than anybody had really anticipated. That's the issue. Hopefully, this is a good sign for the economy."

"It's definitely a lot more money than was originally anticipated, it's a healthy network market," says Carat USA SVP/Director of National Broadcast **Andy Donchin**, who didn't leave his office until 8:00 AM Saturday. "It shows that the Primetime networks are still very viable. We will be pretty much done by the end of the day today (6/3). Hot and heavy. I'm surprised there's so much money in the marketplace—I'm wondering how much of it is real."

Where did all the money come from? Donchin suggests some of the upfront dollars may have moved forward from the scatter markets, with sell-out levels among all networks besting 2001 levels: "I only can look at my budgets and wonder how much of this money is just added spend or how much of this money was brought forth from the scatter market and then how much of this money was taken out of the cable and syndication market."

Jean Pool

What about cable and syndication, the next in line for the dollars? Could the networks' success trickle down to, or be at the expense of, cable and syndication?

"I would predict it will trickle down. It certainly seems to be indicating that," says **Jean Pool**, President/Operations, Mindshare USA. "I can't imagine why they would be pulling money out of scatter, cable and syndication. It would increase their costs, and that's not generally what we're trying to do. Cable certainly has a place on most advertisers' buys. Syndication has a lot of good properties too, so it wouldn't make sense. I don't really think we're going to know the story until all of these holds go to order."

One cable vendor told *TVBR* cable and syndication may move a bit more casually. Why? "The networks kept everyone up so late and beat the [tar] out of them, that they're all tired and if they don't have to stay late, they don't want to. On the other hand, they're creatures of habit and they think that if they stay late, they get a better deal. So they're caught between, 'do I stay late or do I try and get this thing done in an orderly basis?'"

Bob Cesa

At presstime, about 15%-20% of the syndication upfront inventory had been sold. The bigger deals were starting to get in play 6/6. "I feel that we're going to benefit from the strong network upfront. We have most of our budgets in and budgets are definitely up and deals are being done," **Bob Cesa** 20th Television's EVP/Advertising Sales and Cable Program Sales, tells *TVBR*. "We're really on the front end of the marketplace, but things could start to move very quickly. Quite frankly, I'm just waiting for a couple of more budgets to come in and be fully registered."

***TVBR* observation**: Jean Pool said it best: "This is such a damn strange year. When you look at the stock market, which is a mess; you've got clients laying people off and other people [corporate execs] going to jail. All of a sudden we have a big market. Bizarre. I like things to be logical, and this just doesn't seem logical."—CM

McCain wants free TV ads

Broadcasters saw this one coming a mile away. "Free Air Time: The Next Thing In Campaign Reform" is the way the Alliance for Better Campaigns is billing a 6/19 news conference and symposium in Washington at which Sen. **John McCain** (R-AZ) will unveil new legislation to take air time from TV stations for free to give to political campaigns.

What McCain is proposing goes far beyond even the Torricelli Amendment, which was stripped out of this year's Campaign Finance Reform law after heavy lobbying by broadcasters and the NAB. The new bill will propose creation of a "broadcast bank" which will distribute vouchers for campaigns to claim TV air time. Two thirds of the vouchers would go to the Republican and Democratic parties and the other third to candidates (including third parties and independents) who meet a fund-raising threshold to qualify.

Exactly how those vouchers would work is still apparently being worked out by the McCain staffers and supporters drafting the bill. One option is to simply take the air time from broadcasters for nothing by claiming it qualifies as a mandate under the licensee's public interest requirements. The other is to charge broadcasters around $320M per year in spectrum fees for their DTV allocations, then return it in voucher payments. In either case, the net result is that broadcasters would have to provide the time for free.

***TVBR* observation:** First Congress forced TV stations to accept a deal whereby they will eventually have to swap their long-held channels for, in most cases, inferior spectrum assignments. Then the FCC failed to follow through by requiring receiver manufacturers to make sets that are able to receive the new digital signals, nor to make the cable companies get with the program. Then we started hearing that this temporary gift of a white elephant was worth $70B. To whom?

So now that the politicians have dropped the ball on digital transition and left broadcasters in the lurch, McCain wants to use the debacle as an excuse to pick your pocket! That's inside-the-beltway "logic" at its worst.—JM

Young Broadcasting livid over Merrill downgrade

Jessica Reif Cohen

In a rare move, Young Broadcasting (O:YBTVA) issued a public denunciation of a research report issued by Merrill Lynch media analyst **Jessica Reif Cohen** and her associate, **Keith Fawcett**.

Charging that "broadcast cash flow at KRON-TV in San Francisco has collapsed with the loss of its NBC affiliation," the Merrill analysts downgraded Young to "reduce/sell." Titling their report "Kronic Pain," Reif Cohen and Fawcett projected that cash flow at KRON would plunge from $95M in 2000 to $19M this year. "Without a duopoly buyer for KRON, we estimate that Young's private market value is $24-35 per share. We believe that Young should trade at a 50% discount to its private market value." [Young closed that day, 5/31, at $20.20, down $1.80 for the day on extremely heavy volume.]

Young fired back 6/3: "The company was dismayed at the contents of the report. At no time during the preparation of this report did the authors at Merrill Lynch contact YBI to substantiate the information contained in the report. Moreover, the report contained factually incorrect information that Merrill Lynch should have been aware of as a result of its role as lead underwriter for Young Broadcasting in a 1996 public offering. Additionally, YBI has previously informed Merrill Lynch of factual inaccuracies in its reports, and although Merrill Lynch has acknowledged these inaccuracies to YBI, such inaccuracies have yet to be corrected by Merrill Lynch."

Speaking the next day at Deutsche Bank Securities Media Conference, Young CEO **Vincent Young** repeated his previous guidance that the San Francisco market is improving. He also noted that the company has cash in the bank from its $650M sale of KCAL-TV Los Angeles to Viacom (N:VIA) and plenty of borrowing capacity. So Young could be either a buyer or a seller in the current environment.

"It would appear to us a year from now when we're standing here at this conference we could easily be two or three times the size that we are today and we could just as easily be out of the business altogether—at a nice premium. Those are some things that you just can't tell right now. There is liquidity in the market. There is enthusiasm for these sorts of assets going forward," Young said.

