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January 8, 2001

Volume 18, Issue 2

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BroadcastAmerica doesn't get investor; may be auctioned

While we reported on RBR.com 12/29 that **Roger Clement**, BroadcastAmerica's (BA) attorney had announced the company may be getting a firm investment offer from Bowman Transportation, apparently the deal fell through.

In a 12/31 letter to BA shareholders, **John Brier**, President/COO and **Alex Lauchlan**, CEO revealed the news: "We are writing with regret to tell you that BA will not be doing a deal with Bowman Transportation. This, in effect, exhausts our last chance of structuring a deal that will keep the company out of Chapter 11, or from transferring property to SurferNetwork, due to the lien on the assets."

BroadcastAmerica had been continuing minimal operations with upper management and former employees who have agreed to work for free in the hopes of securing an investment. Pursuant to a court order, BA's

Continued on page 2

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streaming providers MCI, Sprint and Real Networks have cut their services to the company, effectively leaving most of the 700 affiliates without streaming (*RBR* 12/25, p.4).

Clement submitted a motion (1/5) at US Bankruptcy Court to auction the company rather than liquidate its assets as a whole. "We're requesting permission of the court to do an auction, which would give us a period of time to market the company to any and all interested parties, and see what the interest is out there," Brier tells *RBR*.

Where does this leave SurferNetwork and its \$1M investment that was supposed to institute a combining of the two companies (*RBR* 11/13/00, p.8)? Says Brier: "Well, they'd have to get paid back their million—that's where it stands right now."—CM

Chairman-elect Tauzin?



For quite awhile, speculation abounded over who was going to become the next House Commerce Committee Chairman, either Rep. **Billy Tauzin** (R-LA) or Rep. **Mike Oxley** (R-OH). Rumor has it that Oxley will now head a newly created House Financial Services Committee, leaving the Commerce Committee Chairmanship to Tauzin. Sources also say Rep. **Cliff Sterns** (R-

FL) is expected to lead the House Telecommunications Subcommittee. Final committee assignments were expected late 1/4.—ED

Sirius gets serious upgrade

Citing the progress upcoming satellite broadcaster Sirius Satellite Radio (O:SIRI) has made by successfully launching all three of its satellites and in building an urban repeater network, Moody's has revised the company's buy outlook from negative to stable.—CM

SurferNetwork to buy GlobalMedia assets, radio contracts

Struggling GlobalMedia announced 12/29 SurferNetwork (already a \$1M investor in BroadcastAmerica), is acquiring its assets and radio contracts. SurferNetwork, as the letter of intent states, will pay GlobalMedia \$4M (according to sources) in cash and equity. GlobalMedia will get a seat on the SurferNetwork board. "We're purchasing the assets, we're not really combining the companies. They're taking a portion of their people and some of their technology and going after more of a licensing of technology in the broadband and wireless area. They are really exiting the streaming radio business," SurferNetwork CEO **Gordon Bridge** tells *RBR*. "We are purchasing those assets—their contracts and equipment. The cash portion of the deal is not \$4M, there is no question about it. We hope to get the formal deal done this month. I'm flying to Vancouver and will start interviewing people and try and get it all done in 30 days."

Bridge adds that the biggest draw of Global was the fact that they have 15 of the top 75 stations and claim they are streaming 1.8M hours a month. The transaction is expected to close in late January.

RBR observation: We knew something had to happen for Global, and soon. In a recent SEC filing, the company claims it will cease operations 12/31 unless more capital is found (*RBR* 12/25, p. 4). It had to file something by the 31st to satisfy the SEC and get shareholder's enthusiasm and support up. The announcement is really a mutually convenient way for both companies: for Global to stay in operation, and for Surfer to get some publicity—publicity that could bring in another investor or two.—CM

NextMedia adds two in Windy City

Carl Hirsch's and **Steve Dinetz's** NextMedia has added Salter Communications' WKKD-AM and FM in Aurora, IL for \$3.4M (12/29), bringing the "ring-around Chicago" total (that includes former Pride Communications stations) to 13. The AM side is News/Talk; the FM is Oldies. Expect changes down the road for the two: "They are not making any money, so you can assume what you will," Hirsch tells *RBR* "We're probably going to make them compatible with our plans all around Chicago."

Expect more soon from NextMedia: "We've got a number of things—a lot of moving pieces in this company—but nothing's done until it's done."—CM

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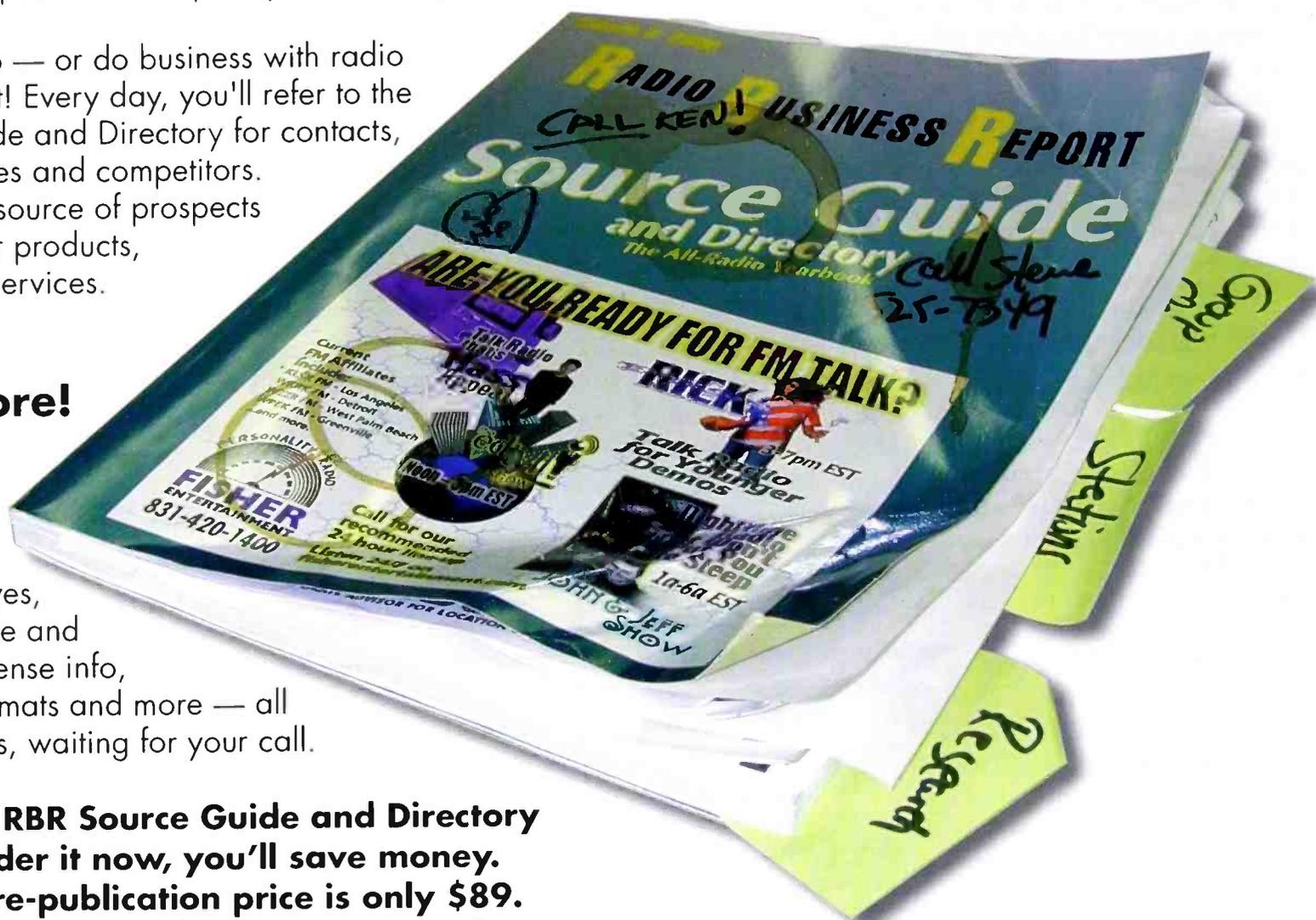
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RADIO BUSINESS REPORT

