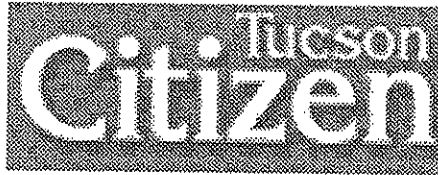
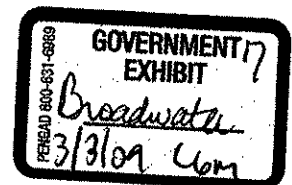


# **EXHIBIT A**



**THE TUCSON CITIZEN**  
**CONFIDENTIAL MEMORANDUM**



---

---

*Broadwater & Associates*

BW0001096

## THE TUCSON CITIZEN CONFIDENTIAL MEMORANDUM

This Confidential Memorandum (the "Memorandum") regarding the *Tucson Citizen* (the "Citizen" or the "Company") has been prepared on the basis of information furnished by the management of the Company and its parent company Gannett Co. Inc. ("Gannett") and has not been independently verified by Broadwater & Associates LLC ("B&A"). Therefore, while B&A is not aware of any inaccuracies, no warranty or representation is made by B&A as to the completeness or accuracy of the information contained herein. Gannett, the Company, B&A and their respective personnel expressly disclaim any liability for damages, direct or consequential, arising out of or related to this Confidential Memorandum, or omissions therefrom, or any other information provided in writing, orally or otherwise regarding this potential transaction. Any party considering a transaction with the Company agrees to look solely to its own due diligence and to any representations, warranties and/or covenants set forth in a fully-executed, definitive written agreement with Gannett relative to the transaction.

This Memorandum is being provided on a confidential basis for the sole purpose of determining potential interest in pursuing the purchase of certain assets (as defined later) of the *Citizen*. By accepting this Memorandum, recipients agree to keep confidential the information contained herein or made available in connection with any further investigation of the *Citizen*. Each recipient agrees to treat it in a confidential manner and not, directly or indirectly, to disclose or to permit its advisors, agents or affiliates to disclose any such information without the prior express written consent of Gannett. Recipients agree both to return this Confidential Memorandum and to certify the destruction of all work product derived from its contents upon request from either Gannett or B&A.

Any estimates, forecasts or projections as to future events are based upon the assumptions stated herein and the judgment of the management of the Company and Gannett and are believed to be reasonable as of the date of the document. However, no assurance can be made as to the achievement of these estimates, forecasts and projections.

Statements made in this Confidential Memorandum are made as of the date hereof, unless stated otherwise, and neither the delivery of this Confidential Memorandum at any time, nor the purchase of the assets of the *Citizen*, shall under any circumstances create an implication that the information contained herein is correct as of any subsequent time.

By receipt of this Confidential Memorandum prospective buyers or investors recognize and accept the need to conduct their own thorough investigation and due diligence before considering a purchase of the assets of the *Citizen*. Recipients should not construe the contents of this Confidential Memorandum or any prior or subsequent communications from B&A or the *Citizen* or Gannett as legal, investment or tax advice. Each buyer or investor should consult his or her own competent counsel, accountants or business advisors as to legal and related issues concerning his or her purchase. Prospective parties who are not sophisticated, accredited investors under applicable laws, or who are not interested in pursuing this transaction, are requested to return this Confidential Memorandum to B&A promptly.

Neither this Confidential Memorandum nor its delivery to any party constitutes an offer to sell or the solicitation of an offer to buy any securities.

The Company and Gannett reserve the right to negotiate with one or more prospective buyers at any time and to enter into a definitive agreement with a buyer without prior notice to other prospective buyers.

### Broadwater & Associates LLC

66 Palmer Avenue, Suite 34  
Bronxville, New York 10708  
Telephone: (914) 961-5700  
Facsimile: (914) 961-5717  
[www.broadwaterllc.com](http://www.broadwaterllc.com)

Robert J. Broadwater  
Managing Director  
[broadwater@broadwaterllc.com](mailto:broadwater@broadwaterllc.com)

Margaret V. Young  
Director  
[youngm@broadwaterllc.com](mailto:youngm@broadwaterllc.com)

JANUARY 2009

*Broadwater & Associates*

BW0001097

# THE TUCSON CITIZEN

## Table of Contents

<b>PROPOSED TRANSACTION</b> .....	<b>1</b>
Overview .....	1
Assets for Sale .....	1
<b>EXECUTIVE SUMMARY</b> .....	<b>3</b>
Overview .....	3
Area Served .....	3
Editorial .....	4
Internet Activities .....	4
Circulation .....	5
Advertising .....	5
Press, Equipment and Facilities .....	6
Staff .....	6
Financial Data .....	6
Key Investment Considerations .....	7
<b>HISTORICAL BACKGROUND</b> .....	<b>9</b>
Overview .....	9
<b>REGION SERVED &amp; COMPETITIVE MEDIA</b> .....	<b>11</b>
Overview .....	11
Competitive Media .....	18
<b>EDITORIAL</b> .....	<b>22</b>
Overview .....	22
Editorial Mission .....	22
Editorial Sections .....	23
Internet Activities .....	23
Editorial Equipment .....	24
Archives .....	25
Editorial Service Contracts .....	25
<b>CIRCULATION &amp; DISTRIBUTION</b> .....	<b>26</b>
Overview .....	26
Circulation Coverage .....	27
Circulation Composition .....	28
Distribution .....	29
Circulation Promotion .....	29

Headcount and Compensation.....	31
<b>SYSTEMS AND ADMINISTRATION.....</b>	<b>32</b>
Overview.....	32
Employee Benefits.....	32
Legal.....	32
<b>PRODUCTION, PRINTING AND FACILITIES.....</b>	<b>33</b>
Overview.....	33
Production Equipment.....	33
Production.....	33
Facilities.....	34
<b>FINANCIAL INFORMATION.....</b>	<b>35</b>
<b>APPENDIX I.....</b>	<b>36</b>
Selected Journalism Awards.....	36
<b>APPENDIX II.....</b>	<b>40</b>
Tucson Citizen Organization Chart.....	40



## PROPOSED TRANSACTION

### Overview

Gannett Co., Inc. ("Gannett") has retained Broadwater & Associates LLC ("B&A") as its exclusive financial advisor with respect to the sale of certain assets (the "Assets") of Citizen Publishing Co., publisher of the *Tucson Citizen* (the "*Citizen*"), Gannett's afternoon daily newspaper in Tucson, Arizona.

Through a subsidiary (Citizen Publishing Company), Gannett is party to a joint operating agreement ("JOA" or the "Agreement") in Tucson with Lee Enterprises, Incorporated ("Lee"), the owner of Star Publishing Co., which publishes *The Arizona Daily Star* (the "*Star*"), a morning daily newspaper also serving metropolitan Tucson. The *Citizen* and the *Star* are partners in TNI Partners d/b/a Tucson Newspapers ("TNI"), an Arizona partnership that handles all non-editorial functions for both newspapers pursuant to the provisions of the Agreement.

The Tucson JOA is the oldest surviving joint operating agreement in the U.S. newspaper publishing industry. The original operating agreement dates to March, 1940; the current amended and restated agreement expires June 1, 2015. The Agreement can be terminated only by the mutual written consent of both partners and is renewable by either partner for an additional 25 years.

Pursuant to the terms of the Agreement, TNI conducts and performs all advertising sales, circulation, distribution and production functions for both the *Citizen* and the *Star*. This is accomplished with a single staff of employees utilizing common plant and equipment. The *Citizen* and the *Star* maintain independent editorial staffs that separately produce news and editorial content for their respective newspapers and websites. The *Citizen* is published Monday through Saturday; the *Star* Monday – Sunday. The *Citizen* has no editorial or other participation in the Sunday newspaper.

Gannett is seeking a qualified buyer for the Assets who will commit to publish the *Citizen* as an independent general-circulation daily newspaper in Tucson outside of the Agreement.

Gannett is not selling or assigning its interest in TNI and will not provide any financial support or subsidies to the buyer of the Assets.

### Assets for Sale

Because all business functions of the *Citizen* are provided and controlled by TNI, the Assets are limited to the following:

- The name *Tucson Citizen* and all related intellectual property owned by Citizen Publishing Company;
- The website [TucsonCitizen.com](http://TucsonCitizen.com) and its associated URLs, [www.tucsoncitizen.com](http://www.tucsoncitizen.com) and [www.tucsonbusinessedge.com](http://www.tucsonbusinessedge.com). Note: the websites, URLs and any related intellectual or other property relating to TNI, the *Star*, Gannett, Lee or other entities, including but not



limited to [www.tucson.com](http://www.tucson.com), [www.tucson-newspapers.com](http://www.tucson-newspapers.com) and [www.azstarnet.com](http://www.azstarnet.com) are not included in the Assets.

- ✓ Certain editorial equipment, principally digital cameras, owned directly by Citizen Publishing Company;
- ✓ A list of current *Citizen* subscribers;
- ✓ A list of the names and contact information for the independent contractors who currently handle home delivery for the *Citizen*;
- ✓ Such contracts with wire and feature services and other independent service providers to the *Citizen* that are assignable, including but not limited to the *Citizen's* contract with The Associated Press, which the buyer of the Assets will be required to assume;
- ✓ Any *Citizen*-only or TucsonCitizen.com-only advertising contracts, to the extent assignable;
- ✓ A list of all non-transient advertisers, for the 12 months preceding closing; and
- ✓ The archives or "morgue" of the *Citizen*, including assignment of the Digital Collections archiving systems contract.

In addition, the *Citizen's* staff will be available to be hired by the buyer.

Finally, to assist in an orderly transition with minimal disruption to the *Citizen's* operations, TNI is willing to provide certain printing services (the "Printing Services") to a buyer if required. These services will be limited to the printing of the *Citizen* for afternoon delivery in such quantities, on-press/off-press times, configuration, page size and color content as are currently in effect.

TNI will provide Printing Services, if required by a qualified buyer, for a period of up to 12 months at commercially-reasonable rates comparable to local market rates for such services. If the buyer opts to use the Printing Services, the buyer and TNI will enter into a separate contract which will contain customary provisions for commercial contracts of this type, including but not limited to a provision for a minimum of 90 days notice if the buyer desires to terminate the contract. The buyer may provide shorter notice if it agrees to reimburse TNI for all costs arising from the shorter notice.



## EXECUTIVE SUMMARY

### Overview

The *Tucson Citizen* is published for afternoon delivery Monday – Saturday and serves the Tucson, Arizona metropolitan region. The newspaper is part of a joint operating agreement (“JOA”) with Lee Enterprises, Incorporated (“Lee”), the owner<sup>1</sup> of *The Arizona Daily Star* newspaper, which is published for morning delivery Monday – Sunday. All newsgathering and editorial functions for the *Citizen* and the *Star* are performed by their respective and independent news and editorial staffs; all other functions for both newspapers, including advertising sales, circulation, production, distribution and general business functions are performed by TNI Partners d/b/a Tucson Newspapers (“TNI”), an Arizona partnership between the *Citizen* and the *Star* that performs these functions pursuant to the provisions of the JOA, which was established in 1940 and most recently amended in 1988.

For the year ending December 31, 2007, average weekday (M – F) circulation for the *Citizen* was 24,071; that for the *Star* was 131,452. Average Saturday circulation for the *Citizen* and the *Star* for 2007 were 22,180 and 101,030 respectively, and Sunday circulation for the *Star* was 159,266.<sup>2</sup> The *Citizen* does not provide any news or editorial content to, or otherwise participate in, the Sunday *Star*.

The *Citizen* is owned by Citizen Publishing Company, a wholly-owned subsidiary of Gannett Co. Inc., which acquired the newspaper in January 1977 from William A. Small, Jr., whose family had owned all or a part of the *Citizen* since the 1930’s.