Despite rumors that Young Broadcasting has been shopping KRON at a price below the record $823M it paid two years ago, Vincent Young insisted that shareholders will eventually receive a return from that investment.

***TVBR* observation:** Young Broadcasting doesn't have any investment banking business on deck right now, but when it does we wouldn't want to bet that it will be going to Merrill Lynch.—JM

Sinclair pressing for repeal of TV duopoly limit

Sinclair Broadcast Group (O:SBGI) is claiming a minor victory in its effort to get a federal appeals court to throw out the FCC's rule limiting the markets where broadcasters can own two TV stations. The US Court of Appeals for the District of Columbia Circuit has ordered the FCC to respond to a petition from Sinclair asking the court for a rehearing on whether the court should completely revoke the FCC's eight-voices rule for TV duopolies, rather than merely sending it back to the Commission for reconsideration as it did two months ago. The court had ruled that the FCC's rule was arbitrary, but gave the Commission an opportunity to take another look at the rule and come up with justification for what it decides the rule should be. Sinclair is arguing that the decision to send the matter back to the FCC conflicts with the same court's decision to throw out the cable and TV crossownership rule in another case.

The court's order for the FCC to respond to Sinclair's petition doesn't mean that the eight-voices rule for TV duopolies is on the verge of being scuttled. But it does mean that the court is willing to take another look its previous decision.—JM

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RADIO NEWS®

Westwood to launch CMT for radio

Westwood One (N:WON) is set to announce a new Country network in cooperation with Viacom's (N:VIA) CMT cable network. WW1 CEO **Joel Hollander** let the cat out of the bag 6/3 at the Deutsche Bank Securities Media Conference in New York.

"Viacom is obviously a very important relationship for us," Hollander said. "We're going to announce tomorrow that we're going to form the CMT Radio Network. We're very excited about that brand extension from Viacom. One of the things that you can continue to expect from us is any of the products that Viacom has that make sense for radio, we will extend them into radio."

But while Hollander said the official announcement would come 6/4, it still hadn't surfaced as *RBR* went to press 6/6.

Hollander told the roomful of Wall Street investors that he remains "really excited" about **Bill O'Reilly**'s "Radio Factor" less than a month after the biggest launch ever for a new Talk show. Hollander told the NYC confab that O'Reilly is now airing in all 50 of the top 50 markets.

The WW1 CEO said the company has gotten a payoff for its decision last September to offer its news feed for free to non-affiliates for 72 hours after the terrorist attacks on 9/11. Since then, Hollander said, the company has added more than 200 affiliates for its news products.

***RBR* observation:** Never one to let an opportunity go by to get in a dig at his chief rival, Premiere Radio Networks, Hollander managed to get in a slap without even mentioning Premiere's name. He told the investors that WW1 has only one major competitor for radio news—Disney's (N:DIS) ABC Radio. Clear Channel-owned (N:CCU) Premiere has no news network.—JM

Entercom still stalking large radio acquisition

We've been hearing for two years or more about the next wave of consolidation, which will have a third mega-group emerge to compete with Clear Channel (N:CCU) and Viacom's (N:VIA) Infinity. At the Deutsche Bank Securities conference, Entercom (N:ETM) CEO **David Field** insisted that major growth is still on the horizon—and it won't come just from piecemeal deals such as the superduopoly he recently assembled from Tribune (N:TRB) and Emmis (N:EMMS) in Denver.

"We think the market for growth is going to accelerate in the future—and it's not just from deals like Denver. We think that over time we're going to see more and more of the companies that are, let's say, ranked between number three and number 20 from a revenue standpoint, are going to consider more seriously merging and finding ways to consolidate. I think that the conversations we are having now are perhaps more interesting than they have been at any time in that regard and, frankly, I would be disappointed if sometime during the next year or two Entercom did not end up acquiring at least one other company of scale."

Asked about pacings, Field said things are still looking up—much the same as what he reported in his last quarterly conference call. "June is stronger than May. May was stronger than April. And, in fact, July is stronger than June," he said.

***RBR* observation:** That #3 radio revenue slot has been changing hands in recent years—it's currently held by Cox (N:CXR)—but nobody has yet put together a merger or acquisition deal to jump one of the $300M or $400M billers into the $1B club with Clear Channel (N:CCU) and Viacom's (N:VIA) Infinity. The basic problem is that everyone wants to be the acquirer, not the acquiree. —JM

WWJ/WXYT union issues continue

Infinity's WWJ-AM and WXYT-AM Detroit GM **Rich Homberg** has forced union meetings out of the building, so on 6/5 at 6:00pm, on-air and off-air members of the AFTRA union there held a bargaining unit meeting on the sidewalk outside the Infinity studios. Infinity, through Homberg, informed the AFTRA members that even though they've been holding meetings inside the building for years, they will no longer be permitted to do so. The union is currently in negotiations with Infinity to incorporate WXYT staffers into the existing WWJ collective bargaining agreement. In January, WXYT staffers voted by an 86% margin to join the existing WWJ bargaining unit. —CM

Radio says 'Show Me The Liquor Money'

In an impromptu answer by RAB President/CEO **Gary Fries** last Feb '02 at a media press conference during the RAB's annual convention on the amount of money radio could be looking at from liquor advertising, he blurted out $100M. Or equal to beer. Now three months later Mr. President has a so-so survey to back up the statement. Problem with the survey deals with the laws of statistics. Sample size, completion, who was interviewed, etc. But at least we have a survey that told us what we already know. Take the money.

The issue of liquor is deeper. It is money tied to broadcaster responsibility. NBC had the marketing plan down pat. They backed away not to political or public opinion but its own business agenda with growing and adding more television stations to its powerful network. Will NBC change its mind? Yep, just wait.

Some of RAB's 2002 Survey on Hard Liquor Advertising

Does your station currently accept advertising from hard liquor manufacturers?

Yes	62%
No	38%

How long has your station been accepting/pursuing hard liquor advertising?

1 to 6 months	26%
7 to 12 months	14%
More than a year	60%

For the next year, do you plan to increase your sales in this category?

