



Focusing on public radio at its best





2020: Our vision for public radio

By the year 2020, strong public radio organizations will be a main source of media for engaged audiences in America, a cultural mainstay and a galvanizing force for local communities.

Public radio will be the most trusted media of the 21st century, seen as essential to a productive, democratic society. It will make cultural connections through a multi-media platform that has a powerful civic purpose, presents authentic stories and is grounded in in-depth journalism. This is media that will appeal to a significant and diverse portion of the American public from national and local opinion leaders, to those whose opinions would not otherwise be heard.

The mission of Public Radio Capital (PRC) is to strengthen and expand noncommercial media so that local communities nationwide have access to more in-depth information, unbiased news, diverse music and cultural programming.



FROM THE BOARD CHAIRMAN

We are optimists. Our optimism is anchored by the mission of Public Radio Capital. These times of economic uncertainty and political change underscore the value of public radio. Simply put, we believe that public radio is media in its most accessible form—and media at its best. With a powerful civic purpose and increased accessibility through new and mobile media, public radio is essential to a healthy democracy and informed citizenry.

Public radio promotes access to critical news, information and in-depth analysis; cultural experiences that engage and edify; music that lifts the spirit and showcases emerging talent and diversity; and opinions that are informed, inclusive and independent. Strong public radio provides a sense of community that is local, immediate and accessible. It transports each listener to global perspectives and places they might not otherwise experience.

PRC is committed to this vision of public radio at its best. It is the only nonprofit organization in the nation that is focused on expanding the capacity and asset base of public radio. As such, it is able to help nonprofit media owners reach towards their potential to expand and diversify audiences, increase their local focus, integrate radio and Internet services and maximize program choices for people in their communities.

This annual report weaves three perspectives: our work in 2008, a retrospective impact assessment for PRC since our founding in 2001, and a forward-looking 2020 vision for our organization and for public radio. Our work has been made possible through the keen focus of our board, managing directors and professional staff, the generosity of our donors and funding partners and the desire to see public radio at its best among all of us. We are grateful for our clients and industry colleagues. Our optimism for the future is buoyed by all of you. Thank you for your support.

A handwritten signature in black ink that reads "Leo Martinez". The signature is written in a cursive, flowing style.

Leo Martinez, Chairman
Public Radio Capital
Board of Directors

CONTENTS

- 1 Message from the board chairman
- 2 Message from the managing directors and co-founders
- 3 The PRC track record
- 4 2008 Client transactions
- 5 Building assets for public radio
- 6 Success stories
- 11 Public Radio Fund helps stations expand, innovate
- 12 2008 Financial information
- 13 Board of directors, Public Radio Fund advisory council and staff



FROM THE MANAGING DIRECTORS AND CO-FOUNDERS

FOCUSING ON PUBLIC RADIO AT ITS BEST

We see great opportunities for public media. Changing demographics, emerging technologies and a tumultuous economy only heighten the need to expand public radio's reach. Capturing younger and more ethnically diverse listeners and supporters is imperative for a sustainable public radio future. There is a significant void in thoughtful and compelling content for these audiences. We have to think critically about how we use radio and increase its content for Internet platforms to engage today's digital natives.

At PRC, we are energized by these challenges. With your help we can build a new landscape of public radio at its best, in communities large and small, in ways that grow and enrich public radio's audiences nationwide. We are confident that our work in the areas of public radio expansion, ownership, leadership, financing, formats and operating models will provide enduring public service for years to come.

In our 2008 strategic planning we found broad consensus that FM radio will be the focus for our field for decades ahead. An integrated radio-Internet linkage is natural and necessary for public radio's future, given the content and delivery potential, new devices, mobility and interactivity.

We are pleased to share the success stories of PRC clients as you will see in the pages that follow.

