

Preserving WRR

Quality of Life Committee

August 29, 2006

Background

- The Dallas City Council has repeatedly reviewed unsolicited offers to sell or modify WRR (1986, 1992, 1996, 2002/03)
- This issue will likely continue to be raised because WRR's coverage area, location on the dial, and commercial status are extremely attractive to suitors
- All past offers have involved either the sale of the station, reduced coverage area, or loss of management
 - None of the previous offers allowed for preservation of the classical music format in the Metroplex

Current Proposal

- KVTT-FM (91.7), in partnership with Salem Communications Corporation, approached the City with a proposal to swap the WRR commercial license frequency for a similar non-commercial license frequency and a significant cash payment

Current Situation

- According to Arbitron Ratings, the average number of listeners to WRR throughout the day is approximately 15,000
- Based on recent sales of stations in similar markets, the value of the WRR asset could be between \$80 - \$100 million

What Makes This Offer Different?

- Frequency offered for trade has a full Class C license and essentially the same coverage area as WRR (see coverage maps in Appendix A)
- Dollars involved are substantial enough to create an endowment fund to insure future success for WRR
- Allows the City to continue broadcasting City Council meetings
- Allows the City to maintain control of management and music format
- Allows the City to maintain its commitment to classical music and to ensure it prospers

What is a Non-Commercial License?

- The Federal Communications Commission (FCC) issues commercial and non-commercial licenses
- Non-commercial radio stations receive program sponsor support or underwriting support from companies wishing to make the programs possible
- Program Sponsors receive on-air acknowledgement in the form of ten or fifteen second announcements broadcast during the program breaks

What is a Non-Commercial License? (Cont.)

- Similar to commercial formatted paid advertisements, non-commercial program sponsors can:
 - Stimulate inquiries for additional information about their business
 - Communicate a companies purpose
 - Increase a company's visibility
 - Popularize a business or cause
 - Strengthen a corporate image
- In addition, non-commercial program sponsors receive the added benefits of:
 - A commercial free, clutter free environment allowing their company's message to stand out
 - Demonstrating corporate philanthropy
 - Enhancing employee pride

What is a Non-Commercial License? (Cont.)

The following changes would have to take place with current advertisers:

- Revising the length of current announcements from :30 seconds to :10 or :15 seconds
- Revising the creative elements of the program credit announcements to adhere to the FCC Guidelines as follows:
 - Program Sponsors must be identified by name
 - The program credit may include factually descriptive information about the sponsors products, product line, or services; The information can not be qualitatively or promotionally descriptive
 - The credit may include brand or trade names that help identify the underwriter, but do not promote
 - The credit may include the sponsor's well-established corporate slogan.
 - The credit may include a phone number or web address, but no accompanying call to action
 - No call to action
 - No superlatives or comparatives
 - No comparisons with other products or business
 - No endorsements/statements
 - No reference to prices for products or services

WRR Financials

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 ¹
Net Revenues	2,330,000	2,495,000	3,352,000	3,653,171	4,678,702	4,702,727	3,719,789	3,474,556	3,498,608	3,695,101
Net Expenses	1,900,742	2,279,321	3,093,149	3,291,728	3,859,507	3,635,959	3,161,217	2,873,318	3,148,470	3,249,895
Net Profit	429,259	215,679	258,851	361,443	819,195	1,066,768	558,572	481,642	273,890	345,131

Source: City of Dallas Audited Annual Comprehensive Financial Statements (CAFR)

¹ CAFR not finalized: FY2004-05 information is as of May 3, 2006

Non-Commercial Classical Stations in Top 20 Markets

Market Name	Market Rank	Call Letters
Los Angeles, CA	2	KUSC
Philadelphia, PA	6	WRTI
Houston-Galveston, TX	7	KUHF
Boston, MA	9	WGBH
Detroit, MI	10	WRCJ
Atlanta, GA	11	WABE
Phoenix, AZ	14	KBAQ
Minneapolis-St. Paul, MN	15	KSJN
San Diego	16	XLNC (Tijuana)
Baltimore	19	WBJC

Source: MUSIClassical

Can WRR Prosper as a Non-Commercial Station?

- 80% of all classical music stations are non-commercial
- 54 of the top 100 ranked Arbitron markets have non-commercial classical stations
- Currently, non-commercial classical radio stations in the top 10 markets on average are close to or exceed the revenues generated by WRR
- WRR will continue to provide the same classical service that listener's enjoy today

Why the City of Dallas Should Consider a Frequency Swap?

