UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
THE McCLATCHY COMPANY, *et al.*,	:	**Case No. 20-10418 (MEW)**
Debtors.[1]	:	**(Joint Administration Pending)**

DECLARATION OF SEAN M. HARDING IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PAPERS

I, Sean M. Harding, hereby declare under penalty of perjury that the following is true to the best of my knowledge, information, and belief:

1. I am a Senior Managing Director with FTI Consulting, Inc. (together with its wholly owned subsidiaries, agents, independent contractors, and employees, "**FTI**"), the proposed financial advisor of the above-captioned debtors (the "**Debtors**"). To minimize any business disruption caused by the commencement of these Chapter 11 Cases (as defined below), the Debtors seek various types of relief through "first day" applications and motions filed contemporaneously herewith (collectively, the "**First Day Papers**").[2] I submit this declaration (this "**Declaration**") in support of the Debtors' (a) voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") and (b) First Day Papers. I am authorized to submit this Declaration on behalf of the Debtors.

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[1] The last four digits of Debtor The McClatchy Company's tax identification number are 0478. Due to the large number of debtor entities in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at http://www.kccllc.net/McClatchy. The location of the Debtors' service address for purposes of these chapter 11 cases is: 2100 Q Street, Sacramento, California 95816.

[2] Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the relevant First Day Papers.

2. I have been employed at FTI since 2002. I have more than 22 years of experience advising senior management and boards of directors in revitalizing companies that are stagnant or underperforming. I have served as the Chief Restructuring Officer to *AstroTurf, LLC* (N.D. Ga.) and Senior Vice President of Restructuring to *Allen Family Foods* (D. Del.), *Cagle's, Inc.* (N.D. Ga.), and *Zacky Farms, LLC* (E.D. Ca.), among others.

3. Prior to joining FTI, I was a Manager with the U.S. division of PricewaterhouseCoopers' Business Recovery Services practice. I hold a B.S. in Commerce with a concentration in Finance from the University of Virginia. I am a Certified Turnaround Professional and a Certified Insolvency and Restructuring Advisor.

4. The McClatchy Company's executive management team is led by Craig Forman, President and Chief Executive Officer of The McClatchy Company. Mr. Forman has held that role since January 25, 2017 and has been a director of The McClatchy Company since July 2013. In addition to private board roles in Silicon Valley consumer technology businesses, Mr. Forman's other public board roles include Canada's Yellow Media (T:YLO), where he chairs the governance committee, is a member of the Compensation Committee, and where he played a key role in the company's successful 2012 capital restructuring. Previously, he also served on the boards of mobile advertising platform leader Digital Turbine (Nasdaq: APPS), which he joined when it purchased venture backed-Appia Inc., which Mr. Forman chaired. He also chaired WHERE, another venture-backed mobile technology company, which exited to EBay/PayPal. Mr. Forman's career is at the intersection of consumer markets and TMT, and includes IPO, Mergers and Acquisitions, Divestiture, Restructuring and Transformation experience.

5. Prior to McClatchy, as executive vice president and president of EarthLink's Access and Audience division and chief product officer, Mr. Forman drove more than $1.2

billion in annual revenue. Mr. Forman joined EarthLink from Yahoo, where he headed its Media and Information division. Mr. Forman's responsibilities included most of the internet portal's leading properties including Yahoo! News, Yahoo Finance, Yahoo Sports, as well as its Health, Weather, Education, Kids, and other news and information businesses. Mr. Forman led a technology-driven content strategy that kept these properties as No. 1 in their categories despite external challenges from such competitors as Google, Microsoft and major media companies. Earlier, Mr. Forman served as a senior operating executive at Time Warner's CNN Group and Time Inc. divisions, and at The Wall Street Journal/Dow Jones. He also was a member of the management team that took early search-engine Infoseek public.

6. Mr. Forman has a master's degree in law from Yale, and undergraduate degree in public affairs from Princeton, and is an alumnus of corporate-board training programs at Stanford and Harvard business schools.

7. On July 31, 2019, FTI was engaged to provide consulting and advisory services to the Debtors. Since that time, I have developed substantial knowledge about the Debtors' operations and financial condition by working closely with the Debtors' management and employees. I am familiar with the Debtors' day-to-day operations, business affairs, and books and records. Except as otherwise noted, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto. Except as otherwise stated, all facts set forth in this Declaration are based on my personal knowledge, my discussions with other members of the Debtors' senior management, my review of relevant documents, or my opinion, based on my experience and knowledge of the Debtors' operations and financial conditions. In making this Declaration, I have relied in part on information and materials that the

Debtors' personnel and advisors have gathered, prepared, verified, and provided to me, in each case under my supervision, at my direction, and for my use in preparing this Declaration.

PRELIMINARY STATEMENT

8. The entire industry of print and digital journalism has experienced serious challenges in recent years, particularly with the increased volume and momentum of internet journalism. As a consequence, many industry participants have pursued and continue to pursue efforts to consolidate with other market participants in order to achieve business synergies for the purpose of remaining viable and relevant. Relative to its peers, the Company's significant leverage and contingent pension exposure render it impossible for the Company to participate in the industry consolidation that has become inevitable for local news outlets. The Company has entered these Chapter 11 Cases after launching solicitation of a plan of reorganization that implements a balance sheet restructuring and which will eliminate approximately 55% of the Company's total funded debt as well as position the Company for success in the future.

9. This Declaration is divided into four parts. Part I provides background information about the Debtors, their business operations, their corporate and capital structures, and the circumstances surrounding the commencement of the Chapter 11 Cases. Part II sets forth the relevant facts in support of each of the First Day Papers. Part III provides a summary of the Company's balance sheet restructuring which should allow the Company to emerge from chapter 11 within the next several weeks. Part IV contains information required by Local Bankruptcy Rule 1007-2.

PART I

BACKGROUND

I. The Chapter 11 Cases

10. On the date hereof (the "**Petition Date**"), each Debtor commenced a case by filing a petition for relief under chapter 11 of the Bankruptcy Code (collectively, the "**Chapter 11 Cases**"). The Debtors have requested that the Chapter 11 Cases be jointly administered.

11. The Debtors continue to operate their businesses and manage their properties as debtors and debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

12. To date, the Office of the United States Trustee for the Southern District of New York (the "**U.S. Trustee**") has not appointed a creditors' committee in the Chapter 11 Cases, nor has any trustee or examiner been appointed therein.

II. The Debtors' Business

A. Description of News and Digital Advertising Business

13. McClatchy is a 163-year-old family-controlled public company[3] that provides independent local journalism to 30 communities in 14 states through its local newspapers, including well-respected publications such as the *Miami Herald*, *The Kansas City Star*, *The Sacramento Bee, The Charlotte Observer*, *The* (Raleigh) *News & Observer*, and the (Fort Worth) *Star-Telegram*, as well as national news coverage through its Washington, D.C. bureau. McClatchy also provides a full suite of digital marketing services, through its local sales teams

3 McClatchy is family controlled through super-voting Class B Common Stock that is not publicly traded and can only be held by descendants of the first James McClatchy. The Class B Common Stock is convertible at the option of the holder into Class A Common Stock on a share-for-share basis.

and excelerate®, its full-service national digital marketing agency that provides digital marketing tools designed to customize digital marketing plans for its customers.

14. McClatchy's media companies and excelerate® distribute content, including video products, through its owned and operated websites and mobile applications, third-party search and ad exchanges, social media platforms, electronic editions of its daily newspapers (or "e-editions"), as well as its printed daily newspapers. McClatchy also prints selected niche publications and community newspapers and offers other print and digital direct marketing services. Its media companies range from large daily newspapers and news websites serving metropolitan areas to non-daily newspapers with news websites and online platforms serving small communities. For the full year ended December 29, 2019, McClatchy had an average aggregate paid daily circulation of 1.1 million and a Sunday print circulation of 1.5 million, in addition to 55.7 million average monthly unique visitors to its online platforms, 3.4 billion page views of its digital product—reflecting a 114% increase of digital-only subscribers between Q4 2017 and Q4 2019, a 10% sequential increase in digital-only subscribers for the 15th consecutive quarter of growth, and an 18% increase at the end of Q4 2019 as compared to Q4 2018.

15. To strengthen its position as a leading local media company and to address the headwinds facing the journalism industry (described in more detail below), McClatchy—with notable acceleration under a new leadership team appointed in the past three years—has focused on expanding its digital businesses and transitioning into a digitally focused, digitally driven media company. To that end, McClatchy has implemented a business strategy aimed at growing digital subscriptions and broadening its digital audiences, as well as expanding its full-service digital agency, excelerate®, to provide customized digital marketing plans for its customers.

16. McClatchy is headquartered in Sacramento, California, and its businesses include two operating regions (which are roughly divided between those media companies operated west of the Mississippi River and those operated east of it).

B. The Debtors' Corporate and Capital Structures

17. The McClatchy Company is the direct or indirect parent company of each of the Debtors, which are all incorporated in the United States except for HCP Mexico, which is a Mexican Company. A corporate organization chart of the Debtors and certain non-Debtor affiliates is attached hereto as **Exhibit A**. As of the Petition Date, certain of the Debtors (the "**Prepetition Obligors**") are obligated as borrowers, issuers, or guarantors on four secured credit facilities, referred to as the ABL Facility, the First Lien Notes, the Second Lien Facility, and the Third Lien Notes (each as defined below). Each of these facilities is secured by a lien on and security interest in substantially all of the Prepetition Obligors' assets. In addition certain of the Debtors are obligated as issuers on the 2027 and 2029 Unsecured Debentures (as defined below).