XM-1 satellite launch set

This first of the two launches for XM satellite radio will take place 1/8 in a 37.5-minute launch window which is set to begin at 2:35 PST. The 10,322 lb. XM-1 satellite is in transport to the launch site, about 3,000 miles from Long Beach, CA, aboard the Sea Launch Commander. This is the first of two missions to launch XM's satellites, named Rock (XM-2) and Roll (XM-1), into orbit. Once in place the satellites will survive for about 15 years and provide digital radio programming directly to listeners, whether in the car or at home.—ED

IAB reports Q3 online advertising down from Q2

Not a big surprise: the Internet Advertising Bureau (IAB) has reported a slight decline in revenues from Q2 '00 to Q3 '00: down \$138M, or 6.5%. However, Q3 '00 revenues were up \$1,986M (63.2%) over the same period in '99. YTD online ad revenues for Y2K are currently at \$6.1B. "We believe that it is important to note that in a comparatively weaker advertising market, Internet ad revenues still totaled nearly \$2B for the quarter," commented **Tom Hyland**, Chair, PricewaterhouseCoopers New Media Group. "This is still the fastest growing ever, subject to the vagaries of the marketplace..."

Hyland's New Media division conducts the IAB's Internet Ad Revenue Report.—CM

One-On-One Sports/Sporting News Radio Network to be XM channel

One-On-One Sports, soon to be the Sporting News Radio Network after the *Sporting News* purchase, has an-

Radio News[®]

nounced it will be the featured sports channel of XM Satellite Radio (O:XMSR).

XM is hosting a press conference at CES Friday, 1/5 at 1:00 P PT at the XM booth in the North Hall of the Las Vegas Convention Center to unveil satellite receivers from Sony, Pioneer and Alpine.—CM

Mayer says "no investment" in Hiwire

A definitive answer to the question whether Clear Channel had made a "huge" investment in targeted audio ad streaming technology provider Hiwire, as claimed by VentureWire (RBR.com 12/27): No.

Says **Kevin Mayer**, Chairman and CEO, Clear Channel Internet: "We have not made an investment in Hiwire, period. We do not have any equity stake in Hiwire whatsoever. We do not contemplate purchasing equity in Hiwire, or acquiring it through any other means."

However, there was a deal on the table, and the two companies may be close to doing business: "They approached us for an investment. We may do a business deal with them at some point, because they have a technology that's interesting to us from an operational perspective," Mayer added.

So a business deal could happen between you two in 2001? "Sure."—CM

StarGuide granted satellite ethernet delivery patent

StarGuide Digital Networks, replacing SEDAT as the industry choice for program delivery (Premiere, ABC, Westwood,

Infinity), says it has been granted a patent (#6,160,797—"Satellite Receiver/Router, System, and Method of Use") that covers removable ethernet cards utilized in its satellite receiver boxes, as well as receiver cards that provide Internet Protocol (IP) router functionality, as for StarGuide's CoolCast division. CoolCast utilizes IP-over-satellite functionality to deliver broadband streaming audio and video to PC users.—CM

Enco moving to new facility

Digital audio systems provider Enco Systems announced it is moving to new facilities in the Detroit area in April. The new building will offer double the company's current 13,000 sq. ft. space. Besides more space for manufacturing, testing and R&D, the facility will offer a larger education and training center for the company's DADPro32 digital on-air system.—CM

SurferNet signs Shamrock

Beginning with WZBA-FM Baltimore, streaming, targeted audio ad and content provider SurferNetwork has signed seven Shamrock Communications stations to its roster. Other markets include Tulsa, Austin and Milwaukee.—CM

Merge 93.3 becomes a Binary Beta

Susquehanna Radio Corp.'s Merge 93.3 in Dallas, TX will be the first station to test Binary Broadcasting's interactive Internet radio service. Since both Merge and

Susquehanna have shown a great interest in using the Internet for other beta testing, Binary thought that they were the best choice to be the beta station. Scott Strong, Merge's PD said "We're proud to consistently offer our audience cutting edge services via the web." Binary's technology "allows each listener to create a custom radio experience within a favorite station's site." Stations will also be able to generate additional revenue from online advertising and e-commerce.—ED

Art Bell's wife getting CP soon for Nevada FM

Former Premiere Radio Networks "Coast to Coast AM" legendary host **Art Bell** is soon to have a radio station in the family: His wife's (**Ramona**) winning bid (10/8) for a 6kW FM (95.1) in their hometown of Pahrump, NV (50 miles west of Vegas) is set to be transitioned to a CP, pending the final payment.

The station, with tower up and studio almost complete, will program Oldies, according to Ramona Bell. "We are [also] going to try and keep up with progress in Pahrump because right now we don't have anything that covers what's happening in our town. 107.5 [Infinity's Alternative KXTE-FM Pahrump-Las Vegas] hardly reflects the taste of anybody around here."

She adds the station will be a mix of live and automated, with 24/7 ops.—CM

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Fries predicts gains

Gary Fries, President/CEO of the Radio Advertising Bureau is predicting a 7.5-8% increase in radio advertising for 2001. He also said that revenue gains will continue upward and 2000 will end 13% above the revenues for 1999. He attributes 2001's gains to the new owner taking their place in the industry after a year of tremendous consolidation. "Nationwide, radio is 80% a local business with revenue sources that defy national trends," Fries says. "People who are trying to analyze radio as a traditional national medium will be surprised at the end of the year when they see radio's overall strength."—ED

Interep reports gains

Citing the acquisition of representation rights to about 300 new stations, Interep (O:IREP) is reporting that it has obtained \$73M in new billings from December 1999 through December 2000. **Ralph Guild**, Chairman/CEO of Interep said that the Clear Channel/AMFM merger helped Interep's prosperity in the year. Guild also said that he felt that many broadcast stations were looking for an independent rep firm, thus switching to Interep from other rep firms, especially Katz/Clear Channel.

Interep also announced the merger of its Interep Interactive with Cybereps (an online advertising and sales marketing firm). Interep now holds 51% of the ownership in the newly merged company. The name will remain Cybereps and will become "the first interactive marketing and integrated media sales and web publishing company."—ED

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Radio AdBiz

A Wish List

By Mitchell Scholar

January, 2001. A brand new year.

A time for many individuals to make their New Year's Resolutions.

For me, it is time to make my annual wish list.

I have several wishes to make in my chosen career field of network radio.

I wish that there was one consistent means of audience measurement instead of the current three:

RADAR for line networks; ARBITRON for syndication; and BRUSKIN for sports.

I wish that there was a much faster turnaround in proposal submissions and subsequent revisions. I also wish that the excuse for such tardiness was NOT that it was tied up in sales planning or that the computer system was down.

I wish that there was a software program available so that we could do our own market-by-market analysis, once a plan was fully negotiated and finalized.

I wish that there was more of a sense of cooperation between a radio network and its individual station affiliates, a wish that they could all work together harmoniously.

I wish that there was a system in place for electronic transfer of both contracts and monthly invoices.

I wish that we received all make-good changes before a schedule ran, instead of afterwards, as is now the case.