### Area Served

The Tucson area served by the *Citizen* is the second largest metropolitan area in the state of Arizona, behind the Phoenix metropolitan region. The Tucson Metropolitan Statistical Area (MSA) includes all of Pima County and accounts for 15% of the state’s population and approximately 12.5% of Arizona’s total retail sales. While 2007 Census Bureau estimates put Pima County population at 967,000, several local measurements count the population at just over 1,000,000, which is the figure cited most often in promotional and business development materials. Both the metropolitan area and the state have experienced significant population growth over the past two decades, with population increases of 45% for the Tucson metro region and 72% for the state of Arizona for the period 1990 – 2007. Tucson ranks as the 19<sup>th</sup> largest metro area west of the Mississippi and the 52<sup>nd</sup> largest nationally, out of 940 MSAs. Salient features of the area served are Pima County’s relatively well educated workforce, where high school and college graduation rates exceed state and national averages, and the county’s relatively

<sup>1</sup> Via its wholly-owned subsidiary Star Publishing Company

<sup>2</sup> Source: Audit Bureau of Circulations





low historical unemployment, with major employment in high-tech manufacturing, the military, educational institutions and tourism.

#### Editorial

The *Citizen* is an award-winning newspaper with a rich journalistic history. The newspaper focuses almost exclusively on local Tucson news, features and sports, although articles from news and feature syndicates and wire services provide national and international coverage.

The *Citizen's* editorial staff also produces all local editorial material for the newspaper's websites, described below.

Since the retirement of longtime Editor and Publisher Michael Chihak in June 2008, the newsroom has been headed by Senior Editor Jennifer Boice, who has worked at the *Citizen* for 25 years, and Editorial Editor Mark Kimble, who has 33 years of service at the *Citizen*.

#### Internet Activities

The *Citizen's* main website is TucsonCitizen.com, located at [www.tucsoncitizen.com](http://www.tucsoncitizen.com). Included on the site are a selection of the local and wire service articles and editorial commentary included in the print version of the newspaper, plus continually updated stories of local, national and international significance. Also part of the site is BusinessEdge.com, ([www.tucsonbusinessedge.com](http://www.tucsonbusinessedge.com)) which is the website's business section. Digital archives for stories published by the *Citizen* date back to 1993, including local stories written by freelancers and correspondents, and are available on the website. Articles from the past week are available at no charge; older articles are available for \$2.00 - \$2.95 per article, with various pricing and usage plans offered.

While TucsonCitizen.com is free, the site requires registration to access much of the content, including recent archives.

Traffic on [www.tucsoncitizen.com](http://www.tucsoncitizen.com) has grown continually and the site currently receives more than 2 million page views from more than 330,000 unique visitors monthly, both figures reflecting significant growth over 2007 levels.

The *Citizen* also offers an electronic edition ("e-edition") of the daily newspaper that contains 100% of the ROP content and advertising of the daily newspaper in the same format as the print edition. The e-edition is fully searchable and has a number of other features (editable page formats, zoom in/zoom out, headline browsing, etc.) that add functionality.

The e-edition is available only by paid subscription (\$4.00 per month) that includes the Sunday *Star*, and all subscriptions are counted as paid circulation by the Audit Bureau of Circulations.



For the six months ending March 30, 2008, the *Citizen's* e-edition had an average of 1,185 paid subscribers.<sup>1</sup>

TucsonCitizen.com and TucsonBusinessEdge.com and their respective URLs are included in the Assets; websites owned by or related to TNI or the *Star*, specifically [www.azstarnet.com](http://www.azstarnet.com), [www.tucson-newspapers.com](http://www.tucson-newspapers.com) and [www.tucson.com](http://www.tucson.com) are not included in the Assets.

The *Citizen's* websites, including the e-edition, are hosted by TNI and a buyer will need to arrange for an alternative hosting facility post-transaction.

### Circulation

For the year ending December 31, 2007, the *Citizen* had ABC-audited, average paid circulation of 24,071 copies Monday – Friday and 22,810 copies on Saturday. There is no Sunday edition. For the six months ending March 30, 2008, the *Citizen's* weekday and Saturday circulation were 23,756 and 21,856 copies, respectively.<sup>1</sup> As is the case with most afternoon newspapers, the *Citizen* has experienced declining circulation in recent years.

Basic home delivery pricing for the *Citizen* (Monday – Saturday plus the Sunday *Star*) is \$137.80/year, and was last increased in October, 2002, from \$124.80. Monday – Friday (excluding the weekend) home delivery pricing for the *Citizen* is \$52.00. The *Citizen* (weekday and Saturday) carries a cover price of \$0.35, increased from \$0.25 on March 1, 2008. By comparison, the morning *Star* carries a \$0.50 cover price weekdays and Saturday, and \$1.50 on Sunday.

Single-copy sales account for approximately 22% of the *Citizen's* total paid weekday (M – F) circulation and approximately 25% of Saturday circulation. The remainder consists primarily of home delivery and mail circulation, with a small quotient ( $\approx$  5%) of employee, e-edition and other paid copies.

Substantially all (95%+) of the *Citizen's* circulation is in Pima County, which encompasses the Tucson corporate limits and all of the Tucson Newspaper Designated Market (NDM). The *Citizen's* circulation is highly focused on the Tucson metropolitan region, with 90% within the Tucson city limits.

### Advertising

All advertising sales for both the *Citizen* and the *Star* newspapers are handled by TNI and the *Citizen* does not have its own advertising sales staff. TNI handles both print and website advertising sales for both newspapers.

Advertising can be purchased in each newspaper separately or on a combination basis; however, substantially all of the *Citizen's* advertising is sold on a joint-buy basis with the *Star* and any

---

<sup>1</sup> Source: Audit Bureau of Circulations



*Citizen*-only advertising that does occur is sold by TNI, with the associated revenue recorded at TNI.

All advertising contracts and systems, except for any *Citizen*-only advertising contracts that are assignable, are not included in the Assets.

#### **Press, Equipment and Facilities**

Printing and production of the *Citizen* are handled by TNI using a Goss Metroliner offset press configured as two press lines each composed of eight press units. A buyer of the *Citizen* will need to (i) acquire its own printing and production equipment or (ii) contract for printing and production services with another operator of suitable commercial printing facilities. However, as noted earlier, to facilitate a transaction, TNI will provide transitional Printing Services, as previously defined, to a buyer of the Assets.

All *Citizen* employees work at TNI's office facility located at 4850 South Park Avenue in southern Tucson. This facility also houses the staff of *The Arizona Daily Star* and TNI. The facility has a total of 272,200 square feet of office and production space, of which the *Citizen* newsroom occupies approximately 16,100 square feet.

A buyer of the Assets will need to secure its own office facility.

#### **Staff**

As of September 2008, the *Citizen* had a total of 68.5 full-time equivalent (FTE) staff.<sup>1</sup> Except for one office manager and one newsroom systems manager, all *Citizen* staff are involved in newsgathering or editorial functions. The *Citizen*'s organization chart is presented as Appendix II to this Confidential Memorandum.

The *Citizen*'s workforce is loyal and experienced, with 39 employees having worked at the *Citizen* for at least ten years, 21 for over 20 years and 10 for 30 years or more. The *Citizen* also has 11 interns, although this figure fluctuates during the year. Average tenure with the newspaper is approximately 13 years and none of the *Citizen*'s employees are members of a union.

These employees will be available for the buyer to employ.

#### **Financial Data**

The expenses presented in the following table are for the years ending December 2004 – 2007, and for the 9 periods ending September 2008, and include only the editorial expenses for the *Citizen*, including payroll and benefits expenses and other related editorial expenses such as travel and entertainment, newswire and feature services, costs for freelancers and independent contractors and miscellaneous office expenses.

---

<sup>1</sup> FTEs are calculated based on a 40-hour work week.



These data do not include any revenue, expenses, or income from TNI, and the expenses do not include the costs of any operating infrastructure, including office rent expense, necessary to publish and distribute a newspaper the size of the *Citizen*. A buyer of the *Citizen* will need to develop its own operating and corporate infrastructure for the newspaper.

**Tucson Citizen  
Editorial Expenses**

Tucson Citizen \$'000s	Year ending December				9 periods ending Sept.	
	2004	2005	2006	2007	2007	2008
Editorial payroll & benefits	\$ 4,879.4	\$ 5,120.5	\$ 5,322.5	\$ 5,111.0	\$ 3,786.7	\$ 3,622.6
Other editorial expenses	904.9	876.5	862.5	865.4	660.9	571.2
<b>Total</b>	<b>\$ 5,784.2</b>	<b>\$ 5,997.0</b>	<b>\$ 6,185.0</b>	<b>\$ 5,976.4</b>	<b>\$ 4,447.6</b>	<b>\$ 4,193.9</b>

Additionally, the *Citizen* generates a small amount of revenue, generally amounting to less than \$5,000 per year,<sup>1</sup> from sales of archives and other editorial material; this revenue, which is not material, is not reflected in the data presented above.

**Key Investment Considerations**

The *Citizen* presents an opportunity for a qualified buyer to enter an attractive and desirable market, to acquire an historic daily newspaper serving a metro area in the Southwest region, to gain access to the Tucson MSA or to expand an existing presence in the region. Key attributes of the *Citizen* include:

• **Top editorial talent**

The *Citizen's* editorial staff combines extensive experience and thorough knowledge of its community with a strong commitment to quality journalism, evidenced by the newspaper consistently receiving awards for quality journalism. The *Citizen* is an authoritative source of news and information in the Tucson MSA and offers its readers a local perspective on national and international news.

• **Strong brand**

As the oldest continually published newspaper in Arizona, the *Citizen* has been an integral part of the Tucson and Arizona communities for nearly 150 years. The *Tucson Citizen* nameplate is well known and well respected in the Tucson metro area as well as throughout the state of Arizona, offering a strong foundation on which a buyer of the Assets can build.

<sup>1</sup> Management estimates



○ *An attractive region*

The Tucson MSA is a strong region with increasing importance in the southwestern U.S. economy. Tucson is the second-largest city in Arizona and the Tucson MSA accounts for over 15% of the state's population and 12.5% of all Arizona retail sales. The city has a diverse economic base, an excellent educational environment (including the University of Arizona main campus), a vigorous high-tech industry and a well-trained workforce.

## HISTORICAL BACKGROUND

### Overview

The *Tucson Citizen* has a long and rich history that is deeply intertwined with that of the city of Tucson, the state of Arizona and the American Southwest. The paper traces its ancestry back to 1859 when, in March of that year, William Wrightson, an engineer with the Santa Rita Mining Company of Tubac, Arizona, founded the *Weekly Arizonian*. This four-page tabloid was the first newspaper published in what was then the New Mexico Territory, the land ceded to the United States following the Mexican-American War.

Shortly thereafter, the *Weekly Arizonian* was acquired by Sylvester Mowry, a prominent citizen of Tubac and an aggressive champion of the establishment of Arizona as a separate U.S. Territory. Mowry relocated the newspaper to Tucson, where, in 1860, the paper published *The Constitution of the Provisional Government of the Territory of Arizona* and the proceedings of the 1860 territorial convention in Tucson – the first book to be published in what would become Arizona.

For much of the next decade, the *Weekly Arizonian* struggled and ceased publication on several occasions. Revived in 1867 as the *Arizonan*, and still printed on Wrightson's original press, the paper drew the attention of Arizona territorial delegate and former Governor Richard McCormick, who acquired a part ownership in 1868. Typical for the political environment of that era, McCormick viewed his investment in the *Arizonan* as a means to support his political aspirations, specifically his campaign for re-election as an Arizona territorial delegate to the U.S. Congress. Thus, when *Arizonan* editor Pierson Dooner withdrew his editorial support for McCormick, McCormick was moved to seize the *Arizonan's* press equipment and, four days later, launch the *Arizona Citizen*, the direct ancestor of today's *Tucson Citizen*.

In 1879, the *Citizen* began to publish on a daily frequency, taking the name *The Arizona Daily Citizen*. However, the newspaper continued to publish the weekly *Arizona Citizen* as a separate edition which contained summaries of the most important stories from the previous week's daily issues. This combination of daily and weekly frequency continued until 1912, when Arizona achieved statehood. It was during this time, on December 16, 1901, the daily newspaper was renamed the *Tucson Daily Citizen*.