We are proud of the many partnerships that were deepened in 2008: with our clients; with our founding organization Station Resource Group (SRG) and its member stations and in guiding board development for SRG's latest offspring, Public Radio Exchange; with the National Federation for Community Broadcasters, in finance training for members and consulting for Native Public Media; with key funders like the Ford and Surdna Foundations; Calvert Foundation, our partner in the development and promotion of the Public Radio Fund; and with the Corporation for Public Broadcasting, whose ongoing partnership underwrites the Station Renewal Project and whose systemwide perspective informs and challenges our thinking.

We count our board of directors among the most creative and congenial we know, and especially acknowledge Pete Baldwin, whose board service ended in 2008, and Teresa Bryce, whose service began. We note with pride our newly formed Public Radio Fund Advisory Council and recognize our talented staff and their passion for public radio. And we extend our special gratitude to our generous donors. Our work would not be possible without their commitment and shared vision for public radio at its best. Thank you all.

Susan Harmon
Managing Director

Marc Hand
Managing Director

PRC has completed transactions totaling more than \$170 million, securing access to public radio services for more than 33 million people.

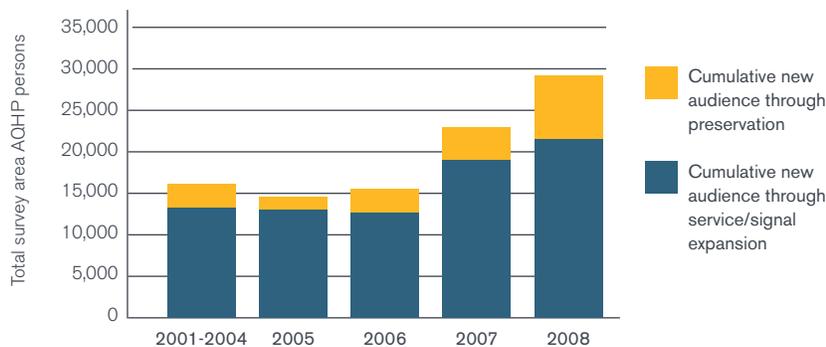


The PRC track record

Since its founding in 2001, PRC has worked with more than 200 public radio organizations ranging from first-time station owners to the largest, multi-channel public radio operators in the country to prepare for sustainable growth and secure valuable market opportunities. PRC has completed transactions totaling more than \$170 million, securing access to public radio services for more than 33 million people.

Thirty-one PRC transactions helped public radio stations expand their signal reach or differentiate their services. Our work has helped preserve another seven public radio stations, which would have otherwise been sold to religious broadcasters. The impact of these 38 station projects was to increase public radio listening by 15 percent between spring 2001 and spring 2008, a period in which public radio added some 4 million listeners.

CUMULATIVE NEW AUDIENCE THROUGH PRC



Arbitron Spring Survey Results, Persons 12+, Monday-Sunday, 6 am-6 pm.
Source: Arbitron, Inc.

PUBLIC RADIO CAPITAL'S 2008 CLIENT TRANSACTIONS



CLIENT	TRANSACTION SIZE	PRIMARY COVERAGE*
Lakeshore Public Media Acquisition of WWLO-FM (Lowell, Ind.)	\$1,050,000	129,720
Capital Public Radio Acquisition of KUOP-FM (Stockton, Calif.)	\$4,000,000	947,302
New Hampshire Public Radio Financing for new building, studios and equipment (New Hampshire)	\$6,000,000	1,315,809**
California Lutheran University Acquisition of KIST-AM (Santa Barbara, Calif.)	\$1,440,000	538,165
Wasatch Public Media Acquisition of KCPW-FM Financing of KCPW-FM (Salt Lake City, Utah)	\$2,400,000 \$2,818,000	830,361
American Public Media Acquisition of KBXO-FM (Coachella, Calif.)	\$1,000,000	141,432
Colorado Public Radio Acquisition and financing of KFDN-FM (Denver, Colo.)	\$8,200,000	2,548,279



*Population coverage within 60dBu (1.0mV/m) FCC contour. Daytime coverage for AMs, day/night coverage for FM. 60dBu coverage area is considered to be the primary coverage area for a non-commercial FM station and is the contour that is protected from interference by the FCC. Population predictions based upon V-Soft Communications – Probe 3. Using 2004 Census estimates.