I wish that we were notified of affiliate changes in a particular network or program lineup, instead of reading about such changes in the trades or noticing a dip in the audience estimates from one month to the next, as we analyze each new requested audience report.

I wish that there was a means to have weekly if not daily reports on all commercial placements, in order to verify if everything ran as originally ordered.

I wish, more than anything, that there weren't so many occasions when the only way that I could get something accomplished was to incessantly hound and cajole all of my various sales representatives.

But most of all,

I wish that I wouldn't need to have this very same Wish List next year.

Mitchell is Director of National Radio at NY-based Horizon Media. He can be reached at mscholar@hmi-inc.com or 212-916-8600.

**MEDIAmazing.com
Moves Into Top Spot
for Week of
December 25, 2000**

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PORTLAND, Ore. – Jan. 3, 2001 – Internet-only broadcaster MEDIAmazing.com took the number one spot in the MeasureCast Internet Radio Top 25™ ranking for the week of December 25. New York talk radio station WABC-AM came in second place after four weeks in the top spot. Nevertheless, ABC Radio enjoyed 13 of the top 25 positions. MeasureCast, Inc. is the first company to provide streaming media providers

with next-day audience size and demographic reports. The weekly ranking is based on Total Time Spent Listening (TTSL) - the total number of hours listeners access an on-line station's streamed content.

"Because of increased demand to expand our popular Internet radio top 10 list, MeasureCast is now publishing the ranking of its top 25 Internet radio broadcasters," said

MeasureCast CEO Edward Hardy. "As the leading provider of true, next day audience reports for streaming broadcasts, we are excited to give advertisers, ad agencies and broadcasters the information they need to evaluate and place streaming media advertisements."

Nazareth, Pennsylvania-based MEDIAmazing.com is the first Internet-only "Listener Formatted" station to appear in the

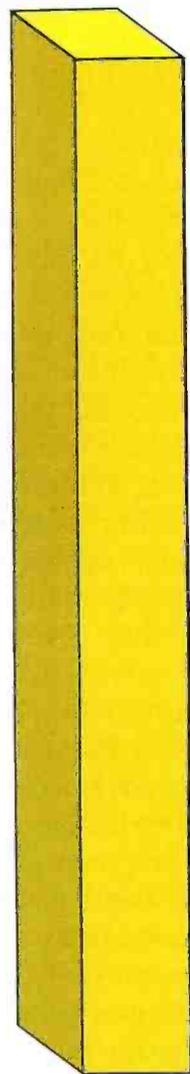
weekly MeasureCast rankings. Listener Formatted stations allow people to customize their music play lists on-line. Other Internet-only stations on this week's list: BroadcastAmerica's Radio Margaritaville, HardRadio.com, 3WK UndergroundRadio, One-place's Black Gospel Network, BluesBoyMusic.com from the broadcastweb.com, and Morfeo's Onda Cero.

The MeasureCast Weekly Top 25™ (Monday, Dec. 25 - Sunday, Dec. 31)

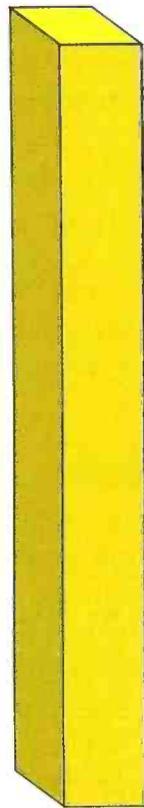
Rank	Station	Format	Network	URL	Total TSL ¹	Cume Persons ² (in hours)
1	MEDIAmazing (Internet-only)	Listener Formatted	MEDIAmazing	www.mediamaing.com	38,433	16,284
2	WABC-AM (New York)	Talk Radio	ABC Radio	www.wabcradio.com	30,314	7,976
3	WPLJ-FM (New York)	CHR / Top 40	ABC Radio	www.wplj.com	19,384	2,205
4	Radio Margaritaville (Internet-only)	Classic Rock	Broadcast America.com	www.radiomargaritaville.com	16,177	3,765
5	KSFO-AM (San Francisco)	Talk Radio	ABC Radio	www.ksfo.com	15,352	4,297
6	KQRS-FM (Minneapolis)	Classic Rock	ABC Radio	www.kqrs.com	13,344	1,995
7	WLS-AM (Chicago)	News / Talk	ABC Radio	www.wlsam.com	13,212	4,500
8	The Beat LA (Los Angeles)	Urban R&B	CyberAxis	www.thebeatla.com	12,669	2,380
9	HardRadio (Internet-only)	Album-oriented Rock	HardRadio.com	www.hardradio.com	12,543	2,199
10	WBAP-AM (Dallas/Ft. Worth)	News / Talk	ABC Radio	www.wbap.com	11,827	2,809
11	KGO-AM (San Francisco)	News / Talk	ABC Radio	www.kgoam810.com	11,796	3,470
12	WRQX-FM (Washington DC)	CHR / Top 40	ABC Radio	www.mix1073fm.com	10,036	976
13	3WK Undergroundradio (Internet-only)	Alternative Rock	3WK	www.3wk.com	9,770	2,632
14	KLOS-FM (Los Angeles)	Classic Rock	ABC Radio	www.955klos.com	9,262	2,256
15	Star 98.7 (Burbank CA)	Adult Contemporary	CyberAxis	www.star987.com	9,216	1,295
16	WBLS-FM (New York)	Urban R&B	GlobalMedia.com	www.wbbs.com	8,478	1,080
17	Black Gospel Network (Internet-only)	Gospel	Oneplace	www.blackgospelnetwork.com	8,132	1,416
18	KBLX-FM (San Francisco)	Adult Contemporary	GlobalMedia.com	www.kblx.com	7,522	751
19	WJZW-FM (Washington DC)	Jazz	ABC Radio	www.smoothjazz1059.com	7,288	1,196
20	BluesBoyMusic.com (Internet-only)	Blues	The BroadcastWeb.com	www.bluesboymusic.com	6,685	2,655
21	KXXR-FM (Minneapolis)	Rock	ABC Radio	www.93x.com	6,618	1,114
22	WMAL-AM (Washington DC)	News / Talk	ABC Radio	www.wmal.com	6,215	1,501
23	WPOW-FM (Miami)	CHR / Top 40	GlobalMedia.com	www.power96.com	5,514	1,954
24	Onda Cero (Internet-only)	Spanish	Morfeo	www.ondacero.es	4,972	3,578
25	KABC-AM (Los Angeles)	Talk Radio	ABC Radio	www.kabc.com	4,766	2,450

