

OPERATING AGREEMENT

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AGENCY CORPORATION

THIS AGREEMENT, by and between STATE CONSOLIDATED PUBLISHING COMPANY, a corporation organized and existing under the laws of the State of Arizona, publisher of the ARIZONA DAILY STAR, party of the first part, hereinafter referred to as "The Star", CITIZEN PUBLISHING COMPANY, a corporation organized and existing under the laws of the State of Arizona, publisher of the TUCSON DAILY CITIZEN, party of the second part, hereinafter referred to as "The Citizen", and TUCSON NEWSPAPERS, INCORPORATED, an agency non-profit corporation to be formed under the laws of the State of Arizona, party of the third part, hereinafter referred to as "Operating Company".

WITNESSETH, as follows:

WHEREAS, the Citizen and Star believe that the existing situation in respect to the publication of daily newspapers in the city of Tucson is not sound, either economically or from a journalistic standpoint in that the past fifteen years of experience have shown that the Tucson field is not large enough to support, at a profit, two newspapers published separately; and

WHEREAS, said parties desire to remedy this situation as far as practicable in the interests of their readers and advertisers, as well as in their own interests, by providing for the unified operation and production of the said newspapers, save and except their respective news and editorial departments, through the agency of Operating Company, as hereinafter provided, so that two newspapers, editorially independent, and separately owned, can continue to be published with hope of profit.

NOW THEREFORE, for and in consideration of the sum of

ONE AND NO/100 DOLLARS (\$1.00), in hand paid by each of the parties to the other, and the mutual promises, covenants, and agreements of the parties to and with each other and with the Operating Company, as hereinafter set forth, the parties hereto do hereby agree as follows:

(1) The purpose of this agreement is to provide a plan of common operation by one management corporation (the Operating Company as the agent of the first and second parties) of the newspapers published by the Star and Citizen, so as to afford the largest measure of economy in money and effort, produce better newspapers for their readers, improve acceptance for their advertisers and subserve public interests by maintaining the complete corporate identities, individuality and editorial and news freedom and integrity of each of said newspapers. To this end the first and second parties agree, upon the terms and conditions hereinafter set forth, to deliver and make available for the use of the Operating Company all of their accounts receivable, records, equipment and other facilities necessary to enable the Operating Company, as agent, to carry into effect the purpose and object of this agreement.

(2) The Star and Citizen agree to cause an agency corporation to be formed under the laws of the State of Arizona, with a capitalization of Five Hundred (500) shares of common voting stock of a par value of One Hundred Dollars (\$100.00) per share, under the name of Tucson Newspapers, Incorporated. All of said common stock, other than two qualifying shares to be issued to a fifth director, as hereinafter provided, shall be issued, allotted, and transferred exclusively to the Star and Citizen, share and share alike, for such consideration as may be fixed by the board of directors of the Operating Company. The Star and Citizen agree with each other not to sell, pledge or otherwise

dispose of, or permit to be sold, pledged or otherwise disposed of the respective shares of stock in said Tucson Newspapers, Incorporated, issued to them, or to cause or permit any alienation thereof by any means, voluntary or involuntary, during the term of this agreement or any renewal thereof. Proper notice of this agreement, prohibiting the sale, pledge or other disposition of said stock shall be printed on the face of said stock certificates.

The stated and sold purpose of Tucson Newspapers, Incorporated, (which shall become the third party to this agreement upon its organization and subsequent adoption and executing of this agreement) shall be the management and operation of the newspapers published by the Star and Citizen, as agent for said parties (save and except the news and editorial departments of each of said newspapers, which shall remain separate and independent) in the manner hereinafter set forth, the cost of which, save and except news and editorial departments, shall be paid out of the income received from the various sources of revenue of said newspapers, as herein provided.

Said operating company shall have a board of directors consisting of five members. Two of said members shall be stockholders of and designated by the Citizen. The Star and Citizen agree that they will cause said two directors designated by the Star and two directors designated by the Citizen to be elected from their respective stockholders in the manner hereinabove provided and not otherwise. Mr. Hubert H. d'Autremont shall be the fifth director of said Operating Company and shall be elected as such at the first meeting of the incorporators or stockholders of said company. He shall serve as such director during the life of this agreement.

