Cribb & Associates, LLC is pleased to offer our congratulations to:

The Bassett Family, who sold the Spee-Dee Mailing Services, Elko, Nevada, cluster to Diversified Suburban Newspapers.
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The Irwin Family who sold the Tri-Village Pennysavers, Ithaca, New York to the Walton Family.
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The Davis Family who sold The Shopper, New Bern, North Carolina to Freedom Communications, Inc.
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The Johnson Family who sold the 3 times weekly News Eagle, Hawley, Pennsylvania to Liberty Group Publishing, Inc.
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Independent Publications, Inc., who sold the Gadsden County Times, Gadsden, Florida to Gemini Newspapers, Inc.
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The Pace Family who sold the twice weekly Herald-Progress, Ashland, Virginia to the CV Corporation.
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The Larkin Family who sold the music niche publication cluster Larkin Publications, Needham, Massachussetts to Symphony Publ.
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The McLauglin Family, who sold the twice weekly and weekly newspaper cluster, Paola, Kansas to the St. Joseph News-Press.
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The Thomson Family, who sold the daily Delaware Gazette and Sunbury News, Delaware, Ohio to Brown Publishing Company.
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The McKinney Family who sold the Valley Town Crier cluster, Brownsville, Texas to American Consolidated Media.
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Independent Publications, Inc. who sold the daily Finger Lakes Times, Geneva, New York to Community Media Group.
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The Schroeder Family who sold the Five County Buyer's Guide, Ripon, Wisconsin to Journal Community Publications.
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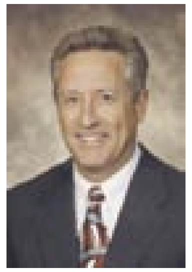
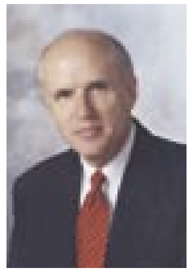


John Cribb
Principal Broker
jcribb@cribb.com
406-586-6621

Tom Karavakis
Broker
tkaravakis@cribb.com
239-403-4133



Gary Greene
Broker
ggreene@cribb.com
434-971-8344

Dave Sonnichsen
Financial Analyst
dsonnich@cribb.com
360-331-5640

Established in 1923

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104 East MainStreet, Suite 402, Bozeman, Montana 59715 * 406-586-6621 * Fax: 406-586-6774 * cribb.com

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Paid dailies acquiring free weekly groups

In an increasingly evident trend, paid circulation daily newspaper companies are acquiring weekly groups with mostly free distribution. These acquisitions gained momentum in 2004 with the Journal Register Company purchase of 21st Century Newspapers, Inc. and the Gannett Co., Inc. purchase of Hometown Communications, Inc. 21st Century operates 87 weekly publications with a total circulation of 1.5 million, and Hometown has 62 weekly publications with 740,000 circulation (includes some paid daily and weekly circulation). Both of these acquisitions are primarily composed of free circulation weeklies.

Spurring interest in free circulation papers may well be the recent ABC Audit scandals, which indicated that some paid daily circulations may have been overstated. The paid daily newspaper industry has long been fighting a decrease in paid circulation nationwide.

There is speculation that U.S. daily newspapers may need to embrace a "readership" model rather than a "paid circulation" model as a basis for marketing advertising. Canadian dailies converted to a readership approach in 1997.

Should the paid dailies in the U.S. convert to a readership approach there is no question that their interest in free circulation publications will skyrocket.

In the readership model free circulation becomes a tool as effective as paid circulation. For example, a paid daily with weak penetration in a fast growing suburban area can cover this area with free distribution.

The acquisition of weekly products can also help keep a traditional daily newspaper company on a revenue growth path. In particular, stock analysts of publicly traded newspaper companies want to see consistent revenue growth, and tend to value stocks downward if this trend is not in place.

Although there is nothing new about using paid and free circulation in tandem, the concept of marketing from the readership point of view and dropping the emphasis on paid circulation is considerably different than found in historic paid newspaper marketing.

