

TOP THE SIX OF '06

The year's six biggest news makers

1 DEJA VU ALL OVER AGAIN Mergers, Acquisitions & Spinoffs: 2006 or 1996?

World's largest private equity firms funded blockbuster deals that shook the very foundations of the broadcast world.

The largest, announced just a few weeks ago, stars a group led by Thomas H. Lee Partners and Bain Capital Partners which won an auction to take **Clear Channel** private. The deal totaled \$26.7 billion and is expected to take nine months to close.

Those two capital companies joined with Blackstone Group and **Cumulus** to purchase **Susquehanna** for \$1.2 billion, which closed in May. In a more complicated transaction, **Disney** agreed in February to sell assets including 22 stations to **Citadel** for \$2.7 billion in deal that would give Disney shareholders a majority stake in the new company. That deal should close in May '07. An April merger saw **Jefferson-Pilot** become **Lincoln Financial Media**. In May, **CBS Radio** announced its intentions to sell 39 stations it owns in 10 markets.

Among the major Country stations with new owners are: KPLX/Dallas and WFMS/Indianapolis, Cumulus; WYGY & WUBE/Cincinnati and WMC-AM/Memphis, Entercom; KYGO/Denver and KSON/San Diego, Lincoln Financial; WYRK/Buffalo, Regent; WHOK/Columbus and KBEQ & KFKF/Kansas City, Wilks; KSKS/Fresno, Peak. And the Disney/Citadel deal will send ABC Country outlets WKHX & WYAY/Atlanta and KCSC & KTYS/Dallas to Citadel.

Major transactions this year also portend an active 2007, as Clear Channel has announced plans to sell 448 radio stations outside of the Top 100 markets, as well as its entire television division. About 90 CC Country stations are expected to be sold.

And, Citadel has also said it plans to divest about \$150 million worth of its smaller market stations.

Wall Street shook the radio industry again this year, a full decade after the buying frenzy began with the passage of the Telecom Act of 1996. Some of the

When they write the history of the country radio and record industries – if anyone actually did that – the chapter on 2006 will likely focus on changes that affected the very underpinnings of the business. Intense legal scrutiny influenced the daily interaction of labels and stations, another massive consolidation of the record business occurred as independents experienced unprecedented success and radio underwent the most dramatic ownership upheaval since the post-Telecom heyday. And that's just for starters. Here's a look back at six of the year's biggest stories, with some added perspective from industry leaders.



2 SPITZER'S HOLE-Y CRUSADE Settlements Create Bureaucracy, Confusion

New York Attorney General Eliot Spitzer's campaign to curb pay for play practices between radio and record companies shook the business with the July 2005 Sony settlement. Warner Music followed in November of that year, and 2006 saw settlements with Universal, EMI and CBS Radio.

While the agreements did set compliance parameters, the AG's limited jurisdiction, combined with continuing silence from the FCC, left plenty of gray area. If nothing else, the settlements have raised more than \$32 million for New York State music education and appreciation programs.

Here's what some industry executives had to say about how Spitzer's campaign has affected them:

"The paperwork is mind boggling. Record companies now have compliance officers. Most of the biggest [radio] chains do too, and it's all based on the Spitzer/Sony agreement. [Spitzer] created a success prevention department. The good news is a hit will stand out no matter what."

—Curb senior VP/Promotion Carson James

"Labels are a little gun shy to do things that are considered legal that would really help their artists, mainly out of fear it could be construed as something else."

—WFUS Tampa, Fla., PD Travis Daily

"There have been a few labels which have used the consent decrees as an excuse not to provide tour support and win-it-before-you-can-buy-its, [but] the fact is that we still have no problem getting both major and emerging indie labels involved to promote once someone presents a creative plan that works as a win-win."

—Radio consultant Jaye Albright

While the corporate merger of Sony Music and BMG actually happened in 2005, its impact wasn't widely felt on Music Row until April of this year when the combined company finally turned its eyes to Nashville. By the time the dust settled, Sony Music Nashville and RCA Label Group (RLG) had been joined into a single entity called Sony BMG Nashville. Former RLG chairman Joe Galante was in charge, Sony Music Nashville president John Grady and about 20 other employees were out and the venerable Epic country

3 GETTING NIPPERED Sony Music Nashville Merges With RCA Label Group

imprint was no more. Epic's newly installed VP/National Promotion Tom Moran was among the casualties.

