

- 1 Q How about the -- let me see. How about the Homer area,  
2 do you know what Tim makes each month in the Homer  
3 area?
- 4 A I don't.
- 5 Q As a Sales Manager are you aware of the sales of the  
6 other salesmen?
- 7 A Gary I have direct contact with and I have a pretty  
8 good idea as to what he does. Being as Tim works down  
9 here in the Homer office he answers directly to Dave  
10 Becker. I will help him put proposals together or, you  
11 know, like the proposals that we have here that are  
12 seasonal type things, I put those together and he mails  
13 them down to them, if he has any questions he asks and  
14 I kind of give direction and -- and help from that  
15 standpoint. But as far as financially what he does, I  
16 don't have direct access to -- to that.
- 17 Q Okay. How does Gary do?
- 18 A Gary's doing okay. I think there's.....
- 19 Q I don't know what that means. Can you....
- 20 A Pardon?
- 21 Q I don't know what that means.
- 22 A Well, he's -- yeah.
- 23 Q Can you give me a dollar figure of some sort?
- 24 A He's been averaging probably about \$13,000.00 to  
25 \$15,000.00 a month in sales.

- 1 Q And what are you making?
- 2 A A month?
- 3 Q Uh-huh (affirmative).
- 4 A I usually do about \$30,000.00, somewhere in the  
5 neighborhood of \$30,000.00 a month in sales.
- 6 Q Do you get commission on national accounts that are  
7 sold through an ad agency?
- 8 A When they pay, yes.
- 9 Q Okay. So it makes no difference if you go to Anchorage  
10 and you're talking to the big national ad agencies,  
11 you'd still get paid a commission on that.
- 12 A Yes ma'am.
- 13 Q Okay. Do you get any other type of salary or payment  
14 other than your commissions?
- 15 A No. I'm reimbursed for any out of town meals, any out  
16 of town expenses.
- 17 Q So you get travel.....
- 18 A Correct.
- 19 Q .....basically.
- 20 A Yes.
- 21 Q As Sales Manager you don't make more than the other  
22 sales representatives?
- 23 A Commission wise?
- 24 Q Uh-huh (affirmative).
- 25 A No, that's something that's been negotiation for some

1 time. And there -- no, at this point no.

2 Q Do you have more responsibilities than the other.....

3 A I do.

4 Q .....sales personnel? In what way?

5 A Well, I'm responsible for overseeing what they're doing  
6 and making sure that they're on track, making sure that  
7 they give proposals in a timely fashion, tutoring and  
8 educating Gary to a large extent. If he has any  
9 trouble -- or if he has a tough client and he's trying  
10 to put together a proposal for him and he has questions  
11 he comes to me and I'll sit down and -- and coach him  
12 on the best way to handle whatever objection or  
13 situation is that he has at that particular point in  
14 time. I plan just about all of the promotions for the  
15 station. And, you know, when Twin Cities was operating  
16 as a concert provider here in the community I MC'd all  
17 of the concerts for the station. Work with the  
18 Chambers in the Kenai Soldotna area, MC events around  
19 town, oversee live remotes and make sure that things go  
20 the way they were planned, those types of things.

21 Q And do the other salespeople do any of these functions?

22 A In what capacity?

23 Q In any of these. I mean do they work live remotes.....

24 A Yes.

25 Q .....or do they -- they do?

- 1 A Yes.
- 2 Q Do they plan station promotions?
- 3 A No. They implement them but they do not plan them.
- 4 Q Do you -- do they work with the -- you said Chambers of  
5 Commerce or whatever, do they do any of that?
- 6 A When directed to. You know, we have like a pie auction  
7 and progress days parade and that type of stuff and  
8 there's always -- they were always getting volunteered  
9 for things.
- 10 Q But you make no percentage on what they sell.
- 11 A No, none whatsoever.
- 12 Q Okay. Do you know who manages the day to day  
13 operations of the stations?
- 14 A That would be David Becker.
- 15 Q Who does the equipment maintenance?
- 16 A David Becker.
- 17 Q Who installs all the equipment?
- 18 A David Becker.
- 19 Q I have been told that you have given notice to Mr.  
20 Becker that you are going to leave, is that true?
- 21 A Yes.
- 22 Q When did you give notice?
- 23 A April of this year.
- 24 Q What do you plan to do?
- 25 A Well, I don't know. And at this point I'm not even

1           sure that we are going to leave. The reason that we  
2           were looking at leaving was because both my mother and  
3           my mother-in-law's health were failing. And family is  
4           very important to both of us and we were considering  
5           moving a little closer to home so that we could spend  
6           more quality time with our parents, being as we knew  
7           that their time was drawing short.

