

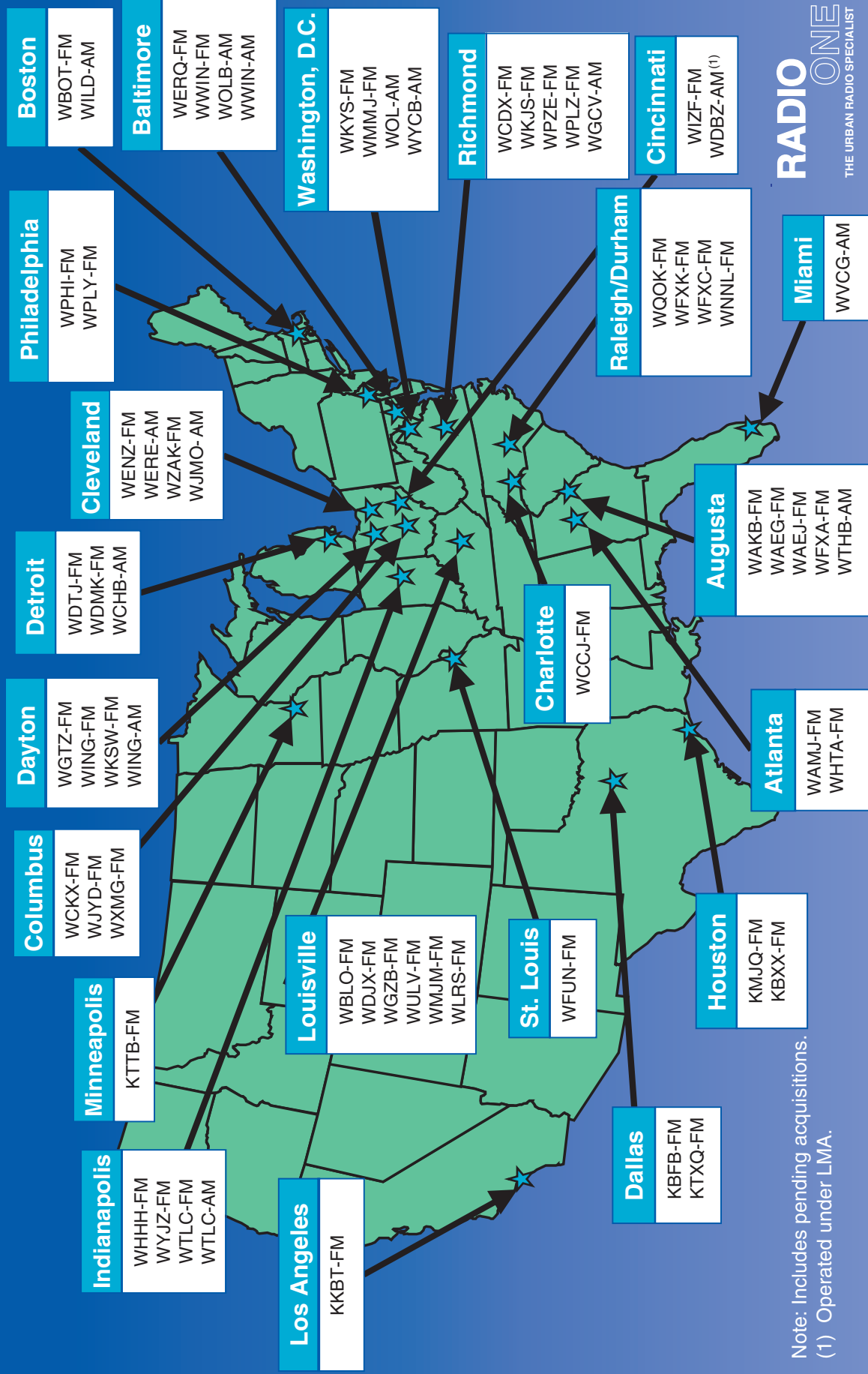
# **RADIO** **ONE**

**THE URBAN RADIO SPECIALIST**

**2000 ANNUAL REPORT**

# RADIO ONE IS A NATIONAL RADIO COMPANY

## 63 Radio Stations in 22 of the Top 52 African-American Markets



**RADIO ONE**  
THE URBAN RADIO SPECIALIST

Note: Includes pending acquisitions.  
(1) Operated under LMA.

To Our Stockholders:

We are pleased to present our 2000 annual report to you, our stockholders. Through this letter and the Form 10-K included herein, we will bring you up-to-date on the performance of your company, outline our corporate, operational and competitive strategies and share with you some of our business philosophies and vision.

This past year was one of the more volatile in recent memory for the United States economy in general, and the radio industry in particular. The year started out with strong growth and prosperity, the stock market hitting new highs on a seemingly daily basis, a new and different Internet company going public (also seemingly on a daily basis) and tremendous and pervasive optimism. In the first half of 2000 the radio industry experienced one of its strongest growth periods ever and your company benefited greatly as did most of the other public radio companies.

But underlying all of this growth (some would call it mania) was a tenuous foundation, one built on easy money flowing into companies with questionable strategies and prospects. As the Internet bubble burst and the economy slowed and the NASDAQ stock market began its inexorable decline, we at Radio One became more focused than ever on executing against our short- and long-term strategies.

For all of 2000 we achieved record net revenue of \$155.7 million, an increase of 90% from 1999 while broadcast cash flow (BCF) was also a record, coming in at \$78.4 million, an increase of 110% from the year earlier. Same station net revenue increased 17% and same station BCF increased 30% over 1999. This was again among the highest same station growth experienced by publicly-traded industry participants.

Furthermore, since January 1, 2000 we have acquired, or agreed to acquire, 43 radio stations in 17 markets culminating, in August, 2000, with the acquisition of 12 radio stations from Clear Channel Communications for \$1.3 billion. This acquisition was a transforming event for your company and created a radio company with a large national platform of Urban radio stations and set the stage for us to utilize this platform in new and more powerful ways to create shareholder value.

\* \* \* \* \*

We were one of the first management teams in the industry to acknowledge the radio industry slowdown, which began in the second half of 2000, and the value of our stock declined precipitously as a result of this candor. But several things happened which began to reverse the course of this market overreaction.

First, as the fourth quarter progressed it became clear to everyone that a domestic economic slowdown was going to be fairly serious and that no one in the radio industry was immune. In fact, after 99 consecutive months of growth, the radio industry experienced its first negative growth month in December of 2000. However, even in the face of this fourth quarter slowdown your company posted some of the fastest same station growth in the industry. Additionally, we proved definitively that we have a very strong programming focus and capability. In radio, the name of the game is ratings and growing ratings is a sure way to grow revenue and cash flow, independent of the overall economic environment.

In Los Angeles, we introduced the Steve Harvey Morning Show on our recently-acquired KKBT-FM and the ratings increased 50% in six months. In Dallas we put a new format on KBFB-FM and we went from a zero share to a 4.1-share in under six months. In Washington, DC we used our newly-created scale to move the Tom Joyner Morning Show to our WMMJ-FM and saw the station improve from number eight to number one in the important 25-54 age demographic, again in under six months. We have experienced positive ratings momentum in Boston, St. Louis, Detroit and Cleveland, among other places where we operate. All of this has set the stage for industry-leading growth in 2001.

\* \* \* \* \*

Equally as important is the fact that we have never lost sight of our core competencies. In 2000 we consciously avoided allocating material amounts of capital to the myriad Internet companies that wanted to partner with us in some way. We also deferred developing our own internal Internet strategy because of the costs and uncertainties associated with such an effort. In hindsight, we believe that our skepticism and patience was the correct approach. We most certainly will, at the appropriate time, develop a strategy on the Internet, but it ultimately needs to be a strategy that leads to a tangible economic benefit for our shareholders and not just a “neat” thing to do. We are not in the business of doing “neat” things, we are in the business of making money. Furthermore, we build our company for investors, not traders. This means that you, as an investor, should feel confident that while market volatility will often affect the short-term value of your holdings in Radio One (positively and negatively) the management of Radio One is always focused on the goal of delivering out-sized long-term returns to shareholders. We believe that we have accomplished this in the 20 years since our founding and view it as a tenet that has become part of the core of the culture of your company.

\* \* \* \* \*

In last year’s annual report we stated that one of the most attractive aspects of the radio business is its consistent long-term growth in revenue. Recent months notwithstanding, that consistency continued in 2000, with the industry growing 12% for the year. We also described our focused strategy of buying underperforming stations and improving their ratings, revenue and cash flow. This strategy allowed Radio One to grow its same station revenue 50% faster than the industry for all of 2000.

Another very important and attractive aspect of the radio industry is the strength and scale of its free cash flow. Free cash flow is effectively the amount of cash that a business produces after ALL of its costs are accounted for. These costs include operating expenses, interest expense, taxes, capital equipment requirements and working capital, among others. Certainly it has always been the case that “cash is king” and that saying is truer now than it has been in a long time.

Radio One, like other well-run industry participants, has very high broadcast cash flow margins and generates a great deal of free cash flow. Your management team is responsible for allocating this excess capital in ways that will maximize shareholder value in the long-term. We are very rigorous in our analysis as to how we allocate this capital. Our options include paying down debt, acquiring additional radio stations, reinvesting it back into our existing businesses, buying back stock or finding new businesses to invest in that complement our core business. These strong cash flow dynamics also allow radio companies to be relatively protected during economic slowdowns of the kind we are experiencing now.

Over the past several years, we have focused on allocating most of our free cash flow to building the company both organically and through acquisitions. With the recent announcement of the \$190 million acquisition of Blue Chip Broadcasting (which is expected to close in the third quarter of 2001) we have done several things:

- Created the seventh-largest radio company in the country;
- Acquired one of only two other companies of scale specifically focused on Urban radio, thus securing our position as the largest operator of Urban radio stations in the country;
- Developed further our national platform and positioned us solidly in the Midwest; and
- Acquired attractive radio assets at favorable pricing.

Perhaps more importantly, this acquisition represents the winding down of the latest phase in your company’s development. Having been on a torrid acquisition pace for the past two years, we are committed to optimizing the performance of all of the radio stations we have acquired, reducing our leverage, building our corporate infrastructure and laying an additional foundation which will enable us, if appropriate, to resume our acquisition strategy in earnest in the latter half of 2002. While we will undoubtedly pursue several smaller deals

in the upcoming months, our attention is now squarely turned to the opportunity to enhance shareholder value by improving the performance of all of our radio stations. We are very excited by the upside inherent in our portfolio.

\* \* \* \* \*

As I write this, the United States continues to be at an economic crossroads. The Federal Reserve has aggressively lowered interest rates, unemployment remains relatively low and consumer spending appears to be holding its own but confidence levels have fallen rather dramatically over the past nine months and the decline in the stock market, particularly the NASDAQ, has eroded vast amounts of wealth.

Meanwhile, the radio industry's weakness continued in the first quarter of 2001 as the industry faced tough comparables against the first quarter of 2000 and all types of businesses took a wait-and-see attitude with respect to their advertising budgets. Through it all, we are heartened by the fact that our stock price has actually held up well, on a comparative basis, and our operating performance is, once again, leading the industry.

The one overriding theme of these times is one of uncertainty and volatility. None of us at Radio One has a crystal ball as to the outlook for the country, the economy or the radio industry for the balance of 2001. What we do know is that radio has been through and seen a lot since the days of Marconi and that "this too shall pass". We believe this current period is just another phase in the evolution of an industry. The fundamentals of our industry are stronger than they have ever been and Radio One is stronger than it has ever been.

We view this time of uncertainty and volatility as a challenge but also a time to focus internally, analyze what we do right and well and do more of those things and change that which we can and must improve. During this past year we assembled what we believe is the most powerful media platform to reach African-American and Urban consumers. During this current year we are determined to build further on that platform, reinforce it and position it for the future. We are very proud of what we have all worked to create and are optimistic about all of the opportunities inherent in our business. We thank you, our stockholders, for your support along the way and look forward to continuing this journey with you.

As for the almost 1,800 employees (including those at Blue Chip Broadcasting) who have taken us this far and will help determine where we go from here, I and the rest of the executive team thank you for your hard work, passion, commitment and excellence. None of this is possible without you.



Sincerely,

Alfred C. Liggins, III

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

Commission File No. 333-30795

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)  
FOR THE TRANSITION PERIOD FROM TO

**RADIO ONE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**52-1166660**

(I.R.S. Employer Identification No.)

**5900 Princess Garden Parkway,**

**8th Floor**

**Lanham, Maryland 20706**

(Address of principal executive offices)

**(301) 306-1111**

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, \$.001 par value	The Nasdaq Stock Market's National Market
Class D Common Stock, \$.001 par value	The Nasdaq Stock Market's National Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The number of shares outstanding of each of the issuer's classes of common stock, as of March 23, 2001 is as follows:

<u>Class</u>	<u>Outstanding at March 23, 2001</u>
Class A Common Stock, \$.001 par value	22,529,344
Class B Common Stock, \$.001 par value	2,867,462
Class C Common Stock, \$.001 par value	3,132,458
Class D Common Stock, \$.001 par value	58,345,644

Based on the average of the bid and asked prices on the Nasdaq Stock Market's National Market on March 23, 2001 of \$15.41 for our class A common stock, and \$14.00 for our class D common stock, the aggregate market value of our voting and non-voting equity held by non-affiliates on such date was approximately \$906.2 million. Shares of common stock held by directors and certain executive officers and by each person who owns or may be deemed to own 10% or more of our outstanding common stock have been excluded, since such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of our definitive proxy statement for the 2001 annual meeting of stockholders, which will be filed with the SEC within 120 days after the end of the fiscal year to which this annual report relates, are incorporated by reference into Part III of this report.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**Form 10-K**  
**For the Fiscal Year Ended December 31, 2000**

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## **PART I**

### **ITEM 1. BUSINESS**

Unless otherwise noted, the terms “Radio One,” “we,” “our” and “us” refer to Radio One, Inc. and our subsidiaries.

Radio One was founded in 1980 and is the seventh largest radio broadcasting company in the United States based on pro forma 2000 gross revenue. We are also the largest radio broadcasting company in the United States primarily targeting African-Americans. After we complete our pending acquisitions and divestitures, including our acquisition of Blue Chip Broadcasting, Inc., we will own and/or operate 63 radio stations in 22 markets. Thirty-four of these stations (24 FM and 10 AM) are in 14 of the top 20 African-American radio markets: Washington, D.C., Los Angeles, Detroit, Atlanta, Philadelphia, Houston, Miami, Baltimore, Dallas, St. Louis, Cleveland, Boston, Richmond and Charlotte.

Our strategy is to expand within our existing markets and into new markets that have a significant African-American presence. We believe radio broadcasting primarily targeting African-Americans has significant growth potential. We also believe that we have a competitive advantage in the African-American market and the radio industry in general, due to our primary focus on urban formats, our skill in programming and marketing these formats, and our turnaround expertise.

Due to successful implementation of our business strategy, our net broadcast revenue, broadcast cash flow and after-tax cash flow have grown significantly:

- Same station net broadcast revenue increased 17% from year-end 1999 to year-end 2000.
- Same station broadcast cash flow increased 30% from year-end 1999 to year-end 2000.
- After-tax cash flow increased 199% from year-end 1999 to year-end 2000.

Radio One is led by our Chairperson and co-founder, Catherine L. Hughes, and her son, Alfred C. Liggins, III, our Chief Executive Officer and President, who together have over 40 years of operating experience in radio broadcasting. Ms. Hughes, Mr. Liggins and our strong management team have successfully implemented a strategy of acquiring and turning around underperforming radio stations. We believe that we are well positioned to apply our proven operating strategy to many of our recently or soon to be acquired stations in Los Angeles, Philadelphia, Houston, Miami, Dallas, Cleveland, Boston, Charlotte, Raleigh-Durham, Cincinnati, Columbus, Indianapolis, Augusta, Dayton, Louisville and Minneapolis, and to other radio stations in existing and new markets as attractive acquisition opportunities arise.

#### **Common Stock Public Offering**

On March 8, 2000, we completed a public offering of 5.0 million shares of our class A common stock from which we received net proceeds of approximately \$336.0 million. We used these proceeds to fund acquisitions and for other general corporate purposes.

#### **Stock Split/Class D Common Stock Dividend**

On May 22, 2000, we declared a three-for-one stock split in the form of a stock dividend. On June 6, 2000, the stockholders of record as of May 30, 2000 of each share of our class A common stock, class B common stock and class C common stock received two shares of newly-created non-voting class D common stock.

#### **Convertible Preferred Stock Offering**

On July 11, 2000, we completed an offering of 310,000 shares of our 6½% Convertible Preferred Remarketable Term Income Deferrable Equity Securities (HIGH TIDES) from which we received net proceeds



of approximately \$299.9 million. We used these proceeds to fund acquisitions and for other general corporate purposes. On October 16, 2000 and on January 16, 2001, we paid the first two quarterly dividends on the HIGH TIDES, each in the amount of \$16.25 per share, for an aggregate dividend payment on each date of approximately \$5.0 million. On March 16, 2001, we declared the next \$16.25 per share quarterly dividend on the HIGH TIDES, and that dividend, in the aggregate amount of approximately \$5.0 million, will be paid on April 16, 2001.

### **Clear Channel/AMFM Acquisitions**

On August 25, 2000, we completed our acquisition of 12 radio stations from Clear Channel and AMFM for an aggregate purchase price of approximately \$1.3 billion. The acquired stations are located in the following seven markets: Los Angeles, Houston, Miami, Dallas, Cleveland, Raleigh-Durham and Greenville, although we have subsequently divested the station located in Greenville.

As a result of our acquisition of the Clear Channel and AMFM radio stations (and the subsequent Greenville divestiture), we serve five new markets, three of which are top 10 African-American radio markets. These new markets have complemented our station portfolio by greatly increasing its geographic diversity and national reach. Due to this increased geographic diversity, we have reduced significantly our reliance on any single market.

### **Blue Chip Broadcasting Acquisition**

On February 7, 2001, we entered into a definitive agreement to acquire Blue Chip Broadcasting, Inc. for an aggregate purchase price of approximately \$190.0 million in cash, stock and the assumption of outstanding debt. Blue Chip owns and/ or operates 16 radio stations in the following five markets: Cincinnati, Columbus, Dayton, Louisville and Minneapolis. We currently have no operations in any of these markets, and the stations are complementary to our existing business.

### **Station Portfolio**

We operate in many of the largest African-American markets. Since January 1, 2000, we have acquired or agreed to acquire and/or operate 43 radio stations and have divested or agreed to divest six non-core stations. A more detailed description of the acquisitions and divestitures of these stations is provided in this report under the heading "Recent and Pending Transactions." The acquisitions diversify our net broadcast revenue, broadcast cash flow and asset bases and increase the number of top 20 African-American markets in which we operate from 9 to 14.

The table below provides information about the stations that we will own or operate after giving effect to our pending acquisitions and divestitures. Audience share data is for the 12+ demographic and is from the Arbitron Survey four book averages ending with the Fall 2000 Arbitron Survey, except in the Miami market, where we provide no audience share data because Arbitron does not publish ratings information for our station. Revenue share data are from either Radio Revenue Reports of Hungerford Aldrin Nichols & Carter, PC or revenue reports prepared by Miller, Kaplan, Arase & Co., Certified Public Accountants, except in the Miami and Boston markets where we do not currently report revenue to either Hungerford Aldrin Nichols & Carter, PC or Miller, Kaplan, Arase & Co. and for which we provide no information below. For station by station audience share and revenue share information, see the information provided in this report in the table under the heading "Our Station Portfolio." In the Miami and Dayton markets, no stations that we own or operate are urban-formatted, and in the Minneapolis market, no market wide racial/ethnic audience composition information is currently available. Accordingly, African-American market audience share rank and revenue rank are not included in the table for those markets. Except as otherwise noted above, information in the table below is from BIA Investing in Radio Market Report ("BIA 2000 Fourth Edition"). Markets with pending acquisitions are denoted by an asterisk (\*).

## Radio One and Our Markets

Market	Radio One						Market Data			
	Number of Stations		African-American Market		Entire Market		1998 MSA Population			
	FM	AM	Audience Share Rank	Revenue Rank	Four Book Average (Ending Fall 2000) Audience Share	January-December 2000 Revenue Share	Estimated 2000 Annual Radio Revenue (\$millions)	Ranking by Size of African-American Population	Total (in millions)	African-American%
Washington, DC . . .	2	2	1	1	11.1	9.5	\$375.0	3	4.3	26.6%
Los Angeles . . . . .	1	—	1	1	2.9	4.3	851.0	4	12.5	9.0
Detroit . . . . .	2	1	2	3	5.5	3.6	268.6	5	4.6	21.7
Atlanta . . . . .	2	—	2	3	6.6	5.0	400.0	6	3.8	26.0
Philadelphia . . . . .	2	—	2	2	5.9	6.0	321.0	7	4.9	20.2
Houston . . . . .	2	—	1	1	12.9	13.2	317.5	8	4.4	18.3
Miami . . . . .	—	1	n/a	n/a	n/a	n/a	277.6	9	3.7	19.8
Baltimore . . . . .	2	2	1	1	17.2	23.2	137.8	10	2.5	27.8
Dallas . . . . .	2	—	2	2	4.3	3.4	381.8	11	4.8	14.2
St.Louis . . . . .	1	—	2	3	1.4	0.2	145.3	14	2.6	17.7
Cleveland . . . . .	2	2	1	1	12.6	13.1	114.3	17	2.1	19.4
Boston . . . . .	1	1	1	1	2.9	n/a	359.2	18	3.9	7.9
Richmond* . . . . .	4	1	1	1	24.5	21.2	54.6	19	1.0	30.1
Charlotte . . . . .	1	—	2	2	3.5	2.1	119.4	20	1.4	20.5
Raleigh-Durham . . .	4	—	1	1	19.6	16.7	85.0	23	1.1	24.0
Cincinnati* . . . . .	1	1	1	1	6.1	4.7	139.4	29	2.0	11.6
Columbus* . . . . .	3	—	1	1	11.9	9.4	96.9	32	1.5	13.1
Indianapolis* . . . . .	3	1	1	2	11.1	6.0	96.1	33	1.4	14.2
Augusta . . . . .	4	1	1	1	15.8	13.7	17.5	43	0.5	33.4
Dayton* . . . . .	3	1	n/a	n/a	11.1	16.7	44.0	47	1.0	14.1
Louisville* . . . . .	6	—	1	1	24.6	20.4	56.6	51	1.0	12.9
Minneapolis* . . . . .	1	—	n/a	n/a	2.8	0.4	183.3	52	2.8	4.8
Total . . . . .	49	14								

### The African-American Market Opportunity

We believe that operating urban formatted radio stations primarily targeting African-Americans has significant growth potential for the following reasons:

**Rapid African-American Population Growth.** From 1980 to 1999, the African-American population increased from approximately 26.7 million to 34.9 million, a 30.7% increase, compared to a 20.4% increase in the population as a whole. Furthermore, the African-American population is expected to increase to approximately 39.9 million by 2010, a 14.3% increase from 1999, compared to an expected increase during the same period of 10.0% for the population as a whole. (Source: U.S. Census Bureau, Statistical Abstract of the United States: 2000).

**Higher African-American Income Growth.** According to the U.S. Census Bureau, from 1990 to 1999, the rate of increase in median household income in 1999 adjusted dollars for African-Americans was approximately 17.2% compared to 6.9% for the population as a whole. (Source: U.S. Census Bureau, 2000). African-American buying power is estimated to reach \$572.1 billion in 2001, up 85.9% from 1990, compared to an increase of 70.4% for the population as a whole. In 2001, African-Americans will account for 8.1% of the nation's total buying power, up from 7.4% in 1990. (Source: "Buying Power at the Beginning of a New Century: Projections for 2000 and 2001," Dr. Jeffrey M. Humphreys). In addition, the African-American consumer tends to have a different consumption profile than non-African-Americans. An

annual report published by Target Market News provides a list of products and services for which African-Americans households spent more than white households. In the most recent such annual report, there were dozens of such products and services listed in categories such as apparel and accessories, books, cars and trucks, consumer electronics, food, personal care products, telephone service and transportation. (Source: The 2000 Report on the Buying Power of Black America, Target Market News).

***Growth in Advertising Targeting the African-American Market.*** We believe that large corporate advertisers are becoming more focused on reaching minority consumers in the United States. The African-American and Hispanic communities are viewed as an emerging growth market within the mature domestic market. A 1997 study estimated that major national advertisers spent \$881 million on advertising targeting African-American consumers, up from \$463 million in 1985. (Source: Target Market News (Chicago, IL-1997)). We believe many large corporations are expanding their commitment to ethnic advertising.

***Growing Influence of African-American Culture.*** We believe that there is an ongoing “urbanization” of many facets of American society as evidenced by the influence of African-American culture in the areas of music (for example, hip-hop and rap music), film, fashion, sports and urban-oriented television shows and networks. We believe that companies as disparate as the News Corporation’s Fox® television network, the sporting goods manufacturer Nike®, the fast food chain McDonald’s®, and prominent fashion designers have embraced this urbanization trend in their products as well as their advertising messages.

***Growing Popularity of Radio Formats Primarily Targeting African-Americans.*** We believe that urban programming has been expanded to target a more diverse urban listener base and has become more popular with listeners and advertisers over the past ten years. The number of urban radio stations has increased from 284 in 1989 to 405 in 1999, or by 42.6%. (Source: The M Street Corp., Format Trends from 1989 to 1999, Counts as of November 1999.) In Fall 1997, urban formats were one of the top three formats in nine of the top ten radio markets nationwide and the top format in five of these markets. (Source: INTEREP, Research Division, 1998 Regional Differences in Media Usage Study).

***Concentrated Presence of African-Americans in Urban Markets.*** In 1998, approximately 65.6% of the African-American population was located in the top 50 African-American markets. (Source: BIA 2000, Fourth Edition). Relative to radio broadcasters targeting a broader audience, we believe we can cover the various segments of our target market with fewer programming formats and therefore fewer radio stations than the maximum per market allowed by the FCC.

***Strong African-American Listenership and Loyalty.*** In 1997, African-Americans in the ten largest markets listened to radio broadcasts an average of 26.5 hours per week. This compares to 21.5 hours per week for all Americans. (Source: INTEREP Research Division, 1999 Urban Radio Study). In addition, we believe that African-American radio listeners exhibit greater loyalty to radio stations that target the African-American community because those radio stations become a valuable source of entertainment and information responsive to the community’s interests and lifestyles.

## **Acquisition Strategy**

Our acquisition strategy includes acquiring and turning around underperforming radio stations principally in the top 50 African-American markets. We will also make acquisitions in existing markets where expanded coverage is desirable and in new markets where we believe it is advantageous to establish a presence. For strategic reasons, or as a result of an acquisition of multiple stations in a market, we may also acquire and operate stations with formats that primarily target non-African-American segments of the population.

