



January 29, 2009

To: Friends of Public Radio Capital  
Fr: Marc Hand and Susan Harmon  
Re: Update and Outlook for 2009

We wanted to give you a brief update on activities at Public Radio Capital and our outlook as 2009 gets underway. With a new political dynamic in Washington and the deepening economic crisis, we see intriguing opportunities for increasing and strengthening public radio's assets – leading to audience growth and sustainability, especially among younger and more diverse audiences.

Commercial radio prices in most markets are declining; this does not reflect a decrease in the intrinsic value of radio, but rather is occurring as a result of financial forces affecting the market and the corporations that own these precious media assets. We believe that taking advantage of these opportunities will be possible only with the highest level of collaboration, careful financial planning and strategic action among public radio's leadership and its supporters.

Right now, we are working on critical and confidential deals—some in major markets—that would not have been possible just a year ago. This is despite the fact that completing transactions in today's business climate is more challenging than ever before. Clearly, public broadcasting organizations with money in the bank have the best competitive edge in this marketplace.

### **Market Solutions**

Our focus is driven by the insight that there are specific market solutions to expand and strengthen public radio in key locations. Too many major radio markets have too few public radio service options. The best public radio happens when there are multiple radio channels with distinct formats available in a given community. Using this model, it is possible to maximize audience and revenue and to provide public service reflective of the age and ethnic diversity of potential listeners in these markets. We are committed to building a bigger public radio pie in locations where new opportunities will have the greatest impact on public radio listening as a whole.

### **Key Activities for 2009**

This year, in the framework just described, we plan to pursue four key areas of activity:

1. *Station Acquisitions: Audience Growth*

A number of confidential projects are underway that match our mission to protect and expand public radio's assets. Our projects are designed to increase service and audience growth and to strengthen the capacity of public radio organizations to deliver multiple services to new and larger audiences. This year, we are focusing not only on noncommercial media assets, but also commercial FM stations since the recent changes in the valuation of these commercial properties may hold promise for the public sector. It will be complex, but not impossible, to finance these acquisitions based on PRC's good relations with lending institutions, our ability to assemble financing packages and the strong financial profiles of the clients we represent.

2. *Consulting Projects: Increasing Scale and Effectiveness*

The Station Renewal Project exemplifies how PRC assists public media organizations in planning and implementing improvements to their governance, management, assets, finances and format delivery. Additionally, we anticipate consulting activity in the area of mergers where existing public radio organizations and their licensees see the benefits of collaboration to achieve greater scale and effectiveness. The results of these projects will secure public radio for local audiences and lead to increased audience and sustainability.

3. *Special Projects: Reaching New Listeners*

Through a generous grant from Surdna Foundation, we are launching a planning initiative to identify channels, partnerships, ownership and operating structures and distinct public radio formats targeting significantly younger audiences. Young, diverse audiences raised in the Internet age must be motivated by issues and perspectives that resonate with them, music genres that speak to them and voices that echo their own. Our project charts a pathway to new services—and new partnerships—that will gather and hold younger audiences.

We have begun work on a project in partnership with Native Public Media, underwritten by a generous grant from Annenberg Foundation, to help Native stations maximize public service value to their communities and to enhance significance and sustainability. This project is especially timely as Indian Country prepares to launch 29 new radio stations as a result of the FCC's 2007 noncommercial filing window for new licenses.

In cooperation with the Corporation for Public Broadcasting and other key partners, we are engaged in projects designed to bring greater numbers of Latino listeners into the public radio fold. This initiative uses PRC's expertise in identifying channels, developing new ownership structures, business planning, governance and format development.

4. *Public Radio Fund: Undergirding Our Projects*

Because finance and credit are at the heart of the economic crisis, we are examining ways to further leverage the Public Radio Fund (with current assets of roughly \$9 million) to benefit public radio operators poised to make investments in new frequencies and capital equipment. We have approximately \$2,000,000 in loans under consideration and encourage public media organizations to explore how the Public Radio Fund can assist in protecting and expanding media assets. At the same time, we continue to seek investors focused on social impact to consider allocating some of their investments to the Fund as market turmoil leads to changes in portfolio strategies.

### **Key Role of PRC in 2009**

At a time when many nonprofits engaged in the mission of public radio, including foundations, colleges and universities and public radio organizations themselves, are experiencing significant financial stress, we are fortunate to have ended 2008 in a relatively strong position. We are confident that our bias towards business planning, financial expertise, collaboration and action-oriented strategies makes PRC an ideal partner for an array of projects aimed at expanding and sustaining public radio service in a complex marketplace. We look forward to working with you towards these goals and appreciate your continued support and guidance.