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18. As of the Petition Date, the Debtors' principal funded debt obligations are as follows:

	Pro Forma ($ millions)	Interest Rate	Maturity
Secured Debt			
ABL Facility	—		
First Lien Notes	$262.9	9.000%[4]	Jul-2026
Second Lien Term Loan	$157.1	7.795%[5]	Jul-2030
Third Lien Notes	$268.4	6.875%[6]	Jul-2031
Total Secured Debt	**$688.4**		
Unsecured Debt[7]			
2027 Debentures	$7.1	7.150%[8]	Nov-2027
2029 Debentures	$7.8	6.875%[9]	Mar-2029
Total Unsecured Debt	**$14.9**		
Total Funded Debt	**$703.3**		

(i) ABL Facility

19. The McClatchy Company and certain other Debtors are parties to that certain Credit Agreement dated as of July 16, 2018 (the "**ABL Credit Agreement**") by and among The McClatchy Company as parent, the borrowers thereto, the lenders thereto (the "**ABL Lenders**"), and Wells Fargo Bank, National Association, in its capacity as agent (the "**ABL Agent**"). The ABL Credit Agreement provides for up to $65.0 million secured asset-backed revolving credit facility (the "**ABL Facility**") with a letter of credit subfacility and a swing line subfacility. In

[4] Interest on the First Lien Notes is payable semi-annually in arrears on January 15 and July 15 of each year, and commenced on January 15, 2019.

[5] Interest on the Second Lien Term Loan is payable semi-annually in arrears on January 15 and July 15 of each year, and commenced January 15, 2019.

[6] Interest on the Third Lien Notes is payable semi-annually in arrears on January 15 and July 15 of each year and commenced on January 15, 2019.

[7] Only certain of the Debtors are obligated as issuers under the 2027 and 2029 debentures.

[8] Interest on the 2027 indentures is payable semi-annually.

[9] Interest on the 2029 indentures is payable semi-annually.

addition, the ABL Credit Agreement provides for a separate $35.0 million cash secured letter of credit facility ("**LOC Facility**"). The commitments under the ABL Credit Agreement expire July 16, 2023. The Company's obligations under the ABL Credit Agreement are guaranteed by The McClatchy Company and by Debtor subsidiaries.

20. As of the Petition Date, the Company had no amounts outstanding under the ABL Facility and had $26.65 million standby letters of credit secured under the LOC Facility. The Company has been required to provide cash collateral equal to 100% of the aggregate undrawn stated amount of each outstanding letter of credit.

(ii) First Lien Notes

21. The Debtor Secured Facilities Parties entered into that certain Indenture dated as of July 16, 2018 (the "**First Lien Notes Indenture**") by and among The McClatchy Company, subsidiaries of the Company party thereto as guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (the "**First Lien Agent**"), pursuant to which the Company issued $310,000,000 aggregate principal amount of 9.000% Senior Secured Notes due 2026 (the "**First Lien Notes**").

22. The First Lien Notes mature on July 15, 2026, and bear interest at a rate of 9.000% per annum. Interest on the First Lien Notes is payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2019. As of the Petition Date, the First Lien Notes had an outstanding principal balance of approximately $262.9 million.

(iii) Second Lien Term Loan

23. The Debtor Secured Facilities Parties entered into that certain Junior Lien Term Loan Credit Agreement dated as of July 16, 2018 (the "**Second Lien Term Loan Agreement**") by and among The McClatchy Company, the guarantors party thereto, the lenders party thereto and The Bank of New York Mellon, as administrative agent and collateral agent (the "**Second**

Lien Agent"). The Second Lien Term Loan Agreement provides for a $157.1 million secured term loan that matures on July 15, 2030 (the "**Second Lien Term Loan**"), and prior to the 2018 refinancing, provided for a $193.5 million term loan that matures on July 15, 2031 (the "**Tranche B Second Lien Term Loans**"). The McClatchy Company's obligations under the Second Lien Term Loan Agreement are guaranteed by the same subsidiaries that guarantee the First Lien Notes as set forth in the Second Lien Term Loan Agreement.

24. The Second Lien Term Loan bears interest at a rate per annum equal to 7.795%. Interest on the loan is payable semi-annually in arrears on January 15 and July 15 of each year, and commenced on January 15, 2019.

25. As of the Petition Date, the Company had approximately $268.4 million outstanding under the Second Lien Term Loan.

(iv) Third Lien Notes

26. The Company entered that certain Indenture dated as of December 18, 2018 (the "**Third Lien Notes Indenture**") by and among The McClatchy Company, subsidiaries of the Company party thereto as guarantors and The Bank of New York Mellon, as trustee and collateral agent (the "**Third Lien Agent**," and together with the ABL Agent, the First Lien Agent, and the Second Lien Agent, the "**Prepetition Agents**"), pursuant to which The McClatchy Company issued $193,466,000 aggregate principal amount of 6.875% Senior Secured Junior Lien Notes due 2031 (the "**Third Lien Notes**," and together with the ABL Facility, the First Lien Notes and the Second Lien Term Loan, the "**Prepetition Secured Debt**").

27. In March 2019, The McClatchy Company issued $75.0 million aggregate principal amount of additional Third Lien Notes. Pursuant to the terms of the Second Lien Term Loan Agreement, affiliates of Chatham Asset Management, LLC ("**Chatham**") were permitted to elect to convert up to $75.0 million in aggregate principal amount of the unsecured 6.875%

debentures due in 2029 (the "**2029 Debentures**") into an equal principal amount of Tranche B Second Lien Term Loans or notes with terms substantially similar to the Tranche B Second Lien Term Loans upon written notice to the Company. Chatham made such election, and on December 18, 2018, the Company issued to affiliates of Chatham $193,466,000 aggregate principal amount of Third Lien Notes in exchange for an equal principal amount of Tranche B Second Lien Term Loan. As a result of this transaction, the Tranche B Second Lien Term Loan was fully extinguished.

28. The Third Lien Notes mature on July 15, 2031, and bear interest at a rate of 6.875% per annum. Interest on the Third Lien Notes is payable semi-annually in arrears on January 15 and July 15 of each year and commenced on January 15, 2019.

29. As of the Petition Date, the Third Lien Notes had an outstanding principal balance of approximately $268.4 million.

(v) Unsecured Debentures

30. The McClatchy Company entered into that certain Fourth Supplemental Indenture dated as of June 27, 2006 (the "**Fourth Supplemental Indenture**") by and among Knight-Ridder, the Company, JPMorgan Chase Bank, N.A., as Trustee (the "**1997 Trustee**"), and The Bank of New York Trust Company, N.A., as Series Trustee (the "**Series Trustee**"), to supplement that certain Indenture dated as of November 4, 1997 by and between Knight-Ridder and the 1997 Trustee, as supplemented by the First Supplemental Indenture dated as of June 1, 2001 by and among Knight-Ridder, the 1997 Trustee and the Series Trustee, the Second Supplemental Indenture dated as of November 1, 2004 by and among Knight-Ridder, the 1997 Trustee and the Series Trustee, and the Third Supplemental Indenture dated as of August 16, 2005 by and among Knight-Ridder, the 1997 Trustee and the Series Trustee (such Indenture, as so supplemented, the "**1997 Indenture**"). Pursuant to the terms of the Fourth Supplemental

Indenture, The McClatchy Company assumed the obligations of Knight-Ridder under the 1997 Indenture and the securities issued pursuant to the 1997 Indenture, including the obligation to pay the principal of (and premium, if any) and interest on the securities issued pursuant to the 1997 Indenture. Pursuant to the 1997 Indenture, Knight-Ridder issued, among other securities, the (i) debentures due on November 1, 2027, bearing interest at 7.15% in the aggregate principal amount of $100 million, with interest payable semi-annually (the "**2027 Debentures**"), and (ii) Debentures due on March 15, 2029, bearing interest at 6.875% in the aggregate principal amount of $300 million, with interest payable semi-annually (the "**2029 Debentures**" and together with the 2027 Debentures, the "**Unsecured Debentures**").

31. As of the Petition Date, the Debtors has outstanding $14.9 million of the Unsecured Debentures.

(vi) McClatchy Common Stock

32. As of February 11, 2020, there were 5,507,220 shares of The McClatchy Company's Class A Common Stock outstanding and 2,428,191 shares of The McClatchy Company's Class B common stock outstanding.

33. The Class A Common Stock is listed in the NYSE American under the symbol MNI. On September 9, 2019, the Company received written notification from NYSE American indicating that it was not in compliance with certain listing standards. The Company had approximately 18 months from the receipt of the notice to become compliant under a plan that is subject to approval by NYSE American. The Company submitted a plan to NYSE American on October 9, 2019, advising it planned to regain compliance with the continued listing standards by March 9, 2021. NYSE American accepted McClatchy's plan, conditioned on continuous reporting to the NYSE. On February 12, 2020 the closing price of McClatchy's Class A Common Stock was $0.75 per share.

