

## 1. Description of the Events Giving Rise to the Alleged Violation of the Antitrust Laws

### A. Defendants

#### 1. Village Voice Media

Village Voice Media, LLC, is a limited liability company organized and existing under the laws of the State of Delaware, with its principal place of business in New York, New York. Prior to its agreement with New Times to shut down its Cleveland Free Times alternative newsweekly, Village Voice Media owned alternative newsweeklies in New York City, Minneapolis-St. Paul, Cleveland, Seattle, Nashville, Orange County, and Los Angeles. Village Voice Media's revenues in 2001 were approximately \$92 million.

Village Voice Media's Cleveland Free Times, launched in 1992, grew to become Ohio's largest alternative newsweekly, with an average weekly circulation that tripled in recent years to over 80,000. With a decade of covering news, arts, and music in Northeast Ohio, the Cleveland Free Times was popular with local retailers, concert promoters, clubs, and national advertisers, who sought to reach the weekly's demographic of active, young adults. Until its sudden closing on October 2, 2002, it directly competed against New Times's alternative newsweekly, the Cleveland Scene.

Village Voice Media's LA Weekly was launched in 1978 with the mission, according to Village Voice Media, to cover political, cultural, and social issues often overlooked by the mainstream daily newspaper, and provide readers with each week's most comprehensive events listing. With a weekly circulation of approximately 215,000 and an average 200 pages per issue, Village Voice Media's LA Weekly has the highest page count of any alternative newsweekly in the United States. Until October 3, 2002, its direct competitor was New Times's alternative newsweekly, the New Times LA.

#### 2. New Times

NT Media, LLC, is a limited liability company organized and existing under the laws of the State of Delaware, with its principal place of business in Phoenix, Arizona. Prior to its agreement with Village Voice Media to shut down its New Times LA alternative newsweekly, New Times published 12 award-winning alternative newsweeklies (nine of which New Times had acquired since 1991) in Phoenix, Cleveland, Los Angeles, San Francisco, Oakland-Berkeley, Broward-Palm Beach, Miami, Denver, St. Louis,

Kansas City, Dallas, and Houston. New Times's revenues in 2001 were approximately \$104 million.

New Times in the summer of 1996 purchased two established alternative newsweeklies, the LA Reader and LA View, for approximately \$4 million, and consolidated and renamed them the New Times LA. To better compete against the LA Weekly, New Times grew its newsweekly's circulation to approximately 120,000 copies, aggressively discounted its advertising rates, and offered award-winning journalism.

In August 1998, New Times acquired the Cleveland Scene, a local music publication established in 1970. New Times repositioned and reformatted the Cleveland Scene to compete directly and aggressively against Cleveland's other alternative newsweekly, Village Voice Media's Cleveland Free Times.

### B. The Alternative Newsweekly Industry

As the name suggests, alternative newsweeklies provide an alternative perspective to the established news-gathering organizations. In 1955, Village Voice Media's predecessors launched the first alternative newsweekly, The Village Voice, in New York City. Since then, the popularity of alternative newsweeklies has increased dramatically, fueled by the typically "anti-establishment" perspective of these publications which emerged during the 1960's and 1970's. Today over 125 alternative newsweeklies are published throughout the United States. Their popularity with readers continues to be driven largely by a unique editorial mix of politics, investigative reporting, and entertainment issues, often presented with a somewhat controversial or highly opinionated slant, and all of which is focused on decidedly local issues.

The local nature of these alternative newsweeklies, with their in-depth coverage of local happenings in the arts, music, politics, and entertainment fields, makes them particularly attractive to advertisers hoping to reach a young, educated, and urban audience in a cost-effective manner. Between 1990 and 2000, the collective weekly circulation of alternative newsweeklies has more than doubled to 7.8 million. Likewise, advertising expenditures in alternative newsweeklies have jumped, exceeding \$500 million in the United States in 2000.

Two major chains dominate the alternative newsweekly industry: defendants New Times and Village Voice Media. New Times, the leading chain, distributes each week over 1.1 million copies of its various alternative

newsweeklies. Village Voice Media operates on a similar scale, with a weekly circulation of over 800,000 for its alternative newsweeklies.

### C. The Competition Between Village Voice Media and New Times

Prior to the defendants' per se illegal market allocation agreement, the only two geographic markets in which defendants competed head-to-head for readers and advertisers were Cleveland, Ohio and Los Angeles, California. This competition between the defendants' alternative newsweeklies provided both readers and advertisers with better editorial coverage, heavily discounted advertising rates, and higher quality service.

In Cleveland, New Times's alternative newsweekly, the Cleveland Scene, fought against the newly matched Village Voice Media's newsweekly, the Cleveland Free Times. From 1998 (when New Times purchased the Cleveland Scene) until October 2, 2002, the competition between the Cleveland Scene and the Cleveland Free Times was fierce. It resulted in steep discounts off the defendants' published advertising rate cards, better customer service, increased promotions, and a host of value-added services offered at little cost to the advertiser, such as "buy one ad get one free" deals, larger ads for the same price, or free upgrades of ads from black and white to color.

After New Times reformatted the Cleveland Scene to compete directly and aggressively against the Cleveland Free Times, the editorial competition between the defendants' alternative newsweeklies was similarly intense. The Cleveland Scene and the Cleveland Free Times responded to the other's editorial changes and improvements by introducing new or better features or increasing investigative journalism to recapture the readers' attention to its publication, both of which were distributed each Wednesday throughout Cleveland.

Likewise, from 1996 until October 3, 2002, advertisers benefitted from the competition between New Times LA and Village Voice Media's LA Weekly with lower advertising rates, better advertisement placement and improved service. Even if they did not advertise in the New Times LA, advertisers could leverage that alternative newsweekly in their negotiations with the older, entrenched LA Weekly. Moreover, the New Times LA discounted significantly off of its published rate cards—which benefitted smaller advertisers that could not afford the LA Weekly's higher advertising rates.