On the artist side, the roster cuts included Jessi Alexander, Jace Everett, Susan Haynes, Jamey Johnson, Brice Long and Jon Randall.

While many of the moves were painful to watch, the assimilated company appeared to gain both strength and momentum from its streamlining and remained the dominant player on Music Row.

FROM THE PUBLISHER

Welcome to Country Aircheck's first printed issue!

This company was formed just a few short months ago because we think you deserve a trade publication that is informed and passionate about country radio and the country music industry. Years of experience have given us strong beliefs about what information is important to the country community and how that information should be presented. You'll find that

philosophy reflected in this issue.

Starting on this page, we offer a comprehensive overview of 2006, from the year's top news stories, to a complete analysis of the year in music utilizing our Mediabase-powered charts, to more personal remembrances as we move through the issue. We close with a preview of the new music coming in the first quarter of 2007. After all, when we



Lon Helton

all get back from the holidays we're just eight weeks away from CRS-38.

If you're reading this and are not receiving our daily e-mail and weekly Music Edition, I encourage you to visit www.countryaircheck.com and sign up. For those of you who are already in our loop, I hope you find

this issue meets the high standards we strive for with all of our publications. As always, we welcome your feedback and deeply appreciate your support.

We're glad you're with us.

Sincerely,

Lon Helton
lon@countryaircheck.com

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COUNTRY
AIRCHECK

4 DUMPING No. 2 KZLA's Demise Shakes Country

The country industry suffered a body blow in August when Emmis flipped 26-year-old country outlet KZLA to "Movin' 93.9." The loss was especially devastating to an industry already suffering from the lack of country outlets in New York and San Francisco.

Equally damaging was the slim prospect of a major operator adopting the format on one of its FMs. There was a glimmer of hope last September when Clear Channel regional execs spoke to a group of ACM board members, seeking their support for a new FM country outlet. But an L.A. FM country option – Clear Channel or otherwise – has yet to materialize.

Country did return to the L.A. airwaves – on AM – when Mt. Wilson Broadcasting flipped XSUR/Tijuana and added simulcast KKGO late in '06.

"There was no immediate affect, as most shows had played or were on sale at the time of the [KZLA] format switch. Plans for 2007 have absolutely not been affected by the radio situation. The market is too good to pass up. We just have to be more creative in marketing our shows."

–Live Nation Executive Director Brian O'Connell

"There isn't a void for country in L.A. if you have satellite radio. The real void is for a local kind of country radio that activates and perpetuates the country marketplace. My concern is that the two AMs will be just enough of a deterrent to discourage anyone from [flipping] a big signal FM to country."

–The Gary Group Chairman Dick Gary

"Country is still alive and well in Los Angeles and [fans] will look for non-traditional ways to listen to country. The biggest loss of KZLA flipping formats was losing our many friends who worked there. I truly miss not visiting with these people as much as we did when the station was on the air."

–ACM Exec. Director Bob Romeo



Heartland

Lofton Creek's out-of-left-field No. 1 hit with Heartland's "I Loved Her First" may be the most tangible proof, but 2006 was a good year for Nashville independent labels in general.

Show Dog and Big Machine, which launched as sister labels in 2005, may have publicly in split in 2006, but that didn't stop either label from having a very successful year. That's particularly true of Big Machine, which scored with Jack Ingram, Taylor Swift and Danielle Peck.

Many new labels launched or ramped up in Nashville this year, including Montage Music, Category 5 Records, Rust

5 INDIE APPRECIATION Independent Labels Make A Strong Showing

Records and Tim McGraw's StyleSonic Records.

Another good sign for indies is that many former major label artists found new homes in the independent ranks

this year, including Mark Wills (Equity), Travis Tritt (Category 5), Sammy Kershaw (Category 5), Darryl Worley (903 Music), Ty Herndon (Titan Pyramid), Billy Ray Cyrus (New Door) and Carolyn Dawn Johnson (Equity). Also, Tracy Byrd (Blind Mule), Tracy Lawrence (Rocky Comfort Records) and Aaron Tippin (Nippit) were among the artists going the DIY route by starting their own labels, all of which bodes well for a plethora of new music to choose from in 2007.