34. The Class B Common Stock is not publicly traded. Class B Common Stock is convertible at the option of the holder into Class A Common Stock on a share-for-share basis. The holders of shares of Class B Common Stock are parties to an agreement, the intent of which is to preserve control of the Company by the McClatchy family. Under the terms of the agreement, the Class B shareholders have agreed to restrict the transfer of any shares of Class B Common Stock to one or more "Permitted Transferees," subject to certain exceptions. A "Permitted Transferee" is any of our current holders of shares of Class B Common Stock; any lineal descendant of Charles K. McClatchy (1858 to 1936); or a trust for the exclusive benefit of, or in which all of the remainder beneficial interests are owned by, one or more lineal descendants of Charles K. McClatchy. Generally, Class B shares can be converted into shares of Class A Common Stock and then transferred freely (unless, following conversion, the outstanding shares of Class B Common Stock would constitute less than 25% of the total number of all our outstanding shares of common stock).

35. Both classes of stock participate equally in dividends. Holders of Class B are entitled to one vote per share and to elect as a class 75% of the Board of Directors, rounded down to the nearest whole number. Holders of Class A Common Stock are entitled to one-tenth of a vote per share and to elect as a class 25% of the Board of Directors, rounded up to the nearest whole number.

III. Events Precipitating the Chapter 11 Cases

A. The News Industry Headwinds and the Digital Transformation

36. The company purchased Knight-Ridder, Inc. in 2006, adding 20 newspapers to its portfolio and, in so doing, taking on $5.0 billion in debt to consummate the transaction. The company had an investment grade rating from both Moody's Investor Services and Standard & Poor's at the time of the acquisition. Similarly, the debt to finance the transaction was rated

investment grade by both such credit rating agencies. The Great Recession (commencing in 2007) and the impact of internet journalism and alternative digital advertising sources has undermined the revenue model of the entire news industry. Between 2006 and 2018, McClatchy's advertising revenues fell by 80%. Local news outlets in particular were hard hit, as the internet and entry of new digital advertising platforms forced major disruptions in the traditional print advertising industry; news and advertising were no longer being distributed and sold according to geographic location. In addition, paid print circulation volume and print audience have steadily decreased over the same period; between 2006 and 2018, total daily print circulation fell by 58.6%. This decline in daily circulation and associated revenues is reflective of the fragmentation of audiences faced by all media companies. McClatchy has responded to these trends by exploring synergies through purchases or sales, implementing a business plan that focuses on a shift to digital news circulation and subscriptions, digital advertising, and strategically implementing cost-cutting initiatives.

37. In response to the industry-wide economic pressures, newspaper and media companies have seen a tremendous amount of consolidation in the industry. Likewise, McClatchy has considered several transactions that would benefit from economies of scale and synergies. In the past year, McClatchy reached agreement on the terms of two separate strategic transactions that would have de-levered the business; however, on both occasions, McClatchy was unable to come to agreeable terms on financing, leaving the transactions unexecutable. The impediments to obtaining financing were both the Company's funded debt and pension obligations.

38. At the same time, management has been highly focused on pursuing the Company's digital transformation, anchored in independent community journalism. Over the

past two years, McClatchy has accelerated the pace and cadence of its transformation to such a digital media company.

39. Specifically, the McClatchy Company has:

a) increased digital-only subscribers to 219,806, up 114% between Q4 2017 and Q4 2019;

b) grew digital-only subscribers by 10% sequentially from Q3 2019, making Q4 2019 the 15th consecutive quarter of growth in digital-only subscribers, which is a key area for gauging the success of McClatchy's digital transformation;

c) achieved an improving trend in adjusted EBITDA over the first three consecutive quarters of 2019; and

d) increased total digital users to approximately 535,265 at the end of the fourth quarter of 2019, up 18% from a year earlier.

40. McClatchy continues to pursue new digital products and offerings. For example, McClatchy continues to expand its concept of comprehensive digital marketing solutions for local businesses via excelerate,® which offers advertisers integrated packages including website customization, search engine marketing and optimization, social media presence and marketing services, and other multi-platform advertising opportunities, and expand the footprint of excelerate® to markets beyond those served by McClatchy's media companies.

41. McClatchy has also continued to expand revenues from digital products in other ways. For example, McClatchy's real-time, programmatic buying and selling of digital advertising inventory – often targeting very specific audiences at very specific times – grew approximately 12.4% in 2018 compared to 2017. Video revenue increased 47.5% in 2018 compared to 2017, due to McClatchy's focus on the use of video in its digital products to enhance the content that McClatchy brings to readers and viewers, and also to compete for a growing advertising stream.

42. McClatchy has diversified and will continue to grow ways in which the digital subscribers are acquired. For instance, some of the Company's growth is driven by a new sports only subscription product branded as SportsPass™, which was launched in 11 of McClatchy's markets during 2018, and in May 2018, McClatchy partnered with Google to offer a way for readers to purchase a subscription to each of McClatchy's digital brands, branded as "Subscribe with Google."

43. Lastly, McClatchy has been and will continue to outsource production and printing facilities and has moved its content online as is evident from its digital subscription growth. As of September 2019, all but seven of its newspapers are printed by third party or sister newspapers and as a result, the Company cut its newsprint and printing costs by 16.4% for 2019. McClatchy plans to further explore ways to efficiently reduce and consolidate costs related to production and printing and expects a further reduction of newsprint costs in 2020.

44. McClatchy continues to improve its technology to know the Company's customers better, to identify areas of interest that allows McClatchy to target and retarget potential subscribers and to provide new products to all subscribers.

45. Because of the success of the strategies highlighted above and with accelerating success in the past three years, McClatchy now operates a much more balanced business with roughly 40% of its revenue (and growing) from digital sources, and 60% from print, and roughly half from subscription revenue, and half from advertising. This more-balanced distribution of revenues is less reliant on the advertising revenues that suffered so mightily during the Great Recession and which have been siphoned off by large technology platform digital 'pure-pay' competitors who are largely unconstrained by legacy pensions or large debt capital structures. As the second-largest local newspaper company in the United States, as a consequence of these

strategies, McClatchy had about 220,000 digital-only subscribers at the end of 2019 and over 535,000 paid digital customer relationships.

B. Debt Repayment and Other Cost-Cutting Measures

46. McClatchy has successfully restructured and/or refinanced a large amount of its corporate debt over the past decade. During the Great Recession, McClatchy refinanced its debt twice. In 2010, McClatchy issued $875 million of 11.5% bonds due in 2017 that replaced all of its bank term debt and extended its maturities. In 2012, when the market was more favorable, it again refinanced its notes into 9.0% bonds due in 2022 and it continued to repurchase other bonds, further reducing debt. By mid-2018, McClatchy had paid down its debt from $1.77 billion at the end of 2010 to $710 million. As of January 15, 2020, McClatchy had approximately $703.3 million in total aggregate principal amount of debt outstanding.

47. As described above, in 2018, McClatchy entered into an arrangement pursuant to which loans secured from Chatham helped McClatchy redeem its first lien debt due in 2022, pay refinancing costs and issue $310 million of first lien 9.0% bonds due in 2026. This again extended the maturities of McClatchy's first lien debt. In connection with this renegotiation, the vast majority of McClatchy's 2027 and 2029 unsecured debt was renegotiated to junior secured debt with extended maturities of 2030 and 2031 maturity respectively.

48. As described in the section above, McClatchy also entered into an ABL facility with Wells Fargo for up to $65 million in capacity depending on the level of its accounts receivables and newsprint inventories. In most quarters that lending capacity is limited to $30 million to $40 million, but it increases in the fourth quarter due to the seasonality of McClatchy's business which is tied to the Thanksgiving and Christmas retail season.

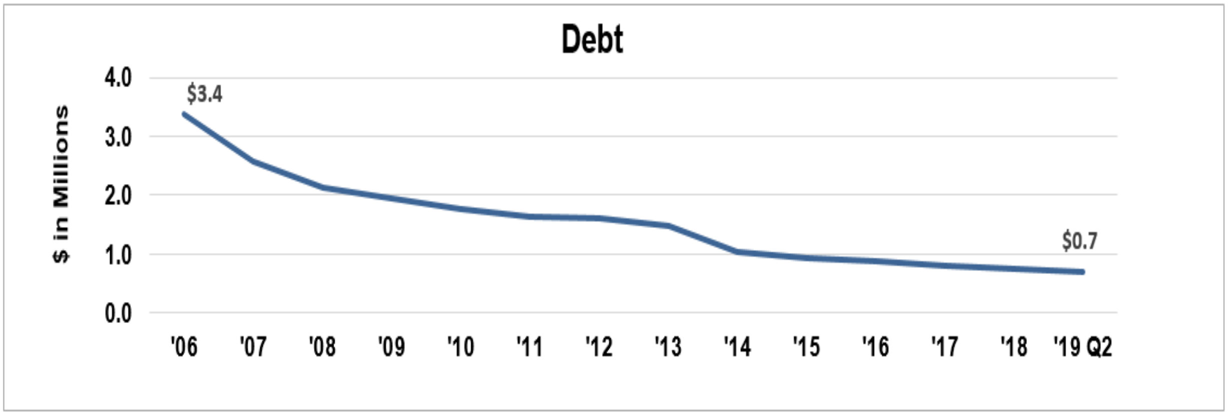
49. In April 2019, McClatchy recognized a net gain of $2.3 million related to the sale of a distribution center in Miami, Florida. In May 2019, McClatchy closed a sale and leaseback