During the years of the Great Depression, the *Citizen*, which had always been a staunch Republican newspaper, lost significant ground to its crosstown rival, the Democratic *Arizona Daily Star*, which had gained significant market presence in what during the Roosevelt administration was now a heavily Democratic-leaning city, state and country. It was during this period that the paper was acquired by Chicago businessman William A. Small and newspaper consultant William H. Johnson. At first, Small remained in Chicago, with Johnson editing and

managing the *Citizen*. But with losses continuing to mount, Small moved to Tucson to become general manager of the newspaper, with Johnson devoted solely to editorial duties.

Within a year of his arrival in Tucson, Small determined that the *Citizen* could not continue to survive in competition with the *Daily Star*, which itself was struggling financially and suffering from labor strife. As a solution, in 1940 the *Citizen* and the *Star* entered into a joint operating agreement, or JOA, (then known as an "Albuquerque Plan", based on the first such combination, which was formed by two daily newspapers in Albuquerque, NM in 1933) which combined all business operations of both newspapers while leaving the editorial operations totally independent.

The Tucson JOA remained substantially unchanged for the next quarter century, at which time the owners of the *Star* sought to sell the newspaper to the Brush-Moore newspaper group in Ohio. Desiring to keep the *Star* a local Arizona paper, Bill Small exercised his right-of-first-refusal clause in the JOA agreement and acquired the *Star* in January 1965. Shortly thereafter, the Antitrust Division of the U.S. Department of Justice filed suit, claiming the transaction violated provisions of the Sherman and Clayton Antitrust Acts.

This lawsuit turned out to have far reaching implications for the newspaper industry. While TNI lost the lawsuit, the action prompted Arizona Senator Carl Hayden and Congressman Morris Udall to introduce legislation to Congress to provide a limited exemption from the antitrust laws for newspaper JOAs. In 1970, at about the same time that the U.S. Supreme Court upheld the original verdict, Congress enacted the Newspaper Preservation Act of 1970, which President Nixon signed into law.

Ironically, after five years of lawsuits, new *Citizen* publisher William Small Jr. sold the *Star* and its position in TNI to Pulitzer Publishing Company only nine months after the Newspaper Preservation Act put the TNI on firm legal footing.

On November 30, 1976, Small announced that Gannett Co., Inc. had agreed to acquire the *Tucson Daily Citizen* and Small's interest in TNI in an all-stock transaction. The transaction was completed in January 1977 and Gannett has owned the *Citizen* ever since.<sup>1</sup>

---

<sup>1</sup> Sources: *The Tucson Citizen: A Century of Arizona Journalism*, Don Schellie, Citizen Publishing Company, 1970; *Tucson Weekly*, 2-08-96, Tucson.com, TucsonCitizen.com, Company data.



## REGION SERVED & COMPETITIVE MEDIA

### Overview

The *Tucson Citizen* serves the city of Tucson and Pima County, which accounts for virtually all of the *Citizen's* circulation. Tucson is Arizona's second largest city and Pima its second largest county, behind Phoenix and Maricopa County (site of Phoenix) respectively. The city is less than two hours south of Phoenix, and an hour north of the Mexican border. Tucson is 2,400 feet above sea level and encompasses nearly 195 square miles.<sup>1</sup> The landscape features flowering desert, rolling hills, and rugged canyons, and the city is nestled between the Rincon Mountains to the east and the Tucson Mountains to the west.

Tucson began as the center of the Pima and Hohokam Indian civilizations and subsequently expanded under the influence of Spanish explorers and missionaries. The official birth date of the city is 1775, and the city was part of Mexico in the years following Mexico's independence from Spain in 1821. Following the end of the Mexican-American War in 1848, Mexico ceded land encompassing most of today's states of California, Nevada, Utah, Arizona and New Mexico to the U.S. Government, which in 1850 created the Territory of New Mexico, composed of today's states of New Mexico and Arizona. The Territory of Arizona was formed in 1863 and endured until Arizona was admitted to the Union in 1912.

Tucson's development accelerated with the arrival of the Southern Pacific Railroad in 1880. Drawn initially by the prospects of favorable climate (sunny 360 days per year and dry desert air), the county population doubled in each of the following periods: from 1910 to 1928 (to 100,000); in 1956 (to 200,000); in 1972 (to 400,000); in 1997 (to 800,000), and currently stands at over 1,000,000. Today, the city boasts a diverse economic base, an excellent educational environment (including the University of Arizona main campus), a vigorous high-tech industry, a significant presence of the U.S. military and a well-trained workforce.

Tucson has enjoyed rapid growth while maintaining its quality of life and a flourishing business environment. With its location amid beautiful natural resources, the city offers a wide variety of leisure activities. The surrounding mountains offer manifold opportunities for hiking, biking, rock climbing, horseback riding, and bird watching. Robert Trent Jones and Jack Nicklaus, among others, have designed world-class golf courses in the Tucson region. With an average 350 nights per year of clear skies, southern Arizona boasts several of the most respected observatories in the world; Tucson has been called "The Astronomy Capital of the World."<sup>2</sup> Tucson is the only U.S. city to host three major league baseball teams for spring training (known as the Cactus League), and sports fans can cheer the University of Arizona Pac-10 conference Wildcats. Tucson also has a robust artistic and cultural scene, with over 30 museums and galleries

<sup>1</sup> U.S. Bureau of Census

<sup>2</sup> [Magazineusa.com/TucsonObservatories](http://Magazineusa.com/TucsonObservatories); also [VisitTucson.org/attractions/astronomy](http://VisitTucson.org/attractions/astronomy)





(including the Arizona State Museum, the premier research and anthropology museum in the Southwest and a Smithsonian affiliate), a resident opera company and two ballet companies, and the Tucson Symphony, with its own Symphony Center.

**Population**

The Pima county population is approximately 1 million. While the 2007 U.S. Census estimates put the population at approximately 970,000,<sup>1</sup> more local and recent estimates posit that the population had exceeded 1 million in 2008. Emphasizing the area's significant recent growth, and as an important benchmark in attracting business investment, this 1 million figure is the most frequently cited. As shown below, the county's growth, both historical and forecast, is below that of the state, but almost three times the national historical growth rate and twice the nation's forecast growth rate both for population and households.

Population (000)	Population (000)		Population Growth 00-08	5-year growth forecast	
	at 1/1/05	at 1/1/08		Population	Households
Pima County	984.8	389.2	16.7%	9.5%	9.7%
Arizona	6,446.5	2,375.0	25.6%	13.4%	12.8%
U.S.	304,141.5	114,694.2	5.6%	4.9%	5.3%

Source: 2008 Demographics USA, County Edition

The city of Tucson accounts for roughly half the county population, with U.S. Census estimates of 525,000 at December, 2007.

**Demographics**

Pima County's balance between male and female population roughly tracks the Arizona and U.S. national averages, with slightly more women and slightly fewer men than the state and the U.S. The median age of Pima County residents also approximates the U.S. average, although the state of Arizona is lower and remarkably young -- Arizona has the 5<sup>th</sup> lowest median age of all states.<sup>2</sup>

Age and Sex	% male		Median Age		% ages		
	% male	% female	Male	Female	under 18	18-64	over 64
Pima County	48.9%	51.1%	35.2	38.3	24.1%	61.2%	14.7%
Arizona	49.9%	50.1%	33.7	36.1	26.4%	60.6%	13.0%
U.S.	49.3%	50.7%	35.4	38.1	24.4%	62.9%	12.7%

Source: 2008 Demographics USA, County Edition

The educational profile of Pima County is presented in the accompanying table. The county is quite well educated, with both high school and college graduation rates noticeably higher than those for the state and the nation. This reflects the generally higher education levels in more urban environments, the presence of the University of

Educational Attainment (according to 2000 Census)	% High School Diploma or higher	% Bachelor's Diploma or higher
	Pima County	83.5%
Arizona	81.0%	23.6%
U.S.	80.4%	24.4%

Source: www.ePodunk.com/AZ/county/education levels

Note: % holding degrees is calculated as a % of the population ages 25 and over.

<sup>1</sup> www.factfinder/census/gov/Pima County

<sup>2</sup> www.statemaster.com/median age

Arizona, and the fact that many of the area's largest employers (Raytheon, military intelligence, education and healthcare institutions) attract and require a well educated workforce.

Tucson is home to the main campus of the University of Arizona, a leading research university in the American southwest. U of A generates more than \$512 million in annual research funding and is considered among the top 20 public research universities nationwide. The campus occupies almost 400 acres, with enrollment for the 2007 – 2008 school year of over 37,200. Of this total, 31,000 were full-time students and 29,000 were undergraduates. Tucson is also the primary location of Pima Community College, which has six campuses and enrollment in 2007 – 2008 of almost 74,000 students.

As shown in the accompanying table, the ethnic composition for both Pima County and Arizona as a whole is significantly more Hispanic and less African-American than the national average.

Ethnic Composition				
	% White	% Black	% Hispanic	% Asian/other
Pima County	72.6%	3.1%	33.0%	2.5%
Arizona	72.2%	3.4%	29.9%	2.5%
U.S.	72.7%	12.4%	15.2%	4.5%

Source: 2008 Demographics USA, County Edition

Note: May sum to > 100% as some respondents indicated more than one classification

Despite the area's relatively high levels of education, average (and median, although not shown here) household income for Pima County is below the state's and the nation's. This is partly explained by the gap between earnings of Caucasians and

Average Household EBI			
Income	at 1/1/06	% of HH w/ EBI > \$50K	5 yr. proj. growth in EBI
Pima County	\$50,583	35.4%	22.7%
Arizona	54,552	39.7%	25.9%
U.S.	54,936	40.0%	17.2%

Source: 2008 Demographics USA, County Edition

Hispanics, where average 2006 Hispanic earnings were 74% of Caucasians'.<sup>1</sup> It is also partially explained by the slightly higher proportion of retirees in the county.

### Economy

Tucson's employment environment is broadly reflective of that of the U.S. nationwide. The leading local employers, as is often true in the modern American economy, are the federal, state and local governments, followed by wholesale/retail trade and education/healthcare industries. The greater concentration of government jobs in Tucson occurs because the government category includes civilian employment on nearby military bases. (Active duty armed forces are excluded.) Arizona and Tucson are well represented both in quality and quantity of healthcare providers.

In other industry sectors, compared to U.S. national averages, Tucson is less reliant on wholesale/retail trade, manufacturing, and financial services, and slightly more involved in professional services (which includes, among others, engineering, computer systems, management and technical consulting services) and natural resources (which includes mining).

<sup>1</sup> The Income Gap, by Rob Gebeloff, Newark Star Ledger, Sept. 19, 2007, citing data from the 2006 American Community Survey, Income by County



Employment by Industry, as of July, 2008			
Industry	% of total		
	Tucson	AZ	U.S.
Government	19.7%	16.3%	15.5%
Trade, Transportation, Utilities	17.0%	19.7%	19.2%
Education, Health Services	14.9%	12.0%	13.5%
Professional Services	14.0%	15.1%	13.1%
Leisure, Hospitality	10.4%	10.4%	10.4%
Manufacturing	7.3%	6.8%	9.9%
Financial & Information Services	5.9%	8.3%	8.2%
Construction, Natural Resources	6.9%	7.7%	6.0%
Other Services	4.0%	3.6%	4.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Bureau of Labor Statistics/Employees on nonfarm payrolls by sector

The leisure/hospitality industry incorporates Tucson's strong tourism sector. Tucson hotels host 3.9 million domestic overnight visitors per year, and tourism is estimated to account for 40,000 jobs and generate approximately \$2.3 billion annually.<sup>1</sup> Tourism is stimulated by several annual sporting events (baseball spring training, a cycling championship, professional golf, soccer and tennis tournaments, and a rodeo), trade shows at the Tucson Convention Center (including the Gem, Mineral, and Fossil Showcase) as well as the naturally dry and sunny climate that encourages outdoor activities.

The Tucson Regional Economic Opportunities consortium (TREO, at [www.treoaz.org](http://www.treoaz.org)) was formed in 2005 to serve as the lead economic development agency for the area, with a goal of providing an educated workforce and livable communities to companies offering high skilled, high wage employment. TREO has targeted four industries: aerospace & defense (for which Tucson is already among the top five regions in the U.S.); biotechnology (where the state is already strong); solar energy, (an emerging industry and a natural fit for the Tucson region) and transportation & logistics (taking advantage of Tucson's strategic location). The consortium focuses on advertising and marketing (print and website, media development, recruitment trips, and site selection conferences) and provides site selection services, data collection and analysis and development resources including grant application assistance for enterprise/trade zone and job training programs. Since its founding, TREO has had some notable successes, attracting 25 new employers to the area, including companies such as Sanofi-Aventis, Roche, Global Solar, GEICO, Target Fulfillment and ASARCO.