6 CHART APPRECIATION VNU's R&R Purchase Alters Trade Biz . . . Or Does It?

A *Hollywood Reporter* story on the morning of July 6, 2006 (not that the date is seared in our memories or anything) brought the merger and acquisition gremlins to the doorstep of venerable trades *Billboard* and *R&R*. Expected synergies, layoffs on both sides and industry confusion grabbed headlines, but the subtext was the expiration of *R&R*'s deal with Mediabase, allowing the 33-year-old trade's venture capitalist owner to unload the pub to the only logical suitor. And that move only made sense if VNU could insert its Nielsen BDS-based charts into the successful, radio-focused trade, as it soon did. Four months later, the acquisition's tangible impact on the chart and trade dynamic is still up for debate.

"What we tried to impress upon our staff is that the old Billboard chart is now called R&R and the old R&R chart is now called Mediabase or Country Aircheck. The overall methodologies haven't changed, just the names associated with them."

–Broken Bow Records VP/Promotion Jon Loba



"I'm not sure VNU's purchase of R&R makes that much difference. Alternative voices and opinions are available all over the Internet on blogs and Web sites as communication rapidly changes. As far as I'm concerned, the more voices the merrier."

–Radio consultant Joel Raab

"Charts are a good tool, but I don't take them at face value. If Lonestar is at No. 10, it doesn't mean they're No. 10 in Providence. To me, a chart is more of a confirmation that we're right on, or a flag that we need to take another look at something. The merger hasn't changed that."

–WCTK/Providence, PD Steve Giuttari

SEVEN FOR '07

1. Sale Of The Century

Clear Channel is selling 450 stations, and an industry-wide re-distribution of radio properties doesn't seem farfetched. Groups might be selling sticks on the Home Shopping Network before it's all said and done.

2. Spitzerola Rolls On

The Entercom lawsuit is still on the books. Could more settlements be in the offing? And will the FCC ever weigh in?

3. And Then There Were Two

Universal buys Warner and Sony BMG buys EMI. Okay, we're kidding. Sort of. Hey, we kinda like the sound of SBMGEMI.

4. Fortress ABC

Citadel's purchase of ABC Radio will close, barring something unforeseen. And the alphabet net's assimilation will likely have significant fallout.

5. Hooray For Hollywood

Country will be back in Los Angeles . . . and on FM. Just watch the labels and artists fall all over themselves to help prop country back up in market No. 2.

6. Look For The Newbie Label

Capitol Nashville and Warner Bros. are both expected to launch new imprints, and who knows where the next "I Loved Her First" surprise will come from.

7. Country Aircheck Takes Pulitzer

Okay, now we're really kidding. We'll just be happy if we get to publish a year-end issue in '07.

THE IDOL EFFECT



Television has created a new reality when it comes to finding country artists and developing careers. *American Idol* and, to a lesser extent, *Nashville Star*, have offered nationally televised platforms from which have sprung some fairly remarkable success stories. None more so than quadruple-platinum

CMA female vocalist and Horizon Award winner Carrie Underwood, who took the *AI* title in May of '05. Kellie Pickler finished sixth in '06, yet scored a No. 1 album debut in October. Even Sara Evans' run on ABC's *Dancing with the Stars* seemed to be a positive vehicle for exposure until, well, reality set in.

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Country Aircheck
9 Music Square West
Nashville, TN 37203
615-244-4484
Fax 615-244-5699

Publisher/CEO:
Lon Helton
(lon@countryaircheck.com)

VP/Editorial & Operations:
Chuck Aly
(chuck@countryaircheck.com)

VP/Sales & Marketing:
Mary Forest Campbell
(maryforest@countryaircheck.com)

Coordinator/Graphics
& Administration:
Kelley Keith
(kelley@countryaircheck.com)

Contributing Editor:
Phyllis Stark
(p.stark@comcast.net)

Art Direction:
Jerry Holthouse

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