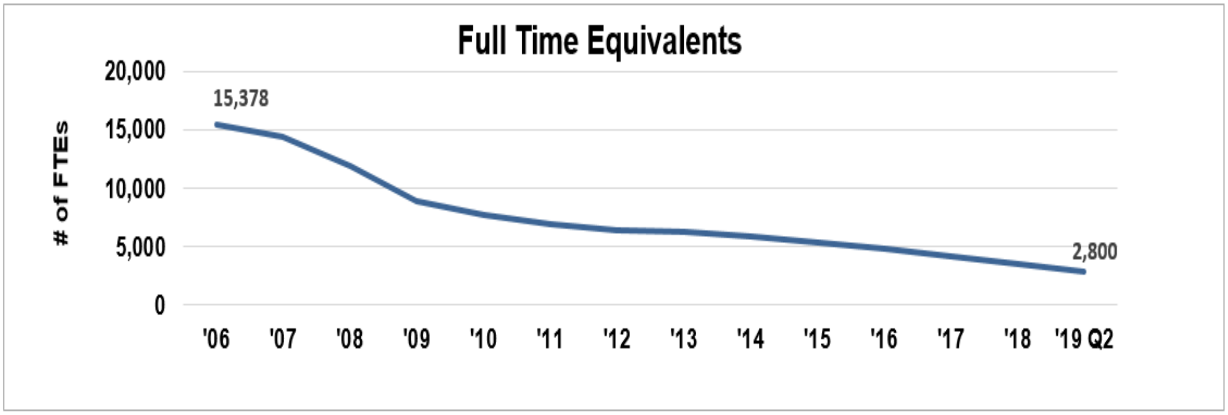
of real property in Kansas City, Missouri. The transaction resulted in net proceeds of $29.7 million. In June 2019, in accordance with the Company's 2026 Notes Indenture, McClatchy redeemed $32 million aggregate principal amount of its 2026 Notes from the net proceeds of the Kansas City and Miami asset dispositions. As a result of the $36.6 million principal amounts redeemed in these transactions, McClatchy recorded a loss on extinguishment of debt of $2 million in the quarter and six months ended June 30, 2019.

50. In addition, in the past several years, McClatchy has undertaken other strategic and cost-cutting measures to boost its ability to generate revenue and cash flow and remove legacy costs. Between 2006 and 2018, in response to industry headwinds, McClatchy has cut its operating cash expenses by approximately 60%. McClatchy removed more than $41 million of legacy costs from its business in the first half of 2019, reflecting a reduction of 11.7% compared to the first half of 2018. McClatchy achieved this through disciplined cost reductions that were put into place in the second half of 2018 and in the first half of 2019. Much of this cost reduction came from job eliminations and consolidations. In the first half of 2019, the number of full-time equivalent employees of McClatchy declined by 20.6%.

51. In addition, in February 2019, McClatchy announced a one-time voluntary Early Retirement Incentive Program ("**ERIP**") that was offered to approximately 450 employees. The ERIP allowed such employees to accept a special termination benefit based on years of continuous service and the option to take their vested benefits under the Company's pension plan in a lump sum payment. Nearly 50% of the eligible employees opted into the program. Lump sum pension and termination payments made under the ERIP resulted in a net reduction to the pension liability of approximately $13.1 million and the recognition of a one-time non-cash charge of $6.8 million.

52. The reduction in debt and full-time equivalent employees over time is reflected in the charts below.





53. In addition, in 2019 McClatchy reorganized itself along functional disciplines, which focuses on an investment in data analytics to better measure customer experiences, segment the Company's audiences by engagement, and deliver a dynamic experience across a broader array of product services. McClatchy also restructured and centralized the advertising division, resulting in $4.9 million in savings in the advertising department in the second quarter of 2019 compared to the second quarter of 2018.

54. Although, McClatchy experienced adjusted EBITDA growth in the third quarter of 2019, as of the Petition Date, its projected operating cashflows are insufficient to allow it to address its remaining legacy liabilities as they come due.

C. Pension Liabilities

55. McClatchy administers a qualified pension plan covered by the PBGC that was established in 1944 that, as of January 1, 2019 covered nearly 24,500 current and future retirees. With each successive acquisition of a business, throughout the 1990's and into the 2000's, McClatchy likewise assumed the pension plan applicable to the employees and retirees of the acquired company.

56. Despite the declining revenues that McClatchy has experienced since 2006, McClatchy has continued to make both mandatory and voluntary contributions to the Pension Plan. In the past 15 years, the Company has contributed cash and/or property of more than $530 million to the pension plan—$228 million of cash was contributed during the period from 2011 to 2014. The Company made additional real property contributions of $49.7 million in 2011, and $47.1 million in 2016. The plan has subsequently sold a number of the contributed properties bringing in $42.4 million of cash to the pension plan (at a net gain), and in 2019, the Company made lease payments of $4.4 million on the remaining contributed property, now valued at $55.4 million. Overall, since 2001, the company has made voluntary contributions of nearly $580 million and since 2011, McClatchy has contributed $275.1 million in excess contributions, above and beyond the minimum contributions otherwise required.

57. As of January 1, 2019, the Pension Plan was underfunded by $323.6 million based on the standards required by the Internal Revenue Code for non-terminated pension plans.[10] The contributions to the Pension Plan required under the Internal Revenue Code sections 412 and 430

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[10] Under a different method of measuring benefit liabilities that assumes a termination of the Pension Plan, PBGC estimates that as of July 19, 2019, the Pension Plan is underfunded by $805.2 million. The Debtors reserve all rights with respect to the validity and amount of any claim PBGC has or may file in these proceedings.

for fiscal years 2020,[11] 2021, and 2022 are estimated to be $124 million, $88 million, and $117 million, respectively.

58. Given the size of these required contributions, in June, 2019, the Company sought a waiver of the minimum required contributions to its defined benefit plan for the plan years 2019, 2020, and 2021. Although the Company anticipated that it will have material positive cash flow during these periods, the required contributions would materially exceed all of the Company's available liquidity. Simultaneously, the Company was pursuing legislative relief via the SECURE Act for relief from the near-term payments of minimum required contributions to its pension plan.

59. Without relief from the IRS waiver or the SECURE Act, McClatchy would inevitably receive a "going concern qualification" from its external auditors on its audited financial statements for fiscal year 2019. A going concern qualification would be an event of default under the company's Second Lien Notes and the ABL Facility. Further, a default on those instruments would trigger a default on the company's First Lien Notes, resulting in all of its debt coming due immediately. The last day which the company could file its audited financial statements for fiscal 2019 was March 30, 2020 and so absent a solution, that would have been the last day the company could have maintained compliance with its financial statement reporting covenant.

60. In connection with the Company's November 13, 2019 earnings release, the Company announced that the IRS would not approve its waiver application. Moreover, while the "Minimum Funding Standards for Community Newspapers" law enacted as part of a year-end 2019 omnibus spending plan covers dozens of similar family-controlled titles including The

[11] The Company did not make the required minimum funding contribution due on January 15, 2020.

Seattle Times and Minneapolis Star-Tribune, McClatchy and more than a dozen other similarly situated newspaper companies were unable to achieve passage of a "technical fix" that would have extended pension relief to these public companies.

61. Although the Debtors certainly cannot continue in business if the Pension Plan is not terminated, they can meet its obligations outside of chapter 11 if the Pension Plan is terminated. The Company's management, with the assistance of their advisors, have prepared projections for fiscal years 2020 through 2022 ("**Financial Projections**").[12] Based on these projections, the reorganized Debtors, with a significantly de-leveraged capital structure, including termination of the Pension Plan, will be able to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. If the Pension Plan were not terminated, the Debtors would not be able to meet their obligations under the Plan.

D. Negotiations with PBGC, Chatham and Others

62. Beginning in September and October 2019, while awaiting a decision on the IRS waiver application, McClatchy commenced discussions with the Pension Benefit Guaranty Company ("**PBGC**") and its largest debt holder, Chatham, for the purpose of exploring other alternatives that would provide a more permanent, rather than temporary, solution to its qualified pension obligations, nonqualified pension obligations and capital structure.

63. Specifically, management engaged in discussions with PBGC for a distress termination of its pension plan that would result in PBGC taking over its defined benefit pension plans and allow McClatchy to continue ordinary business operations. The Company and its advisors met with PBGC on numerous occasions—including three in-person meetings—to

[12] The Financial Projections in their entirety are attached to the *Disclosure Statement with Respect to the Joint Chapter 11 Plan of Reorganization of The McClatchy Company and its Affiliated Debtors and Debtors in Possession*, filed concurrently herewith, at Exhibit B.

discuss the parameters of a distress termination and a potential settlement of claims in connection therewith. In addition, both the PBGC and Secured Parties hired external advisors, had access to thousands of pages of diligence, and attended telephonic and in-person meetings with both the Company's advisors and management.

64. Shortly after commencing settlement discussions with PBGC, management engaged in discussions with Chatham to explore a path for an out-of-court restructuring that would additionally de-lever the Company. In connection with these discussions, the Company set up a comprehensive electronic data room and Chatham and its advisors engaged in due diligence. McClatchy and its advisors and Chatham and its advisors engaged in extensive discussions regarding potential structures for a deleveraging transaction.

65. In connection with all of these efforts to address the Company's liquidity pressures, the Company engaged the financial and legal services of Evercore Group L.L.C. ("**Evercore**"); FTI Consulting, Inc.; Skadden, Arps, Slate, Meagher & Flom LLP; Togut, Segal & Segal LLP and the Groom Law Group, Chartered, who are all assisting the Company in evaluating and executing available transactions with its stakeholders.