8        Q     Do you own a sports show?

9        A     I do. I -- actually I own Peninsula Marketing and they  
10       are the promoter for the Sport Rec and Trade Show.

11       Q     They're the promoter of what?

12       A     The Sport Rec and Trade Show.

13       Q     What is that?

14       A     It's the Kenai Peninsula Sport Rec and Trade Show. We  
15       rent the sports center in Soldotna and then we sublease  
16       basically 10 by nine sections of floor space and we  
17       provide curtains and -- and backdrops and then do all  
18       of the marketing for the sports show. And then vendors  
19       purchase space inside the show and then people come to  
20       buy merchandise from those individuals or see their  
21       products at the show.

22       Q     Okay. I just assumed when I heard that -- the show  
23       that it was some kind of broadcast, but it's not a  
24       broadcast.

25       A     No.

- 1 Q Okay. And have you been trying to sell that show?
- 2 A We've looked into it.
- 3 Q When you say we, who's we?
- 4 A My wife and I as owners of the company.
- 5 Q Did you have that prior to working for PCI?
- 6 A No.
- 7 Q It's something you developed subsequent to that?
- 8 A I worked with Kent Hueser, the previous owner of
- 9 Peninsula Marketing, and we did the radio broadcasts
- 10 from the show for him. And when his wife needed some
- 11 back surgery and was looking at some extensive recovery
- 12 time she wanted to go back down south closer to her
- 13 family so that they could help with kids. And he
- 14 approached me at that time and asked me if I was
- 15 interested in purchasing the show.
- 16 Q And when did you buy it?
- 17 A This will have been -- we just completed our third year
- 18 with the show.
- 19 Q Now you just said radio broadcast. Does PCI do a
- 20 remote from the show?
- 21 A Yes.
- 22 Q And was PCI doing the remote prior to you ever owning
- 23 the show?
- 24 A Yes.
- 25 Q Okay.

1 A We do the same thing for Comfish in Kodiak and the same  
2 thing for the April Home Show. Basically we come in  
3 and -- and we take space. Basically people hear us all  
4 of the time but they never get to really see us. So by  
5 participating in shows like this it gives people an  
6 outlet to come and meet station staff and -- and put  
7 faces to the voices that they hear.

8 Q Does the show pay PCI.....

9 A Yes.

10 Q .....to make that appearance?

11 A Yes.

12 Q Do you know what they pay them?

13 A This last year I believe I paid \$1,000.00 for the radio  
14 remotes.

15 Q As far as you know then that would be another source of  
16 income for PCI, to do these remotes.

17 A That's the way I set it up.

18 Q Yeah. Asi -- is that considered also part of the  
19 advertising.....

20 A Yes ma'am.

21 Q .....income?

22 A Yes. It's just basically live remote. They come in  
23 and -- and they man their own booth for the weekend and  
24 then we schedule a live remote, you know, so that we  
25 can broadcast from that location promoting the event

1           itself. And then, you know, actually being there and -  
2           - and having people come by and being able to -- to see  
3           us and sign up for whatever giveaway we're doing at  
4           that time.

5       Q     Do you know if PCI has any other income aside from the  
6           advertising income, i.e., the sales of ads and the  
7           remotes?