## RECENT AND PENDING TRANSACTIONS

We have acquired or agreed to acquire and/or operate 43 radio stations and one low power television station since January 1, 2000. These acquisitions diversify our net broadcast revenue, broadcast cash flow and asset bases and increase the number of top 20 African-American markets in which we operate from 9 to 14. Since January 1, 2000, we have also divested or agreed to divest six radio stations that were not core components of our business strategy.

The table below sets forth information regarding each of the recently completed or pending acquisitions and divestitures as of March 15, 2001.

	No. of Stations	Call Letters	Approximate Purchase Price (in millions)	Date Completed
<b>Completed Acquisitions</b>				
Philadelphia .....	1	WPLY-FM	\$ 80.0	2/00
Charlotte .....	1	WCCJ-FM	20.7 <sup>(1)</sup>	6/00
Augusta .....	5	WTHB-AM WAEG-FM WAKB-FM WAEJ-FM WFXA-FM		
Indianapolis I <sup>(2)</sup> .....	3	WYJZ-FM WFFF-FM WTLC-FM <sup>(4)</sup>	30.0 <sup>(3)</sup>	6/00
Los Angeles .....	1	KKBT-FM	1,302.5 <sup>(5)</sup>	8/00
Houston .....	2	KMJQ-FM KBXX-FM		
Miami .....	1	WVCG-AM		
Dallas I .....	1	KBFB-FM		
Cleveland .....	2	WZAK-FM WJMO-AM		
Raleigh-Durham .....	4	WFXC-FM WFXK-FM WNNL-FM WQOK-FM		
Greenville .....	1	WJMZ-FM <sup>(6)</sup>		
Dallas II .....	1	KJOI-AM <sup>(7)</sup>	16.0	9/00
Greenville II .....	1	WPEK-FM <sup>(8)</sup>	7.5	11/00
Dallas III .....	1	KTXQ-FM	52.5	2/01
Boston .....	1	WILD-AM	4.5 <sup>(9)</sup>	2/01
Subtotal .....	<u>26</u>		<u>\$1,513.7</u>	
<b>Pending Acquisitions</b>				
Richmond III <sup>(10)</sup> .....	4	WPLZ-FM <sup>(11)</sup> WCDX-FM WPZE-FM <sup>(11)</sup> WGCV-AM	\$ 34.0	—
Cincinnati .....	2	WIZF-FM WDBZ-AM <sup>(13)</sup>	190.0 <sup>(12)</sup>	—
Columbus .....	3	WCKX-FM WXMG-FM WJYD-FM		
Dayton .....	4	WGTZ-FM WING-FM WING-AM WKSW-FM		
Louisville .....	6	WDJX-FM WBLO-FM <sup>(14)</sup> WGZB-FM WULV-FM WMJM-FM WLRS-FM		
Minneapolis .....	1	KTTB-FM		
Indianapolis II .....	1	WTLC-AM	8.5 <sup>(15)</sup>	—
Subtotal .....	<u>21</u>		<u>232.5</u>	
Total .....	<u><u>47<sup>(16)</sup></u></u>		<u><u>\$1,746.2</u></u>	

	<u>No. of Stations</u>	<u>Call Letters</u>	<u>Approximate Sales Price (in millions)</u>	<u>Date Completed</u>
<b>Completed Divestitures</b>				
Richmond I .....	1	WDYL-FM	\$ 9.0	2/01
Richmond II .....	1	WARV-FM	1.0	2/01
Greenville .....	2	WJMZ-FM WPEK-FM	43.5	2/01
Subtotal .....	<u>4</u>		<u>\$53.5</u>	
<b>Pending Divestitures</b>				
Kingsley, MI .....	1	WJZZ-AM <sup>(17)</sup>	\$ 0.2	—
Dallas, TX .....	1	KJOI-AM <sup>(18)</sup>	16.0	
Subtotal .....	<u>2</u>		<u>\$16.2</u>	
Total .....	<u>6</u>		<u>\$69.7</u>	

- (1) We paid approximately \$20.7 million in cash and issued approximately 57,000 shares of our class A common stock and approximately 115,000 shares of our class D common stock in this transaction, which included one station in Charlotte and five stations in Augusta.
- (2) We also acquired low power television station W53AV in this transaction.
- (3) We paid approximately \$30.0 million in cash and issued approximately 441,000 shares of our class A common stock in this transaction.
- (4) Formerly known as WBKS-FM.
- (5) The approximate purchase price of \$1.3 billion is for the 12 listed stations in Los Angeles, Houston, Miami, Dallas I, Cleveland, Raleigh-Durham and Greenville included in the Clear Channel/AMFM acquisitions.
- (6) We subsequently sold this station. See Completed Divestitures table.
- (7) Formerly known as KLUV-AM. We subsequently agreed to sell this station. See Pending Divestitures table.
- (8) We subsequently sold this station. See Completed Divestitures table.
- (9) We paid approximately \$4.5 million in cash and issued approximately 63,500 shares of our class A common stock in this transaction.
- (10) We entered into an agreement to acquire the four listed stations in Richmond in 1999. Pending completion of this acquisition, we are operating three stations, WPLZ-FM, WCDX-FM, and WPZE-FM, under a time brokerage agreement.
- (11) WPLZ-FM was formerly known as WJRV-FM and WPZE-FM was formerly known as WPLZ-FM.
- (12) The approximate consideration amount of \$190.0 million is for the 16 listed stations in Cincinnati, Columbus, Dayton, Louisville and Minneapolis and will be paid through a combination of cash, stock and assumption of debt, each in amounts to be determined upon the closing of the transaction.
- (13) Upon completion of the transaction referenced in footnote 11, we will operate WDBZ-AM pursuant to a time brokerage arrangement.
- (14) WBLO-FM is currently being operated by Blue Chip Broadcasting, Inc. pursuant to a time brokerage agreement, however Blue Chip has an option to purchase the station from its current owner. The option will either be exercised by Blue Chip prior to the completion of our acquisition, or the unexercised option to purchase the station will be transferred to us (and our purchase price will be adjusted accordingly).
- (15) The approximate purchase price of \$8.5 million related to both the acquisition of WTLC-AM and the acquisition of all of the intellectual property of WTLC-FM (including the call letters). Approximately \$1.1 million of the purchase price is allocable to the pending acquisition of WTLC-AM and the remaining \$7.4 million is allocable to the completed acquisition of the intellectual property of WTLC-FM. Pending completion of the acquisition of WTLC-AM, we are operating the station under a time brokerage agreement.
- (16) We have acquired or agreed to acquire and/or operate 43 radio stations since January 1, 2000. Of the 47 stations listed in the table, we agreed to acquire four of those in 1999 (see footnote 10), and one of those will be operated pursuant to a time brokerage agreement (see footnote 12).
- (17) Pending completion of this divestiture, WJZZ-AM is being operated pursuant to a time brokerage agreement by its prospective buyer.
- (18) Pending completion of this divestiture, KJOI-AM is being operated pursuant to a time brokerage agreement by its prospective buyer.

## ***Completed Acquisitions***

### **Philadelphia—WPLY-FM Acquisition**

On February 28, 2000, Radio One acquired the assets of WPLY-FM, licensed to Media, Pennsylvania for approximately \$80.0 million in cash.

### **Augusta—WTHB-AM, WAEG-FM, WAKB-FM, WAEJ-FM and WFXA-FM and Charlotte—WCCJ-FM Acquisition**

On June 7, 2000, Radio One acquired Davis Broadcasting, Inc., which owned and operated radio stations WTHB-AM, licensed to Augusta, Georgia, WAEG-FM, licensed to Evans, Georgia, WAKB-FM, licensed to Wrens, Georgia, WAEJ-FM, licensed to Waynesboro, Georgia, WFXA-FM, licensed to Augusta, Georgia and WCCJ-FM, licensed to Harrisburg, North Carolina, for approximately \$20.7 million in cash, approximately 57,000 shares of class A common stock and approximately 115,000 shares of class D common stock.

### **Indianapolis I—WHHH-FM, WTLC-FM (formerly WBKS-FM), WYJZ-FM and W53AV Acquisition**

On June 8, 2000, Radio One acquired the assets of WHHH-FM, licensed to Indianapolis, Indiana, WTLC-FM (formerly WBKS-FM), licensed to Greenwood, Indiana, WYJZ-FM, licensed to Lebanon, Indiana and W53AV, a low power television station licensed to Indianapolis, Indiana, for approximately \$30.0 million in cash and approximately 441,000 shares of class A common stock.

### **Clear Channel/AMFM Acquisitions—KMJQ-FM, KBXX-FM, WVCG-AM, WZAK-FM, WJMO-AM, KKBT-FM, KBFB-FM, WJMZ-FM, WFXC-FM, WFXK-FM, WNNL-FM, and WQOK-FM**

On August 25, 2000, Radio One acquired the assets of twelve radio stations (KMJQ-FM, licensed to Houston, Texas, KBXX-FM, licensed to Houston, Texas, WVCG-AM, licensed to Coral Gables, Florida, WZAK-FM, licensed to Cleveland, Ohio, WJMO-AM, licensed to Cleveland Heights, Ohio, KKBT-FM, licensed to Los Angeles, California, KBFB-FM, licensed to Dallas, Texas, WJMZ-FM, licensed to Anderson, South Carolina, WFXC-FM, licensed to Durham, North Carolina, WFXK-FM, licensed to Tarboro, North Carolina, WNNL-FM, licensed to Fuquay-Varina, North Carolina, and WQOK-FM, licensed to South Boston, Virginia) from Clear Channel Communications, Inc. and AMFM, Inc. for approximately \$1.3 billion in cash.

### **Dallas II—KJOI-AM (formerly KLUV-AM) Acquisition**

On September 25, 2000, Radio One acquired the assets of KJOI-AM (formerly KLUV-AM), licensed to Dallas, Texas, for approximately \$16.0 million in cash.

### **Greenville—WPEK-FM Acquisition**

On November 15, 2000, Radio One acquired the assets of WPEK-FM, licensed to Seneca, South Carolina, from Alpeak Broadcasting Corp, for approximately \$7.5 million in cash.

### **Dallas III—KTXQ-FM Acquisition**

On February 1, 2001, Radio One acquired the assets of KTXQ-FM (formerly KDGE-FM), licensed to Gainesville, Texas, for approximately \$52.5 million in cash. Prior to the acquisition, we had been operating KTXQ-FM under a time brokerage agreement since November 2000.

### **Boston—WILD-AM Acquisition**

On February 28, 2001, Radio One acquired Nash Communications Corporation which owned and operated radio station WILD-AM, licensed to Boston, Massachusetts, for approximately \$4.5 million in cash and approximately 63,500 shares of class A common stock. Prior to the acquisition, we had been operating WILD-AM under a time brokerage agreement since May 2000.

### *Pending Acquisitions*

#### **Richmond III—WPLZ-FM (formerly WJRV-FM), WCDX-FM, WPZE-FM (formerly WPLZ-FM) and WGCV-AM Acquisition**

Pursuant to an asset purchase agreement dated May 6, 1999, Radio One has agreed to acquire the assets of WCDX-FM, licensed to Mechanicsville, Virginia; WPZE-FM (formerly WPLZ-FM), licensed to Petersburg, Virginia; WPLZ-FM (formerly WJRV-FM), licensed to Richmond, Virginia; and WGCV-AM, licensed to Petersburg, Virginia, for approximately \$34.0 million in cash. We have been operating WCDX-FM, WPZE-FM and WPLZ-FM under a time brokerage agreement since June 1, 1999, and we expect to complete the acquisition during the second half of 2001.

#### **Blue Chip Acquisition—WIZF-FM and WDBZ-AM in Cincinnati; WCKX-FM, WXMG-FM and WJYD-FM in Columbus; WGTZ-FM, WING-FM, WING-AM and WKSW-FM in Dayton; WDJX-FM, WBLO-FM, WGZB-FM, WULV-FM, WMJM-FM and WLRS-FM in Louisville; and KTTB-FM in Minneapolis**

On February 7, 2001, Radio One entered into a definitive agreement to acquire Blue Chip Broadcasting, Inc. which owns and/or operates 16 radio stations (WIZF-FM, licensed to Erlanger, Kentucky; WDBZ-AM, licensed to Cincinnati, Ohio; WCKX-FM, licensed to Columbus, Ohio; WXMG-FM, licensed to Upper Arlington, Ohio; WJYD-FM, licensed to London, Ohio; WGTZ-FM, licensed to Eaton, Ohio; WING-FM, licensed to Springfield, Ohio; WING-AM, licensed to Dayton, Ohio; WKSW-FM, licensed to Urbana, Ohio; WDJX-FM, licensed to Louisville, Kentucky; WBLO-FM, licensed to Charlestown, Kentucky; WGZB-FM, licensed to Corydon, Indiana; WULV-FM, licensed to Louisville, Kentucky; WMJM-FM, licensed to Jeffersontown, Kentucky; WLRS-FM, licensed to Shepherdsville, Kentucky; and KTTB-FM, Glencoe, Minnesota) for an aggregate purchase price of \$190.0 million in cash, stock and the assumption of outstanding debt. Blue Chip Broadcasting, Inc. currently owns 15 of those stations and has an option to purchase WBLO-FM, which is currently being operated by Blue Chip Broadcasting, Inc. pursuant to a time brokerage agreement, from its current owner. The WBLO-FM purchase option will either be exercised by Blue Chip Broadcasting, Inc. prior to the completion of our acquisition, or the unexercised option will be transferred to us (and our purchase price will be adjusted accordingly). Immediately prior to completion of our acquisition of Blue Chip Broadcasting, Inc., WDBZ-AM will be transferred to an entity affiliated with a current shareholder of Blue Chip Broadcasting, Inc., and we will enter into a time brokerage agreement to operate that station. We expect to complete the acquisition of Blue Chip Broadcasting, Inc. in the second half of 2001.

#### **Indianapolis II—WTLC-AM and Intellectual Property of WTLC-FM Acquisition**

On January 30, 2001, Radio One entered into a definitive agreement with Emmis Communications to acquire all of the intellectual property of WTLC-FM (including its call letters) and the assets of WTLC-AM, licensed to Indianapolis, Indiana. The approximate purchase price of \$8.5 million relates to both the acquisition of the intellectual property of WTLC-FM, which acquisition was completed on February 15, 2001, and the acquisition of the assets of WTLC-AM, which we expect to complete in the second quarter of 2001. We have been operating WTLC-AM under a time brokerage agreement since February 16, 2001. Following the acquisition of the WTLC-FM intellectual property, we have been operating our station formerly known as WBKS-FM under the call letters WTLC-FM.

### *Completed Divestitures*

#### **Richmond I—WDYL-FM Divestiture**

On February 1, 2001, Radio One sold WDYL-FM, licensed to Chester, Virginia, to Cox Radio, Inc. for approximately \$9.0 million in cash.

#### **Richmond II—WARV-FM Divestiture**

On February 1, 2001, Radio One sold WARV-FM, licensed to Petersburg, Virginia, to Honolulu Broadcasting, Inc. for approximately \$1.0 million in cash.

### **Greenville—WJMZ-FM and WPEK-FM Divestiture**

On February 1, 2001, Radio One sold WJMZ-FM, licensed to Anderson, South Carolina, and WPEK-FM, licensed to Seneca, South Carolina, to Cox Radio, Inc. for approximately \$43.5 million in cash.

### ***Pending Divestitures***

#### **Dallas, Texas—KJOI-AM Divestiture**

On January 30, 2001, Radio One entered into a definitive agreement to sell KJOI-AM (formerly KLUV-AM) to Clear Channel Communications for approximately \$16.0 million. As part of this agreement, Clear Channel Communications began operating the station under a time brokerage agreement on February 1, 2001. We expect to complete the sale in the second quarter of 2001.

#### **Kingsley, Michigan—WJZZ-AM Divestiture**

On February 7, 2001, Radio One entered into a definitive agreement to sell the assets of WJZZ-AM, licensed to Kingsley, Michigan, to Fort Bend Broadcasting, Inc. for approximately \$225,000. As part of this agreement, Fort Bend Broadcasting, Inc. began operating the station under a time brokerage agreement on February 7, 2001. We expect to complete the sale in the second quarter of 2001.

### **Turnaround Expertise**

Historically, we have entered a market by acquiring a station or stations that have little or negative broadcast cash flow or that, in our opinion, have been substantially underperforming. By implementing our operating strategies, we have succeeded in increasing ratings, net broadcast revenue and broadcast cash flow of most of the FM stations we have owned or managed for at least one year. In many cases, we have achieved these improvements while operating against larger competitors. Our turnaround strategy has been especially successful with respect to our operations in Washington, D.C., Los Angeles, Atlanta, Philadelphia, Baltimore, Dallas, St. Louis, Cleveland, Boston and Charlotte.



## Top 52 African-American Radio Markets in the United States

In the table below, boxes and bold text indicate markets where, after we complete our pending transactions, we will own or operate radio stations. Markets where we have pending acquisitions but no current stations are denoted by an asterisk. Population estimates are for 1998 and are based upon BIA 2000 Fourth Edition.

Rank	Market	African American Population in the Market (in thousands)	African-Americans as a Percentage of the Overall Population in the Market
1.	New York, NY	3,634	21.4%
2.	Chicago, IL	1,690	19.5
<b>3.</b>	<b>Washington, DC</b>	<b>1,154</b>	<b>26.6</b>
<b>4.</b>	<b>Los Angeles, CA</b>	<b>1,125</b>	<b>9.0</b>
<b>5.</b>	<b>Detroit, MI</b>	<b>1,004</b>	<b>21.7</b>
<b>6.</b>	<b>Atlanta, GA</b>	<b>990</b>	<b>26.0</b>
<b>7.</b>	<b>Philadelphia, PA</b>	<b>985</b>	<b>20.2</b>
<b>8.</b>	<b>Houston/Galveston, TX</b>	<b>813</b>	<b>18.3</b>
<b>9.</b>	<b>Miami/Ft. Lauderdale/Hollywood, FL</b>	<b>730</b>	<b>19.8</b>
<b>10.</b>	<b>Baltimore, MD</b>	<b>693</b>	<b>27.8</b>
<b>11.</b>	<b>Dallas/Ft. Worth, TX</b>	<b>675</b>	<b>14.2</b>
12.	San Francisco, CA	614	9.0
13.	Memphis, TN	498	42.1
<b>14.</b>	<b>St. Louis, MO</b>	<b>456</b>	<b>17.7</b>
15.	Norfolk/Virginia Beach/Newport News, VA	456	30.7
16.	New Orleans, LA	441	34.9
<b>17.</b>	<b>Cleveland, OH</b>	<b>411</b>	<b>19.4</b>
<b>18.</b>	<b>Boston, MA</b>	<b>315</b>	<b>7.2</b>
<b>19.</b>	<b>Richmond, VA</b>	<b>288</b>	<b>30.1</b>
<b>20.</b>	<b>Charlotte/Gastonia/Rock Hill, NC</b>	<b>287</b>	<b>20.5</b>
21.	Birmingham, AL	270	27.4
22.	Milwaukee/Racine, WI	264	15.6
<b>23.</b>	<b>Raleigh/Durham, NC</b>	<b>262</b>	<b>24.0</b>
24.	Jacksonville, FL	253	23.2
25.	Tampa/St. Petersburg/Clearwater, FL	248	10.8
26.	Kansas City, MO	233	13.5
27.	Nassau/Suffolk Counties, NY	231	8.6
28.	Greensboro/Winston Salem/High Point, NC	230	19.6
<b>29.</b>	<b>Cincinnati, OH*</b>	<b>227</b>	<b>11.6</b>
30.	Orlando, FL	201	15.0
31.	Pittsburgh, PA	200	8.5
<b>32.</b>	<b>Columbus, OH*</b>	<b>199</b>	<b>13.1</b>
<b>33.</b>	<b>Indianapolis, IN</b>	<b>199</b>	<b>14.2</b>
34.	Jackson, MS	189	43.4
35.	Nashville, TN	183	15.7
36.	San Diego, CA	183	6.4
37.	Baton Rouge, LA	182	31.4
38.	Seattle/Tacoma, WA	181	5.2
39.	Charleston, SC	172	31.3
40.	West Palm Beach/Boca Raton, FL	157	15.1
41.	Greenville/Spartanburg, SC	156	17.8
42.	Columbia, SC	155	30.0
<b>43.</b>	<b>Augusta, GA</b>	<b>154</b>	<b>33.4</b>
44.	Greenville/New Bern/Jacksonville, NC	153	27.0
45.	Mobile, AL	151	28.2
46.	Lafayette, LA	142	28.5
<b>47.</b>	<b>Dayton, OH*</b>	<b>140</b>	<b>14.1</b>
48.	Shreveport, LA	138	36.6
49.	Buffalo/Niagara Falls, NY	137	11.9
50.	Las Vegas, NV	134	10.4
<b>51.</b>	<b>Louisville, KY*</b>	<b>133</b>	<b>12.9</b>
<b>52.</b>	<b>Minneapolis-St. Paul, MN*</b>	<b>133</b>	<b>4.7</b>

## **Operating Strategy**

In order to maximize net broadcast revenue and broadcast cash flow at our radio stations, we strive to achieve the largest audience share of African-American listeners in each market, convert these audience share ratings to advertising revenue, and control operating expenses. Through our newly created national presence we also provide advertisers with a radio station advertising platform that is unique and a powerful delivery mechanism to African-Americans. The success of our strategy relies on the following:

- market research, targeted programming and marketing;
- strong management and performance-based incentives;
- strategic sales efforts;
- radio station clustering, programming segmentation and sales bundling;
- marketing platform to national advertisers;
- advertising partnerships and special events; and
- significant community involvement.

### *Market Research, Targeted Programming and Marketing*

Radio One uses market research to tailor the programming, marketing and promotions of our radio stations to maximize audience share. To achieve these goals, we use market research to identify unserved or underserved markets or segments of the African-American community in current and new markets and to determine whether to acquire a new radio station or reprogram one of our existing radio stations to target those markets or segments.

We also seek to reinforce our targeted programming by creating a distinct and marketable identity for each of our radio stations. To achieve this objective, in addition to our significant community involvement discussed below, we employ and promote distinct, high-profile on-air personalities at many of our radio stations, many of whom have strong ties to the African-American community.

### *Strong Management and Performance-based Incentives*

Radio One focuses on hiring highly motivated and talented individuals in each functional area of the organization who can effectively help us implement our growth and operating strategies. Radio One's management team is comprised of a diverse group of individuals who bring expertise to their respective functional areas. We seek to hire and promote individuals with significant potential, the ability to operate with high levels of autonomy and the appropriate team-orientation that will enable them to pursue their careers within the organization.

To enhance the quality of our management in the areas of sales and programming, general managers, sales managers and program directors have significant portions of their compensation tied to the achievement of certain performance goals. General managers' compensation is based partially on achieving broadcast cash flow benchmarks which create an incentive for management to focus on both sales growth and expense control. Additionally, sales managers and sales personnel have incentive packages based on sales goals, and program directors and on-air talent have incentive packages focused on maximizing overall ratings as well as ratings in specific target segments.

### *Strategic Sales Efforts*

Radio One has assembled an effective, highly trained sales staff responsible for converting audience share into revenue. We operate with a focused, sales-oriented culture which rewards aggressive selling efforts through a generous commission and bonus compensation structure. We hire and deploy large teams of sales professionals

for each of our stations or station clusters, and we provide these teams with the resources necessary to compete effectively in the markets in which we operate. We utilize various sales strategies to sell and market our stations as stand-alones, in combination with other stations within a given market and across markets, where appropriate.

#### *Radio Station Clustering, Programming Segmentation and Sales Bundling*

Radio One strives to build clusters of radio stations in our markets, with each radio station targeting different demographic segments of the African-American population. This clustering and programming segmentation strategy allows us to achieve greater penetration into each segment of our target market. We are then able to offer advertisers multiple audiences and to bundle the radio stations for advertising sales purposes when advantageous.

We believe there are several potential benefits that result from operating multiple radio stations in the same market. First, each additional radio station in a market provides us with a larger percentage of the prime advertising time available for sale within that market. Second, the more stations we program, the greater the market share we can achieve in our target demographic groups through the use of segmented programming. Third, we are often able to consolidate sales, promotional, technical support and corporate functions to produce substantial cost savings. Finally, the purchase of additional radio stations in an existing market allows us to take advantage of our market expertise and existing relationships with advertisers.

#### *Marketing Platform to National Advertisers.*

Radio One, through its recently completed acquisitions and expected acquisitions, has created a national platform of radio stations in some of the largest African-American markets. This platform reaches over 10 million listeners weekly, more than any other media vehicle targeting African-Americans. Thus, national advertisers find advertising on all Radio One radio stations an efficient and cost-effective way to reach this target audience. We have established a corporate sales department which bundles and sells this national platform of radio stations to national advertisers thereby enhancing our revenue generating opportunities, expanding our base of advertisers, creating greater demand for our advertising time inventory and increasing the capacity utilization of our inventory and making our sales effort more efficient. In the short period of time this national platform has been in place, advertisers such as the banking and financial services provider First Union®, the restaurant chain Denny's® and the United States Army have taken advantage of this offering.

#### *Advertising Partnerships and Special Events*

We believe that in order to create advertising loyalty, Radio One must strive to be the recognized expert in marketing to the African-American consumer in the markets in which we operate. We believe that Radio One has achieved this recognition by focusing on serving the African-American consumer and by creating innovative advertising campaigns and promotional tie-ins with our advertising clients and sponsoring numerous entertainment events each year. We sponsor the Stone Soul Picnic, an all-day free outdoor concert which showcases advertisers, local merchants and other organizations to audiences in Washington, D.C., Detroit, Atlanta and Baltimore. We also sponsor The People's Expo every Winter in Washington, D.C, Baltimore and Richmond, which provides entertainment, shopping and educational seminars to Radio One's listeners and others from the communities we serve. In these events, advertisers buy signage, booth space and broadcast promotions to sell a variety of goods and services to African-American consumers. As we expand our presence in our existing markets and into new markets, we plan to increase the number of events and the number of markets in which we host these major events.

#### *Significant Community Involvement*

We believe our active involvement and significant relationships in the African-American community provides a competitive advantage in targeting African-American audiences. In this way, we believe our proactive involvement in the African-American community in each of our markets significantly improves the marketability of our radio broadcast time to advertisers who are targeting such communities.

We believe that a radio station's image should reflect the lifestyle and viewpoints of the target demographic group it serves. Due to our fundamental understanding of the African-American community, we believe we are able to identify music and musical styles, as well as political and social trends and issues, early in their evolution. This understanding is then integrated into all aspects of our operations and enables us to create enhanced awareness and name recognition in the marketplace. In addition, we believe our multi-level approach to community involvement leads to increased effectiveness in developing and updating our programming formats. We believe our enhanced awareness and more effective programming formats lead to greater listenership and higher ratings over the long-term.

We have a history of sponsoring events that demonstrate our commitment to the African-American community, including:

- heightening the awareness of diseases which disproportionately impact African-Americans, such as sickle-cell anemia, leukemia and AIDS, and holding fundraisers to benefit the search for their cure;
- developing contests specifically designed to assist African-American single mothers with day care expenses; and
- organizing seminars designed to educate African-Americans on personal issues such as buying a home, starting a business, developing a credit history, financial planning and health care.

