

**PLURIA MARSHALL, JR. AND
THE WAVE COMMUNITY NEWSPAPERS**

The Black Press believes that America can best lead the world away from racial and national antagonism when it accords to every person, regardless of race, color or creed, full human and legal rights. Hating no person, fearing no person, The Black Press strives to help every person in the firm belief that all are hurt as long as anyone is held back (Credo of the Black Press).¹

Pluria Marshall, Jr., gazed out from his window seat as the jet backed out of the gate at LAX bound for Houston, Texas. Marshall, president of Marshall Media, noticed that the air was frosty for a spring day in 1999. He pulled out a notebook and began to jot down the pros and cons of acquiring controlling interest in Los Angeles's *Wave Community Newspapers*. One of the things that gave Marshall pause was that he was being offered the chain of thirteen newspapers only after the *Los Angeles Times* had decided to pass on the deal. Further, he was a bit irritated that earlier negotiations with the *Wave's* management had been sidelined when the *Times* expressed interest. While Marshall realized that it would not have been wise for the *Wave's* publisher, C. Z. Wilson, to ignore inquiries from a major paper like the *Los Angeles Times*,² he felt stung that the rapport and trust he had built with Wilson hadn't brought him greater surety that he would be the eventual purchaser.

The list of pros and cons quickly spread across the sheet of notepaper, flowing easily from his pen. Due to his service on the *Wave's* Chapter 11 reorganization board, Marshall had a high familiarity with the *Wave* and its relative strengths and weaknesses. Yet he was a bit bothered by the *Times's* decision to pass on the deal. All along, he had surmised that the *Times's* strategy was to merge the *Wave* with the *Times's* own weekly neighborhood paper, *Our Times*. *Our Times* was the *Times's* attempt to serve the ethnically diverse and segregated neighborhoods

¹ *Credo of the Black Press* < <http://www.nnpa.org/> > (accessed on April 24, 2001)

² In terms of circulation (over one million daily readers), *The Los Angeles Times* was the fourth largest paper in the country and the largest regional paper. Audit Bureau of Circulation, 1997 GPO, Washington, D.C.

of greater Los Angeles. Bringing the two papers together under a single masthead would have generated additional circulation and cost-savings for the *Times*. It may have also greatly enhanced the penetration and credibility of *Our Times* among Los Angeles's Latino and African-American residents. While the *Times*'s decision to exit the deal had returned Marshall to the center of negotiations to purchase the papers, he also recognized that the eventual owner would have to compete against the resources of the much larger *Los Angeles Times*. As the jet began to ascend, he felt the first of what he realized would be a long and bumpy journey.

Pluria Marshall, Jr.

Pluria Marshall, Jr. was born and raised in Houston, Texas. His father, a freelance photographer who had worked on assignment for many national publications, was also a civil rights activist. In 1969, Marshall Sr. founded Operation Breadbasket, a Houston-based economic development project with a mission to increase jobs for the poor. His civil rights work evolved both in scope and mission when he established the National Black Media Coalition in 1973. The organization's mission was to increase the presence of African Americans as journalists, as owners, and in the full range of management positions that the communications industry entailed in newsrooms and boardrooms. Through both his photography and activism, Marshall, Sr., became well connected in the media industry and was no stranger to the publishing crowd of *Jet*, *Ebony*, and other successful African-American circulations. He was on guest lists of wedding celebrations throughout broadcasting social circles.

Marshall, Jr., worked in the broadcasting industry during his college career and was able to gain an unusual amount of experience while he attended Clark College,³ in Atlanta, Georgia. While Marshall increased his technical knowledge and professional networking through internships and full-time work in the broadcasting industry, his desire to enter ownership of a media firm grew as well. An important foundation for this aspiration was the strong self-help philosophy he heard in the Clark classroom. He felt that, while at Clark, he was "brainwashed to think that he could do anything." This headstrong self-image led Marshall to attempt to purchase a TV station immediately after graduation. Since Marshall hadn't a reason to believe he was too young or inexperienced to buy a station, he was able to raise \$4.5 million for the acquisition. Other forces, however, prevented his first quest from succeeding—just prior to the deal's close, the target station burned down.

As Marshall recovered from the blow of coming so close to his goal and failing, he began to look for a job as a station manager. While his experience and contacts made locating job opportunities easy, he found getting a job difficult. Marshall had generally the same type of experience as the typical applicant for station manager, but he was usually half the age and had fewer years in the field. Feeling the crunch of unemployment, Marshall decided to do something few applicants would risk. He stripped down his resume, removed his managerial experiences, and targeted his search to positions in sales and marketing. The strategy paid off. When he presented less impressive credentials, he was quickly able to find a position in sales and marketing at a radio station in Houston, Texas: KBXX ("The Box"). Taking the position was

³ Now known as Clark Atlanta University, established 1988.

more than just a last-ditch effort to secure employment. Marshall knew that with very little effort, he could excel in this job. Account managers were able to set their own schedules and often worked on commission. If he could be efficient, the job would provide him a secure salary and extra time to look for potential acquisitions.

It didn't take long for the proper opportunity to emerge. Marshall and a partner found an opportunity to purchase a small AM talk radio station in Gary, Indiana. For several years they successfully ran the radio station, increasing ratings and advertising revenue. Yet once again, Marshall found himself struggling to remain challenged.

In 1994, an opportunity developed to purchase a radio station (KHRN) in Hearne, Texas from the bankruptcy court. Initially the attractive offer price for the radio station piqued Marshall's interest. He hadn't time to complete a full background research of the station and the community, but he felt the low price warranted an inquiry. The deal meant Marshall had to come up with \$22,000 cash (a fee paid to the bankruptcy trustee) and assume \$160,000 of debt. Marshall explained:

In bankruptcy, the court appoints a trustee to administer the estate. The only way the trustee makes any money is if the asset has cash flow, which this station did not, or his fee gets paid. The total fee was paid over six weeks. When the final fee payment was made, the trustee told me the station was mine, pending Federal Communication Commission (FCC) approval. He also said he wanted a Local Marketing Agreement (LMA) immediately. Since I had paid his fee he wanted no part or obligation of the station. I had no choice, so I took control.

For the next several months, Marshall attempted to run the station from Houston but circumstances made it difficult to continue running the station remotely. Marshall's lawyer, a close friend, advised him that managing a media property from a distance was a mistake. To fully assess the status of the opportunity, he had to move on-site, at least temporarily. On his first trek to see his just-purchased radio station, Marshall learned something he had missed in his limited background research. The building was located in the middle of a pasture—surrounded by sheep, cows, and other livestock! As he stood watching a cow chew its cud, Marshall decided he would look into relocating the station downtown. He quickly moved the station, changed the programming format, secured human resources and other operational changes that significantly increased the revenue of the station. After Marshall reestablished the radio station's operations he fled the small town of Hearne and returned to the Midwest.

Purchase of *The Informer* & *Texas Freeman Newspapers*

Marshall continued to run both the AM talk radio station in Gary and the radio station in Hearne for several years. But in 1996, his partner, Lorenza Butler, Jr., suggested they move into a new media arena and purchase an African-American-targeted newspaper, *The Informer & Texas Freeman Newspapers* (see **Exhibit 1** for data on newspaper acquisitions). James Watson, the first black city manager in Houston, owned the *Informer*.

