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## RADIO NEWS

**Sutton: An inner view of Inner City** ..... 2  
 Inner City chairman Pierre Sutton talked of loans, IPOs and snakes in the grass, and hopes for some bounty from the CCC/AMFM auction.

**Viacom/CBS is a \$133K bonanza for FCC** ..... 2

**Consolidation: Growth is slow but steady** ..... 3

**NAB's STAR gives stations a sobriety text** ..... 3

**Going abroad: A look at radio companies' overseas investments** ..... 4

**The Web casts its demographic net higher and wider** ..... 4

**POWwow? Is McCain victim of whispering campaign?** ..... 4

## MANAGEMENT SALES & MARKETING™

**Radio and the Internet: A marriage made in cyberspace** ..... 6-10

## MEDIA MARKETS & MONEY™

**Viacom/CBS: FCC, don't waver with the waivers!** ..... 12  
 CBS/Viacom would like to put off spin-offs from their impending merger, to find buyers, and hopefully to find a more favorable elephant-influenced political climate.

**MTV.com will make tracks for Viacom** ..... 13

**Emmis will pay \$366.5M for Baker's half dozen** ..... 13

**USA finds a nickel fare all the way to Wall Street** ..... 13

**XM Satellite still awaiting first taste of income** ..... 13

**Disney creates separate stock for Internet business** ..... 13

## BROADCAST INVESTMENTS™

**Radio One demonstrates its common touch** ..... 15

**Clear Channel offers to disbond Jacor holders...** ..... 15

**...and makes a notable convertible offering** ..... 15

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## Inner City speaks on \$2.3M bank loan payment; going public

Ongoing allegations of impropriety made over the past few weeks about Inner City Broadcasting founder **Percy Sutton** from a group of shareholders led by NYC lawyer and former Inner City counsel **John Edmonds** came to a resolution last week (11/22). Edmonds had approached NY Attorney General **Eliot Spitzer** with a claim that Inner City wouldn't honor a 9/98 resolution that required the broadcaster to buy back 50% of their stock for about \$50/share. In addition, he and the other shareholders said Sutton has failed to repay \$2.3M in loans borrowed from the company to pay for new stock issued in the 80s.

While it was reported Spitzer and Sutton reached an accord that has Sutton repaying the \$2.3M in loans from Inner City in 18 months and lets the minority shareholders redeem 50% of their shares within a year, Inner City Chairman **Pierre Sutton** tells *RBR* the number is wrong and the whole event was based on Edmonds' mudslinging: "The figure is absolutely wrong—it's \$1.725M. The guy didn't even print the truth—and I have bank papers to absolutely prove this. This was all stirred up by a disgruntled, former in-house counsel for Inner City Broadcasting, who himself received similar loans. This is about a guy, I know him very well, a

snake in the grass who my father believed in that was my father's counsel here. This is nothing but mudslinging—he's so foolish because he wants to get something out of us by hampering our ability to do business. I don't get the logic of this guy—I think he's insane, frankly—why would you — on the pot that you're supposed to eat from?"

He adds that the loans were necessary for his father, Percy, to operate the business—business as usual. "Here's what's so ugly about this—this is done every day where the banks require that the principal be, in fact, the controlling shareholder. It's — —, it happens every day in almost every company—any entrepreneurial company, that's for sure. It's almost the standard modus operandi for banks," says Sutton. "Both Mutual of New York and Chemical Bank required of Percy Sutton that he take those loans so that he would be able to have control of the company."

Inner City also happens to be one of the many companies bidding on the estimated 107 stations designated for spinoff from the Clear Channel (N:CCU)-AMFM (N:AFM) merger. Sutton tells us, while being "very selective and very modest in [his bidding] approach," acquiring at least some of them would increase his

company's chances for an IPO: "We put in a bid like many other hopeful bidders. If we could get some of these properties, that would be nice. I think we would have sufficient mass in order to make it an attractive IPO. And we're looking at the various ways we might develop into a public radio company," Sutton explained. "I know what [Rev. **Al**] **Sharpton** (*RBR* 11/15, p.3) and others are talking about, and that is they are considering this the last foreseeable chance for African-Americans to gain significant foothold in the radio business and they are very much aware that radio is, without a doubt, the most important medium in their own communication with the African-American community."—CM

### Filing fees fill fed wallets

Uncle Sam is getting a year-end bonanza from the merger of CBS (N:CBS) with Viacom (N:VIA). The FCC license transfers filed 11/16 came with a check for \$133,000. But that was chicken feed compared to the payment that accompanied the deal's SEC filing of 11/23—a whopping \$7,774,286. That's a total of nearly \$8M (more precisely, \$7,907,286) that **Sumner Redstone** and **Mel Karmazin** have chipped in to make sure President **Clinton** and the Congress really do get the budget surplus they've already been working feverishly to spend.—JM

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## News Briefs

### Anti-drunk driving campaign kicking off

For those of you on the NAB's STAR (Stations Target Alcohol Abuse Reduction) program, keep checking your mailboxes for a special 57-cut CD. The CD will contain anti-drunk driving messages from artists such as Aerosmith, **Elton John, Randy Travis** and **Reba McEntire**. The PSAs are being released now to coincide with the holidays and the "National Drunk and Drugged Driving Prevention Month" in December.—TS

### Arbitron announces new officers

**Mickey Luckoff**, Pres./GM of KGO-AM San Francisco, has been elected as the Arbitron Radio Advisory Council's chairman for 2000. Luckoff is known for helping to devise Arbitron's sample increase plan in 1993.

