

IT WOULD SEEM that our attention this month to the business side of pro audio is well-timed. Almost as we go to press, we've received a few news releases that should be of more-than-routine interest to the business-person in the studio. (See our **db Special Report** in this issue for more details.)

Business? Yes, audio is a business (even if your buddy at the IRS can't cope with your itemized deductions, including 105 LPs, two new turntables, and bi-amped speaker systems in every room at home).

Whether you're about to get started in the basement, or remodelling Studio F for film scoring, don't forget that, just because you're enjoying yourself (we hope), you're still "in business." Keep that in mind, and your basement operation may eventually expand into a multi-media super-studio. Or forget about it, and your super-studio will wind up in the basement.

At either extreme, sooner or later you may need some money. There's lots of it around, but if you don't happen to have your share lying about, you'll want to explore **Recording Studio Equipment Financing**. Author Hamilton Brosious has been engineering sales, leases and equipment rentals for years, and here he offers some counsel on how to get the bank to part with the bucks.

Once you're in business, you'll want to stay there, and minimizing down-time will certainly help. Recently, we've covered test gear extensively, since our expanding audio technology demands even more attention to this side of the audio business. This month, Irwin Diehl offers some thoughts **On the Technical Administration of a Studio**. After all, that fancy test gear won't help much if it doesn't get used efficiently.

Irv also reports on Don Lancaster's "**The Incredible Secret Money Machine**." Not a new piece of studio hardware, this often-irreverant little book describes one man's adventures in his own business.

One of the little tasks of the magazine-editor business is getting to know what the insides of airplanes look like. But it's not *all* that bad. One of those airplanes recently landed in Vienna, and you'll find a report on our business trip to Austria in this issue.

We also get a head-start on next month's subject of education, with **Understanding Magnetic Tape Specifications—Part I**. Our January issue began the year with an in-depth look at magnetic recording tape. And now, author Dave Rubenstein begins his two-parter on magnetic tape specs, and "specsmanship." He'll be back again next month, for the conclusion of this "education" on magnetic tape specification basics. ■

Recording Studio Equipment Financing

A financial Game Plan to win loan approval.

THINKING about beginning, or perhaps expanding, a recording studio operation? If you are, the money is out there, waiting for you. In fact, there's more capital available for project financing now than at any time in recent history. However, when the expansion-minded recording studio operator, or prospective new owner, sallies forth into the financial arena seeking funds to pay for his venture, the exercise is more-than-likely doomed to failure from the very beginning. The problem lies with the prospective borrowers' considerable lack of understanding of the requirements of various lending institutions.

You'll have a better chance for loan approval if you spend some time developing a financial game plan with these requirements in mind. This financial plan is just as important as the console, monitors and microphones you chose, so devote as

much attention to it's preparation as you did to your equipment list. You'll agree it was time well spent, once you've obtained financing approval.

"TWO WAYS OUT"

One of my good friends is "Kemp" the banker—head of the entertainment loan unit at one of the world's largest banks. Recently at lunch in Manhattan (on the bank!), we chatted about what it takes to get a bank to part with some cash. Loans usually have to have "two ways out" for her bank to make a loan. This means you must convince the bank that the loan can be repaid (a goal devoutly desired by all loan officers) in at least two ways.

The customary first way out is for the borrower to have sufficient business strength to permit loan amortization, or putting it another way, to make the payments. The second way out is to put up some sort of collateral equal to the amount of the loan. Then, in the event of business reverses, the bank can recover the outstanding balance. Usually, equipment being purchased should provide half of this second way out. The remaining half may be made up by a personal asset pledge by the borrower or, by a guarantee from a third party (usually Uncle George).

At this point the judgement factor becomes important. According to my banker friend, "Kemp," a loan request that is a little "thin," can be strengthened considerably by a well-done, detailed presentation on the general industry and the specific project. We're going to try, in this article, to explain some of the elements of such a presentation.