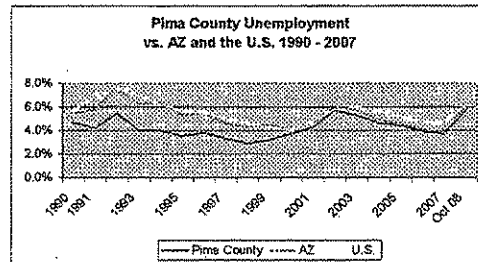
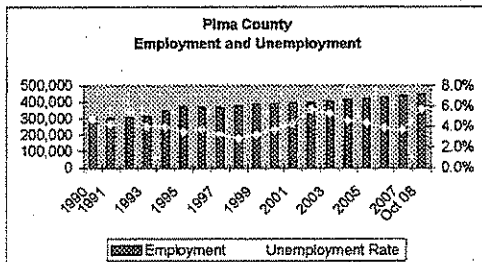
The table below lists the top employers in the region, with Raytheon, the state government and the University of Arizona leading the list. Fort Huachuca and Davis-Monthan Air Force base provide significant civilian employment, while the remainder indicates a mix of business sectors, with the mining/natural resources industry having a notable presence. The percentage of employment offered by the top 20 employers, at 25%, is slightly higher than that for many communities, due largely to the presence of the military bases in the area.

<sup>1</sup> [www.visitucson.org/media/research & facts/Tucson Facts](http://www.visitucson.org/media/research&facts/TucsonFacts)

20 Largest Employers in Southern Arizona, as of January, 2008		
Employer	Employees	Business Line
Raytheon Missile Systems	12,515	Defense/High Tech
State of Arizona	10,754	Government
University of Arizona	10,535	Education
Tucson Unified School District	8,018	Education
Davis-Monthan Air Force Base	7,701	Government/Military
Pima County	6,954	Government
US Army Intelligence/Fort Huachuca	6,701	Government/Military
City of Tucson	5,848	Government
Freeport McMoran Copper & Gold	5,840	Natural Resources/Mining
Wal-Mart Stores	5,805	Retail
Carondelet Health Systems	4,766	Healthcare
University Medical Center	3,304	Healthcare
TMC HealthCare	3,038	Healthcare
U.S. Border Patrol	2,975	Government
Tohona O'odham Nation	2,725	Gaming, education, gov't
Sunnyside Unified School District	2,685	Education
Pima Community College	2,325	Education
Pinal County	2,321	Government
Fry's Food Stores	2,268	Retail
Asarco LLC	2,185	Natural Resources/Mining
<b>Total Top 20</b>	<b>109,263</b>	
<b>As a % of total employment</b>	<b>25.3%</b>	

Source: [www.azstarnet.com/Star200/main.php](http://www.azstarnet.com/Star200/main.php)

The employment base in Pima County has been remarkably stable since 1990. Total employment has decreased in only one year out of the last 17, when it dipped by 1.5% in 1996. Even in 2002, a recent peak in the unemployment rate, total employment increased by almost 1%. Pima County's unemployment rate has generally been lower than that of the state and of the nation, although more recently the state and county rates have moved closer. As of October, 2008, unemployment rates increased across the board, although employment levels again increased, for the county, the state, and the U.S. as a nation.



Source for both charts: [http://recenter.tamu.edu/data/courty/civilian\\_employment](http://recenter.tamu.edu/data/courty/civilian_employment)

### Housing

The table below summarizes various components of Tucson's housing market and its recent performance. While Tucson's population has grown at a fairly consistent rate over the last two decades, housing starts have fluctuated with broader economic indicators, leading to a tightening in the housing market, and increasingly expensive housing through 2004 – 2005. A contraction in housing prices over the last three years, combined with relatively low real interest rates, have made housing somewhat more affordable, although the ratio of Median Home Price to Income, at



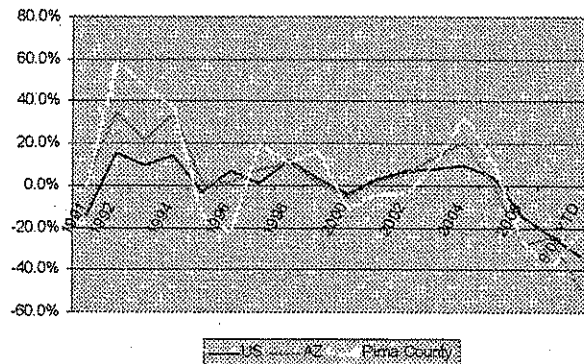
over 7X, remains high. The long term increase in home equity has outpaced the national average, indicating that, at least through June of 2008, investment in real estate remained relatively prudent. The state of Arizona does, however, have a higher percentage of sub-prime mortgages than does the U.S. as a whole, raising the risk of greater foreclosures in the future. However, it must be noted that sub-prime mortgage data is only available for the state as a whole, not Tucson or Pima County separately, and the frenzied development of the Phoenix/Maricopa County region in recent years, coupled with that region's large size, likely imparts an unfavorable skewing of the state data.

Housing Summary	Tucson Region	National Average
<b>Price Activity</b>		
Median Sales Price, Existing Single Family Homes (2008 Q2)	\$215,900	\$206,500
1 Year Appreciation (to 6/08)	-13.7%	-7.6%
3 year Appreciation (to 6/08)	-5.5%	-5.6%
Increase in Home Equity over 20 years to 2007	\$193,927	\$184,400
<b>Affordability</b>		
Monthly Mortgage Payment to Income (2007)	20.2%	22.4%
Median Home price to Income (2007)	7.1	7.9
<b>Housing Permits</b>		
Single Family Housing Permits (12 months to 7/08)	-41.5%	-38.2%
<b>Mortgages</b>		
State Percentage of Sub-Prime Mortgages	11.0%	9.0%
State Foreclosure Rate (12 months to 6/08)	3.3%	2.8%

Source: National Assn of Realtors, Housing Statistics, Local Market Reports/Tucson Region

The chart below tracks the rate of change in housing permits issued since 1990 for Pima County, Arizona and the U.S. Pima County's experience mirrors that of many high-growth areas, with rates of change both higher and lower than the state and national averages, i.e. the good times are better and the bad times are worse. While Tucson's economy is hardly recession proof, its emphasis on education and high-tech industries should allow for a somewhat less volatile housing market than in other parts of the country.

Rate of Change in Housing Permits Issued (1990 - September 2008)





**Retail Sales**

Reflecting the lower average household income, retail sales per capita for the county is lower than for the state of Arizona and the U.S. However, the growth forecast for total retail sales is meaningfully higher than for the nation, reflecting continued expected growth in population.

Retail Sales 2008	Growth Forecast	
	In \$ millions	Per capita
Pima County	\$ 14,861	\$ 15,091
Arizona	119,671	18,564
U.S.	4,980,407	16,375

Source: Demographics USA, County Edition, 2008

The Tucson region retail environment has felt the effect of local government regulation in recent years. In 1999, the Tucson city council passed an ordinance imposing strict rules regarding zoning, lighting, and trash collection on large retailers. The effect was to sharply curtail the construction of new "big box" stores, in particular the large, combination supermarket/mass merchandise stores. At the time, citizen support for the measure was extensive, ostensibly in an effort to preserve Tucson's quality of life and historical "small town" nature. However, the results have been mixed. Grocery prices in Tucson are the highest of eight comparable cities in the Southwest,<sup>1</sup> and much of the El Con Mall is vacant following the departure of several flagship tenants. Voter sentiment swung the other way in 2007, when a developer was granted a big-box exception to develop a new retail property, Tucson Marketplace at The Bridges. This mixed-use project, on the site of the old Tucson airport, will incorporate a University of Arizona bio-science complex, a housing development and a grocery store, and is scheduled to begin construction in early 2009. Wal-Mart, which has sought on several occasions, without success, to surmount the 1999 ordinance and expand in the area, is now said to be evaluating the El Con Mall, since taking over existing retail space was not prohibited by the ordinance.

As shown in the accompanying table, the 1999 ordinance has not kept superstores out of the market altogether. Some stores opened before the ordinance was passed, while others are just over the Tucson border. All are within 25 miles of central Tucson and many of the stores listed here are anchor tenants in the major malls.

Tucson has five well established malls, with a total of 4.6 million square feet. While the earliest was built in 1960, all have either been constructed or renovated within the last 7 years. The Tucson Mall is the largest, at 1.3 million square feet; La Encantada is the smallest, at 258,000 square feet, and offers a very upscale retail experience. El Con Mall, mentioned above, is the oldest mall, and is nearest to central Tucson. Foothills Mall and Park Place both incorporate multiplex movie theaters and received massive face lifts within the last few years.

Major Retailers in and around Tucson	
Retailer	# of stores
Wal-Mart	12
Target	8
Sears	7
Home Depot	6
J. C. Penney	4
Lowe's	4
Kohl's	3
Best Buy	3
Mervyn's	3
Costco	2
Dillard's	2
Federated	2
Circuit City	2
Marshall's	2
K-Mart	1
Sam's Club	1

Source: Internet research

<sup>1</sup> www.westernrebusiness.com/articles/May08/Bridging the Gap



The malls and the retail economy overall are supported by Tucson's strong tourism business, with tourists coming from more distant locations for vacation. However, the malls also draw Arizona citizens from more rural areas into the metropolis for shopping, and all feature nearby hotels in their advertising, indicating that they are destination attractions for out-of-market shoppers.

**Competitive Media**

*Newspapers*

The *Arizona Daily Star*, the *Citizen's* partner in the Tucson JOA, is the leading paper in the Tucson market, with 74% of the market's paid daily newspaper circulation. Both JOA papers have the bulk of their circulation within the Newspaper Designated Market (92% for the *Daily Star*, 98% for the *Citizen*). There is also a daily legal newspaper, the *Daily Territorial*, with approximately 1,000 paid circulation in Tucson.

Daily newspapers from the communities of Sierra Vista, Bisbee and Douglas also circulate in Tucson, albeit at *de minimus* levels, with the closest of these markets (Sierra Vista) more than 70 miles to the southeast.

Daily Newspapers in the Tucson DMA				Avg. weekday circulation		
Property	Owner	Freq	am/pm	total	Tucson DMA	Home City (in AZ)
Arizona Daily Star, The	Tucson Newspapers	7	am	107,381	98,389	Tucson
Tucson Citizen	Tucson Newspapers	6	pm	24,071	23,500	Tucson
The Arizona Republic	Gannett Co., Inc.	7	am	406,013	2,597	Phoenix
Sierra Vista Herald/Bisbee Review	Wick Communications	7/6	am	10,416	-	Sierra Vista / Bisbee
Daily Dispatch, The	Wick Communications	5	am	2,900	-	Douglas

Sources: Audit Bureau of Circulations, 2007 audit reports; BIA Financial Network, publisher data

Other newspaper competition comes from a variety of non-daily properties, including the thrice-weekly *Green Valley News & Sun*, which serves the golf and retirement community of Green Valley, approximately 30 miles south of Tucson. Other non-dailies include the *Northwest Explorer*, a free circulation (mail delivery is paid) suburban weekly, *Tucson Weekly*, an arts & entertainment paper and *Inside Tucson Business*, a weekly business journal.

