
Hughes Hubbard & Reed

Hughes Hubbard Wins Battle for Digital First Over Bankrupt Publisher

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Hughes Hubbard & Reed won court approval for Digital First Media to buy bankrupt newspaper publisher Freedom Communications after the government blocked a sale to the higher-bidding Tribune Publishing in a drama-filled bankruptcy auction.

On March 21, U.S. Bankruptcy Judge Mark Wallace approved Digital First's \$52.3 million cash offer for the parent company of the Orange County Register and The Press-Enterprise of Riverside, California.

"Our deep affection for local news was the motivation for pursuing The Orange County Register and the Riverside Press-Enterprise," said Sharon Ryan, executive vice president of Digital First's Western region. "We understand how to make local news both meaningful and profitable."

The approval came just a few days after Tribune Publishing, owner of the Los Angeles Times, the Chicago Tribune and The San Diego Union-Tribune, won the bankruptcy auction with a cash bid of \$56 million. But the deal fell through after the U.S. Justice Department filed an antitrust suit just 24 hours later over concerns of a potential monopoly in Southern California.

On March 18, U.S. District Judge André Birotte Jr. granted the Department of Justice's (DOJ's) request for a temporary restraining order to block the sale. The DOJ argued the sale would harm competition and allow Tribune to raise advertising and subscription prices in Orange and Riverside counties. If the deal had gone through, Tribune would have controlled 98 percent of newspaper sales in Orange County and 81 percent of English-language newspaper sales in Riverside County, according to the DOJ.

Bill Kolasky, who represented Digital First, told The New York Times that the DOJ's action was unusual because, in his experience, lawyers most often consult with the government at earlier stages of a bankruptcy sale.

Digital First Media, which is based in Denver, owns more than 50 newspapers nationwide, including the Los Angeles Daily News, the San Jose Mercury News and The Denver Post.

In addition to The New York Times, the sale also made headlines in The Wall Street Journal, USA Today, the Los Angeles Times and Law360.

Kolasky and Katie Coleman led the Hughes Hubbard team, which included Jason Benton, Alex Spjute, John Dunn, Sigrid Jernudd, Brittany Cohen, Amina Hassan and Andy Schwenk. Jim Modlin provided sage counsel.

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