

TOP EIGHT OF '08

Gas & Crash Rehash

As for most businesses, an '08 country retrospective must be viewed in the context of economic tumult. Summer's skyrocketing gas prices posed multiple threats to touring, soaking up much of the country base's disposable income. The collapse of financial behemoths shook the economy's foundations and initiated wild stock market swings. By contrast, the record business and radio share steady, if undesirable, trajectories. The, uh, good news in declining CD sales is that they don't appear in danger of cratering as badly as Wall Street's opinion of radio. But on Main Street, Country radio is, happily, still the focal point for fans of the genre, and country artists continue to create vibrant, compelling music.

1 PENNY FOR YOUR STOCKS

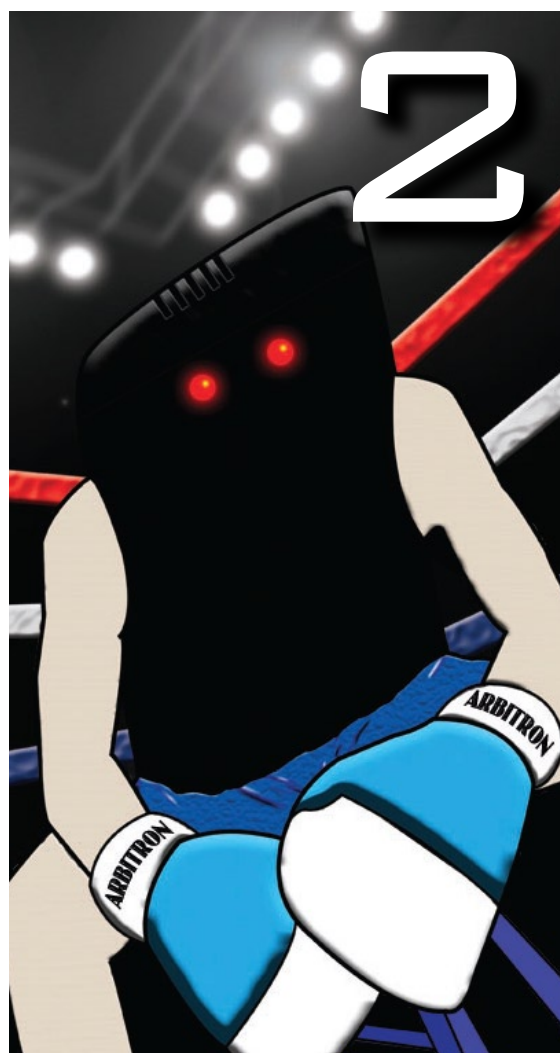
The Falling Economics Of Radio

Visions of high-flying stocks danced in the heads of major radio group owners who took the business public following ownership deregulation in 1996. But the clatter of acquisition and sugary stock market outlooks have plum dashed away, only to be replaced by penny stocks, plummeting ad revenues, layoffs, pay freezes and non-existent 401(k) contributions. Clear Channel's departure from the public markets was a messy battle with investment banks that have lost faith in the medium. Other companies have eyed privatization as analysts downgraded stocks and the exchanges filed delisting notices. And so the radio industry's once sparkling prospects have been left tarnished with the ashes and soot of a model that has long since gone up in flames.

Legend of the Fall

How rough has the sector been? If you had invested \$245 to buy one share of each of the following 12 companies when they went public, your portfolio on December 1, 2008 would have been worth less than \$20.

	Opening	1/2/08	12/01/08	+/-Since Open
Beasley (2/11/00)	15.00	6.13	0.06	-94.9%
CBS (1/3/06)	25.60	26.42	5.83	-77.2%
Citadel (8/1/03)	20.75	2.06	0.15	-99.3%
Cox Radio (9/27/96)	20.87	11.89	5.06	-75.8%
Cumulus (4/9/02)	17.59	7.77	0.79	-95.5%
Emmis (2/23/94)	15.50	3.54	0.30	-98.1%
Entercom (1/29/99)	30.00	12.38	0.96	-96.8%
Journal (9/24/03)	16.10	8.80	2.15	-86.7%
Radio One (5/6/99)	28.00	2.35	0.30	-98.9%
Regent (1/25/00)	10.50	1.50	0.14	-98.7%
Saga (10/12/93)	19.75	5.99	2.61	-86.8%
Salem (7/1/99)	25.00	6.76	0.83	-96.7%



2 WOULD YOU CARE TO METER?

PPM, Arbitron Challenged

Controversy dogged Arbitron and its Portable People Meter (PPM), which broadened its coverage from Houston and Philadelphia to include 12 more markets. The trouble came to a head in October when the PPM Coalition, a group of African-American and Hispanic station owners, successfully petitioned New York Attorney General Andrew Cuomo to threaten a lawsuit against Arbitron if it did not postpone the "currency" release of PPM ratings in New York. Charged with not accurately measuring minority listening, Arbitron vowed to fight and subsequently issued PPM figures for New York and Middlesex, NJ, among other metros. Cuomo and New Jersey AG Anne Milgram filed suit, and the issue remains unresolved.