If a vacancy occurs in the office held by the fifth director through death, resignation or otherwise, George W. Chambers,

1940 Operating Agreement

from unconfirmed carbon copy of Operating Agreement in TNI minute book  
pg. 4, second paragraph: (bracketed words are those omitted from copies)

"Said Operating Company shall have a board of directors consisting of five members. Two of said members shall be stockholders of and designated [by the Star, and two of said members shall be stockholders of and designated] by the Citizen. The Star and Citizen agree that they will cause said two directors designated by the Star and two directors designated by the Citizen to be elected from their respective stockholders in the manner hereinabove provided and not otherwise. Mr. Hubert H. d'Autremont shall be the fifth director of said Operating Company and shall be elected as such at the first meeting of the incorporators or stockholders of said company. He shall serve as such director during the life of this agreement."

now business manager of the Star, shall be the fifth director, and shall be nominated and elected by the board of directors. In case George W. Chambers cannot serve or refuses to serve, then the two directors representing the Star shall present the names of three men of known personal and business integrity to the two directors of the Citizen. From these three names the directors representing the Citizen shall select one name who shall become the nominee of the board of directors and shall be elected by the board of directors as the fifth director. Such procedure shall be followed henceforth in nominating and electing the fifth member of the board.

The officers of said Tucson Newspapers, Incorporated, shall be:

A president, a vice president, a secretary, and a treasurer. Such officers shall be elected by a majority vote of the board of directors of Operating Company, and any vacancy shall be filled by said board.

William R. Mathews shall be president and general manager of Tucson Newspapers, Incorporated. William A. Small shall be vice president and treasurer of said corporation. William H. Johnson shall be secretary of said corporation. The Star and the Citizen shall be entitled to have two officers of the corporation, which right either the Star or the Citizen can exercise at any time.

The said Tucson Newspapers, Incorporated, shall adopt by-laws providing for its officers and directors, the manner of their election, their terms of office, and qualifications, all as hereinabove provided. Said by-laws shall further provide that no change or amendment can be made thereto except by a majority vote of the stockholders at any annual meeting or at a special meeting called for that purpose, provided that written notice of the pro-

posed change shall have been served by registered mail directed to their last known address upon all of the stockholders not less than thirty days prior to said meeting.

The by-laws of said operating company shall provide for the duties of the president and vice president of said corporation as follows:

The President shall preside at all meetings of the board of directors. He shall submit to them, at the regular meetings of the board, a comprehensive report of the business of the corporation and complete financial statements thereof. He shall direct all affairs of the corporation, subject to the action of the board. He shall have power to employ and to discharge such employees as he deems to be for the best interests of the corporation, except that he shall not have the power to remove an executive officer of the corporation who is elected by the board.

The vice president shall assume all the duties of the president in event of his absence from duty, his incapacitation through illness or death, or from whatever cause that may make it impossible for him to carry on his executive duties.

(3) The Star and Citizen agree to maintain their separate corporate identities, to retain ownership (except as otherwise herein provided) of all their respective tangible and intangible assets, either now owned or hereafter acquired, including their respective circulations, and to cooperate with each other and use said Tucson Newspapers, Incorporated, in every way that will make for the successful carrying out of this agreement, and of the plan of newspaper operation provided for herein. Said Star and Citizen, or any officer, stockholder or administrative executive thereof, further agree that they will not, directly or indirectly, engage in any other publishing business in Pima County, or its environs, during the term of this contract, or any extension thereof, and that they will not, during said time, engage in any

other business that will or can in any way conflict with or affect the successful operation of the business of any of the parties to this agreement.

(4) As soon as the Operating Company is incorporated and organized and ready to engage upon the enterprise contemplated by this agreement, the Star and Citizen agree that they will turn over and make available to Operating Company all of their machinery and equipment now used by them in producing their respective newspapers. Title to said machinery and equipment shall be vested jointly in the Star and Citizen in proportion to their respective contributions, but the Operating Company shall be allowed to use so much or all of said equipment if the same shall be found necessary in the unified production of said newspapers. William R. Mathews, as president of the Star, and William A. Small, as president of the Citizen, shall, immediately upon the execution of this agreement by all parties hereto, agree upon the amount and particular portions of said machinery and equipment that will be necessary for the Operating Company to use in said unified operation. They shall cause an appraisal to be made of all machinery and equipment by a competent and qualified appraiser. The Star shall be obligated to furnish sixty per cent (60%) of the dollar value of the machinery and equipment needed by the Operating Company, while the Citizen shall be obligated to furnish forty per cent (40%) of the dollar value of the machinery and equipment needed by the Operating Company. As a means of providing in part for future needs of the Operating Company, it shall retain in its possession such items as the presidents of Star and the Citizen agree are necessary.

