

WILLIAM T. NORRIS,
EDWARD ROSSI,
STEVEN HALPERN,
JIMMY O. PAYNE and
SUE PACKWOOD

PLAINTIFFS,

V

HEARST NEWSPAPERS
PARTNERSHIP, L.P.

DEFENDANTS.

§
§
§
§
§
§
§
§
§
§
§
§

IN THE DISTRICT COURT OF
HARRIS COUNTY, TEXAS
127TH JUDICIAL DISTRICT

F. CHARLES BACARINNE D.
District Clerk
DEC 08 2003
By _____
Harris County, Texas
Deputy

PLAINTIFFS' THIRD AMENDED ORIGINAL PETITION

TO THE HONORABLE JUDGE OF SAID COURT:

Now come the Plaintiffs William T. Norris, Edward Rossi, Steven Halpern, Jimmy O. Payne and Sue Packwood and complain of the Defendant, The Hearst Newspapers Partnership, L.P. and would show the Court as follows:

- 1. Plaintiffs are residents of Harris County, Texas and/or performed work for Defendant in Harris County, Texas. Defendant is an entity authorized to transact business in the State of Texas. Defendant has filed an answer in this lawsuit.
- 2. Plaintiffs agreed to work for Defendant in connection with the distribution of Defendant's daily newspaper. Plaintiffs are "independent contractors," or pleading in the alternative, Plaintiffs are employees because of the control exercised by Defendant. All Plaintiffs were either terminated or resigned because Plaintiffs either refused to participate in or complained about the fraud and criminal acts required by Defendant.

GENERAL BACKGROUND OF PLAINTIFFS' DEALING WITH DEFENDANT

3. For many years, Plaintiffs were distributors of Defendant's newspaper, The Houston Chronicle. The Plaintiffs' livelihoods were dependent on their distributorships with the Defendant. All the Plaintiffs signed contracts with the Defendant in connection with Plaintiffs distribution activities. The manner in which the contracts were handled by the Defendant was unfair and fraudulent. Although the contract stated the Plaintiffs had the chance to have the contracts reviewed by an attorney, Plaintiffs were not allowed to leave the building and were not allowed to discuss the terms of the contract. The number of papers in the contract, although stated as fact, was not based on fact. The terms of the contracts were not based on the facts and the circumstances under which the Plaintiffs were required to work. The terms of the contracts signed by Plaintiffs were forced upon Plaintiffs and constituted the first steps in Defendant's fraudulent and criminal scheme to falsify circulation numbers reported to the Audit Bureau of Circulations.
4. Hearst Newspapers Partnership, L.P. sells advertising space in its newspapers. Advertisers rely on Defendant's claims of paid subscribers in deciding whether to buy space in Defendant's newspapers. Defendant instructs its distributors, including Plaintiffs, to falsely and fraudulently report the number of paid subscribers.
5. Beginning in the latter half of the 1990s, the newspaper industry entered into a major recession as to advertising revenues as a result of competition with other forms of media for advertising revenues. Paid circulation figures for the

- newspaper industry were declining and consequently newspaper advertising revenue declined. Contrary to the general trend for the industry, Hearst Newspapers boasts of increased circulation and revenue from advertisers.
6. Hearst claims, based on the false circulation figures reported to the Audit Bureau of Circulations, that circulation increased at the Houston Chronicle and at the San Francisco Chronicle.
 7. Beginning in the late 1990s, Gary Randazzo became the architect and executor of the specific fraudulent plan and activity complained of by Plaintiffs. Mr. Randazzo became head of circulation at The Houston Chronicle in the latter part of the 1990s and implemented the fraudulent and criminal activity of Defendant in presenting false circulation claims to the Audit Bureau of Circulations. After Mr. Randazzo implemented his fraudulent and criminal scheme at the Houston Chronicle he was transferred to the San Francisco Chronicle where he undertook similar techniques and fraudulent schemes to falsely claim increased circulation figures for the San Francisco Chronicle.
 8. While at the Houston Chronicle Mr. Randazzo set up his "New Model." Under the "New Model," moneys were paid to distributors to submit false circulation figures. Under the "New Model," the distributors including Plaintiffs were not able to operate their districts independently. Under the "New Model," Defendant controlled the number of papers that Plaintiffs and the other distributors were required to take and used financial penalties and rewards to force Plaintiffs and other distributors into creating false circulation figures. Some of the specific methods and/or means used by Defendant to create false circulation reports are as

follows: pay per piece programs; service copy adjustments; dock aside adjustments; single copy circulation; hawker circulation; school paper programs; "Project Grad;" youth programs; summer programs; CAP program, hotel/motel program; free give-aways; NSD program and any and all other programs and extras that are not specifically contractually agreed to by home delivery subscribers. Prior to the "New Model," all of these extra programs were being used moderately to create false circulation figures. During the "New Model," Plaintiffs were required to greatly increase the use of these schemes and other techniques to fraudulently and falsely increase the number of papers under the category of "Home Delivery Subscribers." All of this was done so as to falsify the circulation numbers to the Audit Bureau of Circulations, the not-for-profit organization responsible for auditing Defendant's annual report and certifying its correctness.

9. Defendant has created a monopoly in the Houston, Texas area. Defendant has used its monopoly power in an illegal manner to prevent competition and to illegally control prices. Defendant has by use of its monopoly power, illegally refused to deal with Plaintiffs, committed predatory acts and dirty tricks on Plaintiffs. Defendant's use of its monopoly power toward Plaintiffs gives Plaintiffs causes of action under both Federal and Texas anti-trust and anti-monopoly laws.

PATTERNS AND TECHNIQUES OF HEARST'S INTENT TO MONOPOLIZE

10. It is illegal under both Texas and Federal law to willfully acquire or maintain monopoly power as distinguished from growth or development as a consequence

of superior product, business acumen or historical accident. The past patterns and techniques used by Defendant and its parent, The Hearst Corporation, show a clear and shocking intent to monopolize its privileged position as the Free press to intimidate governmental authorities into whitewashing Defendants illegal plans.

11. The patterns and techniques used by Hearst are summarized below and demonstrated by the attached Exhibits, which are made part of this pleading for all purposes.
12. The patterns can be summarized as follows:
 - A. The presentation of false and misleading facts. This pattern is demonstrated by Plaintiffs' claim of being required to submit false circulation numbers and by EXHIBIT A, which shows that in October 2001 Hearst received the largest penalty in history for falsifying information to the Federal Government during the government's investigation of Hearst's intent to monopolize.
 - B. Bartering and manipulating government officials with threats to use Defendant's editorial and news pages as levers to destroy or support those officials, depending on their stand on Defendant's intent to monopolize. Examples of this pattern are shown in EXHIBIT B, in which Hearst intimidated the President of the United States¹ into reversing his stand on allowing newspapers to be exempt from some Federal anti-trust laws, and in EXHIBIT C, testimony of Timothy O. White, the former Hearst editor

¹ For more on how Hearst newspapers forced President Nixon to capitulate and support the Newspaper Preservation Act, see Chapter 5, "Dear Mr. President . . ." in The Media Monopoly, Sixth Edition, by Ben H. Bagdikian, the Pulitzer Prize-winning reporter, author, scholar and dean emeritus of the Graduate School of Journalism at the University of California at Berkeley. (Boston, Mass.; The Beacon press, 2000)

and publisher of the San Francisco Examiner, who admitted that Hearst offered San Francisco's mayor and a United States senator favorable treatment in the Hearst paper if the public officials would use their influence to persuade the federal agencies to approve the Hearst takeover of the San Francisco Chronicle. This pattern was also used in the relevant market for this case when Hearst persuaded the federal agencies to quickly finish their anti-trust investigation and quickly approve Hearst's buying of the Houston Post, and creating a monopoly in the Houston area. See EXHIBIT D.