**Chuck Tweedle**, Pres. of KOIT-AM & FM San Francisco, will serve as vice-chairman. **Gary Fries**, Pres. of RAB New York City, will retain his position as representative-at-large, and **Gerry Boehme**, Sr. VP/Dir. of Information Services and Strategic Support at Katz Media, will remain as a research member of the Council.—TS

### New radio spectrum coming?

The FCC says it is reallocating 698-746 MHz (TV channels 52-59) for mobile communications and new broadcast services for commercial use, and radio could be one of those services. According to the FCC, approximately 200 megahertz of spectrum has become available due to transfer of frequencies from government uses and from reallocation of frequencies used by existing non-government radio services. Under the Balanced Budget Act of 1997, the Commission has until 2002 to auction this spectrum.—TS

### CD Radio now "Sirius"; gets SciFi channel

Upcoming satellite DARS broadcaster CD Radio (O:CDRD) changed its name to "Sirius Satellite Radio," it was announced 11/18 at a party celebrating the company's completion of its national broadcast studios. The stock symbol will change in January to (O:SIRI). The new name and logo were developed by Interbrand for the company. The name Sirius was chosen because it is the brightest star in the sky.

The SciFi Channel/Scifi.com has signed with Sirius to produce "SciFi Radio," a channel offering readings, interviews, music and Seeing Ear Theatre productions.—CM

## The pace of consolidation: Steady as she goes

When the turkeys were being carved up back in late November 1996, just over one-fourth of all radio stations in Arbitron-rated markets were part of a superduopoly cluster. Three years later (now, for the mathematically-challenged), that percentage has almost doubled. When simple duopolies are included in the consolidation total, the total number of stations in a consolidated operation stands at a whisker less than 75%.

The heavy lifting of consolidation took place during the first two years after enactment of the 1996 Telecom Act. Indeed, deals in anticipation of its enactment were being announced in late 1995. The formation of superduopoly clusters has continued during 1998 and 1999 at a more measured pace.

Early deals in the dereg era focused on the larger markets. However, the gap between the largest and smallest markets has narrowed significantly as several groups have concentrated on building portfolios in markets 100+.

Perhaps the biggest anomaly on the chart is the fact that the numbers for markets 101-150 are significantly lower than those for the two market groups beneath it. This is primarily due to the large concentration in this group of Arbitron markets which are either embedded or flat-out overwhelmed by nearby mega-markets. Medium to small markets operating in the shadow of a huge market tend to have suppressed station totals, suppressed ratings and suppressed ownership interest from national groups.

Spin-offs from the Clear Channel/AMFM merger will not have a big affect on consolidation percentages. Even if all 107 stations tentatively designated for resale went from standalone to superduopoly status, it would result in less than a 2% overall increase in superduopoly consolidation. Not only are many of the involved stations already in superduopolies (meaning going to a new superduopoly would have zero impact on the percentage), we anticipate quite a few of them will exit the consolidation ranks, in particular smaller AM stations which are sold into niche operations with Children or Spanish/Ethnic formats.—DS

### Growth of consolidation percentage by market size

Markets		11/25/96	11/24/97	11/23/98	11/22/99
1-50	Superduop	32.6	47.4	52.3	56.3
	Total Consol	61.6	71.9	76.6	78.0
51-100	Superduop	30.5	44.6	50.0	56.4
	Total Consol	61.0	68.6	72.5	75.5
101-150	Superduop	24.8	36.7	46.8	49.1
	Total Consol	53.5	59.1	67.9	71.6
151-200	Superduop	22.3	38.2	43.8	49.2
	Total Consol	52.5	64.4	69.9	73.1
201+	Superduop	22.4	37.2	44.7	52.4
	Total Consol	53.2	62.9	69.1	73.6
Total	Superduop	27.7	42.0	48.3	53.4
	Total Consol	57.5	66.5	72.0	74.9

source: RBR Information Services Group

## Building an international portfolio

It's still a modest trend, if it can really be called a trend at all. But it's clear that US broadcasters are becoming more and more interested in expanding beyond the borders of the United States.

Most recently, Emmis Communications (O:EMMS), which is already a radio investor in Hungary, entered the Argentine radio market (*RBR* 11/15, p. 12). Also, Saga Communications (A:SGA) owns radio stations in Iceland.

Those investments pale, however, next to the international media investments of Clear Channel Communications (N:CCU)—and we're not talking about the two Mexican stations it operates in the San Diego market. Here, from a recent SEC filing, is Clear Channel's listing of its overseas investments in broadcasting and outdoor advertising.—JM

### Radio

Clear Channel's broadcasting investments overseas consist of:

- a 50% equity interest in the Australian Radio Network Pty., Ltd., which operates radio stations in Australia;
- a one-third equity interest in New Zealand Radio Network, which operates radio stations in New Zealand;
- a 40% equity interest in Grupo Acir Comunicaciones, S.A. de C.V., one of the largest radio broadcasters in Mexico; and
- a 50% equity interest in Radio Bonton, a.s., which owns an FM radio station in the Czech Republic.

### Outdoor

Clear Channel's wholly owned Eller Media and More Group own 415,000 billboard/poster faces overseas, as well as the 147,000 that Eller owns inside the US. In addition, Clear Channel owns the following:

- a 50% equity interest in Hainan White Horse Advertising Media Investment Co. Ltd., which operates street furniture displays in China;
- a 40% equity interest in Expoplakat AS, which operates billboard displays in Estonia;
- a 50% equity interest in Sirocco International SA, which is developing a new eight square meter format network and obtaining concessions for two square meter format panels in France;
- a 50% equity interest in Adshel Street Furniture Pty., Limited, which operates street furniture displays in Australia and New Zealand;
- a 30% equity interest in Capital City Posters Pty., Ltd, which operates street furniture and billboard displays in Singapore; and
- a 31.9% equity interest in Master & More Co., Ltd, which operates billboard displays in Thailand.

Source: Clear Channel SEC Form 424B5 filed 11/19/1999

## Internet usage more varied, says Interep

Good news for radio stations: Internet users are becoming more varied across the age, educational, professional and ethnic boundaries, according to a recent study released by Interep.

"As the Internet becomes more accessible to all consumer sectors, a greater number of radio stations and formats will be able to benefit from the dot-com revenue that has been flowing into the medium," explains **Stewart Yaguda**, Pres. of Interep's Marketing Group.