All surplus machinery not needed for the initial operation of this contract shall be sold by the Operating Company, and irrespective of what items are sold, the proceeds shall be

divided in exact proportion to the dollar value of the surplus contribution made by the Star and the Citizen.

The Operating Company shall keep said machinery and equipment in repair and from time to time, as may be found necessary, replace same or portions thereof. All new or additional machinery the Operating Company may need in the future shall be paid for at equal cost to the Star and Citizen, with title resting jointly in the Star or Citizen.

The costs of repair or replacement thereof shall be paid by the Operating Company as a part of the costs of its operation.

(5) As soon as this agreement is executed, the said Star and Citizen will cause their respective presidents to go over and examine their respective accounts receivable and to agree upon such accounts as are considered to be good. From such accounts, so agreed upon to be good, the Star and the Citizen will assign and turn over to Operating Company so much of said good accounts as in their opinion it will be necessary for the Operating Company to have in order to carry on its operations. Said accounts shall be contributed to the Operating Company upon the basis of sixty per cent (60%) by the Star and forty per cent (40%) by the Citizen. If either the Star or Citizen is unable to furnish accounts receivable, agreed upon to be good, in an amount sufficient to furnish the required percentage to be contributed by each of said parties, then the party being unable to furnish his required percentage of accounts shall contribute to the Operating Company in cash an amount sufficient to make up the required percentage. If the accounts receivable furnished to the Operating Company are, in the opinion of the presidents of the Star and Citizen, insufficient to furnish the necessary initial capital for the Operating Company to carry on its operations, then and in that event the Star and Citizen will contribute and furnish to the Oper-

ating Company in cash, in the per cents (60% and 40%) hereinabove provided, an amount determined to be sufficient to furnish adequate working capital for the Operating Company.

Any accounts receivable belonging to either the Star or Citizen and not turned over to the Operating Company to provide capital for its operations, as hereinabove provided, whether such account shall have been determined to be good, doubtful, or bad, shall be turned over to the Operating Company for the purpose of collection only, and any sums collected on such accounts shall be paid to the party owning the same and shall be considered a part of the distribution hereinafter mentioned.

(6) The Star and Citizen further agree that as soon as the Operating Company is ready to commence operation under the terms hereof they will turn over to the Operating Company all of the supplies that they and each of them now have on hand that may be used by the Operating Company in its operations, said supplies consisting of news print, metal and other materials of that character used in producing newspapers. Such materials shall be received by the Operating Company and the party furnishing the same shall receive credit upon the books of the Operating Company for the amount so furnished at the inventory price thereof. The amount so credited to the Star and Citizen for such supplies shall be paid to them at the expiration of the first year of unified operation, or sooner if agreed upon by the Star and Citizen, and shall not be considered a part of the distribution to be made to the Star and Citizen by the Operating Company, as hereinafter provided.

(7) From and after the effective operating date of this agreement, the Star and Citizen agree that the Operating Company shall, as their agent, collect and receive all of the advertising and circulation receipts and any and all other miscellaneous revenues of said Star and Citizen, exclusive of rentals and any other non-operating income, which shall be used and accounted for by the

Operating Company, as herein provided. It is the intention of the Star and the Citizen that the Operating Company shall act merely as an operating agency for the Star and the Citizen and not for the purpose of earning dividends or making any profit whatsoever to be distributed as such to the Operating Company's own stockholders.

(8) Said Tucson Newspapers, Incorporated, agrees, as the agent and representative of the Star and the Citizen:

(a) To manage and operate all of the departments of the publishing business for the Star and the Citizen (excluding the news and editorial departments as hereinabove provided), and to integrate the operation of said business as much as possible.

(b) To receive and collect all of the receipts and income of the Star and the Citizen, as described in the preceding paragraph numbered seven (7), and from its said income and receipts to pay all operating expenses incident to the production and publication of these newspapers arising after the effective date of this contract, save and except the expense incident to the news and editorial departments of each of said newspapers.