- C. Requiring persons who work for Hearst to lie. Examples of this include Plaintiffs assertions in this case regarding false circulation figures, and Timothy O. White, who was terminated by Hearst after his testimony in Federal court where he admitted the bartering of favorable treatment in the Hearst paper for help with the Feds. See EXHIBIT E, where Plaintiff's attorney asks the Federal judge to order Hearst not to terminate its employees for telling the truth.
- D. Use of Joint Operating Agreements. Hearst has used JOA's in Seattle and San Francisco in their intent to monopolize. See EXHIBITS C and F.
- E. Buying the competing newspaper in a relevant market and closing the Hearst newspaper. This was done in San Antonio and a variation of this pattern was successfully undertaken in San Francisco. See EXHIBIT G.
- F. After creating a horizontal monopoly in a relevant market, Hearst then integrates vertically to control prices, competition and to allow them to require

false numbers on circulation beginning in the late 1990's. Hearst integrated vertically into the distribution of its paper in the Houston market, has become a competitor of its distributors and has illegally used its monopoly power.

G. Use of refusal to deal, predatory acts and dirty tricks in creating both horizontal and vertical monopolies to illegally control prices and competition.

CAUSES OF ACTION

Plaintiffs allege the following alternative Causes of Action:

13. Defendant's illegal refusal to deal with Plaintiffs, predatory acts and dirty tricks against Plaintiffs by use of Defendant's monopoly power over the relevant market in violation of both Federal and Texas laws.
14. **Sabine Pilot Cause of Action:** Under the case *Sabine Pilot Service, Inc. v. Hauck*, 687 S.W. 2nd 733, Tex. Sup. Ct., 1985, a person has a cause of action for being terminated because of refusing to commit a crime. Under Section 32.42 of the Deceptive Business Practices of the Texas Penal Code, the schemes and acts of Defendant in instructing its distributors to falsely report the number of paid subscribers is a crime.
15. **Void Contract:** Contracts that are for the purpose of criminal activity are void. The Defendant's use of the terms of the contract to force the Plaintiffs carry out a crime made the contract void. Thus, there was no written contract. Since Plaintiffs performed work for Defendant and there was no written contract, Plaintiffs were employees at will. Under the Sabine Pilot Cause of action, an employee at will

cannot be terminated for his refusal to commit criminal acts. Plaintiffs sue for the damages resulting from this unjust action.

16. **Breach of Contract:** Every contract has an implied condition that no party will insist that another party commit criminal activity in carrying out the obligations of the contract. The Plaintiffs allege that their long-term employment relationship would have continued had the Defendant not insisted that the Plaintiffs carry out crimes in discharging their duties as distributors, for which the Plaintiffs seek damages. By insisting that Plaintiffs commit crimes, the Defendant has breached the contract with the Plaintiffs.

DAMAGES

17. Plaintiffs seek treble damages under the Federal or State anti-trust/anti-monopoly statutes.
18. Plaintiffs seek actual and punitive damages from Defendant in an amount sufficient to confer jurisdiction on this Court as well as cost and attorney's fees. Each Plaintiff has suffered actual damage in the nature of lost earnings, both past and future, mental anguish, both past and future, loss of business reputation, injury to credit standing and other foreseeable consequential damages, such as being forced to sell a residence at a loss because of financial difficulties. Each Plaintiff has been damaged in the amount of \$500,000.00. Plaintiffs allege that due to the fraud, criminal activity, malice and willfulness of Defendant's conduct that Plaintiffs are entitled to punitive damages. Plaintiffs further allege that actual damage was done by Defendant with an underlying independent, malicious, oppressive, fraudulent and criminal activity intent. These intentional acts of

Defendant were done with conscious indifference and willfully in an attempt to force Plaintiffs to commit criminal activity.

WHEREFORE, Plaintiffs demand a trial by jury in this case and pray that a judgment be entered in Plaintiffs' favor for treble actual and punitive damages, attorney's fees as well as any other relief to which Plaintiffs are entitled.

Respectfully submitted

Jerry S. Payne
State Bar No. 15658000
Payne & Associates
11505 Memorial Dr.
Houston, TX 77027
Telephone (713) 785-0677
Telecopier (713) 785-4874



EXHIBIT A

FOR IMMEDIATE RELEASE

THURSDAY, OCTOBER 11, 2001

(202) 616-2777

WWW.USDOJ.GOV

TDD (202) 514-1888

HEARST CORPORATION TO PAY \$4 MILLION CIVIL PENALTY FOR
VIOLATING ANTITRUST PRE-MERGER NOTIFICATION REQUIREMENTS

Largest Civil Penalty a Company Has Paid for Violating
Antitrust Pre-Merger Requirements

WASHINGTON, D.C. The Hearst Corporation and its parent, The Hearst Trust, have agreed to pay \$4 million to settle charges that the company failed to produce key documents before undertaking an acquisition subject to pre-merger review, the Department of Justice announced today. The civil penalty is the largest a company has ever paid for violating antitrust pre-merger requirements.

The Department of Justice's Antitrust Division, at the request of the Federal Trade Commission, filed a civil lawsuit today in U.S. District Court in Washington, D.C. against The Hearst Corporation and The Hearst Trust for violating the Hart-Scott-Rodino Act of 1976. At the same time, the Department filed a proposed settlement, that if approved by the court, will settle the charges. According to the complaint, Hearst violated pre-merger notification requirements when it acquired Medi-Span Inc., an Indiana-based producer of integratable drug data files, in 1998 without submitting to the antitrust enforcement agencies documents required to have been supplied along with its pre-merger notification.

The Federal Trade Commission in April 2001 challenged Hearst's acquisition of Medi-Span in an antitrust lawsuit brought in U.S. District Court in Washington, D.C. That suit, which is pending, charges that combining Hearst's First DataBank subsidiary with Medi-Span gave Hearst a monopoly over a significant type of drug information database used by pharmacists, other health care professionals, hospitals and health plans.

The Hart-Scott-Rodino Act of 1976 imposes notification and waiting period requirements on individuals and companies over a certain size before they can consummate acquisitions of stock or assets over a certain value. Parties are subject to a maximum penalty of \$11,000 a day for each day they are in violation of the HSR Act.

###

EXHIBIT B

<advertisement>



Columbia Journalism Review

[current](#)November/December 1991 | [Contents](#)[archive](#)

Freedom of the Press

[resources](#)

The Most Serious Threat Is

[contact](#)

THE JOA SCAM

[search](#)

by Stephen R. Barnett

[subscribe](#)*Barnett is a professor of law at the University of California, at Berkeley.*

media search:

[newspapers](#)[magazines](#)[who owns what](#)

The free press clause of the First Amendment creates responsibilities for both Congress and the press -- Congress to "make no law" abridging the Freedom of the Press, the press to maintain its independence and operate as a check on government. There is one law made by Congress, and still in effect on this 200th anniversary, in which both sides have let the system down.