The *Informer* had a long history in Texas. The *Texas Freeman* was founded in 1893 to be a voice for the newly freed African-American Texans. The *Informer* was founded in 1919 and from the beginning was a strong advocate for civil rights.⁴ In 1937, the two papers were purchased and merged by Carter W. Wesley. Under Wesley, the merged paper grew both in circulation and prestige, eventually becoming a chain with circulation that reached all the major cities of Texas and New Orleans. The publication received numerous awards.⁵

Texas and Houston were attractive markets for an African-American-targeted newspaper. Texas had the third-largest African-American population of any state, and Houston had the sixth-largest black population of any city in the nation.⁶

Additionally, persistent black--white segregation in the city provided an oft-overlooked benefit to marketers of ethnic-targeted products. Segregation had the tendency to limit individual opportunity and exacerbate existing racial stereotypes. These stereotypes tended to keep mainstream papers away from the market. At the same time, segregation made the marketing and distribution of an African-American-targeted newspaper easier (see **Exhibit 2** for a quantitative analysis of segregation in major U.S. cities).

Like many African-American-targeted papers, the *Informer* enjoyed an unusually high degree of loyalty from its readers. This strong loyalty was due in part to the fact that large daily papers frequently overlooked the African-American community (see **Exhibit 3** for a history of the black press in the United States and **Exhibit 4** for an analysis of coverage by race for a typical large daily paper).

The *Informer* also enjoyed an unusually high degree of loyalty from its journalists. *Informer* reporters felt that they were doing more than just being journalists—they considered themselves civil rights activists with pens.

Many reporters made lifelong commitments to the *Informer* even after the larger papers began to integrate their newsrooms. For example, George McElroy came to work at the *Informer* as the 16-year author of a column written for and about young people. McElroy left the paper when he graduated from high school and joined the service, but returned while studying journalism at Texas Southern University (TSU). McElroy worked his way up to managing editor of the paper, while working to be the first African American to earn a journalism degree at the University of Missouri, the first black member of the Houston Press Club, and eventually a journalism teacher at his alma mater, TSU. McElroy retired from working full time as Editor in Chief at the *Informer* in 1996, 54 years after first joining the staff as a teenager.⁷ He remained with the paper part-time under the title Publisher Emeritus. Another employee, Julius Carter, started work at the *Informer* in 1938 as an engraver, reporter, and photographer. During World

⁴ Melissa Fletcher Stoeltje, "100 Years of Commitment: Community Paper Informs, Enlightens Readers Since 1893," *The Houston Chronicle*, 6 October 1993.

⁵Ibid.

⁶ U.S. Census Bureau, <http://www.census.gov/statab/ccdb/ccdb304.txt> (accessed on June 11, 2001).

⁷ Stoeltje, "100 Years."

War II, Carter temporarily left journalism to serve in the Army, where he earned five Bronze Star medals for valor. After the war, he also returned to work at the *Informer*.⁸

While ownership of the *Informer* changed hands several times over the years, the editorial philosophy remained consistent: inform, and educate their readers.⁹ The paper had a long history and a circulation of 50,000, yet it generated only \$110,000 in annual advertising revenue. With an adult Houston African-American population of 426,329,¹⁰ the paper was only reaching 12 percent of the potential market. Marshall recalled his impressions when he visited the *Informer* offices on Dowling Street in Houston's Third Ward:

My first impression was that everything—the office, furniture, and the staff were old. I looked around and decided to rethink my offer. In the end I agreed to pay \$20,000 down and \$1,700 per month. The deal incorporated ownership of all the archives and assets. When we solidified the deal, we had to scramble to raise the capital for the down payment. I ended up borrowing from my mother's brother. The paper was 99 years old when we closed the deal.

Marshall and his staff immediately began work to produce a 100th anniversary promotional issue. They added color photos to the traditionally black and white paper, and made additional design changes that updated the format. Marshall knew that, although the addition of color in ads increased costs, these were offset by increases in sales volume.¹¹ They marketed advertising space in the special centennial issue to local businesses. These initial changes began to pay off when, over one weekend, *The Informer* grossed \$75,000 in advertising sales. By the end of 1998, the paper had generated \$260,000 in total advertising revenue.

As the publisher of one of the nation's oldest African-American newspapers, Marshall recognized the important information he could glean through a network of relations with business owners with mutual interests and concerns. He became a board member of the National Newspaper Publishers Association (NNPA).¹² Through his activities with NNPA, he met other owners of African-American papers and immediately noticed that an overwhelming number of them were older, graying men. In casual conversations he discovered that many of these owners did not have a succession plan for the continued ownership of their long-running papers. This information was not wasted on Marshall as he began to have thoughts of a roll-up of the African-American newspapers in the United States (see **Exhibit 5** for an overview of Marshall's plan).

⁸ Barbara Karkabi, "Still Moving Forward/African-American Paper Celebrates 40 Years of Sticking to Its Mission," *The Houston Chronicle*, 25 April 2000.

⁹ Stoeltje.

¹⁰ United States Bureau of the Census, 1990 Census data
< http://www.census.gov/apsd/www/statbrief/sb95_5.pdf >(accessed on June 11,2001).

¹¹ Use of color increased costs 35 percent. However, these costs were offset by typical gains of 41percent in sales volume. Richard R. Sparkman and Larry M. Austin, *Journal of Advertising* 9 (1980); 39.

¹² The NNPA is a trade association, with over 200 member papers, founded in 1940 to bring together publishers of African-American-owned newspapers to discuss areas of shared concern.

State of the Newspaper Industry

The U.S. newspaper industry was a \$63 billion industry in 2001.¹³ The market was broadly segmented into daily, weekly, and free newspapers (see **Exhibit 6** for trends in newspaper spending). From 1994 to 1999, there was a 4.2 percent decline in the number of daily newspapers in the United States.¹⁴ This downward trend was attributed to several factors like the consolidation of daily papers, decreased circulation numbers, and competition of new media, such as online services. But the root of the problem was a decline in readership (see **Exhibit 7** for statistics on news media usage). A decreased readership had the potential to be more damaging to African-American and Hispanic newspapers because the reader bases were smaller and less affluent than those of the mainstream papers.

Studies showed that several factors were key indicators of a community's newspaper usage. Demographic variables, like age, education, and literacy levels, income and occupation, and household composition were all found to be significant predictors of newspaper readership.¹⁵ Newspaper readers tended to be older, more educated, and more rooted in their communities than the average American.¹⁶ In 1948, the average person in the United States had nine years of formal schooling, yet daily newspaper circulation was 1.3 papers per household.¹⁷ Fifty years later, while median education levels had increased by 50 percent, newspaper readership had fallen by 57 percent. This perplexed some, given the knowledge that newspaper reading was highly correlated with education.¹⁸

Other factors tended to explain the declining levels of newspaper readers. The amount of leisure time people devoted to reading changed, and competition from other media sources influenced a paper's readership level. This competition was particularly true for younger, more affluent readers. Trends in housing could also have had an effect. For example, whether or not a majority of a paper's market base chose to live in the suburbs or in the city could skew readership.¹⁹ A walk past a newsstand was more likely in city hubs than in the suburbs. A glance towards the product on the stand prompted "impulse purchase" and acted as a visible reminder to pick up a paper.

¹³, *Newspaper Industry Overview*, research study conducted by Veronis Suhler Media Merchant Bank, New York, NY., March 2001.

¹⁴ Ibid.

¹⁵ Steve Hoenisch, "The Future of American Newspapers," <<http://www.criticism.com/md/future.html> > (accessed on April 25, 2001).

¹⁶ Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Shuster, 2000), 218.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Hoenisch, "The Future."