The study shows that the growth of e-commerce and on-line shopping is working in radio's favor—especially in the Q4—as advertising for web sites on radio is expected to pick up during the 1999 holiday season. Other findings in the study include:

- 41% of adults—that's 80M Americans—now have access to the Internet, up 25% from the last year.
- The most dramatic growth in usage was in the 55-64 age group, up 100%.
- Teens are among the heaviest Internet users.
- Usage among ethnic groups is increasing—African-Americans with on-line access at home or work grew 55% from last year. Latino usage is up 47%.—TS

## Rumors darken McCain's campaign

Just as Sen. **John McCain** (R-AZ) finally began to surge in the New Hampshire polls, a "whisper campaign" is threatening to destroy the Senate Commerce Committee Chairman's hopes of becoming the next President of the United States.

According to the *New York Times*, top Republican leaders have been spreading rumors about McCain, a former Navy pilot and POW, that his time in North Vietnam has left him emotionally unfit to fill the White House position.

But McCain claims that he is not aware of such a campaign, announcing during a recent television interview, "I have no direct information except hearsay that this kind of thing is going on."

McCain also dismissed notions during the interview that supporters of Texas Gov. **George W. Bush** (R)—who is also pursuing the GOP presidential nomination—are behind the rumors. Those Republican supporters have denied those accusations, and says McCain, "I take them at their word, and there's no reason for me not to."

Sens. **Don Nickles** (R-OK) and **Paul Coverdell** (R-GA) separately wrote letters to the *Washington Post* last week denying allegations that they were behind the whisper campaign. Coverdell called the accusations "reckless, without merit and quite simply, poppycock...For the record, John McCain is a good friend for whom I have great respect," he wrote.

McCain has promised to release his medical records to the public to answer questions that his time as a prisoner of war has left him with permanent psychological damage.

"I've never undergone counseling of any kind," he told the *Times*. "although I have no doubt I should have done so...When you spend years in solitary, you get to know yourself very well."—TS

**Editor's Note:** McCain speaks to *RBR* in an exclusive interview for next week's issue.



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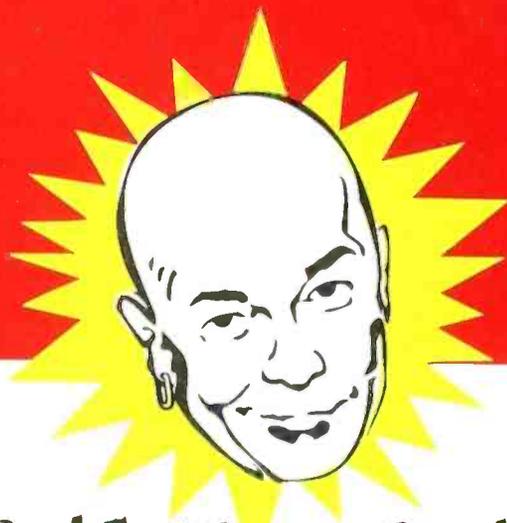
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Source: Spring 1999 Arbitron  
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by Carl Marcucci

## Radio and the Net: The latest on this love/ hate relationship

Can radio compete with the Internet? It's getting pretty competitive out there for the listeners' ear. As more and more people are becoming equipped to listen on the net, more and more choices are becoming available. Some of the latest include RhythmRadio.com, CosmicRadio.com, The Lycos Radio Network, Netradio.com, Spinner.com, DiscJockey.com, Imagine Radio, MTV's Sonic Net, Wired Planet,

would be wiser to improve their own Web sites as local, vertical portals and drive listeners to their Web sites."

For all practical intents and purposes, the Internet is broadcasting—just like radio. They both entertain, they both need a receiver and they are both becoming portable (see below). The Internet has the advantages of being global and having much more interactivity. So, radio should use the

net just as much as the net can use radio. They must support each other and invest into each other. "Ultimately, I think the distinction will become meaningless. Already, some of the major 'Internet Only' Webcasters—Spinner.com, Imagine Radio, SonicNet—have been purchased by major media companies," said **Greg Verdino**, VP/GM, Arbitron New Media.

"There will be

both a need and market for both Internet-only and traditional radio broadcasting. The success of Internet-only broadcasters, NetRadio.com and Spinner.com, have shown the demand for serving targeted audiences. This will continue to grow as the Internet explodes," said **Scott Zafran**, Director of Marketing, WebRadio.com. "Traditional broadcasting will always be available to serve audiences in conventional listening atmospheres (i.e. car radio, home tuners) in addition to adapting and expanding to serve new audiences as well (i.e. work PC, home

PC, portable devices, etc.)."

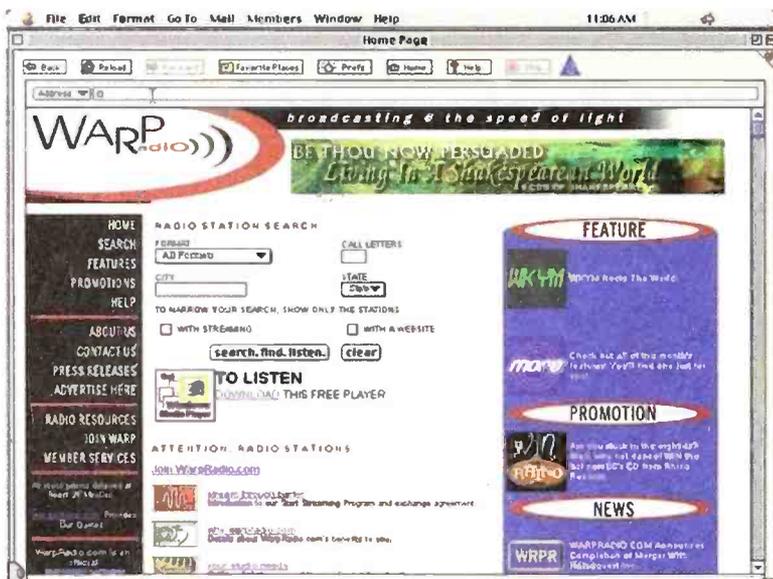
"Radio will be on the net. To what extent do the broadcasters exploit and use this new medium, we believe, like always, some will take it to the next level and others will flounder," said **John Sutton**, co-founder, WarpRadio.com, who completed (10/6) an IPO/reverse merger with Homequest Inc. (O:WRPR). "Cable didn't replace TV, it enhanced it—content is still king. TV didn't put movies out of business, movies are more prolific now than ever on TV! The new medium will create a hybrid of good radio and interactive content," Sutton adds.

