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INSIDE RADIO®

Wednesday, December 19, 2007

Newsroom: (800) 290-6301

The pendulum swings: Radio faces re-regulation at the FCC as Congress targets royalties. The radio industry had its toughest day in years yesterday as the FCC advanced a plan to create sweeping new regulations, while giving the industry nothing in its now-completed media ownership review. Just blocks away on Capitol Hill, legislation was introduced that could take away radio's eight decades of royalty exemptions. "Radio used to have the FCC and Congress in their pocket, and that's not the case anymore" says Washington attorney John Garziglia. He tells *Inside Radio* a combination of indecency black eyes and growth of citizen participation via the Internet has changed radio's image, adding "The blowback is we're not looked at by Congress and the FCC the same way." One Washington insider offers this call to arms: "The NAB can only do so much — our very business is at stake here and radio operators need to get off their asses and pick up a phone and call a member of Congress." More on the FCC's action on Page 2, but first what's shaping up to be radio's biggest fight —

Radio's billion dollar royalty exemption battle begins. Months of jockeying became less theoretical and more literal yesterday, as bills were introduced in both the House and Senate to abolish what backers refer to as a "corporate radio loophole" in the royalty statute. If the bills are passed, it could cost radio several billion dollars a year in royalties. The "Performance Rights Act" would set a flat rate for broadcasters instead of requiring owners to negotiate with each record label. It also includes a special \$5,000 annual rate for "small" commercial stations and a \$1,000 rate for non-commercial operators. Talk or all-news stations playing short musical clips would be exempt. Same for religious radio. The Music First Coalition estimates more than 75% of commercial stations would get some sort of discount. Music First spokesman Tod Donhauser says "The accommodations ensure the law is fair to performers and fair to broadcasters." But radio doesn't see it that way.

NAB: Labels are looking to correct their Scrooge-like behavior. The NAB vows to "aggressively oppose" what it calls a "brazen attempt to force America's hometown radio stations to subsidize companies that have profited enormously through the free promotion provided by radio airplay." Spokesman Dennis Wharton says "After decades of Ebenezer Scrooge-like exploitation of countless artists, RIAA and the foreign-owned record labels are singing a new holiday jingle to offset their failing business model." The NAB has been busily building support for what has quickly become its top radio priority. To date it has enlisted the support of 119 House members on a non-binding resolution which says Congress shouldn't impose any new performance fee on local radio. Free Radio spokesperson Cathy Rought says the proposed fee structure is a slippery slope toward getting more from radio. She says "Any fee — regardless of whether it's discounted, tiered or reduced — will only serve as a foot in the door for the record labels to establish precedent for higher fees down the road." Rought says that's what has happened with other copyright fees. Her group believes the royalty push will also impact restaurants, bars and health clubs, so they're working to enlist those businesses into radio's battle.

Artists, unions support the royalty drive. The phrase "don't bite the hand that feeds you" apparently hasn't been set to music, as many artists are speaking out on behalf of their labels. Music First Coalition co-founder Tom Waits says

TOM SULLIVAN #1

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"It's just plain wrong for radio to be allowed to build profitable businesses with growing revenues on the backs of artists and musicians without paying them fairly for it." AFTRA national director Kim Roberts Hedgpeth says stations in most other countries pay so "It is time for this last isolated area of inequity — terrestrial radio in the U.S. — to be fixed."

The FCC reverses course and looks at reviving long-dormant radio regulations. Like a regulatory cicada looking to spring to life after a long nap, the FCC proposes to dig into the 1980's media ownership handbook. Details won't be released for a few weeks, but NAB spokesman Dennis Wharton says the proceeding "stems from a false notion that radio and TV stations have abandoned our commitment to serving communities or have stopped offering distinctive local programming." Under the umbrella of "localism" the FCC is opening a rulemaking on several proposals. It is proposing stations establish permanent advisory boards to guide the station in community needs and issues. License renewal applications would also become more detailed to make sure stations air some locally-oriented programming. On the technical front, the FCC would allow AMs to get FM translators, as well as finding ways to free up spectrum for more stations. Several other proposals are more exploratory. The FCC is collecting comments on radio's election and political coverage, and while it doesn't seek to prohibit national playlists, the Commission is looking for data on pay-for-play and voicetracking. The FCC says it based its proposals on more than 83,000 written comments and testimony of 500 panelists at six field hearings. Washington attorney John Garziglia tells *Inside Radio* "a lot of these have been percolating at the FCC for years" and aren't likely to be acted upon until after the '08 presidential election. Wharton says the NAB is confident a "truly objective" analysis of radio's performance will "overshadow the shrill voices of those who would regulate broadcasters back to the 1960s."

