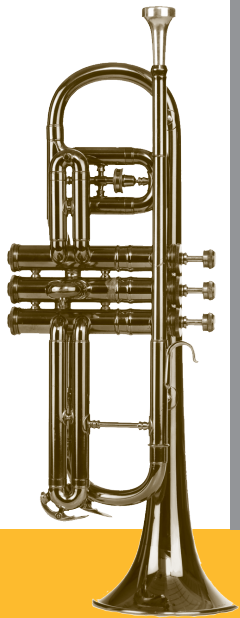


# Broadening the reach of Public Radio



News

Info



## PUBLIC RADIO CAPITAL

Annual Report 2006

Anchorage AK, Juneau AK, Mobile AL, Tuscaloosa AL, Flagstaff AZ, Phoenix AZ, Berkeley CA, Fresno CA, Los Angeles CA, Newport Beach CA, Oakland CA, Pacific Grove CA, Palm Springs CA, Rohnert Park CA, Sacramento CA, San Bernardino CA, San Diego CA, San Francisco CA, Santa Cruz CA, Stockton CA, Thousand Oaks CA, Boulder CO, Centennial CO, Colorado Springs CO, Denver CO, Grand Junction CO, Ignacio CO, Hartford CT, Monroe CT, Washington DC, Ft. Meyers FL, Holly Hill FL, Miami, FL, Tampa FL, Atlanta GA, Ames IA, Des Moines IA, Beardstown IL, Chicago IL, Fort Wayne IN, Indianapolis IN, Garden City KS, Whitesburg KY, Shreveport, LA, Amherst, MA, Boston MA, North Dartmouth MA, Baltimore MD, Bethesda MD, Kensington MD, Takoma Park MD,



## Letter from Public Radio Capital Board of Directors Chair

It is my pleasure to share with you a brief look at **Public Radio Capital** (PRC). In our first annual report, we invite you to read about our most recent initiatives to *protect, innovate, finance* and *expand* public radio.

I am an appreciative and enthusiastic supporter of public radio. Daily, public radio informs me with careful news analysis and cultural insights, inspires my engagement in the causes and concerns that shape the world around me, and lifts my spirits with diverse music.

PRC embodies the belief that business acumen, creativity, entrepreneurial energy and passion for the cause will drive growth, quality and diversity in public radio. In its brief history, PRC has created a legacy of public radio service, completing radio transactions valued at over \$100 million involving stations that reach more than 22 million listeners.

In 2006, PRC's imprint on the public radio landscape took a giant step when we received commitments of \$4.5 million in low-interest loans from the Ford and Calvert Foundations to establish the new Public Radio Fund. The Fund is designed to help public broadcasters and local groups gain access to short-term capital on an affordable basis so that they may quickly and aggressively compete for valuable radio channels when they come on the market. With a near-term goal of raising \$15 million in loans, the Fund is the largest capital-raising effort ever attempted for the expansion of noncommercial radio channels.

Our mission is fueled by generous individuals and institutional donors and by visionary public radio leaders and organizations. We're grateful beyond measure to each of you for your help in shaping a secure and prosperous future for public radio.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan Nicholson".

Jan Nicholson  
Chair, Public Radio Capital Board of Directors

## Mission

**Public Radio Capital** was founded in 2001 as a 501(c)(3) organization with a mission to strengthen and expand public radio services in communities nationwide.

## Vision

PRC seeks to have a transformational impact on public radio and be an essential resource for stations contemplating expansion, for institutions considering the sale of public radio assets, and for public radio organizations that are looking for innovations in service—innovations that improve efficiency and sustainability, reach new audiences and maximize their impact on local communities.

# Services

**Public Radio Capital** is about protecting and growing one of the most trusted assets in American communities today—public radio. Just as land conservation organizations seek to preserve land for the public good, **Public Radio Capital** seeks to acquire and finance radio channels and to ensure the preservation and continued community ownership of stations for public radio. While brokerage and financial advisory services are central to our mission, PRC helps to strengthen public radio organizations by providing expertise in many areas.

