

# FACT SHEET: Alden Global Capital and the Destruction of Local News

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Alden Global Capital controls the MediaNews Group – formerly known as Digital First Media – a chain that owns 100 local and regional papers, including the Denver Post, San Jose Mercury News, The Trentonian, Orange County Register, St. Paul Pioneer Press, and the Boston Herald.<sup>i</sup>

Alden is known as a “vulture” hedge fund – a fund that buys distressed debt on a discount and then either converts it to equity upon bankruptcy or insists on full repayment, superseding the claims of workers, small creditors, and other stakeholders. Alden cobbled together the assets of the Journal Register Company and the Media News Group between 2009 and 2011 through stock purchases and conversion of debt to equity during bankruptcy.

The MediaNews Group (MNG) is one of America’s largest local and regional news chains, but complete information on its ownership is hidden through layers of Alden’s offshore shell companies.<sup>ii</sup>

Under Alden’s management, scores of MNG papers have been gutted, leaving only bare-bones staff to produce a shadow of previous coverage. Since Alden took over, staff at MNG newspapers has been cut by more than 66 percent. This pace is not sustainable.<sup>iii</sup> Research shows that communities with such diminished news coverage pay more for services (via an increase in municipal bond yields) and are at greater risk of political corruption.<sup>iv</sup>

Alden has sold much of the real estate associated with the local newspapers using its subsidiary Twenty Lake Holdings LLC.<sup>v</sup> Because Alden and Twenty Lake are private companies, we cannot assess the terms of these real estate deals. The sale of these assets reduces MNG collateral, especially important to secure financing during a future economic downturn.

Alden has turned MNG itself into a hedge fund, siphoning hundreds of millions of dollars of balance-sheet capital from newspapers for investments in mortgage-backed securities, Greek sovereign debt, Payless Holdings debt, and in various companies – Monster Worldwide Inc., Fred's Inc., and Peabody Energy Corp. – unrelated to the news industry.<sup>vi</sup> Alden admitted in court filings to carrying out this diversion of cash from struggling newspapers to Alden-administered investments.<sup>vii</sup>

In January 2019, Alden used its MNG subsidiary to buy \$41.3 million worth of shares in Gannett Co., Inc. to attempt to buy the company outright and then, when turned down by the Gannett board, engaged in a losing proxy fight for board seats. In August 2019, it bought \$74.3 million of shares at GateHouse Media to influence the GateHouse purchase offer of Gannett.<sup>viii</sup>

Alden has shown what appears to be serious lapses in its fiduciary responsibilities for MNG employee pensions. In 2016, 90% of the assets in the San Jose Mercury pension plan were invested in Alden funds rather than in a more diversified selection of investments.<sup>ix</sup> Not only was this a risky investment strategy, but those Alden funds under-performed the market, causing harm to pension participants. Alden and MNG are under investigation by the US Department of Labor for these alleged violations fiduciary duty.

The NewsGuild-CWA represents 500 workers at 13 MNG papers.

To learn more, see [www.dfmworkers.org](http://www.dfmworkers.org) and [aldenexposed.com](http://aldenexposed.com) | [@dfmworkers](https://twitter.com/dfmworkers) on Twitter and [www.facebook.com/dfmworkers](https://www.facebook.com/dfmworkers).

## ENDNOTES

<sup>i</sup> For a list of all MNG papers, see the MNG website: <https://www.medianewsgroup.com/our-brands/>.

<sup>ii</sup> Julie Reynolds, "The Alden Global Capital Crazy Wall," June 24, 2019: <https://dfmworkers.org/the-alden-global-capital-crazy-wall/>. The author examined Alden's ADV forms filed with the SEC. (Required by 1940 legislation, these forms are required of investment advisor.) In this article, the author juxtaposed her ADV findings with filings in one court case and one bankruptcy case to determine which Alden funds controlled Digital First Media.

<sup>iii</sup> The data comes from TNG-CWA-represented units. The evaluation of sustainability comes from the newspaper analyst Ken Doctor. See "Newspapers are shells of their former selves. So who's going to build what comes next in local?" Nieman Lab, November 6, 2018: <https://www.niemanlab.org/2018/11/newsonomics-newspapers-are-shells-of-their-former-selves-so-whos-going-to-build-what-comes-next-in-local/>.