8       A     No, not to the best of my knowledge.

9       Q     Okay. So you do know and the answer is no, they have  
10          no other income, is that correct?

11      A     Basically.

12      Q     My question was do you know.

13      A     Yeah. To -- no, I do not know of any other income.

14      Q     Okay. What was your last year's salary from PCI?

15      A     Approximately \$52,000.00.

16      Q     Do you recall the year before?

17      A     Same neighborhood, \$52,000.00 to \$58,000.00. It's been  
18          pretty consistent, right in there. And I'm not sure if  
19          that's with dividends or -- or not. But income from  
20          the station has been right around \$50,000.00 --  
21          \$50,000.00 to -- \$52,000.00 to \$58,000.00.

22      Q     And what do you mean with dividends?

23      A     Permanent Fund Dividends.

24      Q     Explain that to me.

25      A     Has nothing to do with the station, it's the State of

1 Alaska. We get a -- an oil revenues, there's a royalty  
2 that's paid to each individual within the State based  
3 on their investment in the stock markets. And I don't  
4 know -- we just went through the taxes just recently  
5 and I didn't look to see whether that was -- the  
6 \$52,000.00 was with the dividends or without but I  
7 think it was without.

8 Q Okay. So the \$52,000.00 or the \$58,000.00 would be  
9 your -- basically your salary from PCI.

10 A Correct.

11 Q How about this year, how are you doing so far?

12 A Not well.

13 Q Why?

14 A Well, two weeks in July I was down at my mother-in-  
15 law's because we knew her health was failing and we  
16 knew that it was probably going to be the last time  
17 that we got to see her. We came back up here and my  
18 mom came to visit for 10 days and she passed away three  
19 days later. The last two weeks I've been out attending  
20 funeral matters. So basically, you know, for the last  
21 two months, month and a half, two months, I have really  
22 been kind of out of the loop as far as what's going on.  
23 A lot of people have been covering for me.

24 Q So the reason that your income is less so far this year  
25 is not because business is less for PCI, it has.....

- 1 A No, business.....
- 2 Q .....to do with your personal reasons.
- 3 A Yeah, personal and business. After 9/11 we saw a large  
4 hit. We saw national advertisers drop all of their  
5 advertising. We watched -- you know, I watched a  
6 couple of \$30,000.00 accounts go away overnight. We  
7 just received information from BBDO who handles Kenai  
8 Chrysler Center and they're requesting that no ads be  
9 run on September 11 again this year. So, you know, it  
10 -- it's definitely affected the overall economic  
11 picture.
- 12 Q Well, do you think that the 9/11 phenomenon let's call  
13 it would affect most advertisers?
- 14 A I would think so.
- 15 Q So it's not something that you would think would be  
16 particular to PCI.
- 17 A Well, things in Alaska are fluxtual. I mean, you know,  
18 everything's in a state of flux as far as the economy  
19 is concerned and it's really hard to say. You know, I  
20 mean we're probably just now really starting to see the  
21 effects of it. But I know that my paycheck is  
22 approximately \$2,000.00 to \$3,000.00 less per month  
23 than it was this time a year ago.
- 24 Q And you attribute that just to this phenomenon, the  
25 9/11 phenomenon, what do you.....

1 A No.

2 Q .....attribute that to?

3 A I attribute that to several things to be honest with  
4 you. And, you know, I'll go in and I'll make a sale to  
5 a client and I have to then turn around and go back in  
6 and defend that sale because as soon as I make the sale  
7 our competitor finds out that we made that sale and he  
8 turns around and comes in and says, you know, they're  
9 pirates, they're operating illegally, what are you  
10 doing advertising on their station, they're not going  
11 to be here tomorrow, what are going to do when that  
12 happens. And so then I've negotiated for five to six  
13 weeks to nail down an account and then I have to go  
14 back and defend the very thing that they did and they  
15 want to know, well, why didn't you tell us you were  
16 operating illegally or this or that or another thing.  
17 And what winds up happening is is typically I wind up  
18 losing at least half of the sale to the other station.