Yes	81%
No	19%

Why does your station not currently accept advertising of hard liquor products? (More than one answer possible)

Company policy.	51%
Hard liquor ads would upset our loyal listeners.	26%
Did not know how to get started.	24%
Thought that advertising of hard alcohol was illegal.	24%
Our format is not a correct match.	23%

Now the key factor is if radio gets the assumed $100M, can they keep it? Or will the money that didn't go to NBC head for Cable which is running the likes of Smirnoff ads. Cute and responsible. Radio with RAB must work more closely with the distilled companies. Again responsibly to keep the money and make it grow. What radio is facing is like a local metro newspaper strike. No newspaper so dollars flow into local radio and when the strike ends bye bye dollars because radio executives didn't build business relationships to keep the dollars.

Nobody in public power speaking on behalf of radio wants to take a solid position on liquor advertising. We asked that question to numerous high level execs ...(*RBR/TVBR* 4/22) and got mixed results, but NAB Pres./CEO Eddie Fritts said it on the record "We have taken a position that every company –big, small, local, national—should make their own decisions...".

Again the survey: The biggest reason for not accepting liquor ads was company policy, 51%. In the final analysis 62% are accepting hard liquor ads. Surveys can be very useful in marketing plans if they deliver the facts. RAB contacted members but who, how many, etc. The survey needs to be more complete for it to be a useful planning and sales/marketing tool. Mr. President at least it is a start......Jim Carnegie (JC) (see *RBR*'s daily news Email 6/5)

dMarc Networks "dRDS Radio Text" with CC LA

dMarc Networks, an RDS subcarrier management and wireless data distribution firm, announced 6/4 the production launch of its patent-pending dRDS (Dynamic Radio Data Service) system, which allows text to be broadcast and displayed on car radio LCD and LED screens. In partnership with Clear Channel Radio Los Angeles, dRDS is making its debut on five stations: KYSR-FM, KBIG-FM, KIIS-FM, KOST-FM and KHHT-FM. The launch is in coordination with Clear Channel's Wango Tango Concert being held on 6/15.

***RBR* observation**: Wait a second—isn't that one of the promises of iBiquity Digital's upcoming IBOC system? So far, the best RDS system we've seen has been used on WKOC-FM Norfolk-Virginia Beach. It scrolls in real time the artist, song title and station name. —CM

CCU tenders for Ackerley bonds

Clear Channel (N:CCU) has begun a cash tender offer for The Ackerley Group's (N:AK) $200M in outstanding 9% senior subordinated notes due 2009. The offer to buy back Ackerley's bonds in connection with the company's merger into Clear Channel is scheduled to expire 6/28 at 5pm ET. Bondholders are being offered a consent payment of 2.5% of face value in addition to their principal and accrued interest.

Gabelli buys even more of Interep

Interep (O:IREP) has reported to the SEC that its previously reported sale of $5M in new securities to mutual funds managed by **Mario Gabelli** has been increased to $6M. The additional sale consisted of 10K units—with each unit consisting of one share of convertible preferred stock (with a face value of $100) and 6.25 warrants to acquire Interep common stock at a strike price of $4.

Although Interep has never identified the buyer of its securities, Gabelli reported buying the entire $5M original offering in his own SEC filings.—JM

Duopoly is Devils handiwork

Devils Lake, ND is far from any Arbitron Metro, but a duopoly deal there still carries a price tag of $820K as one local owner buys out another. Double Z Broadcasting, which already owns KZZY-FM, is buying KDLR-AM & KDVL-FM from long-time owner Dakota Rose Broadcasting, owned by **Dale** and **Doris Alwin**. Double Z is owned by GM **Larry Larson** and members of the **Teigen** family. Broker: **Jerry Johnson**, Johnson Communication Properties.—JM

Bear reduces Sirius subscriber estimates

Bear Stearns has trimmed its '03 and '04 new subscriber estimates for Sirius Satellite Radio 5/31, saying it had concerns about the company's deals with auto makers. Analyst **Robert Peck** cut his '03 estimate of net new subscriber additions to 450K from 550K, and for 2004 he cut his estimate on the same basis to 1.4M from 1.8M. He said the changes were driven by the expiration of exclusivity clauses in the satellite radio broadcaster's deal with Ford and BMW, where the two will install Sirius radios in their cars as an OEM option. —CM

RBR News Briefs

Freeman repeats as Mercury winner

Top prize in the 2002 Radio Mercury Awards, the Grand Prize and $100K check, has gone to Cliff Freeman and Partners—the second big win for the New York ad shop, which also won in 1995.

The winning :60 spot for Hollywood Video was written by Adam Chasnow and Ian Reichenthal, produced by Katherine Cheng and engineered by Roy Kamen. The creative director was **Arthur Bijur**.

The radio-produced category also produced a repeat winner. For the second year in a row, the winner was NextMedia's WZSR-FM Crystal Lake, IL—far suburb of Chicago. WZSR's **Steve McKenzie** produced the winning spot for a local Internet company, OWC.net.

For the entire 2002 Radio-Mercury Awards winner's list, go to RBR.com.—JM

Self-promotion at its finest

If you own a bunch of radio stations and billboards, what's the best way to promote your brand name? With radio and billboard ads, of course. Clear Channel (N:CCU) is preparing to do just that with radio spots and billboard displays with a common theme of "How many ways has Clear Channel touched you today?"

If you're not a Clear Channel station, don't expect to get in on the buy.—JM

Matt Feinberg upped to SVP

Peggy Green, President/National Broadcast, Zenith Media NA was pleased to announce 6/3 the promotion of **Matt Feinberg** to the position of SVP/National Radio: "Since Matt's arrival at Zenith four years ago, the national radio department has increased its billing dramatically, and its reputation as a leader in the field. Indeed through the efforts of Matt and his great team, Zenith is now recognized as an opinion leader by such noteworthy publications as the *Wall St. Journal* and *Radio Business Report*.", said Green.—CM

Entercom Stops Singing

And joined the bandwagon 6/1 and pulled the plug on all of it's remaining stations who were streaming. With the continue problems not going away with performance royalties and fee proposed by CARP has shut down another valuable marketing/sales tool for the radio business. (*see RBR daily news email 5/31*)

RBR Observation: Young Mr. **David Field** and company you are not alone on this one. Indeed, putting the US politicians in the same boat as labels may be a bit counter-productive as your KISS 98.5 did in telling web listeners of the shutdown. We trust the politicians will look out for consumer and voter interests as the final royalty rules are constructed by the US Copyright Office/Librarian of Congress 6/21.