### **Management Stock Option Plan**

On March 10, 1999, we adopted the 1999 Stock Option and Restricted Stock Grant Plan designed to provide incentives relating to equity ownership to present and future executive, managerial, and other key employees of Radio One and our subsidiaries, and on June 14, 2000, we amended that option plan to provide for options of class D common stock to be available for issuance under the option plan. The option plan affords us latitude in tailoring incentive compensation for the retention of key personnel, to support corporate and business objectives, and to anticipate and respond to a changing business environment and competitive compensation practices.

### **Our Station Portfolio**

The following table sets forth selected information about our portfolio of radio stations, giving effect to our pending acquisitions and divestitures. Market population data and revenue rank data are from BIA 2000 Fourth Edition. Audience share and audience rank data are based on Arbitron Survey four book averages ending with the Fall 2000 Arbitron Survey unless otherwise noted. Except as noted, revenue share and revenue rank data for the Washington, D.C., Detroit, Baltimore and Columbus markets are based on the Radio Revenue Reports of Hungerford Aldrin Nichols & Carter, PC for the twelve-month period ending December 31, 2000. For the Los Angeles, Atlanta, Philadelphia, Houston, Dallas, Cleveland, Richmond, Charlotte, Raleigh-Durham, Cincinnati, Indianapolis, Augusta, Dayton, Louisville and Minneapolis markets, unless otherwise noted the revenue share and revenue rank data are from revenue reports for the twelve-month period ending December 31, 2000, as prepared by Miller, Kaplan, Arase & Co., Certified Public Accountants. As used in this table, "n/a" means not applicable or not available and "t" means tied with one or more radio stations.

Market <sup>(1)</sup>	Market Rank		Year Acquired	Format	Target Age Demographic	Four Book Average		Four Book Average		January-December 2000 Radio One Market Revenue	
	1998 Metro Population	1999 Radio Revenue				Audience Share in 12+ Demographic	Audience Rank in 12+ Demographic	Audience Share in Target Demographic	Audience Rank in Target Demographic	Share	Rank
<b>Washington, DC</b>	9	6									
WKYS-FM			1995	Urban	18-34	5.4	3	10.9	1	5.6	8
WMMJ-FM			1987	Urban AC	25-54	4.2	8	4.8	5	3.5	15
WYCB-AM			1998	Gospel	35-64	0.7	26	1.0	23	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
WOL-AM			1980	Urban Talk	25-54	0.8	25	0.6	26	0.4	21
<b>Los Angeles</b>	2	1									
KKBT-FM			2000	Urban	18-34	2.9	11	4.8	7	4.3	10
<b>Detroit</b>	7	12									
WDTJ-FM			1998	Urban	18-34	3.9	10	7.0	5	3.1	14
WDMK-FM			1998	Urban AC	25-54	0.9	25	1.1	23	0.5	20
WCHB-AM			1998	Urban Talk/Gospel	35-64	0.7	26	0.9	22	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
<b>Atlanta</b>	11										
WHTA-FM			1999	Urban	18-34	4.7	7	8.3	4	3.7	12
WAMJ-FM			1999	Urban AC	25-54	1.9	16	2.6	14	1.3	15
<b>Philadelphia</b>	5	9									
WPHI-FM			1997	Urban	18-34	2.8	17	5.4	7	2.1	7
WPLY-FM			2000	Alternative Rock	18-34	3.1	14	6.8	4	3.9	13
<b>Houston</b>	10	10									
KMJQ-FM			2000	Urban AC	25-54	5.4	5	6.5	3	6.6	5
KBXX-FM			2000	Urban	18-34	7.5	1	12.0	1	6.6	6
<b>Miami</b>	12	11									
WVCG-AM			2000	Ethnic	35-64	n/a <sup>(3)</sup>	n/a <sup>(3)</sup>	n/a <sup>(3)</sup>	n/a <sup>(3)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
<b>Baltimore</b>	20	20									
WERQ-FM			1993	Urban	18-34	9.7	1	17.7	1	13.4	n/a <sup>(4)</sup>
WWIN-FM			1992	Urban AC	25-54	6.3	3	8.0	2	9.1	n/a <sup>(4)</sup>
WOLB-AM			1992	Urban Talk	25-54	0.4	29	0.3	32	0.4	n/a <sup>(4)</sup>
WWIN-AM			1993	Gospel	35-64	0.8	25	1.1	21	0.3	n/a <sup>(4)</sup>
<b>Dallas</b>	6	5									
KBFB-FM			2000	Urban	18-34	2.2	18(t)	2.7	17	0.7	29
KTXQ-FM			2001	R&B/Oldies	25-54	2.1	22	2.7	14(t)	2.7	15
<b>St. Louis</b>	19	18									
WFUN-FM			1999	Urban	18-34	1.4	21	2.3	16	0.2	20
<b>Cleveland</b>	24	25									
WENZ-FM			1999	Urban	18-34	5.9	5	12.0	2	3.7	11
WERE-AM			1999	News/Talk	25-54	0.3	24	0.1	23	0.9	17
WZAK-FM			2000	Urban AC	25-54	4.7	9	5.3	10	7.8	6
WJMO-AM			2000	Gospel	35-64	1.7	17	2.1	15	0.7	18
<b>Boston</b>	8	8									
WBOT-FM			1999	Urban	18-34	1.7	18	3.3	9	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
WILD-AM			2001	Urban AC	25-54	1.2	22	1.5	18	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
<b>Richmond</b>	57	48									
WCDX-FM <sup>(5)</sup>			(pending)	Urban	18-34	11.1	1	20.7	1	11.6	2
WKJS-FM			1999	Urban AC	25-54	6.3	4	7.8	3	6.8	9
WPZE-FM <sup>(5)</sup>			(pending)	R&B/Oldies	25-54	4.1	9	4.8	9	1.5	13
WPLZ-FM <sup>(5)</sup>			(pending)	R&B	25-54	1.6	15	1.7	15	1.3	14
WGCV-AM			(pending)	Gospel	35-64	1.4	18	1.9	16	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
<b>Charlotte</b>	37	23									
WCCJ-FM			2000	R&B/Oldies	25-54	3.5	12	4.9	10	2.1	14
<b>Raleigh-Durham</b>	48	36									
WQOK-FM			2000	Urban	18-34	7.6	1	12.0	2	8.7	6
WFXK-FM			2000	Urban AC	25-54	2.3	11	3.0	11	4.2 <sup>(6)</sup>	10 <sup>(6)</sup>
WFXC-FM			2000	Urban AC	25-54	2.8	12	3.4	10	n/a <sup>(6)</sup>	n/a <sup>(6)</sup>
WNNL-FM			2000	Gospel	25-54	6.9	4	7.4	2	3.8	11
<b>Cincinnati</b>	26	19									
WIZF-FM			(pending)	Urban	18-34	5.6	5	8.2	3	4.7	10
WDBZ-AM <sup>(7)</sup>			(pending)	Urban Talk	25-54	0.5 <sup>(8)</sup>	20 <sup>(8)</sup>	0.7 <sup>(8)</sup>	17(t) <sup>(8)</sup>	0.0	18
<b>Columbus</b>	34	30									
WCKX-FM			(pending)	Urban	18-34	7.8	2	13.3	1	7.5	6
WXMG-FM			(pending)	R&B/Oldies	25-54	3.1	10	3.9	9	1.7	13
WJYD-FM			(pending)	Gospel	25-54	1.0	21	1.3	18(t)	0.2	19
<b>Indianapolis<sup>(9)</sup></b>	38	31									
WHHH-FM			2000	Top 40	18-34	4.8	9	7.1	6	3.9	n/a <sup>(4)</sup>
WTLC-FM <sup>(10)</sup>			2000	Rhythm/Blues	25-54	2.6	13	3.4	10	1.3	n/a <sup>(4)</sup>
WYJZ-FM			2000	Smooth Jazz	35-64	1.9	16	2.8	11	0.8	n/a <sup>(4)</sup>
WTLC-AM <sup>(5)</sup>			(pending)	Young Gospel	25-54	1.8	17	1.4	17	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>

Market <sup>(1)</sup>	1999 Market Rank		Year Acquired	Format	Target Age Demographic	Four Book Average		Four Book Average		January-December 2000 Radio One Market Revenue	
	Metro Population	Radio Revenue				Audience Share in 12+ Demographic	Audience Rank in 12+ Demographic	Audience Share in Target Demographic	Audience Rank in Target Demographic	Share	Rank
<b>Augusta<sup>(11)</sup></b>	<b>114</b>	<b>115</b>									
WAEG-FM			2000	R&B/Oldies	25-54	0.7	19	0.6	18(t)	0.2	15
WAEJ-FM			2000	R&B/Oldies	25-54	0.4	21(t)	0.3	20(t)	n/a <sup>(12)</sup>	n/a <sup>(12)</sup>
WAKB-FM			2000	Urban AC	25-54	4.1	8(t)	5.8	7	3.2	11
WFXA-FM			2000	Urban	18-34	7.6	3	12.7	1(t)	10.3	5
WTHB-AM			2000	Gospel	35-64	3.0	14	3.3	11(t)	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
<b>Dayton</b>	<b>56</b>	<b>56</b>									
WGTV-FM			(pending)	CHR	18-34	4.5	7	7.0	6	6.5	5
WING-FM			(pending)	Classic Rock	25-54	4.6	8	6.7	6	6.3	7
WING-AM			(pending)	News/Sports/Talk	25-54	0.6	21	0.7	19	1.2	13
WKSW-FM			(pending)	Country	25-54	1.4	16(t)	1.1	16(t)	2.7	10
<b>Louisville</b>	<b>53</b>	<b>46</b>									
WDJX-FM			(pending)	Top 40	18-34	8.6	3	12.4	1	11.5	3
WBLO-FM <sup>(13)</sup>			(pending)	Urban	18-34	3.0	10	5.6	6(t)	1.0	16
WGZB-FM			(pending)	Urban	18-34	5.4	5	7.9	4	5.0	7
WULV-FM			(pending)	Soft AC	25-54	2.4	12(t)	3.0	12	1.2	13
WMJM-FM			(pending)	R&B/Oldies	25-54	2.8	11	3.5	10	1.0	15
WLRS-FM			(pending)	Alternative	18-34	2.4	12(t)	5.7	5	0.7	19
<b>Minneapolis</b>	<b>17</b>	<b>15</b>									
KTTB-FM			(pending)	Urban Pop	18-34	2.8 <sup>(8)</sup>	12 <sup>(8)</sup>	4.9 <sup>(8)</sup>	6(t) <sup>(8)</sup>	0.4	16

- (1) WJZZ-AM in Kingsley, MI and KJOI-AM in Dallas, TX are not included in the table because there are pending sale agreements for those stations and each is being operated by its prospective purchaser pursuant to a time brokerage agreement pending completion of the sale.
- (2) Station did not report revenue to Miller Kaplan or Hungerford during calendar year 2000.
- (3) Arbitron does not publish ratings information for this station.
- (4) In the Baltimore market, WERQ-FM and WOLB-AM jointly report revenue to Hungerford, as do WWIN-FM and WWIN-AM. WHHH-FM, WTLC-FM and WYJZ-FM in the Indianapolis market jointly report revenue to Miller Kaplan. In each case, the January-December 2000 Radio One Market Revenue Share percentages for these stations reflect the proportional contribution by such station to the joint revenue reported to Hungerford or Miller Kaplan.
- (5) Station is being operated by us pursuant to a time brokerage agreement while our acquisition of the station is pending.
- (6) WFXX-FM and WXFC-FM in the Raleigh-Durham market simulcast all of their programming and jointly report revenue to Miller Kaplan. Because the joint revenue is not allocable among the stations, for purposes of this table, all of the WFXX-FM /WXFC-FM jointly reported revenue has been attributed to WFXX-FM.
- (7) We will operate WDBZ-AM pursuant to a time brokerage agreement upon completion of the pending Blue Chip Broadcasting, Inc. acquisition.
- (8) Arbitron 4-Book Survey information is not available for this station; the chart reflects rating share and rank information from the Arbitron Fall 2000 Survey.
- (9) W53AV, the low power television station that we acquired in Indianapolis in June 2000, is not included in this table.
- (10) Formerly WBKS-FM.
- (11) For the Augusta market, Arbitron issues its radio market survey reports on a semi-annual basis, rather than a quarterly basis as in our other markets. Accordingly, the four book average ratings data for the Augusta stations is based on the four most recent semi-annual surveys ending with the Fall 2000 survey.
- (12) WAEG-FM and WAEJ-FM in the Augusta market simulcast all of their programming and jointly report revenue to Miller Kaplan. Because the joint revenue is not allocable among the stations, for purposes of this table, all of the WAEG-FM /WAEJ-FM jointly reported revenue has been attributed to WAEG-FM.
- (13) Upon completion of the Blue Chip Broadcasting, Inc. transaction, we will either acquire WBLO-FM or acquire an option to purchase it.

## Advertising Revenue

Substantially all of our net broadcast revenue is generated from the sale of local and national advertising for broadcast on our radio stations. Additional net broadcast revenue is generated from network compensation payments and other miscellaneous transactions. Local sales are made by the sales staffs located in our markets. National sales are made by firms specializing in radio advertising sales on the national level, in exchange for a commission from Radio One that is based on a percentage of our net broadcast revenue from the advertising obtained. Approximately 72% of our net broadcast revenue for the year ended December 31, 2000, was generated from the sale of local advertising and 28% from sales to national advertisers. The balance of net broadcast

revenue is derived from network advertising, tower rental income and ticket and other revenue related to special events hosted by Radio One.

We believe that advertisers can reach the African-American community more cost effectively through radio broadcasting than through newspapers or television. Advertising rates charged by radio stations are based primarily on:

- a radio station's audience share within the demographic groups targeted by the advertisers,
- the number of radio stations in the market competing for the same demographic groups, and
- the supply and demand for radio advertising time.

Advertising rates are generally highest during the morning and afternoon commuting hours.

A radio station's listenership is reflected in ratings surveys that estimate the number of listeners tuned to a radio station and the time they spend listening to that radio station. Each radio station's ratings are used by its advertisers to consider advertising with the radio station, and are used by us to chart audience growth, set advertising rates and adjust programming.

### **Strategic Diversification**

We will continue to evaluate potential radio acquisitions in African-American markets. We are also exploring opportunities in other forms of media to apply our expertise in marketing to African-Americans. Such opportunities could include outdoor advertising in urban environments, an urban-oriented Internet strategy, an urban-oriented radio network, cable networks, music production, publishing and other related businesses.

We have entered into an exclusive programming agreement with XM Satellite Radio, Inc. to provide African-American oriented programming to be broadcast on XM Satellite's digital audio radio service, which is expected to be available in 2001.

We have also invested, together with most other publicly-traded radio companies, in a private placement for iBiquity Digital Corporation (formerly USA Digital Radio, Inc.), a leading developer of in-band on-channel digital audio broadcast technology. This technology could enable radio broadcasters to convert from analog to digital broadcasting within the existing frequency allocation of their AM and FM stations. In conjunction with this investment, Alfred C. Liggins, III, the Chief Executive Officer and President of Radio One, became a board member of iBiquity Digital Corporation.

Additionally, we have invested in PNE Media Holdings, LLC, a privately-held outdoor advertising company with a presence in several of the markets in which we own radio stations.

In 1999, we invested a combination of cash and advertising time in aka.com, LLC, an aggregator of web sites devoted to hip hop culture. In conjunction with this investment, our Chief Financial Officer, Scott R. Royster, became a director of aka.com, LLC.

In 1999 and 2000, we invested a combination of cash and advertising time in NetNoir, Inc., the owner and operator of an Internet web site targeting African-Americans.

In 2000, we invested a combination of cash and advertising time in New Urban Entertainment Television, an urban-oriented cable television programmer.

In 2000, we committed to invest cash in Quetzal/J.P. Morgan Partners, L.P., which is an entity formed for the purpose of investing in minority-owned telecommunications entities. Many other major radio broadcasters have also committed to invest in Quetzal/J.P. Morgan Partners, L.P.

We recently invested cash in SMR Acquisition Corp., a company that provides program research services to radio stations. In conjunction with the investment, we received the right to appoint one member of SMR Acquisition Corp.'s board of directors. We have not yet exercised our director appointment right.

## **Competition**

The radio broadcasting industry is highly competitive. Radio One's stations compete for audiences and advertising revenue with other radio stations and with other media such as television, newspapers, direct mail and outdoor advertising, some of which may be controlled by horizontally-integrated companies. Audience ratings and advertising revenue are subject to change and any adverse change in a market could adversely affect our net broadcast revenue in that market. If a competing station converts to a format similar to that of one of our stations, or if one of our competitors strengthens its operations, our stations could suffer a reduction in ratings and advertising revenue. Other radio companies which are larger and have more resources may also enter markets where we operate. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain or increase their current ratings or advertising revenue.

The radio broadcasting industry is also subject to rapid technological change, evolving industry standards and the emergence of new media technologies. Several new media technologies are being developed, including the following:

- audio programming by cable television systems, direct broadcast satellite systems, Internet content providers (both landline and wireless) and other digital audio broadcast formats;
- satellite digital audio radio service, which could result in the near-term introduction of several new subscriber-based satellite radio services with numerous channels and sound quality equivalent to that of compact discs;
- in-band on-channel digital radio, which could provide multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services; and
- low power FM radio, which could result in additional FM radio broadcast outlets that are designed to serve localized areas.

We are party to a programming agreement with a satellite digital audio radio service and have also invested in a developer of digital audio broadcast technology. However, we cannot assure you that these arrangements will be successful or enable us to adapt effectively to these new media technologies. We also cannot assure you that we will continue to have the resources to acquire other new technologies or to introduce new services that could compete with other new technologies.

## **Antitrust**

An important part of our growth strategy is the acquisition of additional radio stations. The agencies responsible for enforcing the federal antitrust laws, the Federal Trade Commission or the Department of Justice, may investigate certain acquisitions. After the passage of the Telecommunications Act of 1996, the Department of Justice became more aggressive in reviewing proposed acquisitions of radio stations. The Justice Department is particularly aggressive when the proposed buyer already owns one or more radio stations in the market of the station it is seeking to buy. The Justice Department has challenged a number of radio broadcasting transactions. Some of those challenges ultimately resulted in consent decrees requiring, among other things, divestitures of certain stations. In general, the Justice Department has more closely scrutinized radio broadcasting acquisitions that result in local market shares in excess of 40% of radio advertising revenue.

We cannot predict the outcome of any specific Department of Justice or FTC investigation. Any decision by the Department of Justice or FTC to challenge a proposed acquisition could affect our ability to consummate an acquisition or to consummate it on the proposed terms. For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Act requires the parties to file Notification and Report Forms concerning antitrust issues with the Department of Justice and the FTC and to observe specified waiting period requirements before consummating the acquisition. If the investigating agency raises substantive issues in connection with a proposed transaction, then the parties frequently engage in lengthy discussions or negotiations with the investigating agency concerning possible means of addressing those issues, including restructuring the proposed acquisition or



divesting assets. In addition, the investigating agency could file suit in federal court to enjoin the acquisition or to require the divestiture of assets, among other remedies. Acquisitions that are not required to be reported under the Hart-Scott-Rodino Act may be investigated by the Department of Justice or the FTC under the antitrust laws before or after consummation. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws. As part of its increased scrutiny of radio station acquisitions, the Department of Justice has stated publicly that it believes that local marketing agreements, joint sales agreements, time brokerage agreements and other similar agreements customarily entered into in connection with radio station transfers could violate the Hart-Scott-Rodino Act if such agreements take effect prior to the expiration of the waiting period under the Hart-Scott-Rodino Act. Furthermore, the Department of Justice has noted that joint sales agreements may raise antitrust concerns under Section 1 of the Sherman Act and has challenged joint sales agreements in certain locations. As indicated above, the Department of Justice also has stated publicly that it has established certain revenue and audience share concentration benchmarks with respect to radio station acquisitions, above which a transaction may receive additional antitrust scrutiny. However, to date, the Department of Justice has also investigated transactions that do not meet or exceed these benchmarks and has cleared transactions that do exceed these benchmarks.

Similarly, the FCC staff has adopted procedures to review proposed radio broadcasting transactions even if the proposed acquisition otherwise complies with the FCC's ownership limitations. In particular, the FCC may invite public comment on proposed radio transactions that the FCC believes, based on its initial analysis, may present ownership concentration concerns in a particular local radio market. In March 2001, however, the FCC Commissioners expressed their intent to eliminate delays in the staff's review of transactions that might involve concentration of market share but are otherwise consistent with the radio ownership limits set forth in the Communications Act.

### **Federal Regulation of Radio Broadcasting**

The radio broadcasting industry is subject to extensive and changing regulation by the FCC of programming, technical operations, employment and other business practices. The FCC regulates radio broadcast stations pursuant to the Communications Act. The Communications Act permits the operation of radio broadcast stations only in accordance with a license issued by the FCC upon a finding that the grant of a license would serve the public interest, convenience and necessity. The Communications Act provides for the FCC to exercise its licensing authority to provide a fair, efficient and equitable distribution of broadcast service throughout the United States. Among other things, the FCC:

- assigns frequency bands for radio broadcasting;
- determines the particular frequencies, locations, operating power, and other technical parameters of radio broadcast stations;
- issues, renews, revokes and modifies radio broadcast station licenses;
- establishes technical requirements for certain transmitting equipment used by radio broadcast stations;
- adopts and implements regulations and policies that directly or indirectly affect the ownership, operation, program content and employment and business practices of radio broadcast stations; and
- has the power to impose penalties, including monetary forfeitures, for violations of its rules and the Communications Act.

The Communications Act prohibits the assignment of an FCC license, or other transfer of control of an FCC licensee, without the prior approval of the FCC. In determining whether to grant requests for consents to assignments or transfers, and in determining whether to grant or renew a radio broadcast license, the FCC considers a number of factors pertaining to the licensee (and any proposed licensee), including restrictions on foreign ownership, compliance with FCC media ownership limits and other FCC rules, the character of the licensee and those persons holding attributable interests in the licensee, and compliance with the Anti-Drug Abuse Act of 1988.

The following is a brief summary of certain provisions of the Communications Act and specific FCC rules and policies. This summary does not purport to be a complete listing of all of the regulations and policies affecting radio stations and is qualified in its entirety by the text of the Communications Act, the FCC's rules and regulations, and the rulings and public notices of the FCC. You should refer to the Communications Act and these FCC notices, rules and rulings for further information concerning the nature and extent of federal regulation of radio broadcast stations.

A licensee's failure to observe the requirements of the Communications Act or FCC rules and policies may result in the imposition of various sanctions, including admonishment, fines, the grant of renewal terms of less than eight years, the grant of a license with conditions or, for particularly egregious violations, the denial of a license renewal application, the revocation of an FCC license or the denial of FCC consent to acquire additional broadcast properties.

Congress and the FCC have had under consideration or reconsideration, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation, ownership and profitability of our radio stations, result in the loss of audience share and advertising revenue for our radio broadcast stations or affect our ability to acquire additional radio broadcast stations or finance such acquisitions. Such matters may include:

- changes to the license authorization and renewal process;
- proposals to impose spectrum use or other fees on FCC licensees;
- fees for radio stations streaming audio over the Internet;
- restatement in revised form of the FCC's equal employment opportunity rules;
- proposals to change rules relating to political broadcasting including proposals to grant free air time to candidates, and other changes regarding program content;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;
- technical and frequency allocation matters;
- the implementation of digital audio broadcasting on both a satellite and terrestrial basis;
- changes in broadcast multiple ownership, foreign ownership, cross-ownership and ownership attribution policies, including the definition of the local market for multiple ownership purposes;
- proposals to allow telephone companies to deliver audio and video programming to homes in their service areas; and
- proposals to alter provisions of the tax laws affecting broadcast operations and acquisitions.

Finally, the FCC has adopted procedures for the auction of broadcast spectrum in circumstances where two or more parties have filed applications for new stations or for major changes in existing stations that are mutually exclusive. Such procedures may limit our efforts to modify or expand the broadcast signals of our stations.

We cannot predict what changes, if any, might be adopted, nor can we predict what other matters might be considered in the future, nor can we judge in advance what impact, if any, the implementation of any particular proposals or changes might have on our business.

## **FCC Licenses**

The Communications Act provides that a broadcast station license may be granted to any applicant if the public interest, convenience and necessity will be served thereby, subject to certain limitations. In making licensing determinations, the FCC considers an applicant's legal, technical, financial and other qualifications. The

FCC grants radio broadcast station licenses for specific periods of time and, upon application, may renew them for additional terms. A station may continue to operate beyond the expiration date of its license if a timely filed license renewal application is pending. Under the Communications Act, radio broadcast station licenses may be granted for a maximum term of eight years.

Generally, the FCC renews radio broadcast licenses without a hearing upon a finding that:

- the radio station has served the public interest, convenience and necessity;
- there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations; and
- there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse.

After considering these factors, the FCC may grant the license renewal application with or without conditions, including renewal for a term less than the maximum otherwise permitted, or hold an evidentiary hearing.

In addition, the Communications Act authorizes the filing of petitions to deny a license renewal application during specific periods of time after a renewal application has been filed. Interested parties, including members of the public, may use such petitions to raise issues concerning a renewal applicant's qualifications. If a substantial and material question of fact concerning a renewal application is raised by the FCC or other interested parties, or if for any reason the FCC cannot determine that grant of the renewal application would serve the public interest, convenience and necessity, the FCC will hold an evidentiary hearing on the application. If as a result of an evidentiary hearing the FCC determines that the licensee has failed to meet the requirements specified above and that no mitigating factors justify the imposition of a lesser sanction, then the FCC may deny a license renewal application. Only after a license renewal application is denied will the FCC accept and consider competing applications for the vacated frequency. Also, during certain periods when a renewal application is pending, the transferability of the applicant's license may be restricted. Historically, our licenses have been renewed without any conditions or sanctions imposed. However, there can be no assurance that the licenses of each of our stations will be renewed or will be renewed without conditions or sanctions.

The FCC classifies each AM and FM radio station. An AM radio station operates on either a clear channel, regional channel or local channel. A clear channel is one on which AM radio stations are assigned to serve wide areas, particularly at night. Clear channel AM radio stations are classified as either: (1) Class A radio stations, which operate unlimited time and are designed to render primary and secondary service over an extended area, or (2) Class B radio stations, which operate unlimited time and are designed to render service only over a primary service area. Class D radio stations, which operate either daytime, during limited times only, or unlimited time with low nighttime power, may operate on the same frequencies as clear channel radio stations. A regional channel is one on which Class B and Class D AM radio stations may operate and serve primarily a principal center of population and the rural areas contiguous to it. A local channel is one on which AM radio stations operate unlimited time and serve primarily a community and the suburban and rural areas immediately contiguous to it. A Class C AM radio station operates on a local channel and is designed to render service only over a primary service area that may be reduced as a consequence of interference.

