

METRO BROADCASTING COMPANY, INC.

GUAYNABO, PUERTO RICO

BUDGET 1976-1977

TO : THE BOARD OF DIRECTORS OF
METRO BROADCASTING COMPANY, INC.

The budget for the year 1976-77 presented herewith responds to the best estimates that the General Manager, Mr. David Gleason, expect for this forthcoming year.

On the following pages an overall summary of what is happening at the station is submitted.

MILTON TOPPEL
Vice-President

GENERAL COMMENTS

The station was closed for remodelation for about 10 months.

Management spent around \$263,000. Practically, all the old equipment was disposed off and replaced by new and more modern equipment.

On October 31, 1975, the AM Station went on the air and, as of this report, the same is operating under favorable condition. In-house surveys indicate that the acceptance of the station is beyond expectancy.

The FM Station went on the air on January 10, 1976 and so far the respond of the public is very complementary.

Mr. Gleason is expecting to have the results of the survey conducted on February by the end of April. This report is very significant, since it is an important indicator of our ranking in the radio industry in Puerto Rico.

Attached please find a memorandum addressed by Mr. David Gleason to Messrs. Milton Toppel, George Chirtea and Harold Toppel reporting the results of studies made at the station.

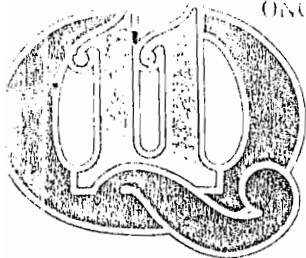
If the official survey confirms the in-house surveys, some budget revision will be necessary, in that to operate with the billing level anticipated for the second position, additional expenditures will be required in the area of sales, sales promotion, promotions and overhead.

The expenditures will be more than offset by the higher advertising rates we will be able to charge.

METRO BROADCASTING COMPANY, INC.

BUDGET SUMMARY
1976-1977

	<u>1ST QTR</u>	<u>2ND QTR</u>	<u>3RD QTR</u>	<u>4TH QTR</u>	<u>Y/D</u>
SALES	\$ 92,900	\$112,900	\$127,900	\$157,900	\$491,600
DISCOUNTS	9,500	13,200	16,500	21,200	60,400
NET SALES	83,400	99,700	111,400	136,700	431,200
OPERATING EXPENSES	129,700	130,700	130,400	122,800	513,600
OPERATING LOSS	(46,300)	(31,000)	(19,000)	(13,900)	(82,400)
OTHER EXPENSES (INCOME)	200	200	200	200	800
NET LOSS	(46,100)	(30,800)	(18,800)	(14,100)	(81,600)



M E M O R A N D U M

TO : Milton Toppel, George Chirtea & Harold Toppel
 FROM : David Gleason ~~DS~~
 SUBJECT: Survey, Rate Increase & FM Billing
 DATE : February 24, 1976

Between 2-11 and 2-20 we conducted a telephone survey between 8:00 AM and 5:00 PM. A total of 1,400 numbers were selected from the telephone directory and called.

Of those called where an answer was received, we asked the respondent to identify the station being listened to, if any. The results were:

11-Q.....	32%
WKAQ.....	15%
WUNO.....	13%
WKVM.....	10%
RADIO ROCK.....	10%
WLUZ.....	7%
WQBS.....	6%
WVOZ.....	1%
WRSJ.....	1%
WSRA.....	1%
OTHERS.....	4%

Obviously, the lower-income appeal stations (WKAQ and WKVM) must be weighted for lack of phone penetration in this class.

The FM is consistently near sold out levels Monday thru Friday, and we have decided to issue rate card #2, effective 3-1-76. The average rate increase is 37%. This increases the potential revenue base of the station from \$11,000 to \$15,000 monthly.

The FM, in non-Pueblo business, is running about 400% ahead of projections while AM is about 100% ahead for February as shown on the attached sheet.

February has been a very slow month in all advertising, with many major budgets being postponed for March and April. My experience at WUNO showed that in any event January and February together accounted for about 7% of annual billing.

The "Pulse" survey will be finished March 6, and the results known in late April, at that time we will determine the need to increase AM advertising rates.

