

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Approval to Purchase the License and Assets of Radio Station KIIC-FM in Osceola by Iowa State University
Date: February 9, 2004

**Recommended
Actions:**

1. Approve Iowa State University's request to purchase KIIC-FM radio, including its license and assets, in Osceola for an amount not to exceed its appraised value.
2. Authorize Iowa State University to submit a Letter of Intent to the seller describing the general terms of the offer.
3. Authorize Iowa State University to pursue due diligence if the Letter of Intent is accepted.
4. Authorize Iowa State University to submit an Asset Purchase Agreement to the seller for an amount not to exceed the appraised value.
5. Authorize Iowa State University to submit the necessary paperwork to the Federal Communications Commission (FCC) regarding the license transfer.
6. Authorize Iowa State University to begin discussions with Public Radio Capital for the purchase of the physical plant and a lease arrangement that enables WOI to operate the station.
7. Authorize WOI Radio to use the Board of Regents master lease for an amount not to exceed \$270,000 for up to five (5) years, subject to Banking Committee approval (B.C. 9), to assist in financing until grants and community support are obtained.

**Executive
Summary:**

The WOI Radio Group at Iowa State University is requesting Board approval to purchase KIIC-FM radio, including its license and assets, in Osceola.

Link to Strategic Plan:

This effort is part of the institutional activities which help the Board of Regents achieve its objective to provide service opportunities at the Regent institutions as stated in its current Strategic Plan:

- KRA 2.0.0.0 Provide access to educational, research, and service opportunities within the missions of the Regent institutions.
- Action Step 2.2.2.6 Assess adequacy of access to appropriate research and services.

Background:

Through the purchase of KIIC-FM radio, a 50,000 watt station, Iowa State University believes that it can provide high quality FM public radio service to a large area of southern Iowa in a cost efficient way.

Analysis:

Requires Board Approval

Board of Regents' Policy Manual (§6.37) requires Board approval prior to submitting an application for expansion to the FCC, including acquisition of an existing license.

Station in Receivership

The station is currently in receivership and may be available for a reasonable price.

Commercial Station

KIIC was established as a commercial operation but FCC regulations will allow the station to be operated as a non-commercial service.

Underserved Area

WOI seeks to extend its service to the south central portion of Iowa in response to potential listeners who currently have limited or no reception from WOI or other public radio stations. The public radio industry considers much of south central Iowa "unserved" from the perspective of not having FM service within an FCC recognized primary service contour of any public station.

Service Area

KIIC-FM would serve the greater Osceola area represented by the counties within the KIIC listening area (Ringgold, Decatur, Wayne, Lucas, Clarke, Union, Madison, and Warren), including the communities of Lamoni, Creston, and Chariton. The population to be served with the KIIC primary signal is 50,566.





Overlap WOI-FM's primary contour overlaps a small portion on the north edge of KIIC's contour, while KXCV, a public station in Marysville, Missouri, includes a small overlap area on the southwest side. The combined overlap population is 6,652; approximately 44,000 individuals would receive a high quality FM signal for the first time.

Potential Programming WOI's intent at KIIC is to provide opportunities for locally-originated programming or program segments desired by the community, produced or originated within the community through studios to be maintained at an appropriate location within the region. WOI intends to consult with a local community advisory board regarding the programming and operation of KIIC.

Possible Studio at Graceland University Graceland University in Lamoni has expressed interest in partnering with WOI by providing facilities and coordination for this studio. Rather than staffing the studio professionally, WOI would rely on the host institution to assist in local programming efforts similar to the arrangements for KTPR at Iowa Central Community College and KWOI at Carroll High School.

Use of ICN The ICN system that interconnects the repeater stations in Fort Dodge and Carroll will be employed to connect KIIC to the Ames network center.

Acquisition Procedure and Timeline The following steps generally apply to the acquisition of an existing radio station and may take 5-6 months to complete:

-  Submit a Letter of Intent to the seller describing the general terms of the offer. The seller usually responds in 7-10 days. The Letter of Intent specifies that either party may withdraw from the process without negative consequences.
-  After the Letter of Intent is signed, no further offers will be considered by the seller for a period of 1-2 months while the two parties undertake due diligence.
-  During the due diligence process, the station's records are examined on behalf of the buyer, an inspection of the station's physical plant is made, and any legal issues needing attention are addressed.
-  Should the parties wish to continue, an Asset Purchase Agreement is developed by both parties. A signed, executed Asset Purchase Agreement constitutes a legally binding contract and usually includes a 5% earnest money payment by the buyer.