The minimum and maximum facilities requirements for an FM radio station are determined by its class. FM class designations depend upon the geographic zone in which the transmitter of the FM radio station is located. In general, commercial FM radio stations are classified as follows, in order of increasing power and antenna height: Class A, B1, C3, B, C2, C1, C0 and C. The FCC recently adopted a new rule that subjects Class C FM stations that do not satisfy a certain antenna height requirement to an involuntary downgrade in class to Class C0 under certain circumstances.

The following table sets forth information with respect to each of our radio stations, including the additional radio stations we have agreed to purchase in Richmond, three of which are currently operated pursuant to a local marketing agreement, and the radio stations to be acquired from Blue Chip. A broadcast station's market may be different from its community of license. "ERP" refers to the effective radiated power of an FM radio station. "HAAT" refers to the antenna height above average terrain of an FM radio station. The coverage of an AM radio station is chiefly a function of the power of the radio station's transmitter, less dissipative power losses and any directional antenna adjustments. For FM radio stations, signal coverage area is chiefly a function of the ERP of the radio station's antenna and the HAAT of the radio station's antenna. The height of an AM radio station's antenna is measured in meters and the height of an FM radio station's antenna is measured by reference to HAAT.

<u>Market</u>	<u>Station Call Letters</u>	<u>Year of Acquisition</u>	<u>FCC Class</u>	<u>ERP (FM) Power (AM) in Kilowatts</u>	<u>Antenna Height (AM) HAAT (FM) in Meters</u>	<u>Operating Frequency</u>	<u>Expiration Date of FCC License</u>
Washington, DC	WOL-AM	1980	C	1.0	90.8	1450 kHz	10/01/2003
	WMMJ-FM	1987	A	2.9	146.0	102.3 MHz	10/01/2003
	WKYS-FM	1995	B	24.0	215.0	93.9 MHz	10/01/2003
	WYCB-AM	1998	C	1.0	81.9	1340 kHz	10/01/2003
Los Angeles	KKBT-FM	2000	B	5.3	916.0	100.3 MHz	12/01/2005
Detroit	WDTJ-FM	1998	B	20.0	221.0	105.9 MHz	10/01/2004
	WCHB-AM	1998	B	50.0	71.1	1200 kHz	10/01/2004
	WJZZ-AM	1998	D	50.0	177.2	1210 kHz	10/01/2004
Atlanta	WDMK-FM	1998	B	50.0	152.0	102.7 MHz	10/01/2004
	WHTA-FM	1999	C3	7.9	175.0	97.5 MHz	04/01/2004
Philadelphia	WAMJ-FM	1999	C3	25.0	98.0	107.5 MHz	04/01/2004
	WPHI-FM	1997	A	0.3 <sup>(1)</sup>	305.0	103.9 MHz	08/01/2006
Houston	WPLY-FM	2000	B	35.0	183.0	100.3 MHz	08/01/2006
	KMJQ-FM	2000	C	100.0	524.0	102.1 MHz	08/01/2005
Miami	KBXX-FM	2000	C	100.0	585.0	97.9 MHz	08/01/2005
	WVCG-AM	2000	B	1.0	90.0	1080 kHz	02/01/2004
Baltimore	WWIN-AM	1992	C	1.0	102.5	1400 kHz	10/01/2003
	WWIN-FM	1992	A	3.0	91.0	95.9 MHz	10/01/2003
	WOLB-AM	1993	D	1.0	103.5	1010 kHz	10/01/2003
	WERQ-FM	1993	B	37.0	174.0	92.3 MHz	10/01/2003
Dallas	KBFB-FM	2000	C	100.0	491.0	97.9 MHz	08/01/2005
	KTXQ-FM	2001	C	100.0	578.0	94.5 MHz	08/01/2005
	KJOI-AM	2000	B	50.0	96.0	1190 kHz	08/01/2005
St. Louis	WFUN-FM	1999	A	6.0	100.0	95.5 MHz	12/01/2004
Cleveland	WERE-AM	1999	B	5.0	200.0	1300 kHz	10/01/2004
	WENZ-FM	1999	B	16.0	272.0	107.9 MHz	10/01/2004
	WZAK-FM	2000	B	27.5	189.0	93.1	10/01/2004
	WJMO-AM	2000	C	1.0	190.9	1490 kHz	10/01/2004
Boston	WBOT-FM	1999	A	2.7	150.0	97.7 MHz	04/01/2006
	WILD-AM	2001	D	1.0	101.3	1090 kHz	04/01/2006
Richmond	WKJS-FM	1999	C1	100.0	299.0	104.7 MHz	10/01/2003
	WCDX-FM	(pending)	B1	4.5	235.0	92.1 MHz	10/01/2003
	WPZE-FM	(pending)	A	6.0	100.0	99.3 MHz	10/01/2003
	WPLZ-FM	(pending)	A	2.3	162.0	105.7 MHz	10/01/2003
	WGCV-AM	(pending)	C	1.0	181.5	1240 kHz	10/01/2003
Charlotte	WCCJ-FM	2000	A	6.0	100.0	92.7 MHz	12/01/2003
Raleigh-Durham	WQOK-FM	2000	C1	100.0	299.0	97.5 MHz	12/01/2003
	WFXX-FM	2000	C1	100.0	299.0	107.1 MHz	12/01/2003
	WFXC-FM	2000	A	2.59	153.0	104.3 MHz	12/01/2003
	WNNL-FM	2000	C3	7.9	176.0	103.9 MHz	12/01/2003
Cincinnati	WIZF-FM	(pending)	A	1.25	155.0	100.9 MHz	10/01/2004
	WDBZ-AM	(pending)	C	1.0	89.6	1230 kHz	10/01/2004
Columbus	WCKX-FM	(pending)	A	1.9	126.0	107.5 MHz	10/01/2004
	WXMG-FM	(pending)	A	2.59	154.0	98.9 MHz	10/01/2004
Indianapolis	WJYD-FM	(pending)	A	6.0	100.0	106.3 MHz	10/01/2004
	WHHH-FM	2000	A	3.3	87.0	96.3 MHz	08/01/2004
	WTLC-FM	2000	A	6.0	85.0	106.7 MHz	08/01/2004
	WYJZ-FM	2000	A	6.0	100.0	100.9 MHz	08/01/2004
	WTLC-AM	(pending)	B	5.0	221.0	1310 kHz	08/01/2004
Augusta	WAEG-FM	2000	A	3.0	100.0	92.3 MHz	04/01/2004
	WAEJ-FM	2000	A	6.0	100.0	100.9 MHz	04/01/2004
	WAKB-FM	2000	C3	0.75	416.0	96.7 MHz	04/01/2004
	WFXA-FM	2000	A	6.0	92.0	103.1 MHz	04/01/2004
Dayton	WTHB-AM	2000	D	5.0	154.9	1550 kHz	04/01/2004
	WGTZ-FM	(pending)	B	40.0	168.0	92.9 MHz	10/01/2004
	WING-FM	(pending)	B	50.0	150.0	102.9 MHz	10/01/2004
	WING-AM	(pending)	B	5.0	200.0	1410 kHz	10/01/2004
	WKSX-FM	(pending)	A	3.2	124.0	101.7 MHz	10/01/2004

<u>Market</u>	<u>Station Call Letters</u>	<u>Year of Acquisition</u>	<u>FCC Class</u>	<u>ERP (FM) Power (AM) in Kilowatts</u>	<u>Antenna Height (AM) HAAT (FM) in Meters</u>	<u>Operating Frequency</u>	<u>Expiration Date of FCC License</u>
Louisville	WDJX-FM	(pending)	B	24.0	218.0	99.7 MHz	08/01/2004
	WBLO-FM	(pending)	A	3.0	100.0	104.3 MHz	08/01/2004
	WGZB-FM	(pending)	A	3.0	100.0	96.5 MHz	08/01/2004
	WULV-FM	(pending)	A	4.3	87.0	102.3 MHz	08/01/2004
	WMJM-FM	(pending)	A	2.0	59.0	101.3 MHz	08/01/2004
	WLRS-FM	(pending)	A	1.55	136.0	105.1 MHz	08/01/2004
Minneapolis	KTTB-FM	(pending)	C1	100.0	176.0	96.3 MHz	04/01/2005

(1) WPHI-FM operates with facilities equivalent to 3 kW at 100 meters.

*Ownership Matters.* The Communications Act requires prior approval of the FCC for the assignment of a broadcast license or the transfer of control of a corporation or other entity holding a license. In determining whether to approve an assignment of a radio broadcast license or a transfer of control of a broadcast licensee, the FCC considers, among other things:

- the financial and legal qualifications of the prospective assignee or transferee, including compliance with FCC restrictions on non-U.S. citizen or entity ownership and control;
- compliance with FCC rules, regulations and policies, including rules limiting the common ownership of media properties in a given market;
- the history of compliance with FCC operating rules; and
- the “character” qualifications of the transferee or assignee and the individuals or entities holding “attributable” interests in them.

To obtain the FCC’s prior consent to assign or transfer a broadcast license, appropriate applications must be filed with the FCC. If the application to assign or transfer the license involves a substantial change in ownership or control of the licensee, for example, the transfer or acquisition of more than 50% of the voting stock, the application must be placed on public notice for a period of 30 days during which petitions to deny the application may be filed by interested parties, including members of the public. Informal objections may be filed any time until the FCC acts upon the application. If an assignment application does not involve new parties, or if a transfer of control application does not involve a “substantial change” in ownership or control, it is a *pro forma* application, which is not subject to the public notice and 30-day petition to deny procedure. The *pro forma* application is nevertheless subject to informal objections that may be filed any time until the FCC acts on the application. If the FCC grants an assignment or transfer application, interested parties have 30 days from public notice of the grant to seek reconsideration of that grant. The FCC usually has an additional ten days to set aside such grant on its own motion. When ruling on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer to any party other than the assignee or transferee specified in the application.

Under the Communications Act, a broadcast license may not be granted to or held by any persons who are not U.S. citizens, whom the Communications Act and FCC rules refer to as “aliens,” including any corporation that has more than 20% of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. Furthermore, the Communications Act provides that no FCC broadcast license may be granted to or held by any corporation directly or indirectly controlled by any other corporation of which more than 25% of its capital stock is owned of record or voted by non-U.S. citizens or entities or their representatives, or foreign governments or their representatives or by non-U.S. corporations, if the FCC finds the public interest will be served by the refusal or revocation of such license. These restrictions apply in modified form to other forms of business organizations, including partnerships and limited liability companies. Thus, the licenses for our stations could be revoked if more than 25% of our outstanding capital stock is issued to or for the benefit of non-U.S. citizens.

The FCC generally applies its other broadcast ownership limits to “attributable” interests held by an individual, corporation, partnership or other association or entity, including limited liability companies. In the case of a corporation holding broadcast licenses, the interests of officers, directors and those who, directly or indirectly have the right to vote five percent or more of the stock of a licensee corporation are generally deemed attributable interests, as are positions as an officer or director of a corporate parent of a broadcast licensee. The FCC treats all partnership interests as attributable, except for those limited partnership interests that under FCC policies are considered “insulated” from “material involvement” in the management or operation of the media-related activities of the partnership. The FCC currently treats limited liability companies like limited partnerships for purposes of attribution. Stock interests held by insurance companies, mutual funds, bank trust departments and certain other passive investors that hold stock for investment purposes only become attributable with the ownership of 20% or more of the voting stock of the corporation holding broadcast licenses. The FCC recently revoked a rule that formerly provided that interests of minority shareholders in a corporation were not attributable if a single entity or individual held 50% or more of that corporation’s voting stock. In revoking the rule, the FCC has, however, grandfathered as nonattributable those minority stock interests that were held as of the date of the FCC’s order.

To assess whether a voting stock interest in a direct or an indirect parent corporation of a broadcast licensee is attributable, the FCC uses a “multiplier” analysis in which non-controlling voting stock interests are deemed proportionally reduced at each non-controlling link in a multi-corporation ownership chain. A time brokerage agreement with another radio station in the same market creates an attributable interest in the brokered radio station as well for purposes of the FCC’s local radio station ownership rules, if the agreement affects more than 15% of the brokered radio station’s weekly broadcast hours.

Debt instruments, non-voting stock, options and warrants for voting stock that have not yet been exercised, and insulated limited partnership interests where the limited partner is not “materially involved” in the media-related activities of the partnership generally do not subject their holders to attribution.

The FCC has adopted a rule, known as the equity-debt-plus or EDP rule, that causes certain creditors or investors to be attributable owners of a station, regardless of whether there is a single majority shareholder or other applicable exception to the FCC’s attribution rules. Under this new rule, a major programming supplier or a same-market media entity will be an attributable owner of a station if the supplier or same-market media entity holds debt or equity, or both, in the station that is greater than 33% of the value of the station’s total debt plus equity. For purposes of the EDP rule, equity includes all stock, whether voting or nonvoting, and equity held by insulated limited partners in limited partnerships. Debt includes all liabilities, whether long-term or short-term. A major programming supplier includes any programming supplier that provides more than 15% of the station’s weekly programming hours. A same-market media entity includes any holder of an attributable interest in a media company, including broadcast stations, cable television and newspapers, located in the same market as the station, but only if the holder’s interest is attributable under an FCC attribution rule other than the EDP rule.

The FCC’s rules also specify other exceptions to these general principles for attribution.

The Communications Act and FCC rules generally restrict ownership, operation or control of, or the common holding of attributable interests in:

- radio broadcast stations above certain numerical limits serving the same local market;
- radio broadcast stations and television broadcast stations serving the same local market; and
- radio broadcast station and a daily newspaper serving the same local market.

These rules include specific signal contour overlap standards to determine compliance, and the FCC defined market will not necessarily be the same market used by Arbitron, Nielsen or other surveys, or for purposes of the HSR Act.

Under these “cross-ownership” rules, we, absent waivers, would not be permitted to own a radio broadcast station and acquire an attributable interest in any daily newspaper in the same market where we then owned any radio broadcast station. Our stockholders, officers or directors, absent a waiver, may not hold an attributable interest in a daily newspaper in those same markets.

Under the revised radio/television cross-ownership rule, a single owner may own up to two television stations, consistent with the FCC’s rules on common ownership of television stations, together with one radio station in all markets. In addition, an owner will be permitted to own additional radio stations, not to exceed the local ownership limits for the market, as follows:

- In markets where 20 media voices will remain after the consummation of the proposed transaction, an owner may own an additional five radio stations, or, if the owner only has one television station, an additional six radio stations; and
- In markets where 10 media voices will remain after the consummation of the proposed transaction, an owner may own an additional three radio stations.

A “media voice” includes each independently-owned and operating full power television and radio station and each daily newspaper that has a circulation exceeding 5% of the households in the market, plus one voice for all cable television systems operating in the market.

Although current FCC nationwide radio broadcast ownership rules allow one entity to own, control or hold attributable interests in an unlimited number of FM radio stations and AM radio stations nationwide, the Communications Act and the FCC’s rules limit the number of radio broadcast stations in local markets in which a single entity may own an attributable interest as follows:

- In a radio market with 45 or more commercial radio stations, a party may own, operate or control up to eight commercial radio stations, not more than five of which are in the same service (AM or FM).
- In a radio market with 30 to 44 commercial radio stations, a party may own, operate or control up to seven commercial radio stations, not more than four of which are in the same service (AM or FM).
- In a radio market with 15 to 29 commercial radio stations, a party may own, operate or control up to six commercial radio stations, not more than four of which are in the same service (AM or FM).
- In a radio market with 14 or fewer commercial radio stations, a party may own, operate or control up to five commercial radio stations, not more than three of which are in the same service (AM or FM), except that a party may not own, operate, or control more than 50 percent of the radio stations in such market.

The FCC staff has notified the public of its intention to review transactions that comply with these numerical ownership limits but that might involve undue concentration of market share. In connection with this, the FCC has invited comment on the impact of concentration in public notices concerning proposed transactions, and has delayed or refused its consent in some cases because of revenue concentration. In March 2001, the FCC Commissioners expressed their intent to eliminate delays in the FCC’s review of transactions that might involve concentration of market share but are otherwise consistent with the radio ownership limits set forth in the Communications Act.

The FCC has also retained discretion to review individual cases that present unusual cross-interest relationships on a case-by-case basis.

Because of these multiple and cross-ownership rules, if a stockholder, officer or director of Radio One holds an “attributable” interest in Radio One, such stockholder, officer or director may violate the FCC’s rules if such person or entity also holds or acquires an attributable interest in other television, radio stations or daily newspapers, depending on their number and location. If an attributable stockholder, officer or director of Radio One violates any of these ownership rules, we may be unable to obtain from the FCC one or more authorizations needed to conduct our radio station business and may be unable to obtain FCC consents for certain future acquisitions.



*Programming and Operations.* The Communications Act requires broadcasters to serve the “public interest.” The FCC gradually has relaxed or eliminated many of the more formalized procedures it developed to promote the broadcast of certain types of programming responsive to the needs of a radio station’s community of license. Nevertheless, a broadcast licensee continues to be required to present programming in response to community problems, needs and interests and to maintain certain records demonstrating its responsiveness. The FCC will consider complaints from listeners about a broadcast station’s programming when it evaluates the licensee’s renewal application, but listeners’ complaints also may be filed and considered at any time. Such complaints are required to be placed in a station’s public file. Stations also must pay regulatory and application fees, and follow various FCC rules that regulate, among other things, political advertising, the broadcast of obscene or indecent programming, sponsorship identification, the broadcast of contests and lotteries and technical operation, including limits on human exposure to radio frequency radiation.

In December 2000, the United States Copyright Office ruled that broadcasters that simulcast (by a process known as streaming) their over-the-air signals on the Internet would incur copyright liability for the use of copyrighted materials, including music programming, with such liability perhaps extending retroactively to 1998. The Copyright Office intends to hold arbitration hearings, scheduled to begin in July 2001, to determine copyright royalty fees for Internet streaming. In response to the Copyright Office’s December 2000 ruling, the National Association of Broadcasters filed suit in federal court seeking to overturn the ruling. We cannot predict the outcome of the proceeding, which does not affect our over-the-air broadcasting operations, or the amount of copyright liability we might incur as a result of the streaming activity that we engaged in prior to the December 2000 ruling, or such ruling’s affect on our future streaming activity. Internet streaming is not currently and has not been a material part of our operations.

The FCC requires that licensees not discriminate in hiring practices, develop and implement programs designed to promote equal employment opportunities and submit reports to the FCC on these matters annually and in connection with each license renewal application. The FCC’s employment rules, as they related to outreach efforts for recruitment of minorities and the reporting of such outreach efforts, however, were struck down as unconstitutional by the U.S. Court of Appeals for the D.C. Circuit. Therefore, on January 20, 2000, the FCC adopted new rules prohibiting employment discrimination by broadcast stations on the basis of race, religion, color, national origin, and gender; and requiring broadcasters to implement programs to promote equal employment opportunities at their stations. The rules generally require broadcast stations to disseminate information about job openings widely so that all qualified applicants, including minorities and women, have an adequate opportunity to compete for the job. Broadcasters may fulfill this requirement by sending the station’s job vacancy information to organizations that request it, participating in community outreach programs, or designing an alternative recruitment program. Broadcasters with five or more full-time employees must place in their public files annually a report detailing their recruitment efforts and must file a statement with the FCC certifying compliance with the rules every two years. Broadcasters with ten or more full-time employees must file their annual reports with the FCC midway through their license term. Broadcasters also must file employment information with the FCC annually for statistical purposes. The FCC recently suspended the effectiveness of its EEO rules in response to a January 16, 2001, decision of the Court of Appeals for the District of Columbia Circuit, which vacated the FCC’s employment rules. The FCC has sought partial rehearing of the Court of Appeals ruling and other parties have sought rehearing of the entire ruling.

The FCC rules also prohibit a broadcast licensee from simulcasting more than 25% of its programming on another radio station in the same broadcast service (that is, AM/AM or FM/FM). The simulcasting restriction applies if the licensee owns both radio broadcast stations or owns one and programs the other through a local marketing agreement, and only if the contours of the radio stations overlap in a certain manner.

From time to time, complaints may be filed against Radio One’s radio stations alleging violations of these or other rules. In addition, the FCC recently has proposed to establish a system of random audits to ensure and verify licensee compliance with FCC rules and regulations. Failure to observe these or other rules and policies

can result in the imposition of various sanctions, including fines or conditions, the grant of “short” (less than the maximum eight year) renewal terms or, for particularly egregious violations, the denial of a license renewal application or the revocation of a license.

*Local Marketing Agreements.* Often radio stations enter into local marketing agreements or time brokerage agreements. These agreements take various forms. Separately owned and licensed radio stations may agree to function cooperatively in programming, advertising sales and other matters, subject to compliance with the antitrust laws and the FCC’s rules and policies, including the requirement that the licensee of each radio station maintain independent control over the programming and other operations of its own radio station. One type of time brokerage agreement is a programming agreement between two separately owned radio stations that serve a common service area whereby the licensee of one radio station programs substantial portions of the broadcast day of the other licensee’s radio station, subject to ultimate editorial and other controls being exercised by the radio station licensee, and sells advertising time during these program segments. The FCC has held that such agreements do not violate the Communications Act as long as the licensee of the radio broadcast station that is being substantially programmed by another entity (1) remains ultimately responsible for, and maintains control over, the operation of its radio station, and (2) otherwise ensures the radio station’s compliance with applicable FCC rules and policies.

A radio broadcast station that brokers time on another radio broadcast station or enters into a time brokerage agreement with a radio broadcast station in the same market will be considered to have an attributable ownership interest in the brokered radio station for purposes of the FCC’s local ownership rules if the time brokerage arrangement covers more than 15% of the brokered station’s weekly broadcast hours. As a result, a radio broadcast station may not enter into a time brokerage agreement that allows it to program more than 15% of the broadcast time, on a weekly basis, of another local radio broadcast station that it could not own under the FCC’s local multiple ownership rules. Attribution for radio time brokerage agreements applies to all of the FCC’s multiple ownership rules applicable to radio stations (daily newspaper/radio cross-ownership and radio/television cross-ownership) and not only the local radio ownership rules. Also, FCC rules prohibit a radio broadcast station from simulcasting more than 25% of its programming on another radio broadcast station in the same broadcast service (that is, AM/AM or FM/FM) where the two radio stations serve substantially the same geographic area, whether the licensee owns both radio stations or owns one radio station and programs the other through a time brokerage agreement. Thus far, the FCC has not considered what relevance, if any, a time brokerage agreement may have upon its evaluation of a licensee’s performance at renewal time.

*Joint Sales Agreements.* Over the past few years, a number of radio stations have entered into cooperative arrangements commonly known as joint sales agreements. While these agreements may take varying forms, under the typical joint sales agreement, a station licensee obtains, for a fee, the right to sell substantially all of the commercial advertising on a separately-owned and licensed station in the same market. The typical joint sales agreement also customarily involves the provision by the selling party of certain sales, accounting and services to the station whose advertising is being sold. The typical joint sales agreement is distinct from a local marketing agreement in that a joint sales agreement normally does not involve programming other than advertisement content.

The FCC has determined that issues of joint advertising sales should be left to enforcement by antitrust authorities, and therefore does not generally regulate joint sales practices between stations. Currently, stations for which another licensee sells time under a joint sales agreement are not deemed by the FCC to be an attributable interest of that licensee.

*RF Radiation.* In 1985, the FCC adopted rules based on a 1982 American National Standards Institute (“ANSI”) standard regarding human exposure to levels of radio frequency (“RF”) radiation. These rules require applicants for renewal of broadcast licenses or modification of existing licenses to inform the FCC at the time of filing such applications whether an existing broadcast facility would expose people to RF radiation in excess of certain limits. In 1992, ANSI adopted a new standard for RF exposure that, in some respects, was more restrictive

in the amount of environmental RF exposure permitted. The FCC has since adopted more restrictive radiation limits which became effective October 15, 1997, based in part on the revised ANSI standard, and which were to be fully complied with by September 1, 2000.

*Digital Audio Radio Service.* The FCC allocated spectrum to a new technology, digital audio radio service (“DARS”), to deliver satellite-based audio programming to a national or regional audience and issued regulations for a DARS service in early 1997. DARS may provide a medium for the delivery by satellite or terrestrial means of multiple new audio programming formats with compact disc quality sound to local and national audiences. The nationwide reach of satellite DARS could allow niche programming aimed at diverse communities that Radio One is targeting. It is not known at this time whether this technology also may be used in the future by existing radio broadcast stations either on existing or alternate broadcasting frequencies. Two companies that hold licenses for authority to offer multiple channels of digital, satellite-delivered S-Band aural services could compete with conventional terrestrial radio broadcasting. The licensees will be permitted to sell advertising and lease channels in these media. The FCC’s rules require that these licensees launch and begin operating at least one space station by 2001 and be fully operational by 2003.

The FCC has established a Wireless Communications Service (“WCS”) in the 2305-2320 and 2345-2360 MHz bands (the “WCS Spectrum”) and awarded licenses. Licensees are generally permitted to provide any fixed, mobile, radio location services, or digital satellite radio service using the WCS Spectrum.

These satellite radio services use technology that may permit higher sound quality than is possible with conventional AM and FM terrestrial radio broadcasting.

Implementation of DARS would provide an additional audio programming service that could compete with Radio One’s radio stations for listeners, but the effect upon Radio One cannot be predicted.

*Low Power Radio Broadcast Service.* In January 2000, the FCC voted to create a class of radio stations designed to serve very localized communities or underrepresented groups within communities by authorizing two new classes of noncommercial low power FM radio stations which will be permitted to operate on commercial FM frequencies. As adopted by the FCC, there would be two types of LPFM stations, LP100 stations with power from 50 to 100 watts and a service radius of approximately 3.5 miles and LP10 stations with power from one to 10 watts and a service radius of approximately 1-2 miles. New LPFM stations would have to protect the signals of all other authorized FM stations and may be authorized on any FM frequency. Eligible licensees would be limited to noncommercial government or private educational organizations, associations or entities; non-profit entities with educational purposes; or government or non-profit entities providing local public safety or transportation services. No existing broadcasters or other media entities could own an LPFM station. For the first two years of the LPFM service, licensees would be limited to local entities headquartered within 10 miles of the LPFM station transmitter. During the first two years, no entity would be permitted to operate more than one LPFM station. After two years, the ownership limit would be five LPFM stations nationwide and after three years, the ownership limit would be 10 LPFM stations nationwide. On December 21, 2000, the President signed an appropriations bill including provisions that limited the scope of the FCC’s LPFM order. The legislation included provisions affecting LPFM that, among other things, restored certain interference protection to full power FM stations in a manner that reduced the potential number of LPFM stations by approximately 75%, required the FCC to hire an independent consultant to conduct technical tests in various rural, suburban and urban areas and solicit public comment on the tests, required the FCC to submit a report to Congress on LPFM, and precluded the FCC from altering interference protection standards or expanding LPFM eligibility without additional Congressional legislation. Additional legislation has been introduced in Congress in 2001 that would have the effect of increasing the number of LPFM stations beyond those permitted by the 2000 legislation. However, the proposed legislation faces uncertain prospects. At this time, it is difficult to assess the competitive impact of any new LPFM stations. The new LPFM stations must comply with certain technical requirements aimed at protecting existing FM radio stations from interference, although the level of interference that low

power stations will cause after they begin operating is uncertain. Moreover, if low power FM stations are licensed in the markets in which we operate our stations, the low power stations may compete for listeners. The low power stations may also limit our ability to obtain new licenses or to modify existing facilities. Nevertheless, the effect of this untested newly created low power radio service on Radio One cannot be predicted.