Congress has made other laws flouting the First Amendment -- the Sedition Act of 1798 and the Espionage and Seditious Acts during the First World War. It passed a batch of anticommunist laws after the Second World War and more recently it banned the burning of the flag.

Virtually all those laws are gone now. Moreover, they mostly abridge the freedom "of speech," not the institutional independence "of the press."

Neither comfort applies to the Newspaper Preservation Act. This law is still on the books and does seem, within its limits, to compromise the constitutional function of the press. And the responsibility for this law lies, tellingly, not just with Congress but mainly with the press.

Passed in 1970, the NPA creates an antitrust exemption for newspaper joint operating agreements (JOAs), thus allowing publishers of competing papers to merge their business operations if one paper is "failing." The way the act was passed itself tells much of the story. After the Nixon administration's Justice Department came out against the bill, Richard Berlin, president of the Hearst chain, wrote a pair of famous letters to Nixon and his antitrust chief, the late Richard McLaren.

Berlin told Nixon that Hearst and "many other important publishers and friends of your administration" were involved in JOAs and "look to you for assistance." Less subtly he told McLaren, with a copy to Nixon, that

jobs
in association with
"JOURNALISM"
JOBS.COM

"those of us who strongly support the present administration in the last election" were the most concerned by failure to pass the bill, and that "those newspapers should, at the very least, receive a most friendly consideration."

This they did, as the administration reversed itself and the bill passed. In the 1972 election Nixon then enjoyed, as Ben Bagdikian has pointed out, the highest percentage of newspaper endorsements of any candidate in modern times -- thanks to 100 percent support by papers in the Hearst, Cox, and Scripps-Howard chains, major beneficiaries of the NPA. Bagdikian also found that in the months before the election, papers endorsing Nixon showed "a much higher tendency to suppress damaging Watergate stories" than papers supporting his opponent or making no endorsement.

The Newspaper Preservation Act itself is hard to square with First Amendment values. The economic point of a JOA is to let the two publishers set their prices jointly and thus maximize their revenues -- at the expense not only of advertisers and readers, but also of weeklies, suburban papers, and other competing media. Congress should not be intervening in the market to favor some media players over others. Nor should it be propping up "failing" papers against potential new entrants or new owners.

Beyond that, while JOAs probably have "preserved" some papers, it's likely that they kill more competition, and more papers, than they save. The business of getting the U.S. attorney general to approve a new JOA has become a racket of manufactured "failure." These cynical maneuvers reached their nadir in Detroit, where the Gannett and Knight-Ridder chains plunged their previously profitable Detroit News and Detroit Free Press into a ruinous price war in the belief, as the administrative law judge found, that "failure too had its reward" -- a belief borne out when Attorney General Edwin Meese overruled the judge and approved the JOA.

Further, it's increasingly clear that JOAs perversely produce the single-paper monopolies they are supposed to prevent. The JOA endgame, in which the owner of the weaker paper gets paid to kill it off, has rubbed out Newhouse's St. Louis Globe-Democrat and Cox's Miami News. The same fate now stalks Hearst's San Francisco Examiner and probably awaits, after a decent interval, Gannett's Detroit News -- which was declared "dominant" for the purpose of gaining the JOA that now is doing it in.

The most graphic conflict between the NPA and the First Amendment lies in the procedure by which publishers apply to the U.S. attorney general for approval of a new JOA. Historians agree that the First Amendment was intended, if nothing else, to forbid any system of licensing the press such as had existed in England. Yet here in America, after 200 years of the First Amendment, we have publishers applying to a high government

official for what is literally a license to operate a daily-newspaper monopoly, a license that can be worth hundreds of millions of dollars to the publishers involved.

What the JOA procedure can do the independence of the press was memorably demonstrated by Knight-Ridder in 1988 while the Detroit JOA application was pending before Meese. The chain's Detroit Free Press killed editorial cartoons and toned down editorials critical of Meese's conduct as attorney general, while its flagship paper, The Miami Herald, pitched in by telling its editorial cartoonist to lay off Meese. As columnist Jerry Knight wrote in The Washington Post: "It is a sad story, unworthy of a great newspaper chain, an embarrassment to the fine journalists who work for Knight-Ridder, such an embarrassment to the profession that few people in the news business want to write about it."

Knight-Ridder's coddling of Meese and Hearst's arm-twisting of Nixon both deserve a shadowy niche in the gallery of the First Amendment. Both episodes show how a law like the Newspaper Preservation Act can prevent the press from performing its constitutional function as a check on government. In the next two hundred years maybe we can avoid repeating the mistake.

[cjr](#) | [archive](#) | [resources](#) | [contact](#) | [search](#) | [subscribe](#)

▲ TOP

TOP ▲

EXHIBIT C

VOLUME 1

PAGES 1 - 200

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

BEFORE THE HONORABLE VAUGHN R. WALKER, JUDGE

CLINTON REILLY,)
)
) PLAINIFF,)
)
) VS.) NO. C 00-0119 VRW
)
) THE HEARST CORPORATION,)
) ET AL.,)
)
) DEFENDANTS.)
)

SAN FRANCISCO, CALIFORNIA
MONDAY, MAY 1, 2000

TRANSCRIPT OF PROCEEDINGS

APPEARANCES:
FOR PLAINTIFF:

JOSEPH M. ALIOTO LAW FIRM
ONE EMBARCADERO CENTER, SUITE 4000
SAN FRANCISCO, CALIFORNIA 94111
BY: JOSEPH M. ALIOTO
ANGELINA ALIOTO
ATTORNEYS AT LAW

SHULMAN, WALCOTT & SHULMAN, P.A.
121 WEST FRANKLIN AVENUE
MINNEAPOLIS, MINNESOTA 55404
BY: DANIEL R. SHULMAN
JAMES HILBERT
ATTORNEYS AT LAW

(APPEARANCES CONTINUED ON FOLLOWING PAGE)

REPORTED BY: JO ANN BRYCE, CSR, RMR, CRR, FCRR
JUDITH N. THOMSEN, CSR, RMR, FCRR
OFFICIAL REPORTERS, USDC

COMPUTERIZED TRANSCRIPTION BY ECLIPSE

1 APPEARANCES: (CONTINUED)

2 FOR DEFENDANT SHEPPARD, MULLIN, RICHTER & HAMPTON
3 HEARST CORPORATION: FOUR EMBARCADERO CENTER, 17TH FLOOR
4 BY: GARY L. HALLING
5 THOMAS D. NEVINS
6 ATTORNEYS AT LAW

7 BAKER & HOSTETLER LLP
8 1050 CONNECTICUT AVE., N.W.
9 SUITE 1100
10 WASHINGTON, D.C. 20036
11 BY: GERALD A. CONNELL
12 ATTORNEY AT LAW

13 FOR DEFENDANT LATHAM & WATKINS
14 CHRONICLE PUBLISHING 505 MONTGOMERY STREET
15 COMPANY: SUITE 1900
16 SAN FRANCISCO, CALIFORNIA 94111
17 BY: PETER K. HUSTON
18 J. THOMAS ROSCH
19 GREGORY P. LINDSTROM
20 ATTORNEYS AT LAW