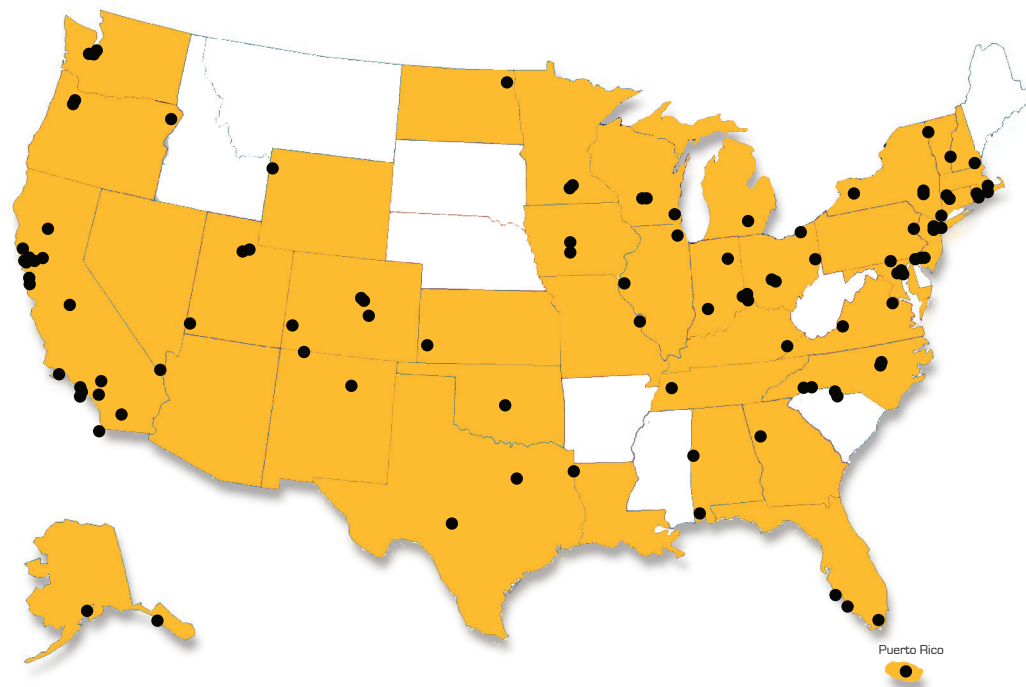
**Business Planning:** Public radio service expansion, format change, and collaborations.

**Consulting:** Analysis of strategic options, feasibility studies, and operational assessments.

**Acquisition Brokerage:** Representation in the acquisitions and sales of broadcasting assets.

**Financial Advisory:** Securing financing for strengthening and expanding public radio services.

**Operating Agreements and Partnerships:** Negotiating, facilitating, and creating operating agreements between owners and operators.



PRC has worked with over 90 public radio organizations in 39 states and in Puerto Rico.

## Why Broaden the Reach of Public Radio?

The argument to expand public radio begins with the value of radio itself. Radio is the most affordable, universal and reliable media on the planet. Yet, there is an urgency for expansion of public radio that is driven by rapid change in the American radio landscape. Radio frequencies in both the commercial and noncommercial bands are increasingly valuable, opportunities to acquire them are scarce, and competition from financially nimble media conglomerates is aggressive.



Our mission to preserve and expand public radio means that communities will have the benefit of noncommercial radio outlets that put local context, civic discourse, cultural enrichment, and listener service at the top of their priorities. Experience shows that more public radio channels, with diverse programming to serve diverse interests, provide even greater community benefits because more listeners choose public radio when more public radio choices are available.

# Broaden

# Innovate

Deliver operating models that improve efficiency, sustainability and impact

## Public Radio Capital Leads Corporation for Public Broadcasting's Station Renewal Project

The vision of a vibrant public radio system that serves more people is shared by our industry partners. In 2006, under an exclusive contract from the Corporation for Public Broadcasting (CPB), PRC conducted the critical first phase of CPB's new Station Renewal Project. This two-phase program is designed to help stations assess their current service and to create critical new pathways for improving their long-term public service and sustainability.

Last fall, PRC began working with 10 highly diverse stations in California, Kansas, Kentucky, Virginia, New Jersey, New York, Massachusetts, Utah, and Puerto Rico to

evaluate all aspects of their operations, including governance and licensee issues; station management and leadership; programming strategy and execution; and fundraising and organizational capacity.

By initiating the Station Renewal Project, CPB has raised the bar of performance and challenged innovation.