### **Subsidiaries And Related Entities**

Radio One has title to most of the assets used in the operations of our radio stations. The FCC licenses for the radio stations in all cases are held by direct or indirect wholly-owned subsidiaries of Radio One. In the case of three of the Washington, D.C. stations, the Los Angeles station, the Philadelphia stations, the Houston stations, the Miami station, the Baltimore stations, the Dallas stations, the St. Louis station, the Cleveland stations, one of the Boston stations, the Richmond station, the Raleigh stations and the Indianapolis stations, the FCC licenses are held by Radio One Licenses, Inc., a Delaware corporation and a wholly-owned subsidiary of Radio One that is subject to the restrictions imposed by the agreements governing our indebtedness. Radio One Licenses, Inc. holds no other material assets.

WYCB Acquisition Corporation, a Delaware corporation and a wholly-owned restricted subsidiary, holds the assets used in the operation of WYCB-AM and title to all of the outstanding capital stock of Broadcast Holdings, Inc., a District of Columbia corporation and a restricted subsidiary. The FCC licenses for WYCB-AM are held by Broadcast Holdings, Inc.

Bell Broadcasting Company, a Michigan corporation and a wholly-owned restricted subsidiary, holds the assets used in the operation of WCHB-AM, WDTJ-FM and WJZZ-AM. Bell Broadcasting Company holds title to all of the outstanding capital stock of Radio One of Detroit, Inc., a Delaware corporation and a restricted subsidiary. The FCC licenses for WCHB-AM, WDTJ-FM and WJZZ-AM are held by Radio One of Detroit, Inc. Radio One of Detroit, Inc. holds no other material assets. Allur-Detroit, Inc., a Delaware corporation and a wholly-owned restricted subsidiary, holds the assets used in the operation of station WDMK-FM. Allur-Detroit, Inc. holds title to all of the outstanding capital stock of Allur Licenses, Inc., a Delaware corporation and a restricted subsidiary. The FCC licenses for WDMK-FM are held by Allur Licenses, Inc. Allur Licenses, Inc. holds no other material assets.

Radio One of Atlanta, Inc., a Delaware corporation and a wholly-owned restricted subsidiary, holds the assets used in the operation of station WHTA-FM and some assets used in the operation of station WAMJ-FM. Radio One of Atlanta, Inc. holds title to all of the outstanding capital stock of ROA Licenses, Inc., a Delaware corporation and a restricted subsidiary. The FCC licenses for WHTA-FM are held by ROA Licenses, Inc. ROA Licenses, Inc. holds no other material assets. Dogwood Communications, Inc., a Delaware corporation and a wholly-owned restricted subsidiary, owns some of the assets used in the operation of station WAMJ-FM and all of the outstanding capital stock of Dogwood Licenses, Inc., a Delaware corporation and a restricted subsidiary. The FCC licenses for WAMJ-FM are held by Dogwood Licenses, Inc. Dogwood Licenses, Inc., holds no other material assets.

Radio One of Charlotte, LLC, a Delaware limited liability company of which Radio One is the sole member, holds the assets used in the operation of WAEG-FM, WAEJ-FM, WAKB-FM, WFXA-FM and WTHB-AM. Radio One of Charlotte, LLC holds title to all of the outstanding capital stock of Radio One of Augusta, Inc., a Delaware corporation. The FCC licenses for WAEG-FM, WAEJ-FM, WAKB-FM, WFXA-FM and WTHB-AM are held by Radio One of Augusta, Inc.

Davis Broadcasting of Charlotte, Inc., a Delaware corporation and a wholly-owned subsidiary of Radio One of Charlotte, LLC, holds the assets used in the operation of WCCJ-FM. Davis Broadcasting of Charlotte, Inc. holds title to all of the outstanding capital stock of Radio One of North Carolina, Inc. The FCC licenses for WCCJ-FM are held by Radio One of North Carolina, Inc.

Radio One of Boston, Inc., a Delaware corporation and a wholly-owned restricted subsidiary, holds the assets used in the operation of WILD-AM. Radio One of Boston holds title to all of the outstanding capital stock of Radio One of Boston Licenses, Inc., a Delaware corporation. The FCC licenses for WILD-AM held by Radio One of Boston Licenses, Inc.

The FCC licenses for radio stations included in pending acquisitions will be held by existing or to be formed subsidiaries.

### **Employees**

As of March 1, 2001, we employed approximately 1,180 people. Our employees are not unionized except for 31 employees who are covered by collective bargaining agreements that we assumed in connection with certain of our station acquisitions. We have not experienced any work stoppages and believe relations with our employees are satisfactory. Each radio station has its own on-air personalities and clerical staff. However, in an effort to control broadcast and corporate expenses, we centralize certain radio station functions by market location. For example, in each of our markets we typically employ one General Manager who is responsible for all of our radio stations located in such market.

### **Industry Segments**

We consider radio broadcasting to be our only business segment.

### **Cautionary Note Regarding Forward-Looking Statements**

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not historical facts, but rather are based on our current expectations, estimates and projections about Radio One's industry, our beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are intended to identify forward-looking statements. Because these statements apply to future events, they are subject to risks and uncertainties that could cause actual results to differ materially, including the absence of a combined operating history with an acquired company or radio station and the potential inability to integrate acquired businesses, need for additional financing, high degree of leverage, seasonality of the business, market ratings, variable economic conditions and consumer tastes, as well as restrictions imposed by existing debt and future payment obligations. Important factors that could cause actual results to differ materially are described in our reports on Forms 8-K, Forms 10-Q and other filings with the Securities and Exchange Commission.

## **ITEM 2. PROPERTIES AND FACILITIES**

### **Properties**

The types of properties required to support each of our radio stations include offices, studios and transmitter/antenna sites. We typically lease our studio and office space with lease terms from five to ten years in length. A station's studios are generally housed with its offices in downtown or business districts. We generally consider our facilities to be suitable and of adequate size for our current and intended purposes. We lease a majority of our main transmitter/antenna sites and when negotiating a lease for such sites we try to obtain a lengthy lease term with options to renew. In general, we do not anticipate difficulties in renewing facility or transmitter/antenna site leases or in leasing additional space or sites if required.

We own substantially all of our equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment. The towers, antennae and other transmission equipment used by Radio One's stations are generally in good condition, although opportunities to upgrade facilities are periodically reviewed.

The tangible personal property owned by Radio One and the real property owned or leased by Radio One is the subject of a security interest held pursuant to the terms of our amended and restated credit agreement, dated as of July 17, 2000, under which we have borrowed \$500.0 million in term loans and may borrow up to \$250.0 million on a revolving basis, \$62.5 million of which we had borrowed as of December 31, 2000.

### **ITEM 3. LEGAL PROCEEDINGS**

We are involved from time to time in various routine legal and administrative proceedings and threatened legal and administrative proceedings incidental to the ordinary course of our business. We believe the resolution of such matters will not have a material adverse effect on our business, financial condition or results of operations.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to our stockholders for vote during the fourth quarter of 2000.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### Recent Sales of Unregistered Securities

On June 7, 2000, Radio One issued approximately 57,000 shares of class A common stock and 115,000 shares of class D common stock to Gregory A. Davis as partial purchase price consideration in connection with Radio One's acquisition of Davis Broadcasting, Inc. These shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act.

On June 8, 2000, Radio One issued approximately 441,000 shares of class A common stock to Shirk, Inc. as partial purchase price consideration in connection with Radio One's acquisition of three radio stations and one low power television station in Indianapolis, Indiana. These shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act.

On July 14, 2000, we issued 310,000 shares of our unregistered 6½% Convertible Preferred Remarketable Term Income Deferrable Equity Securities (HIGH TIDES) to Credit Suisse First Boston Corporation, Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, and First Union Securities, Inc. and certain other initial purchasers under that certain Purchase Agreement dated July 10, 2000. These shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. Pursuant to our obligation under the Purchase Agreement, on October 11, 2000, we filed with the SEC a Registration Statement on Form S-3 to register the HIGH TIDES and shares of class D common stock into which the HIGH TIDES are convertible.

On October 18, 2000, Radio One sold to Scott R. Royster, our Chief Financial Officer and Executive Vice President, 333,334 unregistered shares of class A common stock and 666,666 unregistered shares of class D common stock, each for a purchase price of \$7.00 per share. These shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act.

On October 31, 2000, Radio One sold to Linda J. Eckard Vilardo, our General Counsel, Assistant Secretary and Vice President, 250,000 unregistered shares of class D common stock for a purchase price of \$8.02 per share. These shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act.

On February 28, 2001, Radio One issued approximately 63,500 shares of class A common stock to the Estate of H. Kendell Nash as partial purchase price consideration in connection with Radio One's acquisition of Nash Communications Corporation. These shares were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act.

#### Price Range of Our Class A and Class D Common Stock

Our class A common stock is traded on The Nasdaq Stock Market's National Market under the symbol "ROIA." The tables below show, for the quarters indicated, the reported high and low bid quotes for our class A common stock on the Nasdaq Stock Market's National Market (as adjusted for our three-for-one stock split in the form of a June 6, 2000 dividend of two shares of class D common stock for each share of class A common stock outstanding on May 30, 2000 (the "Stock Split")).

	<u>High</u>	<u>Low</u>
<b>Fiscal Year 1999</b>		
Second Quarter (beginning May 6) . . . . .	\$15.67	\$ 9.33
Third Quarter . . . . .	\$15.50	\$13.21
Fourth Quarter . . . . .	\$32.50	\$13.83

The initial public offering of our class A common stock was priced on May 5, 1999 at \$8.00 per share (as adjusted for the Stock Split).

	<u>High</u>	<u>Low</u>
<b>Fiscal Year 2000</b>		
First Quarter . . . . .	\$33.77	\$19.90
Second Quarter . . . . .	\$29.88	\$15.05
Third Quarter . . . . .	\$32.00	\$ 7.50
Fourth Quarter . . . . .	\$13.81	\$ 5.56

Our class D common stock is traded on The Nasdaq Stock Market’s National Market under the symbol “ROIAK.” The table below shows, for the quarters indicated, the reported high and low bid quotes for our class D common stock on the Nasdaq Stock Market’s National Market.

	<u>High</u>	<u>Low</u>
<b>Fiscal Year 2000</b>		
Second Quarter (beginning June 7) . . . . .	\$28.00	\$16.31
Third Quarter . . . . .	\$24.50	\$ 5.63
Fourth Quarter . . . . .	\$13.75	\$ 5.56

**Dividends**

Since becoming a public company in May 1999, we have not declared any dividends on our common stock. We intend to retain future earnings for use in our business and do not anticipate declaring or paying any cash or stock dividends on shares of our common stock in the foreseeable future. In addition, any determination to declare and pay dividends will be made by our board of directors in light of our earnings, financial position, capital requirements, our bank credit facility, and the indenture governing our 12% Notes due 2004, and such other factors as the board of directors deems relevant. See Note 4 to the Consolidated Financial Statements of Radio One included elsewhere in this Form 10-K.

**Number of Stockholders**

Based upon a survey of record holders and a review of our stock transfer records, as of March 23, 2001, there were approximately 7,900 holders of Radio One’s class A common stock, three holders of Radio One’s class B common stock, two holders of Radio One’s class C common stock, and approximately 5,500 holders of Radio One’s class D common stock.

**ITEM 6. SELECTED FINANCIAL DATA**

The following table contains selected historical consolidated financial data with respect to Radio One. The selected historical consolidated financial data have been derived from the Consolidated Financial Statements of Radio One for each of the fiscal years for the five year period ended December 31, 2000, which have been audited by Arthur Andersen LLP, independent public accountants. The selected historical consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements of Radio One included elsewhere in this report.

The following table includes information regarding broadcast cash flow, EBITDA, and after-tax cash flow. Broadcast cash flow consists of operating income before depreciation, amortization, local marketing agreement fees and corporate expenses. EBITDA consists of operating income before depreciation, amortization, and local marketing agreement fees. After-tax cash flow consists of income before income tax expense (benefit) and extraordinary items, minus net gain on sale of assets (net of tax) and the current income tax provision, plus depreciation and amortization expense. Although broadcast cash flow, EBITDA, and after-tax cash flow are not



measures of performance or liquidity calculated in accordance with GAAP, we believe that these measures are useful to an investor in evaluating Radio One because these measures are widely used in the broadcast industry as a measure of a radio broadcasting company's performance. Nevertheless, broadcast cash flow, EBITDA and after-tax cash flow should not be considered in isolation from or as a substitute for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with GAAP, or as a measure of profitability or liquidity. Moreover, because broadcast cash flow, EBITDA and after-tax cash flow are not measures calculated in accordance with GAAP, these performance measures are not necessarily comparable to similarly titled measures employed by other companies.

	Fiscal Years Ended <sup>(1)</sup> December 31,				
	1996	1997	1998	1999	2000
	(In Thousands)				
<b>Statement of Operations:</b>					
Net broadcast revenue . . . . .	\$23,702	\$32,367	\$46,109	\$81,703	\$ 155,666
Station operating expenses . . . . .	13,927	18,848	24,501	44,259	77,280
Corporate expenses . . . . .	1,793	2,155	2,800	4,380	6,303
Depreciation and amortization . . . . .	4,262	5,828	8,445	17,073	63,207
Operating income . . . . .	3,720	5,536	10,363	15,991	8,876
Interest expense <sup>(2)</sup> . . . . .	7,252	8,910	11,455	15,279	32,407
Other income (expense), net . . . . .	(77)	415	358	2,149	20,084
Income tax (benefit) expense <sup>(3)</sup>	—	—	(1,575)	2,728	804
(Loss) income before extraordinary item . . . . .	(3,609)	(2,959)	841	133	(4,251)
Extraordinary loss . . . . .	—	1,985	—	—	—
Net (loss) income . . . . .	<u>\$ (3,609)</u>	<u>\$ (4,944)</u>	<u>\$ 841</u>	<u>\$ 133</u>	<u>\$ (4,251)</u>
Net loss applicable to common stockholders . . . . .	<u>\$ (3,609)</u>	<u>\$ (6,981)</u>	<u>\$ (2,875)</u>	<u>\$ (1,343)</u>	<u>\$ (13,487)</u>
<b>Other Data:</b>					
Broadcast cash flow . . . . .	\$ 9,775	\$13,519	\$21,608	\$37,444	\$ 78,386
Broadcast cash flow margin <sup>(4)</sup> . . . . .	41%	42%	47%	46%	50%
EBITDA (before non-cash compensation) . . . . .	\$ 7,982	\$11,364	\$18,808	\$33,289	\$ 72,271
After-tax cash flow . . . . .	806	2,869	7,248	16,303	48,712
Cash interest expense <sup>(5)</sup> . . . . .	4,815	4,413	7,192	10,762	28,581
Capital expenditures . . . . .	252	2,035	2,236	3,252	3,665
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents . . . . .	\$ 20,879				
Intangible assets, net . . . . .	1,637,180				
Total assets . . . . .	1,765,218				
Total debt (including current portion and deferred interest) . . . . .	646,956				
Preferred stock . . . . .	—				
Total stockholders' equity . . . . .	1,057,069				

(1) Year-to-year comparisons are significantly affected by Radio One's acquisition of various radio stations during the periods covered.

(2) Interest expense includes non-cash interest, such as the accretion of principal, the amortization of discounts on debt and the amortization of deferred financing costs.

(3) From January 1, 1996 to May 19, 1997, Radio One elected to be treated as an S corporation for U.S. federal and state income tax purposes and, therefore, generally was not subject to income tax at the corporate level during that period.

(4) Broadcast cash flow margin is defined as broadcast cash flow divided by net broadcast revenue.

(5) Cash interest expense is calculated as interest expense less non-cash interest, including the accretion of principal, the amortization of discounts on debt and the amortization of deferred financing costs, for the indicated period.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following information should be read in conjunction with "Selected Financial Data" and the Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.*

### **Introduction**

The net broadcast revenue of Radio One is derived from local and national advertisers and, to a much lesser extent, ticket and other revenue related to special events sponsored by Radio One throughout the year. Our significant broadcast expenses are employee salaries and commissions, programming expenses, advertising and promotion expenses, rental of premises for studios and rental of transmission tower space and music license royalty fees. We strive to control these expenses by centralizing certain functions such as finance, accounting, legal, human resources and management information systems and the overall programming management function, as well as using our multiple stations, market presence and purchasing power to negotiate favorable rates with certain vendors and national representative selling agencies. Depreciation and amortization of costs associated with the acquisition of the stations and interest carrying charges are significant factors in determining Radio One's overall profitability.

Radio One's net broadcast revenue is affected primarily by the advertising rates our radio stations are able to charge as well as the overall demand for radio advertising time in a market. Advertising rates are based primarily on (1) a radio station's audience share in the demographic groups targeted by advertisers, as measured principally by quarterly reports developed by Arbitron, (2) the number of radio stations in the market competing for the same demographic groups, and (3) the supply of and demand for radio advertising time. Advertising rates are generally highest during morning and afternoon commuting hours. In 2000, approximately 72% of Radio One's revenue was generated from local advertising and 28% was generated from national spot advertising. The balance of 2000 revenue was generated primarily from network advertising, tower rental income and ticket and other revenue related to Radio One sponsored events.

The performance of an individual radio station or group of radio stations in a particular market is customarily measured by its ability to generate net broadcast revenue and broadcast cash flow, although broadcast cash flow is not a measure utilized under generally accepted accounting principles ("GAAP"). Broadcast cash flow should not be considered in isolation from, nor as a substitute for, operating income, net income, cash flow, or other consolidated income or cash flow statement data computed in accordance with GAAP, nor as a measure of Radio One's profitability or liquidity. Despite its limitations, broadcast cash flow is widely used in the broadcasting industry as a measure of a company's operating performance because it provides a meaningful measure of comparative radio station performance, without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, particularly in the case of acquisitions and corporate expenses.

Radio One's operating results in any period may be affected by advertising and promotion expenses that do not produce commensurate net broadcast revenue in the period in which such expenses are incurred. We generally incur advertising and promotion expenses in order to increase listenership and Arbitron ratings. Increased advertising revenue may wholly or partially lag behind the incurrence of such advertising and promotion expenses because Arbitron only reports complete ratings information on a quarterly basis.

In the broadcasting industry, radio stations often utilize trade or barter agreements to reduce expenses by exchanging advertising time for goods or services. In order to maximize cash revenue from our spot inventory, we minimize the use of trade agreements and have reduced trade revenue to approximately 1% of our gross revenue in 2000, down from approximately 4% in 1996.

Radio One calculates same station growth over a particular period by comparing performance of stations owned or operated under a local marketing agreement during the current period with the performance of the same stations for the corresponding period in the prior year. However, no station will be included in such a comparison unless it has been owned or operated under a local marketing agreement for at least one month of every quarter included in each of the current and corresponding prior-year periods.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**RESULTS OF OPERATIONS**

The following table summarizes Radio One's historical consolidated results of operations:

	<b>Fiscal Years Ended December 31,</b>		
	<b>1998</b>	<b>1999</b>	<b>2000</b>
	<b>(In Thousands)</b>		
<b>Statement of Operations:</b>			
Net broadcast revenue . . . . .	\$46,109	\$81,703	\$155,666
Station operating expenses . . . . .	24,501	44,259	77,280
Corporate expenses . . . . .	2,800	4,155	6,115
Stock-based compensation . . . . .	—	225	188
Depreciation and amortization . . . . .	8,445	17,073	63,207
Operating income . . . . .	10,363	15,991	8,876
Interest expense . . . . .	11,455	15,279	32,407
Other income, net . . . . .	358	2,149	20,084
(Loss) income before (benefit) provision for income taxes and extraordinary item . . . . .	(734)	2,861	(3,447)
Income tax (benefit) provision . . . . .	(1,575)	2,728	804
(Loss) income before extraordinary item . . . . .	841	133	(4,251)
Extraordinary loss . . . . .	—	—	—
Net (loss) income . . . . .	<u>\$ 841</u>	<u>\$133</u>	<u>\$ (4,251)</u>
Net loss applicable to common stockholders . . . . .	<u>\$ (2,875)</u>	<u>\$ (1,343)</u>	<u>\$ (13,487)</u>
Broadcast cash flow . . . . .	\$21,608	\$37,444	78,386
Broadcast cash flow margin . . . . .	47%	46%	50%
EBITDA . . . . .	\$18,808	\$33,289	\$ 72,271
After-tax cash flow . . . . .	7,248	16,303	48,712

**Fiscal Year Ended December 31, 2000 Compared to Fiscal Year Ended December 31, 1999**

*Net Broadcast Revenue.* Net broadcast revenue increased to approximately \$155.7 million for the fiscal year ended December 31, 2000 from approximately \$81.7 million for the fiscal year ended December 31, 1999, or 91%. This increase in net broadcast revenue was the result of continuing broadcast revenue growth in the markets in which we have operated for at least one year, as well as from revenue contributed from radio stations acquired within the last year, particularly the stations acquired from Clear Channel Communications and AMFM.

*Operating Expenses.* Operating expenses increased to approximately \$77.3 million for the fiscal year ended December 31, 2000 from approximately \$44.3 million for the fiscal year ended December 31, 1999, or 75%. This increase in expenses was related to our rapid expansion within all of the markets in which we operate, including increased variable costs associated with increased revenue, as well as start-up and expansion expenses in our newer markets.

*Corporate Expenses.* Corporate expenses (including stock-based compensation) increased to approximately \$6.3 million for the fiscal year ended December 31, 2000, from approximately \$4.4 million for the fiscal year ended December 31, 1999, or 43%. This increase was due primarily to growth in the corporate staff consistent with our overall expansion.

*Depreciation and Amortization.* Depreciation and amortization increased to approximately \$63.2 million for the fiscal year ended December 31, 2000, from approximately \$17.1 million for the fiscal year ended December 31, 1999, or 270%. This increase was due primarily to our asset growth as well as our acquisitions in 1999 and 2000.

*Operating Income.* Operating income decreased to approximately \$8.9 million for the fiscal year ended December 31, 2000 from approximately \$16.0 million for the fiscal year ended December 31, 1999, or by 44%. This decrease was attributable to higher operating and corporate expenses as described above, as well as higher depreciation and amortization expenses associated with several of our acquisitions made within the last year.

*Interest Expense.* Interest expense increased to approximately \$32.4 million for the fiscal year ended December 31, 2000 from approximately \$15.3 million for the fiscal year ended December 31, 1999, or 112%. This increase relates primarily to additional borrowings made in the third quarter of 2000 in conjunction with the acquisition of radio stations from Clear Channel Communications and AMFM.

*Other Income.* Other income (almost exclusively interest income) increased to approximately \$20.1 million for the fiscal year ended December 31, 2000 from approximately \$2.1 million for the fiscal year ended December 31, 1999 or 857%. This increase was due to our high cash and investment balances following our equity offerings in November 1999, March 2000 and July 2000, as well as cash generated from operations.

*(Loss) Income before (Benefit) Provision for Income Taxes.* Loss before benefit for income taxes was approximately \$3.4 million for the fiscal year ended December 31, 2000 compared to income before provision for income taxes of approximately \$2.9 million for the fiscal year ended December 31, 1999. This loss before benefit for income taxes was due primarily to the acquisition of radio stations from Clear Channel Communications and AMFM as mentioned above.

*Net (Loss) Income.* Net loss was approximately \$4.3 million for the twelve months ended December 31, 2000 compared to net income of approximately \$133,000 for the twelve months ended December 31, 1999. This decrease in net income was due to a loss before provision for income taxes partially offset by a lower provision for income taxes than in the previous year.

*Broadcast Cash Flow.* Broadcast cash flow increased to approximately \$78.4 million for the twelve months ended December 31, 2000 from approximately \$37.4 million for the twelve months ended December 31, 1999 or 110%. This increase was attributable to the increases in broadcast revenue partially offset by higher operating expenses as described above.

Our broadcast cash flow margin increased to approximately 50% for the fiscal year ended December 31, 2000, from 46% for the fiscal year ended December 31, 1999. This overall increase for the year was the result of our growth in revenue exceeding our expense growth and the acquisition of certain radio stations with higher broadcast cash flow margins. On a same station basis, broadcast cash flow margin for the period increased to approximately 51% in 2000, from approximately 46% in 1999. The increase in those stations we have owned or operated for more than one year was the result of strong revenue gains in these more mature markets partially offset by slower expense growth in those markets.

*EBITDA.* Earnings before interest, taxes, depreciation, and amortization (EBITDA), and excluding non-cash compensation expense, increased to approximately \$72.3 million for the twelve months ended December 31, 2000 from approximately \$33.3 million for the twelve months ended December 31, 1999, or 117%. This increase was attributable to the increase in broadcast revenue partially offset by higher operating expenses and higher corporate expenses associated with our growth.

### **Fiscal Year Ended December 31, 1999 Compared to Fiscal Year Ended December 31, 1998**

*Net Broadcast Revenue.* Net broadcast revenue increased to approximately \$81.7 million for the fiscal year ended December 31, 1999 from approximately \$46.1 million for the fiscal year ended December 31, 1998 or 77%. This increase in net broadcast revenue was the result of continuing broadcast revenue growth in all of the markets in which we have operated for at least one year as we benefitted from historical ratings increases at certain of our radio stations, improved power ratios at these stations, as well as from industry growth in each of these markets. Additional revenue gains were derived from our mid-1999 acquisitions in Cleveland and

Richmond (where we also operate stations under a time brokerage agreement) as well as the March 30, 1999 acquisition of Radio One of Atlanta, Inc.

*Operating Expenses.* Operating expenses increased to approximately \$44.3 million for the fiscal year ended December 31, 1999 from approximately \$24.5 million for the fiscal year ended December 31, 1998 or 81%. This increase in expenses was related to our rapid expansion within all of the markets in which we operate including higher costs in Washington associated with improved programming on our morning shows as well as start-up and expansion expenses in our newer markets of Detroit, Cleveland and Richmond, in particular, as well as the March 30, 1999 acquisition of Radio One of Atlanta, Inc.

*Corporate Expenses.* Corporate expenses (including stock-based compensation) increased to approximately \$4.4 million for the fiscal year ended December 31, 1999, from approximately \$2.8 million for the fiscal year ended December 31, 1998, or 57%. This increase was due primarily to growth in the corporate staff consistent with our overall expansion and costs associated with operating as a public company.