66. As negotiations progressed, it became clear that an out-of-court transaction would not be feasible given the sheer number of the Company's participants in non-qualified pension plans, among other similar unsecured creditors, as well as the lack of any ability to propose a restructuring to such creditors outside of a court-supervised process. Accordingly, the Company, in consultation with its financial advisors and counsel, determined that negotiating a chapter 11 plan of reorganization that would fix its balance sheet and settle its pension liabilities, including liabilities arising from a distress termination, resulting in a deleveraged capital structure, would be the best available option to maximize value for its stakeholders.

67. As negotiations with Chatham regarding a restructured balance sheet progressed, the Company, with support from Chatham, continued its negotiations with PBGC. PBGC engaged Jefferies as its financial advisor on or around December 16, 2019 to assist it in evaluating a potential distress termination and any proposed settlement. The Company continued to respond to PBGC's and its advisors' information requests, provided Jefferies access to the electronic data room and provided multiple opportunities for Jefferies to meet with the Company's advisors and management.

68. As negotiations intensified during late December, 2019, McClatchy identified Brigade Capital Management and each of its managed funds or accounts that is a beneficial holder of the First Lien Notes (collectively, the "**Brigade Parties**") and Leon Cooperman as significant holders of the First Lien Notes. Under confidentiality agreements, McClatchy granted both the Brigade Parties and Mr. Cooperman access to the electronic data room and began to negotiate the terms of the continuation of the First Lien Notes following a balance sheet restructuring. The Company has taken all steps to avoid termination of the Pension Plan; however, in spite of these efforts, the Pension Plan's projected required contributions greatly exceed the Company's projected EBITDA. After months of intensive negotiations, the Company's board of directors determined that it was prudent to commence the solicitation of the Plan among the holders of the First Lien Notes, the Second Lien Facility, Third Lien Notes and the PBGC, which the Company did on February 12, 2020 immediately prior to commencing the chapter 11 Cases. Also, on February 12, 2020, the Board of Directors of the Company resolved to seek a distress termination of the Pension Plan.

E. DIP Financing

69. Once the Debtors determined that a restructuring would be executed through a chapter 11 filing, Evercore, at the direction of the Debtors, launched a marketing process seeking

DIP financing. As part of these efforts, Evercore contacted five third-party lenders, consisting of traditional banks and alternative lenders. In addition, Evercore solicited debtor-in-possession ("**DIP**") financing proposals from the prepetition ABL Lenders, and certain large existing noteholders. The Debtors ultimately received two DIP financing proposals, one from the prepetition ABL Lenders, and one from Encina Business Credit, LLC ("**Encina**"). None of the parties contacted indicated a willingness to provide DIP financing on an unsecured, junior-lien, or *pari passu* basis. The Debtors, with the assistance of Evercore and their other advisors, carefully considered both proposals before determining that the DIP financing provided by Encina (the "**DIP Financing**") represented the best available alternative for the Debtors under the circumstances. Accordingly, the Company decided to enter into that certain Credit Agreement dated as of February 12, 2020 (the "**DIP Credit Agreement**") by and among (a) The McClatchy Company, as parent, (b) McClatchy Newspapers, Inc., as lead borrower, (c) the other borrowers party thereto, (d) Encina Business Credit, LLC, as administrative agent, and (e) the lenders thereto.[13]

70. The DIP Financing will facilitate the chapter 11 reorganization process, providing the Debtors with new capital—in the form of a senior secured, priming, superpriority debtor-in-possession asset-based revolving credit facility in the aggregate principal amount of approximately $50 million—which is needed to allow the Debtors to continue operations through the reorganization process.

[13] As set forth in further detail in the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing The Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* (the "**DIP Financing Motion**"), filed concurrently herewith, the Debtors are seeking entry of interim and final orders approving the DIP Credit Agreement (the "**DIP Financing Orders**").

PART II

FIRST DAY PAPERS[14]

71. To facilitate their restructuring efforts, the Debtors have filed the First Day Papers, each as listed on the attached **Exhibit A**, concurrently with this Declaration, and respectfully request that this Court enter the proposed orders granting such First Day Papers. I have reviewed each of the First Day Papers and proposed orders (including the exhibits thereto), and the facts set forth therein are true and correct to the best of my knowledge, information, and belief. I believe that the relief sought in each First Day Paper (a) is vital to enable the Debtors transition into, and operate in, Chapter 11 with minimum interruption or disruption to their businesses or loss of productivity or value and (b) constitutes a critical element in maximizing value during these Chapter 11 Cases.

I. Administrative Pleadings (Items 1 through 5)

72. The Debtors have filed five "administrative" pleadings that seek to (a) jointly administer the Chapter 11 Cases for procedural purposes only, (b) authorize the Debtors to file a consolidated list of creditors, (c) grant the Debtors additional time to file their schedules statements, (d) establish certain notice, case management, and administrative procedures in the Chapter 11 Cases, and (e) authorize the Debtors to retain Kurtzman Carson Consultants LLC ("**KCC**") as claims and noticing agent.

A. Joint Administration (Item 1)

73. The Debtors are requesting that the Chapter 11 Cases be jointly administered for procedural purposes only. As set forth above, the Debtors are affiliated with each other. Joint administration of these cases will avoid the unnecessary time and expense of duplicative

[14] Capitalized terms used but not defined in Part II have the meanings ascribed to them in the relevant First Day Paper.

motions, applications, orders, and other papers and related notices that otherwise would need to be filed in all of the cases absent joint administration. Accordingly, joint administration will save considerable time and expense.

B. Motion to File Consolidated List of Creditors (Item 2)

74. The Debtors seek entry of any order (a) authorizing the Debtors to file a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor, (b) authorizing the Debtors to redact certain personal identification information for individual creditors, and (c) granting related relief.

75. I believe that permitting the Debtors to maintain a single, consolidated list of the 30 largest unsecured creditors in these Chapter 11 Cases (the "**Consolidated Top 30 List**"), in lieu of filing a separate creditor matrix for each Debtor, is warranted. Under the circumstances, reformatting the consolidated list of creditors and potential parties in interest (the "**Creditor List**"), preparing and filing separate formatted creditor matrices, and otherwise complying with the requirements (collectively, the "**List Filing Requirements**") applicable to creditor-list filings pursuant to Local Bankruptcy Rule 1007-1 will unnecessarily burden the Debtors, without any corresponding benefit to the estates. Moreover, I believe that cause exists to authorize the Debtors to redact address information of individual creditors—many of whom are the Debtors' employees—from the Creditor List because such information could be used to perpetrate identity theft.

76. As stated herein, McClatchy is a public company with approximately 5.5 million shares of Class A common stock outstanding, and approximately 2.4 million shares of Class B common stock outstanding. McClatchy's Class A Common Stock is publicly traded on the NYSE American, and beneficial ownership of the common stock is widely dispersed. I believe that preparing a list of all of McClatchy's equity security holders with last-known addresses and

sending notice to all parties on such list will be burdensome, expensive, time consuming, and serve little or no beneficial purpose.

C. Motion Extending Time to File Schedules and Statements (Item 3)

77. The Debtors are requesting (a) a 30-day extension of time to file their schedules of assets and liabilities and statements of financial affairs (collectively, the "**Schedules and Statements**"), (b) additional time to file financial information reports pursuant to Bankruptcy Rule 2015.3(a) (the "**Rule 2015.3 Reports**") or, alternatively, a motion with the Court seeking appropriate modifications of such reporting requirements, for cause, up to and including the 30th day after the first meeting of creditors to be held pursuant to Bankruptcy Code section 341 (the "**341 Meeting**"), and (c) permission to file their monthly operating reports required by the Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees, issued by the Executive Office of United States Trustees (rev. 11/27/13) (the "**U.S. Trustee Guidelines**") by consolidating the information required for each Debtor in one report that tracks and breaks out all the specific information (*e.g.*, receipts, disbursements, etc.) on a debtor-by-debtor basis in each monthly operating report ("**MOR**").

78. I believe that, given the substantial burdens already imposed on the Debtors' management by the commencement of these Chapter 11 Cases, the limited number of employees available to collect the information, the competing demands upon such employees, and the time and attention the Debtors must devote to the restructuring process, cause exists to extend the deadline to file a list of the Debtors' Schedules and Statements and the Rule 2015.3 Reports. The requested extension will enhance the accuracy of the Statements and Schedules and the Rule 2015.3 Reports when filed and help avoid the potential necessity of substantial subsequent amendments. I do not believe that any party in interest will be prejudiced by the requested extension of time.

79. Furthermore, I believe that consolidating the information required by the U.S. Trustee Guidelines for each Debtor in one report that tracks and breaks out all specific information on a debtor-by-debtor basis will promote efficiency in these Chapter 11 Cases without prejudicing any party-in-interest, as the MORs would accurately reflect the Debtors' business operations and financial affairs.

D. Case Management Motion (Item 4)

80. The Debtors have proposed certain notice, case management, and administrative procedures (the "**Case Management Procedures**"). I believe the Case Management Procedures will facilitate service of notices, motions, applications, declarations, objections, responses, memoranda, briefs, supporting documents, and other documents filed in these Chapter 11 Cases (collectively, the "**Court Filings**") that will be less burdensome and costly than serving such pleadings on every potentially interested party, which, in turn, will maximize the efficiency and orderly administration of these Chapter 11 Cases, while at the same time ensuring that appropriate notice is provided, particularly to parties who have expressed an interest in these cases and those directly affected by a request for relief.

81. Therefore, I believe that adoption of the Case Management Procedures will maximize the efficiency and orderly administration of these Chapter 11 Cases, while at the same time ensuring that appropriate notice is provided.