19 Q And what do you tell them when they ask why didn't you  
20 tell us you're operating illegally?

21 A Because we're not.

22 Q And explain to me why you think you're not.

23 A Well, it's my understanding that we have -- there's a  
24 due process that's to be followed and Dave Becker has,  
25 you know, told me that, that due process has not been

1 followed and that, you know, he's been effectively  
2 trying to -- to deal with it through the only course  
3 that he has and that's through the courts and that  
4 takes time. And to the best of my knowledge we've had  
5 -- you know, every time that the FCC has said that this  
6 is what's required we've had a stay or an injunction of  
7 some sort that allowed us to continue operating until  
8 the whole matter is resolved.

9 Q Where are you getting your information?

10 A From the legal briefs, from Dave Becker and Mr.  
11 Southmayd.

12 Q Okay. What legal briefs have you seen?

13 A Just the stuff that they filed.

14 Q So you've seen the briefs that have been -- and the  
15 documents that have been filed on behalf of PCI.

16 A Correct.

17 Q Okay. Have you read any of the FCC Orders regarding  
18 this matter?

19 A I can't say that I've looked at all of them. But I've  
20 -- I've seen some of them, yes.

21 Q Do you recall what they said?

22 A The most recent one is -- to be honest with you there's  
23 a lot of legal stuff in there and I just kind of peruse  
24 through it and I figure that, you know, my job is sales  
25 and not to handle the legal aspects of it. So I

1 haven't spent a lot of time going over them and -- and  
2 trying to decipher them. But the most recent one I  
3 know was is that -- I believe it was either a show  
4 cause as to why that Dave should not lose the licenses  
5 as well as the translator -- for the transmitters as  
6 well as the translators and that 13 months ago he was -  
7 - approximately 13 months ago he was requested to shut  
8 the translators off.

9 Q Okay. I'm going to show you a document that says Order  
10 to Show Cause, an FCC document in the matter of  
11 Peninsula Communications, Inc., EB Docket Number 02-21,  
12 FCC Number 02-32, it was released on February the 6th,  
13 2002. Is this the Show Cause Order that you are  
14 referencing?

15 A I'm not sure to be honest with you. This may have been  
16 it. It seems to me what I saw was a lot briefer than  
17 this, but this could be it. One kind of runs into the  
18 next after awhile.

19 Q And you gathered from that Order -- what was your  
20 understanding of what that Show Cause Order said?

21 A Well, it was my understanding that you were -- that the  
22 FCC was basically on a fact finding mission asking Dave  
23 to show cause as to why his licenses should not be  
24 revoked.

25 Q And in your opinion why shouldn't his licenses be

1           revoked?

2       A     How much time do you have?

3       Q     Summarize for me, okay?

4       A     Well, it goes back quite aways.  Initially -- you know,  
5           the translator, it's my understanding that the  
6           translator issue, Alaska was to be exempted from that.

7       Q     And who told you that?

8       A     Mr. Becker.

9       Q     Okay.

10      A     Alaska was -- was.....

11      Q     When did he tell you that?

12      A     Way back when this whole thing started, back in '96 or  
13           thereabouts.

14      Q     Okay.

15      A     That Alaska was to be exempt from that ruling and that  
16           even if -- even with that -- basically once the  
17           licenses are in a -- a person's hands that they -- the  
18           -- I'm not sure exactly how to say it.  The -- once the  
19           licenses are in hand without -- they're just  
20           automatically renewed for the most part just as a  
21           matter of procedure unless there is a reason why that  
22           person should not have their license renewed.  And in  
23           the event that the license is to be revoked there is to  
24           be a hearing before the -- the -- that Dave has the  
25           right to -- to a hearing prior to the license being

1           revoked and that he's never had that opportunity to  
2           have his day in court and to -- to say why he should or  
3           should not have his licenses taken away.

4       Q     Is it your understanding that the Commission -- once  
5           the Commission makes a rule, let's say about  
6           translators, that the Commission is then obligated to  
7           always follow the same rule?

8       A     You know, I -- I really couldn't say, I don't know.  
9           Because, like I said, I don't follow the legal aspects  
10          of it. There are so many twists and turns in the --  
11          the length of time that we've been dealing with this  
12          that I focused on doing what I needed to do in order to  
13          create sales so that we could stay afloat through this  
14          whole process.

