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December 11, 2007

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VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington DC 20554

Re: Notice of *Ex Parte* Communication, MB Docket Nos. 06-121, 02-277, 01-235, 01-317, and 00-244

Dear Ms. Dortch:

The Newspaper Association of America recently provided a copy of the attached materials concerning the current state of the U.S. newspaper publishing industry at the request of Commission staff. Because these documents also may be deemed relevant to matters in the above-referenced proceedings, they hereby are being submitted in these dockets out of an abundance of caution.

Respectfully submitted,

_______/s/_______
Martha E. Heller

cc: Catherine Bohigian
Daniel Gonzalez
Tamara Lipper

It is no secret that the newspaper industry has faced significant hardships in recent years. Advertisers are foregoing newspapers for alternative ad formats, causing a collapse in yearly revenue. The overall amount of ads in papers fell by 7.4% in the third quarter of 2007, after similar declines in previous quarters. At the same time, overall newspaper advertising revenue dropped by 9%, lengthening an already prolonged decline that has seen ad revenue, according to one constant-dollar projection, fall by 20% since 1997. Publicly-traded newspapers suffer every time they report their earnings. Analysts are predicting fourth-quarter revenue contractions for these companies of anywhere from 5% to 14%. These projections will likely further a stock slide for the sector that has already seen share values drop by 20% in 2005 and 14% in 2006. Individual newspaper stocks have posted even more marked declines, up to 70% in some cases.

The revenue figures are just part of the story. The simple fact is that each year fewer and fewer people buy newspapers to read. From April 1 to September 30 of 2007, national newspaper circulation dropped by almost 3%, lengthening a decline that has lasted for almost a decade. In the last 3 years, the average weekday circulation for papers has shrunk by 6.3%. Sunday circulation has suffered through sharper declines – 8% fewer people subscribe to Sunday papers today than they did in 2003. Interestingly, the papers facing the most significant declines in circulation are those located in major markets. The top 50 papers in the nation saw their subscribership contract by 3.6% in the first half of 2006, and these papers continue to atrophy readers at a rate above other markets.

The economic pressures faced by newspapers have begun to severely affect their operations. Several high-profile papers have implemented significant cost-cutting measures in recent years. Industry-wide, since 2000, 3,000 newsroom staffers – the staff critical to the production of the news we read and trust – have lost their jobs. Some of the cuts have been staggering, particularly those at the nation's premiere newspapers:

- At the *Dallas Morning News*, the newsroom staff has been cut by almost 200 since 2004.
- *The San Francisco Chronicle* cut 100 news jobs in 2007, after it was widely reported that the paper was losing nearly $1 million per day.
- The *Washington Post* has cut its news staff by 124 in recent years.
- The *Philadelphia Inquirer* announced the layoff of 68 newsroom staff in early 2007, a 17% staff cut. The cuts were prompted by a need to decrease operating costs by $20 million in the face of declining circulation and advertising.
- The *USA Today*, the most-read paper in the nation, announced just last month that revenue declines would result in the cut of 45 newsroom positions, nearly 10% of their total staff. According to the editor-in-chief, revenue had fallen by 6.6% in 2007.

Similar stories can be found around the nation. *The Boston Globe* cut 24 newsroom staff in early 2007, including two Pulitzer Prize-winning journalists. *The Minneapolis Star Tribune* cut 50 newsroom jobs at around the same time, citing a revenue loss of $64 million since 2004. The New York Times Company, owner of the *Los Angeles Times*, announced the release of 70 newsroom employees at the paper in 2007, following a cut of 45 news positions at its flagship *New York Times* the year before. The company announced a loss of $47 million in ad sales in 2006. *The Seattle Times* laid off 100 employees and news staff in 2005, after posting a loss of $12 million the year before. News operation cuts have not been limited to jobs – bureaus around the globe have been closed to save money. *The Boston Globe* and *The Baltimore Sun* have closed their well-respected foreign bureaus. The *Pittsburgh Post-Gazette* cut the staff in its award-winning Washington, D.C. bureau to one reporter due to rising costs. The *Sacramento Bee* shuttered its L.A. and San Francisco bureaus in 2006. There is little doubt such contractions will continue in the coming years, as revenue pressures on papers become more acute.

Major Newspaper Staff and Operations Cuts Due to Economic Issues

2001 - 2007

- *USA Today*, the most-read paper in the nation, announced on November 15, 2007 that it would be cutting 45 newsroom positions (9% of its total staff). The editor of the paper admitted to staff that the cuts were prompted by lagging revenue at the paper, which had declined 6.6% over the past year, as the total number of paid advertising pages fell from 929 to 803. (Reuters, November 15, 2007)
- The *San Jose Mercury News* announced a cut of 17 % of its news force (a total of 40 jobs) in June of 2007, the third newsroom staff cut in 2 years (for a total of 107 cuts over that period). Lagging revenue from ads and declining circulation were cited as the key reasons for the additional cuts. (The Associated Press, June 19, 2007)
- Several flagship newspapers announced newsroom job cuts in early 2007, all attributed to cost-cutting measures. The cuts included the following: 24 newsroom staff at *The Boston Globe* (including 2 Pulitzer Prize-winning reporters); 24 newsroom staff at *The Minneapolis Star Tribune*; and 20 newsroom staff at *The Rocky Mountain News*. The cuts at *The Boston Globe* were prompted by a 4% ad revenue decline in February, coupled with a 9% decline the year before. (The Boston Globe, March 22, 2007). *The Minneapolis Star Tribune* announced later in the year that the newsroom cuts would be increased to 50, with an overall loss of 145 employees. The paper cited an ad and circulation revenue decline of $64 million from 2004-2007 as the key reason for the additional cuts. (The Minneapolis Star Tribune, May 8, 2007)
- *The Denver Post* announced the departure of 16 journalists from voluntary buyouts and the termination of 5 reporters earlier this year, prompted by lagging ad sales. The paper expects to lose a total of 37 newsroom positions during its current attempt to cut costs. Media General, the owner of *The Denver Post*, has seen revenue declines of 15% in the Denver metropolitan area (The Denver Post, April 24, 2007)
- *The Spokesman-Review* announced a newsroom staff cut of 8 to 12 earlier this year, due to revenue pressures. The paper also announced significant changes to its operations meant to save money, including: (1) cutting its local football coverage; (2) ending another recurring section; (3) and reducing the number of pages in several sections. (http://www.spokesmanreview.com/blogs/conversation/archive.asp?postID=16687#comments, August 3, 2007)
- Two Detroit papers, the *Detroit Free Press* and the *Detroit News*, announced significant staff cuts in 2007, amounting to a total of 110 employees. The reductions for newsroom employees at the papers were 22 – 16 for the *Detroit Free Press* and 6 at the *Detroit News*. The cuts are being attributed to the overall decline in advertising revenue and circulation at the two papers. (Detroit Free Press, October 12, 2007)
- The New York Times Company announced a cut of 70 newsroom staff at the *Los Angeles Times* in early 2007 after a weak earnings report for the paper. The paper also ceased publishing its stand-alone book review section. Tribune Co., owner of the *Los Angeles Times*, has seen ad revenues at the company decline 6% in the last year, a loss of $47 million. (Media Buyer Planner, April 24, 2007)

- *The San Francisco Chronicle* planned to cut 25% of its newsroom staff in summer of 2007 (a total of 100 jobs), due to massive revenue losses and growing debt attributable to a decline in readership and advertising. Reports in November of 2006 indicated that the paper was losing $1 million per day. (The San Francisco Chronicle, May 28, 2007)
- The *Santa Cruz (Calif.) Sentinel*, operated by MediaNews Group, terminated 8 of its permanent news staff in July of 2007, following a cut of 33 printing and packaging staff in April, due to the need to cut costs. (Editor & Publisher, June 12, 2007)
- More than 2,000 jobs were cut in the newspaper sector in 2005, most caused by declining revenue. The cuts included 700 jobs at the New York Times Co., 100 newsroom jobs at *The Philadelphia Inquirer* and *The Philadelphia Daily News*, and 52 newsroom jobs at *The Mercury News*. Newspapers have also had to cut editions, reduce the size of their papers, close foreign bureaus, and share content in the same market as revenues and profits decline steeply. In an extreme move, The *Louisville (Ky.) Courier-Journal* closed three of its state bureaus, acknowledging that its current resources could not sustain their operation. (Hartford Courant, September 27, 2005; Editor & Publisher, March 1, 2006)
- The *Philadelphia Inquirer* cut its news staff by 70 employees in late December of 2006 (17% of its overall news organization), citing declining circulation numbers and ad revenue. Declining ad income at the paper forced these staffing reductions, as the paper needed to save $20 million per year as its income continued to fall. (Adweek.com, January 8, 2007; The Associated Press, January 4, 2007)
- *The Dallas Morning News* cut its newsroom staff by 100 (nearly 20% of the total staff) in 2006 as a way to reign in costs after advertising revenues declined. (The New York Times, September 11, 2006)
- The *Akron Beacon Journal* laid-off 40 of its 161 newsroom professionals (25% of its news staff) in 2006 in response to declining revenue, which has fallen by almost 50% over the past five years. Another Ohio paper, *The Cleveland Plain Dealer*, offered its news staff voluntary buyouts in order to offset weak advertising rates. (The Cleveland Plain Dealer, August 26, 2006)
- The Tribune Company cut 900 jobs in 2005, with a significant portion of those cuts coming from the newsrooms the company operates around the country. Tribune announced additional cuts in 2006, with another 120 staff losing their jobs at the *Chicago Tribune*. (Editor & Publisher, January 5, 2006; Associated Press Financial Newswire, July 14, 2006).
- In September of 2005, the New York Times Co. announced the elimination of 45 newsroom positions at *The New York Times* and 35 newsroom positions at *The Boston Globe* as cost-cutting measures as part of an overall cut of 410 jobs inside the company. At almost the same time, *Newsday*, owned by the Tribune Company, announced the closing of its New York City edition, with the elimination of 45 newsroom positions. (Adweek.com, September 20, 2005; Editor & Publisher, November 1, 2005)
- The *Sacramento Bee* announced in December of 2006 that it would close its San Francisco and Los Angeles bureaus and institute a hiring freeze in order to save money. The McClatchy Company, owner of the paper, saw its November revenues decline 4.3%,

one of the factors encouraging these cost-cutting measures. (Sacramento Bee, December 21, 2006)