Weekly Newspapers in the Tucson DMA			
Property	Owner	Paid/Free	Home City
Ajo Copper News	David Hollister	Paid	Ajo
Arizona Range News	Wick Communications	Paid	Willcox
Bisbee Observer, The	Bisbee Publishing Co.	Paid	Bisbee
Green Valley News & Sun (3X weekly)	Wick Communications	Paid	Green Valley
Inside Tucson Business	Wick Communications	Paid	Tucson
Nogales International (2X weekly)	Wick Communications	Paid	Nogales
Northwest Explorer	13th Street Media, Inc.	Free	Tucson
San Pedro Valley News-Sun	Wick Communications	Paid	Benson
The Sun	Wick Communications	Free	Vail
Tucson Weekly	Wick Communications	Free	Tucson

Sources: BIA Financial Network Newspaper Market Report 2008; publisher reports

Other publications that circulate in or around Tucson include *The Arizona Daily Wildcat* and the *Arizona Tombstone Epitaph*, both published by the University of Arizona in Tucson. The *Wildcat* is a free circulation, commercial daily, claiming circulation of 17,000, and is bulk-



dropped at locations around the U of A campus and in the city more broadly.<sup>1</sup> The *Epitaph* is published twice monthly by the University of Arizona's Department of Journalism.

**Television**

Tucson is part of the Tucson/Sierra Vista DMA, the 68<sup>th</sup> largest out of 210 in the country as ranked by Nielsen.<sup>2</sup> The DMA encompasses all of Pima, Cochise and Santa Cruz counties, and is thus larger than the Tucson Newspaper Designated Market. However, since Pima County has 85% of the DMA's total population, it is the focal point of the DMA.<sup>3</sup> There are a total of eight commercial television broadcasters serving the Tucson DMA, as shown below, along with two PBS stations and several low-power broadcasters, religious and otherwise.

TV Stations serving the Tucson DMA				
Calls	Channel	Affiliate	City of License	Owner/Parent
KVOA	4	NBC	Tucson	Evening Post Publishing
KGUN	9	ABC	Tucson	Journal Broadcast Group
KMSB	11	Fox	Tucson	Belo Corp.
KOLD	13	CBS	Tucson	Raycom
KTTU	18	UPN	Tucson	Belo Corp.
KHRR	40	Telemundo	Tucson	NBC Universal
KUVE	46	Univision	Green Valley	Univision
KWBA	58	CW	Sierra Vista	Journal Broadcast Group

plus 2 PBS stations, 2 low power stations, and several low power religious broadcasters

Sources: [www.stationindex.com/tv/markets/Tucson](http://www.stationindex.com/tv/markets/Tucson); [fcc.gov/TV Database Query](http://fcc.gov/TV Database Query)

**Radio**

The Tucson area is well covered by broadcast radio, with a total of 11 AM and 23 FM stations serving the city and surrounding areas. The market is ranked #60 in the country by Arbitron, out of a total of 302 ranked markets.<sup>4</sup> Radio station ownership is fairly diversified, compared to some markets, with four participants owning 4-5 stations each. Each of Capstar Broadcasting, Citadel Broadcasting, Lotus Communications and Journal Broadcast Corp. are significant participants in the Tucson radio market. There are also a number of stations owned by local independent operators, not-for profits and other non-commercial enterprises.

<sup>1</sup> <http://wc.arizona.edu/papers> (Arizona Wildcat Circulation)

<sup>2</sup> Investing in Newspaper Market Report 2008, Rank Listing of Markets

<sup>3</sup> Media Solutions' SRDS Circulation Report 2009, Tucson/Sierra Vista DMA, p. 1050

<sup>4</sup> [www.arbitron.com/Arbitron Radio market rankings, Fall, 2008](http://www.arbitron.com/Arbitron Radio market rankings, Fall, 2008)





Tucson NDM - FM Radio Stations					
Call	Frequency	Class	Format	City of License	Owner
KFLT	88.5	A	Religious	Tucson	Family Life Broadcasting
KAIC	88.9	A	Christian Contemporary	Tucson	Educational Media Foundation
KUAZ	89.1	A	Public Radio	Tucson	AZ Board of Regents
KUAT	90.5	C	Classical	Tucson	AZ Board of Regents
KXCI	91.3	C2	Community	Tucson	Foundation for Creative Broadcasting
KFMA	92.1	C2	Alternative	Green Valley	Arizona Lotus Corp.
KVMT	92.9	C	Adult Alternative	Tucson	Capstar TX LP
KRQQ	93.7	C	Top 40	Tucson	Capstar TX LP
KMXZ	94.9	C	Adult Contemporary	Tucson	Journal Broadcast Corp.
KLPX	96.1	C	Classic Rock	Tucson	Arizona Lotus Corp.
KTZR	97.1	A	Spanish	Green Valley	Capstar TX LP
KSZR	97.5	A	Adult Hits	Oro Valley	Citadel Broadcasting
KAVV	97.7	D	Country	Tucson	Stereo 97
KJZZ	98.9	D	Public Radio	Tucson	Maricopa County Comm. College
KIIM	99.5	C	Country	Tucson	Citadel Broadcasting
KLVA	100.9	D	Christian Contemporary	Tucson	Ted and Jana Tucker
KFMA	101.3	D	Alternative	Tucson	Arizona Lotus Corp.
KCMT	102.1	C1	Regional Spanish	Oro Valley	Arizona Lotus Corp.
KNOG	102.7	D	Spanish	Tucson	World Radio Network
KQTH	104.1	A	News/Talk	Tucson	Journal Broadcast Corp.
KZLZ	105.3	D	Mexican Regional	Tucson	Todd Robinson, Inc.
KGMG	106.3	D	Oldies	Tucson	Journal Broadcast Corp.
KHYT	107.5	C	Classic Rock	Tucson	Citadel Broadcasting

Source: [FCC.gov/Media Bureau/Audio Division/FM query by state and city](http://FCC.gov/Media Bureau/Audio Division/FM query by state and city)

Tucson NDM - AM Radio Stations					
Call	Frequency	Class	Format	City of License	Owner
KVOI	690	D	Conservative Talk	Tucson	Good News Broadcasting
KNST	790	B	News, Sports, Talk	Tucson	Capstar TX LP
KFLT	830	B	Christian Ministry	Tucson	Family Life Broadcasting
KGMS	940	B	Christian Talk	Tucson	Good Music, Inc.
KTKT	990	B	Spanish, UA Football	Tucson	Arizona Lotus Corp.
KGVY	1080	D	Nostalgia	Tucson/Green Valley	KGVY, LLC
KCUB	1290	B	Fox Sports Talk	Tucson	Citadel Broadcasting
KTUC	1400	C	Nostalgia	Tucson	Citadel Broadcasting
KWFM	1450	C	Oldies	Tucson	CC Licenses
KFFN	1490	C	The Fan, Sports Radio	Tucson	Journal Broadcast Corp.
KUAZ	1550	D	Public Radio	Tucson	Arizona Board of Regents

Source: [FCC.gov/Media Bureau/Audio Division/AM query by state and city](http://FCC.gov/Media Bureau/Audio Division/AM query by state and city)

### Cable

Cox Cable Communications and Comcast Cable Communications are the dominant cable providers in the Tucson DMA. Cox serves approximately 62% of the homes, primarily in central Tucson, and Comcast serves approximately 34%.<sup>1</sup>

### Online Media

The suite of websites operated by TNI ([www.tucsoncitizen.com](http://www.tucsoncitizen.com), [www.azstarnet.com](http://www.azstarnet.com) and [www.tucson.com](http://www.tucson.com)) are the leading, local, commercial news websites in the Tucson area and receive an average of more than 13 million page views and 1.6 million unique visitors per

<sup>1</sup> [Research.backchannelmedia.com/dma/Tucson](http://Research.backchannelmedia.com/dma/Tucson) (Sierra Vista)



month.<sup>1</sup> The November Scarborough report shows TNI websites leading in the area, visited by 31% of adults in the area over a given week; the next closest local website is KOLD.com (KOLD TV, the CBS affiliate), with a reach of 10%. Other local news and information sites are operated by the local television, radio and cable broadcasters and there are a number of news aggregators, that provide links to the original articles (NewsTucson.com and Entertainment Magazine's online local editions, for example). Still others such as [www.tucsonwebsites.com](http://www.tucsonwebsites.com) provide links to local retailers' websites, but have no news content. In addition, the Arizona and Tucson visitor's bureaus and chambers of commerce operate websites, but these carry little or no paid advertising.

Other competitors for local online advertising, principally classifieds, include: national job sites such as CareerBuilder.com, HotJobs.com and Monster.com; national automotive websites such as Autotrader.com and EbayMotors.com; national real estate sites such as Realtor.com and Realestatebook.com; as well as Craigslist.com, which covers most classified categories.

#### *Outdoor*

Four outdoor companies provide signage in the Tucson area: Clear Channel, Advision Outdoor, Billboards in Action, and Yesco Outdoor. Of these, Clear Channel maintains a commanding market share. However, outdoor opportunities in Tucson have been limited by a referendum approved by Tucson voters in 1985 that prohibited the building of any new billboards, and required the removal of billboards in disrepair. This followed years of citizen concern over the quality and quantity of billboards impinging on the natural beauty of their surroundings. In 1985, there were 670 billboards within the city limits; by 2004 the number had shrunk to 410.<sup>2</sup>

#### *Directories*

There are at least eight providers of yellow pages directory services in the Tucson area, some of whom provide consumers with printed directories and some of whom provide online services only. All the major directory publishers are present in the market, including AT&T, R. H. Donnelley, AOL, CitySearch, Idearc (the Verizon spin-off), and Hearst's White/Yellow Pages.

#### *Direct Mail*

Direct mail companies also compete for advertising dollars in the local area, whether an advertiser is looking for post cards, mailers/self-mailers/snap mailers, coupons, or advertising circulars. National marketing companies such as Valassis (which acquired well-known ADVO), Val-Pak, Harte Hanks, and Vertis all have offices and/or presences in Tucson itself. There are also several sizable, local, family owned direct mail marketing companies that are active in the Tucson area, including Cactus Mailing, Direct Mail Tucson, and Digipost-Tucson, to name a few.

<sup>1</sup> Source: TNI rate card

<sup>2</sup> Tucson Weekly/Currents/The Man in the Middle of the Billboard Battle, January 8, 2004

## EDITORIAL

### Overview

The *Citizen* is the oldest continually-published newspaper in Arizona and traces its lineage back to 1859, when its predecessor, the *Weekly Arizonian*, was first published. It was the first newspaper published in the Arizona Territory – over half a century before Arizona entered the Union. Throughout the ensuing years the *Citizen* has spoken with a powerful editorial voice in its community and the state of Arizona. From the paper's vocal support for free public education in the early days of the Arizona Territory, to its decades-long advocacy for Arizona statehood (finally achieved in 1912), to its moral crusades in the 1930's, the *Citizen* has been an active participant in the growth and development of Tucson from a desert outpost of a few thousand pioneers and Army personnel to today's thriving metropolis of a million citizens.

In recognition of the journalistic excellence of the *Citizen* and its role in Tucson's history, nine editors and/or publishers of the *Citizen* and its ancestors have been inducted into the Arizona Newspapers Association Hall of fame – more than those of any other Arizona newspaper. This excellence continues to the present day, with the newspaper receiving six first place awards, six seconds and eight thirds across 13 categories in the 2008 Arizona Newspapers Association Better Newspapers Contest. (See Appendix I.)

### Editorial Mission

In keeping with its long tradition of distinguished journalism, the *Citizen* has rigorous standards for its news and editorial. The *Citizen's* core principles, which are printed in each edition of the newspaper, are as follows:

- ✍ *Seeking and reporting truth in a truthful way.* We will strive for accuracy, honesty in reporting, pursuit of the whole story and providing appropriate content.
- ✍ *Serving the public interest.* We will uphold First Amendment principles, be a watchdog of government, expose problems and seek solutions, and provide a forum for diverse points of view.
- ✍ *Exercising fair play.* We will treat people with dignity, respect and compassion, correct errors promptly, tell all sides of a story and not take sides, explain how we do things, and limit use of unidentified sources.
- ✍ *Maintaining independence.* We will stay free of outside interests that may compromise our credibility, keep an arm's length from those seeking to influence the news, and avoid potential conflicts of interest including those with advertisers.
- ✍ *Acting with integrity.* We will obey the law, observe common standards of decency, take responsibility for our decisions, and act honorably and ethically in all dealings.

### Editorial Sections

The *Citizen* provides metro Tucson readers every afternoon Monday through Saturday with in-depth local news as well as regional, national and international information. The sharpest focus, however, is on local Tucson news, information, features and sports, with particularly strong coverage of local high school sports. There is no Sunday edition of the *Citizen* and the *Citizen* does not have any editorial participation in the *Sunday Star*.