*Depreciation and Amortization.* Depreciation and amortization increased to approximately \$17.1 million for the fiscal year ended December 31, 1999, from approximately \$8.4 million for the fiscal year ended December 31, 1998, or 104%. This increase was due primarily to our asset growth as well as our acquisitions in 1998 and 1999.

*Operating Income.* Operating income increased to approximately \$16.0 million for the fiscal year ended December 31, 1999 from approximately \$10.4 million for the fiscal year ended December 31, 1998 or 54%. This increase was attributable to higher revenue as described above offset by higher depreciation and amortization expenses associated with several of our acquisitions made within the last year.

*Interest Expense.* Interest expense increased to approximately \$15.3 million for the fiscal year ended December 31, 1999 from approximately \$11.5 million for the fiscal year ended December 31, 1998 or 33%. This increase relates primarily to interest incurred on higher average borrowings outstanding under our bank credit facility as a result of borrowings to fund certain acquisitions.

*Other Income.* Other income increased to approximately \$2.1 million for the fiscal year ended December 31, 1999 from approximately \$0.4 million for the fiscal year ended December 31, 1998 or 425%. This increase was due to our higher cash balances following our two equity offerings during the year.

*Income (loss) before Provision (Benefit) for Income Taxes.* Income before provision (benefit) for income taxes increased to approximately \$2.9 million for the fiscal year ended December 31, 1999 from a loss of approximately \$0.7 million for the fiscal year ended December 31, 1998. This increase was due to higher operating and interest income partially offset by higher depreciation, amortization and interest expense, as described above.

*Net Income.* Net income decreased to approximately \$0.1 million for the fiscal year ended December 31, 1999 from approximately \$0.8 million for the fiscal year ended December 31, 1998 or 88%. The decrease in net income for the fiscal year was due to higher income before provision for income taxes in 1999 offset by an income tax provision in 1999 versus a tax benefit in 1998 related to an elimination of a deferred income tax asset valuation reserve.

*Broadcast Cash Flow.* Broadcast cash flow increased to approximately \$37.4 million for the fiscal year ended December 31, 1999 from approximately \$21.6 million for the fiscal year ended December 31, 1998 or 73%. This increase was attributable to the increases in broadcast revenue partially offset by higher operating expenses as described above.

Our broadcast cash flow margin decreased to approximately 46% for the fiscal year ended December 31, 1999, from 47% for the fiscal year ended December 31, 1998. This overall decrease for the year was the result of the acquisition of radio stations with considerably lower profit margins than those operated by us for periods

longer than one year. On a same station basis, broadcast cash flow margin for the period increased to approximately 51% in 1999 from approximately 48% in 1998. The increase in those stations we have owned or operated for more than one year was the result of strong revenue gains in these more mature markets partially offset by slower expense growth in those markets.

*EBITDA.* Earnings before interest, taxes, depreciation, and amortization (EBITDA), and excluding stock-based compensation expense, increased to approximately \$33.3 million for the fiscal year ended December 31, 1999 from approximately \$18.8 million for the fiscal year ended December 31, 1998 or 77%. This increase was attributable to the increase in broadcast revenue partially offset by higher operating expenses and higher corporate expenses, as described above.

### **Liquidity and Capital Resources**

Our primary source of liquidity is cash provided by operations and, to the extent necessary, undrawn commitments available under our bank credit facility. Our ability to borrow in excess of the commitments set forth in our credit agreement is limited by the terms of the indenture governing our 12% Notes due 2004. Additionally, such terms place restrictions on Radio One with respect to the sale of assets, liens, investments, dividends, debt repayments, capital expenditures, transactions with affiliates, consolidation and mergers, and the issuance of equity interests among other things.

We have used, and will continue to use, a significant portion of our capital resources to consummate acquisitions. These acquisitions were or will be funded from (i) our bank credit facility, (ii) the proceeds of the historical offerings of our common stock and preferred stock, (iii) the proceeds of future common and/or preferred stock, and/or debt offerings, and (iv) internally generated cash flow.

Radio One's balance of cash and cash equivalents was approximately \$20.9 million as of December 31, 2000, and approximately \$6.2 million as of December 31, 1999. This increase in cash resulted primarily from our equity offerings in March 2000 and July 2000, as well as higher cash from operations. We have entered into a bank credit facility under which we have borrowed \$500.0 million in term loans and may borrow up to \$250.0 million on a revolving basis, and which we have historically drawn down as capital was required, primarily for acquisitions. On December 31, 2000, \$137.5 million was available to be drawn down from our bank credit facility, of which we had drawn down \$62.5 million.

Net cash flow from operating activities increased to approximately \$55.7 million for the fiscal year ended December 31, 2000, from approximately \$18.2 million for the fiscal year ended December 31, 1999, or 206%. This increase was primarily due to lower net income and an increase in trade account receivables more than offset by higher non-cash expenses and an increase in payables. Non-cash expenses of depreciation and amortization increased to approximately \$63.2 million for fiscal year ended December 31, 2000, from approximately \$17.1 million for the fiscal year ended December 31, 1999, or 270%, due primarily to our acquisitions in 2000, particularly the Clear Channel and AMFM acquisitions. Non-cash expenses of amortization of debt financing costs, unamortized discount and deferred interest decreased to approximately \$2.8 million for the fiscal year ended December 31, 2000, from approximately \$4.6 million for the fiscal year ended December 31, 1999, or 39%, due primarily to the terms of the 12% Notes due 2004.

Net cash flow used in investing activities increased to approximately \$1,220.0 million for the fiscal year ended December 31, 2000, compared to approximately \$346.6 million for the fiscal year ended December 31, 1999, or 252%. During the fiscal year ended December 31, 2000, we used \$1,469.6 million of cash to acquire radio stations or make deposits on radio stations we have agreed to acquire. Additionally, we sold \$256.4 million worth of short-term investment securities, made purchases of capital equipment totaling approximately \$3.7 million and made approximately \$1.2 million worth of investments in other companies. During the fiscal year ended December 31, 1999, we used \$85.4 million of cash to acquire radio stations or make deposits on radio stations we had agreed to acquire and made net purchases of capital equipment totaling approximately \$3.3 million.

Net cash flow from financing activities was approximately \$1,179.0 million for the fiscal year ended December 31, 2000. During the fiscal year ended December 31, 2000, we completed a common stock offering and a convertible preferred stock offering and raised approximately \$635.9 million net of offering costs. Also during the fiscal year ended December 31, 2000, we borrowed approximately \$570.0 million to fund various acquisitions and repaid \$7.6 million worth of debt with cash from operations and from our two equity offerings. In conjunction with these borrowings and our 12% Notes due 2004, we incurred approximately \$6.2 million in deferred debt financing costs. During the fiscal year ended December 31, 1999 we completed our initial public stock offering and a follow-on stock offering and raised approximately \$412.0 million net of offering costs. Also during the fiscal year ended December 31, 1999 we borrowed approximately \$75.7 million to fund various acquisitions and repaid \$128.8 million worth of debt with cash from operations and from our two equity offerings. In conjunction with these borrowings and our 12% Notes due 2004, we incurred approximately \$0.6 million in deferred debt financing costs. Additionally, during the fiscal year ended December 31, 1999, we repaid approximately \$28.2 million of Cumulative Redeemable Preferred Stock with proceeds from our initial public offering. As a result, cash and cash equivalents increased by approximately \$14.7 million during the fiscal year ended December 31, 2000, compared to an increase of approximately \$1.8 million during the fiscal year ended December 31, 1999.

We continuously review, and are currently reviewing, opportunities to acquire additional radio stations, primarily in the top 50 African-American markets. As of the date of this report, other than the pending transactions with Blue Chip Broadcasting, Inc., EMMIS Communications and Sinclair Telecable, Inc., we have no written or oral understandings, letters of intent or contracts to acquire radio stations. We anticipate that any future radio station acquisitions would be financed through funds generated from operations, equity financings, permitted debt financings, debt financings through unrestricted subsidiaries or a combination of these sources. However, there can be no assurance that financing from any of these sources, if available, will be available on favorable terms.

Management believes that, based on current levels of operations and anticipated internal growth, cash flow from operations together with other available sources of funds will be adequate for the foreseeable future to consummate the acquisitions of radio stations we have agreed to acquire, to make required payments of interest on Radio One's indebtedness, to fund anticipated capital expenditures and working capital requirements and to enable us to comply with the terms of our debt agreements. Our ability to meet our debt service obligations and reduce our total debt, and our ability to refinance the 12% Notes due 2004 at or prior to their scheduled maturity date in 2004, will depend upon our future performance which, in turn, will be subject to general economic conditions and to financial, business and other factors, including factors beyond our control. For 2001, we anticipate maintenance capital expenditures to be between \$4.0 million and \$5.0 million and total capital expenditures to be between \$6.0 million and \$7.0 million. The 12% Notes due 2004 are redeemable on or after May 15, 2001. The Company may redeem these notes during 2001 through the issuance of new debt at a lower interest rate.

### **Recent Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) has issued an Exposure Draft, Proposed Statement of Financial Accounting Standards, Business Combinations and Intangible Assets—Accounting for Goodwill. The Exposure Draft contains the FASB's tentative decisions about requiring the use of a non-amortization approach to account for certain purchased intangible assets. Under the non-amortization approach, certain intangible assets would be tested for impairment, rather than being amortized to earnings.

### **2001 Outlook**

The following table contains our revenue, cash flow and earnings guidance, as of February 8, 2001, for the twelve month period ending December 31, 2001. These estimates are based on current Generally Accepted Accounting Principles (GAAP) for the treatment of goodwill and other intangibles and do not consider any

impact of the current Financial Accounting Standards Board (FASB) project on Business Combinations that may change the accounting treatment of goodwill and other intangibles, effectively increasing reported earnings per share for companies such as ours. We anticipate recording approximately \$110.0 million of annual amortization of goodwill and FCC licenses in 2001. These estimates include expected results for only those stations owned and/or operated by us on the date of this report and only take into account our current capital structure and assume current interest rate levels in order to compute expected interest expense for the periods in question.

**Radio One, Inc. 2001 Guidance**  
(in millions, except per share data)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>
Net revenue . . . . .	\$ 49.5	\$ 67.4	\$ 71.0	\$ 70.4	\$258.1
Operating expenses . . . . .	28.0	31.0	31.4	30.9	121.1
Broadcast cash flow <sup>(1)</sup> . . . . .	21.5	36.4	39.7	39.5	137.0
Corporate Overhead . . . . .	1.8	1.8	2.0	2.0	7.5
EBITDA <sup>(2)</sup> . . . . .	19.7	34.6	37.7	37.5	129.5
Interest . . . . .	15.0	14.2	13.9	13.6	56.9
Depreciation and amortization . . . . .	30.0	30.0	30.0	30.0	120.0
Tax benefit . . . . .	8.3	3.3	2.2	2.2	16.0
Net loss . . . . .	<u>(17.7)</u>	<u>(7.0)</u>	<u>(4.7)</u>	<u>(4.6)</u>	<u>(34.0)</u>
Preferred Dividends . . . . .	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 20.2
After-tax cash flow <sup>(3)</sup> . . . . .	1.2	16.6	19.3	19.3	56.4
Avg. shares outstanding (basic) . . . . .	86.5	86.7	87.0	87.2	87.0
Avg. shares outstanding (diluted) . . . . .	87.0	87.0	87.5	87.5	87.5
Per Share Amounts Diluted:					
Net loss . . . . .	\$(0.20)	\$(0.08)	\$(0.05)	\$(0.05)	\$(0.39)
After-tax cash flow . . . . .	0.01	0.19	0.22	0.22	0.65

(1) Operating income excluding depreciation, amortization, corporate overhead, non-recurring items and other non-cash charges.

(2) Broadcast cash flow less corporate overhead.

(3) Income before income taxes and extraordinary items plus depreciation, amortization and non-cash compensation, less the current income tax liability (or plus benefit) and less preferred stock dividends.

We estimate that Blue Chip Broadcasting, Inc. will have \$11.5 million in broadcast cash flow for all of 2001 and that the broadcast cash flow margins in 2001 for the stations we will own and/or operate as a result of our acquisition of Blue Chip will be in the low 30% range.

**Impact of Inflation**

We believe that inflation has not had a material impact on our results of operations for each of our fiscal years in the three-year period ended December 31, 2000. However, there can be no assurance that future inflation would not have an adverse impact on our operating results and financial condition.

**Seasonality**

Seasonal net broadcast revenue fluctuations are common in the radio broadcasting industry and are due primarily to fluctuations in advertising expenditures by local and national advertisers. Radio One's first fiscal quarter generally produces the lowest net broadcast revenue for the year.

**Overview of Risks**

Our future operating results could be adversely affected by a number of risks and uncertainties, certain of which are described below. The risks and uncertainties described below are not the only risks we face. Additional



risks and uncertainties not currently known to us or that we currently deem immaterial may impair our business operations. If any of the risks described below actually occur, our business, results of operations and financial condition could be materially and adversely affected.

- We may have difficulty integrating the operations, systems and management of the stations that we have recently acquired or agreed to acquire.
- We may not successfully identify and consummate future acquisitions.
- Acquired stations may not increase our broadcast cash flow or yield other anticipated benefits.
- Required regulatory approvals may result in unanticipated delays in completing acquisitions.
- The loss of key personnel could disrupt the management of our business, including impairing our ability to execute our acquisition and operating strategies and lowering our standing in the radio broadcast industry.
- We compete for advertising revenue against radio stations and other media, many of which have greater resources than we do.
- Our bank credit facility and the agreements governing our other outstanding debt contain covenants that restrict, among other things, our ability to incur additional debt, pay cash dividends, purchase our capital stock, make capital expenditures, make investments or other restricted payments, swap or sell assets, engage in transactions with related parties, secure non-senior debt with our assets, or merge, consolidate or sell all or substantially all of our assets.
- Our bank credit facility requires that we obtain our banks' consent for acquisitions that do not meet specific criteria. These restrictions may make it more difficult to pursue our acquisition strategy. Our bank credit facility also requires that we maintain specific financial ratios. Events beyond our control could affect our ability to meet those financial ratios, and we cannot assure you that we will meet them.
- A portion of the loans under our bank credit facility in the amount of \$150.0 million will be due in February 2002, and the remainder of the loans under our bank credit facility will be due in August 2007. A breach of any of the covenants contained in our bank credit facility could allow our lenders to declare all amounts outstanding under our bank credit facility to be immediately due and payable. In addition, our banks could proceed against the collateral granted to them to secure that indebtedness. If the amounts outstanding under our bank credit facility are accelerated, we cannot assure you that our assets will be sufficient to repay in full the money owed to the banks or to our other debt holders.
- Our substantial level of indebtedness could adversely affect us for various reasons, including limiting our ability to:
  - obtain additional financing for working capital, capital expenditures, acquisitions, debt payments or other corporate purposes;
  - have sufficient funds available for operations, future business opportunities or other purposes;
  - compete with competitors that have less debt than we do; and
  - react to changing market conditions, changes in our industry and economic downturns.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

We do not have significant interest rate risk related to our Notes due 2004, which have an interest rate of 12%. We do not have foreign currency risk as we have no foreign operations. We do not have any derivative commodity instruments or other financial instruments such as foreign currency forwards, futures and options, and foreign currency denominated debt. The Company has entered into swap agreements to reduce exposure to interest rate fluctuations on certain commitments. We do not have commodity price risk or other relevant market risks.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements of Radio One required by this item are filed with this report on Pages F-1 to F-21.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **PART III**

#### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information with respect to directors and executive officers required by this Item 10 is incorporated in this report by reference to the information set forth under the caption “Nominees for Class A Director,” “Nominees for Other Director,” and “Executive Officers” in our proxy statement for the 2001 Annual Meeting of Stockholders to be held during June 2001, which is expected to be filed with the Commission within 120 days after the close of our fiscal year.

#### **ITEM 11. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

The information required by this Item 11 is incorporated in this report by reference to the information set forth under the caption “Compensation of Directors and Executive Officers” in the 2001 proxy statement. The sections entitled “Report of the Compensation Committee of the Board on Executive Compensation” and “Stockholder Return and Performance Presentation” in the 2001 proxy statement are not incorporated herein by reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The information required by this Item 12 is incorporated in this report by reference to the information set forth under the caption “Principal Stockholders” in the 2001 proxy statement.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by this Item 13 is incorporated in this report by reference to the information set forth under the caption “Certain Relationships and Related Transactions” in the 2001 proxy statement.

## PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

#### (a)(1) Financial Statements

The following financial statements required by this item are submitted in a separate section beginning on page F-1 of this report:

Index to Financial Statements  
Report of Independent Public Accountants  
Consolidated Balance Sheets as of December 31, 1999 and 2000  
Consolidated Statements of Operations for the years ended December 31, 1998, 1999 and 2000  
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 1998, 1999 and 2000  
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000  
Notes to Consolidated Financial Statements

#### (a)(2) EXHIBITS: The following exhibits are filed as part of this annual statement.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of Radio One, Inc. (dated as of May 4, 2000), as filed with the State of Delaware on May 9, 2000 (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended March 31, 2000 (File No. 000-25969; Film No. 631638)).
3.1.1	Certificate of Amendment (dated as of September 21, 2000) of the Amended and Restated Certificate of Incorporation of Radio One, Inc. (dated as of May 4, 2000), as filed with the State of Delaware on September 21, 2000 (incorporated by reference to Radio One's Current Report on Form 8-K filed October 6, 2000 (File No. 000-25969; Film No. 736375)).
3.2	Amended and Restated By-laws of Radio One, Inc., amended as of September 15, 2000 (incorporated by reference to Radio One's Current Report on Form 8-K filed October 6, 2000 (File No. 000-25969; Film No. 736375)).
3.3	Certificate Of Designations, Rights and Preferences of the 6½% Convertible Preferred Securities Remarketable Term Income Deferrable Equity Securities (HIGH TIDES) of Radio One, Inc., as filed with the State of Delaware on July 13, 2000 (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 000-25969; Film No. 698190)).
4.1	Indenture dated as of May 15, 1997 among Radio One, Inc., Radio One Licenses, Inc. and United States Trust Company of New York (incorporated by reference to Radio One's Annual Report on Form 10-K for the period ended December 31, 1997 (File No. 333-30795; Film No. 98581327)).
4.2	First Supplemental Indenture dated as of June 30, 1998, to Indenture dated as of May 15, 1997, by and among Radio One, Inc., as Issuer and United States Trust Company of New York, as Trustee, by and among Radio One, Inc., Bell Broadcasting Company, Radio One of Detroit, Inc., and United States Trust Company of New York, as Trustee (incorporated by reference to Radio One's Current Report on Form 8-K filed July 13, 1998 (File No. 333-30795; Film No. 98665139)).
4.3	Second Supplemental Indenture dated as of December 23, 1998, to Indenture dated as of May 15, 1997, by and among Radio One, Inc., as Issuer and United States Trust Company of New York, as Trustee, by and among Radio One, Inc., Allur-Detroit, Allur Licenses, Inc., and United States Trust Company of New York, as Trustee (incorporated by reference to Radio One's Current Report on Form 8-K filed January 12, 1999 (File No. 333-30795; Film No. 99504706)).
4.7	Standstill Agreement dated as of June 30, 1998 among Radio One, Inc., the subsidiaries of Radio One, Inc., United States Trust Company of New York and the other parties thereto (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 1998 (File No. 333-30795; Film No. 98688998)).

<u>Exhibit Number</u>	<u>Description</u>
4.9	Stockholders Agreement dated as of March 2, 1999 among Catherine L. Hughes and Alfred C. Liggins, III (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 000-25969; Film No. 99686684)).
4.10	Registration Rights Agreement, dated as of July 14, 2000, by and among Radio One, Inc., and Credit Suisse First Boston Corporation, Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Bank of America Securities LLC, and First Union Securities, Inc., as the Initial Purchases of Radio One, Inc.'s 6½% Convertible Preferred Securities Remarketable Term Income Deferrable Equity Securities (HIGH TIDES) (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 000-25969; Film No. 698190)).
4.11	Remarketing Agreement, dated as of July 14, 2000, by and among Radio One, Inc., American Stock Transfer & Trust Co., as Tender Agent and Credit Suisse First Boston Corporation, as Remarketing Agent, for Radio One, Inc.'s 6½% Convertible Preferred Securities Remarketable Term Income Deferrable Equity Securities (HIGH TIDES) (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 000-25969; Film No. 698190)).
4.12	Global Security Certificate for Radio One, Inc.'s 6½% Convertible Preferred Securities Remarketable Term Income Deferrable Equity Securities (HIGH TIDES) (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 000-25969; Film No. 698190)).
4.13	Registration Rights Agreement, dated February 7, 2001, by and between Radio One, Inc. and certain stockholders of Blue Chip Broadcasting, Inc. listed therein (incorporated by reference to Exhibit 4.1 of Radio One's Current Report on Form 8-K filed February 8, 2001 (File No. 000-25969; Film No. 1528282)).
10.1	Office Lease dated February 3, 1997 between National Life Insurance Company and Radio One, Inc. for premises located at 5900 Princess Garden Parkway, Lanham, Maryland, as amended on the period ended December 31, 1997 (File No. 333-30795; Film No. 98581327)).
10.1(a)	Amendment to Office Lease dated January 22, 1999 between National Life Insurance Company and Radio One, Inc. for premises located at 5900 Princess Garden Parkway, Lanham, Maryland (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 000-25969; Film No. 99686684)).
10.3	Office Lease commencing November 1, 1993 between Chalrep Limited Partnership and Radio One, Inc., with respect to the property located at 100 St. Paul Street, Baltimore, Maryland (incorporated by reference to Radio One's Annual Report on Form 10-K for the period ended December 31, 1997 (File No. 333-30795; Film No. 98581327)).
10.6	Warranholders' Agreement dated as of June 6, 1995, as amended by the First Amendment to Warranholders' Agreement dated as of May 19, 1997, among Radio One, Inc., Radio One Licenses, Inc. and the other parties thereto (incorporated by reference to Radio One's Annual Report on Form 10-K for the period ended December 31, 1997 (File No. 333-30795; Film No. 98581327)).
10.7(a)	Second Amendment to the Warranholders' Agreement dated as of May 3, 1999, among Radio One, Inc., Radio One Licenses, Inc. and the other parties thereto (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 000-25969; Film No. 99686684)).
10.45	Asset Purchase Agreement dated as of May 6, 1999 relating to the acquisition of WCDX-FM, licensed to Mechanicsville, Virginia, WPLZ-FM, licensed to Petersburg, Virginia, WJRV-FM licensed to Richmond, Virginia, and WGCV-AM licensed to Petersburg, Virginia (incorporated by reference to Radio One's Registration Statement on Form S-1 filed on October 25, 1999 (File No. 333-89607; Film No. 99732728)).
10.45(a)	Time Brokerage Agreement dated May 5, 1999 among Radio One, Inc. and Sinclair Telecable, Inc. Commonwealth Broadcasting, L.L.C. and Radio One, Inc. (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 000-25969; Film No. 99686684)).

<u>Exhibit Number</u>	<u>Description</u>
10.52	Asset Purchase Agreement dated as of May 24, 1999 relating to the acquisition of WBOT-FM, licensed to Brockton, Massachusetts (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 000-25969; Film No. 99686684)).
10.53	Time Brokerage Agreement dated May 24, 1999 among Radio One, Inc. and Radio Station WBOT-FM, Brockton, Massachusetts (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 000-25969; Film No. 99686684)).
10.55	Amended and Restated Employment Agreement between Radio One, Inc. and Scott R. Royster dated effective as of October 18, 2000.
10.56	Amended and Restated Employment Agreement between Radio One, Inc. and Linda J. Eckard Vilardo dated effective as of October 31, 2000.
10.57	Asset Purchase Agreement dated as of December 1, 1999 relating to the acquisition of WPLY-FM, licensed to Philadelphia, Pennsylvania (incorporated by reference to Radio One's Registration Statement on Form S-1 on February 14, 2000 (File No. 333-30285; Film No. 537846)).
10.58	Asset Purchase Agreement dated as of March 11, 2000 relating to the acquisition of KMJQ-FM and KBXX-FM, licensed to Houston, Texas, WVCG(AM), licensed to Coral Gables, Florida, WZAK-FM, licensed to Cleveland, Ohio, WJMO (AM), licensed to Cleveland Heights, Ohio, KKBT-FM, licensed to Los Angeles, California, KBFB-FM, licensed to Dallas, Texas, WJMZ-FM, licensed to Anderson, South Carolina, WFXC-FM, licensed to Durham, North Carolina, WFXK-FM, licensed to Tarboro, North Carolina, WNNL-FM, licensed to Fuquay-Varina, North Carolina and WQOK-FM, licensed to South Boston, Virginia (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended March 31, 2000 (File No. 000-25969; Film No. 631638)).
10.59	Agreement and Plan of Merger dated as of March 11, 2000 relating to the acquisition of WCCJ-FM, licensed to Harrisburg, North Carolina, WFXA-FM and WTHB (AM), licensed to Augusta, Georgia, WAKB-FM, licensed to Wrens, Georgia, WAEG-FM, licensed to Evans, Georgia and WAEJ-FM, licensed to Waynesboro, Georgia (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended March 31, 2000 (File No. 000-25969; Film No. 631638)).
10.60	Asset Purchase Agreement dated as of March 11, 2000 relating to the acquisition of WHHH-FM, licensed to Indianapolis, Indiana, WBKS-FM, licensed to Greenwood, Indiana, WYJZ-FM, licensed to Lebanon, Indiana and W53AV, licensed to Indianapolis, Indiana (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended March 31, 2000 (File No. 000-25969; Film No. 631638)).
10.61	Purchase Agreement, dated as of July 10, 2000, by and among Radio One, Inc., and Credit Suisse First Boston Corporation, Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated, Bank of America Securities LLC, and First Union Securities, Inc., as the Initial Purchases of Radio One, Inc.'s 6 1/2% Convertible Preferred Securities Remarketable Term Income Deferrable Equity Securities (HIGH TIDES) (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 000-25969; Film No. 698190)).
10.62	Second Amended and Restated Credit Agreement, dated as of July 17, 2000, by and among Radio One, Inc., Bank of America, N.A., Credit Suisse First Boston, First Union National Bank, Toronto Dominion (Texas), Inc., Bankers Trust Company, and the Several Lenders From Time to Time Parties thereto (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended September 30, 2000 (File No. 000-25969; Film No. 764960)).
10.63	Merger Agreement, dated February 7, 2001, by and among Radio One, Inc., Blue Chip Merger Subsidiary, Inc., Blue Chip Broadcasting, Inc., and certain stockholders of Blue Chip Broadcasting, Inc. listed therein (incorporated by reference to Exhibit 2.1 of Radio One's Current Report on Form 8-K filed February 8, 2001 (File No. 000-25969; Film No. 1528282)).
21.1	Subsidiaries of Radio One, Inc.
23.1	Consent of Arthur Andersen L.L.P.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on March 30, 2001.

RADIO ONE, INC.