The African-American Press and Declining Circulation

Nearly all of the large metropolitan cities had a black newspaper that was started in either the early 19th or 20th century: New York City (*The Amsterdam News*), Houston (*The Informer*), Indianapolis (*Indianapolis Recorder*), Detroit (*Michigan Chronicle*), Chicago (*The Defender*), Portland (*The Skanner*), and Pittsburgh (*Pittsburgh Courier*), all of which were still in business a century later. This remarkable fact had much to do with low competition among papers in their geographic and content niche. With their long histories and focus on news pertinent to their target, these papers enjoyed high levels of reader loyalty.

In the early 1900s, the revenue of most African-American newspapers was realized via subscriptions. This meant that editors and reporters had little reason to worry about the concerns of potential advertisers with controversial, civil rights activist content. In the sixties, however, large consumer product companies increased advertising in black-targeted papers; this trend made black papers more dependent on advertising dollars for day-to-day operations and increased the risks around strident newspaper content. Many publishers of African-American targeted papers had to walk a fine line. They needed to produce content that was representative of the perspectives and experiences of the communities they served, while ensuring that they did not estrange potentially lucrative advertisers.

Magazine publications were also marketed toward the African-American audiences and included journals like *Jet*, *Black Enterprise*, *Ebony*, and *Essence*. While each of these magazines competed nationally, it targeted different consumers. Even though each magazine was positioned to serve a distinct African-American niche, it was not unusual to find households that received more than one of them. For example, *Jet* might serve the younger family members, *Ebony* the older, and *Essence* the women in the family. This purchase behavior was not unlike a single family that received *People*, *Time*, and *Vogue* in their mailbox.

The Wave Community Papers

The *Wave* was one of the historically African-American-targeted weekly newspapers that served the Los Angeles area. The *Wave* was a compilation of 13 mastheads that dated back to the late 1800s. In 1995, the *Wave* merged with another weekly, *Urban Newspapers of Los Angeles*. *Urban Newspapers* was a paper that served mostly Hispanic readers. The newly-merged *Wave* papers were one of the nation's largest community based papers with a weekly circulation of over 250,000 readers and a staff of 80. The merger allowed the paper to expand its target audience to include Central Los Angeles's rapidly-growing Hispanic population (see **Exhibit 8** provides a map of the Los Angeles neighborhoods where the *Wave* was circulated and **Exhibit 9** provides a demographic breakdown of the United States, Los Angeles city, and the *Wave* circulation area).

The merged papers had a diverse management staff. Ric Trent, a Caucasian, was the executive publisher of the combined papers. Dr. C.Z. Wilson, an African American, served as publisher of the *Central News-Wave* papers. Art Aguilar, a Hispanic, operated as publisher of the

Urban papers. Wilson and Aguilar functioned in the African-American and Hispanic communities in the social and political roles common to publishers of ethnic papers, respectively. A white family, the Hews, owned the entire group of papers. Brian Hews, was the Chief Executive of *Wave Community Newspapers*.²⁰

The merger strategy paid dividends. In 1997, the *Wave* received a strong vote of confidence from a major advertiser, J.C. Penney. Penney's was attracted by the *Wave's* ability to deliver advertising inserts into the hands of Central Los Angeles readers. Penney's chose to place 300,000 inserts with the paper, making the *Wave* its third-largest outlet for its Los Angeles insert program. This large commitment from Penney's did not go unnoticed by other Los Angeles papers, including the *Los Angeles Times*.

While the *Wave* had changed the opinions of national advertisers about newspaper advertising in urban weeklies, the paper did not see similar increases in local retail advertising, and suffered from some poor management practices. In July 1998, the paper filed Chapter 11 bankruptcy, due to \$1.4 million in debts to creditors that could not be serviced. During the reorganization, the paper continued publishing with Trent, Wilson, and Aguilar serving as leadership of the papers. After the reorganization, there would be no role for the Hews family.²¹ Marshall explained:

Local advertising is always tough. Some of the local advertisers do not always have the budget to enhance their businesses. The *Wave* has a strong classified advertising department, which is primarily local.

The *Wave* filed for bankruptcy mainly because there were irregularities in receivables that had factored to a third party and the operating expenses were totally out of control. Additional expenses, unrelated to the business, contributed to the demise of the business (see **Exhibit 10** for financial statements of the *Wave* papers)

Purchasing the *Wave Community Newspapers*

Through his service on the NNPA board, Marshall had become a personal acquaintance of C.Z. Wilson. After the *Wave* filed Chapter 11 (reorganization), Wilson invited Marshall to become a member of the reorganization board because of the rapport they had built and Marshall's skills as a media owner. Over a period of several months, it became apparent to the board that the paper could not recover from its financial disaster.

The Los Angeles Community Development Bank (LACDB) provided *The Wave* with \$1.2 million in the form of a revolving line of credit (12% annual interest) to enable *Wave* management to pay off creditors and resume normal operations. LACDB also took a \$1.8 million

²⁰ George Garneau, "Minority Teamwork," *Editor & Publisher* 128 (January 1995): 9.

²¹ M. L. Stein, "L. A. Weekly Files for Bankruptcy," *Editor and Publisher* 131 (August 1998): 18.

equity stake in the papers worth 40 percent of the fully diluted common stock, and required a one-time facility fee of \$12,000. The credit component entitled LACDB to become the trustee of the papers during reorganization. As the trustee, LACDB was charged with ensuring the successful return of the papers to financial self-sufficiency.

During this time, Marshall began to seriously consider acquiring the *Wave*. It was the potential first step to begin the African-American newspaper roll-up he had been thinking about for quite some time. Marshall realized he faced a challenge in his long-term efforts to acquire a large number of African-American papers. Most of the owners or editors of African-American newspapers were in the business because of their personal commitments to serving the needs of the communities in which their papers were published. The sense of heritage and history were indelible parts of each paper. Marshall knew that with each attempt to acquire a paper would come a battle for credibility with potential sellers and a struggle to turn around aging organizations.

On December 28, 1999, Wilson and the LACDB offered Marshall the paper. Just as they were on the verge of acquiring the weekly newspaper, however, the *Los Angeles Times* entered the bidding. Since the bank needed to consider all offers, Marshall had to sit back and be patient. As he waited, the *Los Angeles Times* conducted its due diligence; eventually, the *Los Angeles Times* management decided to pass on the opportunity to acquire the papers. This turn of events made Marshall the primary bidder and potential new owner of the *Wave Community Newspapers*.

Pluria Marshall, Jr., looked back at his list of pros and cons. There were a number of questions that did not have easy answers. He wondered whether the *Times's* decision not to acquire the *Wave* was a bad omen. Was now the time to begin executing his roll-up plan? What price would the bank, as trustee, be seeking? What was an appropriate valuation for the newspapers? Which, of the multiple valuation methods, was appropriate? Was it possible for an African-American from Houston to run a newspaper that served the diverse and rapidly changing communities of Central Los Angeles, while continuing to run a newspaper 1500 miles away in Houston?