- The Sun-Times News Group announced a series of cost-cutting measures in early 2006, including the elimination of 10% of its workforce (over 300 positions, including some in various newsrooms owned by the company) in an attempt to improve profitability and deal with declining revenue. (The Post-Tribune (Merrillville, IN), January 20, 2006)
- Due to cost pressures, the *Tampa Tribune* has ceased publishing weekly sections covering news and events in Pinellas County, and in the Tamiami and SouthBay regions. (Creative Loafing (Tampa, FL), November 30, 2005)
- The publisher of the *Boston Herald* announced the elimination of 25% of the union newsroom jobs for the paper – a loss of 35 staff – to offset declining subscribership and revenue. The terminations came as part of an effort at the paper to cut $7 million in operating costs. (The Boston Globe, April 5, 2005)
- *The Seattle Times* announced in January of 2005 that, due to 5 straight years of losses (with a record loss of $12 million in 2004), it would be laying off over 100 employees, including several reporters. (The Seattle Post-Intelligencer, December 22, 2004; Seattle Weekly, January 26, 2005)
- Due to several consecutive years of losses, the Tribune-Review Publishing Company, owners of 6 local Pennsylvania newspapers, decided to consolidate operations in 2005, effectively ending the local ties of 4 of the papers. The move prompted layoffs of editorial staff, as the operations of the local papers were moved to Pittsburgh to save on production costs. (Pittsburgh Post-Gazette, January 20, 2005)
- Belo Corporation announced in September of 2004 that it would cut 250 news jobs across its operations (including in newsrooms), with most affecting its flagship paper *The Dallas Morning News*. The cuts were prompted by flat revenue numbers and declining circulation, which had fallen 11.9% on Sundays and 5.1% on other days in the past year. (The Associated Press, September 29, 2004)
- In 2003, *The King County Journal*, located in Kent and Bellevue, Washington, cut nearly 20 positions, suspended wage increases, and froze its 401(k) in an attempt to return to profitability. It also cut several local editions to streamline operations. (The Seattle Times, August 30, 2003). The paper eventually went out of business in early 2007. (The Seattle Post-Intelligencer, December 28, 2006)
- The *Berkeley Daily Planet*, the only local community newspaper to serve Berkeley, California, closed its doors in 2002, due to a lack of advertising revenue. (Alameda Times-Star, November 23, 2002)
- *The Post-Crescent*, a Gannett-owned newspaper that has been in operation for 140 years, trimmed 2 percent of its workforce, including 3 newsroom staffers, in 2002 due to poor ad sales. (The Post-Crescent, January 22, 2002)
- A study released by the American Society of Newspaper Editors in 2003 revealed that nearly 2,000 journalists left their jobs in 2002 due to buyouts and layoffs. The study

attributed the job loss directly to the economic downturn for newspapers and advertising declines. (Associated Press Online, April 9, 2002)

- The *San Francisco Chronicle* cut 220 jobs, including 15 newsroom positions, in late 2001 to offset steep advertising losses at the paper. The editor of the paper, in the memorandum announcing the cuts, told staff that ad sales had fallen by 20% over the past year, costing the paper millions in operating capital. (Contra Costa Times, November 28, 2001; The Associated Press, November 28, 2001)

- At the same time that individual newspapers have felt the economic crunch of lower ad sales and declining circulation, their parent companies have come under increasing investor pressure. In fact, stock prices for the major publicly-traded newspaper corporations have uniformly slipped since 2003 (with the smallest stock decline approaching 20% of its total value over a 5-year period):

    - *Gannett* – traded at approximately 71 in 2001; now trading at 37.49 (as of 11/19)
    - *Belo* – traded at approximately 22 in 2003; now trading at 16.30 (as of 11/19)
    - *Media General* – traded at approximately 58 in 2003; now trading at 25.41 (as of 11/19)
    - *McClatchy Company* – traded at approximately 56 in 2003; now trading at 15.25 (as of 11/19)
    - *Tribune* – traded at approximately 46 in 2003; now trading at 29.04 (as of 11/19)
    - *New York Times Co.* – traded at approximately 45 in 2003; now trading at 17.98 (as of 11/19)

July 2, 2007

Americas: Media: Publishing

Rethinking the newspaper stocks

A painful transformation

The newspaper industry is going through a painful period of transition as the historic print-based model evolves into a hybrid print and online offering. As this transformation continues over the next several years publishers will likely experience ongoing declines in revenues, pressure on margins and reduced free cash flow reflecting a business that is evolving from monopoly pricing power to a much more competitive market dynamic. Ultimately, we believe newspaper publishers will re-emerge as very healthy and dominant players in the local media marketplace, but with margins that will not likely match the 20%+ levels the industry has historically enjoyed.

Resetting our growth expectations

We are sharply reducing our revenue growth expectations for the industry for the next several years to more accurately reflect the structural changes impacting publishers. Not surprisingly, this translates into meaningful earnings estimate reductions. Most significantly impacted are the "pure-play" newspaper companies, where the benefit of the 2008 broadcast cycle is not seen.

Internet growth not likely to offset print decline before 2011

Proprietary content and strong local sales organizations give publishers a significant competitive advantage as they develop their local online presence. However, our analysis suggests that it may take as long as five years for publishers' Internet revenues to reach sufficient scale to fully offset the secular declines in print revenues.

Ratings changes

Given reduced near-term estimates, we are reducing our rating on McClatchy to Sell from Neutral and removing the Not Rated designation on New York Times (rated Sell). As pure-play newspaper publishers, both companies are particularly vulnerable to the structural changes impacting the industry. We are upgrading our rating on Journal Communications to Neutral from Sell based on evolution in the company's business mix that has reduced its exposure to newspaper publishing. While we recognize that a negative consensus view and large short positions could limit downside in the sector, we believe a continued downward bias in estimate revisions will be the catalyst to further downside in the shares.

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UPCOMING EVENTS

2Q operating results will generally be reported the weeks of July 16 and 23.

Communacopia - Goldman Sachs annual media conference for investors – NYC September 18 & 19.

RELATED RESEARCH

Newspaper Industry Trends & Outlook – a periodic chartbook. Last edition published 6/6/07.

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Rethinking the newspaper stocks

On the heels of the Mid Year Media Review, the newspaper industry sponsored conference, and with the 2Q shaping up as the industry's weakest since the recession impacted 3Q2001, we have stepped back to re-evaluate the sector and our assumptions. While most investors are steeled to the concept of deteriorating ad revenue trends, the magnitude of the recent declines is extraordinary for a non-recession period and provides concrete evidence, in our view, that the share shift from print to online in the publishing industry is accelerating. We have drawn the following conclusions:

- **Ad revenue environment continues to deteriorate:** Ad revenue trends have gotten weaker in recent months, with May's 9.1% estimated yoy decline the worst month we've ever seen in a non-recession period. Cyclical weakness in the auto and real estate categories, as well as the secular share shift from print to online is driving this performance.

- **Monopoly in classifieds is over:** The newspaper's long standing monopoly on classified advertising is ending as classified ads move online at an accelerating pace and at lower price points. While publishers will continue to capture a meaningful portion of classified spending through their own online offerings, they will no longer have 100% share (and the pricing power associated with that share) in this high margin business.

- **Online revenues not yet large enough to offset print weakness:** Newspaper publishers have done very well in establishing local websites and aggregating local traffic, but have not been able to monetize that traffic as well as print readership. Online dollars remain too small a piece of the overall industry pie (5-8%) to drive results.

- **Margins under pressure:** Cost rationalization remains impressive at the newspaper publishers, but unprecedented revenue weakness is more than offsetting these efforts, translating into a downward trend in margins. A business model characterized by relatively high fixed costs makes it near impossible to sustain margins in an environment of declining revenues.

- **We envision a painful and extended period of transition for newspaper publishers**: At the end of this transition, we believe newspaper content will still be relevant and the print product will still exist, though a significant portion of readershiip and ad dollars will be online. While we are not sure where margins will bottom, we expect the steady state operating margin for newspaper publishers to lower meaningfully over time from the healthy 20%+ range publishers have enjoyed historically.

- **Restructuring remains the wildcard**: The wildcard in our framework remains the possibility of restructuring activity and financial engineering. The newspaper publishers have faced significant pressure to find ways to create shareholder value in this declining industry, which has resulted in the sale of Knight Ridder, the go-private transaction for Tribune and the potential sale of Dow Jones. New York Times, Belo, McClatchy and Gannett have also surfaced in the press or investor circles as candidates for buyouts, strategic sales, recapitalization or other financial engineering.

- **We are resetting our growth expectations for the newspaper publishers:** We had modeled a slight revenue recovery in the industry, with weaker year-over-year comps leading to very modest revenue growth in 2008 and 2009. We now believe that the weaker comps will not be enough to offset the erosion in print advertising. Our industry ad revenue forecast for 2008 and 2009 ad revenue growth moves to -2.1% and -1.3% respectively, from +1%. Our revised forecast could still prove optimistic.

- **We are adjusting our estimates, price targets and ratings:** After rethinking the industry's growth and profitability dynamics from a macro perspective, we adjusted our individual company models, price targets and ratings, and rolled forward our valuations to be based on 2008 estimates. As a result, we have cut virtually all of our 2008 and 2009 estimates; we are downgrading McClatchy and New York Times to Sell; and we are upgrading Journal Communications to Neutral. Exhibit 1 outlines our estimate, price target and ratings changes.
- **Risks to our negative view:** After three years of sharp underperformance, we are painfully aware that our negative view on the sector has become the consensus view, with various sell-side analysts battling to see who can be most negative. Outsized short positions in several of the names, including McClatchy and New York Times, suggest that the buy-side shares this negative view. Accordingly, even modest improvement in revenue trends (or a step up in restructuring activity) could trigger a meaningful rally in the shares. Yet we also note that the newspaper stocks continue to trade well above the low end of historical valuations, as the decline in share prices has been driven mainly by estimate reductions rather than multiple compression. As a result, we continue to see room on the downside for the group, particularly as estimates move lower.