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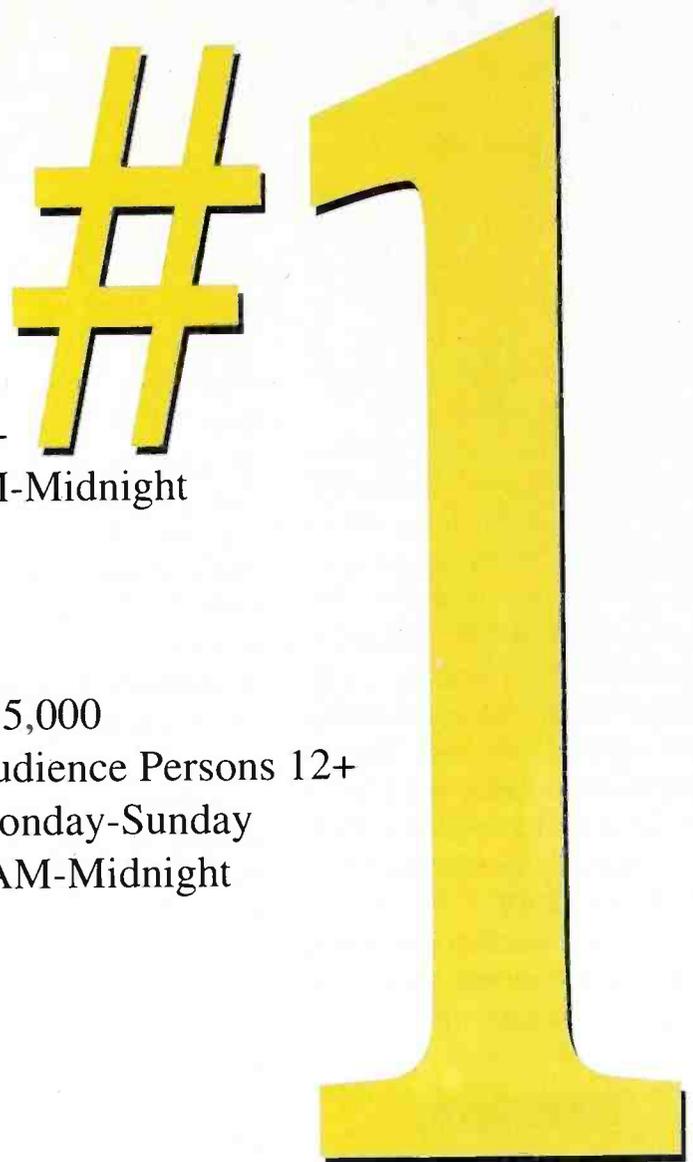
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Downfall of the dot-coms: what happened?

by Carl Marcucci

Y2K saw the pinnacle, demise and near demise of many dot-com streaming companies—a saga that seemed to begin with the \$5.8B sale of **Mark Cuban's** AudioNet/Broadcast.com to Yahoo! in the Summer of '99. As 2000 trudged on with a slowing economy, falling stock prices and the demise of dot-coms across the board, many streamies were struggling or had shut down by Q4. The ad support just wasn't there in time and the cash flow to sustain them was drying up.

At first, there were restructurings and mergers—radio station website networker OnRadio's 212 radio station contracts were bought by GlobalMedia by early summer; CMGI's iCast division also sold turnkey radio station streaming and content provider Magnitude Network (*RBR* 8/14, p. 4) to Global Media for \$6M—iCast had originally purchased Magnitude for \$23M!

And the dominoes continued to fall. See excerpts from over the year: sidebar, p.10.

The implosion

When the wolf comes to huff and puff, it blows over the houses of straw first. The houses of straw could be considered some of the Internet companies whose business models depended highly on ad revenues that never really came. Unfortunately, initial revenues that seemed promising for some of the webcaster models were based largely on Internet-based advertising—a significant portion of which was being done by other Internet companies in an incestuous relationship. Many of these dot-coms were getting tons of funding in Q4 '99-Q1 '00. They used that funding to advertise, trying to build their names and get recognition. A large portion of even Yahoo!'s and AOL's advertising was com-

Streaming

ing from other dot-com companies—companies that weren't making any real money, but just spending venture capital. It was just money “sloshing around” from one to the other in many cases.

By the middle of 2000, this money dried up. True, some of the established companies like Coke or GM were moving onto the Internet, but not quick enough to make up for the fact that the dot-coms that were doing so much ad spending didn't have access to capital anymore.

Another reason, specifically relating to radio, is the flawed barter model. It may have worked given a few more years, however, **Todd Schmidt**, former CEO of Magnitude Network, places a lot of the blame there: “The network model—it just doesn't work, because you're relying on other people to be successful and you can't control your destiny. It's an impossible thing to manage. The bottom line is most of these companies were doing barter deals and barter just doesn't work for a couple of reasons. One is these content or stream-

ing providers cannot pay the bills because they can't sell the ad inventory, due to lack of market demand. But also, their networks generally lack any depth and breadth that will attract the advertisers that will pay top-dollar. Radio will barter with you because they are giv-

ing you inventory that they can't sell. But radio ultimately wants control. They don't want to give up their website, they don't want to give up their airwaves.”

“I think the barter-for-free-streaming network model is fundamentally flawed,” says GlobalMedia Chairman **Jeff Mandelbaum**. “The fundamental problem is that people are getting value, but it is

not a balanced equation between the service provider and the broadcaster.”

Another problem was the learning curve for cost-effective technology. “Some, I don't think really understood how streaming should be set up in the most efficient manner. BroadcastAmerica, for example, was putting T1s in every radio station. Right away, you've got minimally \$1,500 on launch

you've got to cover, but you're also limiting the number of streams that can go out to like 75. So a lot of the people really didn't understand the streaming space,” charges Schmidt.

“I think some were being

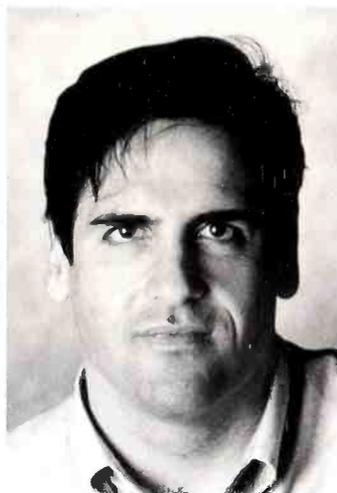
overly-aggressive with revenue expectations in the space. There is a lot of infrastructure and technological improvement that needs to be made in order for the revenue to really be generated,” adds Mandelbaum.

BroadcastAmerica claimed to be the largest aggregator of

streaming stations and content, with 750 stations globally. The industry really felt the shock when the court allowed Sprint, MCI and Real to pull the streaming plug. President **John Brier** tells his story: “We never really viewed ourselves as a pure Internet play because we aggregated hundreds of millions of dollars of external advertising on these stations and secured exclusive rights to a lot of programming and were attracting a massive online audience. But then the Internet sector started to fail, and then along with that, the technology sector started to fail. The capital and interest rates were raised six times in the last 12 months. The financial world collapsed and people and groups that invest money were getting hurt in a bunch of different places—the traditional stock market, other investments they had in tech companies. It made it harder for them to invest in any other venture. Conversely, the Internet world was falling on its ear and it really put us in a very bad position.”

“Given the state of the capital markets right now, it's becoming increasingly difficult for companies to get properly capitalized. So, it's very difficult to both build a business and fund-raise for that business concurrently. And I think a lot of companies are finding the fact that they have to do both very distracting,” Mandelbaum complains.

As the case is with so many dot-coms under duress, Plan B usually involves finding a strategic partner—one with a lot of capital to spend and bail out debt. That became quite difficult, too. Says Brier: “We were talking to Lycos, we were talking to AOL and they were both seriously interested in this company. Yet, when their stock gets



Mark Cuban



Todd Schmidt

pounded and its worth half or a quarter of what it was 12 months earlier, that means any purchases or acquisitions they are going to do, in their eyes, is costing them four times as much. So this all factors in together."

And let us not forget, startups sometimes need years to break even: "You look at CNN—it took over 10 years before it turned a profit. Now look at it—it's one of the most valuable media properties in the world. There was a time five years into CNN where people were laughing at **Ted Turner** saying he was throwing money down the toilet. Now he's laughing at them. MTV took over 10 years to turn a profit, *USA Today* took over 10 years to turn a profit. So it takes time and it takes money and like anything else, it takes a little bit of luck," explains Brier. "And unfortunately, what we set out to build, we built, but we were only streaming for 19 months and we can't build it that quickly. We spent \$14M—that's a lot of money—over two years, but we never got that huge investment that some of these other Internet companies got—\$60M, \$200M—on ridiculous ideas. If we had raised \$30M, we'd have \$16M left, and we'd be sitting on top of the world right now. But we didn't and it made it extremely difficult to operate when the funds dried up."

