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# PTN changes its tune as Jordan Palm Pilots become basket case

*Will singers' phones be what a kid wants?*

BY ANDREW DIETDERICH  
CRAIN'S DETROIT BUSINESS

Having discovered that Michael Jordan can't sell Palm Pilots, Ann Arbor-based PTN Media Inc. hopes that pop singer Christina Aguilera and rapper Nelly can sell digital phones.

PTN (OTC BB: PTNM) has sublicensed its rights to Motorola Inc. to market Aguilera's images and likenesses on digital phones. PTN plans to do the same with Nelly, either with Motorola or another wireless carrier, in hopes of capitalizing on the hype surrounding summer albums from both artists.

Terms were not disclosed, but for PTN's sake, the deals had better pan out.

PTN is in default of a three-year deal with Jordan and is trying to erase a \$13 million deficit incurred since 1998, including a net loss of \$4 million on revenue of about \$277,000 last year. The information comes from PTN's 10-K annual report filed with the U.S. Securities and Exchange Commission.

"The phone business is different from the handheld because there is a recurring revenue source," CEO Peter Klamka said. "With a handheld, you sell it once, and that's it."

PTN reported a net loss of \$4 million or 72 cents a share on revenue of \$277,725 last year, compared with a loss of \$4.7 million or \$1.06 a share on revenue of \$5,613 in 2000.

PTN's business is securing the rights to and licensing celebrities on electronic devices. It makes money by getting a cut of each unit sold.

Clients have included models Claudia Schiffer and Tyra Banks, country singer Chely Wright, model-actress Daisy Fuentes and pop singers Aguilera and Mandy Moore.

Current contracts exist with Jordan, Aguilera, Nelly and NASCAR driver Tony Stewart.

Motorola and Nextel Communications Inc. plan to release special Aguilera phones, Klamka said. She has sold more than 23 million albums and singles since 1999.

The company is trying to negotiate a similar deal with several wireless carriers for Nelly, a rapper whose debut solo album, "Country Grammar," has sold 10 million copies worldwide since its release in late 2000.

For a subscription fee, users receive special alerts on tour dates, when new albums and singles will be released, and when the artist will appear on TV.

The phones will be sold on the

Web, in stores and on tour. Deals with several NASCAR drivers are in the works, Klamka said, and he didn't rule out amending the agreement with Jordan to include digital phones.

Klamka said PTN gets a cut of each phone sold and receives a portion of the subscription fee. Plus, he said, the other stars PTN is working with cost less than Jordan.

Aguilera is guaranteed \$100,000 annually, according to the annual report.

But the new phones may be a tough sell.

Joe Barbat, CEO of Ypsilanti-based Wireless Toyz Ltd., said a potential market for the products exists, but it isn't big.

He said he would consider carrying the products in his 18 Michigan stores if the profit margin was there along with demand.

"I see where they're coming from trying to tap into a younger segment," Barbat said. "If it's reasonably priced, I think there will be a market, but it wouldn't be huge."

Still, Klamka said the phone market is a safer bet than handhelds, which experienced rapid growth in a short period, then hit a brick wall.

"When we got into the Palm business, it was the hottest business in consumer electronics," he said. "When we signed with Palm, its stock was trading at \$80 a share. Today, it's at \$3 a share."

PTN signed a three-year deal with Jordan that began in 2001 and promised him \$1 million last year and \$1.25 million in 2002 and 2003 in exchange for the right to use his name and face on Palm Pilots.

PTN paid Jordan \$1 million in 2001 but only \$300,000 of the \$600,000 due at the beginning of this year. According to the SEC filings, it sold slightly more than \$50,000 worth of the Jordan edition Palms in 2001 after they launched in June.

Klamka blames poor sales of personal digital assistants in general as one reason behind the sluggish sales of the Jordan Palm.

The other reason is the mediocre season Jordan had and the failure of the Washington Wizards to make the playoffs.

"Our business is no different than a supplier to an automaker," Klamka said. "If Ford isn't selling cars, its suppliers aren't selling parts."

Andrew Appleby, president and CEO of General Sports & Entertainment L.L.C., a Rochester sports-marketing company, said he doesn't expect Jordan edition Palm Pilots to fly off the shelf anytime soon.

"You need people to believe that he really uses it," Appleby said. "Until you start seeing him in a boardroom with it, while drafting players or in interviews, it's going to be a tough sell."

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