"Radio and the Internet are made for each other like no other medium is. Radio broadcasters have got the strongest advantage out there now to take advantage of the net," **Pat Clawson**, Director of Broadcasting and Cable, Internet Tradeline, Inc. tells *RBR*. "I think the future role of the station is going to be to serve as a big, 100kw beacon to direct people to your Web site. Broadcasters are going to make most of their money off of their Web sites, not over their over the air signal. And the sooner that broadcasters realize that and begin using the station as a promotional device to direct traffic to these sites, the faster they will be able to capitalize on building an Internet revenue stream."

### The net is going mobile

The key distinctions between Internet broadcasting and radio broadcasting used to be portability and mobility. Well that's changing. The Internet may end up being just another broadcasting spectrum with video added to the mix.

"Many now tout the ability to access web content anywhere via your cell phone," Verdino tells *RBR*. "Wireless Internet broadcasting is coming fast, and when that happens I don't think the consumer will care whether the station they are listening to has a tower down the block or a server half-



mp3.com, EMusic.com/EMusic network (partnered with Wired Planet) and even www.ktel.com (famous for hit music LPs).

Where does all of this leave broadcasters? "I think this is the biggest red herring in the industry. While all the broadcasters are worrying about paying money to netcast, dot-com companies are taking over air time to drive listeners to their portals and newspapers are quickly establishing a presence on the Internet for the local community," said **David Owen**, President, WebPresence. "Stations



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way across the world—they are just going to tune into the station that offers the best programming.”

The fact is, the technology is already there for cellular modem, MMDS/LMDS- or the proposed MMBS- band based (RBR 10/4, p.2) receivers that would have multiple

presets available for globally-selected streaming audio stations. “Wireless Internet is going to prove to be a tremendous competitor to traditional over-the-air radio. What broadcasters need to be doing is going out and buying up every inch of wireless spectrum in sight. MMDS [originally wire-

less cable TV frequencies] is going to be a main venue for wireless Internet in North America,” Clawson explains. “What’s about to happen is this—the frequencies that the FCC has allocated for wireless cable and IVDS [Interactive Video Data Service 218-219 MHz] the computer industry has real-

## New Internet Solutions Providers

### **BuySellBid.com/InXsys Broadcast Networks:**

While not new to our coverage, the company recently struck an exclusive deal with Clear Channel (N:CCU) last month to provide an online classifieds provider link to all its station sites and has since changed its revenue model. “Our revenue model really began some time ago—the idea of online classifieds where primary revenue would be generated from consumer-placed classified ads, charging x-number of dollars per consumer for a finite period of time to list and sell their stuff,” BuySellBid COO **Tobin Kurtin** tells RBR. “That revenue model has transitioned into more of a consumer service-focused environment where ad placement on the consumer side [both text and multimedia] is basically free.”

The company’s new revenue model looks at three major areas for revenue generation: National vertical advertising (large national players like Ford, HomeSeekers.com to sponsor an entire product group), National value-added advertisers (i.e. Mortgage.com—part of the pool of nation advertisers within a product group) and local commercial advertisers (i.e. a local mortgage or real estate company).

**Koz.com:** Breaking into the terrestrial broadcast market (it has MTV.com) from newspapers in September, Koz.com, through its “Community Publishing System” (CPS) provides a destination-oriented suite of publishing tools for public and private online postings, members-only chat and discussion, message boards, group calendars, member-defined feedback forms and template-based publishing to client Web sites. Koz.com also recently acquired the “ichat” product line, which includes “ichat Rooms” (chat), “ichat Boards” (message boards) and “ichat Pager” (instant messaging) tools.

The first terrestrial broadcast deal was with Gray Communications Systems, which owns nine TV stations and four newspapers nationwide. The next target is radio, according to President/CEO **Mike Moran**: “We want to try and make the headway into the radio industry the way we [did] in the

newspaper industry. We can work with radio stations in creating a more personal, interactive Web experience for the listeners, integrating in the streaming audio. We are in discussions with really all the players in the radio business right now.”

**BroadcastMusic.com:** (MBR July) Update: recently partnered with OneOnOne Sports for the “BroadcastSports.com” online Sports Talk net, and also signed TV group Spartan Communications to Webcast over its upcoming “NewscastNow.com” news division.

**FastBlast.com:** Helps stations from the other end, using the net for forced listening/contesting, cume and TSL building, database creation. The company buys millions of impressions in local banner advertising and designs custom promotions. “We focus on the most popular sites and do local placement. We use those banners to entice people to sign up for a radio station contest and offer a bigger prize or better odds of winning (or both) to everyone who registers on the Internet. In return we ask for their email address, zip code and birthday,” said **Bob Bedi**, GM.

**The BlueDot Network:** Formed by broadcast veterans **Joel Hartstone, Jim Champlin, Paul Rothfuss** and **Martin Beck**, SiteShell Corporation’s “Blue Dot” network offers complete management of station sites, including streaming, ad serving, e-commerce and content. All material is directed and designed to be station- and format-specific. “Most stations have Web sites running, but they don’t really have the personnel to keep them fresh daily,” said Champlin, SiteShell President.

**WebPresence:** Provides several applications for stations to add to their Web site under its webNTR.com™ brand: advertiser guide, events calendar, listener forum, listener registration, programming guide and personality guide. The station enters information using customized forms provided by WebPresence. Money is made by local advertisers sponsoring those content pages on the stations’ Web sites.

**WarpRadio.com:** Launched 6/99, this site provides audio streaming for more than

100 stations and syndicators on a barter (two min./day) basis, a complete listing of stations, a link to their page, streaming and coverage of ASCAP/BMI fees. “We are broadcasters with over 30 years experience, Internet professionals and corporate executives from the finance, telecommunications and music promotion fields,” said **John Sutton**, co-founder, WarpRadio.com. “We just started a new division for the company, Warp Interactive Group (WIG), which concentrates on bringing more content into the table—concerts, promotions.”