21 FOR INTERVENOR- MC CUTCHEN, DOYLE, BROWN & ENERSEN
22 DEFENDANT EXIN, LLC: THREE EMBARCADERO CENTER, SUITE 1800
23 SAN FRANCISCO, CALIFORNIA 94111
24 BY: DAVID M. BALABANIAN
CHRISTOPHER B. HOCKETT
ATTORNEYS AT LAW

I N D E X					
		PAGE	VOL.		
1					
2					
3					
4	OPENING STATEMENT BY MR. ALIOTO	5	1		
5	OPENING STATEMENT BY MR. HALLING	20	1		
6					
7	PLAINTIFF'S WITNESSES		PAGE	VOL.	
8					
9	WHITE, TIMOTHY O.				
10	DIRECT EXAMINATION BY MR. ALIOTO	55	1		
11					
12					
13					
14					
E X H I B I T S					
	PLAINTIFF'S EXHIBITS	W/DRAWN	IDEN	EVID	VOL.
1	P-70			52	1
2	P-71			52	1
3	76			158	1
4	78			160	1
5	P-79			52	. 1
6	P-80			52	1

1 WHAT MR. ROSCH BROUGHT UP BEFORE THE BREAK.

2 IT'S MY UNDERSTANDING THAT PLAINTIFF'S COUNSEL HAVE

3 STIPULATED TO THE ADMISSIBILITY OF ALL OF THE CHRONICLE'S

4 EXHIBITS.

5 MR. SHULMAN: CORRECT.

6 MR. HOCKETT: AND WHILE WE'RE AT IT, YOUR HONOR,

THE

7 PLAINIFF HAS STIPULATED TO ALL OF INTERVENOR'S EXHIBITS
EXCEPT 8 THOSE NUMBERED 84, 111, 133, 134 AND 135.

9 MR. SHULMAN: THAT'S CORRECT.

10 (PAUSE IN PROCEEDINGS.)

11 THE COURT: VERY WELL.

12 MR. HOCKETT: THANK YOU, YOUR HONOR.

13 THE COURT: NOW, READY WITH THE FIRST WITNESS,
14 MR. ALIOTO?

15 MR. ALIOTO: I AM, YOUR HONOR. THANK YOU.

16 THE COURT: VERY WELL. PLEASE CALL YOUR FIRST
17 WITNESS.

18 PLAINIFFS MR. ALIOTO: MAY IT PLEASE THE COURT, THE
19 WOULD CALL TO THE STAND MR. TIMOTHY WHITE.

20 THE CLERK: PLEASE RAISE YOUR RIGHT HAND TO BE
21 SWORN.

22 TIMOTHY O. WHITE,

23 CALLED AS A WITNESS FOR THE PLAINTIFF, HAVING BEEN DULY SWORN,
24 TESTIFIED AS FOLLOWS:

25 THE CLERK: THANK YOU. PLEASE BE SEATED.

JO ANN BRYCE, CSR 3321 - USDC - (415)437-1301

1 WHETHER OR NOT YOU SENT OR CAUSED THAT E-MAIL TO BE SENT ON OR
2 ABOUT THAT DATE.

3 A. YES.

4 Q. AND THIS WAS WITH REGARD TO A LUNCH THAT YOU HAD WITH THE
5 MAYOR?

6 A. CORRECT.

7 MR. ALIOTO: WE WOULD OFFER INTO EVIDENCE WHAT IS
8 MARKED FOR IDENTIFICATION AS EXHIBIT 78.

9 THE COURT: HEARING NO OBJECTION --

10 MR. HALLING: WE OBJECT, YOUR HONOR --

11 THE COURT: ON WHAT GROUND?

12 MR. HALLING: -- TO THAT DOCUMENT.

13 ON THE GROUNDS OF RELEVANCY AND ON THE GROUNDS OF
14 HEARSAY. JUST BECAUSE THERE'S BEEN SOME LIMITED TESTIMONY SO
15 FAR ON POLITICS, WE DON'T THINK IT BEARS ON THE ANTITRUST
16 ISSUES THAT ARE BEFORE THE COURT; AND THIS DOCUMENT IS
17 IRRELEVANT TO THE ISSUES BEFORE THE COURT AND IT ALSO HAS
18 HEARSAY IN ALMOST EVERY PARAGRAPH.

19 THE COURT: WELL, THE RELEVANCY OBJECTION I DON'T
20 BELIEVE IS WELL TAKEN. THERE CERTAINLY IS HEARSAY IN THE
21 DOCUMENT, BUT THIS IS A DOCUMENT THAT WAS AUTHORED BY THE
22 WITNESS HIMSELF AND, THEREFORE, THAT PORTION OF THE OBJECTION
23 WILL BE OVERRULED. EXHIBIT 78 IS ADMITTED.

24 (PLAINTIFF'S EXHIBIT 78

25 RECEIVED IN EVIDENCE)

WHITE - DIRECT / ALIOTO

1 BY MR. ALIOTO:

2 Q. WERE YOU INTENDING TO CONVEY TO THE MAYOR AT YOUR MEETING
3 THAT HIS SUPPORT FOR HEARST'S PROPOSED ACQUISITION OF THE
4 CHRONICLE WOULD RESULT IN MORE FAVORABLE TREATMENT TO THE
MAYOR
5 IN THE EXAMINER?

6 A. NOT THAT SPECIFICALLY. WE HAD TALKED EARLIER ABOUT
7 WORKING TOGETHER ON A NUMBER OF PRIORITIES HE HAD FOR THE CITY
8 THAT WE SHARED.

9 Q. IS IT NOT CORRECT THAT YOU WERE IN FACT INTENDING TO
10 CONVEY TO MAYOR BROWN THAT HIS SUPPORT FOR HEARST'S PROPOSED
11 ACQUISITION OF THE CHRONICLE WOULD RESULT IN MORE FAVORABLE
12 TREATMENT FOR HIM IN THE EXAMINER?

13 A. YES.

14 Q. SO THAT IF THE MAYOR HELPED WITH REGARD TO THE
15 ACQUISITION, THE NEWSPAPER MIGHT WRITE THINGS THAT WOULD BE A
16 LITTLE MORE FAVORABLE TO HIM THAN OTHERWISE WOULD BE; IS THAT
17 RIGHT?

18 A. NO. ACTUALLY PRECISELY THE WAY I PUT IT TO HIM WAS THAT
19 IT WAS GOING TO BE DIFFICULT IF ON THE ONE HAND HE WAS BEATING
20 US UP AND CLEARLY ON THE OPPOSITE SIDE OF THE FENCE TO BE OUT
21 THERE CHAMPIONING HIS INITIATIVES ON THE MUNI AT THE TIME, ON
22 THE STADIUM, AND SO FORTH.

23 Q. IT WAS GOING TO BE WHAT?

24 A. IT WAS GOING TO BE MORE DIFFICULT IF HE WAS BEATING US UP
25 ON THE ONE HAND TO BE CHUMMY ON THE OTHER.

EXHIBIT D

FOR IMMEDIATE RELEASE
TUESDAY, APRIL 18, 1995

AT
(202) 616-2771
TDD (202) 514-1888

JUSTICE DEPARTMENT APPROVES THE HEARST CORPORATION'S
PURCHASE OF THE HOUSTON POST

WASHINGTON, D.C. -- The Department of Justice has approved a \$120 million deal that will allow The Hearst Corporation, which operates The Houston Chronicle, to buy its major daily newspaper competitor in Houston, The Houston Post, because The Post is a "failing firm."

