

Public Radio Capital UPDATE

broadening the reach of public radio...

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The mission of Public Radio Capital (PRC) is to broaden the reach of public radio to millions of listeners in America. To achieve this, PRC helps public broadcasting purchase and protect radio broadcast channels, just like the Trust for Public Land and Nature Conservancy do in acquiring land for the enjoyment and use of the public.

Public Radio Capital is currently helping public broadcasting obtain radio channels in California, Colorado, Florida, Geor-

gia, Illinois, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Oklahoma, Oregon, Tennessee, Texas and Washington. These channels will serve new listeners with award-winning public radio programs, such as intelligent, independent news coverage and music. PRC is pioneering the use of tax-exempt financing to fund this expansion of service to listeners.

Public Radio Capital began operating in July 2001 with the support of

the Surdna Foundation. PRC is a not-for-profit, 501(c)3 organization headquartered in the Denver area and governed by a board of directors representing all regions of the country. Most of the directors are volunteer civic leaders who are experienced in business, law, marketing and public broadcasting. Three directors are veteran public broadcasting executives who manage Public Radio Capital.

Opportunity: Increasing Public Service

Radio channels are a scarce resource. Last year, over 1,000 radio stations sold – a few to public radio, but mostly to commercial and other interests. Public Radio Capital was formed to help public radio develop a coordinated national strategy to purchase and protect more of these valuable channels for

noncommercial, public service broadcasting.

Multiple public radio stations enrich community life and expand public radio audiences. When there is one public radio station in a community – as is the case in Dallas and Chicago – less than two percent of the

radio audience is served by public radio. However, when there are more public radio stations, more people listen. In Philadelphia, for example, there are three public radio stations serving over six percent of the radio audience.

Board of Directors

- Pete Baldwin—Chairman
- Bill King—Vice Chair
- Jan Nicholson—Sec./Tres.
- Steve Anderson
- Lyn Grinstein
- Leo Martinez
- George Sissel
- Marc Hand
- Susan Harmon
- Bruce Theriault

Opportunity—continued from page 1, column 3

"When we first started thinking about increasing the service capacity of Chicago Public Radio, we didn't know how to begin acquiring new stations. PRC got our organization ready to move. Initial returns are in -- we just bought our first station in Northwest Indiana."

Torey Malatia, President, Chicago Public Radio

Multiple radio channels – whether commercial or public – operated under a common management structure create economies of scale. There are a number of public service radio formats that can be broadcast on additional channels at relatively low cost. At the same time, these formats can be sustained with new listener contributions and corporate underwriting.

Public radio organizations recognize the value of increasing their local public service by adding channels. Last May, managers of public radio stations that are members of National Public Radio voted “preservation and expansion of spectrum” as one of their two highest priorities.

How We Operate

Public Radio Capital helps expand the public radio audience by increasing the number of station outlets that public radio owns. PRC does this in the following ways:

Intermediary

PRC acts as an intermediary to buy a station on behalf of public radio. This role is similar to what the Trust for Public Land and Nature Conservancy do in acting on behalf of local land conservation efforts. The station PRC acquires can be sold to and operated by existing public radio organizations. PRC is set to buy a \$5 million noncommercial radio station in Washington for the purpose of increasing public radio service in the Seattle-Tacoma area. The station will be locally operated.

Representation

PRC represents organizations that decide to sell or buy radio stations. For example, Johns Hopkins University decided to sell its non-commercial station, and PRC helped the University negotiate a \$5 million sale of the station to a local community group in Baltimore. PRC assisted Chicago Public Radio in extending its listening area by buying a station in Northwest Indiana. PRC helped Colorado Public Radio and Nashville Public Radio add 24-hour public radio news and information services by buying radio stations in Denver and Nashville. The graph on page 3 shows how many new listeners in Denver now use public radio because of the new second channel.

"Public Radio Capital helped our university get \$5 million for our noncommercial radio station and to select a new, non-profit owner dedicated to public service. We could not have achieved such a win-win result without Public Radio Capital."