The daily *Citizen* carries separate sections or pages devoted to local and state news, sports, business, national/international news and commentary. The newspaper also publishes themed "Citizen Plus" feature sections as follows: 'Body Plus' on Mondays, 'Family Plus' on Tuesdays, 'Taste Plus' on Wednesdays, and 'Weekend Plus' on Fridays. Additionally, the Thursday *Citizen* carries a separate arts & entertainment guide, published as a tabloid insert of approximately 44 pages, that contains listings, reviews and advertising related to current and upcoming local entertainment events.

Tucson Citizen		
Editorial Coverage	Description	Avg. Pages
<b>Main News</b>		
Local	Local and state news by Citizen staff, local contributors, wire services & news syndicates	6 - 10
Obituaries	Obituary coverage & paid obituary listings	1
Business Edge	Local, national & international business news & briefs	1 - 2
<b>Citizen Voices</b>		
World & Nation	National & world news and newsbriefs from wire services	1
Editorial & Opinion	News editorial & opinion, including op-ed, letters to the editor and editorial cartoons	2
Weather	Local & national weather, from Accuweather	1
<b>Sports</b>		
Main	Local, regional & national sports reporting & columnists, plus box scores	5 - 9
The Bounce	Newsbriefs, blogs, opinion	1
<b>Citizen Plus</b>		
Daily	Syndicated horoscope, advice columnists, puzzles, comics, prime time TV listings, local events calendar, movie clock	4
Monday	Health & fitness	2
Tuesday	Family & lifestyle	2
Wednesday	Food & cooking	2
Thursday	Arts & entertainment magazine insert. Music, movie, theater, art & restaurant coverage, listings & reviews	40 - 48
Friday	Weekend travel, activities & entertainment	2

### Internet Activities

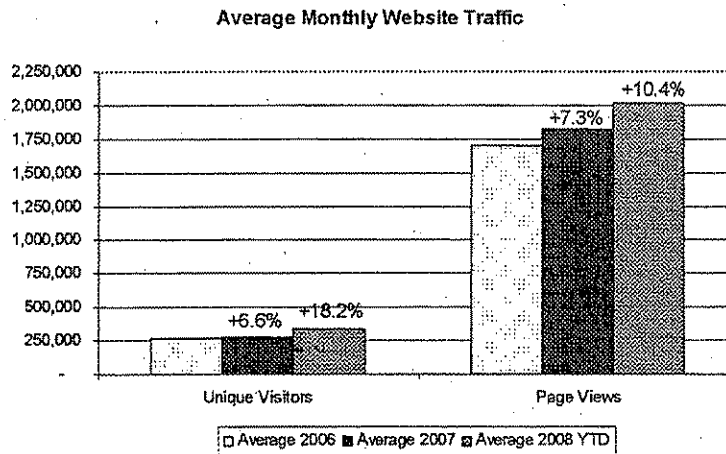
The *Citizen's* main website is TucsonCitizen.com at [www.tucsoncitizen.com](http://www.tucsoncitizen.com), which is viewed by an average of more than 330,000 unique visitors who generate over 2 million page views each month.<sup>1</sup> Included on the site are a selection of local and wire service articles and editorial commentary included in the daily print edition of the *Citizen*, plus continually updated stories of

<sup>1</sup> Average of 9 months ending September 30, 2008



local, national and international significance. The website also allows access to digital archives for most articles published by the *Citizen*, including local stories written by freelancers, wire services and special correspondents, dating back to 1993.

The following chart presents average monthly page views and unique visitors to [www.tucsoncitizen.com](http://www.tucsoncitizen.com) from January 2006 to September 2008.



Separately from TucsonCitizen.com, the *Citizen* also produces an electronic edition (“e-edition”) of the daily newspaper that contains 100% of the content and advertising of the daily paper in the same format as the print edition. The e-edition is available only as a paid subscription, at \$4.00 per month, which includes the Sunday *Arizona Daily Star*, and its circulation is counted as paid by the Audit Bureau of Circulations.

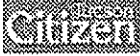
The TucsonCitizen.com website and [www.tucsoncitizen.com](http://www.tucsoncitizen.com) are included in the Assets, as is [www.tucsonbusinessedge.com](http://www.tucsonbusinessedge.com), a URL that redirects users to TucsonBusinessEdge.com, the business section of the main website. All *Citizen* websites are hosted by TNI and a buyer of the Assets will need to arrange for an alternative hosting facility post-transaction.

#### Editorial Equipment

Substantially all of the *Citizen*'s newsroom equipment, including desktop and laptop computers and associated peripheral equipment, office furniture and fixtures, networking gear and software is jointly owned by TNI's partners and is not included in the Assets.

Such editorial equipment that is owned by the *Citizen*, which consists principally of cameras and photographic equipment, is included in the Assets.

A complete listing of the editorial equipment included in the Assets will be provided to qualified buyers as part of their due diligence process.



**Archives**

The *Citizen's* electronic archives reach back to 1993. They are stored in a Digital Collections archival system owned and managed by Gannett and provided to the *Citizen* as part of the Gannett corporate services. In addition, *Citizen* clip and microfilm files of the newspaper go back to 1870. Those are also owned by the *Citizen* and/or Gannett.

All *Citizen* archives are included in the Assets.

**Editorial Service Contracts**

The only material contract to which the *Citizen* is a party is with the Associated Press. The contract is the standard AP contract which is cancellable on two years notice for the main data and photo service, and on 30 and 60 days notice for supplemental services. A buyer will be required to assume the Associated Press contract on its present terms. Payment is determined by services selected and circulation; for the 2007 fiscal year, payments to AP totaled \$170,300, and payments for fiscal year 2008 through September totaled \$98,700. Gannett will not take any action to hinder or prevent the assumption of this or any other service contract.

As is typical for daily newspapers of the *Citizen's* size, the *Citizen* has contracts with a number of news and feature syndicate services and columnists, the most significant of which are summarized below. A number of local writers also provide articles to the *Citizen*, for which the *Citizen* pays by the article.

Provider	Type	Notice Period (days)
Amy Alkon Advice	Columnist	30
Argus Hamilton	Columnist	30
Reed Brennon	Columnist	30
Creator's Syndicate	Feature syndicate	30
Tribune Media Services	News service	30
Unversal Press Syndicate	Feature syndicate	30
United Media	Feature syndicate	30
Washington Post News Service	News service	30
King Features Syndicate	Feature syndicate	30
The Associated Press	News service	60
LA Times News Service	News service	90

Additionally, the *Citizen* uses news and editorial material produced by Gannett News Service ("GNS"), a Gannett department that allows the Gannett newspapers to access each other's articles. Unlike typical news syndicates, Gannett does not market GNS to third parties and the *Citizen* does not have a contract with GNS.



### CIRCULATION & DISTRIBUTION

#### Overview

Circulation and distribution for the *Citizen* are handled by TNI and all delivery trucks, racks, newspaper vending machines, distribution centers and other equipment related to circulation are jointly owned by TNI's partners, and operated by TNI, and are not included in the Assets.

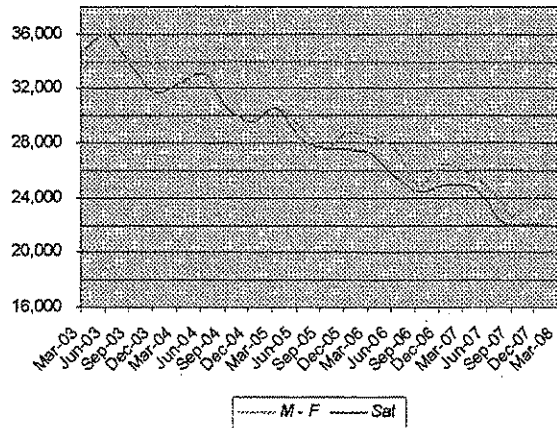
As is true for most if not all afternoon daily newspapers, the *Citizen's* circulation has generally declined over the last five years. As the chart below shows, circulation for the weekday paper has declined in 13 of the 20 quarters since December 2002 and that for the Saturday edition in 10 out of the most recent 12 quarters.<sup>1</sup>

Tucson Citizen			Tucson Citizen		
Avg. Paid Circulation Calendar Quarter Ending	M - F	Sat	Avg. Paid Circulation Calendar Quarter Ending	M - F	Sat
December 31, 2002	34,914	34,914	September 25, 2005	27,559	27,685
March 31, 2003	35,991	35,991	December 25, 2005	28,757	27,578
June 30, 2003	33,540	33,540	March 26, 2006	28,490	27,266
September 30, 2003	31,674	31,674	June 25, 2006	27,523	25,512
December 31, 2003	32,362	32,362	September 24, 2006	24,900	24,379
March 28, 2004	33,076	33,076	December 31, 2006	26,455	24,907
June 27, 2004	30,620	30,620	April 1, 2007	25,497	24,706
September 26, 2004	29,559	29,559	July 1, 2007	23,974	22,439
December 26, 2004	30,542	30,542	September 30, 2007	22,580	22,009
March 27, 2005	31,207	29,666	December 30, 2007	24,223	22,077
June 26, 2005	29,296	28,497	March 30, 2008	23,756	21,856

Source: Audit Bureau of Circulations

As would be expected in a Sunbelt market such as Tucson, which attracts a significant number of "snowbirds" in the winter months who spend summers elsewhere, the *Citizen's* average paid circulation oscillates during the year, with the January - March quarter generally 10 - 15% higher than the July - September period. In recognition of this, the *Citizen* offers part-year subscription packages.

Average Paid Circulation By Quarter

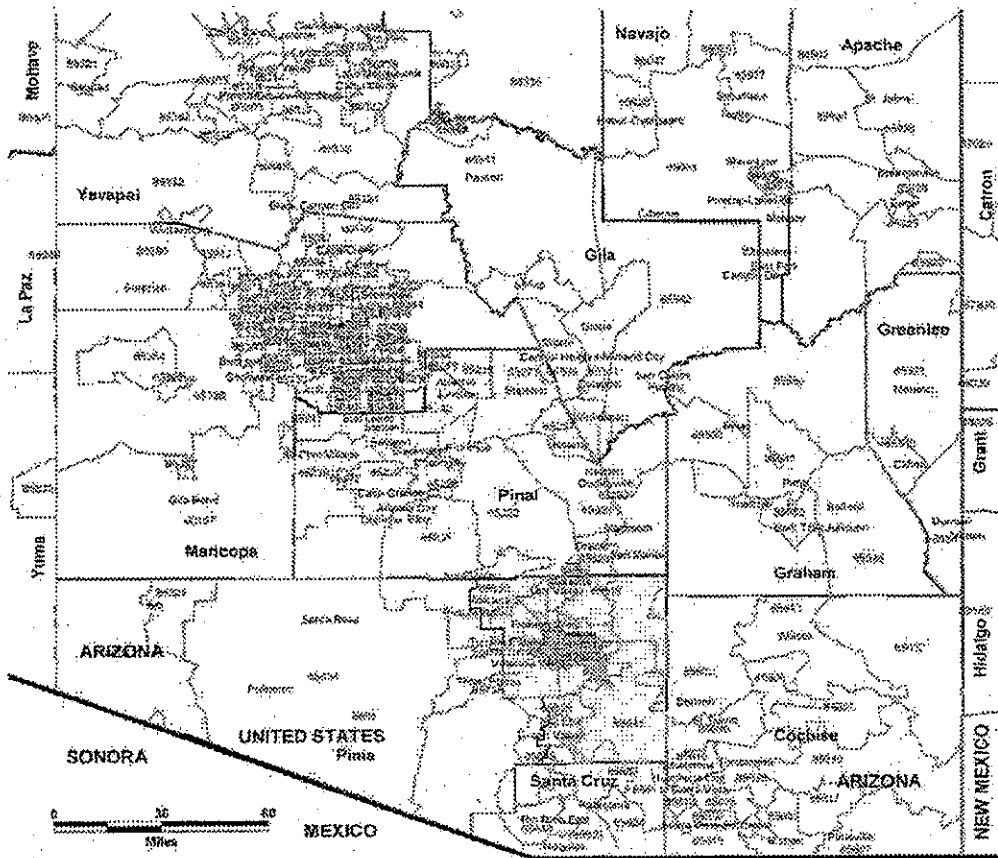


<sup>1</sup> Note: Prior to March 2005, ABC did not report Saturday circulation separately



### Circulation Coverage

The Newspaper Designated Market (NDM) for the *Citizen* is defined as the cities of Tucson and South Tucson, the towns of Marana and Oro Valley and the delimited unincorporated communities of Avra Valley, Catalina, Corona de Tucson, Green Valley, Sahuarita, Summerhaven, Tucson Estates and Vail. Also included are the San Xavier Reservation and the Davis-Monthan Air Force Base in Pima County, and the unincorporated community of Saddlebrooke in Pinal County.



