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Bankruptcy at The Bee, but what next?

BY **JEFF VONKAENEL** / jeffv@newsreview.com

I was not surprised that Sacramento-based McClatchy, which publishes The Sacramento Bee and 29 other newspapers, filed for voluntary Chapter 11 bankruptcy last week.

But it was still a shock to see the announcement that the proud 163-year family-controlled institution that has done so much for Sacramento will be no more. The family and stockholders' equity, once valued in the billions, is gone.

The future of The Sacramento Bee and the other McClatchy newspapers now depends on a reorganization plan that includes having the federal Pension Benefit Guaranty Corp. take over McClatchy pension obligations to 24,500 former and current employees. As of March 2019, the pension fund was underfunded by \$535 million. McClatchy offered to pay \$3.3 million a year for 10 years and give the PBGC a 3% equity stake in the company. But McClatchy President and CEO Craig Forman said that the PBGC has requested "a materially larger stream of cash payments over 10 years and a materially larger percentage of equity ownership."

However, in a statement, Forman said that "While there is still more work to be done, we are pleased with the progress to date, and are appreciative of our ongoing dialog with our lenders and the PBGC. Moreover, we expect there will be no adverse impact on qualified pension benefits for substantially all of the plan's participants and beneficiaries."

Reading Forman's predictions, I suspect that had the Forman house burned down, he would send out a Christmas letter saying how his family was enjoying the beautiful views previously hidden by the walls and roof.

We will see if there are no adverse impacts to pensioners. One adverse impact that I am concerned about is the change in ownership to Chatham Asset Management. The McClatchy family had

a real commitment to quality journalism. The same can not be said about this hedge fund that, under the reorganization plan, will be McClatchy's controlling owner.

Chatham also has a controlling interest in American Media, which owns National Enquirer. This publication suppressed negative stories about President Donald Trump, has questionable dealings with the Saudis and has been accused by Amazon CEO Jeff Bezos of blackmail. Troubling, to say the least. How will Chatham's ownership impact McClatchy's excellent investigative reporting? We shall see.

I hope that The Bee continues to provide excellent journalism, even though its editorial staff is only a small fraction of what it used to be. The Bee still has some incredible, hardworking, experienced reporters and editors doing great work. Our community benefits from the work of Cathie Anderson, Tony Bizjak, Marcos Breton, Dale Kasler, Ryan Lillis, Jack Ohman, Sam Stanton and others.

But when McClatchy announced its fourth quarter revenue numbers, they were down \$29 million, or 14% compared to a year ago. Even if they are able to shed their pension obligations and their outstanding debts, McClatchy and The Bee will not survive unless they can solve their revenue problem. They have pinned their hopes on digital transformation, but it is doubtful that digital revenues will be enough to support a robust editorial team.

In other communities, wealthy benefactors have stepped up. The Washington Post, the Los Angeles Times and the Boston Globe were each saved by a wealthy person with a commitment to journalism.

Perhaps that can happen here. ☐

Jeff vonKaenel is the president, CEO and majority owner of the News & Review.