MARKET *at a Glance*

Weekly Groups
Paid and Free Circulation
Very actively sought at 8-12 x EBITDA or 1 -3 x publishing revenues

Large Paid or Free Circulation Weekly
or
Twice Weekly newspapers
Actively sought at 7-10 x EBITDA or 1-2 x publishing revenues

Small Paid or Free Circulation
Weekly Newspapers
Moderate activity at 4-6 x EBITDA or .75 - 1.25 x publishing revenues

Free Circulation TMC-Type
Home Delivered Shoppers
Steady activity at 5-7 x EBITDA or .75 - 1.5 x publishing revenues

Newsstand-sold Shoppers
High interest at 6-8 x EBITDA or 1 - 2 x publishing revenues

Free Rack Distribution Shoppers
High interest at 5-7 x EBITDA or 1 - 2 x publishing revenues

Alternative Newsweeklies
Moderate activity at 5-8 x EBITDA or 1 - 2 x publishing revenues

Specialty/Niche Publications
Significant price variation between different niches

'05 ad growth estimate modest

Cautious optimism was the outlook for newspaper advertising growth in 2005 during the UBS Media Week Conference in New York held early in December.

James Conaghan, vice president, business analyst and research, at the Newspaper Association of America, and Miles Groves, president of MG Strategic Research, predicted modest growth of approximately 4.1 to 4.7 percent respectively, slightly behind the projected 5 percent growth rate for the national economy.

Although the war in Iraq could make national advertising volatile, Groves said he expects a pickup in jobs to renew strength in classified advertising. He also noted that newspapers were gaining ground in their respective markets by "leveraging assets as well as making more efficient internal structural changes."

Also, both men noted Wal-Mart's announcement that it would be spending significant dollars to advertise last minute pricing discounts as a positive sign. "When you need to get traffic in stores, you turn to newspapers," Conaghan said.

NEWSPAPER * SHOPPER * NICHE PUBLICATION * BROKERAGE * APPRAISAL * CONSULTING

How well your paper is read and who reads it are the important questions

Readership and demographics most critical

Is paid circulation more valuable than free distribution? Or is readership, gained through paid or free distribution products, the real driving force that creates publishing company value?

These two questions are causing publishing company executives around the country to challenge long held edicts that put values of paid circulation publications ahead of their free counterparts.

"Ultimately, it is all about readership and about the value of the demographic that readership delivers, not about whether the product that delivers it is paid or not," one publishing company executive said recently in an interview with Weeklies. "Our company has a lot of paid circulation publications and we will hold onto that model as long as we can, but at the end of the day the model is changing even though many of my industry associates may not recognize that fact."

A growing trend the past several years has been the recognition that free circulation publications can have just as much if not greater readership than their paid circulation counterparts. Additionally, free circulation niche publications targeted to a specific market are often better suited as a free model, rather than paid.

With news and information available instantly on the Internet and through broadcast outlets, the paid newspaper model is coming under increasing pressure. Additional pressure is mounting every day from the emerging generation of young readers accustomed to getting information that is important to them free on the Internet.

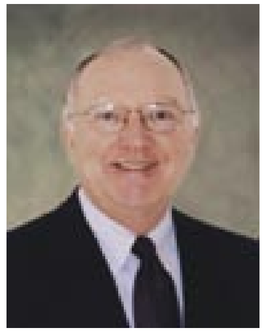
Many publishing companies are quietly seeking to purchase or launch free distribution products within their current and contiguous markets. This benefits those companies by helping offset the stagnant revenue growth in their paid products and also opens new channels that can grow revenues.

The outgrowth of these changes has been the realization that in some markets free circulation newspapers, free niche products, and shoppers have greater values than ever before. This is being borne out in valuations and sale prices. Additionally, often these free products have greater profit margins and may require less management time than some paid circulation newspapers.

"At the end of the day the market determines value," said John Cribb, senior partner of Cribb & Associates, LLC. "The market today is telling us that paid products are still valuable commodities, but that strong, free distribution products can and in many cases do have a franchise that is growing rapidly in value and in some cases faster than most segments of the publishing industry."

Cribb & Associates' Financial Analyst

Dave Sonnichsen is the Financial Analyst for Cribb & Associates, and provides financial evaluation, proforma, EBITDA/cost analysis, the financial aspects of strategic acquisition plan modeling, and market review.



