

CLYDE H. KNOX
MORTGAGE LOANS
NEWSPAPER INVESTMENTS
~~BRYANT BUILDING~~ WALDHEIM BLDG.
PHONE HARRISON 7295
KANSAS CITY, MO.

Nov. 10, 1948.

Mr. W. C. Simons,
Pub. Journal-World,
Lawrence, Kansas.

Dear Mr. Simons:--

Your letter of Nov. 8 is at hand. I heard of your great sorrow several days after Mrs. Simons had passed away. The city edition of the Star that we get here in town does not always carry the deaths occurring in Kansas and Missouri, and I had been tied up in closing the Norton deal, so I did not hear of it promptly. You have my very sincere sympathy in your great loss. You have a great many happy memories of a long and beautiful married life to comfort you.

If I owned a newspaper property such as you have, I think I would apply the same excess above the actual cash received from a subscriber as would apply to the entire gross, in fixing a value of the property. For instance, I am now trying to sell a property where the 1948 income will be approximately \$125,000. The "listed" price on it is \$175,000. For each dollar taken in, the owner is asking \$1.40. If the subscription price brings the publisher an average of 65 cents a month, he will get an average of \$7.80 per year. Applying 140 per cent to this he would get a sale value of \$10.92 per subscriber, and on a list of 7,500 names, he would get the equivalent of \$81,900. Most of the listings I have want about the gross income from all sources, plus all the way from 15 to 60 per cent above that. It seems to me to be fair to figure a subscriber's name is worth at least the same ratio as is applied to the total receipts. I imagine a good many owners would say now that a bona fide subscription is worth fully 1 1/2 times what he pays. Much the same results will prevail if you take what you make net, after your own salary is taken out, after reasonable depreciation is taken out, but before taxes are taken out, and apply the 15 per cent basis to it. For instance, corporation taxes are on one basis; all personally owned or all partnership owned properties are subject to a very different tax basis. That is why I say "before" taxes. But a property clearing, before taxes, \$30,000, would certainly be saleable at \$200,000 (6 2/3 times the profit) and I could probably get more than \$200,000. But if the statement is analyzed closely, I think the result per subscriber will not differ very much from the basis I have used above. The old idea was to put in circulation, A. P. and so on, all as "good will," but the new operation basis has changed all this and made it obsolete, as an A. P. is now carried in most offices at \$1 only. If I can give you any more light on this, do not hesitate to write me again. I owe you any service that I can possibly render for you. With kindest wishes and the very highest regards, I am

Sincerely yours,

Clyde H. Knox.