Exhibit 1: Rethinking newspaper stocks
Revised estimates, ratings and price targets

	Rating		Price Target*		Price	Diff.	2007 EPS		2008 EPS		2009 EPS		Price Target	
	Old	*New*	*Old*	*New*	*6/28/07*		*Old*	*New*	*Old*	*New*	*Old*	*New*	*Time frame (months)*	*Methodology*
BLC	Neutral	Neutral	16.00	20.00	20.79	-4%	1.06	1.05	1.35	1.25	1.18	0.95	12	P/E, EV/EBITDA, LBO
DJ	NR	NR	NA	NA	57.80	NA	1.49	1.46	1.73	1.67	1.92	1.80	NA	NA
GCI	Neutral	Neutral	59.00	56.00	55.09	2%	4.49	4.44	4.96	4.54	5.06	4.33	12	P/E, EV/EBITDA, LBO
GHS	Buy	Buy	25.00	25.00	18.57	35%	0.32	---	0.57	---	0.61	---	12	Dividend yield
JRN	Sell	Neutral	11.00	14.00	13.10	7%	0.68	0.68	0.89	0.83	0.81	0.74	12	P/E, EV/EBITDA
MNI	Neutral	Sell	25.00	21.00	25.54	-18%	1.67	1.67	1.93	1.58	2.17	1.58	12	P/E, EV/EBITDA, LBO
NYT	NR	Sell	NA	18.00	25.44	-29%	1.14	1.05	1.26	0.98	1.33	0.98	12	P/E, EV/EBITDA, LBO
SSP	Neutral	Neutral	45.00	45.00	45.85	-2%	2.16	2.15	2.60	2.54	2.89	2.82	12	Sum of the parts
TRB	Neutral	Neutral	34.00	34.00	29.40	16%	1.88	1.76	2.17	1.57	2.35	1.53	6	Takeover bid

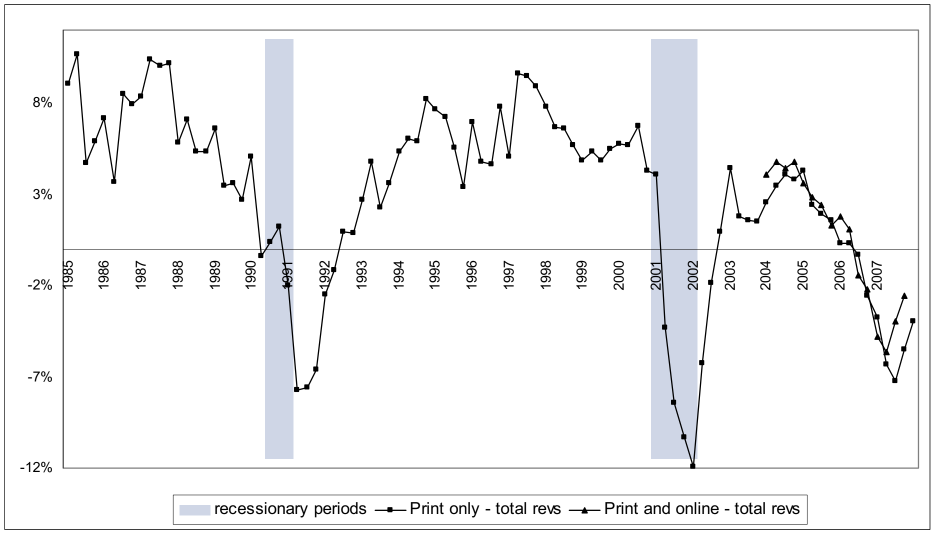
*Risks include (1) cyclical nature of newspaper ad revenue and (2) restructuring activity

Source: Company data, Goldman Sachs Research estimates.

Ad revenue declines unprecedented

Newspaper industry ad revenue performance has deteriorated meaningfully since the end of 2004. While newspaper advertising is characteristically cyclical, the recent downturn is alarming in that it has occurred in a relatively healthy economic cycle. As illustrated in exhibit 2, newspaper ad revenue has had periods of steep declines during recessionary periods (1990-1991 and 2001), but has tended to expand with the economy.

Exhibit 2: Newspaper ad revenues – the impact of recessionary periods.
Y/Y change in newspaper advertising revenues



Source: Newspaper Association of America, Company data, Goldman Sachs Research estimates.

This has changed in the most recent cycle. Through 2007, as shown in exhibit 2, newspaper ad revenue results have been negative and worsening, out of step with a healthy macroeconomic picture. May's 9.1% drop was extraordinary in terms of the scale of the decline and the scope of the challenges it represents. Virtually every category in most geographies has now turned negative. Categories and geographies that propped up results in 2006 (i.e. real estate classified advertising or the growth economies of Florida and California) have begun to tumble as the already troubled categories (i.e. auto classified, national) have not gained any traction. This reaffirms our view that there is a fundamental structural change occurring in the newspaper ad market that will continue to drive industry revenue lower despite easing year-over-year comparisons.

Exhibit 3: Newspaper advertising revenue trends
Y/Y % change

2006	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec*	YEAR
BELO	5.2%	-0.5%	3.4%	3.7%	-6.6%	1.4%	-7.0%	-1.9%	-7.4%	-6.6%	0.0%	-4.1%	-1.9%
DOW JONES	8.3%	26.1%	19.1%	8.3%	10.1%	17.4%	5.8%	6.9%	-5.9%	5.7%	3.6%	6.1%	8.8%
GANNETT	-0.6%	-2.8%	-2.0%	-2.0%	2.1%	1.0%	0.5%	-0.9%	-3.2%	-2.0%	1.6%	17.5%	0.7%
JOURNAL COMMUNICATIONS	3.5%	-2.9%	-2.1%	-5.7%	-2.2%	-5.7%	-5.1%	-7.3%	-6.1%	-6.4%	-2.4%	13.6%	-4.4%
JOURNAL REGISTER	-1.7%	-4.3%	-0.8%	-3.1%	-1.6%	-3.4%	-4.2%	-4.7%	-5.6%	-4.9%	-5.0%	12.8%	-2.6%
LEE ENTERPRISES	2.9%	0.5%	1.7%	4.9%	-2.3%	3.2%	-1.1%	1.8%	-0.1%	1.0%	3.5%	2.3%	2.3%
MCCLATCHY	4.6%	-0.8%	-0.1%	-2.2%	4.8%	2.3%	0.0%	-0.3%	-2.1%	-2.1%	-4.7%	16.4%	0.5%
MEDIA GENERAL	6.1%	1.7%	6.4%	1.2%	9.3%	2.8%	1.6%	0.1%	-2.4%	-0.6%	-4.3%	18.4%	3.2%
NEW YORK TIMES	-0.3%	0.4%	2.0%	-3.4%	3.1%	-0.9%	-5.3%	-5.9%	-4.2%	-5.8%	-5.1%	13.0%	-0.9%
SCRIPPS (E.W.)	5.4%	6.7%	7.3%	14.4%	-1.4%	6.6%	1.0%	1.3%	-0.3%	-1.5%	-0.2%	1.0%	3.3%
TRIBUNE	0.2%	-2.2%	2.1%	-2.0%	3.6%	-1.4%	-1.4%	-2.3%	-3.1%	-4.0%	-0.3%	13.3%	0.5%
WEIGHTED AVERAGE	**1.2%**	**-1.4%**	**0.7%**	**-1.1%**	**2.2%**	**0.3%**	**-1.2%**	**-1.7%**	**-3.2%**	**-3.0%**	**-1.1%**	**13.3%**	**0.3%**

2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YEAR
DOW JONES	5.7%	-10.0%	-0.6%	-12.2%	-3.4%								
GANNETT	0.3%	-3.8%	-2.0%	-3.1%	-6.8%								
JOURNAL COMMUNICATIONS	-4.2%	-7.0%	-6.4%	-9.1%	-9.6%								
JOURNAL REGISTER	-6.8%	-7.4%	-6.4%	-9.6%	-11.5%								
LEE ENTERPRISES**	-3.8%	-1.6%	-1.2%	-3.5%	-1.7%								
MCCLATCHY	-5.8%	-5.2%	-4.9%	-7.6%	-11.5%								
MEDIA GENERAL	-7.5%	-5.8%	-6.3%	-7.2%	-14.9%								
NEW YORK TIMES	-2.9%	-7.0%	-3.2%	-4.7%	-9.9%								
TRIBUNE	-7.3%	-5.1%	-5.7%	-10.3%	-11.8%								
WEIGHTED AVERAGE	**-3.6%**	**-4.8%**	**-3.6%**	**-5.8%**	**-9.1%**								

Weighted Average does include Dow Jones. Company reports percentage change in ad revenues, but not the actual dollar amounts.
Dow Jones revenues are for the Wall Street Journal only.
**Lee reports on a calendar month basis. All others report on a 4-4-5 week basis.
June 2006 McClatchy completed its acquisition of Knight Ridder
*December 2006 included extra week.
Starting January 2007 Belo and Scripps discontinued reporting monthly numbers

Source: Company data, Goldman Sachs Research estimates.

We are resetting our growth expectations

We are resetting our growth expectations to more realistic levels reflecting our belief that the challenges in the newspaper ad market are secular challenges, representing structural changes to the advertising marketplace, rather than cyclical issues. We differ from company management teams in believing that print advertising will continue to deteriorate despite potential cyclical improvements. We expect total newspaper advertising (print and online combined) to drop 4.4% in 2007, despite robust online revenue growth. As outlined in Exhibit 4, we project continued declines in industry ad revenue through 2010.