Under the agreement between Hearst of New York City and The Houston Post's owner, Consolidated Newspapers Inc., of Houston, Hearst would acquire the assets, which include the plant and press equipment now used to publish The Post.

Anne K. Bingaman, Assistant Attorney General of the Antitrust Division, said, "After an extensive search the only remaining interested purchaser was Hearst."

Under long established Supreme Court doctrine, a company may qualify for the failing firm defense. When the three elements of that doctrine are met a total defense results which provides for complete protection against an antitrust challenge. The Department said that in this case, each of the three elements of that defense were satisfied:

- The Houston Post was unable to meet its financial obligations in the immediate future.
- The Post was unable to reorganize successfully under Chapter 11 of the Bankruptcy Act.
- The Post had completed good faith efforts to elicit reasonable alternative offers of acquisition that would keep its assets in the market.

The Department said that the efforts made by The Houston Post to find a purchaser other than Hearst were extensive and thorough. Contacts with potential purchasers were made by an experienced broker over a period of months. In the course of these efforts, almost 50 potential purchasers were contacted, including virtually every large newspaper and media company, as well as several other companies and investors that had operations in Texas. While these efforts turned up a few interested firms, the Department said that after obtaining additional financial information, each declined to purchase The Post, leaving only Hearst as an interested purchaser.

The Department's investigation was completed expeditiously to avoid the failure of The Post, which would have harmed its consumers, employees and creditors.

The Department said that under the offer made by Hearst, The Post's stockholders will not profit from the proceeds of the sale which largely will be given to creditors and employees.

###

95-218

EXHIBIT E

VOLUME 3

PAGES 383 - 668

UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 BEFORE THE HONORABLE VAUGHN R. WALKER, JUDGE
 CLINTON REILLY,)
)
 PLAINTIFF,)
)
 VS.) NO. C 00-0119 VRW
)
 THE HEARST CORPORATION,)
 ET AL.,)
)
 DEFENDANTS.)

SAN FRANCISCO, CALIFORNIA
 WEDNESDAY, MAY 3, 2000

TRANSCRIPT OF PROCEEDINGS

APPEARANCES:
FOR PLAINTIFF:

JOSEPH M. ALIOTO LAW FIRM
 ONE EMBARCADERO CENTER, SUITE 4000
 SAN FRANCISCO, CALIFORNIA 94111
 BY: JOSEPH M. ALIOTO
 ATTORNEY AT LAW
 SHULMAN, WALCOTT & SHULMAN, P.A.
 121 WEST FRANKLIN AVENUE
 MINNEAPOLIS, MINNESOTA 55404
 BY: DANIEL R. SHULMAN
 JAMES HILBERT
 ATTORNEYS AT LAW

(APPEARANCES CONTINUED ON FOLLOWING PAGE)
 REPORTED BY: JO ANN BRYCE, CSR, RMR, CRR, FCRR
 JUDITH N. THOMSEN, CSR, RMR, FCRR
 OFFICIAL REPORTERS, USDC
 COMPUTERIZED TRANSCRIPTION BY ECLIPSE

384

1 APPEARANCES: (CONTINUED)
 2 FOR DEFENDANT
 3 HEARST CORPORATION: SHEPPARD, MULLIN, RICHTER & HAMPTON
 FOUR EMBARCADERO CENTER, 17TH FLOOR
 SAN FRANCISCO, CALIFORNIA 94111
 4 BY: GARY L. HALLING
 THOMAS D. NEVINS
 5 ATTORNEYS AT LAW
 6 BAKER & HOSTETLER LLP
 1050 CONNECTICUT AVE., N.W.
 SUITE 1100
 7 WASHINGTON, D.C. 20036
 8 BY: GERALD A. CONNELL
 9 ATTORNEY AT LAW
 LATHAM & WATKINS
 10 FOR DEFENDANT
 CHRONICLE PUBLISHING 505 MONTGOMERY STREET
 COMPANY: SUITE 1900
 SAN FRANCISCO, CALIFORNIA 94111
 11 BY: PETER K. HUSTON
 J. THOMAS ROSCH

12 GREGORY P. LINDSTROM
 13 ATTORNEYS AT LAW
 14 FOR INTERVENOR- MC CUTCHEN, DOYLE, BROWN & ENERSEN
 DEFENDANT EXIN, LLC: THREE EMBARCADERO CENTER, SUITE 1800
 SAN FRANCISCO, CALIFORNIA 94111
 15 BY: DAVID M. BALABANIAN
 16 CHRISTOPHER B. HOCKETT
 THOMAS S. HIXSON
 ATTORNEYS AT LAW
 17
 18
 19
 20
 21
 22
 23
 24
 25 385

I N D E X

	PAGE	VOL.
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25 386		

I N D E X

E X H I B I T S

	W/DRAWN	IDEN	EVID	VOL.
1				
3				
4				

5	59			632	3
6	143 THROUGH 147			419	3
7	DEFENDANTS' EXHIBITS	W/DRAWN	IDEN	EVID	VOL.
8	C-352			484	3
	C-353			517	3
9	C-354			419	3
	H-0938			542	3
10	H-1183			390	3
	H-939			546	3