- Current FCC rules allow non-commercial stations to compete and prosper
- Using the media reported \$50 million cash payment for swapping frequencies, an endowment could be established
 - At a 5% return rate, this would mean \$2.5 million annually for the arts, with WRR having the right of first refusal to cover any operating deficits should they occur
- Now is the time to end recurring speculation of selling WRR and preserve classical music in the Metroplex for generations to come

Recommended Next Steps

Step 1

- Secure an appraisal of WRR and market analysis to determine current day value and market trends for the future of terrestrial radio
- Hire a consultant to write an acceptable business plan for WRR
 - Consultant to secure input from current listeners supporters, advertisers, and employees

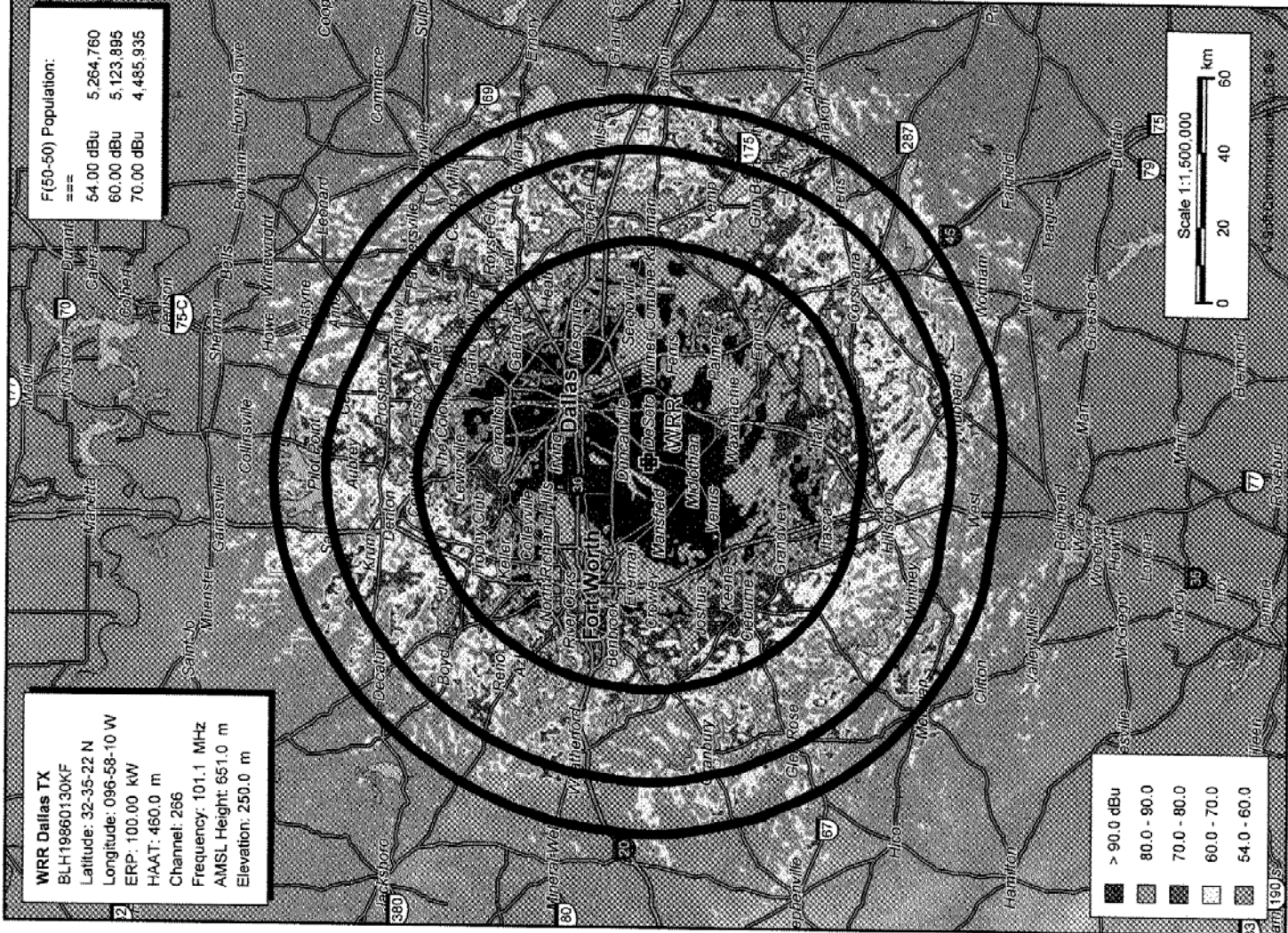
Step 2

- Review output of Step 1 above with stakeholders
- Evaluate all information and reconsider recommendation to move forward

Step 3

- If approved in the above steps, issue an RFP to secure the best competitive deal for the City

Appendix A – Coverage Map (101.1 FM)



Appendix A - Coverage Data (101.1 FM)

LONGLEY RICE REPORT for WRR
Field Strength Breakdown:

Population data for field strength above 90.00 (dBuV/m):

Total Population: 2,235,490 Total Housing Units: 859,812

Population data for field strength above 80.00 (dBuV/m):

Total Population: 3,747,127 Total Housing Units: 1,440,966

Population data for field strength above 70.00 (dBuV/m):