The FCC orders a series of diversity initiatives. The list of new rules is long. It includes giving "eligible entities" more time to build construction permits; adjusts its attribution rules; and allows some grandfathered clusters to remain intact. It also requires an "Equal Transactional Opportunity Rule" in sales contracts to bar race or gender as factors in a deal. The FCC also plans more outreach to the financial community, to help minority and women-owned companies get more access to financing. Interep SVP of urban marketing Sherman Kizart applauds the decision to ban "no urban dictates" and "no Hispanic dictates" in advertising contracts. He says "By shining a bright light on the subject, the FCC is acknowledging that the problem still exists. Hopefully, this edict will be the beginning of the final chapter." MMTC estimates the move should produce a 5%-10% increase in revenue for ethnic stations. Facing a narrow path carved by Supreme Court rulings limiting race-based regulations, the FCC is attempting to address what most people both in and out of radio agree is a too small number of stations owned by minorities and women. Instead it will classify them as "small businesses" defined as having revenues under \$6.5 million a year. Some believe that could actually help the wrong class of owner. Commissioner Michael Copps says "The beneficiaries will be small businesses owned by White men." The FCC has opened a further rulemaking on whether to hone that definition more.

Cross-ownership media rules head for fights in the courts and Congress. The one media rule change approved by the FCC will likely end up back before a panel of federal judges. On a 3-2 party line vote, the FCC voted to abolish the 32-year-old ban on newspaper-broadcast cross-ownership in the top 20 markets, and consider waivers in smaller markets on a case-by-case basis. That means a newspaper owner could also own one radio station in the biggest markets. Last-minute tweaks through the night leading up to yesterday's vote to appease critics, however, did little to bring them onboard. Free Press is among those vowing to appeal to the courts. "It's time to raise hell" says Free Press director Josh Silver, adding "The fight is far from over." Free Press hopes to deliver 100,000 protest letters to Capitol Hill by the time lawmakers return from their holiday recess. There is also expected to be a backlash in Congress, which warned FCC chairman Kevin Martin not to move forward without more time for public comment. Presidential hopeful Sen. Barack

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Obama (D-IL) says "Congress will not stand by and allow the FCC to move forward with these regulatory changes." Rep. Maurice Hinchey (D-NY) is asking leadership to "swiftly add language in the omnibus appropriations bill to block this new rule change." If not, then Hinchey says reversing this new rule will most certainly be a top priority next year.

Jetcast partners with Spacial Audio. JetCast says the agreement will not only improve its online sound quality, but will also bring ad insertion technology to its system. Jetcast COO Jeff Pescatello says "Adding [Spacial Audio's] software automation and ad insertion products to our low-cost streaming services will be a major plus and cost savings for Jetcast affiliates." JetCast allows users to share bandwidth to help affiliates hold down their bandwidth costs.

Remnant seller Impact Radio Networks expands its deal with GAP. As *Inside Radio* predicted last month (11-20), Skip Weller's GAP West Broadcasting is enlisting the services of Impact Radio Networks to sell its remnant inventory. Last month IRN signed a six-figure deal to sell unsold commercial time for George Laughlin's GAP East Broadcasting. Impact says it's also inked deals with stations in New York and Detroit, growing its exposure in larger markets which it hopes will attract more ad dollars. While Google and Bid4Spots grab the headlines, Nashville-based Impact has been quietly selling remnant inventory the past five years. Impact currently has about 120 stations, but says it has more large deals lined-up.

ESPN does it California-style. The sports channel and some of its programs are becoming bicoastal, and radio is part of it. Construction has started in downtown Los Angeles on a five-story ESPN building next to the Staples Center. Sports "710 ESPN" KSPN, Los Angeles will move from its present La Cienega studios to the downtown complex. ESPN's radio, TV and Internet operations will house nearly 100 employees at the broadcast facility when it opens in spring 2009. The Los Angeles Times says the location will also include an ESPN Zone restaurant. The West Coast location will support ESPN's Bristol, CT hub and is expected to lighten the workload for the East Coast production teams.

Inside Radio's Deal Digest —

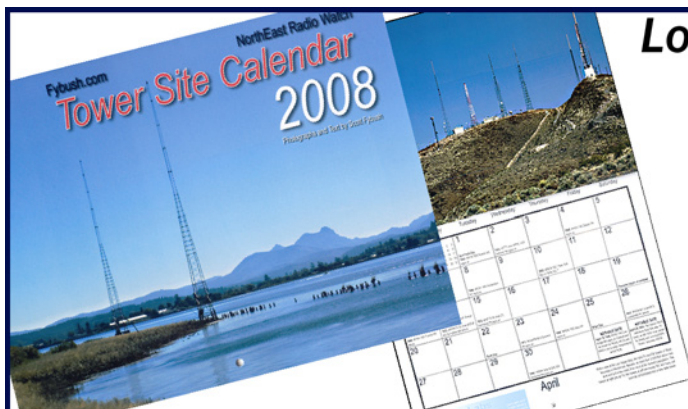
Kansas City — Educational Media Foundation buys KCXM, Lee's Summit, MO (97.3) from Union Broadcasting for \$16 million. KCXM is a Class C1 which dropped its sports format and began airing EMF's contemporary Christian "K-Love." Union Broadcasting still owns "SportsRadio 810" WHB and "Hot Talk 1510" KCTE in Kansas City.

