



EXECUTIVE SESSION WITH LENARD LIBERMAN

Now's the Time for Next Hispanic Network

TVNewsday

March 17, 2009



This would not seem the most opportune time to launch a new broadcast TV network, what with advertising revenue in a tailspin.

Yet, Liberman Broadcasting is determined to give it a try.

The Los Angeles-based broadcast company, best known for its 21 major-market Hispanic radio stations, plans on launching a Spanish-language TV network this summer with the original programming that it has developed over the past 11 years for its own short string of TV stations.

Estrella TV will offer 55 hours of original programming each week — musical variety, drama, comedy and talk — supplemented by the best of what it claims is an evergreen library of 6,000 additional hours.

The network is being built on a solid foundation of owned-and-operated stations in Los Angeles (KRCA), Houston (KZJL), Dallas (KMPX), Phoenix (KVPA), Salt Lake City (KPNZ) and San Diego (KSDX-LP). Liberman also has a deal to acquire a low-power station in New York, WASA, from Venture Technologies for \$6 million.

Liberman is now actively seeking TV stations that will add Estrella TV on a digital subchannel or perhaps even the main channel. The goal is nothing less than coverage of all Hispanic homes in the United States.

In this interview with TVNewsday Editor Harry A. Jessell, Liberman Broadcasting Executive Vice President Lenard Liberman explains why he is undaunted by the unforgiving economy and reveals some of the strategy behind Estrella TV.

Why now? This would seem a bad time to expand any kind of broadcast operation.

We raised our money two years ago before the credit crisis, before the economy turned, to buy stations. We always had the intention to take our platform national.

We've also been encouraged by the success of the programming. We've been getting — on a regular basis — a 2.2 rating in the 25-54 demo in Los Angeles [KRCA], in primetime, which is impressive.

It made us realize that we have something of great value to give to people at a time when people need content. There's \$1.5 billion of network revenue that Univision and Telemundo compete for and we don't compete for that at all. We have no access to it.

Really, in these times, you need additional pools of revenue to sustain yourself. So, if our underlying business is being attacked by the economy, getting access to network revenue on any basis is positive.

Has the economy affected Spanish-language broadcasting to a lesser or greater extent than broadcasting in general?

I don't have perfect information about that, but I think it's better. I'm hearing that the Spanish business is down in the 20s and the TV business or the general market business is down in the 30s and 40s.

Why do you think that is?

Spanish has been a growing business. It was growing faster during the good years. So, it's logical that it would decline less dramatically in the bad years.

Given the presence of Univision, Telefutera, Telemundo, LATV, Mexicana, all of these, what makes you think we need another Spanish-language network?

It starts with Nielsen ratings. Ultimately that's the judge of the success of a station from the viewer level and, if you have success at the viewer level, advertisers are going to want to advertise. So it's pretty simple. I don't even address LATV and Mexicana because they have no ratings in any market that they're in.

Well, they're brand new.

Yeah, whatever. We beat them in all of our markets and they're very competitive markets. I'm not the one saying that there is a demand for our network. The consumer is. Every market we're in we're the No. 2-rated station and the No. 2 biller, I believe. Our product is highly rated, very interesting and visual and advertiser friendly.

In your press kit, you say that you "counterprogram" the other Hispanic networks. How so?

Our main competitors, Univision and secondarily Telemundo, air novellas in primetime, soap operas. We don't air any novellas. In fact, Univision airs novellas most of the day. So we provide an alternative — musical variety and comedy, scripted drama, comedy sketch shows. So it's just different from a novella in every way.

New York is the second largest Hispanic market. Is the low-power station you're buying there going to be sufficient?

It has amazing coverage on paper. Of course, you never know until you put the station on the air. So we believe it will. We've been looking at that market now for a good long time, at least two years, and passed on at least eight or 10 stations.

I assume you're getting cable carriage in New York.

We haven't spoken to the cable companies yet, but certainly we will and we've been very successful, given our ratings history, in convincing the cable companies to air our programming. We're on cable in San Diego with a low power and Cox is a very good operator that doesn't give up cable channels easily.

When I look at the top 10 Hispanic markets, I see the big holes in your affiliate lineup: Miami, Chicago, San Francisco, Brownsville [Tex.] and San Antonio. What are you doing about those markets?

We have an agreement signed with CCA for Brownsville as well as El Paso, Waco and Tyler. We have contracts out in San Francisco, Chicago, Miami and San Antonio. We're very close in all of those markets to signing. It's just a matter of a few weeks at most.

Do you want to take this opportunity to announce whom you are working with in those markets?

No. I wish I could. We're on fourth and fifth rounds of contracts. I mean anything can happen. I don't want to be overly optimistic, but we're eliminating issues and points and we're down to the fine points. I think we're pretty good to go.

Why affiliates? You said earlier you raised money to buy stations. Why not do that? There are a lot of stations on the market and they are cheaper than ever.

That's a very good question.

You could buy KRON in San Francisco.

We could. The problem is that what they would want as a price is nowhere near what the station is worth. Every time I set a price in my own mind for a station, it seems like a week later it's worth half that.

So the problem is, I don't think we've hit bottom on station prices. I'm the kind of person who likes a good deal and I don't think the good deals are there yet.

You claim to have \$200 million dollars available if you did want to buy.

We have a revolving line of credit and we have the ability to tack on to our existing bank bill.

We have no expectations of spending large amounts of it. Well, we are in negotiations with one station, which I feel is a very good deal. Towards the latter part of this year, you could see us get much more active. Time is on our side and there's no reason to rush.

Do you think that Estrella TV could displace a weaker English-language network, CW or MNT?

That's certainly been brought up — not by us, but by folks who are affiliates of theirs.

Are you strictly a broadcast network or would you go with cable in some markets?

Our preference is traditional over-the-air television with cable and satellite carriage, but there may be markets that are particularly small from a Hispanic density perspective where it may make sense for a cable channel to carry it. That may come a long way down the road because we're sort of focused on the top 30 or 40 markets to begin with.

Do you offer local news at any of your stations?

We do local news in Los Angeles, an hour and a half a day. It's actually very highly rated. We don't do it in our other markets.

Is that in the cards?

Potentially. We don't do it in Houston and Dallas now because the economics are very expensive and we don't feel our advertisers demand it. But certainly it's great programming and there's value to it. It's just that in today's economy, you have to be mindful of your expenses.