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## **Tribune's Ch. 11 Filing Underscores Industry Turmoil**

by Ben James

Media company Tribune Co. filed for Chapter 11 protection Monday, a development that comes as experts say factors including declining advertising revenues and competition from online news sources will lead to a surge in newspaper bankruptcies and dramatically alter the landscape of the newspaper industry in the coming years.

Tribune Co., which owns papers including the Chicago Tribune, The Los Angeles Times and The Baltimore Sun, filed for bankruptcy in the U.S. Bankruptcy Court for the District of Delaware, along with a slew of affiliates. Tribune Co. listed assets of \$7.6 billion and debts of almost \$13 billion in its bankruptcy petition.

Tribune Co. said it will keep publishing its newspapers and operating its television stations during its restructuring, which will be focused on restructuring the company's debt.

Tribune Co. Chairman and CEO Sam Zell said that "factors beyond our control have created a perfect storm — a precipitous decline in revenue and a tough economy coupled with a credit crisis that makes it extremely difficult to support our debt."

The newspaper industry has been in trouble since before the turmoil currently afflicting the U.S. economy set in, because of declining readership, noted Karen Lee Turner, a member in the bankruptcy and creditors' rights department at [Eckert Seamans Cherin & Mellott LLC](#).

A growing tendency among readers to find alternative news sources, and less money coming in from advertisers — such as retailers, who have been squeezed by the economic climate — played roles in the company seeking Chapter 11 protection, Turner said.

Advertisers also have tried to be more targeted in their advertising, attempting to get their message to specific groups

of people, which makes a general circulation newspaper a less attractive avenue, she added.

"It's an industrywide problem, and it's the sort of problem for which bankruptcy has no magic answers. Newspapers are going out of style. People would rather get their news from the Internet," said David Carlson, a professor at Yeshiva University's Benjamin N. Cardozo School of Law in New York.

But while Tribune had to contend with issues that bear on the entire newspaper industry, it also had another strike against it: the billions of dollars in debt it took on when real estate magnate Sam Zell made the company private last year.

The company had to start selling assets to cut down on its debt, Turner said, and the credit crunch likely hampered Tribune's ability to get those transactions done quickly and get back the value it wanted from buyers.

Tribune filed for Chapter 11 because it "simply had too much debt" in light of an unexpected drop in revenues which was amplified by the current recession, according to the company.

The bankruptcy court can't make people read more newspapers, but the Chapter 11 process can help the Tribune to the extent that its problems stem from having too much debt, and give the company time to sell off assets like the Chicago Cubs baseball team, Turner said.

The Cubs were not included in the bankruptcy filing.

In five years, the newspaper industry will be completely different, and newspaper companies will have to evolve if they want to survive, according to Turner.

"You've got an industry that's on the brink of extinction if they can't grab the 18-35 demographic," she added.

Not only will newspaper companies be filing for bankruptcy with increasing frequency in the near future, but it's "highly likely" that the U.S. won't have any major newspapers by 2011, said Ken Yager, principal at turnaround firm MorrisAnderson & Associates Ltd.

That's not to say that all print publications will cease to exist, or that major brand names in the newspaper game will disappear altogether, but the general circulation newspaper is becoming obsolete, Yager said.

The newspaper companies that survive will have a very different business in the future, he added.

If that sounds far-fetched, consider The Christian Science Monitor's decision, announced in October, to move from a daily

print format to an online publication.

And earlier this month, Fitch Ratings predicted that more newspapers would shut down in 2009 and that several cities could be without a daily print newspaper by 2010.

Yager touted the quality of the content that newspapers produce, but he said they have to adapt and change the way that the content is delivered to consumers.

Not only have newspaper outfits failed to do that, but they've been stubborn, failing to do it for decades, Yager said, adding that newspaper readership was slumping even before the Internet became a factor.

"This has been coming at them for decades," he said.

The result is that the newspaper industry is suffering death by a thousand cuts, as factors like the radio, cable TV news, the Internet and mobile devices change how people get informed, Yager said.

Like those factors, the current economic climate is taking a toll, but it is fueling a fire that's already been burning for some time, he said.

Questions about credibility and bias also are hurting newspapers, said Todd J. Zywicki, a professor at George Mason University School of Law.

"Traditionally, newspapers were almost like public utilities — a necessity for every household to function. To the extent that they appear to be more like blogs and political magazines and try to force-feed their opinions on the public rather than reporting the news, they lose this quality," Zywicki said.

Zywicki added that a federal bailout for the newspaper industry wasn't realistic, because unlike banks, which provide capital, and automakers, which employ throngs of people, the newspaper industry would have a tough time claiming that it was essential to the operation of the overall economy.

Long-term viability and success for newspaper companies means evolution, probably toward some sort of Web-based news portal, said Turner, adding that using local content might be the best way to hook readers.

Tribune Co. is represented before the bankruptcy court by [Sidley Austin](#) LLP and [Cole Schotz](#) Meisel Forman & Leonard PA.

Spokesmen for Sidley Austin and Tribune Co. were not immediately available for comment Monday.

The case is In re: Tribune Co., case number 08-13141, in the U.S. Bankruptcy Court for the District of Delaware.