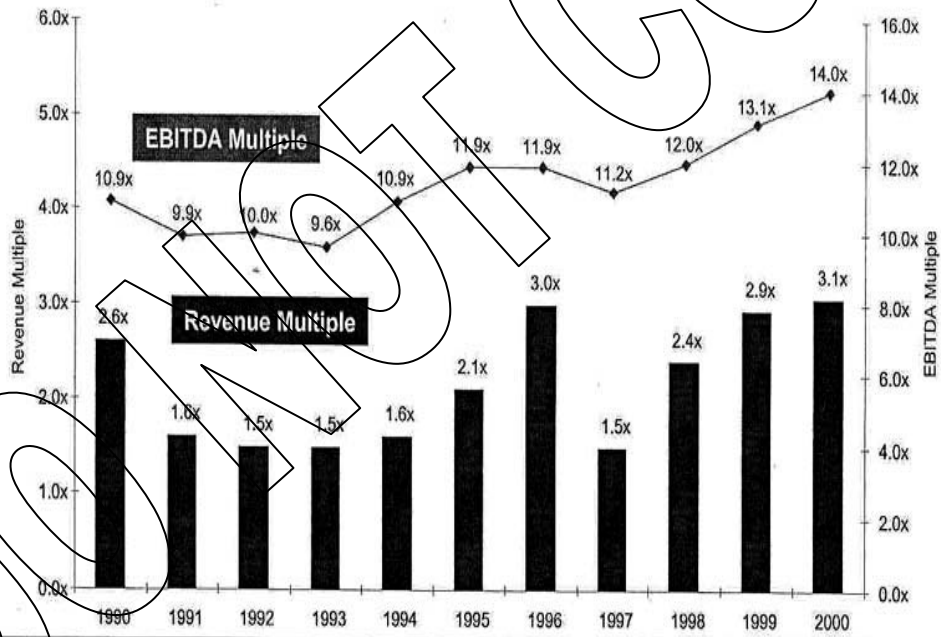
Exhibit 1

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Trends in Newspaper Valuations

Historical Multiples for Private Newspaper Transactions

**Historical Multiples for Private Newspaper Transactions
(Data sample includes daily, weekly and specialty newspapers)**



Number of transactions:	22	26	20	30	34	53	56	79	97	78	57
Revenue sample	13	20	13	23	9	11	12	23	25	20	24
EBITDA sample	11	20	14	20	4	8	9	21	23	16	20

Source: Veronis, Suhler & Associates

Veronis Suhler
MEDIA MERCHANT BANK

Exhibit 1 (continued)

Cash Flow Multiples Can Be Tricky¹

Values based on multiples of cash flow or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) can be tricky, particularly when you look at a range of multiples.

For example, a weekly owner may look at a 6 to 9 times cash flow range and pick 9 as the multiple that indicates the value of his company. If he has \$1 million in revenues and cash flow of \$300,000 his indicated value would be \$2.7 million. However, unless a buyer has an overpowering strategic interest in the weekly, he will usually pay no more than 1.5 to 2 times revenues. This means that the revenue multiple can and does put a ceiling on the cash flow multiple.

Multiples of cash flow are even trickier in low or no profit companies. [Typically, efficiently-managed weekly newspapers produce EBITDA margins of between 25 – 37%] For example, a company with \$1 million in sales and low cash flow of \$10,000 will surely sell for more than a nine times multiple (which would be a selling price of \$90,000). The reason is that a buyer will assume he can run the company at a more profitable level, and will generally pay 50% to 75% of revenues, even though this would be an off-the-chart cash flow multiple of 50 to 75.

There are many other factors affecting what cash flow/revenue multiples can be applied to a property to indicate its real market value. Real estate and a web press are good hard assets that add value. A growing publication, dominant in a growing market, with good staffing and equipment will sell for higher multiples than one with declining revenues, a poor local economy or heavy competition. Cash flow and revenue multiples are guidelines only, and do not necessarily indicate true market value.

¹ Cribb, John. "Cash Flow Multiples Can Be Tricky," Bolitho-Cribb Report: Fall/Winter 1998-99, <<http://www.cribb.com/various.html#look> > (accessed on July 21, 2001).

Exhibit 2

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Black-White Segregation Rates for Major U.S. Cities¹

Metropolitan Area	1980	1990
<i>Northern Areas</i>	77.6	68.2
Boston, MA	79.4	81.8
Buffalo, NY	87.8	85.8
Chicago, IL	72.3	75.8
Cincinnati, OH	87.5	85.1
Cleveland, OH	71.4	67.3
Columbus, OH	86.7	87.6
Detroit, MI	90.6	89.9
Kansas City, KS	81.1	73.1
Los Angeles, CA	83.9	82.8
Milwaukee, WI	82.0	82.2
New York, NY	81.6	82.5
Philadelphia, PA	72.7	71.0
Pittsburgh, PA	81.3	77.0
St. Louis, MO	71.7	66.8
San Francisco, Oakland	77.6	68.2
<i>Average</i>	80.1	77.8
<i>Southern Areas</i>		
Atlanta, GA	78.5	67.8
Baltimore, MD	74.7	71.4
Birmingham, AL	40.8	71.7
Dallas-Ft. Worth, TX	77.1	63.1
Greensboro/Winston Salem, NC	56.0	60.9
Houston, TX	69.5	66.8
Memphis, TN	71.6	69.3
Miami, FL	77.8	71.8
New Orleans, LA	68.3	68.8
Norfolk - Va. Beach, VA	63.1	50.3
Tampa - St. Petersburg, FL	72.6	69.7
Washington, DC	70.1	66.1
<i>Average</i>	68.3	66.5
Source: Douglas S. Massey and Nancy A. Denton, <i>American Apartheid: Segregation and the Making of the Underclass</i> (Cambridge: Harvard University Press, 1993), 222		

¹ These quantitative measures of segregation are indices of dissimilarity, the standard measure of segregation. This measure captures the degree to which races are evenly distributed within the neighborhoods of a city. Even distribution is defined based on the racial composition of the total city. If a city is 12% black, then an even residential pattern requires that every neighborhood be 12% black. These indices of dissimilarity give the percentage of blacks that must move neighborhoods to achieve an even black-white distribution. For a greater discussion of segregation and its quantitative measurement, see Douglas S. Masse and Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* (Cambridge: Harvard University Press, 1993).

Exhibit 3

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The History of the Black Press

Newspapers targeted to niche markets have a long history in U.S. publishing. In Chicago alone, over 1,000 newspapers have been published in thirteen languages. Nearly every ethnic group had a paper at some point (e.g., *The Irish Republican*).¹

The first black newspaper, *Freedom's Journal*, was founded in 1827. The publication provided black-owned businesses the opportunity to announce operations and advertise.² Black newspapers forcefully voiced the opinions of African Americans, while employing thousands.³ It was the medium that allowed African Americans to counteract or highlight what was going on in the world from their own perspectives.

Since *Freedom's Journal* debuted, more than 3,000 black newspapers have been published. Between 1920 and 1940, black papers enjoyed significant circulation. Perhaps one of the most powerful voices among African-American newspapers was the *Chicago Defender*. This paper was founded in 1905 and once had a national distribution of 200,000 readers. The editor and founder of the *Defender*, Robert S. Abbott, left the South to study the printing trade at Hampton Institute.⁴ Racial discrimination prevented him from working as a printer, and so he went to law school; upon graduation Abbott was again denied the opportunity to practice his profession as an attorney. So he turned to journalism and in 1905 established the *Defender* in his landlady's dining room. Abbott created the content, sold the papers himself, and by 1910 owned the country's first profitable black newspaper.⁵

By the early 20th century, 275 other black newspapers were in print with a reader base of 500,000. Abbott decided to expand and distribute the *Defender* in the southern states, where at that time 90 percent of the black population lived, and increased his paper's readership 200-fold. The audience immediately became attached to the *Defender*, and their loyalty created a unique following that continued for quite some time.

¹ Jim Ritter, "The Front Page as History; Scholars Are Turning to Newspapers," *Chicago Sun Times*, August 23, 1992.