(c) To distribute monthly to the Star and the Citizen all receipts and income collected as provided in paragraph (b) above, after the payment of the operating expenses and other expenditures herein provided for; provided, however, that before making any such distribution sufficient funds shall be retained as may be reasonably required for future operations. The distribution of all receipts by the Operating Company to the Star and the Citizen shall be computed on an annual basis as follows:

Out of the first \$100,000.00, or any part thereof, seven-tenths (7/10ths) thereof to the Star and three-tenths (3/10ths) thereof to the Citizen. All sums received and distributed annually in excess of the first One Hundred Thousand Dollars (\$100,000.00) shall be distributed equally to the Star and the Citizen, share and share alike.

At the end of ten years and for the remaining years of this contract or any renewal thereof, the Star shall receive fifty-five per cent (55%) of the first Two Hundred Thousand Dollars (\$200,000.00) or any part thereof distributed by the operating company, and the Citizen shall receive forty-five per cent (45%) of the first \$200,000.00 or any part

thereof. All sums in excess of \$200,000.00 shall be distributed equally, share and share alike.

It is agreed, however, that the manner of distribution, beginning with the first month of any year, shall be upon the basis of sixty per cent (60%) to the Star and forty per cent (40%) to the Citizen, until distributions totaling One Hundred Fifty Thousand and 00/100 Dollars (\$150,000.00) for that particular year have been made. Thereafter monthly distributions shall be upon an equal basis to the Star and the Citizen until the last month of the year, at which time the distribution made shall be adjusted so as to result in a total or final annual distribution to the Star and the Citizen in accordance with the basis hereinabove set forth in the two preceding paragraphs.

In computing the amount to be distributed by the Operating Company to the Star and the Citizen, there shall be taken into account not only the amount of cash actually received by the Operating Company but the amount of gross income earned and receivable during the year of such distribution, and any amount earned but not actually collected at the time of distribution shall be distributed to the Star and the Citizen in accordance with the foregoing arrangement of distribution when actually received by the Operating Company.

(d) To collect from each of the Star and the Citizen, from time to time, such funds as may be needed to make good any losses which may be sustained by the Operating Company in the production of said newspapers, the Star and the Citizen to contribute such funds upon call of the Operating Company in direct proportion to distribution of income.

(e) To account monthly to each of the Star and the Citizen for all receipts and expenditures, and keep said parties informed at all times of its affairs and business, and to allow said parties to have access at all times to its books, accounts, and other records and papers.

(f) In order to effectuate and preserve the economies sought to be attained by this agreement, the Star and the Citizen recognize the necessity of the prompt payment and discharge of their respective obligations; therefore, the Star and the Citizen agree between themselves and with the Operating Company that they will pay, within thirty (30) days after the beginning of the unified operation contemplated by this contract, all of their current liabilities, and that they will pay, or cause to be paid, as the same becomes due and payable any other liabilities of any kind or character, including any liabilities of the stockholders of either the Star or the Citizen for the purchase of capital stock of the Star or the Citizen. The Star and the Citizen also agree that they are to be separately responsible, and not one for the other, and will pay any liability

created or incurred by them through the publication of any libelous matter in their respective newspapers either before or after the effective date of this agreement, and that the Operating Company shall be in no way responsible for any such liability. In the event that either the Star or the Citizen shall fail to pay or cause to be paid any such indebtedness, as above provided, then and in such event and within thirty (30) days after any such payment shall be due and unpaid, the Operating Company shall, upon the written request of the party not in default, pay such indebtedness as may then be due and charge the amount required for such purpose to the party in default and, deduct the same from any fund then or thereafter becoming due and payable to such party, under the terms of this agreement.

(9) The present quarters used by either the Star or the Citizen for the publication of their respective newspapers, or either or both of such places, may be used by the Operating Company for carrying on its operations until more suitable or permanent quarters are provided for by the board of directors of the Operating Company. During the time that the present quarters of either the Star or the Citizen are being used by the Operating Company, and until the leases now held on such quarters have expired, the rent thereon shall be paid by the Operating Company out of the receipts of its operation and shall be considered a part of the cost of operation, and no distinction shall be made in distributions of receipts to the Star and the Citizen by any reason of any difference in the amount of rental required to be paid on such quarters.