"I wish we had \$14M! We had 200 stations and spent maybe \$4-\$5 million," says Schmidt. And as to Magnitude Network's demise, he agrees, a little more time may have made the difference. He had to shift the company's business model

in mid-stream. "If you look at Magnitude, it was just a strategic decision based on the market turning like it did from last March, and just a streamlining of the portfolio that CMGI had. It didn't fit into the core focus of where they were going with their five operating units. My engineers and technology folks, I thought were head and shoulders above people in terms of streaming, and I think we knew how to do it in the most cost-effective manner. We went to a model about a year ago where we started charging for streaming. We got to the point where our hand was forced. If we could have had another year to 18 months, I think we would have had some traction there."

Radio's fault?

Schmidt questions whether radio itself played a part in the downfall. "Stations or groups would jump around and try and get the best free deal, if you will. And they really bastardized the market because everybody wanted the distribution of these radio stations' signals obviously. But radio wasn't willing to be a true partner. Bottom line gets back to the old quote: You get what you pay for. So not only did it hurt these content providers, because they didn't have a true partner, it ultimately hurt radio because they had to go

try to find another partner 6-12 months later because either the company went out of business or they weren't providing the service they had committed to. So I think radio took more of a short term, tactical solution, rather than taking a step back and focusing on a long term strategic direction."



Jeff Mandelbaum

Adds Mandelbaum: "To some extent, I agree. But I also have other examples with some great station/groups like WOR in New York and Standard Radio [an investor-RBR 11/27/00, p.4]. They have been with us through thick and

thin and I find them to be phenomenal partners. So, I'd say it varies."

Nipping it in the bud

BMI and ASCAP also caused a lot of uncertainty in the market by coming after webcasters to pay for rights to stream over the Internet. "I think the BMIs and ASCAPs of this world really, their inability to understand the space and how it worked, put a real collar on the growth of the streaming opportunity in the short term. While they may make a little bit of money in the short term, they are ultimately hurting the artists and more importantly the consumer by not working more effectively with radio," says Schmidt. "Now the RIAA is going after people big time. And you know what, stations don't want to stream now, so

whose winning in that one?"

"Because that [RIAA decision] was recent, certainly it is of paramount importance to all of our customers and ourselves. I don't think it played a significant role," says Mandelbaum. "I think what people are trying to figure out is, show us the scalable, predictable revenue models associated with this activity."

What now?

Now that some lessons have been learned—especially that financial and capital markets can change very quickly—how should the business plan be executed differently? "I would build a revenue model first and foremost up front that made great economic sense to both ourselves and our customers, and that had very realistic assumptions and ramps built in it," Mandelbaum said. "I think without that in place, there's no proper way to monetize the traffic that comes in. Going forward, we're going to see many more models evolve which are fee-for-service, where cash actually changes hands. I think that is going to be much more of a going-forward model than what we've seen in the past."

The bottom line, agrees Schmidt, "Is someone who will take a long-term approach to it and will find the best provider and outsource that service and go ahead and pay for it. Because the way I looked at it, if a radio station were to sell an extra three-five ads, maybe 10 ads a month, they could pay for the streaming by doing that."

We are also likely to see more companies merging operations. For example, based on

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recent announcements, GlobalMedia, SurferNetwork and BroadcastAmerica could have become one large entity. However, it may end up being just SurferNet and Global (see sidebar, below and p.2 of this issue). "There's no question—anyone that's going after infrastructure play has to get to a certain critical mass before their models are ever going to prove profitable," observes Mandelbaum. "And just as there was consolidation in the offline space, I'm a big believer that there's going to continue to be that shakeout in the Inter-

Streaming

net space. We believe that SurferNetwork, because of having targeted ad insertion technology and a firm commitment to the space, has already achieved a critical mass that assures them of a place at the table. But going forward, I think there is going to be fewer and fewer companies that are in the space."

"No one seems to realize that

the hardest part about the webcasting business is building an audience," former Broadcast.com owner/co-founder and Dallas Mavericks owner **Mark Cuban** tells *RBR*. "It's not technology, its not in-stream ads, its an audience. Without an audience, you have nothing to sell and no hope. So all these guys bit the dust—no surprise. That's what

makes Yahoo! Broadcast the best at what they do. They can offer the one thing that is most important to a public webcast that none of the others, Akamai or whoever can offer, an audience."

And, of course, eventually, agencies and big-name advertisers will start filling those online avails based on these audiences.

A year of disappointments....

iCast shutting down

Another webcaster closing up shop: iCast, an online streaming community that had merged with Magnitude Network the end of Q1 '00, has shut down ops, effective 11/29. (*RBR* 12/11/00, p.4)

DiscJockey.com files Chapter 11

Still up and running with only three of its original 20 staffers, streaming format provider DiscJockey.com has filed for Chapter 11 protection. Most of the original management staff is gone. The reorganization plan aims to bring profitability to the company, via outsourcing many of its functions. (*RBR.com*)

Soundsbig.com site down...and out?

Repped by Winstar Global Media, 100+ format provider Soundsbig.com has been down since the Thanksgiving holiday. The player comes up, the "song playing" displays, but nothing will play—via two computers, DSL and dial-up. The main phone number (Boston) does not answer. (*RBR* 12/4/00, p.4)

Audiohighway.com lays off bulk of workforce

Streaming audio and content provider to websites Audiohighway.com laid off 21 of its 30 staffers 11/16. Management says the layoffs are needed to "bring expenses in line with revenues" while it looks for more venture capital or a strategic partner. Company Q3 revenues for the three months ended 9/30 were \$483K compared to \$613K for the same period in '99. The company's net loss was \$3.245M in Q3 '00, up from a loss of \$2.831M, Q3 '99. (*RBR.com*)

SurferNetwork.com merges with BroadcastAmerica.com

The name of the combined entity will be BroadcastAmerica.com with headquarters in its current Portland, ME offices. SurferNetwork.com (currently based in Mt. Olive, NJ) will supply its targeted ad insertion and proprietary "FM-quality" streaming technology in the deal, along with a client list that includes New Northwest Broadcasting, Nassau Broadcasting and Marathon Media. Amidst the joining of the two companies, BroadcastAmerica is filing for Chapter 11 reorganization. The new BroadcastAmerica board includes current BroadcastAmerica President **John Brier**, Chairman/CEO **Alex Lauchlan** and another to be named; **Gordon Bridge**, **Harry Emerson**, **Robert Landmesser** and **William Grywalski** from SurferNetwork. Bridge becomes the new BroadcastAmerica CEO. (*RBR* 11/13/00, p.8)

BroadcastAmerica cuts 148 radio affils; adopting new business model

Just after Thanksgiving, BroadcastAmerica (BA) cut its streaming provider service to 148 radio stations (of a 700 total under contract) and 52 of 76 TV affiliates. (*RBR* 12/4/00, p.2)

BroadcastAmerica shuts down all streaming; tells employees there is no money

Not long after cutting service to 148 of its 700 affiliates (*RBR* 12/4, p.2), already Chapter 11 (*RBR* 11/13, p.8) radio website streaming provider BroadcastAmerica.com has shut down all streaming operations. In a recent Federal court ruling, streaming providers Sprint, MCI and Real Networks were given permission to halt all service to BroadcastAmerica due to non-payment of hundreds of thousands of dollars missed payments. President **John Brier** sent an internal communication 12/19 that there is no money to pay the remaining 30 employees, effectively laying them off. Meanwhile, a lot of radio stations are scrambling for a streaming provider. (*RBR* 12/25/00, p.4)

RadioFreeCash.com admits hard times

Officially launched 7/15 with a business model that offered cash for online listening, RadioFreeCash.com is admitting hard times in a letter from CEO **Chip Stevens**. It appeared to be a great idea: A minimum of \$0.20 per hour, paid by check monthly, just for listening. With 200 formats supplied by www.com, it seemed a no-brainer for at-work listening. The three-month build-up to the official cash eligibility promised free CDs. Well, neither has happened, half a year later.

