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Council Tree network share to grow Longmont firm plans to buy stake in Spanish-TV Telemundo

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Caption: PHOTO: The Denver Post /Hyoung Chang Steve Hillard, president and founder of Council Tree Communications, says he's lined up a financing deal that would give his company controlling voting interest in Telemundo, a competitive Spanish-language TV network.

A small, Longmont telecommunications company that in April launched KMAS, a Denver Spanish-language television station, has venture-capital commitments for a \$181 million investment in Telemundo - the No. 2 Spanish-language TV network in the United States. Steve Hillard, president and founder of Council Tree Communications, said the acquisition, which would give Council Tree a controlling voting interest in Telemundo, would close after approval from the Federal Communications Commission. That could occur in four or five months.

Papers disclosing the intended purchase were filed with the FCC last week.

KMAS, which was formerly KSBS and a Telemundo affiliate, will be folded into Telemundo, giving the Florida company its first full-power broadcast outlet in Colorado.

It already owns a low-power television station, K49CJ, in Colorado Springs that broadcasts there and in Pueblo.

Telemundo, based in Hialeah, near Miami, owns seven full-power stations operating in the largest Hispanic markets in the nation: Los Angeles, New York, Miami, San Francisco, Chicago, Houston and San Antonio.

It also owns the leading full-power station in Puerto Rico, and a dozen low-power stations, that, besides Colorado Springs, operate in Albuquerque/Santa Fe, N.M.; Abilene, Amarillo and Austin, Texas; and Sacramento, Salinas/Monterey and the Santa Barbara area of California.

Jim McNamara, president of Telemundo, said the purchase by Hillard and his investors, from the perspective of management, is the best offer the company has received from several prospective buyers because of Hillard's and Council Tree's broadcast experience.

"You've got a television broadcasting operation and that represents some savvy financial investors," he said.

"Of course, there are a lot of savvy financial investors, but they're looking at Telemundo simply from that perspective," McNamara added. "Hillard has looked at the growth patterns of the Hispanic market."

Hillard said that's why Council Tree put together the deal.

A Merrill Lynch investment report published last week suggested Telemundo was gaining market share on its chief rival Univision Communications, the largest U.S. Spanish broadcaster. And the Spanish-language market, the report said, grew 31 percent last year, from \$515 million in 1998 advertising dollars to \$676 million.

Hillard said Spanish-language stations are the fastest-growing segment of the television market, and Telemundo is the fastest-growing company in the segment.

Council Tree's purchase will make it partners with another Colorado company, Liberty Media Corp., which owns nearly 25 percent of Telemundo.

The TV network, privately held but required to file financial reports based on its debt offerings, is also owned by Sony Pictures Entertainment Inc. (25 percent) and by Station Partners, a joint venture of the Apollo Investment Fund and Bastion Capital Fund (50 percent).

Apollo also is an owner of the Vail ski resort and Samsonite Corp. in Colorado.

Council Tree is buying Apollo's shares in Telemundo, McNamara said.

Hillard said because of restrictions on foreign ownership of American companies and on cross-ownership between similar companies, Council Tree will actually gain voting control of Telemundo's stock while owning just 17 percent of the company.

Council Tree itself is funded by a variety of investors.

It was ranked the ninth-largest recipient of venture-capital funding in Colorado during the second quarter by PricewaterhouseCoopers. That \$10.2 million investment from three firms financed the \$3.6 million purchase of KMAS and the \$5.5 million start-up of a Spanish-language station in Philadelphia that is scheduled to go on the air in October, Hillard said.

The \$181 million investment in Telemundo is being funded by those same three firms and a group of more than a half-dozen others, including one investment company owned by 19,000 Alaskan Native American shareholders. Hillard founded Council Tree in 1998 after running another Native American-owned investment group in Alaska.