(10) At the beginning of each year of operation under this contract, or any renewal thereof, the board of directors of the Operating Company shall cause to be made up and adopted an itemized operating expense budget to cover all operating expenses of the Operating Company for the ensuing year, and all operations of the Operating Company for such year shall be within the provisions of such budget unless authority is granted by a majority vote of its board of directors to exceed such budget in any particular. The Star and the Citizen shall so operate their news and

editorial departments as to substantially expend the amount of their respective budgets, and in the event such operation necessitates an expenditure by the Operating Company of an amount in excess of the sum budgeted for such departments, in producing said newspapers, the party so causing such excess expenditure shall be charged with and pay for such excess out of any sums due it from the distributions to be made by the Operating Company hereunder. The Operating Company shall manage all physical operations in producing said newspapers, make all purchases of supplies and materials for the account of said newspapers or for its own account, as herein provided, and in general act as the agent of said Star and Citizen in the production and distribution of their newspapers.

(11) The Star and Citizen shall retain complete and exclusive control of the news and editorial contracts, conduct and contents, and the selection of the editors and news and editorial department employees for their respective newspapers; provided, however, that the editorial and news departments of both newspapers shall be subject to the itemized budgetary control of expenditures by the Operating Company, as prescribed in paragraph (10) of this agreement. The Star and the Citizen agree, as far as practicable, to maintain the present make-up and format of their respective newspapers in order to preserve their respective identities and characteristics.

The expense incident to running the news and editorial departments, exclusive of the expense of actually publishing said newspapers, shall be paid separately by the Star and the Citizen out of the receipts distributed to them by the Operating Company; provided, however, that there shall be an allowance made to the Star and paid to it by the Operating Company for the editorial and news expense incident to the publication of the Sunday issue

of the Arizona Daily Star, since the Tucson Daily Citizen has no Sunday issue. Such allowance shall be the cost of Sunday comics and any added features, such as magazine sections, special features as may be agreed upon by the Star and Citizen.

It is agreed that at the end of each year the Star and Citizen shall meet to adjust the difference in editorial expense of a seven-day operation by the Star and a six-day operation by the Citizen, which difference will be borne by the Operating Company.

The editorial and news department of the Arizona Daily Star and all employees engaged in said department shall be under the exclusive direction and control of the Star. The editorial and news department of the Tucson Daily Citizen and all employees engaged in said department shall be under the exclusive direction and control of the Citizen.

(12) The Operating Company shall have the right and authority to retain such of the present employees of either the Star or the Citizen as may be deemed necessary in its operation. Such employees of either the Star or the Citizen as are found to be unnecessary in the operations of the Operating Company shall be released and severance pay shall be given to such employees so released, based upon the length of their previous employment, and in amounts agreed upon by the executive officers of the Operating Company. Such severance pay shall be paid by the Operating Company as a part of the expense of its operation.

The Star and the Citizen agree with each other, whenever practicable, to terminate or otherwise adjust any and all existing contracts which may cause unnecessary expense or loss to the business contemplated by this agreement. But it is expressly understood and agreed that neither party shall be interfered with in carrying out any contracts which cannot be so cancelled or adjusted, and, unless such contracts relate to the editorial or news

departments, the expense of terminating or adjusting the same shall be paid by the Operating Company as a part of the expense of its operation. It is further understood and agreed that the Operating Company shall not become obligated upon any contracts or obligations of the Star or the Citizen unless such contracts are expressly assumed by the Operating Company through a majority vote of its board of directors.

(13) This agreement shall begin and become effective on and as of the 1st day of June 1, 1940, and shall run for a period of twenty-five (25) years, ending on the first day of June, 1965, and may be renewed and extended for subsequent periods of twenty-five (25) years each at the option of either the Star or the Citizen.

Unless two years' notice is given by both the Star and Citizen that they desire to end this contract, or any renewal thereof, it shall continue in force for subsequent periods of twenty-five (25) years each. Only by mutual consent can this contract or any renewal thereof be terminated.