E. Application to Retain Kurtzman Carson Consultants LLC as Claims and Noticing Agents (Item 5)

82. The Debtors seek authority to retain Kurtzman Carson Consultants LLC ("**KCC**") as claims and noticing agent in the Chapter 11 Cases. I understand that requesting such appointment is required by the rules of this Court given that the Debtors have more than 250 creditors and/or parties-in-interest listed on their creditor matrix. I believe that KCC's retention

is the most effective and efficient manner of noticing these creditors and parties in interest of the filing of the Chapter 11 Cases and other developments in the Chapter 11 Cases. In addition, KCC will transmit, receive, docket, and maintain proofs of claim filed in connection with the Chapter 11 Cases. Accordingly, I believe that retention of KCC, an independent third party with significant experience in this role, to act as an agent of this Court, is in the best interests of the Debtors and their estates and their creditors.[15]

II. Operational Pleadings (Items 6 through 13)

83. The Debtors have filed 7 "operational" pleadings that seek to (a) authorize the Debtors to continue using their Cash Management System (as defined below), (b) authorize the Debtors to pay Employees (as defined below), (c) authorize the Debtors to maintain Corporate Credit Cards (as defined below), (d) authorize the Debtors to pay Taxes and Assessments (as defined below), (e) authorize the Debtors to pay their Utility Companies (as defined below) and provide adequate assurance of payment to those Utility Companies, (f) authorizing the Debtors to pay their Critical Vendors and 503(b)(9) Claimants (each as defined below), (g) authorize the Debtors to maintain their Customer Programs (as defined below), and (h) establish procedures for trading in the Debtors equity securities.

A. Motion to Continue Cash Management System (Item 6)

84. The Debtors are seeking entry of interim and final orders (a) authorizing the Debtors to maintain their existing cash management system and bank accounts; (b) modifying certain operating guidelines relating to bank accounts set forth in the U.S. Trustee Guidelines; (c) authorizing the payment of related prepetition obligations; (d) authorizing the Debtors to

[15] The Debtors intend to file a subsequent application to retain KCC to perform certain administrative services under Bankruptcy Code section 327.

continue using existing checks, business letterhead, purchase orders, invoices, envelopes, promotional materials, and other business forms and correspondence, including existing templates thereof (collectively, the "**Business Forms**"); (e) modifying certain requirements under section 345(b) of the Bankruptcy Code; and (f) authorizing the continuation of various transactions relating to (i) the business relationship between the Debtors and (ii) the certain shared management, general, administrative, and/or other similar shared services between the Debtors (the "**Intercompany Transactions**") and the accordance of administrative expense priority status to all claims arising postpetition in the ordinary course of business as a result of an Intercompany Transaction (such postpetition claims, the "**Intercompany Claims**").

85. *The Cash Management System and Bank Accounts*. The Debtors' Cash Management System is comprised of 19 bank accounts and 82 lockboxes (the "**Bank Accounts**"), 17 of which are maintained by Debtor McClatchy Newspapers, Inc. ("**MNI**") at Wells Fargo Bank, National Association ("**Wells Fargo**"), and two of which are maintained by Debtor Herald Custom Publishing of Mexico, S.de R.L. de C.V. ("**HCP Mexico**") at BBVA Bancomer, S.A., Institución de banca Múltiple, Grupo Financiero BBVA Bancomer ("**Bancomer**"). The Bank Accounts include nine depository accounts (the "**Depository Accounts**"), four of which collect receivables from the Lockboxes (as defined and described below) two concentration accounts (the "**Concentration Accounts**"), three disbursement accounts (the "**Disbursement Accounts**"), and five cash collateral accounts (the "**Cash Collateral Accounts**"). Exhibit D to the motion seeking to continue use of the Cash Management System contains a list of all of the Debtors' bank accounts.

86. The Debtors utilize a centralized Cash Management System that operates primarily through the Bank Accounts maintained by MNI at Wells Fargo. As a general matter,

all revenue received by the Debtors is swept through the Depository Accounts to the Concentration Accounts, first to a depository only master account (the "**Master Depository Account**"), and then to a master operating account (the "**Master Operating Account**"). Funds are then disbursed from the Master Operating Account to the Disbursement Accounts, which are used in the ordinary course to process payroll for employees of the Debtors and to make direct payments to external vendors and suppliers.[16] I believe that by centralizing oversight over the Debtors' Cash Management System, the Debtors are able to facilitate reporting, the development of more timely and accurate balance and presentment information, and the monitoring of collection and disbursement of funds.

87. The Debtors generate and receive funds from a variety of sources, including their digital and print subscribers, advertising customers, and commercial printing and distribution contracts. In my opinion, the method employed to collect the cash generated by these respective payments varies, and the Debtors' billing and collection systems must have the flexibility to address the requirements for these different payment collection types. I believe that the Cash Management System affords the Debtors the ability to administer the Bank Accounts in the ordinary course to reduce administrative expenses by facilitating the movement of funds, while also maintaining and preserving capital and addressing the Debtors' liquidity requirements.

88. I believe that if the Debtors are unable to continue using their Cash Management System, the Debtors' operations will be severely impeded. The Debtors, with the assistance of their advisors, have implemented protocols to ensure that only claims arising postpetition and

[16] Certain payments made to external vendors and suppliers are made through the commercial card expense reporting service ("**CCER Service**") provided by Wells Fargo. Payments made through the CCER Service are processed electronically through a single-use commercial card number, known as a Control Account Number, which is delivered to the recipient vendor by secure email from Wells Fargo. The Debtors then pay Wells Fargo at the end of each month for all payments processed through the CCER Service. For the avoidance of doubt, the Debtors' Cash Management System includes the CCER Service.

certain claims arising prepetition (if payment of such prepetition claims is approved by this Court) will be paid by the Debtors.

89. *The Depository Accounts*. The Debtors' main Depository Accounts consist of (i) four regional accounts which collect revenues from the each of the Debtors' corresponding regional media business segments: Western, Eastern, Central, and Carolinas (the "**Regional Depository Accounts**"), (ii) an audience account, which collects revenues from digital and print subscription services offered by the Debtors, (iii) an interactive account, which collects revenues from national advertising customers and excelerate®, the Debtors' national digital marketing agency operated by Debtor McClatchy Shared Services, Inc. ("**McClatchy Shared Services**"), and (iv) and an automated clearinghouse ("**ACH**") receivable account, which collects revenues from credit card refunds processed through the Debtors' shared services center operated by McClatchy Shared Services. Each of these Depository Accounts are zero balance accounts ("**ZBAs**") from which funds are automatically swept into the Master Depository Account at the end of each day.

90. The Debtors also maintain 82 lockboxes (collectively, the "**Lockboxes**") at Wells Fargo that collect funds from circulation and advertising revenues in the various markets in which the Debtors operate. Funds from the Lockboxes are transferred to one of the four Regional Depository Accounts on a daily basis, and ultimately swept into the Master Depository Account.

91. The Regional Depository Account for the Eastern region (the "**East Region Depository Account**") also receives funds from the two depository Bank Accounts maintained by Debtor HCP Mexico at Bancomer (the "**Bancomer Accounts**"). One of the Bancomer Accounts is denominated in Mexican pesos (the "**MXN Account**"), which receives revenues

collected through HCP Mexico.[17] The other Bancomer Account is denominated in U.S. dollars (the "**USD Account**"). The Debtors' finance department consistently monitors the peso-dollar exchange rate in order to maximize funds transfers from the MXN Account to the USD Account. Periodically, the funds held in the USD Account are manually wire transferred to the East Region Depository Account, from which such funds are then swept to the Master Depository Account as described above. The Debtors make wire transfers from the USD Account to the East Region Depository Account from time to time, depending on the volume of revenue generated by HCP Mexico's operations and the expected disbursements needed to be made in the short-term out of the Bancomer Accounts.

92. *The Concentration Accounts*. The Debtors maintain two Concentration Accounts: the Master Depository Account and the Master Operating Account. As described above, funds from the Debtors' operations are automatically swept from the Depository Accounts into the Master Depository Account at the end of each day. The Master Depository Account is a ZBA, from which funds are automatically swept into the Master Operating Account at the end of each day. In addition, interest income generated from the Collateral Accounts is transferred via wire into the Master Operating Account on the maturity dates of the underlying L/Cs (defined below). The Debtors use the Master Operating Account to distribute funds to the three Disbursement Accounts, from which the Debtors make most of their disbursements and pay obligations, inclusive of payroll obligations; however, certain payments (e.g., insurance, taxes, etc.) are paid directly from the Master Operating Account via wire transfer or ACH. In addition, Wells Fargo

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17 HCP Mexico contracts with a Mexican airline, Mexican hotels and some other Mexican clients for the book-publishing/airline magazine business in which Aboard Publishing, Inc., a Debtor, engages in Mexico. HCP Mexico has no employees and holds no assets other than accounts receivables, including receivables due on account of Intercompany Transactions with the remaining, U.S.-based Debtors.

auto-debits the balances owed on the Corporate Credit Cards (as defined in the Employee Motion) and due on account of the CCER Service from the Master Operating Account. The Master Operating Account had an opening balance of $3,466,038.36 on the day prior to the Petition Date.

93. The Concentration Accounts are subject to restriction under the Debtors' prepetition ABL Credit Agreement with Wells Fargo. Although the Concentration Accounts are not currently restricted, Wells Fargo reserves the right to require such accounts to become subject to deposit account control agreements upon the occurrence of certain events (the "**Standing Wire Notice**"). If Wells Fargo were to provide the Debtors with a Standing Wire Notice, the Debtors would be required to discontinue the automatic sweeps from the Master Depository Account into the Master Operating Account, instead requiring an automatic standing wire from the Master Depository Account to Wells Fargo, and then requiring the Debtors to request a wire transfer of funds from the ABL Facility to the Master Operating Account as needed.