What politicians don't realize is what is driving the today's economy. Baby boomers have the money and they aren't spending on new artists. I'm a baby boomer and the last CD I bought was "The Best of Jimmy Buffett" 2 years ago. Hello congress, RIAA and ones involved with their hand out for money from radio. Radio is your first line of traffic into the store to buy CD's. Baby boomers drive to work everyday. Listen in the office etc. Bite the hand that feeds you? DA?

As for radio we lost a valuable marketing tool to the advertiser and agencies. If I were a national rep account exec pounding the streets pitching a boutique unwired buy I'd love to go to the Internet and let the buyer listen to what they are getting.—JC

Washington Beat

Louisiana fine stands

The FCC is standing firm on handing out fines for engineering rules violations. The licensee of WSLA-AM Slidell, LA, MAPA Broadcasting, had petitioned the FCC to drop a $2.5K fine, arguing that only an admonishment was appropriate. The company said the fence around its tower is properly maintained and that a gate was open when an FCC inspector came by only because maintenance was taking place. And it attributed its other violation—an EAS receiver that didn't comply with FCC regulations—to confusion by its GM over what was required.

The FCC didn't accept those explanations as good excuses and it refused to reduce the $2.5K fine, noting that it had already cut the fine from $15K to reflect the small broadcaster's limited ability to pay.—JM

XM, Sirius in talks to resolve interference issues with wireless providers

XM Satellite Radio and Sirius Satellite Radio are currently in talks with wireless companies to resolve disputes over interference issues. The two sides have been bickering over the satellite services' repeaters, which have been causing interference and harmonics with cellular and PCS services. The powerful repeaters are often located on structures that house wireless service antennae. The wireless services have also complained the satellite radio providers, because of their special temporary authority licenses granted by the FCC, are able to get valuable space granted ahead of their requests.

The Commission has been drafting permanent rules for power levels, but it hopes talks between the parties could resolve the matter without federal rules.

"Now that there has been deployment (of satellite radio services) and you have the parties working it out, that seems to be appropriate," FCC Commissioner **Kathleen Abernathy** said at a briefing. "If they can't do in a timely manner, we'll have to move forward." —CM

Nielsen sees signs of ad recovery

Nielsen Media Research is forecasting that ad spending in developed countries, including the US, will rise slightly in the second half of this year. But that comes after a 7% decline last year, while developing countries saw ad spending grow by 15%.

Here's what Nielsen's forecasters, led by **Ian Garland**, had to say about the US market: "The United States, ranked number one in the world with some $143 billion in advertising spending last year, remains a bellwether for the global advertising economy. Yet it was one of the world's hardest hit markets in 2001. According to data from Nielsen Monitor-Plus, advertising spending in the United States dropped 7% last year, with all media affected by the downturn. The one bright spot on the U.S. advertising scene was Hispanic television, where strong performances by such networks as Univision and Telemundo fueled a 30% increase in advertising sales."

According to Nielsen, there are some early signs in 2002 that US advertising is coming out of its tailspin. During the first quarter, ad sales increased 1.8%, according to preliminary figures from Nielsen Monitor-Plus released 5/17. "The picture remains somewhat mixed, with some media, such as network TV, showing growth, but others, such as magazines, still down. But the full-year trend shows that the U.S. could experience modest growth of 2% for all of 2002," the report said.—JM

WLW inks the Reds for five more

The Cincinnati Reds and Clear Channel's WLW-AM have signed a new five-year contract through the '07 MLB season, Reds COO **John Allen** and CC Radio SVP **David Crowl** announced 6/6. WLW has been the flagship of the Reds Radio Network since 1969. All Reds regular-season games and most spring training games are carried on the network, consisting of 60 affiliates in six states, and can be heard as far away as Las Vegas. —CM

WPB stations complaining about pirates

The *Palm Beach Post* reports 6/5 that West Palm Beach market stations have been fed up with pirate radio stations pulling away listeners. We had heard rumors that WRMF was having interference problems from a second-adjacent pirate in parts of its listening area as well. The Post names a few other stations complaining about the *pirate phenomenon in* South Florida that has earned the title of the capitalof pirate radio for years now.

Excerpts:

"**Lissette Diaz**, GM, WPSP-AM, which features Spanish music and talk during the day and Creole at night and weekends, says so-called "pirate" stations have been unfairly competing for her advertising dollars and listeners for the past four years. The unlicensed broadcasters, who feature shows in Creole, have been kicked off the airwaves repeatedly, only to return after a short period of time or to be replaced by another ambitious operator who uses a cheap FM transmitter to go live, she said.....Although Diaz's AM broadcasts are not directly affected by the pirates, who operate only on FM, her station loses revenue when a client drops its ads because its message is getting out on the pirate station."

"Another station manager, **Helen Horton** of Stuart-based WHLG-FM "Coast" 101.3, has spoken to her attorney in Washington to see whether more legal action can be brought to bear on the pirates or the FCC. Horton said she spent $1.2 million to launch her station four years ago, and pirates operating close to her frequency have been interfering with her signal. Horton said she has complained to the FCC numerous times, without result. On Tuesday, however, FCC officials from the Tampa office were visiting Horton, who said she is considering a trip to Washington to see whether something else can be done sooner."

"In 1999, the FCC shut down three Spanish-language stations in Palm Beach County transmitting illegally on FM frequencies 88.5, 88.7 and 96.1. Federal agents confiscated the pirate stations' equipment." —CM

By Jack Messmer

Citadel seeks $575M from Wall Street

Citadel Communications is back on Wall Street. Just a year after taking the company private for $2B, Forstmann Little & Co. is back with an IPO to sell part of Citadel to public shareholders for up to $575M. It plans to trade on the NYSE as "CDL."