- ☞ After the Asset Purchase Agreement is signed, the buyer prepares an application for Voluntary Reassignment of License and files it with the FCC. The FCC processes the application in 3-4 months.
 - ☞ The closing occurs within the next 10 days after the Voluntary Reassignment of License is approved by the FCC.
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Discussion with
SUI and UNI

Representatives of KUNI and WSUI have been briefed on this opportunity and have endorsed the concept.

Limited
Frequencies
Available

Suitable available non-commercial FM frequencies in the southern region are virtually non-existent. Furthermore, the FCC has imposed a freeze on licensing new channels while it resolves its disputed rules pertaining to new stations. In addition, if frequencies were available, it would take many translators of the type proposed to provide the equivalent service of the KIIC transmitter.

Anticipated
Financing for
Purchase of
License

Subject to Board of Regents approval, WOI expects to offer a cash payment not to exceed the appraised value. The license itself, costing approximately \$270,000, would be financed by the Board's Master Lease for a period not to exceed five years, subject to Banking Committee approval (B.C. 9). WOI has a lead gift commitment of \$50,000 from the Vredenburg Foundation of Chariton for the purchase of the station. Additional fundraising would be undertaken to retire the debt.

If fundraising is not successful, WOI Radio has sufficient assets and operating funds to cover the master lease payment. WOI Radio is not anticipating any additional university or state support.

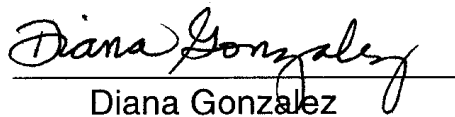
Purchase of
Equipment by
Capital Public
Radio

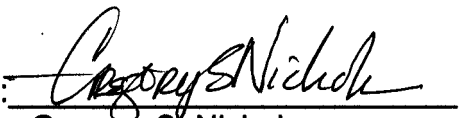
Iowa State University would request that KIIC's equipment be purchased by Public Radio Capital and leased to WOI with an option to purchase in the future. The broadcast equipment package includes the tower, transmitter, feedline, antenna, STL system, and studio production equipment. This arrangement is being proposed to meet the federal grant application requirements to support the purchase of equipment.