Exhibit 4: Newspaper ad revenue

	National Advertising			Retail Advertising			Total Classified Adv.			Total Print Ad Revs.		Total Online			Total Print & Online	
	$ Millions	% Change Y/Y	Nat'l as % Total Print Adv.	$ Millions	% Change Y/Y	Retail as % Total Print Adv.	$ Millions	% Change Y/Y	Classified as % Total Advertising	$ Millions	% Change Y/Y	$ Millions	% Change Y/Y	% of Total Ad Revenue	$ Millions	% Change Y/Y
1961	744	-4.4%	20.7%	2,053	-2.2%	57.0%	804	0.1%	22.3%	3,601	-2.2%					
1962	722	-3.0%	19.7%	2,103	2.4%	57.5%	834	3.7%	22.8%	3,659	1.6%					
1963	702	-2.8%	18.6%	2,211	5.1%	58.5%	867	4.0%	22.9%	3,780	3.3%					
1964	773	10.1%	18.8%	2,344	6.0%	56.9%	1,003	15.7%	24.3%	4,120	9.0%					
1965	783	1.3%	17.7%	2,429	3.6%	54.9%	1,214	21.0%	27.4%	4,426	7.4%					
1966	887	13.3%	18.2%	2,645	8.9%	54.4%	1,333	9.8%	27.4%	4,865	9.9%					
1967	846	-4.6%	17.2%	2,760	4.3%	56.2%	1,304	-2.2%	26.6%	4,910	0.9%					
1968	889	5.1%	17.0%	2,919	5.8%	55.8%	1,424	9.2%	27.2%	5,232	6.6%					
1969	943	6.1%	16.5%	3,166	8.5%	55.4%	1,605	12.7%	28.1%	5,714	9.2%					
1970	891	-5.5%	15.6%	3,292	4.0%	57.7%	1,521	-5.2%	26.7%	5,704	-0.2%					
1971	972	9.1%	15.8%	3,565	8.3%	57.8%	1,630	7.2%	26.4%	6,167	8.1%					
1972	1,062	9.3%	15.3%	3,964	11.2%	57.1%	1,913	17.4%	27.6%	6,939	12.5%					
1973	1,049	-1.2%	14.0%	4,245	7.1%	56.7%	2,187	14.3%	29.2%	7,481	7.8%					
1974	1,105	5.3%	14.1%	4,563	7.5%	58.2%	2,174	-0.6%	27.7%	7,842	4.8%					
1975	1,109	0.4%	13.5%	4,966	8.8%	60.3%	2,159	-0.7%	26.2%	8,234	5.0%					
1976	1,342	21.0%	14.0%	5,668	14.1%	58.9%	2,608	20.8%	27.1%	9,618	16.8%					
1977	1,472	9.7%	13.7%	6,241	10.1%	58.1%	3,038	16.5%	28.3%	10,751	11.8%					
1978	1,541	4.7%	12.6%	7,023	12.5%	57.5%	3,649	20.1%	29.9%	12,213	13.6%					
1979	1,770	14.9%	12.8%	7,845	11.7%	56.6%	4,248	16.4%	30.6%	13,863	13.5%					
1980	1,963	10.9%	13.3%	8,609	9.7%	58.2%	4,222	-0.6%	28.5%	14,794	6.7%					
1981	2,258	15.1%	13.7%	9,686	12.5%	58.6%	4,584	8.6%	27.7%	16,528	11.7%					
1982	2,452	8.6%	13.9%	10,390	7.3%	58.7%	4,852	5.9%	27.4%	17,694	7.1%					
1983	2,734	11.5%	13.3%	11,841	14.0%	57.5%	6,006	23.8%	29.2%	20,582	16.3%					
1984	3,081	12.7%	13.1%	12,784	8.0%	54.3%	7,657	27.5%	32.6%	23,523	14.3%					
1985	3,352	8.8%	13.3%	13,443	5.2%	53.4%	8,376	9.4%	33.3%	25,171	7.0%					
1986	3,376	0.7%	12.5%	14,311	6.5%	53.0%	9,302	11.1%	34.5%	26,989	7.2%					
1987	3,494	3.5%	11.9%	15,227	6.4%	51.8%	10,691	14.9%	36.3%	29,412	9.0%					
1988	3,586	2.6%	11.5%	15,840	4.0%	50.8%	11,771	10.1%	37.7%	31,197	6.1%					
1989	3,239	-9.7%	10.0%	16,885	6.6%	52.2%	12,245	4.0%	37.8%	32,368	3.8%					
1990	4,122	27.3%	12.8%	16,652	-1.4%	51.6%	11,506	-6.0%	35.6%	32,281	-0.3%					
1991	3,924	-4.8%	12.9%	15,839	-4.9%	52.2%	10,587	-8.0%	34.9%	30,349	-6.0%					
1992	3,834	-2.3%	12.5%	16,041	1.3%	52.4%	10,764	1.7%	35.1%	30,639	1.0%					
1993	3,853	0.5%	12.1%	16,859	5.1%	52.9%	11,157	3.7%	35.0%	31,869	4.0%					
1994	4,150	7.7%	12.2%	17,496	3.8%	51.3%	12,464	11.7%	36.5%	34,109	7.0%					
1995	4,251	2.4%	11.8%	18,100	3.5%	50.1%	13,742	10.2%	38.1%	36,092	5.8%					
1996	4,669	9.8%	12.3%	18,356	1.4%	48.2%	15,074	9.7%	39.6%	38,099	5.6%					
1997	5,325	14.0%	12.8%	19,395	5.7%	46.8%	16,760	11.2%	40.4%	41,479	8.9%					
1998	5,721	7.4%	13.0%	20,331	4.8%	46.3%	17,874	6.6%	40.7%	43,926	5.9%					
1999	6,732	17.7%	14.5%	20,907	2.8%	45.2%	18,650	4.3%	40.3%	46,288	5.4%					
2000	7,653	13.7%	15.7%	21,410	2.4%	44.0%	19,609	5.1%	40.3%	48,671	5.1%					
2001	7,004	-8.5%	15.8%	20,679	-3.4%	46.7%	16,621	-15.2%	37.5%	44,304	-9.0%					
2002	7,210	2.9%	16.3%	20,994	1.5%	47.6%	15,898	-4.3%	36.0%	44,102	-0.5%					
2003	7,797	8.1%	17.3%	21,341	1.7%	47.5%	15,801	-0.6%	34.2%	44,939	1.9%	1,216		2.6%	46,156	
2004	8,083	3.7%	17.3%	22,012	3.1%	47.1%	16,617	5.2%	34.4%	46,712	3.9%	1,541	26.7%	3.2%	48,253	4.5%
2005	7,910	-2.1%	16.7%	22,187	0.8%	46.8%	17,311	4.2%	35.0%	47,407	1.5%	2,027	31.5%	4.1%	49,434	2.4%
2006	7,495	-5.2%	16.1%	22,121	-0.3%	47.5%	16,986	-1.9%	36.4%	46,601	-1.7%	2,664	31.5%	5.4%	49,265	-0.3%
2007E	7,196	-4.0%	16.4%	21,502	-2.8%	49.0%	15,156	-10.8%	32.2%	43,854	-5.9%	3,252	22.1%	6.9%	47,106	-4.4%
2008E	6,836	-5.0%	16.2%	21,287	-1.0%	50.4%	14,078	-7.1%	30.5%	42,201	-3.8%	3,902	20.0%	8.5%	46,103	-2.1%
2009E	6,494	-5.0%	15.9%	21,180	-0.5%	51.9%	13,138	-6.7%	28.9%	40,813	-3.3%	4,683	20.0%	10.3%	45,496	-1.3%
2010E	6,170	-5.0%	15.6%	21,180	0.0%	53.4%	12,277	-6.6%	27.1%	39,627	-2.9%	5,619	20.0%	12.4%	45,246	-0.5%
2011E	5,861	-5.0%	15.2%	21,180	0.0%	55.0%	11,487	-6.4%	25.4%	38,528	-2.8%	6,743	20.0%	14.9%	45,272	0.1%

Source: Newspaper Association of America, Goldman Sachs Research estimates.

Exhibit 5: Newspaper Industry - Long-term revenue growth rates

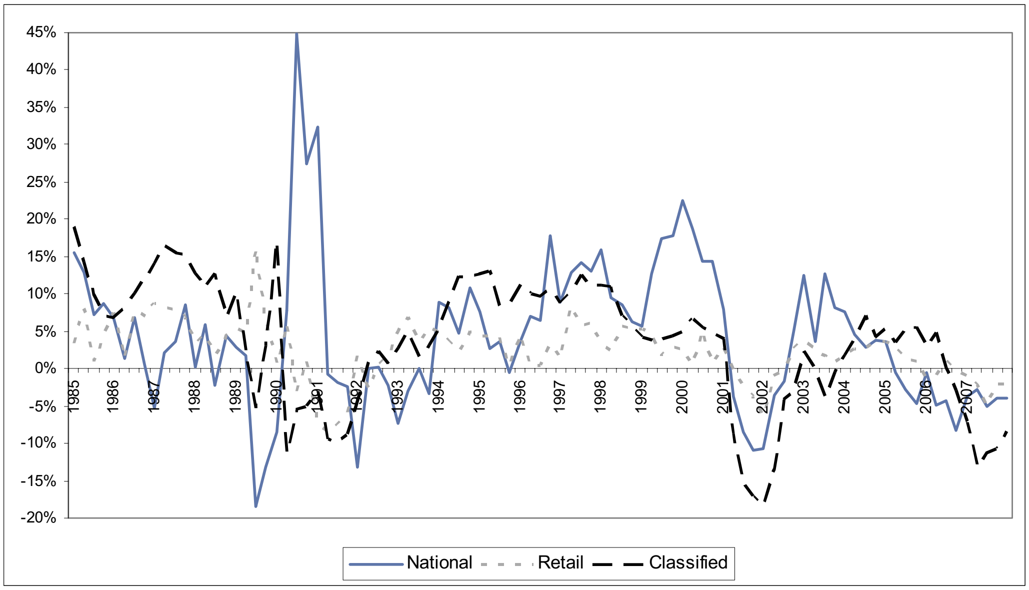
Compound annual growth rates over various periods

CAGR	Retail	Classified	National	Internet	Total Adv.	Circulation
2006-2011E	-0.9%	-7.5%	-4.8%	20.4%	-1.7%	-2.0%
2005-2010E	-0.9%	-6.6%	-4.8%	22.6%	-1.8%	-2.2%
2001-2006	1.4%	0.4%	1.4%	NA	2.1%	-0.7%
2000-2005	0.7%	-2.5%	0.7%	NA	0.3%	0.4%
1995-2005	2.1%	2.3%	6.4%	NA	3.2%	1.0%
1985-2005	2.5%	3.7%	4.4%	NA	3.4%	1.7%
1965-2005	5.7%	6.9%	6.0%	NA	6.2%	4.3%

Source: Newspaper Association of America, Goldman Sachs Research estimates.

All three primary ad categories are now deep in negative territory

Exhibit 6: Ad revenue by category



Source: NAA, Goldman Sachs Research estimates.