Ted Forstmann and his investors will be taking some of their money out of the company, although the exact split and many other financial details will be filled in as the stock sale approaches—likely in Q3. Part of the IPO cash will go into Citadel's coffers to pay down its debt owed to a bank consortium led by JP Morgan Chase, but some of the proceeds will go directly to Forstmann Little's investment funds, which will reduce their economic stake in Citadel while retaining voting control of the company.

With CEO **Farid Suleman** in command for only a couple of months, not much has changed at Citadel since Forstmann Little bought out the public shareholders and eventually recruited **Mel Karmazin**'s long-time right-hand man to run Citadel.

Q1 revenues were off 0.7% to $72.6M, but cost controls boosted broadcast cash flow 16.3% to $23.3M. That improved the BCF margin from 27% to 32%—still far from the 40s and 50s that Suleman was accustomed to at Infinity.

Citadel already has dry powder available to make acquisitions, but so far hasn't made much use of it since last year's buyout. It still has nearly $150M undrawn on its $700M bank credit facility. As of 3/31, Citadel had total debt of $1.05B—$500M in 6% bonds, $551M in bank debt and $2.6M in "other."

Just about every media-oriented investment bank on Wall Street is getting a piece of this deal. The IPO group includes Goldman, Sachs & Co., Credit Suisse First Boston, Deutsche Bank Securities, Merrill Lynch & Co., Bear, Stearns & Co., JP Morgan and Wachovia Securities.

***RBR* observation:** Many past radio IPO's have gotten their buzz on Wall Street by tying their public stock debut to a big acquisition. Not so in this case, where Forstmann Little is trying to compensate by creating buzz about its superstar CEO (see page 1).

So why go public now? Two reasons. First, Forstmann Little is under pressure from some of its investors to demonstrate that it still knows how to make money for them after seeing some other investments decline in value. Second, the market is open now, as LIN TV (N:TVL) recently demonstrated. The stock market is far from robust, so that IPO window could close again for just about any reason.

Citadel's financials ($ in millions)

Category	2001	Q1 '02
Net revenues	$332.5	$72.6
Broadcast cash flow	$110.9	$23.3
BCF margin	33%	32%
Free cash flow	$33.6	$2.4
Net loss	-$111.0	-$90.9

Source: Citadel SEC Form S-1, 6/5/02

NextMedia exits Panama City

NextMedia is taking Panama City, FL out of its portfolio of radio markets—and at a loss. NextMedia assembled its five-station superduopoly for $8.3M in two 1999 deals, including a $3.6M deal to buy three of the stations from **Kim Styles**' Styles Media Group. It also hired Styles to come back and manage the cluster about a year ago. Now NextMedia is selling all five stations to Styles and her husband, **Tom Dibacco**, for $5.25M. An LMA began 6/1.

"We'll take a loss, cut it and move on," NextMedia Chairman **Carl Hirsch** told *RBR*. "We're doing well elsewhere." Although he said the Panama City market is already improving and holds long-term promise, particularly for an in-market owner such as Styles, Hirsch said NextMedia's management decided that its resources could be put to better use elsewhere.

***RBR* observation:** About the time NextMedia assembled its Panama City superduopoly, Clear Channel (N:CCU) launched an Urban format on WEBZ-FM and took a big chuck of listening away from CHR WILN-FM, which had been NextMedia's ratings and revenue powerhouse. WILN dropped from a 12.3 share 12+ Spring 1999 to as low as 5.1 Fall 2000 before rebuilding to sevens. Meanwhile, WEBZ went from a zero to nines.

WILN, incidentally, wasn't one of the stations that Styles sold to NextMedia, but she's been the one working to rebuild it.

A troubled market, even one ranked #241, isn't something that NextMedia wants to have in the IPO it's expected to file later this year.

Cumulus picks a Magnolia

Lew Dickey's Cumulus Media (O:CMLS) is venturing across state lines to expand its Shreveport, LA superduopoly. It's paying $1.75M for KVMA-FM Magnolia, AR. This is a cash for stock deal to acquire all of the stock of Columbia Broadcasting Co. from **Ken Sibley, Bill Hoglund** and **Dennis Neiderer.** Broker: MGMT Services

***RBR* observation:** This 100kw station is already positioned to put a signal of some sort into both the Texarkana and Shreveport markets. But if you look at the lineups in each market, you'll see other signals which would block a 107.9 mHz move-in to Texarkana, while the high end of the dial is wide-open in Shreveport. Lew Dickey confirmed our suspicion. He does indeed plan to move the transmitter closer to Shreveport, where Cumulus already has one AM and three FMs.

Randall Mays

Clear Channel hopes to avoid Ackerley spins

Now that Clear Channel (N:CCU) has 12-month waivers from the FCC to spin-off stations in five markets from its acquisition of The Ackerley Group (N:AK), one questioner at last week's Deutsche Bank Securities Media Conference wanted to know which CCU will divest—radio or TV stations? The surprising answer was neither—at least if things go the way CCU's executives hope.

"I am certainly hopeful that the FCC, in going through its biennial review is going to either eliminate the voice test as it relates to the one-to-a-market waivers or substantially change the definition to include all of the voices, which was the intention I think of the voice rule. If that is done and it's done on a timely basis, we may never have to actually divest any of those stations," said CFO **Randall Mays**. But Mays also noted of the FCC, "They have not moved very timely on anything in the past, so I don't have a tremendous amount of comfort there."

If divestitures are required, Mays noted that Ackerley's high tax basis for most of its TV stations could make it more attractive to sell TV stations than radio.

***RBR* observation:** The ideal situation for CCU would be to do a tax-deferred swap of one or more of Ackerley's regional TV clusters for some radio stations. That would probably have to be a three-way deal, since there are no obvious direct swap candidates. Entercom, Tribune and Sinclair are doing the same thing right now in Denver (radio) and Indianapolis (TV).

