

MEMORANDUM
June 27, 2006

TO: Whom It May Concern
FR: Tom Calder, President
Community Wireless
RE: Release of 2005 Financials

I want to update you on the progress of Community Wireless, the parent non-profit of KCPW AM/FM in Salt Lake City and KPCW FM in Park City, and to provide you with our 2005 Independent Audit and Tax Return (IRS Form 990).

I am pleased to report each of the stations continues to experience positive growth and momentum. KCPW's most recent fundraising drive generated nearly \$235,000, a record for spring and a 36 percent increase over the previous year. KPCW likewise raised a record \$249,000 during its annual winter 2006 fundraiser.

Our audience continues to grow with the most recent winter ratings period showing a 21 percent increase in our overall audience in the Salt Lake metro area over the same period the previous year. Our success is largely attributed to you, our listeners, who support the quality programming and commitment to local news provided by both KCPW and KPCW. We are grateful for your patronage.

Community Wireless is entrepreneurial in its approach, which makes the way we conduct business complex and unique within the public radio system. This has included expanding our coverage through launching our 50,000 watt 1010 AM frequency. As outlined in my November 2005 letter, this endeavor encompasses a multi-year plan for 1010 AM to reach sustainability.

I am encouraged by our progress to date. At the same time, the most recent Independent Audit and Tax Return (IRS Form 990), which covers the 12-month period between September 1, 2004 and August 31, 2005 (our fiscal year), shows an operating deficit of \$609,366. The losses -- many of which were one-time, nonrecurring costs associated with the 1010 AM launch including increased staffing, marketing and engineering -- were paid for out of cash reserves generated by the sale of KCUA, Coalville and not by contributors to KCPW/KPCW.

The Wireless Board and management anticipated these operating losses and are confident the revenue generated by the new format and the increase in KCPW's coverage, from 600,000 to more than 2-million listeners, will generate funds sufficient to not only operate the station in the black, but also to eventually pay back the reserve fund. Based on projections and progress to date, we are forecasting a significant reduction in loss for the fiscal year 2006. It also is important to note that without the AM-related expenses, KCPW would be in the black.

The following is further information on 1010 AM and other issues related to the audit and tax forms:

COMPENSATION

In August of 2004 the Community Wireless Board negotiated a new contract with Wireless CEO Blair Feulner. It provided for a base salary of \$140,000 per year plus a four percent cost of living increase.

The Board was prudent in setting the terms of the new agreement, forming a compensation committee and hiring outside council to ensure it did due diligence. That, however, delayed execution of the new contract by several months which resulted in the board extending the old contract through June 30, 2004. During this period, Mr. Feulner accrued a performance bonus based on station revenue that was payable in January of the following year.

Mr. Feulner was paid \$140,000 under the terms of the new contract and a bonus of \$39,815 (payable under the terms of the old contract) which is why Mr. Feulner's total compensation on the current 990, fy 2005, was \$179,815.

Under terms of the new contract Mr. Feulner's compensation in fy 2006 will be \$145,000, split 50/50 between KPCW and KCPW, each station paying \$72,500. There are no bonuses pending.

Mr. Feulner is the founding father of both KPCW and KCPW. He has a unique background spanning 36 years in both commercial and noncommercial radio and he provides a wide range of service in engineering, fund-raising and news. In addition to his management responsibilities, he spends three hours a day on-air doing news and interviews.

In determining Mr. Feulner's compensation, the Board took into account salary surveys for non-commercial stations with budgets in excess of \$2 million, the amount of business and foundation grants he personally generates each year (in excess of \$200,000), and what it would cost Wireless to replace all the other functions he performs.

KCPW AM

Community Wireless purchased 1010 AM out of bankruptcy, using tax-exempt bond financing, for \$1.2-million. Recently a Salt Lake station of similar power and coverage (KALL-AM) sold for \$4.1-million. While the Board does not anticipate selling KCPW AM, it believes it has a fiduciary responsibility to determine its actual value in today's market and has listed the station with a broker.

FUTURE

Community Wireless stations continue to be on the cutting edge of public radio. We provide a nationally-recognized public service to the communities we serve and are constantly using research to improve our local news and programming.

As Board President, my commitment is that Wireless will continue to be transparent and stay in constant communication with our listeners and contributors. In addition to this letter, we have made on-air announcements regarding posting of our most recent IRS Form 990 and audited financial statements. Over the past year we've also sent letters to more than 5,000 KPCW supporters explaining our commitment to disclosure, posted our 2004 IRS 990 tax forms and audited financial statements on our website, made General Manager Blair Feulner and Board Member David Simmons available for listener questions about the station's finances during a two-hour radio call-in show (still posted online at kpcw.org), and encouraged anyone with comments about the organization to speak directly with me.

The door is always open. We would welcome the opportunity to hear from you. Please feel free to contact me through e-mail, letters@kpcw.org, or by leaving a message at the KPCW, 435-649-9004. Thank you very much for your continued support.

Sincerely,

Tom Calder
President of the Board
Community Wireless of Park City