Incidentally, the reason for that lunch was part of her bank's

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entertainment financing unit's plan to develop its expertise in the recording business, an area that the bank considers very attractive for new loans.

LOAN REQUIREMENTS...OR, HOW MUCH FOR WHAT?

Number one question from the loan interviewer has to do with how much you want to borrow. This is not the time to tell him that you "aren't quite sure," or, "it's around 40 grand." Or even worse, "how much will you let me have?" Give the exact amount you want to borrow and *support it* with a complete equipment list, including the price of each item and the manufacturer.

The list should also include the name of the proposed equipment supplier. Don't forget to include the appropriate taxes, as well as crating, installation and shipping charges. Most lenders are not happy about lending money on custom-manufactured equipment. They recognize the higher resale value of standard stock equipment and feel similarly about used equipment versus new.

BE AN EDUCATOR

You know your business, but most lenders don't. One of the very first requirements for successful financing is to thoroughly acquaint the prospective lender with accurate, reliable facts about the independent recording studio business and how it relates to the record industry as a whole. With a well-prepared presentation on the dimensions of the recording industry, the odds on your loan officer's approval of your application are considerably enhanced. This type of information should make note of long-term record industry growth, the rapid increase in number of record labels, increased listening exposure, proliferation of recording artists, growing demand for product excellence and...you take it from there. Sources are everywhere...trade magazines, Billboard, Cash Box, Variety, Record World, db—plus the entertainment sections of major newspapers.

Equally impressive is a listing of the dozens of potential types of clients for your services, from demos to record label LP's—from advertising jingles to church choirs. The main point is to demonstrate that the recording industry is a dynamic, growing business.

THE RECORDING STUDIO BUSINESS IS VERY PROFITABLE

Now that you've defined the market, let's see how your independent studio fits into that market and what are your chances for success.

All lenders understand profits. If you can't reasonably forecast profits for your new venture, better rip up your loan application and look for a rich uncle! Fortunately, however, profits in the recording studio business are considerably higher than in most new manufacturing, distribution or retail business. Many recording studios currently operate at forty-to-fifty percent pre-tax earnings, and have the added advantage of relatively few employees and limited inventory. The almost total absence, in recent years, of recording studio equipment bankruptcy auctions is a testimonial to the strength of the industry. There has been a continuous rise in studio gross and profit for nearly ten years, and the continued strength of record sales and advertising studio requirements—plus the advent of new media such as video discs, digital recordings and video cassettes—can only lead to a continuation of this growth pattern.

Research studio rates and profits with friends in the business, and get this story down on paper, in your own words.

OPERATING STATEMENTS

Sandy Schneiderman heads his own leasing company (Terminal Marketing, Suffern, N.Y.) that specializes in re-

cording studio financing. Sandy suggests a minimum of five years successful operation as one of the criteria used in determining the credit-worthiness of a company. Unfortunately, most loan applicants don't have nearly that amount of longevity under their belts. In fact, many are "start ups," or new ventures. However, if you have been in business for awhile, your operating statements will be among the most valuable pages in your loan application. These should be prepared by an accountant and hopefully, will be audited or certified statements. If you've been in business and can't document your results with statements, better forget about borrowing money from conventional sources. Leasing companies and banks don't put much stock in operators who claim that they have purposely held down profits so they would not have taxes to pay. This just doesn't ring true to loan officers, and is a surefire way to end the interview quickly.

PRO FORMA PROJECTIONS

Pro Forma is "bankeese" for estimates and projections, or in other words, guessing. How well you back up your guesses with intelligent assumptions will have a lot to do with the progress of your loan.

First off, you need a *pro forma statement of profit and loss*. This is where you estimate your daily, weekly and monthly bookings, apply an anticipated hourly revenue, add revenue for tape sales, copying and cassette making, and finally come up with your anticipated revenue for the period. On the other half of your sheet, list all expenses for the same period. Include all the standard items commonly referred to as general and administrative...such things as rent, light, heat, office supplies, insurance, salaries and commissions, etc. Don't forget equipment payments (like that loan you're after), tape purchases and other expendable supplies.