Also pending is a Cuomo probe concerning whether seven Arbitron executives, including Chairman/President/CEO Steve Morris, may have improperly sold \$8 million in company

stock prior to the announcement of a delay in PPM's rollout. Legal challenges aside, Arbitron has continued to issue monthly PPM numbers, which in December expanded to Dallas, Atlanta, Detroit and Washington, D.C. Late in the year, Cumulus and Clear Channel signed on with Nielsen for ratings in 50 markets, giving Arbitron a hefty new competitor and sending its stock plummeting.

3 CROSS COUNTRY Redefining "New" Artist

Talent, chops and that elusive "it" quality might not have been the most preferred attributes for aspiring country artists in '08. Increasingly, successful chart entrants are spring-boarding into the format from some other platform of recognition.

Former pop singer/actress/reality star Jessica Simpson went back to her Texas roots and broke the Top 20 with "Come On Over." Dancing With The Stars twirler Julianne Hough gave country fans "That Song In My Head." The Eagles played the CMA Awards for the second year in a row, with Kid Rock earning one of the show's standing ovations for his Top 5 country hit "All Summer Long." Jewel was the flagship artist for Valory Music Co., taking "Stronger Woman" into the Top 10 and album *Perfectly Clear* to a No. 1 debut. *American Idol* brought another country hopeful in Kristy Lee Cook, while cowboy actor Kevin Costner sauntered into town late in the year with his band Modern West.

But the most notable addition to the genre was Hootie And The Blowfish lead singer Darius Rucker, who topped the chart with "Don't Think I Don't Think About It" as well as album *Learn To Live* in the same week. Rucker became the first African-American artist with a country No. 1 in 25 years. The degree to which Rucker and his previously experienced cohorts continue to succeed may know no bounds. After all, Conway Twitty was a rock act before reeling off 55 country No. 1s.



4 AND THEN THERE WAS ONE **Sirius & XM Merge**

If the Guinness folks awarded a world record for longest merger approval, **Sirius XM** might find itself listed right next to those fat twins on motorcycles. The 18-month process,

vigorously contested by the **NAB** and consumer groups, finally received the **FCC's** blessing in July. Almost immediately, the satcaster began offering "Best of" packages from both brands and a la carte programming options, required as one of

many conditions of the sale's approval. As expected, the radio company also undertook a \$425-million cost-savings initiative, consolidating channels and commencing personnel layoffs across all departments.

Former XM programmer **Jon Anthony** was named VP/Country as the dual platforms integrated into six primary Country channels: **The Highway, Prime Country, The Roadhouse, Outlaw Country, Willie's Place** and **Bluegrass**

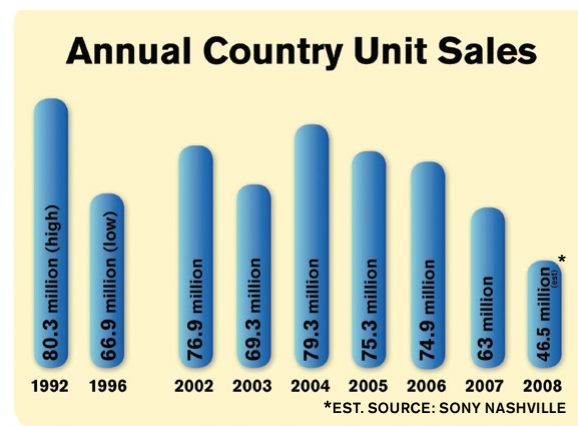
Junction. But by the time of the company's full integration, Wall Street had already lost much of its interest. By November, three shares of company stock could be purchased for less than the cost of a single day's subscription. There is hope, however, that a proposed reverse stock-split plan and efforts to shed more than \$1 billion in debt due in 2009 can make the company, with its 18.6 million subscribers, profitable. And that would set a record worth noting for posterity.



5 THERE'S A HOLE IN THE BUCKET

The CD's Not So Slow Leak Continues

Anyone hoping album sales' downward spiral would stabilize will be sorely disappointed with 2008's projected final number. For the fourth consecutive year, country unit sales declined, dipping below 50 million for the first time



since the advent of SoundScan. And following last year's 16% sloughing with an expected 25% decline isn't music to anyone's ears.

Well, maybe all those folks ripping, burning and file-sharing aren't losing sleep, but that's only part of the recorded music industry's challenge. The new singles-driven paradigm

means labels are either adjusting their benchmarks of success, or completely reworking their models. **Warner Bros.' Edgar Bronfman** recently told a tech seminar crowd he has mandated multiple-revenue-stream "360" deals for all future artist signings, adding that the company is already in that type of relationship with as many as a third of its acts.

Of course, several independent labels have already embraced, to differing degrees, aspects of the 360 deal. And whether other majors follow Warner Bros.' lead or develop alternate strategies, there is reason for hope. Many observers speculate that tighter household budgets will make music a more attractive gift this holiday season. And there's still ample evidence – awards ratings, ticket sales, media attention – of country music's continuing popularity, even in the face of flagging profitability. Hey, it's something.