15      Q     But from your testimony I'm gathering that this legal  
16           matter affects your sales.

17      A     It has, yes.

18      Q     And affects your sales presentations.....

19      a     Uh-huh (affirmative).

20      Q     .....and that you have ha -- tried to gain some  
21           understanding of it.

22      A     I have.

23      Q     Okay. And that the understanding that you have has  
24           come primarily from Mr. Becker and or Mr. Southmayd, is  
25           that correct?

1 A Correct.

2 Q Okay.

3 A Now, you know, typically when I go in to see a client I  
4 don't go into -- they don't want to hear six years of  
5 legal history.

6 Q Right.

7 A You know, when I go in and the client says, you know,  
8 hey, what's going on I tell them, you know, that --  
9 that there are some issues before the FCC and currently  
10 this is where it stands is that, you know, we have a  
11 date scheduled for whatever date was current at that  
12 particular point in time or we have an appeal that's  
13 been filed and, you know, we're looking at six months  
14 to a year before anything -- before we know anything  
15 one way or the other, so the advertising that you  
16 placed over the next six months or a year isn't  
17 affected by anything that's going to happen in the near  
18 future. So with that in mind, you know, it wasn't  
19 relevant to bring it up during the negotiations for  
20 their advertising at that particular point in time.

21 Q What is your understanding of when this will be  
22 resolved at this point?

23 A I haven't got a clue. I have -- I have no idea at this  
24 point. I know that -- that we have an appeal pending I  
25 believe. But, you know, I mean -- when was the last

1           cease -- the last Show Cause Order issued?

2       Q     It was in February, but.....

3       A     Okay.

4       Q     The one that you just looked at was issued in February.

5       A     Right. You know, and here we are into August. So, I  
6           mean the time lines on it change so much and so fast  
7           that I haven't even tried to predict as far as -- as  
8           how quickly things are going to be resolved.

9       Q     So what do you tell your clients or the people that  
10           you're trying to sell advertising to, at this point  
11           what do you tell them?

12      A     Well, I told them when the Order came out in February  
13           that it was a year, 13 months before, you know,  
14           anything had been resolved or it moved to the next  
15           stage. So I'm assuming that the way the courts have  
16           moved that it's going to be another six months to a  
17           year before we see anything happen before we move to  
18           the next stage.

19      Q     Are you aware that there is a hearing in this case in  
20           September?

21      A     I may have heard something to that effect. I can't  
22           really say that -- one way or the other as to whether -  
23           - dates have come and gone and over the last month,  
24           month and a half I may have heard that and been in kind  
25           of one ear and out the other. It sounds familiar, but

1 I can't say that.....

2 Q Okay.

3 A I've heard so many dates that I just kind of leave that  
4 up to Jeff and -- and Dave.

5 MS. LANCASTER: I need to take a short break, I'd like  
6 to go off the record.

7 THE REPORTER: Okay. Off record.

8 (Off record)

9 (On record)

10 THE REPORTER: On record.

11 MS. LANCASTER RESUMES:

12 Q Mr. Coval, I do want to ask you if you've seen one  
13 other document. Let me find it. Take a look -- I'm  
14 going to show you what is -- states Memorandum Opinion  
15 and Order and Order to Show Cause released May 18,  
16 2001, FCC Number 01-159 in the matter of Peninsula  
17 Communications. Are you familiar with that document at  
18 all?

19 (Pause)

20 A I may have seen it. Like I said, I really haven't  
21 spent that much time going over them. I -- I glanced  
22 over them and they went into a file. You know, the  
23 duties that I have and the -- and the requirements that  
24 I have on a day are pressing enough without bogging  
25 myself down with -- with things that I felt Dave Becker

1 was paying counsel for. So I just let them handle the  
2 legal aspect of it and I did what I was hired to do and  
3 that's basically concentrate on sales and -- and  
4 promotions.

5 Q Are you aware that there has been a Forfeiture Order  
6 entered against Peninsula where Peninsula is liable to  
7 pay \$140,000.00?