Sima Birach's Twin Star is a second-generation affair. A follow-up to yesterday's *Inside Radio* story: Twin Star is being formed and operated by Sima Birach Jr. and has nothing to do with his father's Birach Broadcasting. Reach Sima Jr. at 703-865-4000.

People Moves, News & Notes –

Bill Saurer will join Principle Broadcasting Network as president/CEO. PBN owns stations in Boston, Dallas and Long Island. Saurer was previously a VP of Millennium Radio Group and oversaw Millennium's Jersey Shore stations ... **Reese Hopkins** joins Entercom's WRKO, Boston as mid-morning host replacing **Todd Feinburg**. Hopkins is a hip-hop artist-turned-news anchor for the controversial "Star & Buc Wild Morning Show" ... After 11 years on CBS Radio's WYSP, Philadelphia The **Matt & Huggy** show returns – online – as the duo begins hosting a show on The World Internet Radio Network. Matt & Huggy were dropped by WYSP in September when CBS Radio replaced its talk format with active rock. They decided to take advantage of technology as a way to grow their fan base and keep their radio skills sharp.

Correction: Contrary to a report in Tuesday's *Inside Radio*, Emmis owns 100% of its Balkan Broadcasting subsidiary.



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Dallas-Ft. Worth, TX (#5)

Estimated 2007 radio revenue - \$423M (Kagan)

A third place tie begins a 14 station log-jam; #1 "K-104" edges "Kiss" by a tenth.

Station	A/S/O	S/O/N	Format	Owner/LMA
KKDA-F	4.7	4.4	urban	Service
KHKS	4.2	4.3	CHR	Clear Channel
KLUV	4.2	4.0	oldies	CBS Radio
KESS-F	3.8	4.0	reg'l Mex.	Univision/BMP
KBFB	4.1	3.8	rhy. CHR	Radio One
KLTY	3.2	3.3	c. Christian	Salem
WBAP	3.2	3.0	news/talk	Citadel
KDMX	2.9	3.0	hot AC	Clear Channel
KLNO	2.5	3.0	Span. adlt/hits	Univision/BMP
KVIL	2.9	2.9	AC	CBS Radio
KSCS	2.9	2.9	country	Citadel
KDGE	2.8	2.9	rock	Clear Channel
KRNB	2.8	2.9	urban AC	Service
KTCK*	3.0	2.8	sports	Cumulus
KPLX	2.9	2.7	country	Cumulus
KEGL+	2.7	2.7	Span. adlt/hits	Clear Channel
KJUK	2.5	2.3	adult hits	CBS Radio
KSOC	2.1	2.1	urban AC	Radio One
KMVK	2.1	2.0	rhy. AC	CBS Radio
WRR	1.9	2.0	classical	City of Dallas
KDBN	1.8	1.9	rock	Cumulus
KESN	1.4	1.9	sports	ABC
KLLI	1.6	1.8	talk	CBS Radio
KRLD	1.8	1.6	news/talk	CBS Radio
KZZA	1.5	1.6	hurban	Liberman
KNOR	1.8	1.5	reg'l Mex.	Liberman
KZPS	1.8	1.5	americana	Clear Channel
KTCY	1.3	1.4	Span. hits	Liberman
KTY5	1.4	1.3	country	Citadel
KLIF*	1.2	1.1	talk	Cumulus
KTFW-F	0.9	1.1	classic cntry.	LKCM Group
KBOC	1.4	1.0	reg'l Mex.	Liberman
KHVN	0.9	0.9	black gospel	Mortenson
KDXX	0.7	0.9	reg'l Mex.	Univision/BMP
KSKY	0.8	0.8	talk	Salem
KFZO	0.8	0.8	hurban	Univision/BMP
KKDA	0.7	0.8	urban oldies	Service
KAAM	0.6	0.7	standards	DJR Bcstg
KFLC	0.6	0.6	Span. n/t/s	Univision/BMP
KWRD-F	**	0.5	religious	Salem
KFXR	0.4	0.4	classic cntry.	First Bcstg.

*Simulcasts: KTCK/KTDK. KLIF/KKLF.
 +Recent changes from the M-Street database:

Minneapolis-St. Paul, MN (#16)

Estimated 2007 radio revenue - \$194M (Kagan)

KQRS and WCCO remain 1-2, as both remain flat from Phase I.