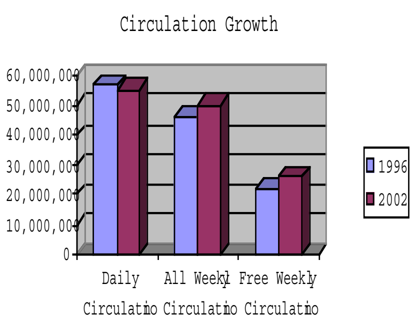
Dave Sonnichsen
Financial Analyst
dsonnich@cribb.com

Dave has served the newspaper industry for over thirty-eight years. He has worked in a variety of accounting, information technology, and corporate office positions for newspaper companies including Scripps League and Hagadone Corporation. He recently retired from his position of chief financial officer for Pioneer Newspapers, Inc.

Through his association with newspaper groups Dave has experience with over fifty daily and weekly newspapers in twenty-one states, including the associated shoppers, niche publications, and printing operations.

All weekly circulation growing

Many traditional daily newspaper companies are realizing that free weeklies present a growth opportunity due to the circulation increases in the free circulation industry. Daily newspapers have had a decline in circulation, and this chart shows a decrease from 56,989,808 in 1996 to 55,186,157 in 2002, a reduction of 3.2%. All weeklies (paid and free circulation) had an increase from 45,911,510 to 50,023,378 (+9%) in this same timeframe. The most dramatic percentage increase was in the free weekly circulation, at 17.1% — 22,051,558 to 25,829,832 copies per week. Both financial and traditional newspaper buyers are most interested in properties with solid growth histories.



Daily, all weeklies and free weeklies circulation growth from 1996 to 2002.
Source: Editor & Publisher

Free papers are too often "stepchildren" in paid circulation companies

Coordinating free and paid operations

Through the years paid circulation publishing companies have had modest success in operating free distribution products. As an example, the ingrained culture of a paid distribution newspaper would often literally destroy the more entrepreneurial culture of a free distribution product.

But times are changing and publishers who are acquiring free publications are adopting operational models that often stand apart from the day to day operation of paid newspapers. These models generally focus on lower costs, are entrepreneurial driven and are tailored to meet the specific products they produce and the customers they serve.

Owning and operating free distribution products can be like mixing oil and water when it comes to incorporating the new products into an existing company. For instance, the sales staff of a paid distribution newspaper is often not best suited to sell niche products that a newspaper company may acquire or launch. These products can often require their own sales expertise with its own identity and office location away from the newspaper.

Too often newspaper companies have tried to use existing departments to support free distribution start-ups or acquisitions, and then discover that the new products that they have acquired stop growing or ones they are launching never get off the ground. Slowly those products lose their own identify and can end up as a blended product instead of one that stands alone. Sharing back office operations such as accounting and printing can often be successfully accomplished. But when it comes to sharing sales, production, content creation, distribution and even office space, the established culture often wins out.

There are certainly exceptions of companies having launched successful start-ups without establishing a complete stand alone operation. In those cases, management has generally come to understand that if they are going to purchase or start free products they must allocate sufficient time, talent, and resources to get the job done. That sends a clear message to the company that everyone has a stake in the success of the venture thereby increasing the odds of success.

The following are a few suggestions on how best to start free products or successfully operate ones you have acquired:

- Designate a product champion. Nothing works without leadership and the head of a product needs to be its advocate and have a stake in its success.
- Consider a stand alone company with its own mission statement, staff and financial reporting. It needs to make money on its own and be competitive in the market that it serves and not be a stepchild of the newspaper.
- Start-up free circulation companies or newly acquired ones may not have the profit structure that supports the newspaper benefit programs. This may require a different tier of benefits and pay scale that is geared to be more bottom line driven.
- Separate the operations physically if possible. It is often tempting to "put them in a corner" of current operations, which is usually the wrong first step to take.

Market ideal for selling weekly groups

Owners of weekly newspaper groups may want to take a closer look at the current market for these properties, and consider taking their companies to market. The average EBITDA multiples paid for weekly groups has risen considerably, from a 6x multiple in 1993 to a 10x multiple in 2004. The higher multiples are being paid for both suburban and rural clusters, and both free and paid circulation, however interest is focused on solid growth markets.

As noted on this issue's cover story, weekly groups are being actively pursued by daily newspaper companies, and by financial buyers as well. In addition to the 21st Century sale and the Hometown Communications sale, American Community Newspapers, LLC (ACN) has been sold to a management/investor group. ACN has 64 weeklies and two dailies, with a total circulation (primarily free weekly) of 850,000. ACN's three hub operations are in Minneapolis, Kansas City, and Dallas.