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Brown Publishing Co. files for Bankruptcy

Brown Publishing Co. the publisher of Dan's Papers has filed for Chapter 11 bankruptcy. Dan's Papers is eastern Long Island's widest circulating newspaper. The company filed for Chapter 11 April 30 in Central Islip, New York.

According to Brown Publishing Chief Executive Officer Roy Brown, the primary cause of its financial problems is due to declining advertising revenue linked to the real estate market crash. A similar drop in retail advertising also severely impacted its Ohio newspapers. Brown Publishing and 14 associated companies owe \$104.6 million as at March 31 and have assets worth \$94.1 million.

Dan's Papers Inc. are the publishers of Dan's Hampton Style, Montauk Pioneer and The Insider Guide which are magazines targeted at local residents and second-home owners. They feature stories about fashion, performing arts, dining, nightlife and parenting and social commentary produced largely by founder Dan Rattiner. A Dan's Papers subscription costs \$100 a year. But this could easily be afforded by its largely upper middle class to upper class readership whose mean annual income is \$381,000. Dan's Papers has been attracting high-end advertisers to service its readership base.

But the ongoing economic recession has largely changed all that. With declining advertising income and readers and advertisers deserting the print media in favor of web-based alternatives on the Internet, Brown Publishing has fallen into hard times. The company which started operations in 1920 as a family-owned newspaper publisher in Ohio has laid off staff and non-profit making publications and pursued out-of-court restructuring exercises but still could not raise enough funds to meet its financial needs quickly enough.

Court documents show that Brown Publishing's five major creditors are owed a total of \$70.5 million in secured debts with collateral of \$94.9 million in book value. The company's largest unsecured creditors are Abitibi Consolidated Sales, a unit of AbitibiBowater Inc. to whom Brown Publishing owes \$296,256, White Birch Paper Co. who are owed \$219,150 and Page Cooperative a creditor for \$195,680.

Another notable newspaper publisher in the red and seeking bankruptcy protection besides Brown Publishing is Tribune Co. who owns the Chicago Tribune and the Los Angeles Times. Tribune Co. filed for bankruptcy in December 2008.

On the whole, newspaper readership fell 8.7% in the six months through March this year. This comes following a decline of 11% in the six months through September 2009. In addition, income from advertisements fell 24% to \$7.68 billion in the fourth quarter of 2009 compared with a year earlier, after an earlier drop of 28% in the third quarter.