The national category, characterized by more fragmentation and competition from newer forms of media for ad dollars, has lead the newspaper industry ad revenue decline. National ad revenues began trending negative in the beginning of 2005, which was, in retrospect, a harbinger of things to come in other ad categories. National ad revenue fell 2.1% in 2005 followed by a 5.2% drop in 2006, driven by declines in automotive, financial, and entertainment (movies). We expect national ad revenues to continue to lead newspaper ad revenue declines, at 5% annually for the next several years as important categories (notably entertainment) move online.

Retail advertising, traditionally the largest, most stable category for publishers, began to follow the national path in the end of 2005, impacted by widespread consolidation among heavy newspaper advertisers (such as Federated/May). Recently, slowing retail sales growth has provided a cyclical headwind for the category as well. We expect retail advertising revenues to be down 2.5% in 2007, an unprecedented decline in a non-recessionary year, before falling 1.0% in 2008 and flattening out beyond that.

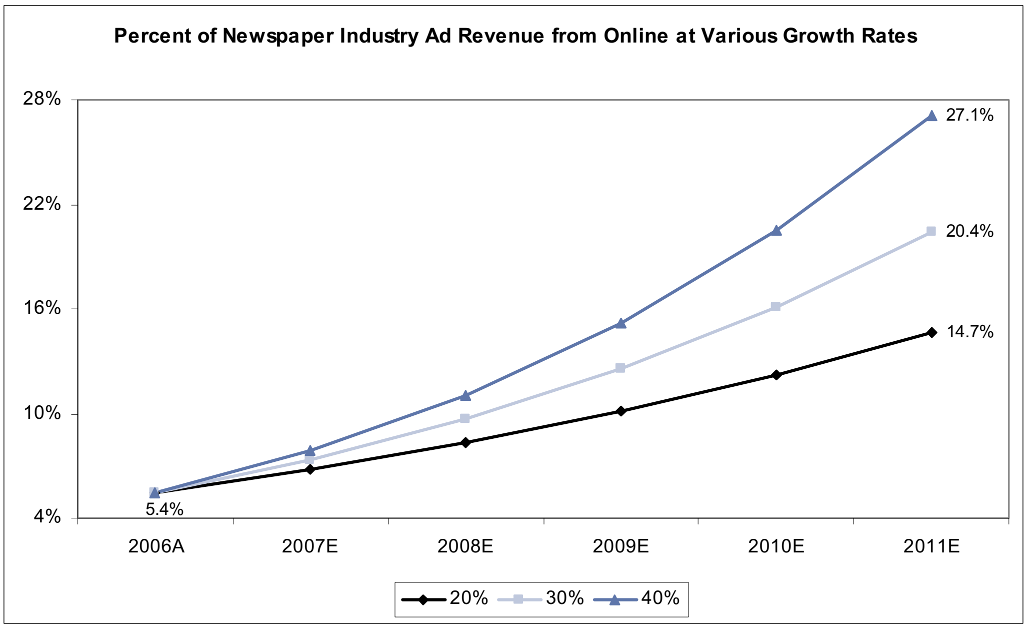
Classified was the last of the major advertising categories to join the decline, propped up through much of 2006 by robust real estate and labor markets. We believe the secular shift to online advertising will be most severe in classified categories over time and currently a weakening labor market, slowing home sales, and continued weak domestic auto sales have conspired to turn the classified category sharply negative. We estimate that classified revenue will be down 10.8% in 2007 and we expect declines in the 6-7% range through 2011.

Online presence impressive, but not yet of meaningful scale

The newspaper publishers have done an impressive job getting local content online and in most markets, the local newspaper website is among the top visited sites. Monetizing the traffic to their sites, however, has proved challenging as consumers have been trained to get content for free online and advertising rates tend to be lower than in traditional print. Therefore, while online ad revenue is growing healthily at the newspaper publishers, it has not yet reached sufficient scale to offset the decline in print.

Online advertising revenue for the newspaper companies has been growing in the high 20% to low 30% range for each of the last few years, but as Exhibits 4 & 7 illustrate, it will be several years before revenue from online ad dollars reach even a quarter of newspaper ad revenue. As illustrated in exhibit 7, growing online revenue at a very aggressive 40% annual rate would still result in only 27.1% of newspaper ad revenue in 2011 being generated online. In a more conservative scenario, in which internet ad revenue grows 20% per year, it will represent just 14.7% by 2011. Accordingly, we conclude that it will be several more years before online revenues will be of sufficient scale to offset the impact of declining print revenues.

Exhibit 7: Online advertising dollars are too small to offset declines in print
Assuming 20% to 40% annual growth rates for online revenues



Source: Newspaper Association of America, Company data, Goldman Sachs Research estimates.

Exhibit 8: Online revenues versus print
$ in millions

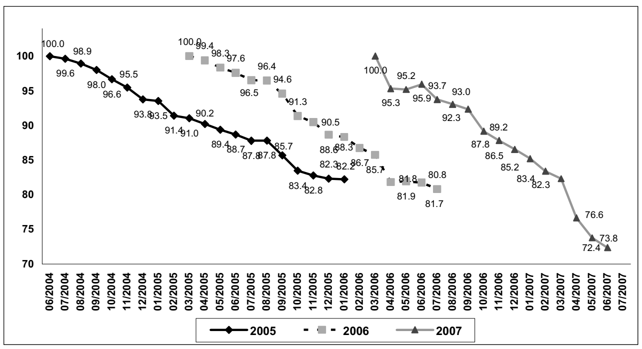
	Internet Ad revenue			Estimated Print Total	Y/Y chg. Print Revs	% of industry ad revenue from internet		
growth of:	*20%*	*30%*	*40%*			*20%*	*30%*	*40%*
2006A	**2,664.1**	**2,664.1**	**2,664.1**	**46,601.4**		**5.4%**	**5.4%**	**5.4%**
2007E	3,196.9	3,463.3	3,729.7	43,853.5	-5.9%	6.8%	7.3%	7.8%
2008E	3,836.2	4,502.3	5,221.6	42,201.0	-3.8%	8.3%	9.6%	11.0%
2009E	4,603.5	5,852.9	7,310.2	40,812.8	-3.3%	10.1%	12.5%	15.2%
2010E	5,524.2	7,608.8	10,234.3	39,626.9	-2.9%	12.2%	16.1%	20.5%
2011E	6,629.0	9,891.5	14,328.0	38,528.5	-2.8%	14.7%	20.4%	27.1%

Source: Company data, Goldman Sachs Research estimates.

Earnings estimates have trended downward with the stocks

Management teams at the newspaper publishers have done an impressive job managing cost and creating efficiencies, helped in 2007 by a downturn in newsprint pricing. Though the cost picture is impressive, we believe that the high fixed cost nature of the publishing business model will make margin stabilization impossible in an environment of declining revenue. Exhibit 9 below shows the downward trajectory of newspaper earnings estimates over the past three years and exhibit 10 shows the coinciding downward spiral in newspaper stock prices. We continue see estimates moving on a downward trajectory and, accordingly, continue to see downside in the group.

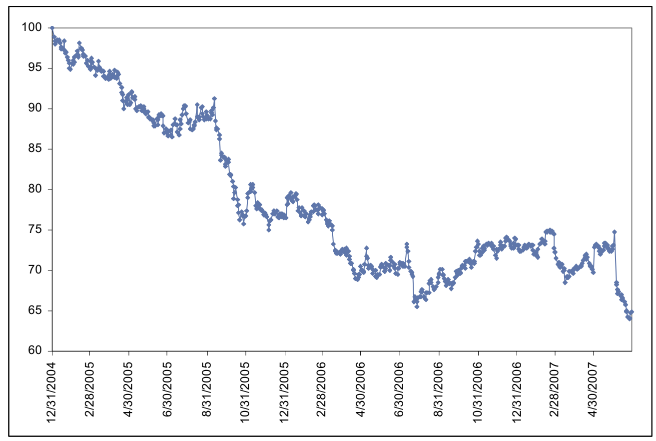
Exhibit 9: Trends in newspaper earnings estimates



Newspaper Companies: BLC, DJ, SSP, GCI, JRC, MEG, MNI, NYT, TRB

Source: Factset

Exhibit 10: Trends in newspaper stock prices



Source: Factset.

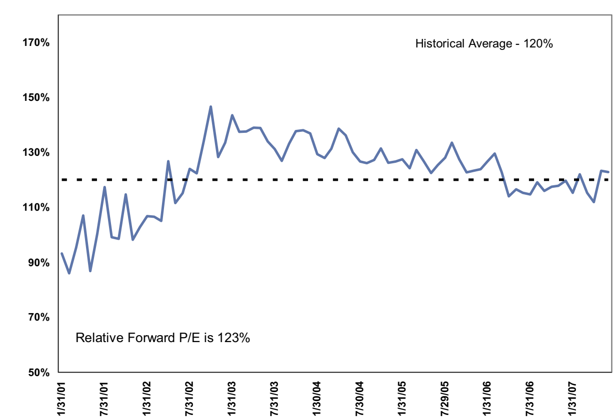
Thoughts on valuation: Value Story vs. Value trap

Newspaper stocks have declined 2.8% in 2007, underperforming the S&P500's 6.2% gain, following a 2.6% decline in 2006 (+13.6% for the S&P) and a 19.7% tumble in 2005 (+3.0% for the S&P). Despite underperforming so sharply over the last couple of years, we are not yet ready to call these stocks value stories. The decline in the group in recent years has been primarily a function of declining earnings estimates rather than a meaningful resetting of valuations. We believe further multiple contraction as investors reset their secular growth expectations could be the next downside catalyst for the group.

In summary, the trouble with newspaper stock valuations is three-fold: (1) the stocks aren't inexpensive based on historic valuation standards, particularly in the context of continued falling estimates (2) we believe that valuation standards for the industry are being reset downward along with growth and profitability expectations, and (3) we don't see a near-term catalyst for value-improvement.