#### LEGEND

- INTERNATIONAL BOUNDARY
- STATE BOUNDARY
- COUNTY BOUNDARY
- ZIP CODE BOUNDARY
- TUCSON CORPORATE LIMITS
- BALANCE OF NEWSPAPER DESIGNATED MARKET
- BALANCE OF AD. RETAIL TRADING ZONE



Work Bureau of Circulation  
c175-R04





Notwithstanding the sizable geographic area in the *Citizen's* ABC-designated market, the *Citizen* is a Tucson metro newspaper and substantially all – more than 95% – of total *Citizen* circulation is in Pima County, with 90% in the Tucson city limits.<sup>1</sup>

**Circulation Composition**

Approximately 66% of the *Citizen's* average total weekday circulation is home delivery, 24% is single copy sales and 10% is composed of Newspapers in Education, electronic editions, employee copies and third-party sales. On Saturday, single copy sales account for approximately 26% of total circulation.

*Tucson Citizen*  
Total average paid circulation by category, 12 months ending December 31, 2007

Avg. Circulation	NDM		Balance of Retail Trading Zone		Other		Total	
	M-F	Sat	M-F	Sat	M-F	Sat	M-F	Sat
Home delivery & mail	15,532	15,635	298	302	37	37	15,867	15,974
Single Copy	5,638	5,766	134	158	-	-	5,772	5,924
Educational programs	698	11	4	-	-	-	702	11
Employee copies	757	757	22	22	-	-	779	779
Third-party sales & other	532	122	-	-	-	-	532	122
Electronic editions	343	-	76	-	-	-	419	-
	23,500	22,291	534	482	37	37	24,071	22,810
% of total	M-F	Sat	M-F	Sat	M-F	Sat	M-F	Sat
Home delivery & mail	66.1%	70.1%	55.8%	62.7%	100.0%	100.0%	65.9%	70.0%
Single copy	24.0%	25.9%	25.1%	32.8%	0.0%	0.0%	24.0%	26.0%
Educational programs	3.0%	0.0%	0.7%	0.0%	0.0%	0.0%	2.9%	0.0%
Employee copies	3.2%	3.4%	4.1%	4.6%	0.0%	0.0%	3.2%	3.4%
Third-party sales & other	2.3%	0.5%	0.0%	0.0%	0.0%	0.0%	2.2%	0.5%
Electronic editions	1.5%	0.0%	14.2%	0.0%	0.0%	0.0%	1.7%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Audit Bureau of Circulations

The average *Citizen* subscription has 4.4 months to run, although there are approximately 180 subscriptions with more than a year left until expiration.

The one-year Monday – Sunday basic home delivery rate for the *Citizen* is \$137.80, which includes the Sunday *Arizona Daily Star*. This basic home delivery rate has been maintained at its current level since October, 2002, when it was raised from \$124.80. The same Monday-Sunday subscription package for the *Star* is \$163.80. Home delivery pricing for weekday only (M – F) subscriptions is \$52.00 for either newspaper. However, the *Citizen's* cover price, at \$0.35, is significantly less than the \$0.50 charged by the *Star*. The *Citizen's* cover price of \$0.35 was raised from \$0.25 on March 1, 2008.

<sup>1</sup> Source: Audit Bureau of Circulations, 2007 Audit Report



**Distribution**

All distribution functions for the *Citizen* and the *Star* are managed by TNI and delivery to news racks, newsstands and vendor kiosks are made by TNI employees. Deliveries to customer homes are made by independent delivery contractors. The *Citizen* also uses the U.S. Postal Service for distribution, although the number of mail subscriptions is minimal.

TNI-operated trucks deliver newspapers to district drop points for carrier pickup, whereupon independent carriers contracted to TNI for specific home delivery routes handle the *Citizen's* delivery to homes using their own vehicles. There are 132 *Citizen* routes (121 metro and 11 state), apportioned among 18 districts (16 metro and 2 state). Distribution managers handle both papers, i.e. there is no district manager who works solely on the *Citizen*.

Average single-copy draw and sellthrough for the *Citizen* for the month of September 2008 are presented in the accompanying table. All vehicles and other physical assets related to the *Citizen's* circulation and distribution are jointly owned by TNI's partners and are not included in the Assets. A list of the current *Citizen* subscribers, as well as a list of the names and contact information for the independent contractors who currently handle home delivery for the *Citizen*, are included in the Assets.

Single-copy Draw and Sellthrough				
September, 2008				
Category	Number	Average		
		Draw	Returns	Net
Dealers	524	4,180	1,388	2,792
Racks	474	1,325	580	745
Total	998	5,505	1,968	3,537
			35.8%	64.2%

Source: Company data

**Circulation Promotion**

TNI conducts several regular sales and promotional campaigns for both the *Star* and the *Citizen* and both newspapers receive the same promotions except where a specific promotion is more suited to a morning or afternoon publication cycle.



## ADVERTISING

### Overview

All advertising sales for the *Citizen* are handled exclusively by TNI, including advertising on TucsonCitizen.com. While advertising can be purchased in the *Citizen* and *Star* separately, single-paper advertising rates are 90% of those for the combination buy. Virtually all advertising is purchased on a combined basis and appears in both newspapers. All classified advertising appears in both newspapers as well as on their respective websites. Additionally, there are web-only classified opportunities in all categories – Auto, Employment, Real Estate, Rental, and Other.

*Citizen*-only advertising generally reflects an advertiser seeking to advertise only in a section that only appears in the *Citizen* – typically the Tucson BusinessEdge business page or one of the Plus feature sections. For the period January – September 2008, *Citizen*-only advertising was less than 0.5% of total TNI advertising.

For advertising that is purchased in either the *Citizen* or the *Star* separately, the advertising contracts are, like those for combination advertising, with TNI and TNI collects and records the associated revenue. Neither the *Citizen* nor Gannett receives any advertising revenue directly.

Contracts and associated information relating to combination advertising are managed by TNI and are not included in the Assets. Only *Citizen*-only advertising contracts, to the extent they can be assigned, will be included in the Assets; however, a listing of all non-transient advertisers for the 12 months prior to the closing of a transaction will be provided to the buyer of the Assets.



## MANAGEMENT AND STAFFING

### Overview

Except for one office manager and one newsroom systems manager, all *Citizen* employees are directly involved in editorial and newsgathering activities. The *Citizen's* workforce is loyal and experienced, with 39 employees having worked at the *Citizen* for at least ten years, 21 for over 20 years and 10 for 30 years or more. Average tenure with the newspaper is approximately 13 years and none of the *Citizen's* employees are members of a union.

These employees will be available for a buyer to employ.

The *Citizen's* organization chart is included as Appendix II to this Confidential Memorandum.

### Key Employees

Since the retirement of longtime Editor and Publisher Michael Chihak in June 2008, the newsroom has been headed by Senior Editor Jennifer Boice, who has worked at the *Citizen* for 25 years, and Editorial Editor Mark Kimble, who has 33 years of service at the *Citizen*.

Additional biographical information on these and other *Citizen* employees will be provided to qualified buyers as part of the due diligence process.

### Headcount and Compensation

The following table presents the *Citizen's* headcount, expressed as full-time equivalent (FTE) staff for the last three years and for the nine months ending September 2008. As has been the case with most American daily newspapers, the *Citizen's* headcount has declined in recent years, as management has sought to control costs in a difficult revenue environment.

Tucson Citizen Headcount & Compensation	At December 31,			September 30,
	2005	2006	2007	2008
Headcount - FTE's	82	81	76	68.5
Total Compensation Expense* (\$000)	\$ 5,120,509	\$ 5,322,478	\$ 5,110,981	\$ 4,903,610
Average Compensation/Headcount	62,445	65,710	67,250	71,586

\* Includes employee benefit expenses; 2008 YTD is annualized



## SYSTEMS AND ADMINISTRATION

### Overview

As described earlier, all business systems and assets used in the publication of the *Citizen*, including editorial, advertising, circulation, financial, pre-press and production are jointly owned by TNI's partners, and managed by TNI, and are not included in the Assets.

Other than an office manager and a newsroom systems manager, the *Citizen* does not have any dedicated administrative staff or systems. Any such functions that are not handled by TNI are provided by Gannett from its centralized newspaper services center. Services provided by Gannett include the Digital Collections archiving system, news content from Gannett News Service (GNS), human resources and benefits administration, legal support, and payroll processing. Gannett also has corporation-wide software maintenance agreements with vendors that serve the *Citizen*, including McAfee, ATL, Netscreen, Microsoft, Cisco, IBM, AS400 software (Lawson and Genesys) and Symantec.

None of the systems or services provided by Gannett, other than the Digital Collections archiving systems, will be made available to the buyer.

### Employee Benefits

*Citizen* employees are covered by the Gannett corporate benefit plans and the *Citizen* is charged a corporate allocation for these services. Included in these are various medical, vision and dental plans, accidental death & dismemberment coverage, life insurance, long-term disability, pension plans and employee stock purchase plans.

Total allocated *Citizen* employee benefit expenses amounted to approximately \$1 million in 2007.

Details of the various benefit plans will be provided as part of the due diligence process to qualified buyers that intend to hire *Citizen* employees.

### Legal

The *Citizen* encounters periodic complaints related to its news coverage, typical to a news organization. As of November, 2008, there were no outstanding or threatened legal actions involving the Company.



## PRODUCTION, PRINTING AND FACILITIES

### Overview

TNI handles all of the production and printing of the *Citizen* and the *Star* using equipment jointly owned by TNI's partners. The following description of major production equipment used to produce the *Citizen* is provided for illustrative purposes only and a buyer will need to perform its own analysis to determine the personnel, press capacity, prepress systems, and equipment and facilities needed to produce the *Citizen*, and the buyer will be responsible for securing such equipment and services.

To facilitate a transaction, however, TNI would be willing to provide printing services for the *Citizen* for afternoon delivery in such quantities, configuration, page size and color content and positioning as are currently in effect (the "Printing Services"). TNI will provide Printing Services, if required by a qualified buyer, for a period of 12 months at commercially-reasonable rates, comparable to local market rates for such services. If the buyer opts to use the Printing Services, the buyer and TNI will enter into a separate contract which will contain customary provisions for commercial contracts of this type, including but not limited to a provision for a minimum of 90 days notice if the buyer desires to terminate the contract. The buyer may provide shorter notice if it agrees to reimburse TNI for all costs arising from the shorter notice.

### Production Equipment

TNI's pressroom has 16 Goss Metro press units, two double-out 3:2 Imperial folders and two Goss Metro color towers configured in two press lines, each with eight press units, one folder and one color tower, for a total of 28 printing couples per press. 12 of the units date from 1973; the remaining four were installed in 1985. The press drives were rebuilt in 2007.

Mailroom equipment consists of two Mueller Martini SLS 3000 22:1 inserters, nine Quipp stackers, and various hopper loaders, labelers, conveyors, tiers, wrappers and joggers. The inserters were installed in 2002.

All prepress, production, mailroom and other equipment is jointly owned by TNI's partners, and operated by TNI, and is not included in the Assets.

### Production

The *Citizen* is currently produced as a single edition daily using a 48" web width and 22.77" cutoff, yielding 129 column inches per page. The paper is typically printed between 8:30 am and 10:30 am, with certain inserted sections, notably the Thursday entertainment guide and the Saturday TV book, printed a few days prior to publication date.