**Based on New Hampshire Public Radio's six stations across the state; 2008 state population estimate from United States Census Bureau.



Public Radio Capital: Building assets for public radio

- Conducting market analyses to assess opportunities in the commercial and noncommercial radio bands;
- Bringing together public media organizations of different sizes and experience in productive partnerships;
- Offering education and consultation to stimulate the public radio appetite for expansion;
- Improving access to capital through the Public Radio Fund, client education and funding strategies;
- Acquiring radio channels with and for public radio providers;
- Providing outreach to colleges, universities and school boards to help maximize the public service of their noncommercial radio outlets;
- Delivering proprietary business modeling to illustrate the potential of radio acquisition and operating strategies; and,
- Building national and local “networks of concern” to mobilize greater participation in the future of public radio.

OUR VALUES

- Passionate about public radio
- Innovative, collaborative and entrepreneurial
- A trusted broker
- Financially solid and fiscally prudent
- Committed to a team approach
- Sensitive to the client’s perspective
- Dedicated to being a national resource for local impact
- A high value investment for clients, donors and investors

Wasatch Public Media saves community radio station in Salt Lake City

Early in 2008, a community public radio station with 12 full-time employees and a signal reaching 50,000 weekly listeners in Salt Lake City was on the verge of being sold by its licensee, Community Wireless of Park City. Educational Media Foundation, the largest religious broadcaster in the nation, expressed interest in purchasing it shortly after Community Wireless announced a plan to sell KCPW-FM.

Just as quickly, the community rallied behind the station. KCPW-FM called out to its listeners for support, the mayor participated in a letter writing campaign, and there were pleas from other prominent politicians and community activists.

KCPW staff members established a nonprofit named Wasatch Public Media (WPM) with the sole intention of purchasing and taking over the operation of KCPW. And they called Public Radio Capital. With guidance from PRC, WPM submitted a bid to purchase the station under an extremely tight deadline. WPM had only 60 days to raise the necessary funds.

With \$1 million from a capital campaign, a \$618,000 loan from PRC's Public Radio Fund and a \$2.2 million loan from Washington based National Cooperative Bank, WPM signed an asset purchase agreement to acquire KCPW-FM for \$2.4 million in June and the license transfer was final on September 28, 2008.

"Without the help of Public Radio Capital and the Public Radio Fund, we would not have had any chance of purchasing KCPW," said Ed Sweeney, president and CEO of Wasatch Public Media. "We took full advantage of their acquisition expertise, financing opportunities, major gift guidance and key management consulting."

KCPW is Utah's first and only independent noncommercial all news and information radio station and a trusted source of NPR, Public Radio International and American Public Media programs, as well as award-winning reporting that focuses on local issues affecting its 50,000 weekly listeners.

PRC's work with Wasatch Public Media captures the full scope of PRC's capabilities. PRC participated in Wasatch Public Media's creation—from the sale negotiation and financing, including an interest reserve loan from the Public Radio Fund; to business modeling and fundraising case development; to executive coaching and operations management consulting. The station is positioned to serve the Salt Lake City listeners with critical news and information programming, now and in the future.

SUCCESS STORIES

Miami community responds as PRC client American Public Media launches Classical South Florida

For six years, the Miami region was the largest urban area in the United States without an all-classical public or commercial radio station. Classical South Florida was created when Public Radio Capital was able to engage American Public Media to bring classical music back to the region's airwaves. The all-classical FM station, heard on 89.7 in the Miami area and 101.9 in the West Palm Beach area, was launched by American Public Media in October of 2007.



The station has already surpassed projections for audience growth in its first year.