11
12
13
14
15
16
17
18
19
20
21
22
23
24

25 387

25 THE COURT: SO WITH THAT IN MIND, ARE YOU READY TO 390

1 CALL -- WELL, NOT QUITE. MR. HALLING?

2 MR. HALLING: YOUR HONOR, YOU ASKED A QUESTION AT

3 THE END OF THE DAY YESTERDAY ABOUT PLAINTIFF'S EXHIBIT 3 AND

4 THE VARIOUS NEWSPAPERS LISTED, AND YOU WANTED TO KNOW WHO

5 THE OWNER OF EACH.

6 THE COURT: YES.

7 MR. HALLING: WE WANTED TO BE RESPONSIVE, AND WE

8 MADE SURE WE HAD IT RIGHT. WE CHECKED WITH THE AGENCY LAST

9 NIGHT. WE DISTRIBUTED THIS TO COUNSEL LAST EVENING. I

10 THINK THERE'S ANY OBJECTION TO IT. WE MADE IT INTO AN

11 LISTING THE NEWSPAPERS ON EXHIBIT 3 AND THEN THE OWNER OF

12 THE COURT: FINE.

13 MR. HALLING: THIS IS EXHIBIT 1183.

14 MR. SHULMAN: NO OBJECTION, YOUR HONOR.

15 THE COURT: VERY WELL. 1183 WILL BE RECEIVED.

16 (DEFENDANTS' EXHIBIT H-1183

17 RECEIVED IN EVIDENCE)

18 THE COURT: 1183?

19 MR. HALLING: 1183.

20 THE COURT: THANK YOU, SIR. ALL RIGHT. THANK

21 FOR RESPONDING TO THAT SO PROMPTLY.

22 MR. ALIOTO: IF IT PLEASE YOUR HONOR, I WOULD

23 TO MAKE A MOTION, IF I MIGHT. I'D LIKE TO STATE THE MOTION

24 FIRST, THEN I'D LIKE TO STATE THE GROUNDS FOR IT.

25 THE MOTION I'D LIKE TO MAKE IS FOR AN ORDER OF

THE 391

1 COURT PROHIBITING HEARST FROM TAKING ANY KIND OF EMPLOYMENT,
2 ADVERSE EMPLOYMENT ACTION AGAINST ANY WITNESS IN THIS CASE
3 BECAUSE OF OR BY REASON OF THE TESTIMONY THE WITNESS GIVES
IN 4 THE OPEN COURT.
5 YESTERDAY, I RESPECTFULLY INFORM THE COURT, THAT
MR. 6 WHITE, WHO WAS THE PUBLISHER OF THE EXAMINER AND SUPPOSED TO
BE 7 THE PUBLISHER OF THE NEW PAPER IF THE ACQUISITION EVER WENT
8 THROUGH, WAS EUPHEMISTICALLY RELIEVED, OTHERWISE KNOWN AS
BEING 9 FIRED. HE WAS FIRED FOR TESTIMONY HE GAVE IN THIS CASE
10 SPECIFICALLY.
11 AND I WOULD POINT OUT TO THE COURT THAT THE POINT
OF 12 THIS IS THAT HE HAD GIVEN THAT TESTIMONY, THAT VERY
TESTIMONY, 13 ON DECEMBER 16, 1999, IN NEW YORK WHEN HE TESTIFIED BEFORE
THE 14 JUSTICE DEPARTMENT. AND THAT'S AT PAGE 243 OF HIS
DEPOSITION 15 IN THAT PROCEEDING FROM LINE 18 THROUGH TO LINE 22, WHICH I
16 WOULD LIKE TO READ INTO THE RECORD. AND AT THAT TIME HE WAS
17 ASKED THIS QUESTION AND GAVE THIS ANSWER:
18 "Q. WERE YOU INTENDING TO CONVEY TO MAYOR
19 BROWN THAT HIS SUPPORT FOR HEARST'S PROPOSED
20 ACQUISITION OF THE CHRONICLE WOULD RESULT IN
21 MORE FAVORABLE TREATMENT IN THE EXAMINER?
22 "A. YEAH."
23 SO THAT TESTIMONY WAS GIVEN, AND AT THAT TIME
24 COUNSEL FOR HEARST OBVIOUSLY WAS THERE. HEARST WAS AWARE OF
25 THIS, AND SO APPARENTLY THEY HAVE FIRED THIS MAN NOT BECAUSE
OF 392
PUBLIC 1 THE INFORMATION ITSELF BUT BECAUSE IT WAS REVEALED IN A
2 FORUM.
3 WE THINK THAT THIS WILL HAVE A CHILLING EFFECT ON
TO 4 THE REMAINING EXECUTIVES OF THE HEARST CORPORATION WHO COME
5 TESTIFY.
6 THE PARTICULAR DOCUMENT THAT WAS USED WITH THE
7 WITNESS WHITE THAT PRECIPITATED THE TESTIMONY, WHICH WAS THE
78 8 SAME TESTIMONY HE GAVE IN DECEMBER, WAS EXHIBIT 78. EXHIBIT
BENNACK, 9 WAS SENT TO MR. IRISH. MR. IRISH PASSED IT ON TO MR.
10 TO MR. GANZI, TO MR. ASHER AND TO MR. THACKERAY.
COUNSEL 11 MR. THACKERAY -- I MEAN, MR. THACKERAY AND, OF COURSE,
12 FOR HEARST WERE PRESENT IN DECEMBER OF 1999.
13 WE ARE VERY CONCERNED THAT WE FEEL THAT IF ANYONE
14 FEELS, ANYONE IN THIS TRIAL FEELS THAT THEIR JOB IS IN
JEOPARDY 15 IF THEY ANSWER TRUTHFULLY, THAT THAT WILL HAVE A CHILLING
16 EFFECT ON THE ASCERTAINMENT OF THE TRUTH.
AT 17 NOW, WE WOULD THEREFORE MOVE THE COURT TO ORDER
18 LEAST THE DEFENDANT HEARST AND PROHIBIT THE DEFENDANT HEARST
19 FROM TAKING ANY KIND OF ADVERSE EMPLOYMENT ACTION AGAINST

20 ANYONE WHO TESTIFIES IN THIS TRIAL FOR TESTIMONY THAT THE
21 WITNESS GIVES.
22 THE COURT: THAT'S A VERY SERIOUS MATTER THAT
YOU'RE
23 RAISING, MR. ALIOTO.
24 MR. ALIOTO: YES.
25 THE COURT: ESSENTIALLY WHAT YOU'RE SUGGESTING IS
393
1 THE POSSIBILITY OF WITNESS TAMPERING.
2 MR. ALIOTO: IT'S NOT IN SO MUCH -- WELL, IT'S
CLOSE
3 TO IT. I BELIEVE THAT IT'S VERY CLOSE TO OBSTRUCTION OF
4 JUSTICE IN THE SENSE THAT IT INTIMIDATES WITNESSES.
5 NOW, THIS MAN WHO CAME OUT HERE FROM ALBANY, CAME
IN
6 JANUARY 1999, WAS THE PUBLISHER HERE, TESTIFIED FREELY AND
7 OPENLY, GAVE THAT -- GAVE THAT VERY MEMO TO THE TOP
OFFICIALS
8 IN THE HEARST ORGANIZATION, TESTIFIED FREELY IN FRONT OF THE
9 DEPARTMENT OF JUSTICE AND THEN WHEN HE CAME -- AND THAT WAS
IN
10 DECEMBER. NO ACTION WAS TAKEN AGAINST HIM THEN.
11 AND THEN HE COMES HERE, HE TESTIFIES MONDAY I
THINK
12 IN THIS TRIAL, AND HE WAS RELIEVED YESTERDAY FOR THE
TESTIMONY
13 HE GAVE IN THIS TRIAL. AND SO WE WOULD MOVE THE COURT TO
ORDER
14 HEARST, FOR THAT MATTER CHRONICLE OR ANYONE ELSE, THAT UNDER
NO
15 CIRCUMSTANCES CAN ANY KIND OF RETALIATORY ACTION OR
ESPECIALLY
16 EMPLOYMENT ACTION -- THIS MAN'S CAREER IS FINISHED. HE WAS
17 FIRED, AND WE WOULD MOVE THAT THE COURT PROHIBIT ANYONE FROM
18 TAKING ANY RETALIATORY ACTION FOR ANY TESTIMONY GIVEN IN
THIS
19 TRIAL. THANK YOU.

Puget Sound Business Journal (Seattle) - September 26, 2003

09/26/03

Judge rules against Times in JOA case

George Erb

A King County Superior Court judge ruled Thursday that The Seattle Times can't claim strike-related losses in 2000 in a bid to end its joint-operating agreement with the Seattle Post-Intelligencer.

The ruling by Judge Greg Canova stops an 18-month countdown toward ending the arrangement, in which the two newspapers operate separate newsrooms but The Seattle Times Co. handles advertising, marketing, production and distribution for both dailies.

The P-I's parent company, New York-based Hearst Communications Inc., says the newspaper could not survive outside of the arrangement.

Times spokeswoman Kerry Coughlin, speaking in the courtroom minutes after the ruling, said she did not know whether the newspaper would appeal. "We'll have to assess the impact of this ruling," she said.