8 A I've heard that.

9 Q Okay. And what have you been told about that  
10 particular Order?

11 A I don't recall any direct conversation. But the  
12 general opinion has been that, you know, if we get to  
13 the heart of the matter which was what happened way  
14 back in the very beginning all of this -- it's really  
15 kind of irrelevant anyway. So the focus has always  
16 been on, you know, the course of action or lack of  
17 action taken in the early -- early stages of all of  
18 this and the rest of it would resolve itself if and  
19 when we get that opportunity to -- to plead our case.

20 Q Okay. I'm going to go back to advertising questions  
21 for a minute. Aside from ads that are placed over the  
22 radio and for the remotes that you do, is there any  
23 other type of advertising services offered?

24 A Through the station?

25 Q Uh-huh (affirmative).

1 A No.

2 Q Okay. Who determines the advertising rates?

3 A That's a good question. The rate card itself has  
4 pretty much been established by Mr. Becker and myself.  
5 And what we do is we take -- well, back then we were  
6 using the Willhight Radio Research material and we  
7 would -- there's a formula that you can use that will  
8 tell you what your cost per point is. And you enter  
9 those values in and that's what the agencies pay is a  
10 cost per point. Typically they'll pay between \$5.00 to  
11 \$10.00 cost per point. And our rate card reflects  
12 that. I think we took a happy medium of somewhere  
13 around \$7.00. And -- but beyond the rate card the  
14 market pretty much determines what people want to pay  
15 and are willing to pay.

16 Q All right. Now explain to me what you mean by cost per  
17 point.

18 A There's a rating system that's employed within the  
19 industry and the agencies are willing to pay a certain  
20 amount per point or per 1,000 people reached.

21 Q Okay, so a point equals 1,000 people audience wise?

22 A Yes.

23 Q Okay.

24 A And they'll pay, you know, a certain -- they'll --  
25 typically when a client calls me up if it's an agency I

1 ask them what their -- you know, what their cost per  
2 point target is and they'll tell me. And then what  
3 I'll do is I'll go back with their cost per point, add  
4 it into the equation and that will tell me what rate to  
5 charge for that cost per point.

6 Q Well, PCI is able to charge a much higher cost per  
7 point when it has the audience generated through the  
8 translators than it would be if it didn't have those  
9 translators, wouldn't that be an accurate statement?

10 A Yes, but no. The market still determines what people  
11 are willing to pay and what they're, you know, going to  
12 pay. And when you have somebody that's charging, you  
13 know, \$20.00 a spot and then giving you three stations  
14 you wind up paying \$5.00 per spot, extrapolate it over  
15 the -- the four stations, obviously they're not going  
16 to come and buy a spot from us at \$20.00 a spot when  
17 they can get them effectively for \$5.00 a spot from  
18 somebody else.

19 Q I understand that market forces competition rates would  
20 certainly be an influence. But doesn't your base rate  
21 that you start out at, isn't that increased  
22 significantly because you have an audience generated  
23 through the use of these translators?

24 A That's a mixed bag of tricks too because in one market  
25 it might, in another market it might not. For instance

1 K Wave is a Homer based station. So if we were  
2 reaching, you know, just the Homer base and we take  
3 just the Homer numbers into effect K Wave does very --  
4 K Wave does better here than KPEN does, the country  
5 format, because it's a fishing community. So in that  
6 respect the numbers might not change for Homer. But  
7 yet if you get up to Kenai and you have Kenai -- you  
8 have K Wave and KPEN in that market, well KPEN is a  
9 country format, it's an oil patch crowd, it's a more  
10 popular format. So, you know, as to say which  
11 communities it's going to affect and which ones it  
12 wouldn't would be -- would be difficult.

13 Q But you don't market per community, do you? You  
14 market.....

15 A Sometimes. Typically -- typically we try to do the --  
16 the peninsula wide approach, yes.

17 Q Right. I mean you market the central peninsula, the  
18 south peninsula or peninsula wide, don't you?

19 A Yes.

20 Q And you're not going to have the same numbers peninsula  
21 wide or even in the various territories that you have  
22 now if we take away the translators.

23 A That would be true.

24 Q Okay. So -- and your point per share or your point,  
25 whatever the term is.