PRC paved the way for the new station through extensive negotiation with Trinity International University to arrange for the sale of the former contemporary Christian station. American Public Media developed a rigorous business model to project a sustainable future for the station in public radio hands. For the Miami station, the business model projected 92,297 weekly listeners in the first year and 124,540 listeners in the second year.

The station has already surpassed projections for audience growth in its first year. The Miami station reached 139,100 listeners in 2008, its first full year of operations. Shortly thereafter, the John L. and James S. Knight Foundation awarded a challenge grant of \$250,000 to help build the donor support that will underscore a successful future.

Classical South Florida is clearly proving its ability to engage audiences and make classical music relevant in today's world.

"We are excited to bring classical music to the thriving cultural community of South Florida and look forward to engaging our audiences and community partners in providing the best possible service to our community," said Douglas Evans, general manager for Classical South Florida.

KTOO proves More Channels, More Service maxim



In 2005, with listener requests far exceeding its 24-hour capacity, KTOO of Juneau, Alaska decided to expand services. KTOO was broadcasting NPR's flagship news magazines, along with other public radio programs, and had innovative ideas about introducing additional programs to better serve its growing audience.

After participating in PRC's More Channels, More Service project (MCMS), an extended CPB-funded consultation to prepare stations for expansion of services, KTOO was ready. When two commercial channels came onto the market in 2006, PRC helped KTOO negotiate the acquisition of both channels.

As a result of the expansion, program choices tripled and there is a marked increase in listeners, from a weekly cume of 11,500 in 2005, to the latest Eastlan audience data from 2008 that show a weekly cume of 15,400—a 35 percent increase in just two years. Listeners can now choose among: a 24 hour local, national and international news and information channel; a music channel featuring folk, jazz, classical and world music; or a contemporary, hip-hop and rock channel.

"PRC guided us through every step of the process, from financial modeling to negotiations with the seller and eventually to closing the deal," said Bill Legere, KTOO's general manager. "As a result we made good decisions that led to an exciting and highly visible launch, and good audience and revenue growth."

As a result of the expansion, program choices tripled and there is a marked increase in listeners, from a weekly cume of 11,500 in 2005, to the latest Eastlan audience data from 2008 that show a weekly cume of 15,400—a 35 percent increase in just two years.

SUCCESS STORIES

Lakeshore Public Television acquires radio station in Northwest Indiana

Public Radio Capital represented Lakeshore Public Television in its acquisition of radio station WWLO 89.1 FM in Northwest Indiana. The seller was American Family Association, Inc., a religious broadcaster with headquarters in Tupelo, Mississippi. The \$1 million transaction has provided coverage to more than 300,000 residents and complements the public television station's service to the region with an in-depth local news emphasis and contemporary music.

Lakeshore Public Television determined that the acquisition of a new media service would further the station's efforts to serve as a media leader and unifying force for northwest Indiana.

A new format will refine the radio station's content and service strategy to include a robust local presence. The new format will include a variety of in-depth, news, talk and sports programming—including live call-in programs and drive-time specials. A contemporary music sound will round out the lineup.

"This station will be the voice of northwest Indiana," stated Tom Carroll, Lakeshore Public Television president and CEO. "It will include varied and relevant content that is unlike any other product offered by other local radio stations in Northwest Indiana."



The \$1 million transaction has provided coverage to more than 300,000 residents and complements the public television station's service to the region with an in-depth local news emphasis and contemporary music.



SUCCESS STORIES

Sale of Stockton, California station paves way for increased local news coverage

In January 2009, the Federal Communications Commission approved a transfer of the license for radio station KUOP-FM 91.3 from the University of the Pacific to Capital Public Radio (CPR), solidifying the nonprofit organization's service to audiences in Stockton and Modesto.

Capital Public Radio operates four FM stations with news and jazz formats, and three classical stations. KUOP serves Stockton and Modesto with programming that includes news reports and interviews from National Public Radio, local news coverage and interviews, and jazz music.