WarpRadio recently signed with a major telephony partner (to be announced) that will provide the needed bandwidth for these streaming video events to all station clients. In return, WarpRadio will be the audio portal on the partner’s page and listeners will be offered high speed connection deals.

**Global Media:** Internet broadcast and e-commerce services, providing a turnkey solution, similar to Magnitude Networks and WebRadio (July MBR). “We offer a chance for broadcasters to adopt two business models simultaneously on the Internet—retail sales and broadcast advertising. To realize this vision, we have partnered with Real Networks to create our unique Global Media Player which integrates these two models. Through the player interface, the end user can listen to a stream of the radio station’s broadcast and purchase products associated with the content being streamed,” said **Winston Barta**, Global Media VP. “The Player also has an area reserved for banner advertising and an additional data screen which can be used for alternative advertising opportunities (such as commercials).”

**Get Media:** (RBR 5/10, p.4) An e-commerce provider supplying a real-time song title and artist display and purchase vehicle. It recently formed a strategic relationship with Microsoft that will deliver its technology to the tens of millions of users of the Microsoft Windows Media Player and Microsoft Internet Explorer 5. GetMedia will integrate its “What’s Playing Now” functionality into the radio station guide on the WindowsMedia.com Web site. Listeners will know what’s playing on each station and can click through to hear them live.

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**THOUSAND**  
**53**

**MINUTES**  
**56**

## **Bigger Numbers. Still No Secrets.**

It is no longer a secret that Merge933.net is scoring huge numbers. Not just radio numbers, but big, impressive Internet numbers. Here's the biggest one: Merge933.net fans are spending an average of 56 MINUTES per session on the station's Website — qualifying it as one of the longest "time spent viewing" websites on the Internet. That's a big number; here are the other ones.

- 4.1 million Web pages served weekly
- 53 thousand unique user sessions per week
- 56 minute average time spent listening/viewing

RadioWave.com can't keep a secret in Dallas, and now it's happening again in San Francisco at KSAN. RadioWave.com and Susquehanna have joined to create an intrusive, cool and ultimately sticky Website for this great San Francisco station.

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ized that these frequencies are excellent for the transmission of wireless Internet data. As a result now, in the last few weeks, Cisco Systems and Intel have formed a partnership to go after MMDS frequencies and to develop MMDS technologies. AT&T has been out buying up MMDS. Once they've got those blocks of spectrum, they're going to be able to use them for wireless Internet on a national scale. MMDS is going to become quite a competitor to traditional radio—simply because you're going to be able to access the Internet wirelessly over those frequencies, and the Internet creates the possibility of having literally millions of new radio stations.”

Metricom's [funded by Microsoft co-founder **Paul Allen**] Ricochet service, operating on unlicensed Part 15 frequencies (902-928 MHz) is one company offering wireless Internet in some airports and the SF Bay, LA, Seattle and Washington DC areas. The current speed offered is 28 kbps (a few areas offer 56 kbps) over RF modem transmissions. Early next year, Metricom expects to offer 128 kbps [ISDN transfer-rate speed] transmissions, enough to also offer mobile high-quality video streaming, let alone audio. Notebooks or laptops will currently run the service, but it's only a matter of time before receiver manufacturers incorporate the technology into boomboxes and car stereos.

## What's the future of Radio Internet Solutions Providers?

The Radio Internet Solutions Providers industry is constantly changing to meet the changing needs of broadcasters. Current offerings range from one or more of the following: tech support, audio streaming, chat/online communities, entertainment content, e-commerce, networked ad placement, general applications (i.e. event calendars, yellow pages) and complete Web site management and development.

Competition for big group clients is increasing. A signed contract for a group-wide Web site network can make all the difference to these companies. However, consolidation forces bottom-line thinking and economy of scale can be achieved across groups of station Web sites, just as across the stations. There will always be stations that want to focus on doing

good radio and outsource the rest, but the bigger clients are going to want to manage in-house a network of sites that could potentially generate tens of millions of dollars a year. Says Owen: “As far as the nature of solutions goes, I believe there will be a shift to tools that enable broadcasters to manage online content in the same ways manage on-air content today. Broadcasters will want to control their content more closely than they do today, and keep the cost down. This will also be influenced by a wave of centralization of management and centralized automation of information systems that has only just begun to hit the industry.”

“The Solutions Providers have had a tough battle to fight. For several years now, the early entrants into this field—Magnitude Network, OnRadio.com, etc... have been pitching their wares to a marketplace that was, for the most part, not ready yet. Now, the radio market is ready to embrace the web and many of the groups feel they can build successful Internet businesses without any outside help,” said Verdino.

**Chuck Armstrong**, who helps run AMFM Inc's AMFM Interactive (RBR 5/17, p.3) under **Jimmy de Castro** (RBR 11/22, p.4) is one prime example leading that charge. However, if a radio station does its Web site completely in-house or allows corporate to manage it, it better take it seriously. If not, a site could do more harm than good. “It's a full-time job. When you start putting a name with a face, and closing the loop with your listener online, you have a pretty big responsibility. Because if they send you an email, you need to get back to them. The traditional marketing director and PD don't necessarily have time for that,” said Armstrong. “That's one of the reasons we unbundled AMFM Interactive, and one of the reasons that we have an I-manager that we put at each radio station like we did in Philly, is because there really



needs to be a full-time person whose job is to market the Web site online, to make sure that everything that's on-air gets translated to online.”

However, many radio stations can't afford an I-manager or to do it all in house, especially without a fast return on the investment. Global Media's VP, **Winston Barta**, believes this will only increase the need for Internet Solutions Providers: “The cost of maintaining and improving a computer network is very expensive. There are issues of hardware upgrades, software updates, Internet connectivity, and network engineering to consider. At the end of the day, it simply makes more sense for radio stations to outsource this service to a third party. From ubiquitous banner advertising to targeted event sponsorships, the Internet provides many unique advertising opportunities. For a small commission, radio broadcasters can work with an established ad serving agency to attract advertising revenue. There are a number of useful outsourced applications—such as chat services, free web-based email hosting, free homepage hosting—that capitalize on the communications potential. A broadcaster's Web site should take advantage of these tools. The programming possibilities are [also] enormous. Imagine a global audience interacting directly with giveaways, contests, requests. Rich, constantly updated content is the key to creating a compelling Web site that attracts visitors and encourages return visits. Much like a syndicated programming model, outsourced content should be acquired to create an interesting web destination.”