Representatives for the P-I were happy with the outcome. "I think that everybody should be pleased that we're going to have two newspapers instead of one," said Guy Michelson, an attorney with the Seattle firm Corr Cronin LLP, which represents Hearst.

The Times and the P-I for 20 years have published under the revenue-sharing agreement, which has a provision for dissolving the arrangement in case of sustained losses.

If one newspaper loses money for three straight years, it can trigger a provision that opens negotiations for closing one of the dailies. If both sides can't agree within 18 months, the joint-operating agreement expires, leaving the two newspapers on their own.

The Times invoked the clause on April 29, contending that it lost money in 2000, 2001 and 2002.

Anticipating the move, Hearst sued The Times on April 28, arguing that The Times would have made money in 2000 were it not for a 49-day strike by the Pacific Northwest Newspaper Guild. The walkout cost the two newspapers \$32 million in 2000 alone, according to court documents.

Hearst argued that the strike was an out-of-the ordinary, or "force majeure," event under the terms of the newspapers' publishing agreement. As a result, Hearst insisted, 2000 could not count toward the three straight years of losses.

Attorneys for The Times argued that "a loss is a loss." They contended that Hearst, a far larger corporation, is trying to "gut" the loss clause, knowing full well that it can outlast the owners of The Times in a money-losing arrangement in Seattle.

In court, the question before Canova was whether The Times could count 2000 as one of three straight

years in which the newspaper lost money.

Canova used a test established more than a decade ago by the state Supreme Court, in which he considered the entire agreement between the two newspapers, as well as the context of the contract and the actions of its parties.

After applying the test, the judge agreed with Hearst, concluding that the force majeure provision in the agreement prevented The Times from saying 2000 counted toward three years of losses.

His ruling sets the stage for Hearst to use the same legal argument to prevent The Times from claiming 2001 as a year that could trigger the end of the joint-operating agreement. The newspaper strike continued into early January 2001, conceivably affecting revenues and expenses at The Times for another fiscal year.

If Hearst prevails again, The Times would have to claim losses in 2002, 2003 and 2004 in order to trigger the loss provision.

In a statement following the ruling, Hearst said: "We will be asking the Court for a similar ruling for 2001 since the Times' own documents show that its strike-related losses exceeded its JOA loss for that year. We also intend to pursue our claims with respect to 2002."

The company added, "Our goal is to continue JOA-publication of the Seattle Post-Intelligencer."

Coughlin, spokeswoman for The Times, said the newspaper continues to lose money and will probably finish 2003 in the red. As for its joint-operating agreement with the P-I, Coughlin said, "It threatens our survival."

© 2003 American City Business Journals Inc.

→ Web reprint information

All contents of this site © American City Business Journals Inc. All rights reserved.

Exhibit 6

Museum of the City of San Francisco

[Home](#) [Index](#) [By Subject](#) [By Year](#) [Biographies](#) [The Gift Shop](#)

Acquisition of the *San Francisco Chronicle* by the Hearst Corporation closes the long and glorious chapter of San Francisco newspaper competition.

Between 1900 and 1999 almost every major newspaper in this city has been bought by Hearst and absorbed into the *San Francisco Examiner*. The last major merger, in the 1960s, saw the folding of the combined *San Francisco News*, and the *Call-Bulletin*, known as the *News Call-Bulletin*, into the *San Francisco Examiner*. Now, the *Examiner* ends more than one century of fierce newspaper competition with its parent corporation buying the *Chronicle*, though the *Examiner* will be sold, or closed, in the process.

This is the news release issued by the Hearst Corporation when the sale was publicly announced at 1:30 p.m., August 6, 1999.

As almost a footnote, the Hearst Corporation said it had purchased www.sfgate.com, the excellent web service of the *Chronicle*, and also noted that the afternoon *Examiner*, known as "The Monarch of the Dailies" — flagship of the Hearst newspaper empire — was for sale and if no buyer were found it would then be merged with the *Chronicle*.

See:

[Museum Photos Taken at Fifth and Mission after the Sale was Announced](#)

[History of the *Chronicle*, by Carl Nolte](#)

[History of the *Examiner*, by Michael Taylor](#)

The Hearst Corporation to Purchase the *San Francisco Chronicle*

SAN FRANCISCO, Aug 6, 1999 — The Hearst Corporation and The Chronicle Publishing Company jointly announced today that agreement had been reached for the acquisition by Hearst of the *San Francisco Chronicle*, a morning newspaper published and distributed in the San Francisco Bay Area. The transaction, which is structured as an asset purchase for cash, also includes the acquisition by Hearst of "SF Gate," the Bay Area's No. 1 Web site for online news, information and entertainment.

The announcement was made jointly by Frank A. Bennack, Jr., President and Chief Executive Officer of The Hearst Corporation, and John B. Sias, Chairman and Chief Executive Officer of The Chronicle Publishing Company.

Hearst also announced that it has engaged an investment banker, Veronis, Suhler & Associates Inc. of New York City, to seek a buyer for the *San Francisco Examiner*, a six-day afternoon newspaper owned by Hearst. Since 1965, the *Examiner* and the *Chronicle* have been printed and distributed under a joint operating agreement (JOA) between Hearst and *Chronicle*.



If a qualified buyer is not found, Hearst stated that it would combine the Examiner with the morning Chronicle.

The parties noted that the San Francisco JOA is the 12th of these arrangements to be terminated in the last 15 years. Terminations of JOAs have occurred in cities such as Knoxville, Nashville, Columbus,

Pittsburgh, Miami, St. Louis and, earlier this year, Chattanooga. The parties noted also that they have apprised the Antitrust Division of the U.S. Department of Justice of these planned transactions, and will make the pre-merger filings required by federal law.

Hearst said that this investment in the San Francisco Chronicle and "SF Gate" is both an affirmation of its belief in the City of San Francisco and a continuing opportunity to be of service to the Bay Area community.

Following the transaction, Hearst said, all of the San Francisco Chronicle newspaper employees and all employees of the San Francisco Newspaper Agency will be offered continued employment. If the Examiner is combined with the Chronicle, Hearst will also offer continued employment to all of the employees of the Examiner. If the Examiner is sold, any employees not offered employment by the buyer will be offered continued employment by Hearst at the Chronicle.

The San Francisco Chronicle, with a circulation of 482,268 daily, is the largest newspaper in northern California and the second largest on the West Coast. It was founded in 1865 by Charles and Michael deYoung and has been owned and operated over the succeeding 134 years by their heirs.

William Randolph Hearst founded what is today The Hearst Corporation in 1887 when he assumed control of the San Francisco Examiner. For the last 112 years, the Examiner has been continuously published by Hearst. It currently has a circulation of 114,776 daily. Hearst and Chronicle jointly produce and distribute the San Francisco Sunday Examiner & Chronicle, which has a circulation of 605,356.



**William
Randolph
Hearst**

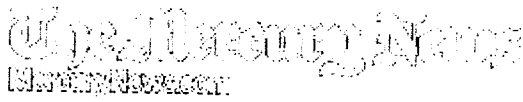
San Francisco Examiner

Under the terms of the joint operating agreement, since 1965 Hearst and Chronicle have jointly owned all of the assets used to produce and distribute the newspapers. In addition, the parties created the San Francisco Newspaper Agency to act as agent on behalf of both companies and to perform all business functions of the newspapers, including circulation, advertising sales, printing, distribution and personnel. The news and editorial departments of both newspapers have remained entirely separate and have been independently operated.