Capital Public Radio has managed KUOP for the past eight years under a license-sharing agreement with the University of the Pacific. The University of the Pacific Board of Regents put KUOP up for sale in 2005, looking to use the proceeds to improve the University's facilities. They were also looking for a buyer who would continue to offer high-quality local news and arts coverage in California's Central Valley.

Public Radio Capital was hired as broker for the sale and transfer of the station in 2006. A sale agreement was reached in 2008, ensuring that California's first noncommercial educational radio station, established in 1947, would survive.

Capital Public Radio expects to hire at least one full-time reporter in the next several months to be based in Stockton and envisions as many as four or five correspondents in the future, ramping up the coverage as the community grows.

"We're extremely pleased to continue the tradition of community service that KUOP has enjoyed for more than 60 years," said Rick Eytcheson, Capital Public Radio president and general manager. "The Stockton and Modesto communities have been very supportive of KUOP and we intend to do everything possible to improve the service and earn ever greater support going forward."



The Public Radio Fund offers affordable short-term capital for asset-based projects, such as buying radio stations to expand program services to new audiences.

Public Radio Fund helps stations to expand, innovate through critical short-term capital

Public Radio Capital launched the Public Radio Fund in October 2007 to strengthen local media ownership, expand public radio services and support the diversity of voices heard on the airwaves. The Public Radio Fund offers affordable short-term capital for asset-based projects, such as buying radio stations to expand program services to new audiences.

Public broadcasters and local groups must quickly secure the capital they need to compete for valuable stations when they come on the market. With assets of approximately \$9 million, the Public Radio Fund is uniquely able to help public radio operators make critical investments in frequencies and capital equipment. Public broadcasters are invited to apply year-round for capital loans from the Public Radio Fund, which may be used to fund a station acquisition through earnest money deposit, equipment, short-term station acquisition loans and to fund debt reserve funds to be held as a portion of a station acquisition financing package.

Public Radio Capital has established a Public Radio Fund Advisory Council of leading experts in business, finance, social investing and public broadcasting leadership to offer advice, help build the Fund, track performance and maximize its good for public radio and the audiences it serves. The Advisory Council held its first meeting in November 2008.

The Public Radio Fund was established with initial investment commitments from Calvert Social Investment Foundation, Ford Foundation, Nonprofit Finance Fund, National Public Radio, Inc., and individual investors. In 2008, new investment commitments totaled \$400,000.

Public Radio Capital made its first loan from the Fund in 2008 to Wasatch Public Media. A loan in the amount of \$618,000 was used to establish an interest reserve account, which allowed Wasatch to borrow the remaining \$2.2 million purchase price from Washington-based National Cooperative Bank. The Public Radio Fund played a critical role in helping Wasatch Public Media keep KCPW-FM an independent, public radio station serving the Salt Lake City region with news and information.



PUBLIC RADIO FUND

2008 FINANCIAL SUMMARY

STATEMENT OF ACTIVITIES

for the year ended December 31, 2008 (in 000s)

	Parent	LLCs*	Total
REVENUE AND SUPPORT			
Earned Revenue	1,152	834	1,986
Support	640	147	787
In-kind Support	-	481	481
Other	52	110	162
TOTAL REVENUE AND SUPPORT	1,844	1,572	3,416
EXPENSES			
Minority Interest in PRC Tacoma LLC Loss	-	6	6
INCREASE (DECREASE) IN NET ASSETS	86	(777)	(691)
NET ASSETS, BEGINNING OF YEAR	1,304	(1,879)	(575)
Capital Contribution from Minority Interest	-	150	150
NET ASSETS, As of December 31, 2008	1,390	(2,505)	(1,116)

STATEMENT OF FINANCIAL POSITION

as of December 31, 2008 (in 000s)