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INTERNETWORKS

by Jack Messmer

## Dear Santa Kennard: A look at Sumner's and Mel's wish list

Viacom (N:VIA) CEO **Sumner Redstone** and CBS (N:CBS) CEO **Mel Karmazin** have said repeatedly that they'll make whatever divestitures are necessary to win approval of their companies' pending merger. Don't take that to mean, though, that they're anxious to shed any excess assets. They're trying to persuade FCC Chairman **Bill Kennard**, the US Congress and anyone else who will listen that the merged company should be allowed to keep just about everything the two companies currently own. Even if they are forced to make some divestitures, they want to put off that painful process until 2002—two years after the merger is expected to close in 2000.

Radio is pretty much the only place that Viacom/CBS is conceding that it will have to make spin-offs, but even there it's sparring with the FCC over

how many stations will have to go. In its merger application filed 11/16 (the first day TV duopoly filings were allowed—*RBR* 11/15, p. 2), Viacom acknowledged that CBS will lose grandfathered protection of TV-radio combinations which exceed the FCC's new limits (*RBR* 8/9, p. 3) when control of the company transfers to Viacom. Therefore, the company will have to pare down one radio station in Los Angeles, one in Chicago and two in Dallas-Ft. Worth. The situation is more complicated in Baltimore and Sacramento, where CBS has asked the Commission to clarify whether overlapping radio contours from its Washington, DC and San Francisco stations count against the new limits for radio stations co-owned with a TV station. If the FCC rules against CBS, it could have to divest three Baltimore/Wash-

ington radio stations and two Sacramento stations. In any case, Viacom/CBS is asking for a waiver allowing it six months after the merger closes to sell the excess radio stations.

After having its lawyers re-read and re-read the 1996 Telecommunications Act, Viacom has come up with a novel new interpretation which is at odds with everyone else's reading of the Act. It now claims that owning both CBS and 50% of UPN doesn't violate the Act. First, it suggests that Viacom doesn't control UPN at all with 50% ownership—that it would have to have 51% to be in control. Secondly, it claims that UPN wasn't covered by the description written into the law specifically to include UPN and WB because UPN's primary affiliates reach only 73-74% of the nation's TV audience. To get past the law's 75% threshold you have to include secondary affiliates and Viacom insists they shouldn't be counted.

Thus, Viacom wants the FCC to let it keep both CBS and its stake in UPN. In fact, if Viacom's new legal interpretation is upheld, it could own 100% of both networks. Even if it is forced to divest its interest in UPN, Viacom wants a waiver giving it until 24 months after closing to do so.

The national audience cap for TV groups is 35% and Viacom/CBS combined cover 41.388%. Simple enough. You have to divest stations covering 6.388%, right? That shouldn't be very difficult in the current hot market for TV stations. Viacom, however, says divestiture is a difficult thing and it will need a waiver giving it 24 months after closing to take care of the spin-offs in a way that allows for "an orderly transition to alternative business arrangements." Meanwhile, Viacom will press its case to have the FCC raise the 35% cap.

If Redstone and Karmazin get all they've asked for in the FCC "wish list," the merged company would only have to divest four radio stations—and not until six months after the merger closes. Even if more spin-offs are required, the waivers they've re-

Victor Michael, President, of  
**Mountain States Radio**

*has agreed to transfer the assets of*

**KTRS-FM, KMLD-FM and KWYY-FM**  
**Casper, Wyoming**

*to*

**Clear Channel Communications**

*in exchange for*

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quested would delay the most painful divestitures until well into 2002. Although not stated, that would raise the possibility of a last-minute reprieve from a new FCC majority appointed by a new President.

### I want my MTV stock

Just as Viacom has a separate tracking stock for its video stores, Blockbuster (N:BBI), and CBS has a tracking stock for its radio/outdoor holdings, Infinity (N:INF), Sumner Redstone is planning a tracking stock for Viacom's music site on the Internet, MTV.com. He told a news conference 11/19 that an IPO for MTV.com is likely in Q1 of 2000.

### St. Louis price tag: \$366.5M

Both Emmis Communications (O:EMMS) and Sinclair Broadcast Group (O:SBGI) announced that appraisals have fixed Emmis' purchase price for Sinclair's St. Louis radio and TV properties at \$366.5M. That's right in the \$350-400M range predicted by RBR (7/5, p. 12).

"Our expectation remains to complete the transaction by the end of our fiscal year," says Emmis CEO **Jeff Smulyan**. That would be 2/29/2000.

Meanwhile, Sinclair appears to be holding out at least a glimmer of hope that Emmis will drop the ball as it exercises the option obtained from former Sinclair CEO **Barry Baker** to buy the St. Louis stations—properties that Sinclair clearly doesn't want to sell. "There can be no assurance as to whether or not any such agreement can be reached, or if agreement is reached, whether the transaction will be consummated," Sinclair stated in its 11/19 announcement.

### USA Radio going public

The Dallas-based conservative talk network, USA Radio Networks, and its new parent company, USA Radio.com, are heading to Wall Street by way of a tiny penny stock company in Colorado. USA has paid \$185K for a majority stake in a public shell company, Ansel Project Inc., and will soon start public stock trading on the Nasdaq bulletin board. USA paid 4.59 cents for each share, but its anybody's guess what the public shares will trade for.

