



# **NEWS 3.0**

**&**  
**Advertising 3.0**

## ***The Concept:***

- A for profit organization structured as an L<sup>3</sup>C with profit motivation being second to mission.
- A post industrial model where any newspaper that is published outsources the actual manufacturing.
- The key components are a strong news gathering organization and a strong advertising sales and creation department.
- An internet strategy will go hand in hand with print and be seamlessly integrated.
- The two primary purposes will be to gather, organize, evaluate and edit primarily local news and to sell and create advertising for primarily local businesses and organizations.
- The business model is built around the sale and use of the news and the advertising to maximize revenue. The development of an iconic brand is of key importance.
- Copyrights will be protected - for the organization, the journalists and other contributors.
- Content will not be given away. If the 21st Century is to be the knowledge based century then information is the currency of commerce. NEWS 3.0 organizations will do such a good job that multiple users will want to buy the information they have for sale.
- NEWS 3.0 organizations will actually pay Google and their competitors for bringing paying customers to their site.
- Local advertisers will forgo their own websites for pages in the directory section of the NEWS 3.0 website and create additional revenue for the organization.
- The local NEWS 3.0 website will become the “home page” for many internet users.
- Community organizations, government agencies and boards, and nonprofits will have a place on the NEWS 3.0 site and will attract “readers” to the site.

***L<sup>3</sup>C Explanation*** - The L<sup>3</sup>C is not a nonprofit. It is a for profit venture that under its state charter must have a primary goal of performing a socially beneficial purpose not maximizing income. The legislation was specifically written to dovetail with the federal tax regulations relevant to Program Related Investments (PRIs) by foundations. The L<sup>3</sup>C facilitates PRI investment and brands the organization as one that will put social benefit ahead of profit. It also facilitates tranced investing with the PRI usually taking first risk position thereby taking much of the risk out of the venture for other investors in lower tranches. The rest of the tranches become more attractive to commercial investment because the PRI has improved the credit rating of those tranches thereby lowering the cost of capital. It is particularly favorable to equity investment. Because the foundations take the highest risk at little or no return, it essentially turns the venture capital model on its head and gives many social enterprises a low enough cost of capital that they are able to be self sustainable.

The L<sup>3</sup>C can now be used in all 50 states as a result of legislation signed into law in Vermont in April 2008, Michigan in Jan. 2009, the Crow Indian Nation in Jan. 2009, Wyoming in Feb. 2009, Utah in March 2009 and Illinois as soon as the Governor signs the bill. A Vermont, Wyoming, Utah, Illinois, or Michigan L<sup>3</sup>C, like a Delaware corporation, can be used anywhere. The L<sup>3</sup>C is pending in some form in North Dakota, Missouri, Arkansas, Montana, Oregon, Washington State, North Carolina, Massachusetts, Tennessee, California, Colorado, Maine, Kentucky, Virginia, the Ogala Sioux Tribe and Georgia.

**L<sup>3</sup>C Advantage** - The operation can be a profitable, self sustaining venture by expanding its role and restoring many services that have been reduced or cut. We expect it will be profitable enough to maintain and purchase equipment as needed and to explore and develop ways to use and integrate new media with the newspaper model. But as an L<sup>3</sup>C it will not be under pressure to generate unreasonable level of profits or diminish services in order to increase profits or service highly leveraged debt. The L<sup>3</sup>C structure will permit the "paper" to direct its effort to providing the kind of community service the subscribers, advertisers and other stakeholders have a right to expect. It can operate as a public service vehicle. As an L<sup>3</sup>C, it will, by law, be charged with placing community service ahead of profit.

The L<sup>3</sup>C was built on the LLC structure in order to provide the flexibility of membership and organization needed to cover a wide variety of social enterprise situations. It also makes it very easy for lawyers and laymen alike to grasp since it does not create a new structure but merely amends the definition section of the LLC acts in most states. That leaves 15+ years of legislation and litigation that is behind the LLC intact behind the L<sup>3</sup>C. Probably more importantly than anything else, the L<sup>3</sup>C is a brand which stands for all this and more and hopefully as a brand will make the concepts easy to grasp and thereby frequently used.

**Project Goal** - Create a locally based, independent, L<sup>3</sup>C news gathering organization, with a focus on community service and local news, or buy an existing newspaper with the same objective and repurpose it. The Newspaper Guild points out that newspapers are the only business specifically recognized in the U.S. Constitution and the information provided is vital to the proper function of a democracy. The newspaper as an important engine of the economy of the area is a basic driver, through both news and advertising, of information significant to the commerce of the area. Additionally, many of the cultural and nonprofit venues depend on a healthy vibrant newspaper for dissemination of information regarding their services. Lastly, government at all levels needs newspapers for the same dissemination of necessary information. Locally owned commerce will be emphasized. A study by Civil Economics in September 2008 in nearby Western Michigan showed that when dollars are spent at a locally owned business 68% of the dollars remain in the community. When dollars are spent at a non locally owned business only 43% of the dollars remain in the community. The core of the L<sup>3</sup>C news gathering organization will be the local journalism staff and the local advertising staff. Many large chains outsource advertising sales to overseas operations, and often use wire services and offshore offices for local news generation.