In case Star and Citizen mutually agree to terminate this contract, as hereinabove provided, both the Star and the Citizen agree to immediately meet with each other and endeavor to work out a just and equitable plan for discontinuing and dissolving the business theretofore conducted under this agreement and restoring to the Star and the Citizen their respective properties, rights and interests, so as to enable said parties to resume the separate publication of their newspapers independent of each other and of this agreement. The Operating Company shall thereupon be dissolved as soon as practicable and the cost and expense thereof paid from such funds as the Operating Company may have on hand, or in the absence of such funds, at the equal expense of the Star and the Citizen. Any accounts or obligations

owing by the Operating Company, and any outstanding commitments, shall be paid or provided for out of its funds, and if such funds are insufficient shall be paid or provided for by the Star and the Citizen in the same proportion as distribution is hereinabove provided to be made to said parties. Any property, other than cash or accounts or notes receivable, which may be in the custody of the Operating Company shall be delivered to the party to whom it may belong if such delivery is necessary, or if belonging to the Operating Company shall be divided or sold and the proceeds divided between the Star and the Citizen in accordance with the manner of distribution herein agreed upon. Any remaining cash on hand not needed for the payment of accounts or obligations owing by the Operating Company or required to be set aside for liquidation of commitments, shall be distributed to the Star and the Citizen on the same basis as is hereinabove provided for distribution. All accounts receivable shall be collected by an agent to be appointed by the Star and the Citizen, and the cash received therefrom distributed to the Star and the Citizen on the same basis as distribution was made for the last year of operation hereunder.

(14) The parties of this agreement each agree with the other to take any corporate or other action that may be necessary at any time to carry out and give full force and effect to the provisions of this agreement.

IN WITNESS WHEREOF, the Star and the Citizen have hereto affixed their signatures and seals by their respective corp-

orate officers hereunto duly authorized, at Tucson, Arizona,  
this 28th day of March, 1940.

STATE CONSOLIDATED PUBLISHING COMPANY

By William R. Mathews, President.

The Star

ATTEST:

Betty B. Mathews, Secretary.

(SEAL)

CITIZEN PUBLISHING COMPANY

By Wm. H. Johnson

Wm. A. Small, President.

The Citizen.

ATTEST:

Nan Woods, Assistant Secretary.

(SEAL)

EXTENSION OF OPERATING AGREEMENT

This Agreement made and entered into this 15 day of June, 1953, by and between State Consolidated Publishing Company, an Arizona corporation, party of the first part, hereinafter referred to as "The Star", Citizen Publishing Company, an Arizona corporation, party of the second part, hereinafter referred to as "The Citizen", and Tucson Newspapers, Incorporated, an Arizona corporation, party of the third part, hereinafter referred to as "Operating Company",

W I T N E S S E T H:

WHEREAS, all of the parties hereto have heretofore entered into a certain Operating Agreement dated March 28, 1940, wherein the Operating Company was organized by The Star and The Citizen to handle, manage and operate the newspapers published by The Star and The Citizen, save and except the news and editorial departments of each of the newspapers published by The Star and The Citizen, which news and editorial departments have remained separate and independent; and

WHEREAS, this Agreement is presently in operation and by its terms will remain in operation until the 1st day of June, 1965; and

WHEREAS, said Operating Agreement is by reference made a part of this Agreement and, except as herein specifically provided, all the provisions of said Operating Agreement are incorporated herein; and

WHEREAS, subject to the further provisions hereof, it is the desire of all of the parties hereto to extend said Operating Agreement for an additional period of twenty-five years from and after the 1st day of June, 1965;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set out, it is agreed by the parties hereto as follows:

Subject to the further provisions hereof, the parties hereto do hereby extend the term of said Operating Agreement for an additional period of twenty-five years, said extension to commence immediately on the 1st day of June, 1965 and to terminate June 1, 1990.

That all of the provisions of said Operating Agreement now in effect will be binding upon all the parties hereto during the period of the extension mentioned herein, subject, however, to the hereinafter terms and provisions as agreed to by the parties hereto:

In the event either The Star or The Citizen shall desire to alter, rescind or change any of the terms or provisions of said Operating Agreement, the said two parties shall confer, negotiate and agree with respect thereto, or if unable after reasonable efforts toward an agreement have been made, the said two parties shall arbitrate the matter as follows:

One arbitrator shall be selected to decide the difference of all of the parties hereto and all of the parties hereto agree that they will be bound by the final decision made by the arbitrator selected as herein provided. The arbitrator shall be an active newspaper publisher or manager, preferably one who operates or who has had experience in operating a newspaper similar to the operation provided for in the operating agreement dated March 28, 1940. In the event the parties hereto cannot agree upon the selection of an arbitrator, The Star shall submit three names of individuals that said party desires as an arbitrator and The Citizen shall submit three names of those it desires as an arbitrator, all of such names being men of acknowledged newspaper experience as publishers or managers of a newspaper operation similar to the operation as provided for in the operating agreement herein, and from the list of six names so submitted by the parties of the first and second part, the presiding judge of the United States District Court for the District of Arizona, sitting in Tucson, or if he refuse, the Senior Judge of Pima County Superior Court, shall be requested to choose one arbitrator from the list of six names so submitted.

All of the parties hereto agree that their charters, as issued by the Corporation Commission of the State of Arizona, are now in full force and effect and that each of said parties will take the necessary steps to renew each corporation's charter at the end of each twenty-five year period, as provided by the Arizona Code Annotated, 1939.

STATE CONSOLIDATED PUBLISHING COMPANY

By William R. Mathews  
President

Attest:

Betty B. Mathews  
Secretary

CITIZEN PUBLISHING COMPANY

By Wm. A. Small  
President

Attest:

Nan Woods  
Assistant Secretary

TUCSON NEWSPAPERS, INCORPORATED

By William R. Mathews  
President

Attest:

Geo. W. Chambers  
Secretary

FIRST AMENDMENT TO  
OPERATING AGREEMENT

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AGENCY CORPORATION

This First Amendment by and between Arden Publishing Company (successor to Star Publishing Company, formerly State Consolidated Publishing Company), a corporation, publisher of The Arizona Daily Star, party of the first part, hereinafter referred to as "The Star", Citizen Publishing Company, a corporation, publisher of the Tucson Daily Citizen, party of the second part, hereinafter referred to as "The Citizen", and Tucson Newspapers, Incorporated, party of the third part, hereinafter referred to as "Operating Company";

WITNESSETH THAT:

WHEREAS State Consolidated Publishing Company as first party, "The Citizen" and "Operating Company" entered into that certain "Operating Agreement" dated March 28, 1940, and by instrument dated June 15, 1953 extended said Operating Agreement; and

WHEREAS Star Publishing Company (formerly State Consolidated Publishing Company) was merged into Arden Publishing Company on March 31, 1966; and

WHEREAS "The Star", "The Citizen" and "Operating Company" desire to amend said "Operating Agreement" of March 28, 1940 and extension thereto of June 15, 1953,

NOW THEREFORE it is mutually agreed between the parties hereto that:

1. Said Operating Agreement of March 28, 1940 be amended as follows:

a. The second full paragraph on page 3 and the paragraph immediately following and continuing to page 4 are re-written as follows:

Said "Operating Company" shall have a Board of Directors consisting of five members, four of whom shall be elected by the stockholders ("The Star" and "The Citizen"). The fifth director shall be elected by the other directors and the fifth director shall be Chairman of the Board and President of the "Operating Company." The four directors of the "Operating Company" elected by the stockholders shall be necessary to constitute a quorum for any directors' meeting.

In the event of a controversy arising pertaining to the affairs of the "Operating Company" wherein the members of the Board of Directors representing "The Star" and the members of the Board of Directors representing "The Citizen" are evenly divided, then:

(a) A special meeting of the stockholders of Tucson Newspapers, Incorporated shall be called for the purpose of determining such controversy, and if at such meeting the stockholders shall also be evenly divided on the matter or matters involved, it is agreed that the stockholders shall mutually appoint one disinterested third person, hereinafter called Commissioner, to resolve the dispute, who shall render his decision in writing within the time period hereinafter set forth. The decision of said Commissioner shall be final and shall be binding upon the stockholders, and said Operating Company.