94. *The Disbursement Accounts*. The Debtors maintain three Disbursement Accounts, all of which are ZBAs, that receive transfers from the Master Operating Account. Outstanding checks are cleared from the Master Operating Account. One of the Disbursement Accounts (the "**Corporate Payroll Account**") is used exclusively to fund the Debtors' net pay payroll obligations to individual employees. Disbursements to employees are made primarily by ACH transfer, although some employees are paid by check, using the Debtors' in-house payroll processing system. Other payroll-related payments, including contributions to employees'

401(k) accounts, payments to the Debtors' payroll tax processor, ADP,[18] and the Debtors' obligations to employees under the various benefit plans maintained by the Debtors, as described more fully in the Employee Motion, are remitted by wire or ACH transfer to the plan administrators from the Master Operating Account.

95. The other two Disbursement Accounts (the "**Shared Services Accounts**") are used to fund the Debtors' general corporate disbursements and operating costs, including payments to vendors and contract counterparties. One of the Shared Services Accounts is a debit only account, from which disbursements are made by ACH transfer only. Disbursements from the other Shared Services Account are made by check, wire, and ACH transfers. The Shared Services Accounts also make certain disbursements to vendors and contract counterparties on account of expenses incurred by HCP Mexico, which disbursements are journaled monthly as they are made. Some expenses incurred by HCP Mexico are also disbursed directly from the Bancomer Accounts.

96. *The Cash Collateral Accounts*. The Debtors maintain three stand-alone Cash Collateral Accounts in which cash deposits totaling approximately $26.65 million as of the date hereof are held as collateral for the three letters of credit issued by Wells Fargo (collectively, the "**L/Cs**").[19] The Cash Collateral Accounts are restricted cash accounts.

97. *Bank Account Claims*. In connection with the Cash Management System, the Debtors may incur fees and other charges (collectively, all such fees and charges, the "**Bank Account Claims**") in connection with (a) checks which have been dishonored or returned for

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[18] The Debtors are seeking to pay certain prepetition amounts to ADP, as set forth in further detail in the *Debtors' Motion for Entry of Interim and Final Orders Authorizing Debtors to Pay Prepetition Wages, Compensation, and Employee Benefits*, filed contemporaneously herewith (the "**Employee Motion**").

[19] As described in further detail in the DIP Financing Motion, the Debtors also maintain two additional restricted stand-alone Cash Collateral Accounts.

insufficient funds in the applicable account, and (b) any reimbursement or other payment obligations, such as overdrafts, arising under any agreements governing the Bank Accounts, including, without limitation, any prepetition cash management agreements or treasury services agreements (the "**Bank Account Agreements**"). All such charges are automatically deducted from the applicable account. The Debtors do not believe that there are any outstanding Bank Account Claims as of the Petition Date.

98. *Business Forms*. The Debtors use various Business Forms, such as checks, invoices, and letterhead, in the ordinary course of business. Because the Business Forms were used prepetition, they do not reference the Debtors' current status as debtors in possession. Nonetheless, I believe that most parties doing business with the Debtors will be aware of the Debtors' status as debtors in possession as a result of the publicity surrounding the Chapter 11 Cases and the notice of commencement served on parties in interest.

99. I believe that requiring the Debtors to change existing Business Forms would unnecessarily distract the Debtors' employees from their restructuring efforts and impose needless expenses on the estates. Moreover, modifying existing Business Forms would be burdensome and expensive and would confer no corresponding benefit upon those dealing with the Debtors.

100. *Intercompany Transactions*. In the ordinary course of business, the Debtors engage in various Intercompany Transactions relating to expenses and obligations that the Debtors' businesses incur in the course of operations. As noted above, receipts from all of the Debtors are ultimately swept from ZBAs to the Master Operating Account. In addition, the Debtors disburse funds from the Master Operating Account and the three Disbursement Accounts on account of all of the Debtors' ordinary course expenses and operating costs. When

funds are transferred into or out of the Concentration Accounts, an Intercompany Transaction is recorded and booked, though not cash settled, thus reducing administrative costs and ensuring the orderly and efficient operation of the Debtors' enterprise. These Intercompany Transactions include, but are not limited to:

> (a) Accounts Receivables and Payables, Payroll. In the ordinary course of business, the Debtors contribute cash and process disbursements, including payroll charges as funds used from the Corporate Payroll Account are paid to employees of all the Debtors on each Debtor's behalf, through the centralized Cash Management System using the Concentration Accounts. These Intercompany Transactions are accounted for, and traceable, by the Debtors in their books and records.
>
> (b) Corporate Expenses. Also in the ordinary course of business, the Debtors incur centrally billed expenses, including certain taxes, employee medical costs, and insurance premiums. The Debtors allocate these charges among themselves. Such allocations are reflected on the Debtors' intercompany books and records.
>
> (c) Shared Services Allocation. The Debtors utilized a centralized shared services system to process and allocate charges for certain services provided to and by the Debtors. The expenses for these services are allocated among the Debtors based upon certain directly identifiable costs, such as the cost of service provided.

101. All of the Intercompany Transactions discussed herein occur among the Debtors. The Debtors can ascertain, trace, and account for the Intercompany Transactions, and will continue to do so on a postpetition basis.

102. The Debtors anticipate that the Intercompany Transactions will continue postpetition in the ordinary course of business. I believe that the continuance of such transactions are necessary to the efficient operation of the Company's business. I believe that if the Debtors cannot continue the Intercompany Transactions, their ordinary-course operations would be unnecessarily and severely hindered. The cessation of the Intercompany Transactions would require an increase in management expenses and overhead, because the Debtors would not be able to consolidate their management and administration. Indeed, if the Intercompany

Transactions cannot continue, the Debtors would be virtually unable to operate their business during the Chapter 11 Cases and the likelihood of a successful reorganization would decrease dramatically. I believe that avoiding such hindrances by continuing the Intercompany Transactions is, therefore, in the best interests of the estates.

103. *Relief from US Trustee Guidelines*. I understand from counsel that all but two of the Bank Accounts are maintained at Authorized Depositories. The two accounts that are not maintained at Authorized Depositories are the Bancomer Accounts in the name of HCP Mexico at Bancomer, which the Debtors respectfully submit is a well-capitalized and financially stable institution.

104. I believe that enforcement of the U.S. Trustee's requirements without modification would significantly disrupt the Debtors' business. I believe that the Company's corporate structure relies on a complex, centralized Cash Management System implicating multiple Bank Accounts on a daily basis. The Debtors' Cash Management System allows the Debtors to centrally manage cash and includes the necessary accounting controls to enable the Debtors to trace funds through the system and ensure that all transactions are adequately documented and readily ascertainable. While the Chapter 11 Cases are pending, the Debtors will continue to maintain detailed records reflecting all transfers of funds.

105. I believe that the Bancomer Bank Accounts are vital to the Debtors' Cash Management System, and requiring the Debtors to transfer these funds to other banks would be unduly burdensome to the Debtors' operations, which must seamlessly operate across jurisdictions and currencies.

106. Accordingly, I believe that in order to avoid delays in payments to administrative creditors, to ensure a smooth transition into chapter 11, and to maximize the value of their

estates, (a) the Debtors should be permitted to continue to maintain their existing Bank Accounts and open new and close existing accounts as needed; and (b) the requested relief should extend to any new accounts.

B. Payment of Employee and Payroll Obligations (Item 7)

107. To minimize the personal hardship that the Debtors' employees will suffer if prepetition obligations are not honored, as well as the harm which would result to the Debtors if employee morale is not maintained, I believe it is critically important that the Debtors (a) pay and/or perform, as applicable, prepetition obligations to current employees (collectively, the "**Employees**"), including accrued prepetition wages, salaries, other cash, and non-cash compensation claims, except as otherwise set forth in the concurrently filed *Debtors' Motion for Entry of Interim and Final Order Authorizing Debtors To Pay Prepetition Wages, Compensation, and Employee Benefits* (the "**Employee Motion**") (collectively, the "**Employee Claims**"), and pay obligations to or on account of temporary employees and independent contractors (collectively, the "**Temporary Employee/Independent Contractor Claims**"); (b) honor and continue in the ordinary course of business, until further notice, and pay (but not assume) the prepetition amounts associated with the Debtors' vacation, sick-time, and holiday-time policies, employee-benefit plans and programs, savings and retirement plans, and worker's compensation plans and programs, and severance plans, the most significant of which are described below, and to pay all fees and costs in connection therewith, except as otherwise set forth in the Employee Motion (collectively, the "**Employee Benefit Obligations**"); (c) reimburse Employees for prepetition out-of-pocket expenses incurred in the ordinary course of business and pay business expenses charged to corporate credit cards (the "**Employee Expense Obligations**"); (d) pay over to the appropriate parties all prepetition withholdings from Employees and payroll-related taxes associated with the Employee Claims and the Employee

Benefit Obligations (the "**Employee Withholdings**"); and (e) honor and continue in the ordinary course of business, until further notice, and pay (but not assume) the prepetition amounts associated with the Debtors' Retiree Welfare Plan (as defined below) (the "**Former Employee Obligations**," and, together with the Employee Claims, the Temporary Employee/Independent Contractor Claims, the Employee Benefit Obligations, and the Employee Expense Obligations, the "**Prepetition Employee Obligations**").

