

SAN DIEGO READER

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Strike Three at Copley?

By Don Bauder

Copley Press sold the *Union-Tribune* cheap but for good reasons: it was doing even worse than other ailing metro

newspapers. Now the company, the last remnant of the old newspaper empire, is sell-

got juicy prices — at least in retrospect — for its holdings.

In March of last year, the



James S. Copley Library, La Jolla



Harold Fuson



David Copley

PHOTOGRAPH BY JOE KLEIN

ing the rest of its assets into weak markets.

It wasn't always so: when it started breaking up the company four years ago, it

company basically paid Beverly Hills-based Platinum Equity to take over the *Union-Tribune* by selling the buyout firm San Diego real estate

worth around \$100 million for a bit over \$50 million. For example, Platinum paid \$35.5 million for the Mission Valley headquarters, which had an assessed valuation of \$91.3 million. Copley sold Platinum several other buildings cheap too, although Platinum has already sold one of them at a loss in this dismal commercial real estate market.

There are a number of reasons for the low prices, but one has been spelled out by

none other than Hal Fuson, who took over as chief operating officer in June of 2007. On his Facebook page, Fuson admits that during his incumbency, the company's cash flow plunged "to almost nothing." Cash flow is cash receipts less cash payments — money in, money out. The new Platinum management told

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employees that the company was about to go into the red under Copley, but to my knowledge, this is the first time the old management has admitted it.

On Facebook, Fuson went on to say that "the great majority of newspapers remain profitable on a cash operating basis." Ergo, the *Union-Tribune* was doing worse than its peers. (Many newspaper chains have gone bankrupt, but that has been almost entirely because of excessive debt, Fuson said correctly.)

The revelation was not surprising. San Diego is the nation's 17th-largest market. The *U-T*'s daily circulation was only 24th among metro dailies last fall. (Take away the nationally circulated *Wall Street Journal* and *USA Today*, and the *U-T* results are still poor.)

I asked some former top officials of the *U-T* about the underperformance. "We should have done some [personnel] cutting earlier," says one. "Many times we ramped up for cutting, but David Copley didn't want to do it."

David Copley also dragged his feet on selling Casa del Zorro in Borrego Springs. It had been a hideaway for his mother and father. David had recovered from his heart transplant there, promising at least one employee he would never sell it. Top management was dying to dump it because it was a huge drain on profits. The entrepreneur whose investment group bought it (and couldn't revive it) says it was losing \$5 million a year. Although Casa had valuable assets, Copley got only \$4.5 million for it.

Copley Press reacted very slowly to craigslist, which eventually stole the classified ad business from the big dailies. The company didn't wake up to what Monster.com would do to personnel ads, either. "I remember sitting in a meeting when craigslist came up," says a former top manager. "Somebody said it was probably some kid in a garage."

There were economic factors. The housing crash hit San Diego harder than most other cities. This affected real estate sales and severely dented related markets such as furniture and appliances.

Karin Winner, *U-T* editor, did not get along with Gene

Bell, *U-T* president, but Winner had David Copley's ear. As a result of the animosity, the newspaper took too long to integrate its print and online operations.

Ed Moss, current president and publisher, doesn't address former management's deficiencies but points to what his team is doing. "New partnerships with 10News, Cox Communications, and Monster are just a few of the ways we've added content," he says. Companies large and small can now make more efficient advertising buys, he says. He expects that with these changes, the *U-T* can "sustain profitability."

Fuson is on the board of Copley Press. Dean Dwyer is its chief financial officer. I asked both why the company had underperformed and how it might do in its upcoming asset sales. Neither would talk. I asked Fuson about his Facebook remarks, too, and got the silent treatment.

But here's the rundown, as far as I can determine: In 2006, Copley Press sold the *Daily Breeze* of Torrance for a good price: \$25 million. Separately, Copley sold the real estate for another \$14 million to \$16 million. Home run.

Then in 2007, the company sold its money-losing Ohio and Illinois papers for well over \$380 million in cash to GateHouse Media, which soon collapsed under the weight of debt piled up in a poorly plotted and ill-timed acquisition binge. Copley said that some of the proceeds would go toward settling the estate of the late Helen Copley. That suggested that luck might have been involved in the timing. Still, in hindsight, it was a home run with the bases loaded.

Then the company went down swinging on three pitches. In mid-2008, as the financial crisis billowed, it said it might sell the *U-T*. The deal was announced on March 18, 2009, and consummated May 4. On May 4, McClatchy stock was selling for 62 cents; Monday it was going for \$5.19.

A.H. Belo was at \$1.68 and Monday was at \$7.67. Lee Enterprises, owner of the *North County Times*, was at 64 cents and Monday was at \$3.68. E.W. Scripps was at \$1.89 and Monday was at \$9.04. Admittedly, the overall stock market took off on a liquidity-fueled toot in March of 2009, but newspaper stocks have risen far more rapidly than the general market. The conclusion is inescapable: Copley sold the *U-T* near the bottom of the newspaper market.

Now it is selling the contents of the Copley Library, along with the building itself at 1134 Kline Street, La Jolla. The collection is a magnificent one, containing such items as a broadside of the Declaration of Independence, worth perhaps \$800,000, and a letter from Abraham Lincoln to one of his generals, possibly worth \$700,000. Sotheby's will sell the items at four auctions beginning April 14 and ending a year later.

"A lot of people are hurt and angry" that the collection is leaving San Diego, says a La Jolla socialite, who thinks the contents should have been donated to a local institution. Prices for Americana are down about 30 percent now, "but that's not necessarily true for books and manuscripts," says an expert in the field. "Some of these items will bring huge, huge prices."

The library building in La Jolla was originally advertised for \$5.4 million as a possible home. "We're in escrow," says Rob Insinger of Prudential California Realty. The potential buyer "plans on using it for a library collection open to the public."

The company put its La Jolla headquarters building at 7776 Ivanhoe on the market last fall. The price has been reduced from \$11.5 million to \$9.85 million, says Mike Slatery of Cassidy Turley BRE Commercial. "Most people are looking at using some space for themselves and dividing it and remodeling for small tenants," he says.

The company is trying to

sell 22 acres next to the late Helen Copley's Foxhill estate for \$22 million. But it won't become a multihome development, says Greg Noonan of Prudential California Realty. "We would hope that we would find a buyer wanting a single parcel for a dream home or subdivide it into five or seven lots. There would be a tremendous amount of opposition if somebody wants to have density."

Does David Copley need the money? After all, his \$33 million yacht has a large staff. He is probably not hurting financially. He is remodeling Foxhill, and most think he has no intention of selling it. ■