Corporation  
for Public  
Broadcasting

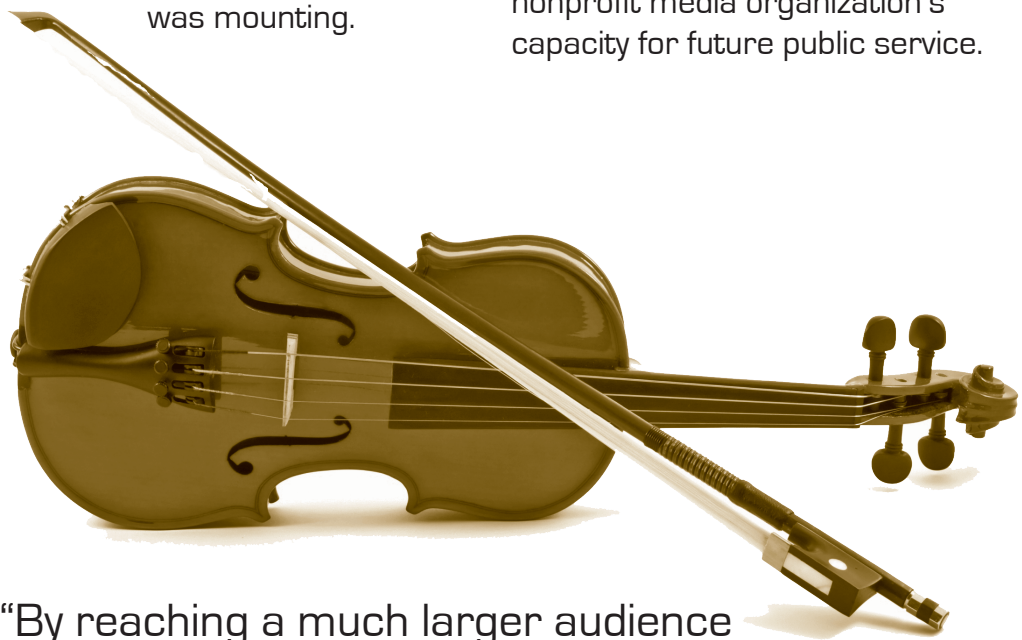
"A private corporation funded by  
the American people"

## Full-time, Full-power Classical Music Service for Northeast Indiana Public Radio

Imagine a concert half full of people where only the first three rows can hear the music. That's how Northeast Indiana Public Radio (NIPR) General Manager, Bruce Haines, described classical music broadcasting in Ft. Wayne at a time when fewer than 10 percent of the City's greater metropolitan area audience could hear the classics being broadcast on WBNI at 91.3 and 88.7 FM. This also was at a time when pressure from the community for a full-time classical music station was mounting.

But in 2006, with **Public Radio Capital's** help in brokering the purchase of a commercial station, NIPR took a huge leap forward to the future of classical music in Ft. Wayne.

Today the new WBNI 94.1 FM station is the area's fine arts connection between Beethoven, Bach and contemporary classical music artists and the more than 450,000 northeast Indiana residents in Ft. Wayne, Bluffton, Huntington, Decatur, Columbia City and Wabash. The new signal also builds the nonprofit media organization's capacity for future public service.



"By reaching a much larger audience with the joys of classical music, we're further fulfilling our mission to engage our community with content that enriches the human experience."

Bruce Haines, NIPR General Manager

# Protect

Stem the loss of public radio frequencies and services

## New Station, New Programs and New Audiences in Seattle/Tacoma

Like few other places in the U.S., the community of Seattle/Tacoma boasts a quality of life that thrives not only on innovation and trend-setting ideas, but on a remarkable appetite for public radio. In fact, KUOW-FM 94.9, the region's award-winning news and information station, is the number one station (including commercial) in the market (as measured by Arbitron in winter 2007). Yet even for a community such as this where public radio is woven throughout its fabric, the challenges to sustain and grow and reach new audiences can be formidable.

Two years ago, Seattle/Tacoma was on the brink of losing an important public radio frequency when Public Radio Capital

borrowed money from the Rudolf Steiner Foundation and the FJC Foundation in order to move quickly to purchase KBTC FM 91.7 from its licensee, Bates Technical College. Less than a year later came the urgent need to secure a long-term station operator. And that's when KUOW Puget Sound Public Radio became PRC's partner in helping to maximize the public service value of this urban radio station.

Not ready to purchase a station but looking to expand programming service to current listeners and new audiences, KUOW General Manager Wayne Roth signed an agreement with PRC in 2006 to operate and manage the station, now known as KXOT. As a result, the station, with its unique news and public affairs content, reaches an additional three million people.

"Think of **KUOW** as a radio station with a 48-hour day."