7 STAND ELECT

ACM Lets Fans Pick Entertainer

The fact that a show built around "pitchy" amateur performances easily outdraws three hours of country's superstars isn't lost on the **ACM's** Bob Romeo. So he and the **ACM** board made a bold play by making the Entertainer of the Year category a fan-voted award. The change acknowledges that at least part of the appeal of *American Idol* and other performance-based shows is the audience participation they encourage. People's choice awards are certainly nothing new, but opening the top award to Internet voting created a stir, especially when winner **Kenny Chesney** said he opposed the shift in the backstage press room. "I'm proud of it and proud to say I'll go down in the history books with Garth for winning four times," Chesney said. "But it's a different award if they continue to do this."

Romeo's response, that **ACM's** tightly monitored fan-vote has more integrity than politically manipulated industry votes, gained some ground in the fall when **Rascal Flatts** were omitted from the **CMA's** Entertainer category. The **Lyric Street** trio were left to wonder if they were joining the ranks of **Tim McGraw** and **Toby Keith**, who continue to be conspicuously overlooked by **CMA** voters. Time will tell if **ACM's** strategy will add viewers, but if the awards shows really want to spice things up they can always bring in judges. Right, dawg?



WE'RE GONNA NEED A BIGGER BOAT

No Shortage Of Promotion Jobs

We tried counting the number of significant label promotion department job changes over the last 12 months and gave up – even after taking off our shoes and socks. Suffice to say, it's a bajillion (technical term). During one two-month span, more than 30 regionals, nationals or veeps changed chairs. Fueling this frantic migration – aside from wanderlust, antsy pants and **GGs** (greener grass syndrome) – is the continuing emergence of new

labels and growing ranks of independent promotion companies. Not to mention a few noteworthy closings.

Midas shuttered its promotion department and **Curb/Asylum** folded into **Curb**, but the contractions were more than made up for by prodigious expansion. **Country Thunder** ramped up under new veep **Bobby Young**. **Jeff Solima** and **Michael Powers** formed **Big Picture Promotions**, contracting to work with the **Zac Brown Band**, as well as **James Stroud's** new **Stroudavarious** labels, where promotion guru **Bill Catino** directs efforts. **Nine North** expanded its independent promotion team with the addition of label vet **Tom Moran**. And **WhiteStar Entertainment**, the freshest face on the indie label scene, put together a full staff under the direction of **Carson James**. Even **Lyric Street** got into the act, adding the new **Carolwood** imprint and a promotion staff to boot. Didn't these people read No. 5?

PAY HEAR

Royalty Decisions In The News

Three out of four ain't bad. Or maybe, no news is good news – for radio, anyway. Three seemingly never-ending battles over Internet-based royalty payments were resolved this year, and one hotly contested debate over performance royalties went nowhere.

First, several key music and website organizations – the **RIAA**, **NMPA**, **NSAI**, **SGA** and **DiMA** – forged a landmark agreement regarding online mechanical/performance royalty rates. Companies including **Napster To Go** and **Rhapsody** will pay songwriters, publishers and musicians 10.5% of revenues (retroactive to Jan. 1, 2008), and 8.5% for the period between 2001-2007.

8

Congressional approval of the **Webcaster Settlement Act of 2008** gave streaming terrestrial broadcasters and pubcasters, as well as Internet music streamers, until Feb. 15, 2009 to negotiate new and more favorable performance royalty rates with **SoundExchange**.

Also on the royalty front, the **Copyright Royalty Board** for the first time established mechanical royalty rates for songs distributed digitally. It locked in the existing 9.1-cent rate that digital music stores such as **iTunes**, **Rhapsody**,

Amazon and **MySpace Music** must pay publishers for downloads. A new mechanical rate of 24 cents for ringtones was also established.

Generating the most sound and fury, especially with the music industry and radio, was the disagreement over master performance royalties, which would have broadcasters and other music licensees paying a royalty to record labels, artists and musicians, in addition to the songwriting royalties already paid through PROs **ASCAP**, **BMI** and **SESAC**. As badly as radio doesn't want to pay another license fee, the creative community is committed to getting paid

when its recordings are played. Look for this battle to continue for some time.

In Memoriam

- Jack Albert
- Emmie Anderson Wisniewski
- Glenn Barber
- Mary "Katherine" Bradley
- Ed Cearley III
- Dr. James Coleman
- Danny Davis
- Chuck "Dees" Sagash
- Phil Gernhard
- Earle H. Hagen
- Jim Hager
- Buddy Harman
- Leo Jackson
- Hugh T. Jarrett
- Jack D. Johnson
- Dee Kilpatrick
- Merlin Littlefield
- Jay Miller
- Ken Nelson
- Dottie Rambo
- Gary Smith
- Jean Sopha
- Natalie Tachuk
- Lloyd Thaxton
- Charlie Walker
- Jerry Wallace
- Jerry Wexler