With the income and expense figures produced from this exercise, you can rapidly make a fairly accurate prediction of the profit or loss of the venture. Now is the time to use your own creativity in income estimation. Obviously, the studio will not be booked to capacity the day it opens, so it might be wise to assume a small per cent of booking initially, such as 20 per cent the first month, 25 per cent the second and so on, until 50-60 per cent utilization is predicted. By this time, the studio should be operating well in the black according to your predictions. Your accountant should be brought in to assist you with the proper format for presenting these pro forma statements.

The other document required is a *pro forma cash flow*. Simply stated, this lists the amount of cash-on-hand at the beginning of a period, anticipates cash income during the period, and deducts cash expenses for the same. The bottom line is your monthly cash flow, and this is carried forward as your cash-on-hand to start the next period. By referring to the previously-discussed pro forma statement, you can forecast the cash income for each period, and the same statement will also enable you to determine cash expenses. In preparing a pro forma cash flow, remember that cash collections will lag by at least 30 to 45 days from the date billed. (Of course, some clients will pay right away before they get their tapes, but others will drag you out for 60 or 90 days—45 is a pretty-good average.) The pro forma cash flow is an invaluable tool to determine how much cash you'll require for operating capital before the flow turns positive.

PROJECT DESCRIPTION

Now is the time to write, in 300-750 words, a complete description of your new venture, what you hope to accomplish, and why you feel it's a good loan risk. Here is the place to talk about your own background, discuss your related experience, and do the same for the associates who'll be on-board when the doors open. If you happen to have any potential contracts for recording, have close friends in powerful places, or letters



Audiotechniques' "Ham" Brosious on the phone—no doubt solving another financing crisis. Note that Brosious keeps a copy of *db* next to the phone, so he should be able to solve just about any crisis that comes along.

from friendly clients indicating a willingness to record with you ... they all deserve a few lines. (Also have copies of the letters for inclusion with the complete presentation.)

When you sit down for your first meeting with the loan officer, you'll probably be asked why the bank should loan you money, or something like that. Having already written this out as part of the presentation will make it simple for you to rattle it off to the officer. You can bet that somewhere in the first interview you will be called on to discuss the project.

PERSONAL FINANCIAL STATEMENTS

As sure as the Bee Gee's next album will be Platinum, is the fact that you will be asked for a personal financial statement. So beat 'em to the punch and bring it along on your first interview. The easiest way is to drop in to your own bank, and ask one of the loan officers for a personal statement form. Fill it out in detail, and do it neatly. Include with the statement a resume of the type used for job hunting. Be sure to include employment, personal and credit references.

When the bank officer asks if you'll personally guarantee the loan, it's better to come right out and say o.k. than to try to talk him out of it. In most cases, the loan "won't fly" without it. Lenders feel that a borrower who won't guarantee his own company's loan doesn't have much faith in it ... so why should the lender?

ACCOUNTANTS

Ask your accountant to help you with the preparation of all financial documents. If you don't have an accountant, stop whatever you're doing, and go get one! Borrowing money to start a new venture is serious business, and an accountant is one of the most-inexpensive forms of insurance to make sure you get off on the right track. (If you don't believe it, just try to fill out all those federal, state and city tax forms, plus compensation, withholding and corporate forms ... you'll get dizzy just trying to keep up with them.) An accountant will also be a source of satisfaction to your investors and lenders.

When you go to the bank or the lender visits your place, try to have your accountant with you. His presence goes a long way to convince the lender that you're in good hands.