Total Population: 4,621,379 Total Housing Units: 1,788,192

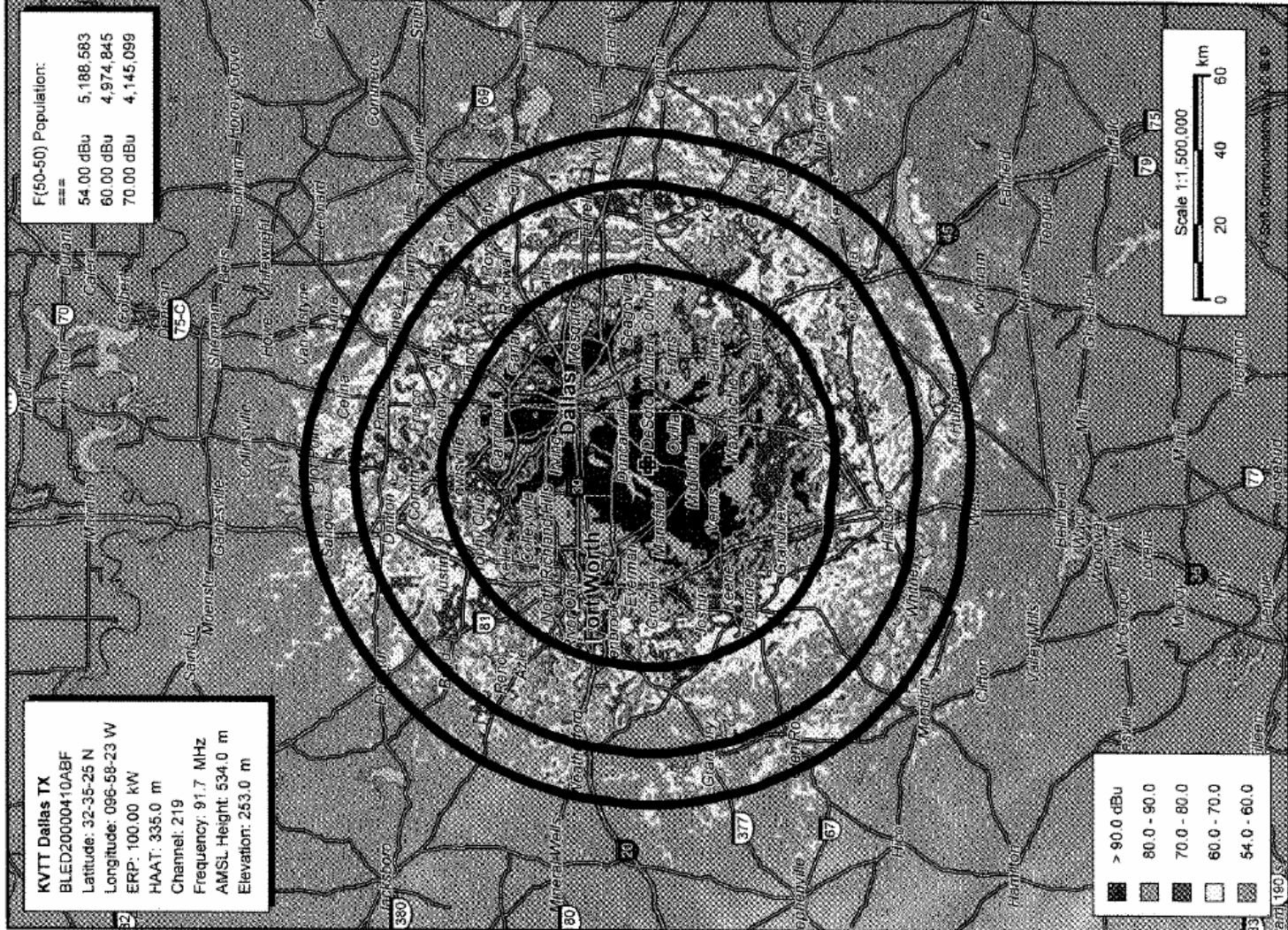
Population data for field strength above 60.00 (dBuV/m):

Total Population: 5,060,772 Total Housing Units: 1,963,053

Population data for field strength above 54.00 (dBuV/m):

Total Population: 5,272,250 Total Housing Units: 2,050,537

Appendix A – Coverage Map (91.7 FM)



Appendix A - Coverage Data (91.7 FM)

LONGLEY RICE REPORT for KVTB
Field Strength Breakdown:

Population data for field strength above 90.00 (dBuV/m):

Total Population: 1,543,829 Total Housing Units: 585,911

Population data for field strength above 80.00 (dBuV/m):

Total Population: 3,153,056 Total Housing Units: 1,206,905

Population data for field strength above 70.00 (dBuV/m):

Total Population: 4,307,069 Total Housing Units: 1,664,727

Population data for field strength above 60.00 (dBuV/m):

Total Population: 4,912,200 Total Housing Units: 1,901,027

Population data for field strength above 54.00 (dBuV/m):

Total Population: 5,143,079 Total Housing Units: 1,997,711