² Juliet E.K. Walker, *The History of Black Business in America* (New York: Macmillan Library Reference, 1998), 139.

³ Stoeltje, 1.

⁴ Now known as Hampton University, established 1985.

⁵ Walker, 353.

Exhibit 3 (continued)

Through his tenure as owner, Abbott became known as a leader in Chicago's African-American community—a common role among other editors of African-American newspapers across the country. Abbott was responsible for inspiring many blacks to relocate from the South to the North as well as spurring important civil rights movements. As protests ensued, the *Defender* corrected or interpreted news on black protesters' behavior that was reported in the mainstream newspapers.⁶ But over the last couple of decades the publication found it difficult to secure advertising and readership plunged to 25,000 in 1999.⁷

The *Defender* staff not only set the trend for active editors but also initiated the beginnings of a publishing association in the 1940s. John Sengstacke, from the *Defender*, gathered a group of young publishers and managers from the black press into a group that became known as the National Newspaper Publisher Association (NNPA). Generally, African Americans had not been welcome in state and national publisher, editor, and advertising associations.⁸ The NNPA filled that void and offered an opportunity to exchange news and pictures, and it provided a forum to discuss publishing problems.

By 1999, the NNPA represented 200 black weekly and daily newspapers nationwide that reached almost 15 million readers—nearly half the African-American population. The NNPA was the only national black American wire service. The association was instrumental in assisting black-owned newspapers to attract advertising revenues from national and local advertisers.⁹

Supermarkets were among the largest advertisers in the black press, but black hair care product manufacturers, since the early 20th century, were the mainstay of the black press. Still, advertisers spent \$200 billion a year in newspaper ads—but less than one percent with Black, Asian, and Latino outlets.¹⁰

Role of the Black Press

A common theme for African-American papers across the nation was, "No longer shall others speak for us." In many instances the editors of black papers were responding to the mainstream papers. For example, mainstream papers would identify blacks by placing the word

⁶ Walker, 353.

⁷ Shawn Rhea, "Pressing Ahead," *Black Enterprise*. 30 (Nov 1999): 98.

⁸ Armistead S. Pride and Clint C. Wilson II, "The National Newspaper Publishers Association: A Brief History," < <http://www.nnpa.org/>> (accessed on April 24, 2001)

⁹ "Black Newspaper Publishers Select Philadelphia Public Relations Firm," PR Newswire Association, Inc. (15 Feb 1994): Financial News.

¹⁰ Shawn, 98.

Exhibit 3 (continued)

“(Negro)” next to a name. A typical sentence looked like this: “Jack Johnson (Negro) won the world heavyweight championship yesterday.” Abbott ridiculed this practice by printing:

“Woodrow Wilson (White) declared war on Germany.” The oppression of blacks was expressed in the paper’s content with an element of anger.

Black community newspapers actively documented the history of the African-American community and the black experience worldwide. Feature stories included business and professional role models in black communities. The medium helped develop infrastructures and build relationships between families, churches, social and political organizations, advocacy groups, and neighborhood associations. Papers such as the *Defender* and the *Call & Post* were dedicated to comprehensive coverage of Black interest and issues as well as national news impacting Black communities. As one member of the community described:

We didn't exist in the other papers. We were neither born, we didn't get married, we didn't die, we didn't fight in any wars, and we never participated in anything of a scientific achievement. We were truly invisible unless we committed a crime. And in the BLACK PRESS, the Negro press, we did get married. They showed us our babies when born. They showed us graduating. They showed our PhDs.¹¹

—Vernon Jarret

¹¹ PBS transcript, “The Black Press: Soldiers without Swords.”

Exhibit 4

**PLURIA MARSHALL, JR., AND
THE WAVE COMMUNITY NEWSPAPERS**

Analysis of Racial Distribution in Photos in New Orleans's *Times-Picayune*¹

The invisibility of African Americans and other minorities in major daily papers went unnoticed for years. However, many major papers began to tie their declining circulation rates to the failure to diversify their papers along with the growing diversification of their cities. The *New Orleans Times-Picayune* performed a study of their own content that produced results that surprised management.

First, they found that their overall photo distribution was not representative of their community:

	White	Black
Metro area population	63%	35%
New Orleans city population	35%	61%
Overall photo distribution	79%	19%

Second, they performed an analysis of the percentage of all photos with white persons by section:

	%White
Social news	96%
Money	88%
Weddings	85%
Advertisements	83%
All news and feature	76%
Lagniappe	73%
Sports	60%
Community news	60%
Feature photos	58%
Obituaries	55%

Exhibit 4 (continued)

¹ Chris Adams, "New Orleans Newspapers Give White View of the City," *Times-Picayune*, 17 June 1993, A 18.

Analysis of Racial Distribution in Photos in New Orleans's *Times-Picayune*

Finally, they carried out an analysis of the distribution of blacks and whites pictured in the paper:

Section	White	Black
Sports	27.3%	32.5%
National metro	22.7%	29.6%
Living/Lagniappe	22.2%	20.1%
Money	5.2%	4.3%
Sports	4.3%	3.4%
Community news	1.9%	2.0%
Other	16.4%	8.1%
Total	100%	100%

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Exhibit 5

**PLURIA MARSHALL, JR., AND
THE WAVE COMMUNITY NEWSPAPERS**

Black National Roll Up Plan
by Pluria Marshall, Jr.

Scope

In an increasingly global economy, market positions were routinely strengthened through mergers and acquisitions. With these mergers, diversity became the buzzword among corporations examining their market positions as they approached the year 2000. Amidst corporate takeovers, commonplace among publicly traded firms, executives failed to grasp the complexity of an untapped market: communities of color.

In the wake of downswing, African-American markets continued to attain economic parity with their white counterparts. Entrepreneurship emerged as the African American's survival kit in an age of downsizing and technological advances.

Within the African-American community, there remained an opportunity untapped and unrivaled in its investment potential: a chain of national newspapers targeting African Americans in major U.S. cities.

A majority of African-American publications provide cursory economic data and little investigative reporting, and they reveal a basic lack of useful, timely information. Instead, these publications provide more social and reaction-based editorials that could pack a better punch if they were part of a Black news network of papers, reporters and resources.

Electronic Media vs. Print Media

The electronic media—specifically commercial radio—has delved into the national arena via networks such as the Nation Black Network (NBN) and the Speridan Broadcast Network. Both of these networks had difficulty competing effectively in the general market. These market conditions effectively led to a merger in 1992. Major reasons for this merger were economies of scale and lack of “uniqueness.” This was further exacerbated by the Federal Communications Commission's (FCC) initial step in deregulating the radio industry in 1985-86. The term “initial” is used because ten years later the FCC has effectively, totally, deregulated the radio industry. With radio free to serve the “public interest,” as the FCC loosely allows it to do so, most black radio stations have severely cut back and/or eliminated their news departments. The black community, for the most part, does not demand news and information in the same manner that the general market does.

Exhibit 5 (continued)

Most recently, the American Broadcasting Company (ABC) created a number of radio networks to serve the rapidly expanding radio market. Within this framework, ABC created several urban music networks. Tom Joyner anchored the first network. Joyner gained fame from flying between Dallas, Texas, and Chicago, Illinois, on a daily basis to conduct morning and afternoon radio programs. The early success of the Tom Joyner Morning Show filled a void in the market by providing a program targeted specifically to African Americans. ABC created an afternoon drive program "The Doug Banks Show," as a companion piece to Joyner's show. Both of these programs offered a glimpse at the possibilities. From a cable television standpoint, Black Entertainment Television (BET) has been the only national outlet of its kind. It is almost entirely entertainment. Only recently has BET begun to air limited news segments and schedule news programming on Sunday.