THE LOAN INTERVIEW...HOPEFULLY, A ONE-ACT PLAY

Anticipate what the lender is going to want, and have it there the first time. He'll be impressed and pleased with your thoroughness, and it could just be the factor that tips the balance in your favor. And, consider the following suggestions:

1. Although it might hurt your artistic nature, try to look a

little business-like when you meet the lender. Even though you may regard the studio as a creative art form above mere commercialism, in the eyes of the lender it's a business, pure and simple. So, the more business-like you appear, the better are your chances for approval.

2. Take your accountant with you. It's just a little psychological edge, but two is better than one. If the accountant can't make it, take a business associate, but try to make it a duo.
3. Bring the whole presentation with you and be prepared to explain it point-by-point. This sales pitch should be done so well that you're proud of it and that you believe it. (Don't forget to keep copies in case you have to repeat the act at another lender's office.)

Just in case you've forgotten, the material you have on hand should include:

- a. The loan request and equipment list.
- b. Recording Industry economics and market definition.
- c. Studio profit analysis.
- d. Project description.
- e. Current and past operating statements.
- f. Pro forma projections.
- g. Personal financial statement and resume.

FINANCING SOURCES

Generally, there are three sources for funds for studio loans: banks, leasing companies and private investors or lenders. With the exception of a few large companies, such as Westinghouse Credit and General Electric Credit, most leasing companies are, in fact, leasing brokers who usually turn to banks as a source for their funds. Because of their familiarity with the recording studio business, and since they are not restricted to one source of funds as banks are, the leasing companies frequently can get approval where banks fail. Audiotechniques, like major U.S. recording equipment dealers, usually refers prospective buyers who require financing to leasing companies. However, the dealer may also suggest that the purchaser's local bank be the first financing contact. In some cases, the local bank will not be interested in financing equipment, *until* the purchaser shows the bank that a leasing company is ready to provide the funds. (At that point the bank may decide to do the deal, just to keep outside financial institutions out of town!)

Well-established private lenders or guarantors will certainly help speed-up the financing arrangements. As my friend, "Kemp" says, "If we have a \$100,000 loan application collateralized by a \$100,000 Treasury Note, we'll make that loan nearly every day of the year (less 77 bank holidays, of course!). As far as the pros and cons of which type of financing is best, there is no right answer. What's probably right for your company is the kind of financing you can get. If none of these sources will back you, then, most likely, you're not ready for conventional financing. Just for openers, though, I'd try one of the three following leasing companies in the New York City area: (If you're not in the Northeast, then call your favorite dealer for his leasing company recommendations.)

Anthony Rosatto
Leasetek Funding
19 Sylvan Avenue
Englewood Cliffs, NJ 07632
(201) 886-0888

Lincoln Stevenson
North American Leasing
111 West 57th Street
New York, NY 10019
(212) 765-2005

Sandy Schneiderman
Terminal Marketing
15 Carefree Lane
Suffern, NY 10901
(914) 354-0440

On The Technical Administration of a Studio

The scheduling of routine inspections, along with prompt, efficient maintenance and repair work, will ultimately determine the quality of work produced in the recording or broadcast studio.

AN IMPORTANT ASPECT of operating a recording or broadcast studio is that of keeping equipment finely tuned for peak performance. The administration of these chores usually falls upon the shoulders of the chief engineer, who must make sure that inspections are routinely scheduled and, that maintenance is carried out promptly and efficiently.

GOALS

Usually, an administrator's commitment to these responsibilities will establish the studio's technical standards, and ultimately determine the quality of the work produced.

In the case of a studio just starting-up, the technical-management duties may have to be carried out by an individual not yet familiar with the administration and planning of equipment maintenance. Whether it's a one-man operation, or a staff of employees that divide the responsibilities, the goal of administering the technical facilities should be *to maximize studio income by minimizing equipment failures and studio downtime.*

Assuring the best performance from the electronic/electromechanical systems means that the studio engineer's success will not be influenced by the behavior of erratic equipment. Instead, the success of the session will depend solely on the talent and creative skills of the operating personnel. This is just a fancy way of saying that equipment should never get in the way of artistic accomplishment.