Wayne Roth, KUOW General Manager

## Public Radio to the power of 3!

*"KTOO is so much more than radio. We're an integral part of the community."*

*Cheryl Levitt, KTOO Station Manager*

Loyal public radio listeners Colleen and Lindy Jones wanted much more. And like many other KTOO listeners in the Juneau, Alaska community who love NPR's Fresh Air, Talk of the Nation, and other public radio programs, they demanded more. In 2005, recognizing that requests for more public radio programming far exceeded KTOO's 24-hour capacity, General Manager Bill Legere, along with station manager

They started with KTOO's participation in PRC's More Channels, More Service (MCMS) project. Created to help stations expand services through acquisition, MCMS assisted KTOO in identifying expansion opportunities, and conducting financial analyses, business planning, and negotiations. Then, came an immediate opportunity to act—two commercial radio stations were listed for sale in KTOO's market!

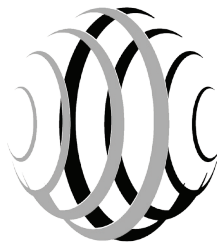


In 2006, after PRC helped KTOO acquire the channels, the program choices tripled for listeners. KTOO launched three new FM formats under the K3 brand: 24-hour local, state, national and international news and information on KTOO News 104.3; all music types, from folk to jazz, to world music and the classics on Rain Country Radio 102.7; and today's new music, hip hop, and classic rock on Excellent Radio 100.7.

Cheryl Levitt and the station's Board of Directors, began preparing for expansion.

*"The heart of this project is community involvement."*

*Bill Legere, KTOO President and General Manager*



## Public Radio Fund

In 2006, PRC formed the Public Radio Fund with initial commitments of \$4.5 million in investments from the Ford and Calvert Foundations. The Fund is a unique opportunity for investors to participate in the financing of new public radio stations and program services nationwide.

The Public Radio Fund offers public broadcasters and local groups access to short-term capital on an affordable basis, thereby adding muscle to PRC's strategy to compete more quickly and aggressively for radio channels. And by leveraging the Fund's assets, PRC will be able to attract tax-exempt bond and other forms of financing to acquire a significant portion of the \$240 million in noncommercial radio transactions expected over the next five years.

For more complete information about the Fund and how you may participate, please visit our website, [www.publicradiofund.org](http://www.publicradiofund.org).

## Looking Ahead



PRC is energized about a future in which the roots of public media ownership are far stronger, and where public radio program options are increased to serve ever greater numbers of Americans. Behind this optimism are many exciting and positive forces currently underway:

For one, a 100% increase in public radio's listening audience over the last decade bodes well for the future, as do nearly 30 million weekly public radio listeners. Currently, National Public Radio estimates that in 38 of the top 50 markets where there are only one or two public radio stations, a total of 86 million people are not fully served by the range of available public radio formats and programs. And, with the fastest growing public radio listening coming from Generations X (born between 1964 and 1980) and Y (born after 1980), the audience potential is even greater if we can add more stations and formats.

We also anticipate that the Public Radio Fund will help many public radio operators overcome financial roadblocks in the media acquisition marketplace, thus empowering local ownership—the foundation of public radio service—to flourish.

In addition, the October 2007 FCC filing window for new full-service noncommercial radio stations presents a compelling opportunity to provide more communities with their first or an additional public radio service. PRC is fortunate to have the support of generous funding partners on this project, and to be leading a coalition of national and local partners to take full advantage of this rare occasion to compete for these last remaining unallocated radio frequencies.

PRC is financially sound and well-poised for the future. We are immensely grateful to all of you who have joined in our mission, and look forward to your ongoing support.