Live broadcasting has the advantage of immediacy, but there is no print media counterpart. Once neglected and underestimated by the larger community, African-American readers are now desperately searching for fresh, informative, and innovative print media. The depth of information services that distinguishes the printed media from broadcasting has yet to be developed in the African-American community.

The Maverick Approach

African-American print media news service could reap substantive financial rewards by taking risks equal to that of Ted Turner in broadcasting, Michael Bloomberg in financial reporting on the United States and world markets, and the pioneering presentation and distribution of *USA Today*. Each of these media mavericks has exhibited a financial viability unparalleled in the local and/or regional perspective. If properly financed and distributed, a national black newspaper consortium newspaper might have profits that could surpass those achieved in broadcasting.

The new African-American newspaper would be a vital economic resource for identifying long-term financial resources that would accurately reflect African-American market needs and strategies.

Proprietary Statistics

Eighty percent of the most established black newspapers (over 40 years old) were owned and operated by older black men, with the balance owned by black women. Women typically acquired ownership after a husband died or via inheritance—the paper was passed down to a trusted person who worked closely with the editor. Data from 1999 suggested that the average age of a proprietary, minority newspaper publisher was 57 years old. As a result, many of these

Exhibit 5 (continued)

publication's production processes were decades behind the computer-aged and newer technology development standards in practice at the time.

Timing for a roll-up of a minority-based national newspaper consortium creates a unique opportunity. Several of the patriarchs of the more established papers have recently died or have failing health. The families, in most cases, have shown little interest in keeping the business viable and competitive. These papers could be packaged together and a national chain could be easily assembled. The purpose of the black press is to inform and enlighten the black communities whom they serve. Most of the minority-owned newspapers have forgotten their original purpose.

There is an enormous opportunity that exists for anyone who has the foresight, the vision, and the willingness to undertake the challenge, specifically, since the general market media groups have neglected this area. Currently, the market is incredibly fragmented. Most of the papers are primarily independently owned and operated. Remember, the black press was created because the general market excluded reporting news that positively impacted the black community. Black newspapers are indeed one of the last areas of preferred inheritance, much like the funeral home business.

—Pluria Marshall, Jr.

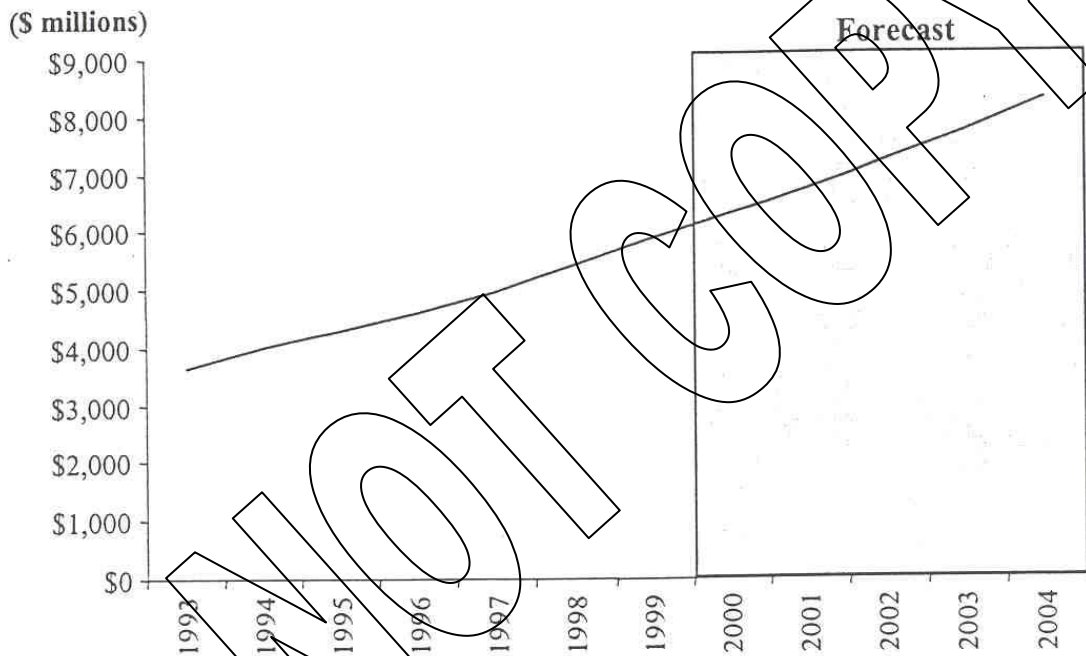
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Exhibit 6

**PLURIA MARSHALL, JR., AND
THE WAVE COMMUNITY NEWSPAPERS**

Growth of U.S. Spending on Newspapers

Total Weekly Newspaper Advertising Spending

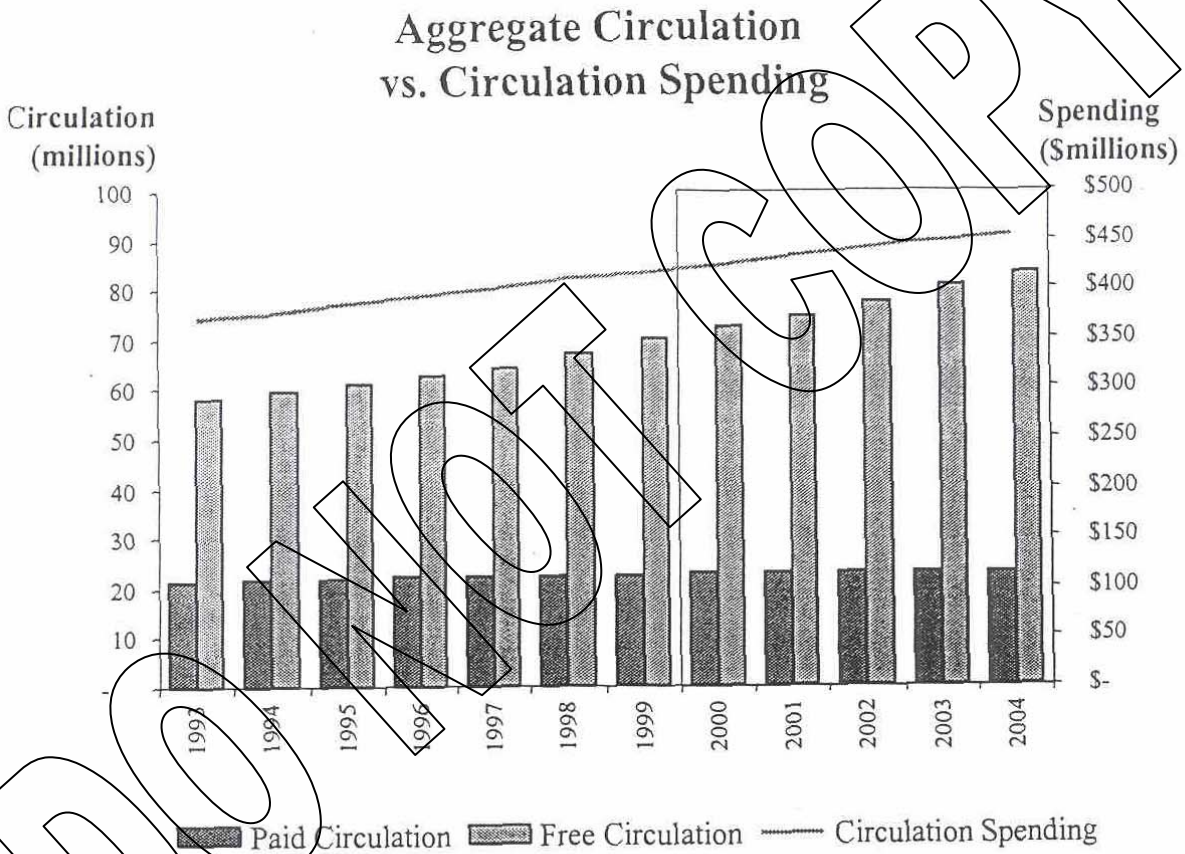


Sources: Veronis, Suhler & Associates, The Publishing & Media Group, Paul Kagan Associates, *Editor & Publisher*