	Parent	LLCs*	Total
ASSETS			
Current Assets	1,280	5,329	6,609
Property and Equipment, Net	4	1,784	1,788
Intangible Assets, Net	-	16,914	16,914
Noncurrent Receivables, Net	164	556	720
Other Assets	-	60	60
TOTAL ASSETS	1,448	24,643	26,091
LIABILITIES AND NET ASSETS			
Current Liabilities	58	431	489
Long Term Liabilities	-	25,905	25,905
Net Assets (Deficit)	1,187	(2,505)	(1,318)
Temporarily Restricted Net Assets	203	-	203
Minority Interest	-	813	813
TOTAL LIABILITIES AND NET ASSETS	1,448	24,643	26,091

*As of December 31, 2008, PRC has seven Colorado Limited Liability Companies (LLCs). PRC is the sole member of all the LLCs other than PRC Tacoma - I LLC (PRT). PRC is the sole member of Public Radio Capital Stations LLC (PRCS) whose membership interest is 85 percent in PRT. Puget Sound Public Radio (PSPR) holds the remaining 15 percent.

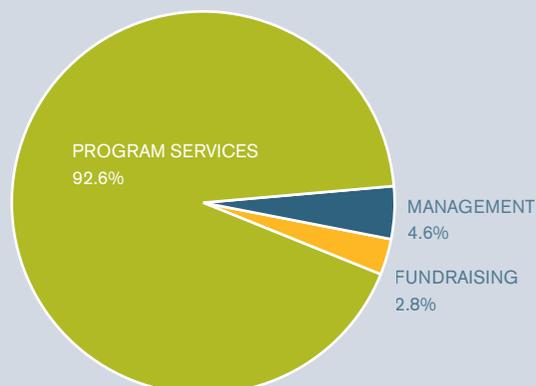
PRC 2008 ALLOCATION OF FUNCTIONAL EXPENSES

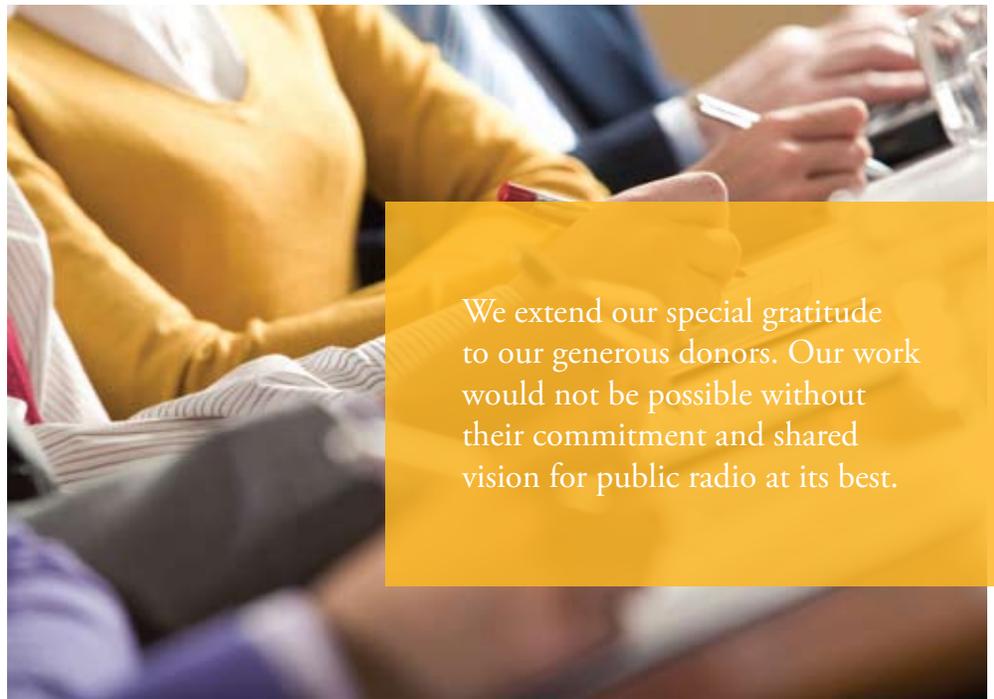
PRC directed more than 90 percent of its annual income to program expenses based on the strength of earned income and philanthropic support. Philanthropic support is critical to keeping fee structures affordable for PRC's nonprofit, public radio clients across the country.