A key element of our plan will be to eliminate or reduce the old industrial model. The primary business of the L<sup>3</sup>C will be the gathering, editing and organizing locally generated information. It will then market this information. One of the ways it will market its information is by contracting to have a newspaper printed and distributed. In some cases it may make sense to retain ownership of the printing plant but in most cases we feel the members will conclude that it is no longer in their best interest to own a large printing factory. Since newspapers no longer print "extras" or special editions they can outsource to a printing company to print a paper on a regular schedule. The L<sup>3</sup>C will be able to look for various ways to maximize the use of the information it gathers.

**Marketing Strategy** - We feel it is time for the news gathering organization to separate itself from the sale and marketing of the product. We feel that product integration is important and that the look, feel and use of the information should be similar in all cases. In essence, we want to create an iconic brand either by repositioning the old name of the newspaper or by creating a new name. We feel a BRAND NAME is more than a word or a Trademark; it is the beginning of a CONVERSATION. A great brand name shifts your thinking, how you view the world. Like a well-written poem, a great brand name has a PURPOSE - it provokes, it inspires, it uplifts. The NEWS 3.0 news gathering organization will represent the focus of information relevant to a local area.

It will have strong local advertising of all types and include information on community organizations and nonprofits. It will also be a local government reference sight with online viewing of local government agency and board hearings available

It will create partnerships with Google and other research engines so that they will bring customers to the door of the local NEWS 3.0 and be paid for it. We expect that many small community based businesses will fold their websites into our pages and that the "front page" (now customizable) will become the new home page for most people.

**Possible Members of L<sup>3</sup>C** - We expect to finance the L<sup>3</sup>C based on a community directed campaign. One source will be foundations and community foundations making PRI investments. Community foundations, in particular, have a stake in the successful operation of a local community newspaper since in many ways it is vital to the basic spirit and health of the community served by the community foundation. Employees, local businesses such as auto dealers or restaurants, local merchants and banks, supermarkets and other national chain retailers and theater chains all of whom depend on the viability of the paper for delivery of their message to local customers are expected to buy shares along with local individuals and investors who see the value in a viable local community even if the return on investment is not spectacular. An example might be a large local employer that needs a strong, prosperous, cohesive, vibrant local community in order to enhance its ability to attract the best employees to the area. The community often makes a difference as to the level of compensation a large corporation has to pay since prospective hires may demand higher pay if they perceive the need to leave a community for some of the services they will desire or to compensate for a lower quality of life. State and local pension funds, insurance companies, foreign sovereign wealth funds and other very large scale institutional investors who are looking for very secure long term income paying investments with a return compatible with the risk will also be targeted.

**Organizational Structure** - Will consist of a large staff of journalists managed by a professional news management staff reporting to a management board which may include members of the present management structure and community leaders.

**Structure of investment** - Our analysis indicates that the stability of the project for the long run dictates an all equity transaction. It is obvious that certain groups such as the local members of the Newspaper Guild will have a relatively small financial stake in relation to their control of the quality of the product. Other investors such as local businesses will put in more dollars for substantially less day-to-day control. Others such as pension funds are expected to be far more passive investors.

**Unique socially beneficial aspects of this project** - The newspaper means many different things to different stakeholders. The key to the success of the newspaper as an L<sup>3</sup>C will be the drafting of an operating agreement that assures all the stakeholders that the paper will live up to expectations and yet permits those in charge to be able to make necessary business decisions on a day-to-day basis without having to clear such routine decisions with the various stakeholders. It is going to require new thinking to some extent on all sides. The advertisers, for example, will have to understand that they are investing to be sure of the success of a tool necessary to the marketing of their products. The management will have to understand that the employees are the most valuable asset, while the employees will have to make tough decisions sometimes that are important to the viability of the paper and think like the owners they will be. But once an operating agreement has been crafted a newspaper as a pillar of the community will finally be a reality.

**Long Range Goals** - The individuals and organizations involved in this project recognize that the biggest problem currently is the rapid failure of the present newspaper model. The recasting of a newspaper as an L<sup>3</sup>C news gathering organization is designed to stabilize the paper and allow it to bring back many lost services which have cost it subscribers. The next step will be to take the time to develop an even more robust operation which includes the integration of many yet to be created internet services.

**History of the L<sup>3</sup>C** - The L<sup>3</sup>C was created by Robert Lang, CEO of the Mary Elizabeth & Gordon B. Mannweiler Foundation (who has many years of corporate and nonprofit management experience) and carefully refined with the assistance of Marcus Owens, a partner in Caplin & Drysdale, the preeminent Washington DC tax law firm, and a former Director of the Exempt Organizations Division of the IRS for 10 years; Arthur Wood, the Director of Social Financial Services for Ashoka, with over 20 years of financial experience at upper level management positions with leading UK financial institutions; and many other individuals and organizations.



L<sup>3</sup>C Advisors L<sup>3</sup>C is the first L<sup>3</sup>C created in the world and was organized to help others organize and finance L<sup>3</sup>C s.

Social Impact Financial Network  
Social Impact Development Group  
Education And Marketing Group  
Social Enterprise Management Group

PO Box 236, Granite Springs, New York 10527  
1-914-248-8443 Info@l3cadvisors.org.

[www.americansforcommunitydevelopment.org](http://www.americansforcommunitydevelopment.org)