"Like you, we are extremely disappointed at our inability to fulfill our promises in the time that we had initially planned and promised...." Stevens said in his letter. (*RBR.com*)

FTM Media suspends operations, seeks partner or purchaser

Even with CBS/Infinity as an investor, the rumors came true Friday: "Feed The Monster" Media, or FTM Media has suspended operations due to lack of cash. CBS/Infinity's 17% investment had the company building and maintaining a few Infinity radio station websites, however, that's about as far as the company got. FTM says it will continue to seek a strategic partner and/or the sale of the company. (*RBR* 10/23/00, p.3)

Former FTM Media staffers launch suit

Citing everything from breach of contract to civil conspiracy, some 60 former employees of the now-defunct Feed The Monster (FTM Media) have filed suit (late Nov.) against the company under 10 separate complaints. The suit alleges the company improperly inflated (pardon the pun) its stability and fiscal well-being to lure employees away from good-paying, secure jobs. FTM staffers have been granted a temporary order that freed FTM assets for the time being. FTM's burn rate was indicative of its troubles: In an SEC filing, it had gone through almost all of its capital (\$5.2M) in only six months. (*RBR* 1/1, p.5)

Consolidation inches steadily forward

Although the heavy lifting of the consolidation era has long since been accomplished, cluster building continues to go on, and the percentage of stations in a duopoly or superduopoly cluster is continuing to increase.

At the dawn of superduopoly, consolidation levels were directly tied to market size, with cluster building centered squarely in the larger markets. This is no longer the case. The second tier (markets 51-100) have a significantly higher level of superduopoly consolidation

than the top tier, and its level of total consolidation (including standard duopolies along with superduopolies) is nearly on par. The second tier took an 0.1% lead about a year ago (during the week of *RBR's* 12/13/99 issue) and has been lengthening it ever since. Parity is now such that even the small markets in the 201-250 range have a higher concentration of superduopoly clusters than the top 50 markets.

The very smallest markets, while on a par with the others in the total consolidation column, still have some catching up to do in the superduopoly column, although this feat may be an impossibility due to the smaller number of stations per market in the nether regions 250 and below.

RBR observation: One possible reason for lower consolidation totals in the very largest markets is that a standalone in a major popu-

lation center has a better chance of making it in a niche of its own than in a less-populated area. As an example, ABC is all over the top 50 markets with standalone AMs running its Radio Disney Children's format. Foreign language and other specialty operators can likewise prosper with a standalone station. This fact works double in that these owners are less likely to sell to a cluster builder.—DS

Consolidation 2000

Mkt sizes	Stns	Super	Sup%	Consol	Cons%
1-50	1576	913	57.9	1270	80.6
51-100	1141	713	62.5	906	79.4
101-150	826	463	56.1	637	77.1
151-200	840	472	56.2	645	76.8
201-250	680	417	61.3	524	77.1
251-276	307	164	53.4	239	77.9
TOTAL	5370	3142	58.5	4221	78.6

The pace of consolidation

RBR issue	Stns	Super	Sup%	Consol	Cons%
6-24-96	4859	955	19.7	2552	52.5
9-30-96	4869	1238	25.4	2744	56.4
12-23-96	4877	1394	28.6	2847	58.4
3-31-97	4860	1634	33.6	2994	61.6
6-30-97	4866	1832	37.6	3104	63.8
9-29-97	4880	1952	40.0	3189	65.3
12-15-97	4878	2067	42.4	3250	66.6
3-30-98	4936	2237	45.3	3429	69.5
6-29-98	4955	2334	47.1	3489	70.4
9-28-98	4976	2399	48.2	3555	71.4
12-21-98	4987	2410	48.3	3599	72.2
3-29-97	4990	2475	49.6	3629	72.7
6-28-99	5201	2652	51.0	3836	73.8
9-27-99	5203	2730	52.5	3881	74.6
12-27-99	5209	2796	53.7	3916	75.2
3-27-00	5216	2876	55.1	3947	75.7
6-26-00	5352	3087	57.7	4168	77.9
9-25-00	5357	3107	58.0	4196	78.3
12-25-00	5370	3142	58.5	4221	78.6

Source: Arbitron market definitions, RBR Source Guide database

Clear Channel expands in Central Virginia

The Clear Channel hub-and-spoke theory of station acquisition is alive and well in small-market Virginia. It owns clusters in Charlottesville, Winchester and unrated Staunton. Filling the gap between those markets is Harrisonburg, and with his latest deal, **Lowry Mays** will pretty much be able to drive from Baltimore, MD clear to Roanoke, VA with a Clear Channel station on the car radio.

The deal is the \$7.2M acquisition of the Harrisonburg duopoly cluster of **John P. Lewis's** Mid-Atlantic Network Inc., which includes WKCY AM-FM and WACL-FM. Although the stations have some overlap with two Clear Channel AMs and four more FMs, none of those stations are considered to

be part of the Harrisonburg market, and only one, WSVO-FM Staunton, has any measurable listenership among Harrisonburgers, and it is listed below the line.

Even if WSVO's 3.4 12+ share in the Spring 2000 Arbitron survey is added in the the Mid-Atlantic cluster, CCU will still find itself playing second fiddle to **John Verstandig's** market-dominant 2-AM, 3-FM cluster.

Also included in the deal are the rights for the local SignPro franchise. An LMA will kick in on April Fools Day if closing has not occurred by then. Broker: Jorgenson Broadcast Brokerage (Clear Channel)

Media Markets & Money™

by Dave Seyler

Beantown buyers land in Arkansas

Steven I. Burr and **B. Ken Hawkins**, under the corporate banner Burken, LLC of Boston, MA, have struck a double deal which will set them up with a superduopoly cluster in unrated portions of Arkansas. Their operations will be roughly a 60 mile drive up I-40 (or a 60 mile row up the Arkansas River) northwest of Little Rock.

Coming from KVOM, Inc. will be KVOM AM-FM Morrilton and KRRD-FM Atkins. From the second seller, River Valey Radio Group, LLC, Burken will receive KCAB-AM

& KCJC-FM Dardanelle, KWKK-FM Russellville and KXIO-FM Clarksville.

Total value of the deal is \$5.6M. Broker: **Bill Cate**, Sunbelt Media

Pamal gains in Gainesville, makes a killing in Killington

Jim Morrell's Pamal Broadcasting, Inc. has cut a pair of deals which will expand its holdings in both the northern and southern parts of the East.

In the first deal, the Albany, NY-based company is adding to its cluster in and around the Gainesville-Ocala, FL market.

Fred Ingham's Asterisk Communications, Inc. is shedding WRKG-FM, one of its six FMs in the area. Pamal will pick it up for \$2M, \$1.6M of which is cash, with the remaining \$400K in the form of a promissory note. WRKS has signal overlap with WDFL-AM, WKZY-FM and WDJY-FM, but does not overlap WLUS-FM, Pamal's other station in the area.

This cluster is not yet a major factor in the market. WRKG-FM parlayed a Classic Rock format into a 1.0 share 12+ in the Spring 2000 Arbitron. Of the other stations, WKZY-FM has gone from no ratings at all to a 3.7 12+ Spring 2000 in just two books, although it is listed below-the-line. The other stations are currently unrated. Broker: **Stan Raymond**, Stan Raymond Associates (for Asterisk)

Morrell also cut a deal which will expand his company's holdings in unsurveyed portions of Vermont. Killington Broadcasting principals **Dan Ewald** and **Walter Sczudio** are selling WEBK-FM for \$1.65M. It will join a cluster which includes WJJR-FM, WJEN-FM and WJAN-FM. Broker: **Frank Boyle**, Frank Boyle & Co., LLC



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Hutton one, Hutton two, hike!