Growth of U.S. Advertising Spending on Newspapers			
	Daily Newspapers	Weekly Newspapers	Total
1999 Expenditure (\$ millions)	56,738	6,314	63,052
1994–1999 CA Growth (%)	5.4	7.6	5.6
2004 Projected Expenditures (\$ millions)	74,961	8,729	83,690
1999–2004 Projected CA Growth (%)	5.7	6.7	5.8

Exhibit 6 (continued)

Growth of U.S. Spending on Newspapers



Sources: Veronis, Suhler & Associates, The Publishing & Media Group,
Paul Kagan Associates, *Editor & Publisher*

Exhibit 6 (Continued)

Growth of U.S. Spending on Newspapers

Growth in Spending on Weekly Papers

Year	Paid Circulation (\$ Millions)	Average Price of Paid Weeklies (Cents)	Total End-User Spending (\$ Millions)	Total Advertising Spending (\$ Millions)	Total Spending (\$ Millions)
1994	21.7	33.4	\$377	4,000	\$4,377
1995	22.0	33.8	387	4,250	4,637
1996	22.1	34.3	394	4,570	4,964
1997	22.2	34.7	400	4,965	5,365
1998	22.5	35.1	411	5,400	5,811
1999	22.4	35.5	414	5,900	6,314
2000	22.6	36.0	423	6,300	6,723
2001	22.7	36.5	431	6,720	7,151
2002	22.8	37.0	439	7,225	7,664
2003	22.9	37.5	447	7,735	8,182
2004	23.0	38.0	454	8,275	8,729

Source: Anne B. Billups, "Leveraging Newspaper Assets: A Study of Changing American Media Usage Habits, 2000 Research Report," <<http://208.49.239.78/preview.cfm?AID=1467>> (accessed on April 24, 2001)

Exhibit 6 (continued)

Growth of U.S. Spending on Newspapers

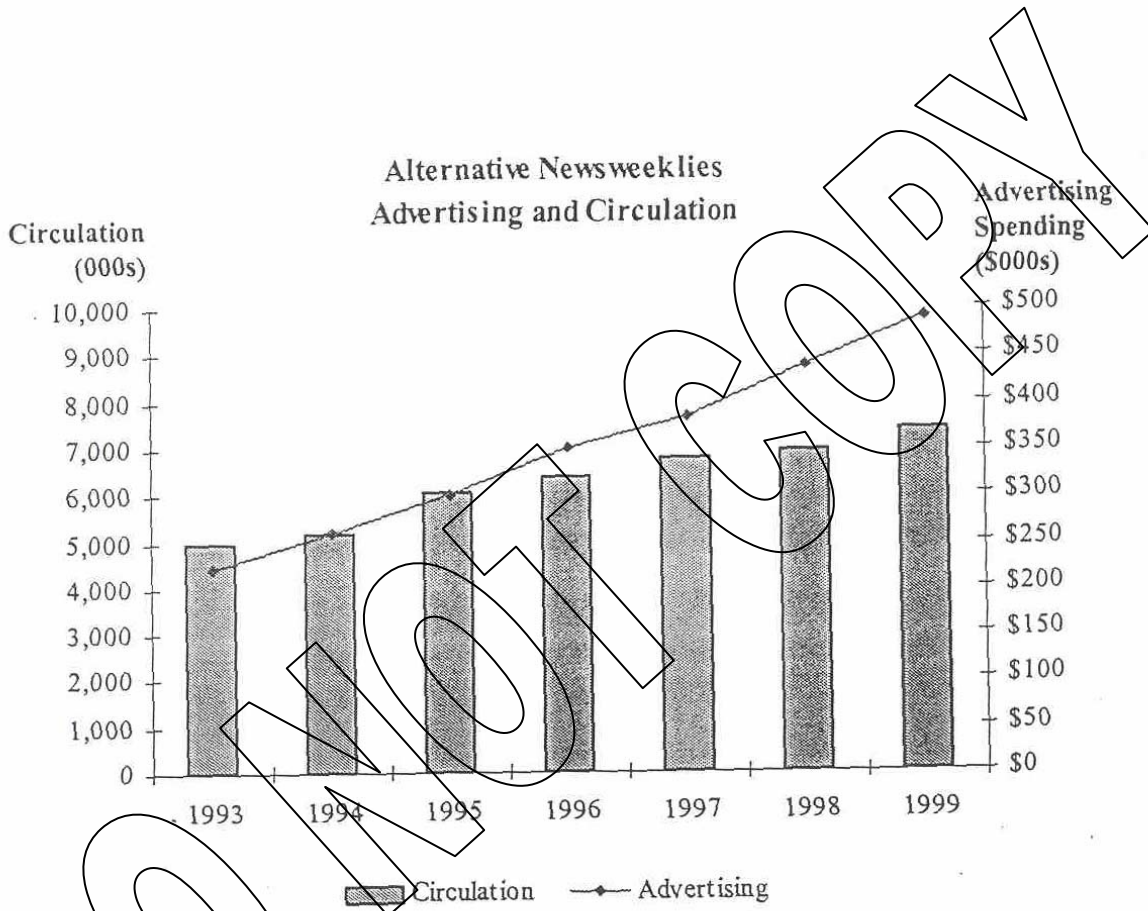


Exhibit 7

**PLURIA MARSHALL, JR., AND
THE WAVE COMMUNITY NEWSPAPERS**

Trends in Weekday News Media Usage

Study Year	Past Week		Yesterday		Used Regularly (4-5 Times a Week)	
	1997	2000	1997	2000	1997	2000
Local TV News	88	80	71	66	63	55
Daily Newspaper	76	68	59	53	51	46
World/National TV News	73	64	49	45	42	37
Radio News	68	62	51	50	49	43
Internet News	15	34	9	24	7	18

Trends in Regular Use of Media by Key Demographic Groups

Study year:	% That Use/Read Regularly – 4/5 Out of 5									
	Daily Newspaper		Local TV News		World National News		Internet For News		Radio News	
	1997	2000	1997	2000	1997	2000	1997	2000	1997	2000
White	54	48	63	55	44	37	7	19	51	45
African American	37	39	66	60	36	37	3	16	38	33
Hispanic descent	37	38	66	55	39	37	5	17	47	41

Household Income and Race/Ethnicity

Trend in Readership of Daily Newspapers and by Household Income and Race/Ethnicity				
Study Year:	Annual Household Income Under \$35 K		Annual Household Income Over \$35K	
	1997	2000	1997	2000
White	45%	40%	59%	53%
African American	27%	34%	44%	43%
Hispanic	31%	33%	42%	42%

Note: Base Size of 3,005 persons in 1997, 4,003 in 2000.