By: /s/ SCOTT R. ROYSTER  
Name: Scott R. Royster  
Title: *Executive Vice President, Chief Financial Officer and Principal Accounting Officer*

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 30, 2001.

By: /s/ CATHERINE L. HUGHES  
Name: Catherine L. Hughes  
Title: *Chairperson, Director and Secretary*

By: /s/ ALFRED C. LIGGINS, III  
Name: Alfred C. Liggins, III  
Title: *Chief Executive Officer, President and Director*

By: /s/ TERRY L. JONES  
Name: Terry L. Jones  
Title: *Director*

By: /s/ BRIAN W. MCNEILL  
Name: Brian W. McNeill  
Title: *Director*

By: /s/ LARRY D. MARCUS  
Name: Larry D. Marcus  
Title: *Director*

## **Report of Independent Public Accountants**

To the Board of Directors and Stockholders of  
Radio One, Inc.:

We have audited the accompanying consolidated balance sheets of Radio One, Inc. (a Delaware corporation) and subsidiaries (the Company) as of December 31, 1999 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three years ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Radio One, Inc. and subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the years in the three years ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Baltimore, Maryland  
February 7, 2001



**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	As of December 31,	
	1999	2000
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents . . . . .	\$ 6,221,000	\$ 20,879,000
Investments, available for sale . . . . .	256,390,000	—
Trade accounts receivable, net of allowance for doubtful accounts of \$2,429,000 and \$5,506,000, respectively . . . . .	19,833,000	46,883,000
Prepaid expenses and other . . . . .	1,035,000	6,557,000
Income tax receivable . . . . .	—	2,476,000
Deferred tax asset . . . . .	984,000	2,187,000
Total current assets . . . . .	284,463,000	78,982,000
PROPERTY AND EQUIPMENT, net . . . . .	15,512,000	33,376,000
INTANGIBLE ASSETS, net . . . . .	218,460,000	1,637,180,000
OTHER ASSETS . . . . .	9,101,000	15,680,000
Total assets . . . . .	\$527,536,000	\$1,765,218,000
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable . . . . .	\$ 1,663,000	\$ 17,683,000
Accrued expenses . . . . .	6,941,000	14,127,000
Income taxes payable . . . . .	1,532,000	—
Other current liabilities . . . . .	—	4,696,000
Total current liabilities . . . . .	10,136,000	36,506,000
LONG-TERM DEBT AND DEFERRED INTEREST, net of current portion . . . . .	82,626,000	646,956,000
DEFERRED INCOME TAX LIABILITY . . . . .	14,518,000	24,687,000
Total liabilities . . . . .	107,280,000	708,149,000
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Convertible preferred stock, \$.001 par value, 1,000,000 shares authorized and 310,000 shares issued and outstanding; liquidation preference of \$1,000 per share, plus cumulative dividends at 6.5% per year, which were \$9,236,000 as of December 31, 2000 . . . . .	—	—
Common stock—Class A, \$.001 par value, 30,000,000 shares authorized, 17,221,000 and 22,789,000 shares issued and outstanding . . . . .	17,000	23,000
Common stock—Class B, \$.001 par value, 30,000,000 shares authorized, 2,867,000 shares issued and outstanding . . . . .	3,000	3,000
Common stock—Class C, \$.001 par value, 30,000,000 shares authorized, 3,184,000 and 3,132,000 shares issued and outstanding . . . . .	3,000	3,000
Common stock—Class D, \$.001 par value, 150,000,000 shares authorized, 46,546,000 and 58,246,000 shares issued and outstanding . . . . .	46,000	58,000
Accumulated comprehensive income adjustments . . . . .	40,000	—
Stock subscriptions receivable . . . . .	—	(9,005,000)
Additional paid-in capital . . . . .	446,354,000	1,105,681,000
Accumulated deficit . . . . .	(26,207,000)	(39,694,000)
Total stockholders' equity . . . . .	420,256,000	1,057,069,000
Total liabilities and stockholders' equity . . . . .	\$527,536,000	\$1,765,218,000

The accompanying notes are an integral part of these consolidated balance sheets.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,		
	1998	1999	2000
REVENUE:			
Broadcast revenue, including barter revenue of \$644,000, \$1,821,000 and \$2,690,000, respectively . . . . .	\$52,696,000	\$93,260,000	\$177,219,000
Less: Agency commissions . . . . .	6,587,000	11,557,000	21,553,000
Net broadcast revenue . . . . .	46,109,000	81,703,000	155,666,000
OPERATING EXPENSES:			
Program and technical . . . . .	8,015,000	13,576,000	23,971,000
Selling, general and administrative . . . . .	16,486,000	30,683,000	53,309,000
Corporate expenses . . . . .	2,800,000	4,155,000	6,303,000
Stock-based compensation . . . . .	—	225,000	—
Depreciation and amortization . . . . .	8,445,000	17,073,000	63,207,000
Total operating expenses . . . . .	35,746,000	65,712,000	146,790,000
Operating income . . . . .	10,363,000	15,991,000	8,876,000
INTEREST EXPENSE, including amortization of deferred financing costs . . . . .	11,455,000	15,279,000	32,407,000
OTHER INCOME, net . . . . .	358,000	2,149,000	20,084,000
(Loss) income before (benefit) provision for income taxes . . . . .	(734,000)	2,861,000	(3,447,000)
(BENEFIT) PROVISION FOR INCOME TAXES . . . . .	(1,575,000)	2,728,000	804,000
Net income (loss) . . . . .	\$ 841,000	\$ 133,000	\$ (4,251,000)
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS . .	\$ (2,875,000)	\$ (1,343,000)	\$ (13,487,000)
BASIC AND DILUTED LOSS PER COMMON SHARE:			
Net loss . . . . .	\$ (.31)	\$ (.08)	\$ (.16)
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic and diluted . . . . .	9,392,000	48,411,000	84,540,000

The accompanying notes are an integral part of these consolidated statements.

**RADIO ONE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

	Common Stock Class A	Common Stock Class B	Common Stock Class C	Common Stock Class D	Convertible Preferred Stock	Comprehensive Income	Accumulated Comprehensive Income Adjustments	Stock Subscriptions Receivables	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
BALANCE, as of											
December 31, 1997..	\$ —	\$2,000	\$3,000	\$10,000	\$—		\$ —	\$ —	\$ (10,000)	\$(21,989,000)	\$ (21,984,000)
Net income .....	—	—	—	—	—		—	—	—	841,000	841,000
Preferred stock dividends .....	—	—	—	—	—		—	—	—	(3,716,000)	(3,716,000)
BALANCE, as of											
December 31, 1998..	—	2,000	3,000	10,000	—		—	—	(10,000)	(24,864,000)	(24,859,000)
Comprehensive income:											
Net income .....	—	—	—	—	—	\$ 133,000	—	—	—	133,000	133,000
Unrealized gain on securities .....	—	—	—	—	—	40,000	40,000	—	—	—	40,000
Comprehensive income .....						\$ 173,000					
Preferred stock dividends .....	—	—	—	—	—		—	—	—	(1,476,000)	(1,476,000)
Issuance of stock for acquisition .....	2,000	1,000	—	6,000	—		—	—	34,185,000	—	34,194,000
Stock issued to an officer .....	—	—	—	—	—		—	—	225,000	—	225,000
Conversion of warrants .....	5,000	—	—	10,000	—		—	—	(15,000)	—	—
Issuance of common stock .....	10,000	—	—	20,000	—		—	—	411,969,000	—	411,999,000
BALANCE, as of											
December 31, 1999..	17,000	3,000	3,000	46,000	—		40,000	—	446,354,000	(26,207,000)	420,256,000
Comprehensive income:											
Net loss .....	—	—	—	—	—	\$(4,251,000)	—	—	—	(4,251,000)	(4,251,000)
Unrealized loss on securities .....	—	—	—	—	—	(40,000)	(40,000)	—	—	—	(40,000)
Comprehensive income .....						\$(4,291,000)					
Preferred stock dividends .....	—	—	—	—	—		—	—	—	(9,236,000)	(9,236,000)
Issuance of stock for acquisition .....	1,000	—	—	1,000	—		—	—	13,543,000	—	13,545,000
Stock sold to officers .....	—	—	—	1,000	—		—	(9,005,000)	9,004,000	—	—
Issuance of common stock .....	5,000	—	—	10,000	—		—	—	335,967,000	—	335,982,000
Employee exercise of options .....	—	—	—	—	—		—	—	878,000	—	878,000
Issuance of preferred stock .....	—	—	—	—	—		—	—	299,935,000	—	299,935,000
BALANCE, as of											
December 31, 2000..	<u>\$23,000</u>	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$58,000</u>	<u>\$—</u>		<u>\$ —</u>	<u>\$(9,005,000)</u>	<u>\$1,105,681,000</u>	<u>\$(39,694,000)</u>	<u>\$1,057,069,000</u>

The accompanying notes are an integral part of these consolidated statements.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	1998	1999	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss) . . . . .	\$ 841,000	\$ 133,000	\$ (4,251,000)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization . . . . .	8,445,000	17,073,000	63,207,000
Amortization of debt financing costs, unamortized discount and deferred interest . . . . .	4,110,000	4,597,000	2,839,000
Deferred income taxes and reduction in valuation reserve on deferred income taxes . . . . .	(2,038,000)	(1,043,000)	8,966,000
Non-cash compensation to officer . . . . .	—	225,000	—
Non-cash advertising revenue in exchange for equity investments . . . . .	—	(448,000)	(683,000)
Effect of change in operating assets and liabilities-			
Trade accounts receivable, net . . . . .	(1,933,000)	(5,419,000)	(25,511,000)
Prepaid expenses and other . . . . .	(4,000)	(593,000)	2,586,000
Other assets . . . . .	(1,391,000)	(627,000)	(281,000)
Accounts payable . . . . .	830,000	369,000	11,588,000
Accrued expenses and other . . . . .	439,000	3,954,000	(2,774,000)
Net cash flows from operating activities . . . . .	<u>9,299,000</u>	<u>18,221,000</u>	<u>55,686,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment . . . . .	(2,236,000)	(3,252,000)	(3,665,000)
Purchase of intangible asset . . . . .	—	—	(2,000,000)
Proceeds from disposal of property and equipment . . . . .	150,000	—	—
Equity investments . . . . .	—	(1,275,000)	(1,185,000)
(Purchase) proceeds from sale of available for sale investments . . . . .	—	(256,321,000)	256,430,000
Deposits and payments for station purchases . . . . .	(59,085,000)	(85,723,000)	(1,469,603,000)
Net cash flows from investing activities . . . . .	<u>(61,171,000)</u>	<u>(346,571,000)</u>	<u>(1,220,023,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of debt . . . . .	\$ (485,000)	\$(128,804,000)	\$ (7,599,000)
Proceeds from debt issuances . . . . .	49,350,000	75,650,000	570,000,000
Deferred financing costs . . . . .	(1,038,000)	(569,000)	(6,158,000)
Repayment of senior cumulative redeemable preferred stock . . . . .	—	(28,160,000)	—
Proceeds from issuance of common stock, net of issuance costs . . . . .	—	411,999,000	335,982,000
Proceeds from issuance of preferred stock, net of issuance costs . . . . .	—	—	299,935,000
Payment of preferred stock dividends . . . . .	—	—	(5,038,000)
Loans to officers . . . . .	—	—	(9,005,000)
Proceeds from exercise of stock options . . . . .	—	—	878,000
Net cash flows from financing activities . . . . .	<u>47,827,000</u>	<u>330,116,000</u>	<u>1,178,995,000</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS . . . . .	<u>(4,045,000)</u>	<u>1,766,000</u>	<u>14,658,000</u>
CASH AND CASH EQUIVALENTS, beginning of year . . . . .	<u>8,500,000</u>	<u>4,455,000</u>	<u>6,221,000</u>
CASH AND CASH EQUIVALENTS, end of year . . . . .	<u>\$ 4,455,000</u>	<u>\$ 6,221,000</u>	<u>\$ 20,879,000</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid for-			
Interest . . . . .	<u>\$ 7,192,000</u>	<u>\$ 10,762,000</u>	<u>\$ 28,581,000</u>
Income taxes . . . . .	<u>\$ 338,000</u>	<u>\$ 2,252,000</u>	<u>\$ 5,938,000</u>

The accompanying notes are an integral part of these consolidated statements.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 1998, 1999 and 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

***Organization and Business***

Radio One, Inc. (a Delaware corporation referred to as Radio One) and subsidiaries (collectively referred to as the Company) were organized to acquire, operate and maintain radio broadcasting stations. The Company owns and/or operates radio stations in the Washington, D.C.; Baltimore, Maryland; Philadelphia, Pennsylvania; Detroit and Kingsley, Michigan; Atlanta and Augusta, Georgia; Cleveland, Ohio; St. Louis, Missouri; Richmond, Virginia; Boston, Massachusetts, Charlotte and Raleigh, North Carolina; Greenville, South Carolina; Indianapolis, Indiana; Houston and Dallas, Texas; Miami, Florida; and Los Angeles, California markets.

The Company has been making and may continue to make significant acquisitions of radio stations, which may require it to incur new debt. The service of this debt could require the Company to make significant debt service payments. The Company's operating results are significantly affected by its share of the audience in markets where it has stations.

***Basis of Presentation***

The accompanying consolidated financial statements include the accounts of Radio One, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates in these accompanying financial statements are the estimated useful lives on fixed and intangible assets and the reserve for uncollectible receivables.

***Issuance of Stock***

The Company effected an initial public offering (IPO) of common stock during May 1999, in which it sold approximately 5.4 million shares of Class A common stock. The Company completed additional offerings of common stock during November 1999 and March 2000, in which it sold approximately 5.2 million and 5.0 million shares of Class A common stock, respectively. The Company received net proceeds of approximately \$748.0 million from these offerings, after deducting offerings costs, and used a portion of the proceeds to repay debt, redeem preferred stock, fund acquisitions and for other general corporate purposes.

In July 2000, the Company completed a private placement of \$310.0 million of 6½% Convertible Preferred Securities, at \$1,000 per security, with a par value of \$.001 per share. Each of these preferred securities is convertible to 53.3832 shares of Class D common stock. Issuance costs were approximately \$10.1 million, including underwriting commissions.

***Stock Split and Conversion***

On May 22, 2000, the Company's Board of Directors declared a three-for-one stock split of Class A Common Stock in the form of a stock dividend of Class D common stock payable to shareholders of record as of May 30, 2000. All per share data in the accompanying consolidated financial statements and notes thereto have been restated to reflect this stock dividend.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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The Company effected a 34,061-for-one stock split, effective May 6, 1999, in conjunction with its IPO. All share data included in the accompanying consolidated financial statements and notes thereto have been restated to reflect the stock split.

Effective February 25, 1999, the Company converted certain Class A common stock held by the principal stockholders to Class B common stock which has ten votes per share, as compared to Class A common stock which has one vote per share, and certain of their Class A common stock to Class C common stock. Class C and D common stock have no voting rights except as required by Delaware law. All share data included in the accompanying consolidated financial statements and notes thereto have been restated to reflect the stock conversion.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and money market accounts at various commercial banks. All cash equivalents have original maturities of 90 days or less. For cash and cash equivalents, cost approximates market value.

***Investments***

Investments as of December 31, 1999, consist of U.S. government, tax-exempt municipal and commercial securities that mature within eighteen months. Investments are classified as available for sale and are recorded at market value. The change in market value is recorded as a component of other comprehensive income in stockholders' equity.

***Other Assets***

As of December 31, 2000, the Company had invested \$3.3 million in Net Noir, Inc., an internet portal service provider. The investment consisted of \$250,000 in cash and \$3.0 million in advertising on the Company's radio stations in exchange for an equity investment. The advertising provided by the Company is valued based on the valuation of the internet portal service using what other investors have paid for equity of internet portal service. This basis for the value of the advertising is not more than the Company's normal rates for this advertising.

During 2000, the Company invested approximately \$500,000 in cash and \$2.0 million in advertising on the Company's radio stations in exchange for an equity investment in New Urban Entertainment Television, Inc. The advertising provided by the Company is valued based on the valuation of that company, using what other investors have paid for equity in that company. This basis for the value of advertising is not more than the Company's normal rates for this advertising.

During 2000, the Company made a \$1.0 million subscriber commitment in exchange for a limited partnership interest in Quetzal/Chase Communications Partners, L.P. The Company funded approximately \$525,000 in cash of that commitment during the year.

As of December 31, 2000, the Company had an investment of approximately \$214,000 in Ibiqity (formerly USA Digital Radio, Inc.).

During 1999, the Company made a \$1.0 million investment in PNE Media Holdings, LLC., a privately-held outdoor advertising company.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

The Company reviews the carrying values of its investments in privately held companies whenever events indicate that an impairment may have occurred or at least annually. In the opinion of management, the investments as of December 31, 2000 and 1999, are stated at the lower of their historical cost or estimated fair market value.

***Financial Instruments***

Financial instruments as of December 31, 1999 and 2000, consist of cash and cash equivalents, investments, trade accounts receivable, notes receivable (which are included in other current assets), accounts payable, accrued expenses, long-term debt and subscriptions receivable, all of which the carrying amounts approximate fair value except for the Senior Subordinated Notes as of December 31, 1999 and 2000, which have a fair value of approximately \$87.7 million and \$84.0 million, respectively, as compared to a carrying value of \$82.5 million and \$84.4 million, respectively.

***Derivative Financial Instruments***

During 2000, the Company entered into swap agreements to reduce exposure to interest rate fluctuations on certain debt commitments (see Note 4). Costs incurred to execute the swap agreements are deferred and amortized over the term of the swap agreements. The amounts incurred by the Company, representing the effective difference between the fixed rate under the swap agreements and the variable rate on the underlying term of the debt, are included in interest expense in the accompanying consolidated statements of operations. In the event of early termination of these swap agreements, any gains or losses would be amortized over the respective lives of the underlying debt or recognized currently if the debt is terminated earlier than initially anticipated.

***Revenue Recognition***

In accordance with industry practice, revenue for broadcast advertising is recognized when the commercial is broadcast.

***Barter Arrangements***

The Company broadcasts certain customers' advertising in exchange for equipment, merchandise and services. The estimated fair value of the equipment, merchandise or services received is recorded as deferred barter costs and the corresponding obligation to broadcast advertising is recorded as deferred barter revenue. The deferred barter costs are expensed or capitalized as they are used, consumed or received. Deferred barter revenue is recognized as the related advertising is aired.

***Comprehensive Income***

The Company reports comprehensive income on the statement of changes in stockholders' equity. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources.

***Segment Reporting***

The Company believes it has only one segment, radio broadcasting. The Company came to this conclusion because the Company has one product or service, has the same type of customer and operating strategy in each market, operates in one regulatory environment, has only one management group that manages the entire

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

Company and provides information on the Company's results as one segment to the key decision-makers. All of the Company's revenue is derived from stations located in the United States.

***Earnings Available for Common Stockholders***

In July 2000, the Company completed a private placement of \$310.0 million of 6.5% Convertible Preferred Securities (the Securities), at \$1,000 per security. Dividends accrue on the Securities at 6.5% per annum from the date of original issuance. Dividends are paid quarterly in arrears, commencing October 15, 2000. The earnings available for common stockholders for the year ended December 31, 2000, is the net loss less the dividends of \$9,236,000 accrued during 2000 on the Securities.

Additionally, the Company had certain senior cumulative redeemable preferred stock outstanding during 1998 and 1999 which paid dividends at 15% per annum (see Note 4) and was retired during 1999. The Company accreted dividends on this preferred stock, which was paid when the preferred stock was redeemed. The earnings available for common stockholders for the years ended December 31, 1998 and 1999, is the net loss or income for the year, less the accreted dividend of \$3,716,000 and \$1,476,000 during 1998 and 1999, respectively, on the preferred stock.

***Earnings Per Share***

Earnings per share are based on the weighted average number of common and diluted common equivalent shares for stock options and warrants outstanding during the period the calculation is made, divided into the earnings available for common stockholders. Diluted common equivalent shares consist of shares issuable upon the exercise of stock options and warrants, using the treasury stock method. All warrants outstanding to acquire common stock as of December 31, 1998, which were exercised concurrent with the closing of the IPO and the stock issued to an employee in January 1999 have been reflected in the calculation of earnings per share as if the stock issued was outstanding for all periods presented. As of December 31, 2000, there were approximately 1,268,000 stock options outstanding from options granted since May 1999 (see Note 6), however, the common stock equivalents of these options are not included in the diluted earnings per share as the stock options are antidilutive. The weighted average shares outstanding is calculated as follows:

	<b>December 31,</b>		
	<b>1998</b>	<b>1999</b>	<b>2000</b>
Common stock outstanding . . . . .	4,716,000	16,137,000	84,540,000
Common stock issued from exercise of warrants . . . . .	4,625,000	—	—
Stock issued subsequent to year-end . . . . .	51,000	—	—
Weighted average shares outstanding for both basis and diluted earnings per share . . . . .	<u>9,392,000</u>	<u>16,137,000</u>	<u>84,540,000</u>

**Recent Accounting Pronouncements**

The Company will adopt Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133" and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" on January 1, 2001. This standard requires the Company to recognize all derivatives, as defined in the Statement, on the balance sheet at fair value. Derivatives, or any portion thereof, that are not effective hedges must be adjusted to



**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

fair value through income. If derivatives are effective hedges, depending on the nature of the hedges, changes in the fair value of derivatives either will offset the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or will be recognized in other comprehensive income until the hedged items are recognized in earnings. The Company estimates that the transition adjustment to implement this new standard will be an adjustment of approximately \$3.9 million to other comprehensive income, a component of stockholders' equity. This transition adjustment, which related to hedges of interest rate, will be recognized as of January 1, 2001, as a cumulative effect of a change in accounting principle.

Staff Accounting Bulletin No. 101—"Revenue Recognition in Financial Statements", was introduced in 2000. This bulletin provides views on applying generally accepted accounting principles to selected revenue recognition issues. The views in this bulletin have not significantly affected the Company's revenue recognition policy.

***Reclassifications***

Certain reclassifications have been made to 1999 to conform to the 2000 presentation.

**2. ACQUISITIONS:**

On November 15, 2000, the Company completed the acquisition of WPEK-FM licensed to Seneca, South Carolina, for approximately \$7.5 million. The acquisition resulted in recording approximately \$7.5 million of intangible assets.

On September 25, 2000, the Company completed the acquisition of KJOI-AM (formerly KLUV-AM) licensed to Dallas, Texas, for approximately \$16.0 million. The acquisition resulted in recording approximately \$15.3 million of intangible assets.

On August 25, 2000, the Company completed the acquisition of twelve radio stations (KMJQ-FM and KBXX-FM licensed to Houston, Texas, WVCG-AM, licensed to Coral Gables, Florida, WZAK-FM, licensed to Cleveland, Ohio, WJMO-AM, licensed to Cleveland Heights, Ohio, KKBT-FM, licensed to Los Angeles, California, KBFB-FM, licensed to Dallas, Texas, WJMZ-FM, licensed to Anderson, South Carolina, WFXK-FM, licensed to Tarboro, North Carolina, WFXC-FM, licensed to Durham, North Carolina, WNNL-FM, licensed to Fuquay-Varina, North Carolina and WQOK-FM, licensed to South Boston, Virginia) from Clear Channel Communications, Inc. and AMFM, Inc. for approximately \$1.3 billion in cash. The acquisition resulted in the recording of approximately \$1.3 billion of intangible assets. In connection with this acquisition, the Company is obtaining an appraisal of all assets acquired. The Company has estimated the value of the assets acquired in this acquisition; however, this allocation is subject to modification when the appraisals are complete.

On June 8, 2000, the Company completed the acquisitions of WHHH-FM, licensed to Indianapolis, Indiana; WTLC-FM (formerly WBKS-FM), licensed to Greenwood, Indiana; WYJZ-FM, licensed to Lebanon, Indiana; and W53AV, a low-powered television station licensed to Indianapolis, Indiana, for approximately \$30.0 million in cash and 441,000 shares of Class A common stock valued at approximately \$10.0 million. The acquisitions resulted in the recording of approximately \$49.1 million of intangible assets, which includes the recording of a deferred tax liability of \$10.2 million for the difference in book and tax basis in the assets acquired from the purchase price being in excess of the net book value of the company.

On June 7, 2000, the Company completed the acquisition of Davis Broadcasting, Inc., which owns and operates radio stations WTHB-AM and WFXA-FM, licensed to Augusta, Georgia; WAEG-FM, licensed to

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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Evans, Georgia; WAKB-FM, licensed to Wrens, Georgia; WAEJ-FM, licensed to Waynesboro, Georgia; and WCCJ-FM, licensed to Harrisburg, North Carolina, for approximately \$20.7 million in cash, 57,000 shares of Class A common stock and 115,000 shares of Class D common stock valued at approximately \$3.5 million. The acquisition resulted in the recording of approximately \$23.9 million of intangible assets.

On February 28, 2000, the Company acquired WPLY-FM, located in the Philadelphia, Pennsylvania, area, for approximately \$80.0 million. The acquisition resulted in the recording of approximately \$78.7 million of intangible assets.

On October 1, 1999, the Company acquired the assets of WBOT-FM (formerly WCAV-FM), located in the Boston, Massachusetts, metropolitan area for approximately \$10.0 million. The acquisition of WBOT-FM resulted in the recording of approximately \$10.0 million of intangible assets.

On July 15, 1999, the Company acquired WDYL-FM in Richmond, Virginia, for approximately \$4.6 million. The acquisition resulted in the recording of approximately \$4.6 million of intangible assets.

On July 1, 1999, the Company acquired WKJS-FM and WARV-FM (formerly WSOJ-FM) in Richmond, Virginia, for approximately \$12.0 million, subject to certain purchase price adjustments. During 2000, the Company paid an additional \$4.0 million related to the purchase price adjustments. The acquisition resulted in the recording of approximately \$15.0 million of intangible assets.

On June 4, 1999, the Company acquired the assets of WFUN-FM in St. Louis, Missouri, for approximately \$13.6 million. The acquisition resulted in the recording of approximately \$13.2 million of intangible assets.

On May 6, 1999, the Company entered into an asset purchase agreement to acquire WCDX-FM, WJRV-FM, WPLZ-FM and WCGV-AM in Richmond, Virginia, for approximately \$34.0 million. Radio One made a deposit of approximately \$1,250,000 towards the purchase price that is included in other assets in the accompanying consolidated balance sheet as of December 31, 2000. The Company operates the three FM stations under a Time Brokerage Agreement (TBA) and paid approximately \$1.6 million and \$2.8 million in TBA fees for the years ended December 31, 1999 and 2000, respectively, that are included in interest expense in the accompanying consolidated statement of operations for the years ended December 31, 1999 and 2000.

On April 30, 1999, the Company acquired the assets of WENZ-FM and WERE-AM in Cleveland, Ohio, for approximately \$20.0 million. The acquisition resulted in the recording of approximately \$15.4 million of intangible assets.