A San Luis Obispo station has been sold to GTM San Luis Obispo, a new company formed by **Edward B. & Georgie S. Hutton**. KWQH-FM will cost them a total of \$1.5M when all the documents are processed.

Seller **Norwood Patterson** will receive \$1M cash for the station, \$250K for the ongoing services of his engineering consultancy, Radio & Television Engineering Co., and another \$250K for his promise not to compete with the Huttons for the next five years.

The Huttons are also constrained from competing with Patterson in a way. They must make sure the format of KWQH stays away from the Christian realm, which would come into conflict with Patterson's retained KGDP-AM.

Duopoly orphan finally finds a home

Back before the Telecommunications Act of 1996, companies could own no more than two AMs and two FMs in a market (and of course, a few years before that the numbers were one and one). Efforts to build high-powered clusters often resulted in complex deals with stations going in several directions at once. One such deal took place in Lansing (*RBR* 11/20/95, p.14).

It was a seven-station deal. The complex machinations between two selling companies (Goodrich, MSP) and two buying companies (Liggett, Jencom) actually spawned a fifth: **Bill Burton's** BB Broadcasting was formed "to help Liggett bring this complicated deal together," as *RBR's* **Jack Messmer** wrote at the time. The station was the 92.7 MHz facility, WMMQ-FM back then and now known as WVIC-FM.

In probably 999 out of 1,000 such cases, the imminent passage of Telecom led to the quick resale of parked stations such as WVIC, as ownership caps loosened up dramatically. However, in this case, the station has remained under the care and feeding of Burton all along.

Finally, someone is taking the station into a proper superduopoly home. Rubber City Radio Group, which itself entered the market only last May when it bought three FMs from 62nd Street Broadcasting (*RBR* 5/22/00, p.21) is paying \$600K for the opportunity to nurse the station back to robust health (it is currently limping along below the one-share threshold with a Classical format). It will become the fourth

FM for Rubber City, joining WXIK-FM, WJXQ-FM as officially-recognized superduopoly mates. WWDX-FM is also in the market mix, although it does not overlap WVIC-FM.

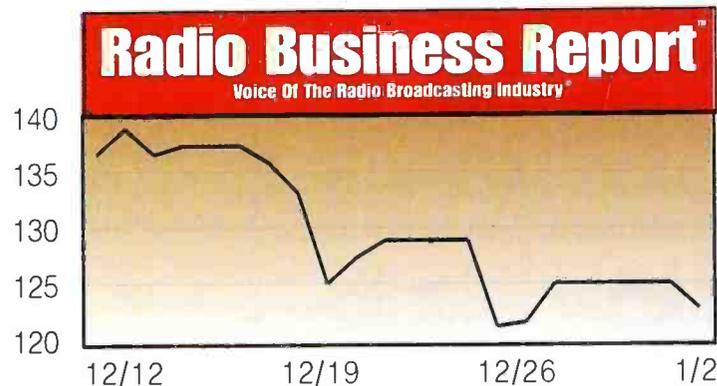
A parochial proposition

Via an LMA, Divine Mercy Radio, a subsidiary of Tatus Tuus Communications, Inc., has taken to the airwaves of Eau Claire, WI with a Catholic format on WEIO-

AM, which it is purchasing from **David Barrett's** Alpenglow Communications. Divine Mercy is paying \$100K cash and another \$100K via a promissory note, and Barrett is kicking in a \$200K tax-deductible donation, bringing the total value of the station to \$400K. WEIO will be run on a noncommercial basis. Alpenglow retains WISM-FM in the market. **Broker: Jack Minkow, Rob Heymann,** Broadcast Asset Management Corp. (for Alpenglow)

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Transaction Digest[®]

by Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

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

\$7,200,000 WKCY AM-FM/WACL-FM Harrisonburg VA (Harrisonburg/Elkton VA) from Mid-Atlantic Network (John P. Weiss) to Capstar TX LP, a subsidiary of Clear Channel Communications (N:CCU) (Lowry Mays et al). Cash. Existing **duopoly**. Overlaps two CCU AMs and 4 FMs forming five distinct markets. None of the stations are home to Harrisonburg, although one, WSVO-FM Staunton, does receive ratings below the line. LMA beginning 4/1/01 if closing has not yet occurred. Deal includes rights to local SignPro franchise. **Broker:** Jorgenson Broadcast Brokerage (buyer).

\$2,500,000 KBAE-FM Austin (Llano TX) from Munbilla Broadcasting Corp. (B. Shane Fox) to Rawhide Radio LLC (Roy Henderson), owned by Sonoma Media Corp. (51%), Palmetto Radio Group Inc. (24.5%) and Hispanic Broadcasting Corp. (N:HSP) (24.5%). \$125K escrow, balance in cash at closing. Seller retains co-located KBLK-FM Burnet TX. Buyer will move KBAE studios to a new location.

\$2,000,000 WRKG-FM Gainesville-Ocala (Newberry FL) from Asterisk Communications Inc. (Frederick H. Ingham) to Pamal Broadcasting Ltd. (James J. Morrell). \$80K escrow, \$1.52M cash at closing, \$400K note. **Superduopoly** with WDFL-AM, WKZY-FM, WDJY-FM. No overlap with WLUS-FM. **Broker:** Stan Raymond (seller)

\$1,500,000 KWQH-FM San Luis Obispo CA from Radio Representatives Inc. (Norwood Patterson) to GTM San Luis Obispo (Edward B. & Georgie S. Hutton). \$1M cash, \$250K consulting agreement, \$250K non-compete. Seller retains KGDP-AM and engineering consulting company Radio & Television Engineering Co. Buyer must refrain from programming a Christian or Religious format on KWQH for five years.

\$737,500 KWHO-FM Weed CA from Tom F. Huth to Four Rivers Broadcasting Inc. (John C. Power et al). \$35K escrow returned

to buyer, \$150K cash at closing, \$587.5K note. **Superduopoly** with KSYC AM-FM Yreka CA and KMJC AM-FM Mt. Shasta CA. **Broker:** Gary Katz (seller)

\$485,000 WMAX-AM Saginaw-Bay City-Midland (Bay City MI) from Saginaw Bay Broadcasting Corp. (Joseph M. Mengden) to 990 Investors LLC (Thomas S. Monaghan). \$25K escrow, balance in cash at closing.

\$450,000 WTRB-FM Ripley TN from Williams Communications Inc. (Walton E. Williams Jr.) to Educational Media Foundation (Jeff Cooke et al). \$22.5K escrow, \$275K cash at closing, \$150K note (\$2.5K discrepancy is not explained). Buyer is a non-profit corporation and plans non-commercial operation of station.

\$400,000 WEIO-AM Eau Claire WI from Alpenglow Communications Inc. (David E. Barrett) to Tatus Tuus Communications Inc. (Stephen Gajdosik, J. Stephen Covington, Leo E. Carr, Michael Strub, Richard W. Gilles). \$20K escrow, \$80K cash at closing, \$100K note, \$200K donation from seller to buyer. Buyer is non-profit entity and plans to program a non-commercial Catholic format on the station. LMA since 12/4/00. **Broker:** Broadcast Asset Management (seller)

\$10,000 WKMG-AM Newberry SC from Durst Broadcasting Co. Inc. (William K. Durst) to Cornell Blakely. Cash.

