

## Koch brothers eye Tribune Co.

By: Liz Hester – April 22, 2013

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Koch Industries, controlled by billionaires Charles and David of the same name, is now looking to expand their reach to the media, something new for the conglomerate.

Here's the story from the New York Times:

Other than financing a few fringe libertarian publications, the Kochs have mostly avoided media investments. Now, Koch Industries, the sprawling private company of which Charles G. Koch serves as chairman and chief executive, is exploring a bid to buy the Tribune Company's eight regional newspapers, including The Los Angeles Times, The Chicago Tribune, The Baltimore Sun, The Orlando Sentinel and The Hartford Courant.

By early May, the Tribune Company is expected to send financial data to serious suitors in what will be among the largest sales of newspapers by circulation in the country. Koch Industries is among those interested, said several people with direct knowledge of the sale who spoke on the condition they not be named. Tribune emerged from bankruptcy on Dec. 31 and has hired JPMorgan Chase and Evercore Partners to sell its print properties.

The papers, valued at roughly \$623 million, would be a financially diminutive deal for Koch Industries, the energy and manufacturing conglomerate based in Wichita, Kan., with annual revenue of about \$115 billion.

Politically, however, the papers could serve as a broader platform for the Kochs' laissez-faire ideas. The Los Angeles Times is the fourth-largest paper in the country, and The Tribune is No. 9, and others are in several battleground states, including two of the largest newspapers in Florida, The Orlando Sentinel and The Sun Sentinel in Fort Lauderdale. A deal could include Hoy, the second-largest Spanish-language daily newspaper, which speaks to the pivotal Hispanic demographic.

They're not the only ones looking at the media properties. Here are a few more details from the Wall Street Journal:

The Kochs are among several parties that have shown interest in Tribune's titles, the people said. Others include greeting-card magnate Aaron Kushner, who led a group that purchased the Orange County Register and six other Freedom Communications dailies last year. In an interview Sunday, Mr. Kushner reiterated his interest in a potential bid for all of the Tribune papers.

Koch Industries encompasses a vast array of mostly industrial businesses, from energy to paper milling, but to date has had little exposure to the media business.

The Koch brothers have been active funders of conservative causes such as the Americans for Prosperity political action committee, however, and Koch Industries has started its own website, KochFacts.com, to rebut what they see as inaccurate reporting about their activities.

Tribune, which emerged from Chapter 11 bankruptcy protection at the end of last year, hired Evercore Partners and JP Morgan in February to explore the sale of its newspapers.

The sale process is still in preliminary stages. Financial information on the papers is expected to go out next month, say people familiar with the situation. Formal bids wouldn't be expected until some time later.

A representative for Tribune said it "our long-standing policy is to decline to comment on any speculation involving the company or its media businesses."

The Times said the main competitor for the Los Angeles Times is a local group:

Koch Industries' main competitor for The Los Angeles Times is a group of mostly Democratic local residents. In the 2012 political cycle, Mr. Broad gave \$477,800, either directly or through his foundation, to Democratic candidates and causes, according to the Center for Responsive Politics. Mr. Burkle has long championed labor unions. President Bill Clinton served as an adviser to Mr. Burkle's money management firm, Yucaipa Companies, which in 2012 gave \$107,500 to Democrats and related causes. The group also includes Austin Beutner, a Democratic candidate for mayor of Los Angeles, and an investment banker who co-founded Evercore Partners.

"This will be a bipartisan group," Mr. Beutner said. "It's not about ideology, it's about a civic interest." (The Los Angeles consortium is expected to also include Andrew Cherng, founder of the Panda Express Chinese restaurant chain and a Republican.)

Apparently, the Tribune Co. is the preferred bidder for the newspapers, according to the New York Times:

At this early stage, the thinking inside the Tribune Company, the people close to the deal said, is that Koch Industries could prove the most appealing buyer. Others interested, including a group of wealthy Los Angeles residents led by the billionaire Eli Broad and Ronald W. Burkle, both prominent Democratic donors, and Rupert Murdoch's News Corporation, would prefer to buy only The Los Angeles Times.

The Tribune Company has signaled it prefers to sell all eight papers and their back-office operations as a bundle. (Tribune, a \$7 billion media company that

also owns 23 television stations, could also decide to keep the papers if they do not attract a high enough offer.)

Koch Industries is one of the largest sponsors of libertarian causes — including the financing of policy groups like the Cato Institute in Washington and the formation of Americans for Prosperity, the political action group that helped galvanize Tea Party organizations and their causes. The company has said it has no direct link to the Tea Party.

A lot of the concern about the politicizing of the media reminds me of similar concerns voiced when Rupert Murdoch bought The Wall Street Journal. If people with the means are able to buy coverage or editorial page space, then there is the risk that others' ideas won't be covered.

Murdoch did institute changes to the structure of stories but not to coverage. Let's hope that if the Koch brothers do win the Tribune properties, there won't be any meddling in the editorial policies.