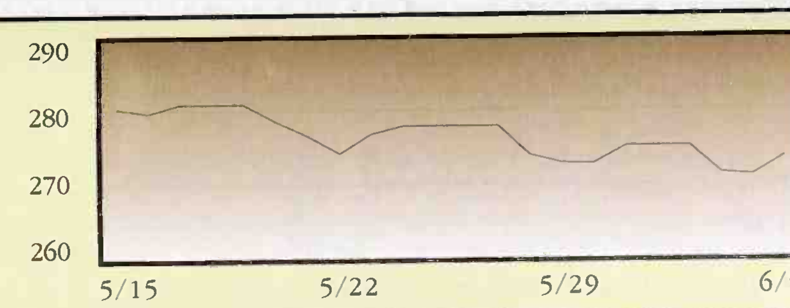
New Mexico duop changes hands

Veteran California air personality and PD **Steve Rooney** is getting into ownership by buying **Sandi Bergman**'s stations in Portales and Clovis, NM—KSEL-AM & KSMX-FM. The trio fetched a price of $1.15M. Rooney is wrapping up his air duties at KSON-FM San Diego and will be moving to New Mexico to be a hands-on local owner-operator. Broker: **Doyle Hadden**, Hadden & Associates.

Radio Business Report
Voice Of The Radio Broadcasting Industry

The Radio Index™

TV's strong upfront still isn't getting investors interested in media stocks. The Radio Index™ closed 6/5 at 273.681, up a mere 0.891 from a week earlier.



TV revenues grew 3.5% in Q1

Broadcast TV revenues rose 3.5% in Q1 to $3.63B, according to the Television Bureau of Advertising (TVB). Based on estimates from CMR's Adspender, TVB said network TV was up even more—rising 6.6% to $5.56B—but that syndicated TV fell 12.6% to $709.2M. Combined, broadcast TV was up 3.5% for the quarter to $9.9B. At the same time, TVB noted, network cable was off 13.8%.

"We are very pleased that broadcast TV seems to be turning around," said **David Friedman**, TVB's Director of Corporate Services.

Automotive remained the industry's biggest ad spender, with Q1 spending up 7.9% to $754.5M. The biggest jump in the top 25 categories was in spending by Government and Organizations—up 30.4% to $330.4M as the #3 category.

DaimlerChrysler (N:DMX) was again the single biggest spender, although its TV spending declined 2% to $113.5M. But broadcasters got a big boost from the GM Dealers Associations, who boosted spending 213.1% to a seventh-place $49.6M. General Motors (N:GM) itself (#2) also increased spending by 27.9% to $106.8M. In all, auto companies and their dealer associations accounted for eight of the top 10 TV advertisers and ten of the top 20.—JM

Television ad rev, Q1 2002

Local broadcast TV	$3,628,776,500	+2.5%
Syndicated TV	$709,203,100	-12.6%
Network TV	$5,563,739,000	+6.6%
Total broadcast TV	$9,901,718,600	+3.5%

Source: TVB, from CMR Adspender estimates

Top local TV ad categories*, Q1 2002

1	Automotive	$754,475,200	+7.9%
2	Restaurants	$330,372,700	+3.2%
3	Government/Org.	$234,432,500	+30.4%
4	Car/Truck Dealers	$181,581,900	+21.1%
5	Telecommunications	$174,138,000	+1.7%
6	Furniture Stores	$147,254,700	+2.8%
7	Food/Food Products	$128,453,600	-22.0%
8	Financial	$110,589,700	+14.7%
9	Travel/Hotels/Resorts	$101,219,900	-15.3%
10	Leisure Activities	$100,394,200	-5.5%

**Local and national spot sales combined*
Source: TVB, from CMR Adspender estimates

Top local TV advertisers*, Q1 2002

1	DaimlerChrysler AG	$113,513,700	-2.0%
2	General Motors Corp.	$106,785,100	+27.9%
3	Ford Motor Dealer Assn.	$79,762,700	-9.7%
4	Ford Motor Co.	$64,741,000	+28.9%
5	Verizon	$60,302,400	-18.5%
6	Honda Motor Co. Ltd.	$58,258,200	-13.6%
7	GM Dealer Assn.	$49,580,700	+213.1%
8	Nissan Motor Co. Ltd.	$46,980,000	+9.4%
9	Toyota Motor Corp.	$44,650,100	-13.2%
10	General Mills	$42,623,400	-5.1%

**Local and national spot sales combined*
Source: TVB, from CMR Adspender estimates

DTV set sales up 86%—but what KIND of sets?

The Consumer Electronics Association (CEA) recently announced DTV product sales totaled 148,369 units ($257M+) in March, an increase of 86% compared to the same period in last year. CEA also reported that DTV product sales (integrated sets and displays) to date in 2002 represent the strongest first quarter start in DTV history, totaling 431,424 units—an 84% increase over Q1 '01.

That's nice, but "integrated sets" represent TVs that can actually receive a DTV signal. While the sales figures first appear promising, the VAST majority of those DTV sets aren't integrated sets, but merely monitors—great for DVD players, DirecTV service etc. CEA figures from a 3/27 release confirm it: "2001 sales of digital set-top boxes totaled 128,845, representing a 251% increase from 2000. Unit sales of integrated sets were revised to 70,295—a 1,025% increase over 2000. The total 2001 DTV product figure remains unchanged at 1,459,731 units on sales of more than $2.6B."

So out of 1,459,731 DTV units sold, 70,295 were actually DTV sets that could receive a DTV signal. 128,845 set-top boxes plugged into an analog TV set or DTV monitor isn't very heartening either.

Eddie Fritts

The manufacturers have told us about the issue (*TVBR* 4/8) and **Eddie Fritts** mentioned the problem as well (*RBR*.com) at our exclusive interview at NAB2002: "Currently, many sets are being built without a digital TV tuner in them. And that's a fraud on the public, quite frankly, and they need to correct that and make sure that what the consumer gets is what they expect to get when they buy a DTV set—they get a set with an analog and digital tuner in it."

How can DTV get off the ground if what the industry is pushing is just monitors? Depends on whom you ask. And, "It depends on what side you're looking at it from," **Michael Petricone** VP/Technology Policy, CEA, tells *TVBR*. "If you look at our DTV guide, and look at what sets are on the market, there are dozens of models of integrated sets and set top boxes on the market available to consumers. Rather than phrasing it as why aren't you providing the sets, the question is what explains the sales so far? Consumers are attracted to content. Up until now, most of the content has been in DVDs. Recently, you're seeing more and more compelling broadcast content available with The Masters, the NCAA, the Olympics and ABC's announcement that 50% of its prime-time lineup was going to be in HD. There is more content out there, and that explains why over the last couple of months you've seen a jump in tuner sales and you see more tuners sold this year than last year."