The San Francisco Bay Area is one of the most competitive media markets in the United States. The 11 county San Francisco DMA contains 18 daily newspapers and 15 Sunday newspapers. In addition to newspapers, the media rich Bay Area has 20 television stations and 72 radio stations.

***CONTACT: The Hearst Corporation, New York
Debra Shriver, (212) 649-2461
or The Hearst Corporation, San Francisco
Paul Luthringer and Jay Silverberg, (415) 356-9648***

EXHIBIT G-1



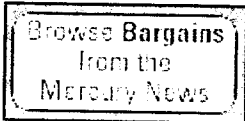
FREE ADHD DVD or CD-F (your choice) - [Click Here](#)

[Home](#) | [Site Index](#) | [Archives](#) | [Place an Ad](#) | [Newspaper Subscriptions](#) | [News by Email](#)

Contact Us | Site Index | Archives | Place an Ad | Newspaper Subscriptions | News by Email

Find it Fast

- Traffic Reports
- Weather
- News
- Obituaries
- Editorials
- Classifieds
- Sports
- Business
- Entertainment
- Lifestyles
- Newspaper Ads Online



Search Articles-last 7 days

for

Go

Shopping

[Back to Home >](#)

Monday, Dec 08, 2003

Find a Job
an Apartment
a Home,

News

Posted on Wed, Mar. 19, 2003

The Mercury News



San Francisco Chronicle publisher mulls job cuts

SAN FRANCISCO (AP) - The publisher of the San Francisco Chronicle told labor leaders the newspaper may need to cut as many as 500 jobs to relieve its financial stress amid a severe advertising downturn.

Steven B. Falk raised the prospect of cutbacks Tuesday, just two weeks after the Chronicle's owner, the Hearst Corp., promoted him to replace former publisher John Oppedahl.

"We have too many employees for a paper our size. That has to change," Falk said in an interview after the union meetings.

The Chronicle employs about 2,400 workers to produce a newspaper with a weekday circulation of 512,000.

Falk refused to specify how many positions may be eliminated, but told the labor leaders that the newspaper has about 500 more workers than it needs, with most of the surplus concentrated in its operations outside the newsroom.

Eliminating 500 jobs would translate into a 20 percent reduction.

Falk declined to discuss the precise timing of the cuts. "We are going to run, not walk" in pursuit of savings, Falk said.

New York-based Hearst inherited a fat payroll in November 2000 when it assumed control of the Chronicle in a \$660 million acquisition.

As part of that deal, Hearst sold the San Francisco Examiner for \$100 million while agreeing to pay up to \$66.7 million of the new owner's bills as part of a subsidy set to expire this year.

News

- Local News
- San Jose/Valley
- Central Coast
- Peninsula
- Alameda County
- California & the West
- Nation/World
- Obituaries
- Education
- Science & Health
- Weird News
- Special Reports
- Iraq: The Aftermath

Classifieds

- Automotive
- Real Estate
- Employment
- Personals

Opinion

- Perspective
- Columnists

Business

- Financial Markets
- Technology
- Personal Technology
- Personal Finance
- People and Events
- Drive

Sports

- San Francisco 49ers
- Oakland Raiders
- San Francisco Giants
- Oakland Athletics

COI

» The ne
» Compl

» Yellow
» Discu
» Map a
» Mercu
Mortg

- **Golden State Warriors**
- **San Jose Sharks**
- **High school sports**
- **College sports**
- **Soccer**
- **Golf**
- **Motorsports**
- **Other sports**
- **Outdoors**
- Entertainment**
- **Books**
- **Celebrities**
- **Comics and Games**
- **Dining**
- **Events**
- **Eye**
- **Horoscopes**
- **Movies**
- **Music**
- **Nightlife**
- **Performing Arts**
- **TV**
- **Visitors Guide**
- **Visual Arts**
- Lifestyles**
- **Family & Religion**
- **Food & Wine**
- **Home & Garden**
- **Style**
- **Travel**

Even though Hearst gave up the Examiner, it maintained most of the staff that produced and distributed the two papers.

Most of the Chronicle's workers are covered by union contracts, set to expire in 2005, that include guarantees on job security that have prevented the Chronicle from trimming its labor costs more aggressively, said Doug Cuthbertson, chairman for the conference of newspaper unions representing the Chronicle workers.

Falk said the job cuts will be realized through ``win-win'' negotiations with unions. In 2001, the Chronicle trimmed 220 jobs, or about 8.5 percent of its work force, through a combination of layoffs and buyout packages.

On The Net:

<http://www.sfgate.com>

 [email this](#) |  [print this](#)

Spor

Major Scand
The or
card se
Corpor
Americ
Wante
www.the

Mercu
NFL D
Save 4
Season
Subsci
San Jc
News
www Me

Comm
Quest
Free C
Emplo
Resou
Don'ts
ppspubli



SPECIA

- » **Peters**
- » **Iraq: f**
- » **Dopin**

EXHIBIT G 2

This document is available in three formats: this web page (for browsing content), PDF (comparable to original document formatting), and WordPerfect 5.1. To view the PDF you will need Acrobat Reader, which may be downloaded from the Adobe site.



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, MARCH 30, 2000
WWW.USDOJ.GOV/ATR

AT
(202) 514-2007
TDD: (202) 514-1888

HEARST CORP. TO SELL SAN FRANCISCO EXAMINER TO ExIn LLC, RESOLVES JUSTICE DEPARTMENT'S ANTITRUST CONCERNS

First Time in 35 Years San Francisco will have Two Independent Daily Newspapers

WASHINGTON, D.C. -- The Department of Justice announced today that Hearst Corporation has resolved the Department's antitrust concerns relating to its proposed acquisition of the *San Francisco Chronicle* by entering into an agreement to sell the Hearst-owned *San Francisco Examiner* newspaper. Under the agreement, Hearst will sell the *Examiner* to ExIn LLC, which plans to continue publishing the *Examiner* as a daily newspaper.

The Department's Antitrust Division had been investigating Hearst's proposed acquisition of the *San Francisco Chronicle* from Chronicle Publishing Company because it had antitrust concerns about the transaction.

Since 1965, the *Examiner* and the *Chronicle* have been operated under a Joint Operating Agreement (JOA). Under the Newspaper Preservation Act, JOAs are permitted to set the prices of their papers and their advertisements jointly, on the condition that they preserve editorial and reportorial competition. The JOA would have expired in 2005.

Under the terms of the agreement, there will be a four-month transitional period, after which the papers will be operated independently of each other. At that time, the *Examiner* will be offered as a daily morning newspaper. The sales of both newspapers are currently scheduled to take place on March 31, 2000.

"For the first time in 35 years, San Francisco will have two independent daily papers," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division. "Consumers, such as advertisers and readers, will obtain the benefits of full competition between two daily morning papers."

After its purchase of the *Chronicle*, Hearst will file an amendment to its JOA with the Department.

The *Examiner* has a daily circulation of about 110,000 newspapers, and the *Chronicle* has about 450,000.

ExIn LLC is owned by the Fang family of San Francisco. The Fang family also owns the *San Francisco Independent*, a Bay Area newspaper published three times each week with a circulation of over 375,000.

###

00-153