<sup>iv</sup> See Penjie Gao, Chang Lee, and Dermot Murphy, "Financing Dies in Darkness? The Impact of Newspaper Closures on Public Finance," Brookings Institution Hutchins Center Working Paper #44, September 2018: <https://www.brookings.edu/wp-content/uploads/2018/09/WP44.pdf>

<sup>v</sup> Jonathan O'Connell and Emma Brown, "A hedge fund's 'mercenary' strategy: Buy newspapers, slash jobs, sell the buildings," *Washington Post*, February 11, 2019: [https://www.washingtonpost.com/business/economy/a-hedge-funds-mercenary-strategy-buy-newspapers-slash-jobs-sell-the-buildings/2019/02/11/f2c0c78a-1f59-11e9-8e21-59a09ff1e2a1\\_story.html](https://www.washingtonpost.com/business/economy/a-hedge-funds-mercenary-strategy-buy-newspapers-slash-jobs-sell-the-buildings/2019/02/11/f2c0c78a-1f59-11e9-8e21-59a09ff1e2a1_story.html)

<sup>vi</sup> The NewsGuild-CWA has tracked the investments of Digital First Media subsidiary, Strategic Investment Opportunities LLC, in filings at the U.S. Securities and Exchange Commission. For beneficial ownership of Monster Worldwide, Inc., as of October 20, 2016, see <https://www.sec.gov/Archives/edgar/data/1020416/000089924316032415/xslF345X02/doc3.xml>. For beneficial ownership of Fred's Inc., as of December 21, 2016, see: [https://www.sec.gov/Archives/edgar/data/724571/000092189516006398/xslF345X03/form408392006\\_12222016.xml](https://www.sec.gov/Archives/edgar/data/724571/000092189516006398/xslF345X03/form408392006_12222016.xml). Further purchases of Fred's by the DFM subsidiary are recorded in an October 15, 2018 SEC filing: [https://www.sec.gov/Archives/edgar/data/724571/000092189518002797/xslF345X03/form408329006\\_10172018.xml](https://www.sec.gov/Archives/edgar/data/724571/000092189518002797/xslF345X03/form408329006_10172018.xml). Strategic Investment Opportunities LLC bought more Fred's stock October 19, 2018: [https://www.sec.gov/Archives/edgar/data/724571/000092189518002836/xslF345X03/form408392006\\_10232018.xml](https://www.sec.gov/Archives/edgar/data/724571/000092189518002836/xslF345X03/form408392006_10232018.xml). For share ownership in Peabody Energy Corporation, see SEC Form 424B5 (prospectus supplement), August 21, 2017: <https://www.sec.gov/Archives/edgar/data/1064728/000119312517263781/d444294d424b5.htm>

<sup>vii</sup> See *Sola Ltd and Ultra Mater Ltd v. MNG Enterprises Inc.*, "Defendant's Answer to Verified Complaint for Relief Pursuant to 8 Delaware Code Section 220 to Compel Inspection of Books and Records," C.A. No. 2018-0134-VCS, March 19, 2018: <https://dfmworkers.org/wp-content/uploads/2018/03/MNGresponse.pdf>

<sup>viii</sup> See SEC Form SC 13 D, filed January 14, 2019, by MNG Enterprises at Gannett: <https://www.sec.gov/Archives/edgar/data/1635718/000092189519000082/0000921895-19-000082-index.htm>. See SEC Form 13 D, filed August 9, 2019, by MNG Enterprises at New Media Investment Group, the parent company of GateHouse Media: <https://www.sec.gov/Archives/edgar/data/1579684/000119380519000721/0001193805-19-000721-index.htm>. The cost calculations are based on market prices the day before the transactions.

<sup>ix</sup> See IRS Form 5500 for San Jose Mercury-News Amended Retirement Plan Covering Employees Represented by the San Jose Newspaper Guild, plan year ended December 31, 2016: <https://www.efast.dol.gov/portal/app/disseminatePublic?execution=e2s2#>