Fred Puddester, Johns Hopkins University

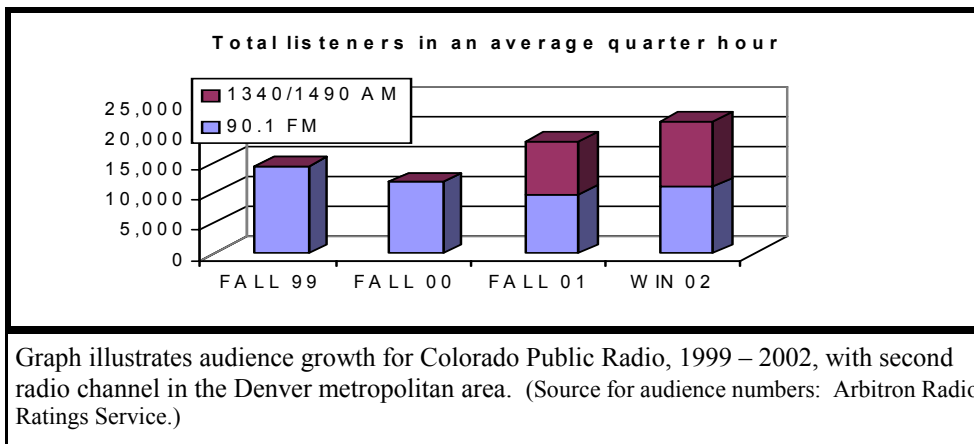
How We Operate—continued from previous page

Financial Advisor

Our approach requires sound financial management, business planning, and identifying and accessing capital. For this purpose, PRC is pioneering the use of tax-exempt financing in public broadcasting – a technique that is relatively new in our field. PRC has developed this new resource for public radio through partnerships in the private sector with nationally recognized bond financing firms, such as Kutak Rock LLP and George K. Baum and Company. PRC works closely with stations to develop strategic business plans and analyze financing options. As part of our financial advisory activities, we helped Colorado Public Radio and Nashville Public Radio achieve an investment grade credit rating at a lower cost for their long-term tax-exempt bond financing.

Readiness

PRC helps public broadcasters prepare and plan their acquisition strategies. This includes evaluating acquisition opportunities, ascertaining market values, projecting revenue and expenses, resolving institutional, legal and regulatory issues for adding new channels. For example, we have assisted Radio Bilingüe, the premiere producer and distributor of bilingual public radio programs targeted to underserved Latinos, in strategic planning of their services on the Internet and in major population centers where most Latinos live and work. We helped the board and management of Chicago Public Radio examine its expansion strategy before the organization bought its first station.



Leadership

Board

Public Radio Capital is governed by a lay board of national stature. The board members represent all regions of the country and bring experience in business, finance, marketing, and law. Three of the directors have chaired the boards of their respective local public broadcasting companies. PRC's three Managing Director's are also members of the Board.

The directors include:

Stefan S. Anderson, Chairman of First Merchants Corporation, Indiana

Peter Baldwin, Founder and Chairman of Colliers Baldwin, Dallas

Carolyn Grinstein, Community Leader, Seattle

William King, Chairman of Private Business, Inc., Nashville

Leo Martinez, Academic Dean of the UC Hastings College of Law, San Francisco

Jan Nicholson, President of the Grable Foundation, New York

George Sissel, former Chairman of Ball Corporation, Broomfield, Colorado

Leadership– continued from page 3

Managing Directors

The Managing Directors of Public Radio Capital are Marc Hand, Susan Harmon and Bruce Theriault.

- Marc Hand has a career history of executive leadership in public and commercial broadcasting including station ownership, financing and brokerage.
- Susan Harmon has 30 years experience in senior management of public broadcasting stations and leadership on national program network boards of directors.
- Bruce Theriault, most recently Senior Vice President of the Public Radio International network, brings nearly 30 years of strategic planning, marketing, new business development, and administrative experience in public media.

Finance and Legal

PRC also has an excellent team of financial, business and legal consultants to help manage its transactions. They are led by:

- Fred Marienthal, Partner, Kutak Rock LLP, one of the nation's largest and most active law firms serving as bond counsel to governmental agencies and not-for-profit organizations;
- Christine Maxwell, First Vice President of George K. Baum and Company, investment bankers and leaders in the development of tax-exempt financing for public broadcasting.

Funding

The Surdna Foundation, the Open Society Institute and individual donors have been leaders in providing significant grants towards the start-up of Public Radio Capital. We seek other funding partners to join them in this effort. PRC also accepts tax-deductible contributions from individuals to help support its work.

Public Radio Capital's initial organizational development was guided and supported by the Station Resource Group (SRG), an alliance of America's leading public radio stations. This work was made possible by a major grant from the Corporation for Public Broadcasting to SRG.

The success of Public Radio Capital means bigger audiences for public radio. More public radio stations reach more people. More people are enriched and informed every day by public radio.

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"We had confidence in Public Radio Capital right from the start. We know that PRC promises to deliver a tremendous return on our philanthropic investment, generating new funds many times greater than our contribution -- all in the interest of increased public service."

Vince Stehle, Program Officer, Surdna Foundation.