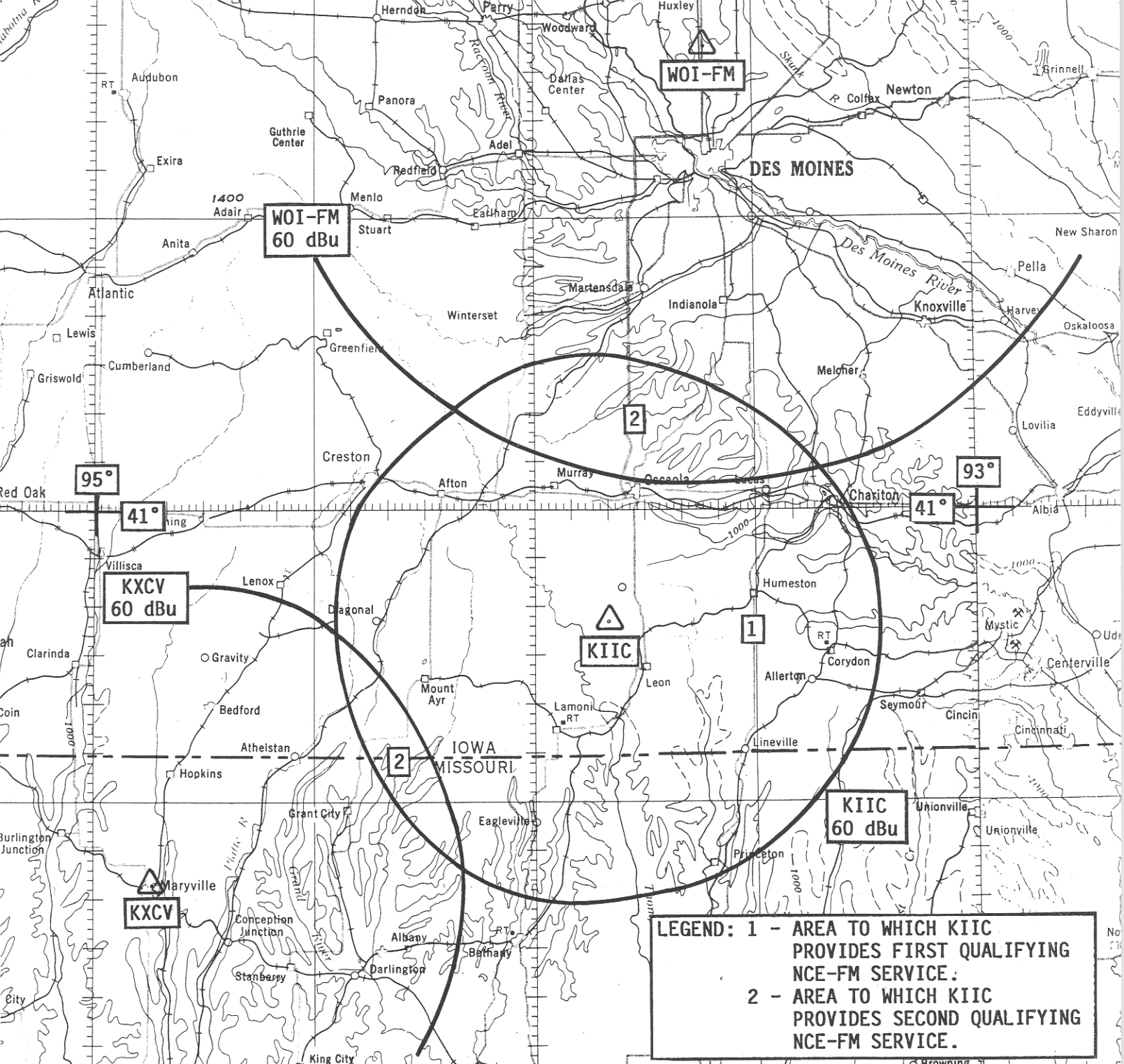
Possible Grant WOI intends to submit an application to the Public Telecommunications Facilities Program (PTFP) to purchase the KIIC equipment as used equipment. If the grant is awarded to WOI, it would fund 75% of the purchase of the equipment from Public Radio Capital. WOI would provide a 25% match for the purchase. If the grant is not awarded, WOI would continue the lease and fund the purchase option with its current assets and operating funds.

Ongoing
Operating
Expenses KIIC's annual operating expenses are projected to be approximately \$20,000 (not including debt service). As part of the WOI Radio Group, the annual fundraising campaigns conducted by the stations will likely cover KIIC's operating expenses. Repeater stations typically generate sufficient revenues to cover all or most of their operating expenses, which are kept low through the central management of multiple stations. According to the University, the operation of the new station will not be financially detrimental to WOI's existing stations.

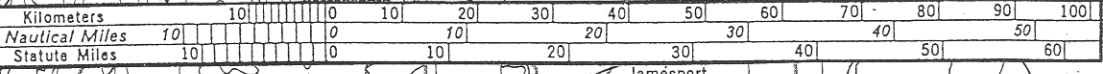
Service Area
Map The service area map for KIIC-FM is provided on page 6.


Diana Gonzalez

Approved: 
Gregory S. Nichols



**LEGEND: 1 - AREA TO WHICH KIIC PROVIDES FIRST QUALIFYING NCE-FM SERVICE.
 2 - AREA TO WHICH KIIC PROVIDES SECOND QUALIFYING NCE-FM SERVICE.**



	<u>AREA (SQURE KILOMETERS)</u>	<u>POPULATION (2000 U.S. CENSUS)</u>
KIIC 60 dBu CONTOUR	8,532.6	50,566
FIRST QUALIFYING NCE-FM SERVICE	7,028.1	43,914
SECOND QUALIFYING NCE-FM SERVICE	1,504.5	6,652

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 BATH, OHIO 44210-0807
 330/659-4440

**AREAS TO WHICH KIIC WOULD
 PROVIDE FIRST OR SECOND QUALIFYING
 NCE-FM SERVICE**

Iowa State University
 Lamoni, IA