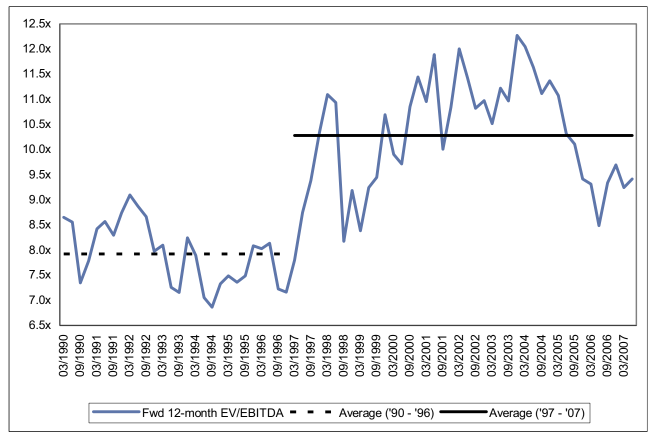
We believe investors focus primarily on P/E and EV/EBITDA in evaluating the newspaper stocks. Based on those metrics and our new estimates, we believe newspaper stocks have not yet bottomed out. On an EV/EBITDA basis (see exhibit 12), the industry is currently trading in line with its historical average and meaningfully higher than the 7.9X average the group traded on in the 1990-96 time period. The group also does not look inexpensive on a P/E basis, relative to the S&P 500. The newspaper industry is trading at 123% of the S&P500 multiple, in line with its historical average (see exhibit 11). As the stocks have come down, so have the estimates and multiples have not contracted that much. We conclude that there is still room for multiple contraction in the industry and, therefore, downside to the group.

Exhibit 11: Industry relative P/E over time
vs. the S&P 500



Source: FactSet, Goldman Sachs Research estimates

Exhibit 12: Industry EV/EBITDA over time



Average ('90 - '96) = 7.9x; Average ('97 - '07) = 10.3x; Current multiple = 9.4x

Includes: DJ, GCI, NYT, TRB and MNI (KRI prior to MNI acquisition of KRI)

Source: FactSet, Goldman Sachs Research estimates

In exhibit 13, we offer a simplistic measure of where the newspaper stocks might bottom (based on current estimates) given historic trading patterns. We estimate that the group will need to decline another 14% (again emphasizing that this is based on current estimates and does not take into account the previously mentioned risk to numbers) to begin to look interesting as value stories. Our estimates are based on a 10% discount to the S&P 500 and an EBITDA multiple of 7.0x, which would represent the trading lows highlighted in exhibits 11 & 12.

Exhibit 13: At what levels do newspaper stocks become value stories?
[Enter exhibit descriptor here]

	Price	Current Valuation(1)		Target Valuation(5)		------------------Implied Price------------------				Variance from
	6/27/07	P/E	EV/EBITDA	P/E (2)	EV/EBITDA (3)	P/E	EV/EBITDA	LBO (4)	Wtd. Avg.	current price
Newspapers						40%	40%	20%		
Belo	21.06	20.1x	9.4x	14.5x	7.0x	$18.14	$14.81	$16.59	$16.50	-21.7%
Gannett	55.45	12.5x	8.1x	14.5x	7.0x	$65.70	$48.57	$52.48	$56.20	1.4%
Journal Communications	13.13	19.3x	8.3x	14.5x	7.0x	$12.08	$12.11	NA	$12.09	-7.9%
McClatchy	25.28	15.2x	7.6x	14.5x	7.0x	$22.84	$24.58	$16.22	$22.21	-12.1%
New York Times	25.67	24.5x	9.6x	14.5x	7.0x	$14.15	$15.37	$15.28	$14.87	-42.1%
Tribune	29.70	16.9x	8.2x	14.5x	7.0x	$22.69	$32.53	$34.00	$28.89	-2.7%
									Average:	-13.5%
S&P500	1,506.34	16.1x	NA							

(1) Based on 2007E; companies with significant broadcast exposure (BLC, JRN, TRB) will see earnings benefit in 2008 from Olympic/Election cycle.
(2) 90% of S&P500 P/E, based on low-end of historic trading range
(3) EV/EBITDA valuation adjusted to reflect off balance sheet items (eg, value of joint ventures, etc.).
(4) LBO values computed based on projected FCF growth, 8% cost of debt, 6.5x debt/EBITDA leverage and 20% required rate of return. For TRB reflects $34 bid.
(5) Target valuations based on trough multiples over prior ten years

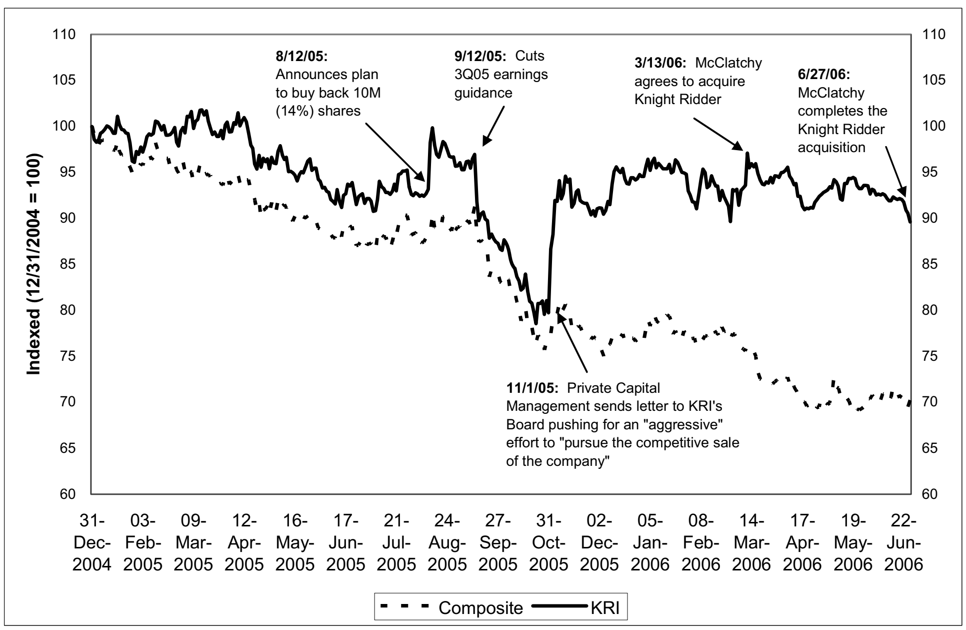
Source: Factset, Company data, Goldman Sachs Research estimates..

Restructuring activity as the wildcard

Restructuring activity, in the form of buyouts, recapitalizations or asset sales remains the wildcard in newspaper industry valuations. Over the past year, there have been several attempts by publishers to create shareholder value through restructuring, with continuing pressure from shareholders to do more. Given the variety of attempts and differing results, restructuring is a wildcard as these events are near impossible to predict. For example:

- Shareholders at Private Capital Management forced Knight Ridder to put itself on the auction block in November 2005, eventually leading to the sale of KRI to McClatchy in June of 2006. The ultimate takeover price represented no premium to where KRI shares were trading three months prior to the decision to pursue a sale of the company.

Exhibit 14: Knight-Ridder share price performance

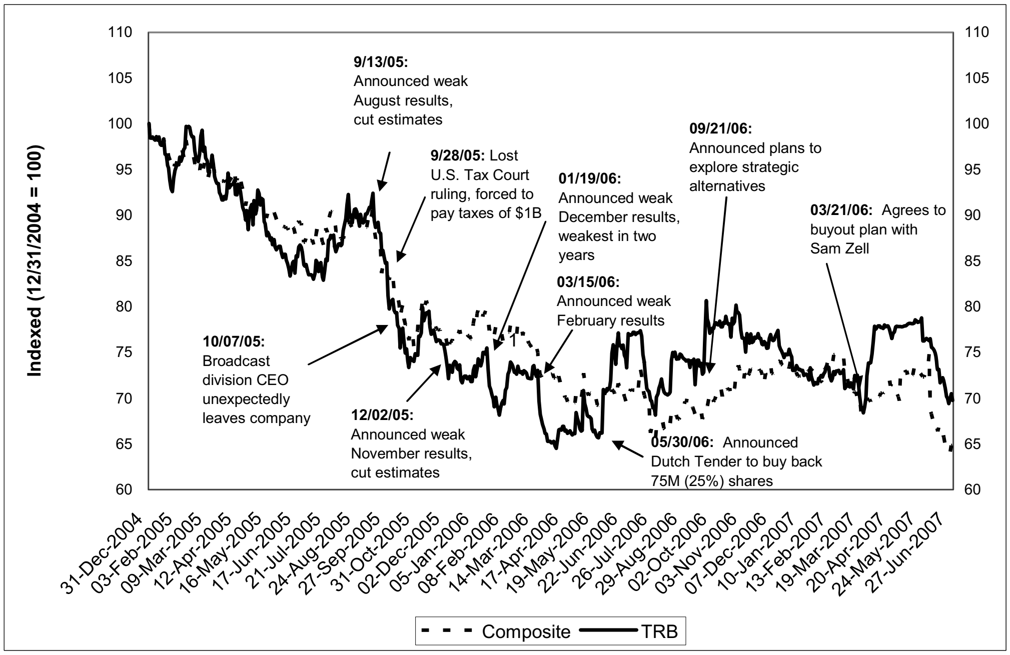


Source: Factset.

- Throughout 2006 and 2007, Morgan Stanley Investment Management (MSIM) has pressured The New York Times Company to change its dual share class structure and potentially pursue strategic alternatives. Management has consistently indicated that elimination of family control is unlikely.

- In May of 2006, Tribune announced a Dutch Tender offer to repurchase 25% of the company's shares outstanding and a restructuring that would yield $500 mn of asset sales and $200 mn in cost savings. This triggered a brief rally in the shares, but the stock soon fell back to close to where it was trading before the tender was announced. Subsequently, Tribune announced its intention to explore strategic alternatives, ultimately agreeing to go private through a partnership between a company's ESOP and investor Sam Zell at $34. This did not represent a meaningful premium to the company's stock price prior to the strategic review announcement.

Exhibit 15: Tribune share price performance



Source: Factset.

- On May 1, 2007, Dow Jones received a bid from News Corporation at $60/sh, a meaningful premium to its $36 stock price at the time.

With the exception of the News Corporation bid for Dow Jones, none of the restructuring transactions to date in the newspaper sector have been meaningfully value-accretive for shareholders. Our view continues to be that on a long-term basis operating fundamentals will always trump takeover/restructuring speculation. While there will undoubtedly be further consolidation in the newspaper industry, recent experience suggests that generally that does not translate into improved valuations for the stocks.