He adds, "It's important to put things in perspective. Realistically, we've had an agreed-upon broadcast standard for a little bit over a year, because of that whole unfortunate thing with 8VSB vs. COFDM. That tied things up for over a year. Until that was resolved, manufacturers were reluctant to market the product and broadcasters were reluctant to put the programming on the air, until everybody agreed what the standard was. And that was agreed to January of last year."

***TVBR* observation**: It's always the chicken and egg problem with DTV. Maybe if the networks simulcasted everything in HDTV, the stations could simulcast the signal, rather than just offer special events. But that's expensive, just as the affiliates' cost to convert. And there's also the issue of the cable networks carrying DTV signals from all the broadcasters and cable nets. They don't have to (yet), says the FCC. The needed bandwidth would indeed be extremely expensive and would crank up monthly cable bills significantly. The industry continues to chase its tail.—CM

Noses out of joint over spectrum task force

A routine announcement by FCC Chairman **Michael Powell** that he had appointed a Spectrum Policy Task Force (6/6) sparked complaints from two of his fellow commissioners. The FCC's odd couple, Republican **Kevin Martin** and Democrat **Michael Copps**, said they weren't consulted about the list of questions that's supposed to guide the new task force on its mission. They also wanted a full-fledged Notice of Inquiry approved by a vote of all four commissioners.

The task force of FCC staffers, headed by **Paul Kolodzy**, issued its own request for public comments on spectrum—with a short timetable. Comments are due 7/8 and reply comments 7/23. The task force said it will report to the full Commission by October.—JM

Study:TV shows still lack diversity

"Despite the large number of African Americans on television, they continue to be 'ghettoized,'" says a new study from the University of California at Los Angeles (UCLA). The study concludes that black characters were most likely to appear in comedies. It also found that UPN had the most black characters, while CBS was second. Both are owned by Viacom (N:VIA).

But while African Americans were the most heavily represented minority group on network TV, the study's authors said other minorities were underrepresented, particularly Hispanics.—JM

TV NEWS®

Mel Karmazin

Karmazin upbeat on upfront TV ad sales

Viacom President/COO **Mel Karmazin** was optimistic about the upfront TV market 6/3 at the Deutsche Bank Securities conference in New York, saying spot rates for CBS-TV were up strongly from last year. Karmazin said he expects CPMs to be up in the double-digit range for the net, and that CBS would likely sell 80% of its inventory in the upfront—much better than last year's 65%.

"My sense is the sweet spot for us—so we can participate in what we think will be a strong scatter market—is 80 percent," he told analysts.

The news is good, as the network TV upfront has been surprisingly active and strong (see p.1). However, Karmazin cautioned that he still thinks this year's total sales will be below 2000 levels.—CM

Arbitron releases updated development schedule for PPM

Arbitron (N:ARB) released 6/4 an updated development schedule for the Portable People Meter (PPM) and an update on the discussions with Nielsen Media Research on their proposed joint venture to deploy Arbitron's new audience measurement system. Beginning with release of the May audience estimates on 7/2, The 2002 US PPM market trial results will also be released 9/3, 11/5, 12/3, and 1/7/03.

"In the first five months of 2002, we've made significant progress in the development and evaluation of the Portable People Meter," said **Steve Morris**, Arbitron president and chief executive officer. "We've released the first round of station and cable network ratings, and made substantial progress researching many of the factors that contribute to the ratings produced by the PPM.

Morris says he hopes to have a joint venture deal with Nielsen completed by Q4 '02. The joint venture was first expected to be announced early this Summer. —CM

CBP gives $12M in digital grants

The Corporation for Public Broadcasting has awarded its first grants for digital conversion—a total of $12M to 26 public TV licensees. The grants are the first from a special Congressional appropriation of $45M ($20M in this fiscal year and $25M in the next fiscal year) to help public broadcasters pay for the DTV conversion.

"With Congress's help, we are putting this new technology to work for millions of Americans," said CPB President and CEO **Robert Coonrod**. "We thank the Administration and Congress for its support."

CPB expects to announce grants covering virtually the entire $45M by this October, when the government's new fiscal year begins. "To receive an award, stations must demonstrate how the digital transmission infrastructure will be used to provide new or additional public services, particularly educational and rural broadband services," CPB said of its criteria.

Public TV stations nationwide will need $1.8B for the digital conversion, CPB estimates, of which stations have so far raised $700M. CPB says 75 of the nation's public TV stations are now transmitting digital signals. All face an FCC-mandated deadline of 5/1/03 to begin offering DTV.—JM

Here are the first 26 grant recipients:

WKYU Bowling Green, KY
WFSU Tallahassee, FL
KGFE Crookston, MN
WNYE New York, NY
KRCB Rohnert Park, CA
KUED/KULC Salt Lake City, UT
WUFT Gainesville, FL
KSMQ Austin, MN
KTCA St. Paul, MN
KAID Boise, ID/KCWC Riverton,
WY/KNBP Reno, NV
WCML Mt. Pleasant, MI
WMEC Springfield, IL
WOUC/WOUB Athens, OH
WHTJ Charlottesville, VA
WGCU Ft. Myers, FL
KUAS Tucson, AZ
KCSM San Mateo, CA
KLVX Clark County, NV
KAKM Anchorage, AK/KYUK Bethel, AK/
KUAC Fairbanks, AK/KTOO Juneau, AK

TV deals breaking out in 2002

It's not yet anything resembling a bull market, but station trading has begun to build momentum in 2002. So far this year 20 TV transactions have been filed with the FCC and another big deal—the sale of Benedek Broadcasting to Gray Communications (N:GCS)—has been announced but not yet filed with the Commission.