MAINTENANCE SCHEDULES & RECORD KEEPING

A plan is needed. A schedule for routine inspection of each item of studio equipment is important. After considering the amount and type of use a given piece of equipment receives, a more-or-less regular inspection of its performance capabilities should be set up. This is the first principle of *preventive maintenance*. Solve minor problems *before* they become disasters. Devise an inspection schedule and stick to it. The schedule may change as operations fluctuate, but some base plan is a must.

There's a common difficulty with all conscientious inspection/maintenance efforts: The more that the equipment is used, the more frequently it should be checked, and *possibly* adjusted. But here's the dilemma: the more frequently the equipment is used, the less time there is to inspect and adjust. The smart

administrator does not get caught-up in this "damned if you do, damned if you don't" routine. The reality is, you're damned if you don't perform routine maintenance inspections. Time *must* be found—off-hours, early mornings, Saturdays, Sundays, or whenever. If necessary, time must simply be "blocked" for studio maintenance. A success-oriented management will soon regard the maintenance crew as a valuable "client." Each busy studio devises its own method of coping with its maintenance requirements. The important concept here is: *maintenance is vital to a studio's continual success.* Ignore it today, and you won't be so busy tomorrow.

Communicating is not a problem peculiar only to world politics. Recording and broadcast studios may also suffer from a break-down in communications, particularly when it comes to reporting an equipment failure or, describing a problem in clear enough detail to effect repairs. This may not be the fault of operating personnel. The studio engineer is busy enough trying to keep the client, the musicians and the producer happy, without getting bogged down with more paper work. A good technical administrator will recognize the need to facilitate and simplify troubling-reporting.

In broadcasting, a *trouble sheet* is often used to document equipment failures and/or losses of air-time. Operating personnel complete a trouble report at the occurrence of each equipment failure. Often, multiple copies are provided so that others are informed of operating difficulties, in addition to the chief engineer and his maintenance staff. This can sometimes be effective in informing management of problem areas, and perhaps loosening the purse-strings where there might otherwise be a temptation to continue equipment in service beyond its useful life.

Equipment Trouble Report			
Reporting Engineer			Date
Location			Time
Equipment Problem In Detail			
Amount Of Downtime (If Any)			
Maintenance Engineer	Problem Reported		Time Reported
Date Reported			
Comments			

Irwin Diehl, founder of the Institute of Audio Research, New York, is currently employed as an independent consultant.

Anyone having spent time in both broadcast and recording studios may recognize a common emphasis on equipment reliability. It's true that the recording studio is usually not pressed to produce in "real time" in the manner that broadcasters are. But, the same pressures to minimize equipment breakdowns are ever-present in the recording studio. In fact, the per-minute loss of income due to a failure during a multi-track session can easily equal or surpass the income loss inflicted when the broadcast studio goes down.

The recording studios could do worse than to copy some of the administrative methods of their broadcast "cousins."

MAINTENANCE AT THE RECORD PLANT

One of the larger and more successful recording studio operations on the eastern seaboard is Record Plant, New York. The Record Plant facilities consist of three 24-track recording studios and one 24-track mixdown studio. Each is equipped with an Ampex MM-1200 multi-track recorder, ATR-100 2 & 4-track machines, and a custom-designed Automated Processes console. The Cutting Room (a "sister" disc-mastering operation of Record Plant), and two 24-track remote trucks are also the maintenance responsibility of Michael Guthrie, Record Plant's chief engineer.

Other gear assigned to the care of Guthrie is the usual assortment of electronic musical instruments, amplifiers, and signal processing devices including digital delays, noise-reduction systems, expanders, compressors, etc..

Guthrie defines his general approach to equipment maintenance as: simple and direct. One important element of the Record Plant maintenance program is a *blue-card* system of trouble reporting. And indeed, the beauty of this system is its simplicity. The card, filled out by the recording engineer when a problem arises, serves as both a "flag to trouble" and permanent service record as well. In addition to listing the failure or defect, the corrective action taken will also be recorded. The cards, submitted at night, are reviewed at the start of the next day. This allows laying-out the maintenance work to be scheduled, in addition to the daily alignment of *all* tape recorders.