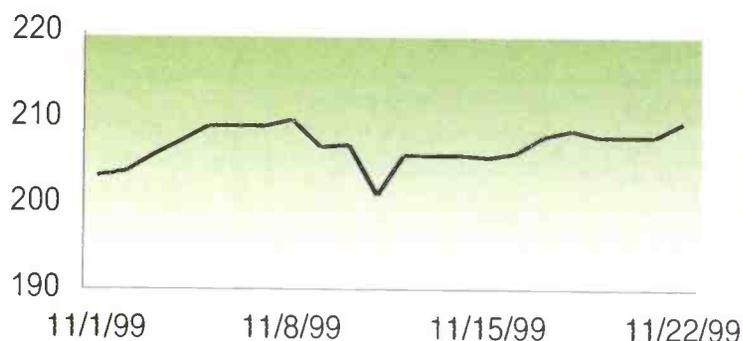
## The Radio Index™

**RADIO BUSINESS REPORT**  
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RADIO NETWORK

The Radio Index™ pushed back within a fraction of its record of 209.67, set 11/8. The index closed 11/22 at 209.40, up 4.09 from a week earlier.



### XM revenues flat at \$0

What can you say about a company whose business isn't yet off the ground—literally? XM Satellite Radio (O:XMSR) is still more than a year away from launching its satellites to begin beaming nationwide digital radio back to earth. With no revenues coming in, all of the financial figures for the company concern outflows of cash to prepare for future operations. The Q3 operating loss grew to \$9.4M from \$3.9M a year ago. XM's net loss increased to \$17.4M from \$3.9M.

### Internet to revive mouse?

Shareholders of beleaguered Walt Disney Co. (N:DIS) approved creating a new go.com stock to track the value of Disney's Internet ventures. The vote 11/17 was far from overwhelming however, with 63% approving the idea. The new stock, which opened 11/18 at \$37.50, now trades on the New York Stock Exchange with the symbol "GO." Disney owns 72% of go.com, with the remaining 28% issued to former shareholders of Infoseek, which was merged into go.com.

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**T** TRANSACTION **D** DIGEST™

by Jack Messmer & Dave Seyler

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.

**\$14,945,000,000** 46 AM & 116 FM stations, transfer of control of CBS Corp. (N: CBS) and its subsidiary Infinity Broadcasting (N: INF) from Mel Karmazin, Martin Dickinson, Robert Walker, Farid Suleman, Jan Leschly, Leslie Moonves and others to Viacom Inc. (N: VIA), whose single majority voting shareholder is Sumner Redstone. Tax-free stock swap valued at \$34.45B, including TV, outdoor and other assets. *RBR* estimated that the radio station value is \$14.945B (*RBR* 9/20, p. 13). Transfer of numerous existing **superduopolies**. Numerous **waivers** requested.

**\$8,000,000 WHB-AM** Kansas City MO from KANZA Inc. (Michael Carter) to Union Broadcasting Inc. (Jerry Green, Chad Boeger, Duke Frye, Kevin Kietzman, Jeff Montgomery, Brian Purdy, Brian McRae). \$400K escrow, additional \$3.6M in cash at closing, \$4M note. **Duopoly** with KCTE-AM. LMA since 10/1.

**\$3,600,000 WJYY-FM, WRCI-FM & WNHI-FM** Manchester NH (Concord-Hillsboro-Belmont NH) from Radio Works Inc. (Lindsay Collins) to Concord Broadcasting LLC, a subsidiary of Vox Radio Group (Bruce Danziger, Jeffrey Shapiro, Kenneth Barlow, William Stanley, Robert Lipman). \$180K escrow, balance in cash at closing. **Superduopoly** with WKXL-AM & FM Concord NH. Broker: Harold Bausemer

**\$2,750,000 KOOV-FM** Killeen-Temple TX (Copperas Cove TX) from Centroplex Communications II Ltd. (Gaylon Christie) to Cumulus Licensing Corp. (Richard Weening, Lew Dickey Jr.), a subsidiary of Cumulus Media (O: CMLS). \$137.5K letter of credit as escrow, \$2.75M in cash at closing. **Superduopoly** with KLTD-FM, KOOV-FM & KYUL-FM. LMA since 9/15.

**\$2,700,000 KCUV-AM** Denver (Englewood CA) from Den-Mex LLC (Manuel Fernandez) to Radio Unica of Denver License Corp. (Joaquin Blaya), a

subsidiary of Radio Unica (O: UNCA). \$205K escrow, balance in cash at closing. LMA since 6/99. Note: The price increases to \$2.825M if closing is after 1/1/2000.

**\$2,500,000 WSRW-AM & FM** Hillsboro OH from Highland Broadcasting Co. (Thomas Archibald) to Clear Channel Broadcasting Licenses Inc. (Lowry Mays), a subsidiary of Clear Channel Communications (N: CCU). \$125K escrow, balance in cash at closing. **Superduopoly** with WLW-AM & WKRC-AM Cincinnati and WCHO-FM Washington Court House OH. Note: No contour overlap with WCHO-AM.

**\$2,000,000 KFIG-AM** Fresno CA from Valley Broadcasting Inc. (Antonio Rabago, Mike Munoz) to Big Dawg Broadcasting LLC (Mark Lane, Karen Laval). \$200K escrow, balance in cash at closing. LMA since 9/1.

**\$1,400,000 WQLJ-FM** Oxford MS from Oxford Radio Inc. (David Kellum, Jack Gadd, Rick Mize) to TeleSouth Communications Inc. (Stephen Davenport, H.B. Henley Jr., John Henley, William Henley II, James Henley, Charles Henley, Ross Henley). \$25K escrow, balance in cash at closing.

**\$1,150,000 KGHS-AM & KSDM-FM** International Falls MN from Communications International Associates Inc. (LuVerne Walter) to Alan R. Quarnstrom and Linda Quarnstrom. \$100K escrow, \$200K (less escrow) in cash at closing, \$950K note. Broker: Jim Wychor Communications

**\$609,960 KCTX-AM & KSRW-FM** Childress TX from Kevin Hackler and Sherry Hackler to Kenneth Paul Harris Sr. Series of new notes and debt assumptions.

**\$550,000 WGEN-AM & WHHK-FM** Geneseo-Galva IL from Coleman Broadcasting Co. (Roger Coleman) to Hoscheidt Broadcasting Inc. (John Hoscheidt). \$50K escrow, \$490K (less escrow) in cash at closing, \$10K for non-compete agreement, \$50K for consulting agreement.