N/A WLXN-AM & WWSL-FM Greensboro-Winston Salem (Lexington NC). 51% of the stock of Davidson County Broadcasting Co. from the Greeley N. Hilton Revocable Trust (59.27% to 8.27%) to Mildred C. Hilton (0% to 51%). Terms of the will of Greeley N. Hilton.

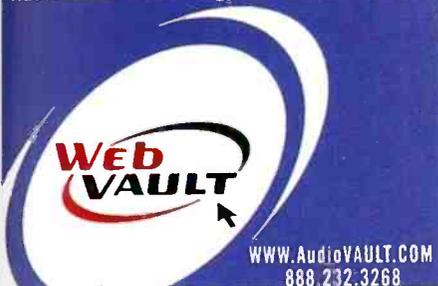
N/A KATL-AM Miles City MT. 26.35% of the stock of Star Printing Company from the Estate of Mary Hornby (26.35% to 0%) to John Sullivan (43.9% to 70.25%). Terms of the will of Mary Hornby.



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Tune in to hear Valerie Geller; Pat Clarke with Americom; Bob & Sheri; John Pedlow with Broadcast Electronics; George Bundy with BRS Media; Montie Montana With Buffalo Bill's Wild West Show; Tom Palmer with ConvergedMedia Inc.; Michael Peterson with CoolLink; Robin Wang with Dalet; Jeffrey W. Gaus with E Fusion; Don Backus with Enco; Andy McClure and Dean LeGras with Exline; Lawrence Norjean with FMiTV; Charlie Whitaker with Forever Young; Ron Rivlin with HiWire; Bob Struble with iBuiquity; Ralph Guild with Interep; Tony Garcia with Jefferson Pilot; Tom Des Jardins with Lightningcast; Doug Fabian with Maverick Investing; Glen Hamilton with MSM; Eddie Fritts with NAB; Judith Brenna with Nassau Broadcasting; Birendra M. Roy with NetMedia; Kraig Kitchin with Premiere; Kevin and Jackie Lockhart with Prophet Systems Innovations; Gary Fries with RAB; Phillippe Generali with RCS; Dave Scott with Scott Studios; David Oxenford and Frank Montero with Shaw Pittman; John Brooks with Silicon Valley Bank; Joel Hartstone with Stieshell; Peter Barnes and Vince Werner with Spot Taxi.com; Dave Adams with Spot Traffic; Gordon Bridge with SurferNetwork.com; John Kaiser with Trafficstation; Jeff Kimmel and Pete D'Acosta with Wicks Broadcast Solutions; Elliot Kanbar with Wild about Broadway; and Michael Zwerling with ZBS Radio.



In a move designed to help busy executives keep up with the fast-changing radio business, *Radio Business Report* in the Spring of 2000 became the first radio trade publica-

tion to launch an Internet radio station." Radio news is breaking at an incredibly fast pace and just can't wait for the morning faxes," said Ken Lee, Associate Publisher and General Manager.

In addition to posting news on its Web site, www.rbr.com, RBR is also streaming 24 hours a day.

The "format" consists of a newscast of radio-specific business and industry

news, interviews and commentaries, plus classic radio bits, jingles and Mercury Award-winning spots (with real paid spots to come). Veteran newscaster Jack Messmer, now Executive Editor of RBR, is back behind the mike for the audio updates.

The new RBR Web "radio station" is still early in its development and radio executives are encouraged to provide input on what they'd like to hear. (Please don't ask for Britney Spears, though!) You may email klee@rbr.com so we can build the radio station you want.

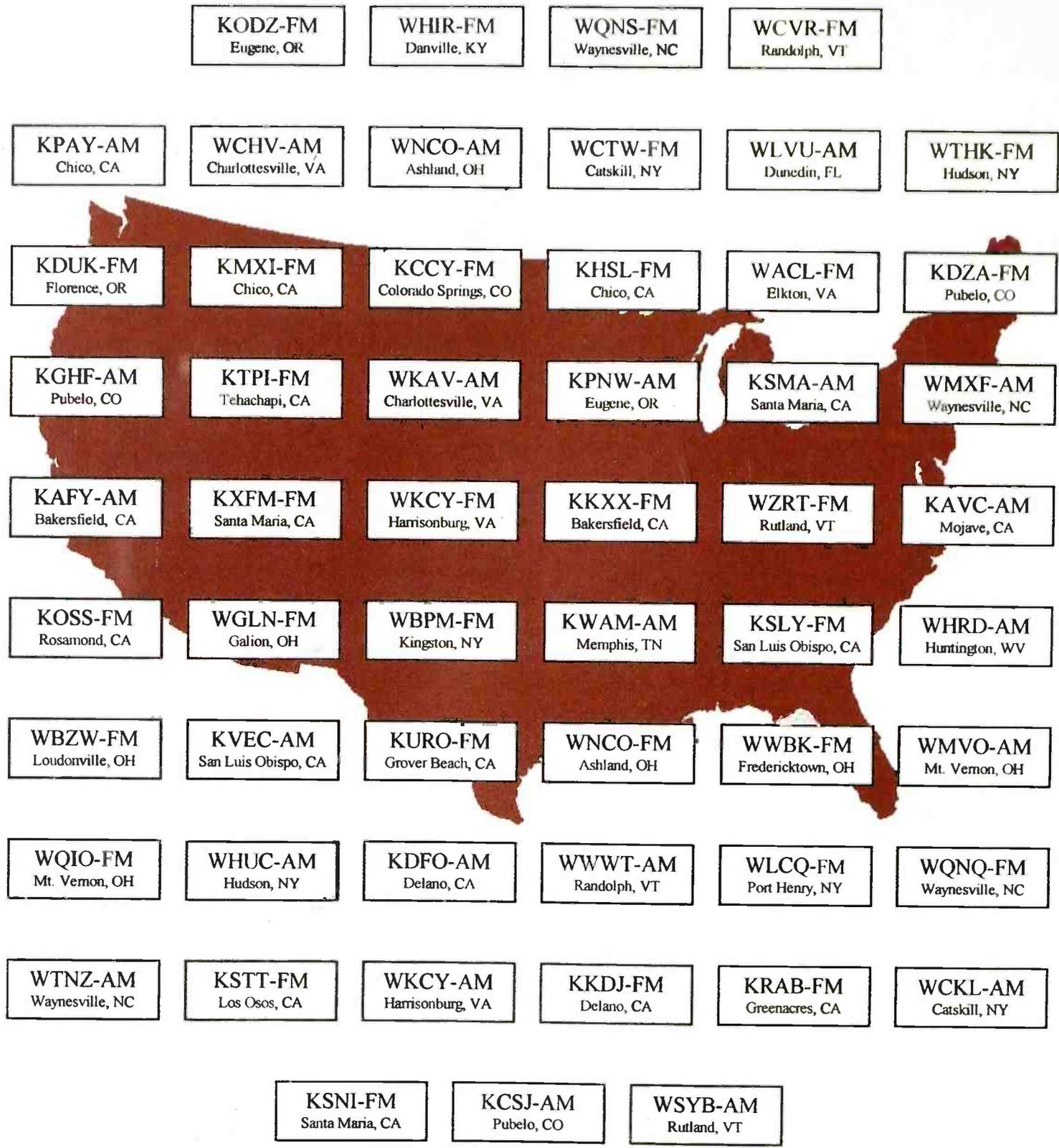
"Another exciting aspect of the Internet radio station for RBR is that we can now offer advertisers a cross-platform vehicle to help to market their products," noted Lee.

"Advertisers can now run audio spots

on our Internet radio station, bundled with banner messages on the www.rbr.com web site, along with click-through messages on our daily email service, plus traditional advertising with Radio Business Report and MBR."



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