Exhibit 16: Notable deals in the newspaper sector

Date	Buyer	Seller	Levered Value ($mm)	Daily Circ (000s)	Multiples LTM Sales	Multiples EBITDA	Property
May-07	Dow Jones	Acquired eFinancial News Holdings, eFinancialNews. com web site and related assets	52		1.7x	10.4x	Net cash of £26.1M ($51.8M). Estimated reveneus and EBITDA of $30M and $5M, respectively.
Apr-07	Company ESOP in conjunction with investor Sam Zell	Tribune Company	13,228		2.4x	9.9x	Tribune company, publisher of The Los Angeles Times, The Chicago Tribune, 11 other daily nespapers as well as 23 broadcast television stations.
Jan-07	Courtside Acquisition Corp.	Spire Capital Partners LLC, Wachovia Capital Partners and members of American Community Newspapers LLC	165		3.1x	13x	60 weekly suburban newspapers, three dailies and 10 niche publications
Dec-06	Avista Capital Partners	McClatchy	530	361		7.4x	Minneapolis Star Tribune
Dec-06	Dow Jones	Reuters - 50% ownership stake	185		1.6x	8.2x	Dow Jones purchased the 50% of Factiva the company didn't already own from Reuters.
Oct-06	Community Newspaper Holdings	Dow Jones	283			11.0x	6 newspapers: News-Times (Danbury Conn); The Daily Star of Oneonta, N.Y.; Press-Republican of Plattsburgh, N.Y.; Santa Cruz (CA) Sentinel; The Daily Item of Sunbury, PA; Traverse City (Mich.) Record-Eagle
Jun-06	McClatchy	Knight-Ridder	4,700		2.4x	9.9x	32 newspapers, with 12 subsequently sold. Multiples based on gross proceeds (pretax) from asset sales. Multiples are 2.8x revenues and 11.4x EBITDA if effective purchase price computed based on net proceeds (after tax) from asset sales. $4.7B purchase price based on after tax proceeds from divestitures; $4.1B if based on gross proceeds.
Dec-05	Yellow Pages Group	Trader Media	377		3.3x	10.2x	Canadian based, 65 print titles specializing in classified advertising
May-05	Fortress Capital	Liberty Group Publishing (Leonard Green Partners)	530		2.6x	10.3x	300 community newspapers and shoppers with smaller circulation (less 20K)
Jan-05	Lee Entreprises	Pulitzer	1,460		3.3x	13.0x	14 dailies and 100+ weekly publications, bought PTZ for $64/share
Jan-05	New York Times Co.	Metro USA	17	300	NA	NA	49% stake in Metro USA's Metro Boston, a free daily in the Boston area targeting well-educated young

Source: Company data, Goldman Sachs Research estimates.

Company specifics

We are downgrading McClatchy and New York Times to Sell

McClatchy

As the largest pure-play newspaper company, we expect McClatchy to be impacted the most by the lowering of our growth expectations. With no broadcast division to offset newspaper industry declines in the 2008 political/Olympic cycle, our estimates on McClatchy have come down 18% and 22% for 2008 and 2009, bringing our P/E, EV/EBITDA and LBO valuation-based 12-month price target to $21 from $25. Despite an appealing deleveraging story and cost synergies associated with the Knight Ridder acquisition, in an environment of top-line decline, we believe margins will remain under pressure and that estimates across the street remain too high. We expect 2Q earnings, reported in July, and the consequent estimate cuts will be next catalyst to drive the stock lower.

Risks to our call: (1) A more rapid deleveraging of the balance sheet than expected could drive earnings growth higher, mitigating the declines in the company's print business (2) given the company's heroic cost control efforts, a turnaround in newspaper ad revenue growth would be leveraged into positive earnings momentum.

New York Times

We have removed the Not Rated designation from The New York Times Company shares. The New York Times has been added to the Americas Investment Sell List with a price target of $18. Though the New York Times has one of the strongest franchises in the industry and some of the strongest digital assets, its top line performance has been plagued by troubles in the national category and specific issues in the Massachusetts markets. Despite impressive cost cutting efforts, we believe that the company will see a downward bias in earnings estimates until digital initiatives or a meaningful uptick in national ad revenue can restore the top line to positive growth. Our P/E, EV/EBITDA and LBO valuation-based 12-month price target is $18, meaningfully lower than the current $25, which we believe has restructuring speculation priced in. Second quarter earnings, reported in July, will be the next downside catalyst as we believe expect more negative news about the state of the ad market and street estimates are likely to move lower.

The risk to our call: Though the Sulzberger family has control of the company and has shown no signs of willingness to sell, we have learned in the case of Dow Jones to never say never. Our fundamental call values the company in the high teens, but we do recognize that with a franchise as unique as The New York Times, a bidder could possibly emerge, offering a meaningful premium to current levels.

We are upgrading Journal Communications to Neutral from Sell

Journal Communications

We are upgrading our rating on Journal Communications to Neutral from Sell as we are encouraged by the divestitures implemented during the first half of the year and believe the company's earnings will be driven by improving broadcast results. The successful sale of the Norlight Telecommunications business in the first quarter of this year eliminates what had been a substantial drag on the company's operating results and was one of the reasons for our downgrade in early 2006. More recently, we are encouraged by management's decision to sell the community newspapers and shoppers clusters in Connecticut, Vermont and Louisiana. The sale of these newspapers should allow management to focus on improving margins for the remaining community publishing newspapers.

In 2005, the last non-political year for broadcasting, Journal Communications 10 television and over 30 radio stations accounted for only 33% of the company's operating income. Factoring in the sale of the telecommunications business and the acquisition of three television stations late in 2005, the percentage of operating income attributable to broadcasting climbs to 56% in 2007 and we expect should top 60% in the presidential election year of 2008. We expect strong results from the broadcast assets in 2008 to offset the weakness we are forecasting for the entire publishing industry. Therefore, we expect earnings performance from Journal Communication over the next 12-months that is inline with its peer group.

We are raising our 12-month P/E and EV/EBITDA based price target to $14 from $11 per share. The increase is a function of rolling our price target calculations to 2008 from 2007. Due to the weakening fundamentals in the newspaper industry, we cut our 2008 and 2009 EPS estimates to $0.83 and $0.74 from $0.89 and $0.81, respectively.

The risk to our call: (1) Worse than expected newspaper advertising revenue declines, (2) weaker than expected political revenues in 2008 for broadcasting, or (3) an unexpected further deterioration of the Milwaukee advertising marketplace.

As indicated in Exhibit 16 below, the shares of Journal Communication are up only a fraction, +0.2%, from when we downgraded the stock to Sell on January 17, 2006, significantly underperforming the 17.4% increase in the S&P500 over the same time period. Over 12 months, JRN shares were up 17% versus the S&P 500 which was up 20.8%.

Exhibit 17: Share price performance versus peer group
Prices as of the close on 06/28/2007

Company	Ticker	Primary analyst	Price as of 06/28/07	Price performance since 01/17/06	3 month price performance	6 month price performance	12 month price performance
Americas Publishing Peer Group							
Journal Communications Inc.	**JRN**	**Peter M. Salkowski**	**13.10**	**0.2%**	**2.0%**	**3.5%**	**17.0%**
Belo Corp.	BLC	Peter P. Appert, CFA	20.79	-6.0%	12.3%	11.5%	28.8%
Dow Jones & Company	DJ	Peter P. Appert, CFA	57.80	48.5%	69.0%	51.3%	69.3%
E.W. Scripps Co.	SSP	Peter P. Appert, CFA	45.85	-7.5%	3.1%	-9.1%	6.0%
Gannett Company, Inc.	GCI	Peter P. Appert, CFA	55.09	-15.0%	-1.7%	-9.9%	-0.2%
GateHouse Media, Inc.	GHS	Peter P. Appert, CFA	18.57	NA	-6.6%	-0.1%	NA
Idearc Inc.	IAR	Peter M. Salkowski	35.29	NA	3.3%	22.7%	NA
Monster Worldwide, Inc.	MNST	Peter P. Appert, CFA	41.48	-3.5%	-13.2%	-11.4%	1.1%
R.H. Donnelley Corp.	RHD	Peter M. Salkowski	75.10	25.5%	4.2%	19.4%	43.5%
Solera Holdings, Inc.	SLH	Peter P. Appert, CFA	19.37	NA	NA	NA	NA
The McClatchy Co.	MNI	Peter P. Appert, CFA	25.54	-56.6%	-18.6%	-40.9%	-34.5%
The New York Times Co.	NYT	Peter P. Appert, CFA	25.44	-8.4%	9.0%	4.7%	7.2%
Tribune Company	TRB	Peter P. Appert, CFA	29.40	-6.8%	-5.6%	-6.3%	-9.3%
S&P 500			1505.71	17.4%	6.2%	5.7%	20.8%

Note: This table shows movement in absolute share price and not total shareholder return.
Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Quantum database.

We are maintaining our Buy on GateHouse Media

GateHouse Media

A unique financial model, focused on free cash flow maximization and dividend growth, makes GateHouse Media the most appealing investment story among the otherwise lackluster pure-play newspaper publishers, in our view. Modest organic growth supplemented by an aggressive acquisition strategy is driving healthy growth in free cash flow and the company's high dividend yield will be the key driver of the stock's performance. We believe the GateHouse model of high dividend payout makes sense in context of the industry's modest growth potential. Given the company's dividend focus, we believe yield is the proper valuation metric for GateHouse, rather than the more typical industry metrics of P/E or EV/EBITDA. Our $25 12-month price target is based on an assumed yield of 6.5% on a dividend of $1.60 per share.

We are maintaining Neutral ratings on Belo, Gannett, Scripps and Tribune

Belo

Our P/E, EV/EBITDA and LBO valuation-based 12-month price target moves up to $20 from $16 on Belo, as the roll forward of our price target to 2008 estimates benefits from expected strong political advertising offset some by lowered publishing segment expectations. We expect the company's 20 broadcast television stations to account for nearly three-fourths of the company's EBITDA in 2008, up from nearly two-thirds in 2007. Our new price target is slightly below the stock's most recent closing price as we believe there is restructuring speculation priced into the stock. It is our view that over time fundamentals trump takeover speculation and that $20 represents fair value under current conditions.

Gannett

Given lower revenue and earnings estimates, we are cutting our P/E, EV/EBITDA and LBO based 12-month price target to $56 from $59.