Station	A/S/O	S/O/N	Format	Owner/LMA
KQRS-F	8.8	8.8	classic rock	Citadel
WCCO	7.2	7.2	news/talk	CBS Radio
KEEY-F	6.2	6.4	country	Clear Channel
KSTP-F	5.3	5.7	hot AC	Hubbard
KDWB-F	5.3	5.1	CHR	Clear Channel
KXXR	5.4	4.6	rock	Citadel
WLTE	5.0	4.3	soft AC	CBS Radio
KTCZ-F	4.0	3.9	adult altern.	Clear Channel
KSTP	4.2	3.6	news/talk	Hubbard
KQQL	3.4	3.6	oldies	Clear Channel
KTTT	3.2	3.3	rhy. CHR	Northern Lights
KZJK	2.9	2.9	adult hits	CBS Radio
KFAN	2.6	2.8	sports	Clear Channel
KTLK-F	2.1	2.3	talk	Clear Channel
WGVX*	1.8	2.1	oldies	Citadel
KLCI	1.5	1.4	classic cntry.	Starcom
WFMP	1.5	1.3	talk	Hubbard
WWTC	1.2	1.3	talk	Salem
WDGY	1.0	1.0	reg'l Mex.	Radio Rey
KTNF	0.9	1.0	talk	JR Bcstg
KLBB	0.7	0.7	standards	Stillwater
KMNV	0.6	0.5	reg'l Mex.	Davidson
WWWJO	**	0.4	country	Regent

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Formats of stations listed reflect the analysis and groupings of M Street Corp. and may differ from the station's opinions or interpretations.

Tampa, FL (#19)

Estimated 2007 radio revenue - \$152.9M (Kagan)

WDUV continues to hold its massive lead at the top.

Station	A/S/O	S/O/N	Format	Owner/LMA
WDUV	10.5	10.5	soft AC	Cox Radio
WFLA	6.0	5.9	talk	Clear Channel
WQYK-F	5.6	5.4	country	CBS Radio
WFLZ-F	5.1	5.3	CHR	Clear Channel
WBTP	5.6	4.9	urban	Clear Channel
WSJT	4.1	4.4	smooth jazz	CBS Radio
WLLD	4.0	4.3	rhy. CHR	CBS Radio
WRBQ-F	3.6	3.7	classic hits	CBS Radio
WWRM	3.7	3.4	soft AC	Cox Radio
WFUS	3.3	3.4	country	Clear Channel
WDAE	3.3	3.2	sports	Clear Channel
WHPT	2.7	2.9	classic rock	Cox Radio
WYUU	2.6	2.8	Span. CHR	CBS Radio
WXGL	2.5	2.7	classic hits	Cox Radio
WPOI	2.5	2.6	80's hits	Cox Radio
WMTX	2.5	2.6	hot AC	Clear Channel
WXTB	2.6	2.5	rock	Clear Channel
WSUN-F	2.5	2.5	modern rock	Cox Radio
WLCC	1.0	1.5	reg'l Mex.	Mega
WTMP	0.9	1.5	urban AC	Bernard Radio
WWBA	1.1	1.4	news/talk	Genesis
WJQB	0.9	1.0	oldies	WGUL-FM
WQBN	0.9	0.7	Span. old	E.A. Roig
WAMA	0.9	0.7	reg'l Mex.	ZGS Radio
WRXB	0.7	0.6	urb AC/blues	Polnet
WGUL	0.4	0.5	talk	Salem
WHNZ	0.5	0.4	news/talk	Clear Channel
WTBN*	0.4	0.4	religious	Salem
WGES	**	0.4	Span. c christ	Fidelity
WQYK	**	0.4	sports	CBS Radio

*Simulcast: WTBN/WTWD.

INSIDE RADIO STOCKS

Dow close from Tuesday 12/18/07: 13,232.47 up 65.27
 Nasdaq 2596.03 up 21.57 S&P 500 1454.98 up 9.08

	Close	Change		Close	Change		Close	Change			
Arbitron	41.82	up	0.96	Emmis	4.28	down	0.26	Radio One	2.01	down	0.05
Beasley	5.66	down	0.75	Entercom	14.62	up	0.59	Regent	1.49	up	0.04
CBS	26.07	down	0.07	Entravision	7.65	up	0.40	Saga	6.38	up	0.03
Citadel	1.99	unchgd		Fisher	35.41	down	0.49	Salem	7.00	up	0.28
Clear Channel	35.95	up	1.20	Global Traffic	6.30	down	0.03	SBS	1.84	up	0.02
Cox Radio	11.29	up	0.09	Interep	0.29	up	0.06	Sirius	3.22	up	0.07
Cumulus	7.69	up	0.42	Journal	8.82	up	0.38	Westwood One	2.10	up	0.02
Disney	33.02	up	0.03	Lincoln Fin.	57.08	up	0.92	XM Satellite	13.30	up	0.39

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