2008 was a solid financial year for PRC. The company experienced growth across all lines of its core services and worked with a greater number of clients, having earned fees from 30 public broadcasting organizations. Total consolidated unrestricted income for 2008, excluding net assets released from restrictions, was \$3.2 million compared to \$2.5 million in 2007 or an increase of 28 percent.

Overall for 2008, the company's operating cash reserves increased by approximately \$500,000 or 43 percent. With the purchase of the station license in Denver, the market value of PRC's consolidated assets increased to \$32.1 million compared to the 2007 market value of \$23.4 million. Total liabilities at December 31 were \$26.3 million compared to the 2007 total of \$16.3 million. Net assets, excluding the minority interest, decreased by \$691,000 compared to a decrease of \$340,000 in 2007. This deficit is not cash related. Expenses not affecting cash included depreciation and amortization which totaled \$389,000. In addition, interest expense on the debt in the three LLCs that own licenses totaled \$753,000. This interest is paid for by the operators of the licenses, not PRC.

The outlook for 2009 is positive. With \$8 million committed for the Public Radio Fund and available for lending, a strong client base and continued philanthropic support, PRC expects to make a positive impact in fulfilling its mission to strengthen and expand noncommercial media so that local communities nationwide have access to more in-depth information, unbiased news, diverse music and cultural programming.





We extend our special gratitude to our generous donors. Our work would not be possible without their commitment and shared vision for public radio at its best.



Top photo: Jacinda Abcarian, executive director of Youth Radio and Susan Harmon. Youth Radio served as the host location for the first Public Radio Fund Advisory Council meeting.

Bottom photo: Front row, Paul Ginsburg, Kimberly Swain, Leo Martinez
Back row, Joshua Mallamud, Khira Griscavage, Tim Doke, Susan Harmon, Farnum Brown, Marc Hand

BOARD OF DIRECTORS

- Teresa Bryce
Philadelphia, Pennsylvania
- Carolyn Grinstein, Secretary/Treasurer
Seattle, Washington
- Marc Hand, Managing Director
San Francisco, California
- Susan Harmon, Managing Director
Seattle, Washington
- William King
Nashville, Tennessee
- James Mabie
Chicago, Illinois
- Leo Martinez, Chairman
San Francisco, California
- Jan Nicholson, Past Chair
New York, New York

**PUBLIC RADIO FUND
ADVISORY COUNCIL**

- Farnum Brown
Durham, North Carolina
- Roberto Colindres
Brooklyn, New York
- Tim Doke
Dallas, Texas
- Paul Ginsburg
Ross, California
- Khira Griscavage
Berkeley, California
- Joshua Mallamud
Santa Monica, California
- Leo Martinez
San Francisco, California
- Howard Stevenson
Boston, Massachusetts
- Kimberly Swain
New York, New York

STAFF

- Dennis Hamilton, Director of Consulting
St. Paul, Minnesota
- Marc Hand, Managing Director and Co-Founder
San Francisco, California
- Susan Harmon, Managing Director and Co-Founder
Seattle, Washington
- Irene Hashimoto, Operations Administrator
Centennial, Colorado
- Anne Benedict Hovland, Director of Development
Stillwater, Minnesota
- Evan Kavlak, Financial & Credit Analyst
Los Angeles, California
- Erik Langner, Director of Acquisitions
Boulder, Colorado
- Erin Moran, Chief Financial Officer
Boulder, Colorado
- Terri Olsen, Accounting Assistant
Boulder, Colorado

PUBLIC RADIO CAPITAL



Public Radio Capital
Bridges Broadcast Center
7409 South Alton Court
Centennial, CO 80112
720-493-4185 phone
720-493-4186 fax

publicradiocapital.org
publicradiofund.org