Additional survey data:

450 Automobile listeners.

7:00 AM to 10:00 AM

WKAQ.....	18%
11-Q.....	14.4%
WAPA.....	9.7%
WLUZ.....	7.7%
WKVM.....	7.5%
WBMJ.....	6.6%
WUNO.....	6.6%

661 Automobile listeners.

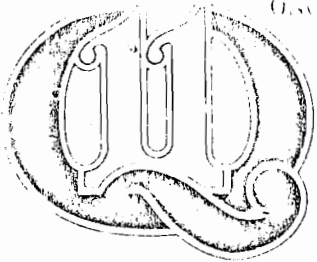
2:00 PM to 6:00 PM

WKAQ.....	22.1%
11-Q.....	21.0%
WBMJ.....	8.8%
WLUZ.....	8.3%
WKVM.....	6.3%
WUNO.....	6.0%
WQBS.....	5.3%

PROYECTED FIRST YEAR REVENUE
 BY MONTH 2-1-76 - 1-31-77
 (Exclusive of intercompany)

	<u>AM</u>		<u>FM</u>	
	PROJECTED (in thousands)	ACTUAL	PROJECTED (in thousands)	ACTUAL
1	5	10,299	1	4,177
2	8	10,040*	1	4,554*
3	12		2	
4	15		2	
5	18		2	
6	22		3	
7	24		3	
8	31		4	
9	42		5	
10	45		5	
11	33		6	
12	<u>35</u>		<u>6</u>	
TOTAL	190		40	

*Reflects contracts already booked.



METRO BROADCASTING CO., INC.
OVERVIEW OF 1976-77 FISCAL YEAR

Broadcasting in a competitive market is a two-phase marketing situation. First, sufficient audience must be generated among the public, and then the advertising services must be merchandised to agencies and local advertisers.

The operating philosophy being used at Metro is to produce the best possible programming on both AM & FM. The ratings anticipated for this effort will make selling a relatively simple procedure.

Naturally, all projections made before going on the air or prior to receiving an official rating are most tentative. If the AM station places in the Top 4 Stations, it is likely that earlier projections will be exceeded. If AM places #2 or #3, a new rate card will be issued, and the amount by which projections will be exceeded is difficult to predict.

Radio is a seasonal business, with January and February being quite slow. June and July are also slow months in San Juan. Therefore, projections have been based on both estimates of our sales progress and the advertising environment for the month in question.

The competitive situation in San Juan has not changed significantly since the AM went on the air. Our internal surveys (over 4,000 automobile interviews and 1,400 telephone interviews) show the AM station to be in second place, close behind long-time leadew WKAQ. The reliability of our survey is not guaranteed, but serves as an indicator only. The FM shows as the Top station on that band.

There is considerable difficulty in making accurate projections of expenses, as historical data for the old WJIT is not relevant. Further, the figures for our 4th. Quarter, in which the FM did not operate, are not entirely relevant. This is discussed in the operating results section of this report.

INITIAL OPERATION

The AM station was fortunate in having obtained a top staff of announcers, and a competent Sales Manager, despite being a new operation with the reputation of WJIT attached to it.

Little luck was had in getting local salesmen, as those with qualifications did not wish to work for a new station. An unsuccessful effort was made to train two individuals with lesser experience. It was not until this week that a good salesman was found and hired.

Another favorable indicator is a survey made by Caribbean Advertising, which is intended for internal agency use. However, we were informed that the AM is #1 in women and "very high" in men. The survey was conducted in Mid November, just two (2) weeks after operations started, and before promotions began.

The official Pulse rating for February will not be issued until early May. The operations from sign/on to April reflect selling without any rating.

The FM, which started in January, is in a different situation as the lower rates and limited commercial load make it easier to sell.

FUTURE OPERATIONS

AM rates (and revenue) are ratings dependant. If a #4 position is attained, we will add 2% to the rate card. #2 or #3 could produce a 30% increase. In either case, this increases the revenue capacity from about \$50,000 to the \$60,000 to \$75,000 range per month.

FM rates were raised March 1st., by an average of 37%. This increases billing potential to \$15,000 a month. Current level of billing is around \$12,000. Due to long term contracts at the original rates, it will be difficult for some time to reach full potential. An additional rate increase is planned for August, depending on ratings.

It is still "unofficially" hoped that a break even year can be reported, based on our expectations for the ratings and the initial success of the FM. We also hope that Pueblo intercompany advertising can be scaled down to a reasonable level.

By way of comparison, during 1975 the estimated average monthly revenues of the top stations (AM only) were WKAQ \$90,000, WUNO \$75,000 and WKVM \$70,000.

Expenses which are subject to change are salaries to the announcers and certain key staff member, which would be adjusted if high ratings are obtained.

We stand to economize significantly in the last quarter of the year if we obtain FCC approval for remote operation. In this case, the seven (7) persons at the transmitter would be released. After finally discovering the cause of transmitter antenna instability, it now appears that excellent stability has been obtained and the necessary steps toward remote control are being taken. Refer to Table III, Head count.

A further possibility which would represent certain expenditures would occur if we reach a strong #2 ratings position and determine that we can take #1. In this event, a market study and additional promotion might be required, based on the additional revenue that the top position would produce.