Source: Anne B. Billups, "Leveraging Newspaper Assets: A Study of Changing American Media Usage Habits, 2000 Research Report," Newspaper Association of America.

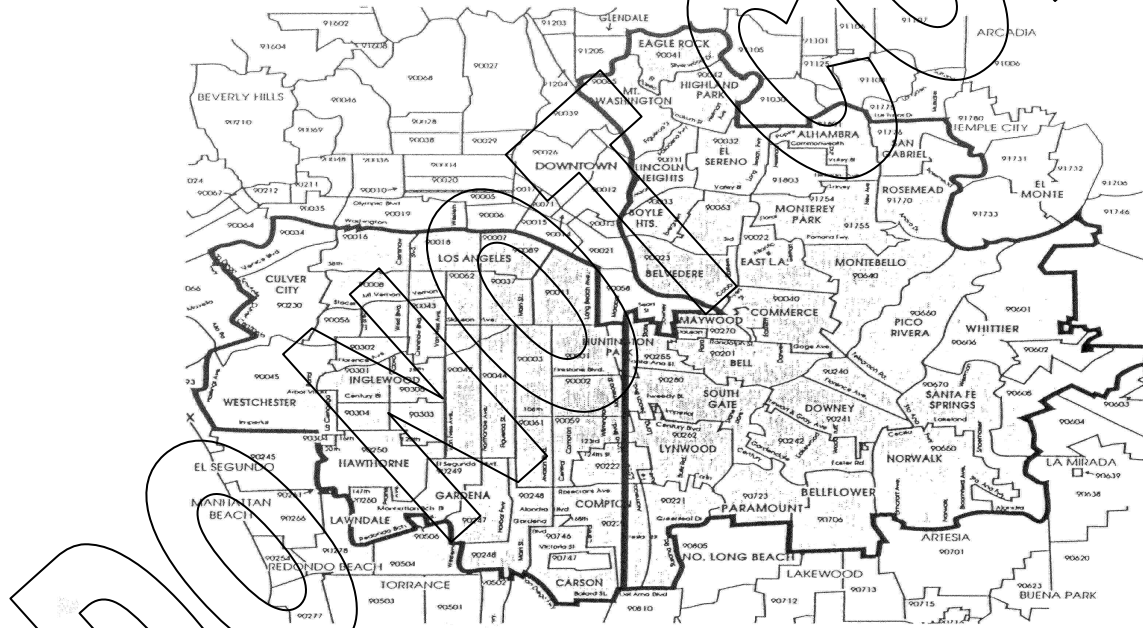
Exhibit 8

**PLURIA MARSHALL, JR. AND
THE WAVE COMMUNITY NEWSPAPERS**

Los Angeles Neighborhoods of *Wave* Circulation



Total Market Coverage
African-American, Hispanic, and General Market



WESTSIDE
CIRCULATION 150,000
AFRICAN-AMERICAN

EASTSIDE
CIRCULATION 80,000
HISPANIC / ASIAN
GENERAL MARKET

LaOla
SPANISH LANGUAGE
PUBLICATION
100,000 CIRCULATION

Total Circulation 330,000

We Cover the Heart and Soul of L.A.

1.2 Million Readers Weekly

Exhibit 9

**PLURIA MARSHALL, JR. AND
THE WAVE COMMUNITY NEWSPAPERS**

Los Angeles Neighborhoods of *Wave* Circulation

Demographic Breakdown of United States, Los Angeles, and *Wave* Circulation Areas

	Total United States		Los Angeles		<i>Wave</i> Circ. Area	
	1990	1980	1990	1980	1990	1980
Population	281,421,906	226,545,805	3,485,398	2,966,850	2,786,715	2,372,115
Households	91,933,582	80,775,873	1,219,770	1,038,296	840,086	715,100
White persons	75.10%	79.90%	52.90%	62.30%	37.00%	36.20%
Black persons	12.30%	11.50%	13.90%	17.00%	22.00%	38.60%
American Indian	0.90%	0.60%	0.40%	0.60%	0.50%	0.50%
Asian or Pacific	3.60%	1.60%	9.80%	7.10%	9.40%	6.80%
Other	5.60%	6.50%	22.90%	13.00%	31.20%	17.90%
Hispanic origin	12.50%	6.50%	39.30%	27.10%	51.80%	27.10%
Persons foreign-born	7.00%	6.20%	38.40%	26.40%	36.20%	35.50%
Less than high school grads, 25 years and over	24.80%	17.30%	33.40%	18.80%	42.60%	41.40%
College grads or greater, 25 years and over	21.30%	16.20%	23.20%	12.20%	13.00%	13.10%
Median household income	\$30,056	\$28,091	\$34,965	\$29,410	\$30,493	\$25,128
Persons below poverty	13.30%	10.00%	18.50%	15.50%	20.10%	21.20%

Exhibit 10

**PLURIA MARSHALL, JR. AND
THE WAVE COMMUNITY NEWSPAPERS**

Financial Statements - *Wave* Community Newspapers

Balance Sheet - March 31, 1998

Assets		Liabilities and Owner's Equity	
Current Assets		Current Liabilities	
Cash	22,184	Cash overdraft	288,457
Accounts receivable, net	450,289	Line of credit	992,585
Due from related parties	0	Notes payable, shareholders	89,180
Inventories	79,243	Notes payable, related parties	0
Prepaid expenses and other assets	41,489	Notes payable, other	306,427
		Current portion of capital lease obligation	58,032
Total current assets	<u>593,205</u>	Accounts payable, trade	1,737,627
		Accrued interest, related parties	378,667
Property and equipment, net	<u>259,402</u>	Accrued expenses	559,052
		Due to related parties	<u>(119,419)</u>
Loan Costs	<u>70,452</u>		<u>4,209,608</u>
Mastheads	<u>92,000</u>	Long term trade payables	285,633
Organization costs	<u>4,529</u>	Capital lease obligations, less current portion	102,824
		Notes payable, shareholders, less current portion	1,045,787
		Notes payable, related parties, less current portion	1,753,426
		Notes payable, other, less current portion	105,684
		Shareholder's deficiency	
		Common stock	325,000
		Preferred stock	901,087
		Accumulated deficit	<u>(7,790,461)</u>
		Total shareholder's deficiency	<u>(6,564,374)</u>
Total assets	<u><u>1,019,588</u></u>		<u><u>1,019,588</u></u>

Exhibit 10 (continued)

Statement of operations and accumulated deficit

	Three months ended 03/31/98	Three months ended 03/31/97
Advertising revenues	1,484,640	1,523,630
Operating expenses:		
Compensation	788,126	810,714
Newsprint and supplements	300,714	209,622
Printing costs	216,760	172,711
Outside distribution expense	199,019	131,463
Depreciation and amortization	26,685	39,803
Other operating expenses	351,916	469,640
Total operating expenses	1,883,220	1,833,953
Operating income (loss)	(398,580)	(310,323)
Non-operating income (expense):		
Interest expense, other	(62,757)	(65,914)
Interest expense, shareholders	(18,321)	(27,957)
Interest expense, related parties	(16,624)	(30,058)
Other	2,319	3,905
Total non-operating expense	(95,383)	(120,024)
Loss before provision for income taxes	(493,963)	(430,347)
Provision for income taxes	0	(1,600)
Net loss	(493,963)	(431,947)
Accumulated deficit, beginning of period	(7,305,233)	(6,319,720)
Accumulated deficit, end of period	(7,799,196)	(6,751,667)