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Prospective owners say Gannett rejected offer to buy Citizen

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Gannett Co., Inc. has rejected the latest offer by Santa Monica Media Co. LLC., to buy the Tucson Citizen.

Stephen Hadland, CEO of the company and publisher of the Culver City (Calif.) Observer, confirmed that Gannett, which owns the Citizen, "has indeed rejected our latest offer."

"We felt that it was a bona fide offer for the assets being offered," Hadland said. He declined to say what the offer was.

Hadland has been a behind-the-scenes bidder in the process through David Ganezer, publisher of the Santa Monica Observer, a paper in which Hadland is an investor.

Santa Monica Media Co. owns four weekly newspapers in the western Los Angeles area and one weekly publication that serves only to publish legal notices, Hadland said.

Ganezer told The Associated Press on Friday that despite the rejection, negotiations are continuing. Hadland could not confirm that.

"Negotiations are interesting things," Hadland said. "Sometimes when people aren't talking to you, they're talking to you. Our last correspondence was that (Gannett) saw nothing further to talk about. But that being said, I still believe the Citizen will ultimately be sold."

Hadland said he based that assumption on research he's done.

"Over the past few months, I've found the Citizen to be a much-beloved newspaper, much like the Honolulu Star-Bulletin," he said. "David Black has done a good job making that a viable paper. The same can be said for the Citizen."

Online archives of the Honolulu Star-Bulletin newspaper show that Hadland was a bidder for that paper in 2000. Liberty Newspapers, the then owner of the Star-Bulletin, was in a joint operating agreement with the Gannett-owned Honolulu Advertiser.

Liberty attempted to close the Star-Bulletin in exchange for \$26 million from Gannett. The federal government intervened and forced a sale of the paper. David Black, a Canadian publishing magnate who recently became part-owner of the San Diego Union-Tribune, was the buyer.

A spokesperson for the U.S. Department of Justice, which began investigating Gannett's sale of the Citizen in January, would say only that the investigation is continuing when contacted about Santa Monica Media Co.'s rejected offer.

Tara Connell, spokeswoman for Gannett, did not return e-mails or phone calls about the situation.

Citizen interim editor Jennifer Boice said the Citizen will publish next week.

Phoenix businessman Mike Hamila, another person who had been identified as a prospective buyer, no longer appears to be in active negotiations to buy the Citizen.

But when contacted Friday, he could not confirm that, saying that he understood the nondisclosure agreement he signed with Gannett was permanent.

Gannett announced Jan. 16 that "assets" of the 138-year-old Citizen would be sold. Those assets were defined as the archives, the name and the Tucson Citizen Web domain name.

Company officials said then that if the paper wasn't sold, it would close March 21.

On March 17, Gannett announced that "very serious parties had come forward with bids and the company was in negotiations with them. At that point the paper went to a day-by-day publishing status.

Gannett is not selling its 50-percent interest in the joint operating agreement it has with the Arizona Daily Star.

The Citizen and the Star, owned by Lee Enterprises Inc., have had a JOA since 1940. Under the agreement, each paper produces independent editorial and news content, while production, distribution, advertising and other non-news operations are handled by a third corporation, Tucson Newspapers. The papers share equally in the profits from Tucson Newspapers operations.

Assistant City Editor Mark Evans contributed to this article

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