(b) If the stockholders of Tucson Newspapers, Incorporated are unable to agree upon a Commissioner, then said stockholders shall provide for the appointment of a Commission of three persons to resolve the dispute: The Star shall select a disinterested Commissioner and submit his name to the Citizen for its written approval, and in like manner, the Citizen shall nominate a disinterested Commissioner and submit his name to the Star for its written approval. The Commissioners so nominated by the Star and Citizen shall be persons of personal and business integrity; they need not be from the community of Tucson or from the State of Arizona, but preferably should have experience in the problem involved. The two Commissioners so appointed shall appoint a third Commissioner, who shall be a disinterested person who has been an active newspaper publisher or manager and preferably who operates or who has had experience in operating a newspaper or newspapers

similar to the operation provided for in this Operating Agreement. In the event that the two Commissioners so appointed are unable to agree upon a third Commissioner, then said Commissioners shall each prepare a list of three persons who possess the qualifications above required for the third Commissioner, and from the list of the six names so submitted by the parties, the presiding Judge for the United States District Court for the District of Arizona, sitting in Tucson, or if he refuses, the Senior Judge of the Maricopa County Superior Court, Phoenix, Arizona, shall be requested to choose a third Commissioner from the list of the six names so submitted. The decision of a majority of the Commissioners shall be final and shall be binding upon the stockholders and the Operating Company.

"Disinterested person" as used herein means a person who is not related by affinity to the Star or Citizen or their stockholders or directors, and who has no business relationship, directly or indirectly, with the Star, the Citizen, their respective stockholders, and directors.

(c) In the event said three party Commission is not appointed within the time limits hereinafter required either because the Star or Citizen or both fail to approve the nominee of the other, or for any other reason, then the issue shall be resolved by a single Commissioner, who shall be appointed in the following manner: Three persons shall be nominated by the Star and three persons shall be nominated by the Citizen. Each nominee shall be an individual of personal and business integrity in the community wherein he resides. The Commissioner to be selected from said panel of six names, shall be determined by lot, and his decision shall be final and shall be binding upon the stockholders and the Operating Company.

(d) The appointment, nomination, or approval of any Commissioner shall be made in writing by the appropriate party within fifteen days after the event requiring such appointment, nomination or approval. The decision of a Commissioner when only one is acting shall be rendered in writing within thirty days after his appointment, and where three Commissioners are acting said decision shall be rendered in writing within thirty days after the appointment of the third Commissioner; PROVIDED, HOWEVER, if for good cause the circumstances involved require delay beyond said thirty day period, such additional time to render a decision may be taken by said Commissioner or Commission as is reasonably necessary under the circumstances. All expenses incurred in connection with any decision to be rendered by a Commissioner or Commission shall be paid by the Operating Company.

- b. All of "(3)" on pages 5 and 6 is deleted except the first sentence.
- c. "(8)(c)" on pages 9 and 10 is rewritten as follows:

(c) After payment of the operating expenses and other expenditures herein provided for, to distribute to the Star and the Citizen the remaining net receipts of the Operating Company equally or as otherwise mutually agreed upon; provided, however, that before making any such distribution sufficient funds shall be retained as may be reasonably required for future operation.

In computing such amounts as are to be distributed by the Operating Company to the Star and the Citizen, there shall be taken into account not only the amount of cash actually received by the Operating Company but the amount of gross income earned and receivable by the Operating Company for the account of the Star and the Citizen during the year of such distribution, and any amount earned but not actually collected at the time of distribution shall be distributed to the Star and the Citizen in accordance with the foregoing arrangement of distribution when actually received by the Operating Company.

2. Said extension of June 15, 1953 entitled "Extension of Operating Agreement" is amended to cancel the third full paragraph on page 2 (beginning "In the event either") through the end of page 2.

3. The By-Laws of "Operating Company" shall be amended to conform with the provisions of this First Amendment.

In all other respects the parties hereto ratify and confirm said Operating Agreement of March 28, 1940 and extension of June 15, 1953.

IN WITNESS WHEREOF the parties hereto have caused these presents to be executed by their authorized corporate officers this 14<sup>th</sup> day of October, 1970.

ATTEST:

John H. [Signature]  
Secretary

"The Star"  
ARDEN PUBLISHING COMPANY  
(successor to Star Publishing Company,  
formerly State Consolidated Publishing  
Company)

By [Signature]  
Its President

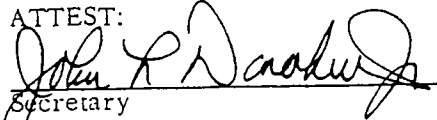
ATTEST:


[Signature]  
Secretary

"The Citizen"  
CITIZEN PUBLISHING COMPANY

By [Signature]  
Its President

"Operating Company"  
TUCSON NEWSPAPERS, INC.

ATTEST:  
  
Secretary

By   
Its President