LEARNING FROM HISTORY

Routine inspections of studio equipment, effective communicating to the maintenance staff of failures, and the organization of an efficient follow-up to correct defects, are important first principles of the technical administration of a studio. Secondary to these, but also important, is keeping an accurate history of each studio component.

There are several reasons for maintaining records of inspections and repairs. In certain instances, warranties with the manufacturer may be involved. If equipment is under warranty and has only "slipped" in its operating characteristics rather than having totally failed, a documentation of original-versus-current specs. can be a much-more-convincing argument than some technician's recollection of "how-it-used-to-work."

Another reason for keeping an equipment history relates again to communications. In a larger operation, the person(s) responsible for keeping the studio up-and-running should be able, at any time, to determine how a device failed and verify how the failure was corrected without taking it out of service and opening up the chassis for a personal inspection.

One more purpose in keeping accurate records is to allow "tracking" the performance of equipment. This can be another very useful instrument of preventive maintenance. For example, the wear of a multi-track reproduce head might be tracked over an extended period and its required replacement anticipated rather than discovered suddenly in the middle of that big string date.

In the same light, a history of each studio component's performance provides a reliable reference for evaluating current performance data.

A specific example would be a detailed chart, or table, that could be used to document the alignment of a multi-track tape recorder. Such a table would provide space for listing initial conditions, as well as final settings. The technician's first objective is to record the existing conditions, and second, to adjust if necessary. It should be emphasized that a record of how the technician found a device to be operating is just as important as how he left it operating. The additional data will help pin-point recurring problems, such as a record equalizer that regularly drifts.

AND, AT ATLANTIC...

Atlantic Recording Studios, on NYC's west-side is another of the Big Apple's busier recording operations. Sami Uckan is chief engineer and in charge of the maintenance-administration of Atlantic's two 24-track recording studios and additional 24-track mixdown studio. MCI consoles and multi-track transports comprise the basic studio hardware. The Atlantic facilities also include two disc mastering rooms, tape duplication and a quality control department.

In this 24-hour a day, 7-day a week operation, one "secret" of Sami's success, in terms of staying on top of equipment check-out and repairs, is the studio's own custom-designed, remote trouble-shooting panel.

Again, simplicity is the key. The panel is merely several banks of switches to facilitate interconnecting the bench instruments (in the repair shop) to any of the Atlantic studio facilities. All equipment may be checked remotely from the repair shop. There's no need to remove gear from the studio or to bring test gear into the control room. Also, if equipment begins to act suspiciously during a rehearsal, discreet tests may be conducted from the shop location, without the least imposition on the client.

This system has reduced the time required for routine and emergency maintenance to a fraction of what it once was.

INSTRUMENTATION FOR TESTING & REPAIR

The effectiveness of a maintenance operation can be assured only by provision of adequate facilities to inspect and repair studio components. The most-conscientious effort can be thwarted by an ill-equipped maintenance facility. Remember that a new piece of test gear for the shop is often more valuable than one more whiz-bang box in the control room.

A certain minimum complement of instruments are required for testing and evaluating professional audio equipment. Further, the recent directions of audio design and engineering suggest a second, "optimum" instrument complement, necessary for those studio operations that are planning to keep pace with this new age of audio.

REFERENCES & STANDARDS FOR AUDIO EQUIPMENT CALIBRATION

Equally as important as the accuracy of measurements are the references and standards by which measurements are evaluated. Standard tapes, reference discs, and other reference devices are tools vital to proper maintenance.

Though brief, a general insight into the elements of administering a maintenance operation has been provided. For additional related information, the reader is referred to the bibliography of feature articles, which have appeared in recent issues of *db*. ■

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