On March 30, 1999, the Company acquired all of the outstanding stock of Radio One of Atlanta, Inc. (ROA), an affiliate of the Company and owner and operator of WHTA-FM in Atlanta, Georgia, for approximately 3,277,000 shares of the Company's common stock. At the time of the ROA acquisition, ROA owned approximately 33% of Dogwood Communications, Inc. (Dogwood), owner and operator of WAMJ-FM in Atlanta, Georgia. On March 30, 1999, ROA acquired the remaining approximate 67% of Dogwood for \$3.6 million. The acquisition was accounted for using purchase accounting, with the portion of the excess purchase price over the net book value of the assets acquired related to the non-controlling stockholders being stepped up and that portion of the excess purchase price being recorded as goodwill. The remaining net book value of the assets acquired was recorded at historical cost. The acquisitions resulted in the recording of approximately \$49.6 million of intangible assets.

On December 28, 1998, Radio One purchased all of the outstanding stock of Allur-Detroit, Inc. (Allur), which owned one radio station in Detroit, Michigan, for approximately \$26.5 million. The acquisition of Allur

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

resulted in the recording of approximately \$31.7 million of intangible assets, which includes the recording of a deferred tax liability of approximately \$6.1 million for the difference in book and tax basis in the assets acquired from the Allur purchase price being in excess of the net book value of Allur.

On June 30, 1998, Radio One purchased all of the outstanding stock of Bell Broadcasting Company (Bell), which owned three radio stations in Michigan, for approximately \$34.2 million. The acquisition of Bell resulted in the recording of approximately \$42.5 million of intangible assets, which includes the recording of a deferred tax liability of approximately \$9.4 million for the difference in book and tax basis in the assets acquired from the Bell purchase price being in excess of the net book value of Bell.

On March 16, 1998, WYCB Acquisition Corporation, a restricted subsidiary of Radio One, acquired all the stock of Broadcast Holdings, Inc., the owner of one radio station in Washington, D.C., for approximately \$3.8 million. The acquisition of WYCB resulted in the recording of approximately \$5.2 million of intangible assets, which includes the recording of a deferred tax liability of approximately \$1.4 million for the difference in book and tax basis in the assets acquired from the WYCB purchase price being in excess of the net book value of WYCB.

The unaudited pro forma summary consolidated results of operations for the years ended December 31, 1999 and 2000, assuming that all acquisitions previously discussed which were completed during the years ended December 31, 1999 or 2000, had occurred as of January 1, 1999, are as follows:

	<u>1999</u>	<u>2000</u>
Net broadcast revenue . . . . .	\$201,092,000	\$226,193,000
Operating expenses, excluding depreciation and amortization . . . . .	108,884,000	114,868,000
Depreciation and amortization . . . . .	116,670,000	122,925,000
Interest expense . . . . .	60,083,000	64,825,000
Other income, net . . . . .	148,000	642,000
(Benefit) provision for income taxes . . . . .	—	—
Net loss . . . . .	<u>\$ (84,397,000)</u>	<u>\$ (75,783,000)</u>
Net loss applicable to common stock . . . . .	<u>\$ (85,873,000)</u>	<u>\$ (85,019,000)</u>
Basic and diluted loss per common share . . . . .	<u>\$ (1.77)</u>	<u>\$ (1.01)</u>

**RADIO ONE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**December 31, 1998, 1999 and 2000**

**3. FIXED AND INTANGIBLE ASSETS:**

Property and equipment are recorded at cost and are being depreciated on a straight-line basis over various periods. The components of the Company's property and equipment as of December 31, 1999 and 2000, are as follows:

	<u>1999</u>	<u>2000</u>	<u>Period of Depreciation</u>
<b>PROPERTY AND EQUIPMENT:</b>			
Land and improvements . . . . .	\$ 2,838,000	\$ 3,745,000	—
Building and improvements . . . . .	434,000	1,089,000	31 years
Transmitter towers . . . . .	6,080,000	12,141,000	7 or 15 years
Equipment . . . . .	9,412,000	22,891,000	4 to 7 years
Leasehold improvements . . . . .	2,893,000	4,028,000	Life of Lease
Construction-in-progress . . . . .	839,000	1,385,000	
	<u>22,496,000</u>	<u>45,279,000</u>	
Less: Accumulated depreciation . . . . .	6,984,000	11,903,000	
Property and equipment, net . . . . .	<u>\$15,512,000</u>	<u>\$33,376,000</u>	

Depreciation expense for the fiscal years ended December 31, 1998, 1999 and 2000, was \$746,000, \$2,395,000 and \$4,919,000, respectively.

Intangible assets are being amortized on a straight-line basis over various periods. The intangible asset balances and periods of amortization as of December 31, 1999 and 2000, are as follows:

	<u>1999</u>	<u>2000</u>	<u>Period of Amortization</u>
FCC broadcast license . . . . .	\$172,642,000	\$1,612,920,000	7-15 Years
Goodwill . . . . .	75,875,000	97,300,000	15 Years
Debt financing . . . . .	3,755,000	9,913,000	Life of Debt
Favorable transmitter site and other intangibles . . . . .	1,924,000	9,118,000	6-17 Years
Noncompete agreement . . . . .	4,005,000	4,005,000	3 Years
Total . . . . .	<u>258,201,000</u>	<u>1,733,256,000</u>	
Less: Accumulated amortization . . . . .	39,741,000	96,076,000	
Net intangible assets . . . . .	<u>\$218,460,000</u>	<u>\$1,637,180,000</u>	

Amortization expense for the fiscal years ended December 31, 1998, 1999 and 2000, was \$7,243,000, \$14,678,000 and \$56,335,000, respectively. The amortization of deferred financing costs was charged to interest expense.

The Company continually monitors events and changes in circumstances which could indicate that carrying amounts of intangible assets may not be recoverable. When events or changes in circumstances are present that indicate the carrying amount of intangible assets may not be recoverable, the Company assesses the recoverability of intangible assets by determining whether the carrying value of such intangible assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

**4. DEBT AND SENIOR SUBORDINATED NOTES:**

As of December 31, 1999 and 2000, the Company's outstanding debt is as follows:

	<b>1999</b>	<b>2000</b>
Senior subordinated notes (net of \$2,951,000 and \$1,110,000 unamortized discounts, respectively) . . . . .	\$82,526,000	\$ 84,368,000
Bank credit facility . . . . .	—	562,500,000
Other notes payable . . . . .	69,000	1,000
Capital lease obligations . . . . .	31,000	87,000
Total, noncurrent . . . . .	\$82,626,000	\$646,956,000

***Senior Subordinated Notes***

To finance an acquisition and to refinance certain other debt, Radio One issued approximately \$85.5 million of 12% Senior Subordinated Notes due 2004. The notes were sold at a discount, with the net proceeds to Radio One of approximately \$72.8 million. The notes pay cash interest at 7% per annum through May 15, 2000, and at 12% thereafter, with the difference between the 7% cash interest and the 12% interest being accrued through May 15, 2000, and added to the principal balance. The principal balance is not due until maturity. In connection with this debt offering, Radio One retired approximately \$45.6 million of debt outstanding under a bank credit agreement with the proceeds from the offering.

The 12% notes due 2004 are redeemable at any time and from time to time at the option of the Company, in whole or in part, on or after May 15, 2001 at the redemption prices set forth in the 12% notes due 2004, plus accrued and unpaid interest to the date of redemption. Upon a Change of Control (as defined in the indenture), the Company must commence an offer to repurchase the 12% notes due 2004 at 101% of the Accreted Value thereof, plus accrued and unpaid interest, if any, to the date of repurchase.

***Bank Credit Facility***

The Amended and Restated Credit Agreement dated July 17, 2000, provides for a new facility under which the Company can borrow up to \$750.0 million from a group of banking institutions. The new bank credit facility contains covenants limiting the Company's ability to incur additional debt and additional liens, make dividend and other payments with respect to the Company's equity securities, make new investments and sell assets. This new facility also requires compliance with financial tests based on financial position and results of operations, including a leverage ratio, an interest coverage ratio and a fixed charge coverage ratio, all of which could effectively limit the Company's ability to borrow or otherwise raise funds in the credit and capital markets.

The bank credit facility consists of Term A Loans in an amount up to \$350.0 million, Term B Loans in an amount up to \$150.0 million and the revolving credit loans in an amount up to \$250.0 million, that may be borrowed on a revolving basis. The Company has borrowed the full amount of the Term A and B Loans and \$62.5 million of the revolving credit loan. The interest rate on the credit facility is LIBOR plus a spread based on the Company's leverage ratio, as defined in the credit agreement. The credit facility requires quarterly interest payments. As of December 31, 2000, \$187.5 million remained available (based on various covenant restrictions) to be drawn down from the Company's \$750.0 million bank credit facility.

The Company's bank credit facility and the agreements governing the other outstanding debt contain covenants that restrict, among other things, the ability of the Company to incur additional debt, pay cash

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

dividends, purchase capital stock, make capital expenditures, make investment or other restricted payments, swap or sell assets, engage in transactions with related parties, secure non-senior debt with assets, or merge, consolidate or sell all or substantially all of its assets. Certain assets have been pledged as collateral for outstanding debt.

Future minimum payments as of December 31, 2000, are as follows:

	<u>Senior Subordinated Notes</u>	<u>Bank Credit Facility</u>
2001 .....	\$ —	\$ —
2002 .....	—	—
2003 .....	—	52,500,000
2004 .....	84,368,000	52,500,000
2005 .....	—	70,000,000
2006 and thereafter .....	—	387,500,000
	<u>\$84,368,000</u>	<u>\$562,500,000</u>

***Capital Lease Obligations***

The Company has capital leases in excess of one year terms for office equipment. The terms of these leases require maximum monthly principal and interest payments of \$6,500 through July 2003. The imputed interest on these leases range from 7.9% to 16.0%.

***Senior Cumulative Redeemable Preferred Stock***

On May 19, 1997, concurrent with the senior subordinated debt issuance, all of the holders of Radio One Subordinated Promissory Notes converted all of their existing subordinated notes consisting of approximately \$17.0 million, together with all accrued interest thereon of approximately \$3.9 million and outstanding warrants, for shares of Senior Cumulative Redeemable Preferred Stock, which had to be redeemed by May 2005 and stock warrants to purchase approximately 15,000,000 shares of common stock. The Senior Cumulative Redeemable Preferred Stock could be redeemed at 100% of its liquidation value, which is the principal and accreted dividends. The dividends on each share accrued on a daily basis at a rate of 15% per annum. Preferred stock dividends of approximately \$3.7 million and \$1.5 million were accrued during the years ended December 31, 1998 and 1999, respectively. In May 1999, the Company redeemed the outstanding preferred stock and accreted dividends with the proceeds from the IPO.

**5. COMMITMENTS AND CONTINGENCIES:**

***Operating Leases***

Radio One has various operating leases for office space, studio space, broadcast towers and transmitter facilities which expire on various dates through December 31, 2011. One of these leases is for office and studio space in Baltimore, Maryland, and is with a partnership in which two of the partners are stockholders of the Company (see Note 8).

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

The following is a schedule of the future minimum rental payments required under the operating leases that have an initial or remaining noncancelable lease term in excess of one year as of December 31, 2000.

<u>For the Year</u> <u>Ending December 31,</u>	<u>Total</u>
2001 . . . . .	\$4,082,000
2002 . . . . .	3,559,000
2003 . . . . .	3,032,000
2004 . . . . .	2,360,000
2005 . . . . .	2,237,000
2006 and thereafter . . . . .	11,006,000

Total rent expense for the years ended December 31, 1998, 1999 and 2000, was \$888,000, \$1,492,000 and \$3,776,000, respectively.

***FCC Broadcast Licenses***

Each of the Company's radio stations operates pursuant to one or more licenses issued by the Federal Communications Commission (FCC) that have a maximum term of eight years prior to renewal. The Company's radio operating licenses expire at various times from October 1, 2003, to August 1, 2006. Although the Company may apply to renew its FCC licenses, third parties may challenge the Company's renewal applications. The Company is not aware of any facts or circumstances that would prevent the Company from having its current licenses renewed.

***Contingencies***

The Company has been named as a defendant in several legal actions occurring in the ordinary course of business. It is management's opinion, after consultation with its legal counsel, that the outcome of these claims will not have a material adverse effect on the Company's financial position or results of operations.

**6. STOCKHOLDERS' EQUITY:**

***Stock Options Plans***

During 1999, the Company adopted stock option plans under which employees and nonemployee directors could be granted options to purchase shares of Company common stock at the fair market value at the time of grant. Options generally vest over a period of three to four years and expire 10 years from the date of grant.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

Summarized information relative to the Company's stock option plans is as follows:

	Fiscal Year Ended December 31,			
	2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance, beginning of period . . . . .	621,000	\$ 7.99	—	\$ —
Granted . . . . .	808,000	11.82	621,000	7.99
Canceled . . . . .	43,000	10.51	—	—
Exercised . . . . .	118,000	16.48	—	—
Balance, end of period . . . . .	<u>1,268,000</u>	<u>\$10.56</u>	<u>621,000</u>	<u>\$7.99</u>
Exercisable, end of period . . . . .	<u>169,013</u>	<u>\$ 7.99</u>	<u>65,509</u>	<u>\$7.99</u>

As of December 31, 2000, 2,838,886 shares were available for future grants under the terms of these plans.

**Stock Options Outstanding**

Summarized information relative to the Company's stock options outstanding as of December 31, 2000 is as follows:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
\$ 7.50—\$ 7.78	753,000	9.47	\$ 7.58	56,842	\$7.78
\$ 8.11—\$12.19	312,000	8.45	8.37	112,171	8.11
\$22.51—\$26.53	203,000	9.16	25.03	—	—
	<u>1,268,000</u>		<u>\$10.56</u>	<u>169,013</u>	<u>\$7.99</u>

**Stock-Based Compensation**

The Company accounts for its stock-based compensation plans as permitted by FASB Statement No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123) which allows the Company to follow Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees" and recognize no compensation cost for options granted at fair market prices. The Company has computed, for pro forma disclosure purposes, the value of all compensatory options granted during 1999 and 2000, using the Black-Scholes option pricing model. The following assumptions were used for grants:

	1999	2000
Average risk-free interest rate . . . . .	4.65%	5.85%
Expected dividend yield . . . . .	0.00%	0.00%
Expected lives . . . . .	3 years	3 years
Expected volatility . . . . .	59%	42%



**RADIO ONE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**December 31, 1998, 1999 and 2000**

Options were assumed to be exercised upon vesting for the purpose of this valuation. Adjustments were also made for options assumed forfeited prior to vesting. Had compensation costs for compensatory options been determined consistent with SFAS No. 123, the Company's pro forma net income and earnings per share information reflected on the accompanying consolidated statements of operations would have been reduced to the following "as adjusted" amounts:

	For the Year Ended December 31,	
	1999	2000
Net (loss) income:		
As reported . . . . .	\$ 133,000	\$(4,251,000)
As adjusted . . . . .	(153,000)	(5,406,000)
Basic earnings and diluted loss per share, applicable to common stockholders:		
As reported . . . . .	\$ (0.08)	\$ (0.16)
As adjusted . . . . .	(0.10)	(0.17)

The Company's stock did not trade prior to May 1999.

Weighted average fair value of options granted for the year ended December 31, 1999 and 2000, was \$3.46 and \$4.13, respectively. This fair value was calculated using the Black-Scholes option pricing model.

**7. INCOME TAXES:**

Deferred income taxes reflect the impact of temporary differences between the assets and liabilities recognized for financial reporting purposes and amounts recognized for tax purposes. Deferred taxes are based on tax laws as currently enacted.

During both 2000 and 1999, the Company acquired the stock of one company, and during 1998, the Company acquired the stock of three companies. Associated with these stock purchases, the Company allocated the purchase price to the related assets acquired, with the excess purchase price allocated to goodwill. Usually, in a stock purchase, for income tax purposes, the underlying assets of the acquired companies retain their historical tax basis. Accordingly, the Company recorded a deferred tax liability of approximately \$11,415,000, \$10,222,000 and \$16,863,000 in 2000, 1999 and 1998, respectively, related to the difference between the book and tax basis for all of the assets acquired (excluding nondeductible goodwill).

A reconciliation of the statutory federal income taxes to the recorded income tax (benefit) provision for the years ended December 31, 1998, 1999 and 2000 is as follows:

	1998	1999	2000
Statutory tax (@ 35% rate) . . . . .	\$ (257,000)	\$1,001,000	\$(1,206,000)
Effect of state taxes, net of federal . . . . .	(29,000)	114,000	(137,000)
Nondeductible goodwill . . . . .	769,000	1,613,000	2,147,000
Valuation reserve . . . . .	(2,058,000)	—	—
(Benefit) provision for income taxes . . . . .	\$(1,575,000)	\$2,728,000	\$ 804,000

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

The components of the (benefit) provision for income taxes for the years ended December 31, 1998, 1999 and 2000, are as follows:

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Federal:			
Current .....	\$ 414,000	\$3,374,000	\$ 1,195,000
Deferred .....	18,000	(933,000)	(1,066,000)
	<u>432,000</u>	<u>2,441,000</u>	<u>129,000</u>
State:			
Current .....	49,000	397,000	825,000
Deferred .....	2,000	(110,000)	(150,000)
	<u>51,000</u>	<u>287,000</u>	<u>675,000</u>
Valuation reserve .....	<u>(2,058,000)</u>	<u>—</u>	<u>—</u>
(Benefit) provision for income taxes .....	<u><u>\$(1,575,000)</u></u>	<u><u>\$2,728,000</u></u>	<u><u>\$ 804,000</u></u>

Deferred income taxes reflect the net tax effect of temporary differences between the financial statement and tax basis of assets and liabilities. The significant components of the Company's deferred tax assets and liabilities as of December 31, 1999 and 2000, are as follows:

	<u>1999</u>	<u>2000</u>
Deferred tax assets—		
Reserve for bad debts .....	\$ 665,000	\$ 1,725,000
Accruals .....	51,000	213,000
Barter activity .....	85,000	85,000
Deferred revenue .....	35,000	35,000
Other .....	148,000	129,000
Total current tax assets .....	<u>984,000</u>	<u>2,187,000</u>
Interest expense .....	628,000	963,000
FCC and other intangibles amortization .....	1,069,000	726,000
NOL carryforward .....	705,000	1,598,000
Debt costs .....	338,000	307,000
Other .....	—	155,000
Total deferred tax assets .....	<u>3,724,000</u>	<u>5,936,000</u>
Deferred tax liabilities—		
FCC license .....	(16,638,000)	(27,721,000)
Depreciation .....	(536,000)	(667,000)
Other .....	(84,000)	(48,000)
Total deferred tax liabilities .....	<u>(17,258,000)</u>	<u>(28,436,000)</u>
Net deferred taxes included in the accompanying consolidated balance sheets ..	<u><u>\$(13,534,000)</u></u>	<u><u>\$ (22,500,000)</u></u>

During 1998, the Company utilized its entire NOL carryforward, but acquired an approximate \$1,200,000 net operating loss from the purchase of Allur-Detroit, Inc. In addition, the Company acquired an approximate \$4,000,000 net operating loss related to the purchase of Davis Broadcasting, Inc. As of December 31, 2000, the Company had an NOL carryforward of approximately \$4,200,000, which is recorded as a deferred tax asset.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

**8. RELATED PARTY TRANSACTIONS:**

Radio One leased office space for \$8,000, \$13,000 and \$18,000 per month in 1998, 1999 and 2000, respectively, from a partnership in which two of the partners are officers of Radio One (see Note 5). Total rent paid to the stockholders for fiscal years 1998, 1999 and 2000, was approximately \$96,000, \$161,000 and \$216,000, respectively.

The Company has a loan outstanding of \$380,000, and accrued interest of \$31,000 and \$56,000, as of December 31, 1999 and 2000, respectively, from an officer. The loan is due in May 2003 and bears interest at 5.6%.

The Company has a loan outstanding of approximately \$262,000, and accrued interest of \$12,000 and \$27,000, as of December 31, 1999 and 2000, respectively, from another officer. The loan is due in May 2004 and bears interest at 5.6%.

The Company has a loan outstanding of approximately \$88,000, and accrued interest of \$2,000 and \$8,000, as of December 31, 1999 and 2000, respectively, from another officer. The loan is due in May 2004 and bears interest at 5.6%.

The Company has a loan outstanding of approximately \$100,000, and accrued interest of \$6,000, as of December 31, 2000, from another officer. The loan is due in May 2004 and bears interest at 5.7%.

Two officers of the Company purchased 1 million and 250,000 shares, respectively, of the Company's common Stock. The stock was purchased with the proceeds of a full recourse loan from the Company of \$7,000,000 and \$2,005,000, respectively, with accrued interest as of December 31, 2000, of \$83,000 and \$25,000, respectively. The loans are due in 2004 and 2005, respectively, and bear interest at 5.8% and 5.9%, respectively.

As of December 31, 1999 and 2000, the Company has a receivable of approximately \$260,000 and \$412,000, respectively, from a company in which one of the shareholders is an officer of Radio One.

During 1999, the stockholders of Radio One of Atlanta, Inc. sold Radio One of Atlanta, Inc. to the Company in exchange for shares of the Company's common stock. Effective January 1, 2000, Radio One charged ROA a management fee of \$600,000 per year, and prior to January 1, 2000, the fee was \$300,000 per year.

**9. PROFIT SHARING:**

Radio One has a 401(k) profit sharing plan for its employees. Radio One can contribute to the plan at the discretion of its Board of Directors. Radio One made no contribution to the plan during fiscal year 1998, 1999 or 2000.

**10. SUBSEQUENT EVENTS:**

In February 2001, the Company acquired KTXQ-FM (formerly KDGE-FM), licensed to Gainsville, Texas, for approximately \$52.5 million.

In February 2001, the Company completed the sale of WDYL-FM in Richmond, Virginia, and two radio stations, WJMZ-FM and WPEK-FM, in Seneca, South Carolina for approximately \$52.5 million and WARV-FM in Richmond, Virginia for approximately \$1.0 million.

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**December 31, 1998, 1999 and 2000**

In February 2001, the Company entered into agreements to acquire and/or operate 16 radio stations in 5 markets for approximately \$190.0 million in cash, stock and the assumption of outstanding debt. The Company expects to finance these acquisitions with common stock of the Company and cash drawn from its bank credit facility.

In February 2001, the Company acquired Nash Communications, which owned WILD-AM, licensed to Boston, Massachusetts, for approximately \$5.0 million in cash and stock.

In February 2001, the Company entered into an agreement to sell the assets of WJZZ-AM, licensed to Kingsley, Michigan, for approximately \$225,000.

In January 2001, the Company entered into an agreement to sell KJOI-AM (formerly KLUV-AM), licensed to Dallas, Texas, for approximately \$16.0 million.

In January 2001, the Company entered into an agreement to acquire WTLC-AM, licensed to Indianapolis, Indiana, for approximately \$1.1 million in cash. During 2001, the Company started operating WTLC-AM under a time brokerage agreement.

In February 2001, the Company acquired the intellectual property of WTLC-FM, licensed to Indianapolis, Indiana, for approximately \$7.4 million in cash.

**RADIO ONE, INC AND SUBSIDIARIES**

**INDEX TO SCHEDULES**

Report of Independent Public Accountants . . . . .	S-2
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## **Report of Independent Public Accountants**

To the Board of Directors and  
Stockholders of Radio One, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets and statements of operations, changes in stockholders' equity and cash flows of Radio One, Inc. and subsidiaries (the Company) included in this Form 10-K and have issued our report thereon dated February 7, 2001. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the accompanying index is the responsibility of the Company's management and is presented for purposes of complying with the Securities Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Baltimore, Maryland  
February 7, 2001

**RADIO ONE, INC. AND SUBSIDIARIES**  
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 1998, 1999, and 2000**  
**(In Thousands)**

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Expense</u>	<u>Acquired from Acquisitions</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
Allowance for Doubtful Accounts:					
1998 .....	\$ 904	\$1,942	\$ 258	\$1,861	\$1,243
1999 .....	1,243	2,824	481	2,119	2,429
2000 .....	2,429	3,392	1,539	1,854	5,506
Tax Valuation Reserve:					
1998 .....	2,058	—	—	2,058	—
1999 .....	—	—	—	—	—
2000 .....	—	—	—	—	—

# C O R P O R A T E   D I R E C T O R Y

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As of April 15, 2001

## Officers & Management

**Catherine L. Hughes**  
Chairperson of the Board  
and Secretary

**Alfred C. Liggins, III**  
Chief Executive Officer, President  
and Treasurer

**Scott R. Royster**  
Executive Vice President  
and Chief Financial Officer

**Mary Catherine Sneed**  
Chief Operating Officer

**Linda J. Eckard Vilardo**  
Vice President, Assistant Secretary  
and General Counsel

## Office Locations

**Corporate Headquarters**  
5900 Princess Garden Parkway  
7th Floor  
Lanham, Maryland 20706

## Market Locations

Atlanta, GA  
Augusta, GA  
Baltimore, MD  
Boston, MA  
Charlotte, NC  
Cincinnati, OH  
Cleveland, OH  
Columbus, OH  
Dallas, TX  
Dayton, OH  
Detroit, MI  
Houston, TX  
Indianapolis, IN  
Los Angeles, CA  
Louisville, KY  
Miami, FL  
Minneapolis, MN  
Philadelphia, PA  
Raleigh, NC  
Richmond, VA  
St. Louis, MO  
Washington, DC

## Directors

**Catherine L. Hughes**  
Chairperson of the Board  
and Secretary  
Radio One, Inc.

**Alfred C. Liggins, III**  
Chief Executive Officer, President  
and Treasurer  
Radio One, Inc.

**Terry L. Jones**  
President  
Syndicated Communications, Inc.

**Brian R. McNeill**  
General Partner  
Burr, Egan, Deleage & Co.

**Larry D. Marcus**  
President  
Peak Media, L.L.C.

## Form 10-K

The Company's Annual Report to the Securities and Exchange Commission on Form 10-K will be furnished to shareholders upon written request to:

Investor Relations  
Radio One, Inc.  
5900 Princess Garden Parkway  
7th Floor  
Lanham, Maryland 20706

Further information on the Company's activities, additional copies of this report, the Form 10-K, or other financial information may be obtained by submitting a request via e-mail to:  
[invest@radio-one.com](mailto:invest@radio-one.com)

## Shareholder Information

**Independent Auditors**  
Arthur Andersen, LLP  
Baltimore, Maryland

**Stock Transfer Agent**  
American Stock Transfer  
and Trust Company  
59 Maiden Lane  
Plaza Level  
New York, NY 10038  
877-777-0800

**Corporate Counsel**  
Kirkland & Ellis  
Washington, DC

**Stock Listing**  
The Company's common stock is traded on the Nasdaq National Market under the symbols:  
ROIAK and ROIA



# **RADIO** **ONE**

**THE URBAN RADIO SPECIALIST**

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**5900 PRINCESS GARDEN PARKWAY, 7TH FLOOR**

**LANHAM, MD 20706**

**301-306-1111**

**[radio-one.com](http://radio-one.com)**