Sincerely,

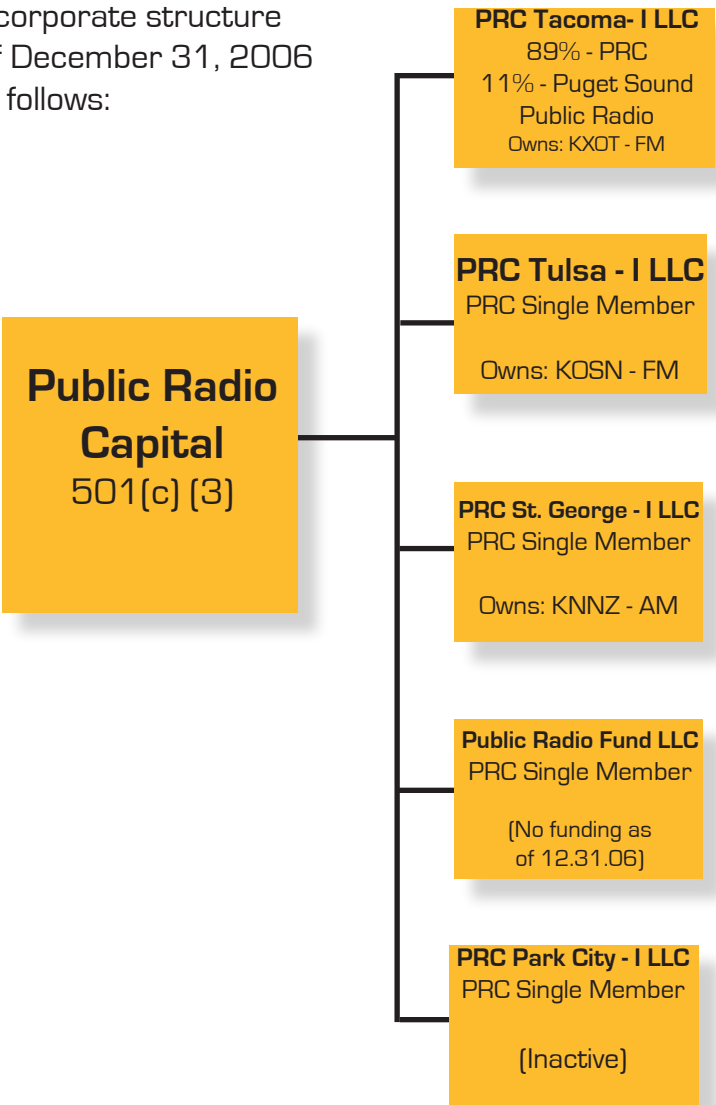
Marc Hand  
Managing Director  
Public Radio Capital

Susan Harmon  
Managing Director  
Public Radio Capital

## 2006 Financial Summary

Public Radio Capital derives income from fee-based work with clients and from contributions and grants from individuals and foundations. In addition to its core consulting and brokerage services, PRC owns three radio licenses and other assets valued at over \$19 million. PRC's revenue in 2006 was \$1.6M of which \$368,000 is revenue earned from our activities and \$764,000 from philanthropy. In 2006, 92% of PRC's costs were incurred in connection with program-related services. The outlook for 2007 and beyond is positive.

Our corporate structure as of December 31, 2006 is as follows:



Matters Corporate

## Board Members

Public Radio Capital is governed by board members who represent all regions of the country and bring a wealth of experience in public broadcasting, business, finance, marketing, and law.

Peter Baldwin  
Dallas, Texas

Carolyn Grinstein  
Seattle, Washington

Marc Hand  
Denver, Colorado

Susan Harmon  
Seattle, Washington

William King  
Nashville, Tennessee

James Mabie  
Chicago, Illinois  
**Secretary/Treasurer**

Leo Martinez  
San Francisco, California  
**Vice Chair**

Jan Nicholson  
New York, NY  
**Chair**

## Staff

Dennis Hamilton  
**Senior Consultant**

Marc Hand  
**Managing Director & Co-Founder**

Susan Harmon  
**Managing Director & Co-Founder**

Irene Hashimoto  
**Operations Administrator**

Anne Benedict Hovland  
**Director of Development**

Evran Kavlak  
**Financial Analyst**

Erik Langner  
**Director of Acquisitions**

Erin Moran  
**Chief Financial Officer**

Terri Olsen  
**Accounting Assistant**

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Ann Arbor MI, Minneapolis MN, Saint Paul MN, St. Louis MO, Asheville NC, Chapel Hill NC, Dallas NC, Durham NC, Mathews NC, Spindale NC, Grand Forks ND, Concord NH, Hanover NH, Hackettstown NJ, Trenton NJ, Santa Fe NM, Las Vegas NV, Albany NY, Jeffersonville NY, New York NY, Rochester NY, Southampton NY, Troy NY, Boston OH, Cincinnati OH, Columbus OH, Kent OH, Newark OH, Oxford OH, Youngstown OH, Stillwater OK, Enterprise OR, Portland OR, Harrisburg PA, Philadelphia PA, San Juan PR, Newport RI, Providence RI, Nashville TN, Austin TX, Dallas TX, Cedar City UT, Park City UT, Salt Lake City UT, Harrisonburg VA, Norfolk VA, Colchester VT, Seattle WA, Tacoma WA, Tumwater WA, Deerfield WI, Madison WI, Milwaukee WI, Jackson WY