**\$450,000 WFPC-FM** Petersburg IN from Pike Broadcasting Inc. (Michael Voyles) to The Original Company Inc. (Mark & Sandra Lange). \$50K downpayment, balance in cash at closing. **Superduopoly** with WAOV-AM & WZDM-FM Vincennes IN and WWBL-FM Washington IN. LMA since 3/1.

# BROADCAST INVESTMENTS<sup>TM</sup>

November 23—RBR Stock Index 1999

Company	Mkt:Symbol	11/17/99 Close	11/23/99 Close	Net Chg	Pct11/23/99 Chg	Vol	Company	Mkt:Symbol	11/17/99 Close	11/23/99 Close	Net Chg	Pct11/23/99 Chg	Vol
Ackerley	N:AK	16.125	16.375	0.250	1.55%	24300	Infinity	N:INF	35.438	36.313	0.875	2.47%	581300
Alliance Bcg.	O:RADO	0.340	0.313	-0.027	-7.94%	31100	Jeff-Pilot	N:JP	76.375	71.625	-4.750	-6.22%	173300
Am. Tower	N:AMT	25.625	25.938	0.313	1.22%	797200	Launch Media	O:LAUN	17.500	19.375	1.875	10.71%	81300
AMFM Inc.	N:AFM	74.688	71.938	-2.750	-3.68%	603300	NBG Radio Nets	O:NSBD	2.375	1.563	-0.812	-34.19%	51700
Belo Corp.	N:BLC	19.125	18.563	-0.562	-2.94%	160900	New York Times	N:NYT	39.000	39.375	0.375	0.96%	510800
Big City Radio	A:YFM	4.750	4.875	0.125	2.63%	2800	Otter Tail Power	O:OTTR	40.875	40.375	-0.500	-1.22%	2300
CBS Corp.	N:CBS	53.688	53.625	-0.063	-0.12%	1665700	Pinnacle Hldgs.	O:BIGT	29.500	29.000	-0.500	-1.69%	182800
CD Radio	O:CDRD	26.500	28.688	2.188	8.26%	642700	Radio One	O:ROIA	64.875	62.625	-2.250	-3.47%	125400
Ceridian	N:CEN	21.813	22.000	0.187	0.86%	574000	Radio Unica	O:UNCA	26.750	25.750	-1.000	-3.74%	181000
Citadel	O:CITC	49.375	50.625	1.250	2.53%	242200	RealNetworks	O:RNWK	144.188	161.500	17.312	12.01%	2282400
Clear Channel	N:CCU	85.563	81.500	-4.063	-4.75%	845900	Regent Pfd.	O:RGCI	9.375	12.000	2.625	28.00%	13700
Cox Radio	N:CXR	70.250	70.750	0.500	0.71%	18300	Saga Commun.	A:SGA	26.875	26.500	-0.375	-1.40%	10600
Crown Castle	O:TWRS	19.063	19.500	0.437	2.29%	2242400	Salem Comm.	O:SALM	19.250	17.250	-2.000	-10.39%	237100
Cumulus	O:CMLS	40.125	37.375	-2.750	-6.85%	456200	Sinclair	O:SBGI	12.125	11.000	-1.125	-9.28%	430800
DG Systems	O:DGIT	3.938	3.969	0.031	0.79%	159900	Spanish Bcg.	O:SBSA	27.188	30.563	3.375	12.41%	619900
Disney	N:DIS	25.938	27.000	1.062	4.09%	7613600	SpectraSite	O:SITE	9.750	9.375	-0.375	-3.85%	29500
Emmis	O:EMMS	79.250	80.063	0.813	1.03%	226200	SportsLine USA	O:SPLN	39.875	45.125	5.250	13.17%	550700
Entercom	N:ETM	52.563	53.313	0.750	1.43%	19800	TM Century	O:TMCI	0.688	0.719	0.031	4.51%	0
Fisher	O:FSCI	57.250	58.000	0.750	1.31%	300	Triangle	O:GAAY	0.050	0.042	-0.008	-16.00%	812700
FTM Media	O:FTMM	12.000	12.063	0.063	0.53%	13300	Tribune	N:TRB	53.500	52.875	-0.625	-1.17%	514700
Gaylord	N:GET	31.375	30.250	-1.125	-3.59%	15700	WarpRadio.com	O:WRPR	4.375	4.625	0.250	5.71%	0
Harris Corp.	N:HRS	20.063	21.000	0.937	4.67%	1057600	Westwood One	N:WON	49.938	53.188	3.250	6.51%	209500
Hearst-Argyle	N:HTV	21.500	23.813	2.313	10.76%	44900	WinStar Comm.	O:WCII	55.250	52.188	-3.062	-5.54%	626800
Hispanic Bcg.	O:HBCCA	82.313	82.719	0.406	0.49%	518200	XM Satellite	O:XMSR	18.750	24.500	5.750	30.67%	197900

## Radio moves on Wall Street

Recent financial activity:

- Radio One (O:ROIA) completed an add-on offering of 5.4M shares of common stock at \$59.25 per share. Underwriter: CS First Boston
- Clear Channel (N:CCU) is offering to buy back four bond issues of its Jacor Communications subsidiary. Holders who take Clear Channel up on the offers will be paid a premium ranging from nearly 108% of face value to just over 110%. All four offers expire 12/10.
- Meanwhile, Clear Channel is offering \$750M in new three-year convertible notes. Hold the phone! Demand for the issue was so strong that Clear Channel decided to boost the offering to \$900M. The notes will pay a measly 1.5% interest for the next three years, but the anticipated value is in the conversion. The Wall Streeters lining up to buy the bonds are assuming that Clear Channel's stock will be worth well over the conversion price of \$105.78 per share. Underwriters: Deutsche Banc Alex. Brown, Salomon Smith Barney, Banc of America Securities, CS First Boston, Goldman Sachs & Co., Merrill Lynch, Morgan Stanley Dean Witter, PaineWebber, Schroder & Co., BancBoston Robertson Stephens, First Union Securities, ING Barings, Thomas Weisel Partners
- Hispanic Broadcasting Corp. (O:HBCCA) has filed to sell 2.3M new shares of stock.

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