The press schedule and associated production statistics for the *Citizen* for fiscal years 2005 – 2007 and the interim period ending September 30, 2008 are presented below.



9B Production, Printing and Facilities

Tucson Citizen Production Statistics	Year ending December 31:			9 mos. ending Sept. 30:	
	2005	2006	2007	2007	2008
Number of issues printed	312	318	312	234	234
Average printed pages/issue	60	59	53	54	45
Total pages	18,707	18,859	16,623	12,623	10,446
Average gross press run	33,042	30,664	27,823	28,215	23,668
Total printed pages (000's)	618,117	578,292	462,502	356,158	247,236
Newsprint usage (Mtons)	2,832	2,649	2,119	1,632	1,133
Average waste %	2.43%	2.42%	2.42%	2.47%	2.43%
Average press time h:mm*	0:53	0:49	0:45	0:45	0:38

\*Main paper only - excludes classified prerun and special sections

Source: Company data

**Facilities**

The *Citizen* editorial staff is housed at TNI's headquarters in a leased facility located at 4850 South Park Avenue in southern Tucson, Arizona. This facility houses TNI, *The Arizona Star* newsroom and that of the *Citizen*, although each of these enterprises has its own mailing address. The facility has a total of approximately 272,200 square feet of space, of which approximately 16,100 square feet are used by the *Citizen* staff.

The office space currently occupied by the *Citizen* will not be available for use by the buyer.



## FINANCIAL INFORMATION

### Overview

The following table presents the expenses of the *Citizen's* editorial operations for years ending December 31, 2004 to 2007 and the nine months ending September 30, 2007 and 2008. These expenses include only the editorial expenses for the *Citizen* and include payroll and benefits expenses and other related editorial expenses such as travel and entertainment, newswire and feature services, costs for freelancers and independent contractors and miscellaneous office expenses. The only corporate costs from Gannett included here are the costs of Gannett News Service and employee benefits.

Additionally, the *Citizen* generates a small amount of revenue, generally amounting to less than \$5,000 per year,<sup>1</sup> from sales of archives and other editorial material; this revenue, which is not material, is not reflected in the data presented below.

### *Tucson Citizen* Editorial Expenses

Tucson Citizen \$000s	Year ending December 31,				9 mos. ending Sept. 30,	
	2004	2005	2006	2007	2007	2008
Editorial payroll & benefits	\$ 4,879.4	\$ 5,120.5	\$ 5,322.5	\$ 5,111.0	\$ 3,786.7	\$ 3,622.6
Other editorial expenses	904.9	876.5	862.5	865.4	660.9	571.2
Total	\$ 5,784.2	\$ 5,997.0	\$ 6,185.0	\$ 5,976.4	\$ 4,447.6	\$ 4,193.9

It is expressly noted that these expenses do not reflect expenses for any operating infrastructure, including office rent expense, necessary to operate a newspaper the size of the *Citizen*. A buyer of the Assets will need to develop its own operating and corporate infrastructure necessary to publish the *Citizen* as a general circulation daily newspaper serving the Tucson metropolitan area. Because of the issues mentioned above, the data are for illustrative purposes only and do not purport to represent the actual performance of the *Citizen* as a stand-alone operation. A buyer will need to conduct its own analysis in order to determine the potential revenue and profit of the *Citizen* published outside of the JOA under new ownership.

<sup>1</sup> Management estimates



## APPENDIX I

### Selected Journalism Awards

2008

ARIZONA NEWSPAPERS ASSOCIATION - DIVISION 5: DAILY CIRCULATION GREATER THAN 25,000

- ✓ Best Use Of Photography - 3<sup>rd</sup> place
- ✓ Special Section, Newspaper Supplement Or Magazine - 1<sup>st</sup> place
- ✓ Best High School Newspaper
  - 1<sup>st</sup> place: Jim Wyckoff - "Vick Scrabbles as Posse Flees"
  - 2<sup>nd</sup> place: Keith Busch - "Parents Hit Jackpot With 2 Pairs"
  - 3<sup>rd</sup> place: Keith Busch - "Charlie nothin' but hound dog"
- ✓ Best Sustained Coverage Or Series - 2<sup>nd</sup> place, Sheryl Komman, "CPS Dilemma"
- ✓ Best Sports Story
  - 1<sup>st</sup> place: Geoff Grammer: "Women far behind men in ranks of HS coaches"
  - 2<sup>nd</sup> place: Renée Schafer Horton: "Special treatment for Lute Olson"
- ✓ Best Team, Sport Or Sports Beat Coverage
  - 1<sup>st</sup> place: Anthony Gimino
  - 2<sup>nd</sup> place: Steve Rivera
- ✓ Best News Feature Story - 3<sup>rd</sup> place: B. Poole. "Discouraging Words: Local Ranching Fades"
- ✓ Best Lifestyle Feature Story 3<sup>rd</sup> place: Polly Higgins, "Found-Object Art"
- ✓ Best Column, Analysis Or Commentary
  - 1<sup>st</sup> place: Anne Denogean, "McCain Busy Courting U.S. Instead Of Us"
  - 3<sup>rd</sup> place: Billie Stanton, "All Nerve. No Nonsense"
- ✓ Best Column, Feature Or Criticism
  - 2<sup>nd</sup> place: Anthony Gimino, "Remembering Julie"
  - 3<sup>rd</sup> place: Ryn Gargulinski, "Puppy Playgrounds"
- ✓ Best News Photograph
  - 1<sup>st</sup> place: Francisco Medina, "Another Tempest Likely"
  - 2<sup>nd</sup> place: PK Weis, "Stay Out Of The Washes"
  - 3<sup>rd</sup> place: Renee Bracamonte, "Welcome Home, Daddy"
- ✓ Best Sports Photograph - 3<sup>rd</sup> place: Val Cañez, "Bumpy Landing"
- ✓ Best Feature Photograph
  - 2<sup>nd</sup> place: Francisco Medina, 2007 Weather
  - 3<sup>rd</sup> place: Francisco Medina, Horacio Andrejol

2007

ARIZONA ASSOCIATED PRESS MANAGING EDITORS COMPETITION

- ✓ 1<sup>st</sup> place, photo story: Francisco Medina
- ✓ 1<sup>st</sup> place, environmental reporting: General-assignments reporter Brad Poole

- ✓ 1<sup>st</sup> place, business writing: Database reporter Eric Sagara
- ✓ 2<sup>nd</sup> place, investigative reporting: Investigative reporter Brad Branan
- ✓ 2<sup>nd</sup> place, sports columns: Sports columnist Anthony Gimino
- ✓ 3<sup>rd</sup> place, headline writing: Copy editor Rose-Mary Grzasko
- ✓ 3<sup>rd</sup> place, health reporting: Family Plus Editor Gabrielle Fimbres

**ARIZONA PRESS CLUB COMPETITION**

- ✓ Sustained coverage category - swept 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> place
  - 1<sup>st</sup> place: Immigration reporter Claudine LoMonace
  - 2<sup>nd</sup> place: Transportation reporter Garry Duffy
  - 3<sup>rd</sup> place: Political reporter Blake Morlock
- ✓ Sports Reporting:
  - 1<sup>st</sup> place: Michael Caccamise and Sheryl Kornman
  - 2<sup>nd</sup> place: Anthony Gimino
- ✓ 1<sup>st</sup> place, commentary/analysis: Metro columnist Anne Denogean
- ✓ 1<sup>st</sup> place, general news photography: Francisco Medina
- ✓ 1<sup>st</sup> place, business reporting: Database reporter Eric Sagara
- ✓ 2<sup>nd</sup> place, children's, families and seniors issues reporting: Gabrielle Fimbres
- ✓ 2<sup>nd</sup> place, tabloid design: Presentation Editor Jennifer Judge Hensel
- ✓ 2<sup>nd</sup> place, headline writing: Copy editor Jim Wyckoff
- ✓ 3<sup>rd</sup> place, spot news photography: Norma Jean Gargasz
- ✓ 3<sup>rd</sup> place, commentary/analysis: Associate Editor Mark Kimble

**ARIZONA NEWSPAPERS ASSOCIATION - DIVISION 5, DAILY CIRCULATION GREATER THAN 25,000**

- ✓ Departmental News & Copywriting Excellence - 1<sup>st</sup> place
- ✓ Page Design Excellence - 1<sup>st</sup> place
- ✓ Special Section, Newspaper Supplement Or Magazine - 1<sup>st</sup> place, Basketball 2006
- ✓ Best News Story
  - 2<sup>nd</sup> place: David Teibel and Sheryl Kornman, "CPS Investigated Autistic Boy's Abuse"
  - 3<sup>rd</sup> place: Claudine LoMonaco, "Tuition For Children Of Illegal Immigrants"
- ✓ Best Team, Sport Or Sports Beat Coverage
  - 3<sup>rd</sup> place: Anthony Gimino, UA softball
- ✓ Best Column, Analysis Or Commentary
  - 1<sup>st</sup> place: Anne Denogean, "Bishop Moreno"
  - 2<sup>nd</sup> place: Billie Stanton, "Stifling the Passion for Knowledge"
- ✓ Best Sports Photograph
  - 2<sup>nd</sup> place: Val Cañez, Syndric Steptoe, Wildcats



2006

ARIZONA NEWSPAPERS ASSOCIATION - DIVISION 5, DAILY CIRCULATION GREATER THAN 25,000

- ✍ Departmental News & Copyediting Excellence - Honorable Mention
- ✍ Best Use Of Photography - 3rd place:
- ✍ Special Section / Newspaper Supp. / Magazine - Honorable Mention
- ✍ Newspaper Online Site / Web Page - 2nd place
- ✍ Best News Story
  - 1st place: Sheryl Komman, "Handling The Mentally III"
- ✍ Best Sustained Coverage Or Series
  - 2nd place: Brad Branan, "Justice System Is Broken"
- ✍ Best Team, Sport Or Sports Beat Coverage
  - Honorable Mention: Claudine LoMonaco -- "Child, Hundreds Of Photos Lead Pair To Dead Daughter"
- ✍ Best Sports Photograph
  - 3rd place: Francisco Medina, "Foltyn Gets Off To A Flying Start"
- ✍ Best Feature Photograph
  - 1st place: Francisco Medina, "Sculpture With Sizzle"
  - 2nd place: Gary Gaynor, "Mom's Got Game"
  - 3rd place: Norma Jean Gargas, "500 Here Become U.S. Citizens"

2005

ARIZONA NEWSPAPERS ASSOCIATION - DIVISION 5, DAILY CIRCULATION GREATER THAN 25,000

- ✍ Departmental News/Copyediting Excellence - Honorable Mention
- ✍ Community Service/Journalistic Achievement - 3rd Place
- ✍ Newspaper Online Site/Web Page - 2nd Place
- ✍ Best News Story
  - 1st Place: Eric Sagara, "Poor Students Reap Little From Tax Credits"
- ✍ Best Team, Sport or Sports Beat Coverage
  - 2nd Place: Anthony Gimino, "Swishes & Misses"
- ✍ Best Lifestyle Feature Story
  - 3rd Place: Brad Branan, "Hitting Bottom"
- ✍ Best Column/Analysis/Commentary
  - Honorable Mention: Billie Stanton, "A Moment With Boots, A Lifetime With Memories"

ASSOCIATED PRESS MANAGING EDITORS AWARDS

✍ Photography:

- Francisco Medina: Spot News and Photo Illustration
- Gary Gaynor: General News and Sports Action
- Xavier Gallegos: Sports Action

✍ Writing

- Blake Morlock: Education Reporting
- David L. Teibel, David Pittman, et al: Public Service

ARIZONA PRESS CLUB AWARDS

✍ Photography

- Francisco Medina:
  - First Place, Pictorial Photography
  - Third Place, Photo Illustration
  - Third Place, Photo Packages
- Norma Jean Gargas: Second Place, General News

✍ Writing

- A.J. Flick, David Teibel, Eric Sagara: First Place, Deadline News
- John Moredich, Steve Rivera, Anne Denogean: Second Place, Deadline Sports
- Eric Sagara: Second Place, Education Reporting

**APPENDIX II**  
**Tucson Citizen Organization Chart**