Here, in descending order by price, are the TV deals reported by *TVBR* thus far in 2002.—DS, JM

$650,000,000 KCAL-TV Los Angeles from Young Broadcasting (O:YBTVA) to Viacom (N:VIA). This mega-deal created a powerhouse dual-VHF superduopoly for the owner of KCBS-TV in the nation's #1 revenue market and #2 audience market. Viacom still has to divest one LA radio station to make this media combination street legal at the FCC. The cash flow multiple is in the eye of the beholder. Young called it 32 times, based on expected 2001 cash flow, but Viacom saw it as 12 times cash flow for the first year post-closing. Broker: Credit Suisse First Boston.

$500,000,000 Benedek Broadcasting (22 stations) to Gray Communications Systems. There are no duopolies, but several regional match-ups in this deal for 10.5 times cash flow to buy Richard Benedek's company out of Chapter 11 bankruptcy. Gray also adds Benedek President Jim Yager to its management team. Although no spin-offs are required, Gray indicated that it may sell off some of Benedek's weaker properties.

$125,000,000 WTTV-TV Bloomington-Indianapolis & WTTK-TV Kokomo, IN from Sinclair Broadcast Group (O:SBGI) to Tribune Co. (N:TRB). This transfer of a rare VHF WB affiliate and its UHF satellite demonstrates again just how much pricing depends on your point of view. Seller Sinclair trumpeted the deal multiple as 38 times, based on 2001 cash flow. Tribune prefers to call it 11 times pro forma 2002 cash flow, including cost-savings from the synergies of having a duopoly with WIXN-TV. Tribune also saves on taxes, since it will use this buy for tax-deferred reinvestment of most of the cash it's getting for selling its three Denver stations to Entercom (N:ETM) for $180M—a multiple Tribune pegged at 17 times.

$100,000,000 swap of KPTV-TV Portland, OR for WOFL-TV Orlando, FL and its satellite, WOGX-TV Ocala, FL. Fox Television (N:FOX) gets the Florida stations and Meredith Corp. (N:MDP) gets the Oregon one. Both create new duopolies. No value was announced, but Meredith did disclose in an SEC filing that its tax basis for this swap is $25.7M. *TVBR* figures the fair market value on each side is no less than $100M.

$87,000,000 KACB-TV San Angelo, TX, WPRI-TV Providence, RI, WEYI-TV Saginaw, MI, WDTN-TV Dayton, OH, WUPW-TV Toledo, OH & KRBC-TV Abilene, TX from Sunrise Television Corp. to LIN TV (N:TVL). Hicks, Muse, Tate & Furst consolidated its TV group holdings for LIN's IPO. Based on that IPO, *TVBR* valued this stock-swap deal at $87M.

$40,500,000 WOWK-TV Huntington, WV from SJL to West Virginia Media Holdings. This fast-growing local group is now up to three stations, all in West Virginia.

$18,875,000 KTVZ-TV Bend, OR from Bend Licenses LP to News Press & Gazette Co. Broker: Daniels & Associates.

$18,500,000 WTRF-TV Wheeling, WV from Benedek Broadcasting to West Virginia Media Holdings. Another of those three stations acquired by Bray Cary's new company. The first was a 2001 buy of WBOY-TV Clarksburg, WV.

$14,000,000 KODE-TV Joplin, MO from GOCOM to Mission Broadcasting. No duopoly, but Mission has entered into a shared services agreement with Nexstar's KSNF-TV.

$12,300,000 KXGR-TV Tucson, AZ from Sungilt Corp. to Univision (N:UVN). With the launch of its second network, Telefutura, Univision has been out shopping for duopoly deals. This gives it a second station to operate with KFTU-TV. Broker: Kalil & Co.

$11,500,000 KZTV-TV Corpus Christi, TX and KVTV-TV Laredo, TX—stock sale of K-Six Television from the Kennedy Living Trust to Eagle Creek Broadcasting.

$7,500,000 KPHZ-TV Phoenix from Venture Technologies Group LLC to NBC Telemundo Phoenix Inc. The first purchase for General Electric's (N:GE) new Spanish TV network. This is actually a DTV move-in to Phoenix. Its current analog signal on Channel 11 is way off near its city of license of Holbrook, AZ, but will move much closer to Phoenix when it switches to DTV, also on Channel 11. For now, though, it has to make do with two UHF translators in Phoenix. Broker: Media Venture Partners.

$5,594,271 WHPN-TV Madison, WI from the bankruptcy trustee for Puri Family LP to ACME Television (O:ACME).

$1,500,000 for 51% of WNCP-TV Charleston, WV—stock sale of Television Properties Inc. from Kenneth Russell to Charles Harker, who will then own 100%.

$1,300,000 KMMB-LP & KSUV-LP Bakersfield, CA from Caballero Television to Univision (N:UVN). More Telefutura outlets for Univison. KMMP is a Class A LPTV on Channel 4 and the contract specifies that KSUV, Channel 52, is "Class A-eligible."

$450,000 KCSG-TV Cedar City, UT from Bonneville International Corp. to Broadcast West. GM Daniel Matheson got the opportunity to own his own station as Bonneville decided that this rural Utah VHF didn't really mesh with its Salt Lake City TV-radio-newspaper operation.

$200,000 KQCT-TV Quad Cities, IA-IL from Black Hawk College to Iowa Public Broadcasting Board. Under this deal, Iowa Public Broadcasting also withdrew its competing application for a new station on Channel 30, so Black Hawk College should soon be back to owning two non-commercial UHFs in the Quad Cities. Broker: Patrick Communications.

$81,000 WQIL-LP Talledaga, AL & W63CK Sylacuaga, AL—100% stock transfer of Alabama Community Television from Church of the Rock to Harvey Bowlin Sr.

N/A WPHA-TV CP Atlantic City—reorganization of Hispanic Broadcasters of Philadelphia LLC with investments by Stephen Hillard, Arctic Slope Regional Corp., Madison Dearborn Capital Partners and Toronto Dominion Capital.

N/A KUAM-AM, FM & TV Hagatna, Guam—transfer among brothers for no consideration. Edward Calvo ended up owning 80%.

N/A WCEU-TV Orlando, FL from WCEU Foundation to Daytona Beach Community College. Transfer from college-related foundation to the state-run college itself.