Scripps

We are maintaining our sum of the parts based valuation of $45 on Scripps. We have lowered our newspaper segment expectations for Scripps, but lowered expectations are offset by rolling forward to focus on 2008.

Tribune

Our $34 price target and Neutral rating on Tribune are based on the takeover price announced for the deal to take Tribune private at $34 per share. We expect the deal to close in the fourth quarter of this year. With the stock trading below $30, the market is implying that the deal may be in jeopardy or the buyout price could be lowered. We believe the deal will be done, but we do not have a particular edge as to the likelihood that the price is reduced. With industry fundamentals weakening more rapidly than expected, there is the possibility that the company will not be able to service the high levels of debt it intends to take on, which could warrant a lower purchase price (therefore lower debt load).

Comp tables

Exhibit 18: Newspaper comp table - Earnings estimates and valuation statistics

$ in millions, except per share data

Company Name	Rating	Price 6/29/07	Target *Price*	Earnings Estimates: EPS 2006A	EPS 2007E	EPS 2008E	EBITDA 2007E	EBITDA 2008E	Revenue 2007E	Revenue 2008E	Est. Source	FY
Newspapers												
Belo Corporation (BLC)	Neutral	20.59	20.00	1.19	1.05	1.25	361	392	1,518	1,577	GS	Dec
Dow Jones (DJ)	NR	57.45	NA	1.12	1.46	1.67	323	354	2,106	2,176	GS	Dec
Gannett (GCI)	Neutral	54.95	56.00	4.90	4.44	4.54	2,123	2,106	7,702	7,711	GS	Dec
GateHouse Media (GHS)	Buy	18.55	25.00	0.11	0.32	0.57	135	171	606	717	GS	Dec
Journal Comm. (JRN)	Neutral	13.01	14.00	0.80	0.68	0.83	119	132	648	667	GS	Dec
Journal Register CO. (JRC)	NC	4.48	NA	0.88	0.61	0.61	102	98	476	470	FC	Dec
Lee Enterprises (LEE)	NC	20.86	NA	1.91	1.68	1.78	278	278	1,130	1,130	FC	Sep
McClatchy (MNI)	Sell	25.31	21.00	3.15	1.67	1.58	563	522	2,305	2,258	GS	Dec
Media General (MEG)	NC	33.27	NA	2.85	1.20	2.18	188	223	988	1,054	FC	Dec
New York Times (NYT)	Sell	25.40	18.00	1.42	1.05	0.98	511	468	3,240	3,241	GS	Dec
Scripps (SSP)	Neutral	45.69	45.00	2.39	2.15	2.54	821	936	2,584	2,799	GS	Dec
Tribune (TRB)	Neutral	29.40	34.00	2.02	1.76	1.57	1,184	1,170	5,184	5,164	GS	Dec
Washington Post (WPO)	NC	776.09	NA	32.07	36.57	38.08	708	784	4,106	4,372	FC	Dec
Average		***86.54***		***4.22***	***4.20***	***4.48***	***570***	***587***	***2,507***	***2,564***		

Company Name	Valuation Statistics: P/E ratio 2007	P/E ratio 2008	EV/EBITDA 2007	EV/EBITDA 2008	EV/Revenue 2007	EV/Revenue 2008	Div.	Div. Yield	PEG Ratio	Growth: 3-5 Year GS	3-5 Year IBES
Newspapers											
Belo Corporation (BLC)	19.7x	16.4x	9.4x	8.6x	2.2x	2.1x	0.50	2.4%	4.9 x	4.0%	7.3%
Dow Jones (DJ)	39.3x	34.4x	16.5x	15.1x	2.5x	2.5x	1.00	1.7%	2.6 x	15.0%	12.8%
Gannett (GCI)	12.4x	12.1x	8.1x	8.1x	2.2x	2.2x	1.24	2.3%	3.1 x	4.0%	7.3%
GateHouse Media (GHS)	58.8x	32.5x	16.4x	12.9x	3.6x	3.1x	1.60	8.6%	NA	6.8%	5.4%
Journal Comm. (JRN)	19.1x	15.6x	8.3x	7.5x	1.5x	1.5x	0.30	2.3%	4.8 x	4.0%	3.9%
Journal Register CO. (JRC)	7.4x	7.3x	8.2x	8.4x	1.7x	1.8x	0.08	1.8%	2.2 x	NA	3.3%
Lee Enterprises (LEE)	12.4x	11.7x	8.7x	8.7x	2.2x	2.2x	0.72	3.5%	2.9 x	NA	4.3%
McClatchy (MNI)	15.2x	16.0x	7.6x	8.2x	1.9x	1.9x	0.72	2.8%	3.8 x	4.0%	6.3%
Media General (MEG)	27.7x	15.2x	9.1x	7.7x	1.7x	1.6x	0.92	2.8%	NA	NA	NA
New York Times (NYT)	24.3x	26.0x	9.6x	10.5x	1.5x	1.5x	0.92	3.6%	6.1 x	4.0%	5.8%
Scripps (SSP)	21.2x	18.0x	10.6x	9.3x	3.4x	3.1x	0.56	1.2%	2.6 x	8.2%	10.1%
Tribune (TRB)	16.7x	18.7x	8.2x	8.3x	1.9x	1.9x	0.54	1.8%	4.2 x	4.0%	7.2%
Washington Post (WPO)	21.2x	20.4x	10.6x	9.5x	1.8x	1.7x	8.20	1.1%	2.3 x	NA	9.3%
Average	***22.7x***	***18.8x***	***10.1 x***	***9.5x***	***2.2x***	***2.1x***	***1.33***	***2.8%***	***3.6 x***	***6.0%***	***6.9%***

Source: Company data, Goldman Sachs Research estimates.

Exhibit 19: Newspaper comp table - Performance, returns and balance sheet data

$ in millions, except per share data

Company Name	Price Performance: 52 Week High	52 Week Low	% Change YTD	% Change vs High	% Change 2006	Market Cap.: Shares Out.	Market Value	Enterprise Value
Newspapers								
Belo Corporation (BLC)	22.94	14.93	13.2%	-9.4%	-14.2%	102	2,152	3,383
Dow Jones (DJ)	61.76	32.16	52.1%	-6.4%	7.1%	84	4,907	5,345
Gannett (GCI)	63.50	51.65	-8.9%	-13.2%	-0.2%	235	13,014	17,106
GateHouse Media (GHS)	22.25	17.87	0.1%	-16.5%	NA	38	728	2,206
Journal Comm. (JRN)	14.00	10.05	3.9%	-6.4%	-9.6%	68	887	990
Journal Register CO. (JRC)	9.45	4.46	-38.4%	-52.4%	-51.2%	39	176	829
Lee Enterprises (LEE)	35.65	20.50	-32.1%	-40.8%	-15.8%	46	972	2,441
McClatchy (MNI)	44.95	24.20	-41.0%	-43.2%	-26.7%	82	2,072	4,266
Media General (MEG)	43.94	32.32	-10.3%	-24.1%	-26.7%	24	804	1,719
New York Times (NYT)	26.90	21.54	4.4%	-5.4%	-7.9%	144	3,694	4,895
Scripps (SSP)	53.39	40.86	-8.2%	-14.1%	4.0%	164	7,217	8,685
Tribune (TRB)	34.28	28.59	-4.5%	-14.2%	1.7%	241	7,145	9,715
Washington Post (WPO)	796.00	690.00	4.0%	-2.6%	-2.5%	10	7,390	7,471
Average	***94.54***	***76.09***	***-5.1%***	***-19.1%***	***-11.8%***	***98***	***3,935***	***5,312***

Company Name	Volume Statistics: Avg. Daily Volume	Short Interest This Mo	Short Interest Last Mo	Short Interest Last Yr	Return & WACC: WACC	ROIC 2006E	ROIC/ WACC	Balance Sheet: Debt	Cash	Debt/ 07 EBITDA	Date
Newspapers											
Belo Corporation (BLC)	706,611	12	10	5	6.8%	5.5%	0.8 x	1,283	53	3.6 x	3/07
Dow Jones (DJ)	1,414,039	4	5	4	10.3%	52.7%	5.1 x	508	70	1.6 x	3/07
Gannett (GCI)	1,373,271	4	3	4	6.7%	14.5%	2.2 x	5,482	1,391	2.6 x	3/07
GateHouse Media (GHS)	NA	NA	NA	NA	6.3%	3.0%	0.5 x	1,483	4	11.0 x	12/06E
Journal Comm. (JRN)	246,328	16	16	5	7.2%	8.2%	1.1 x	109	6	0.9 x	3/07
Journal Register CO. (JRC)	392,983	15	11	8	NA	NA	NA	656	4	6.5 x	3/07
Lee Enterprises (LEE)	311,930	12	9	6	NA	NA	NA	1,480	11	5.3 x	3/07
McClatchy (MNI)	541,140	18	9	9	7.3%	NA	NA	2,756	563	4.9 x	3/07
Media General (MEG)	181,363	16	8	6	NA	NA	NA	929	15	4.9 x	3/07
New York Times (NYT)	1,410,159	11	13	11	6.6%	6.8%	1.0 x	1,392	190	2.7 x	3/07
Scripps (SSP)	635,147	3	2	2	6.7%	13.2%	2.0 x	746	(722)	0.9 x	3/07
Tribune (TRB)	1,972,442	3	3	3	6.3%	5.5%	0.9 x	4,956	2,386	4.2 x	3/07
Washington Post (WPO)	14,728	7	6	4	NA	NA	NA	405	325	0.6 x	3/07
Average	***766,678***	***10***	***8***	***5***	***7.1%***	***13.7%***	***1.7 x***	***1,707***	***330***	***3.8 x***	

Source: Company data, Goldman Sachs Research estimates.

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Reg AC

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Coverage group(s) of stocks by primary analyst(s)

Peter P. Appert, CFA: America: Media: Newspapers and Directories, America: Media: Publishing and Information Services. Peter M. Salkowski: America: Media: Newspapers and Directories.

America: Media: Newspapers and Directories: Belo Corp., Dow Jones & Company, E.W. Scripps Co., Gannett Company, Inc., GateHouse Media, Inc., Idearc Inc., Journal Communications Inc., The McClatchy Co., Monster Worldwide, Inc., The New York Times Co., R.H. Donnelley Corp., Tribune Company.

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	Rating Distribution			Investment Banking Relationships		
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Price target and rating history chart(s)

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