108. The Debtors employ approximately 2,800 full and part-time Employees in 37 corporate offices throughout the United States. Approximately 1,350 of these employees are salaried employees, with the remainder being paid on an hourly basis. This includes approximately 240 unionized Employees (such unionized Employees, the "**Unionized Employees**").[20]

109. To supplement its workforce, the Debtors utilize individuals who provide a range of services to the Debtors on a contractual basis, some of whom are paid through integrated networks that the Debtors draw from in certain markets in order to reduce costs while supplementing critical parts of their operations (the "**Independent Contractors**")[21] and approximately 20 temporary employees (the "**Temporary Employees**").

110. *Wages and Salaries*. The average monthly payroll for the Debtors' Employees is approximately $14.9 million, including payroll taxes. The Debtors' administer their own payroll

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[20] The Debtors are party to eight active collective bargaining agreements (collectively, the "**CBAs**") governing the Union Employees. The Union Employees are covered under the same welfare plans, as discussed herein, as the Debtors' other domestic Employees.

[21] Specifically, the Debtors use approximately 20 agencies that provide the Debtors with between two and 20 Independent Contractors each.

process internally, but use ADP to process payroll taxes.[22] All Employees are paid every two weeks, one week in arrears. Thus, on a given pay date, Employees are paid for the two-week period ending a week prior to the pay date. The Debtors have made their most recent payroll, for the period January 19, 2020, through February 2, 2020, for all Employees.

111. The Debtors estimate that as of the Petition Date, approximately $5.5 million is owed on account of accrued and unpaid wages, salaries, and related payroll taxes and withholdings (the "**Employee Wage Claims**"). The Debtors further estimate that, as of the Petition Date, approximately $25,000 is accrued and owed to the Temporary Employees (the "**Temporary Employee Claims**") and $500,000 is accrued and owed to the Independent Contractors (the "**Independent Contractor Claims**").

112. *Sales Commissions*. In the ordinary course of business, certain Employees are eligible to earn sales commissions, which compensate certain non-insider sales Employees for achieving certain sales quotas (the "**Sales Commissions**"). None of the Employees entitled to earn Sales Commissions are involved in the management of the Debtors' business. Amounts payable as Sales Commissions depend on a variety of factors, including, without limitation, geography, department, and the Employee's position-level and performance during the applicable time period, with various components being designed to compensate the Sales Employees for sales growth and to align such Sales Employees' interests with the operational goals and objectives of the Debtors. Sales Commissions payments to eligible Employees are typically paid monthly. I believe Sales Commissions are a part of the aggregate compensation

[22] The Debtors use ADP to process payroll taxes. Specifically, each payroll period, the Debtors wire ADP the amounts necessary to satisfy the Debtors' payroll tax obligations. ADP's services are crucial to the smooth functioning of the Debtors' payroll system because they ensure that appropriate amounts are deposited and remitted to the relevant taxing authorities. The Debtors pay ADP approximately $7,500 per month for their services. As of the Petition Date, the Debtors estimate they owe approximately $15,000 to ADP on account of these services.

package for the participating Employees and provide value to the Debtors' estates because they encourage participating Employees to achieve important performance goals.

113. *Corporate Incentive Plan*. In the ordinary course of business, the Company has maintained an incentive plan for certain eligible employees that was payable upon the achievement of certain financial goals set by the Compensation Committee of the Board of Directors as well as certain personal goals set by an eligible employee's managers (the "**Corporate Incentive Plan**"). Historically, 75% of a participating employee's target incentive payment was payable upon achievement of the corporate financial goals and 25% of the participating employee's target incentive payment was payable upon achievement of the employee's personal goals. Incentive payments under the Corporate Incentive Plan are paid semi-annually in July (for the first half of the year) and January (for the second half of the year). For the second half of 2019, approximately 135 employees participated in the Corporate Incentive Plan. In 2019, the Company did not achieve its financial goals, and as a result, participating employees were only eligible to receive incentive payments for achievement of personal goals. Incentive payments due to participating employees for the 2019 plan year were paid on January 10, 2020. Accordingly, I do not believe that any prepetition amounts are due and owing for the 2019 plan year.

114. Given the Company's financial situation, the Company modified the 2020 Corporate Incentive Plan. Only approximately 40 employees are currently eligible to participate in the Corporate Incentive Plan. None of the participating employees are "insiders" of the Company. Target incentive payments for all eligible employees were set at approximately 20% of the target incentive payout available under the 2019 Corporate Incentive Plan. Participating

employees in the 2020 Corporate Incentive Plan are eligible to receive incentive payments upon achievement of their personal goals; the Company has eliminated financial goals.

115. *Other Incentive Plans and Incentive Compensation*. The Debtors currently maintain the Key Employee Incentive Plan (the "**KEIP**") to incentivize the Company's key employees to execute the Debtors' business plan, to implement a value-maximizing restructuring transaction, and to maintain operational stability through any such restructuring. There are seven participants in the KEIP. The KEIP provides for performance-based incentive payments based on four separate targets. Performance is measured at the end of each of the following three fiscal periods: (1) Q4 2019 through Q1 2020, (2) Q2 2020 through Q3 2020, and (3) Q4 2020. The KEIP payments will be paid out at the end of each measurement period.

116. In the ordinary course of business, the Debtors also maintain other quarterly, semi-annual, and annual incentive plans and sales contests (collectively, the "**Other Incentive Plans**") to reward non-insider employees for achievement of certain objectives. In January 2020, the Debtors paid 440 employees approximately $1,000,000 on account of the quarterly plans, one employee approximately $20,000 on account of the semi-annual plan, and four employees approximately $55,000 on account of the annual plan. None of the participants in the Other Incentive Plans are "insiders." The structure of and criteria for payment under the Other Incentive Plans vary across geography and department, and payments under such Other Incentive Plans depend on a variety of factors, including, without limitation, the Employees' position-level and performance during the applicable time period, with various incentive components under the Incentive Plans being designed to reward the Employees and align such Employees' interests with the goals and objectives of the Debtors. I believe that amounts paid under the Other

Incentive Plans provide value to the Debtors' estates because they encourage participating Employees to achieve important performance goals.

117. *Retention Plans*. The Company maintains an executive retention plan (the "**Executive Retention Plan**"). The Executive Retention Plan was modified in October 2019. There are six participants in the Executive Retention Plan. As a condition of keeping the retention payment, participants are required to continue their employment with the Company through September 30, 2020.[23] All bonuses under the Executive Retention Plan totaled approximately $5.92 million in the aggregate and were paid in full in October 2019. Thus, no amounts remain accrued and unpaid under the Executive Retention Plan as of the Petition Date.

118. In October 2019, the Company established the 2020 Key Employee Retention Plan (the "**2020 KERP**"). There are approximately 70 participants in the plan. As a condition to keeping the retention payment, the Employees are generally required to continue their employment with the Company through September 30, 2020 or repay the retention payment to the Company upon the Employee's resignation or termination. All bonuses under the 2020 KERP totaled approximately $3 million in the aggregate and were paid in full by November 2019.[24] Thus, no amounts remain accrued and unpaid under the 2020 KERP as of the Petition Date.

119. Prior to the adoption of the 2020 KERP, in November 2018, the Company had adopted a retention plan for certain non-executive employees designed to motivate and reward eligible Employees for continued dedicated service (the "**2019 Non-Executive Retention**

[23] One participant in the Executive Retention Plan is expected to retire in June 2020, and thus, will only be required to stay until her retirement date.

[24] Under the 2019 KERP, Participants were originally entitled to receive payments in three installments, with one third of the total payment to be made in June 2019, one third in December 2019, and one third in June 2020.

Plan").[25] There were 17 participants in the 2019 Non-Executive Retention Plan. There are only seven remaining Employees that are participants in the 2019 Non-Executive Retention Plan. As a condition to receiving the bonus, the Employees are required to remain employed by the Company through April 1, 2020. The Debtors have budgeted approximately $330,000 in payments under the 2019 Non-Executive Retention Plan to be paid in April 17,2020.

120. *Employee Benefits*. The Debtors provide benefit packages to Employees,[26] including medical plans, dental plans, vision plans, and life insurance plans, which are described in more detail below.

121. The Debtors provide their Employees with medical benefits pursuant to two different preferred provider medical plans (collectively, the "**Medical Plans**") through Aetna ("**Aetna**") and CVS ("**CVS**"). Medical coverage is self-insured by the Debtors, with Employees submitting claims to Aetna or CVS, which are then paid by the Debtors. As of the Petition Date, approximately 1,260 Employees have elected individual coverage under the Medical Plans, 450 Employees have elected to cover themselves and either (1) a spouse or domestic partner, or (2) one or more dependent child(ren) under the Medical Plans, and 230 Employees have elected family coverage under the Medical Plans.

122. The Medical Plans are funded through Employee contributions by participating Employees and by the Debtors. Approximately 74% of the cost of the Medical Plans is borne by the Debtors, and Employees contribute to the Medical Plans through payroll deductions to pay

[25] From time to time, the Debtors maintain certain other retention plans with non-executive employees who provide news coverage for certain events. As a condition to receiving payment under these retention plans, the participating employees must remain employed by the Company through an agreed upon date.

[26] Approximately 175 enrolled former employees and/or their spouses/dependents are covered by the Company's medical, dental, and/or vision coverage under COBRA. Approximately 100 former employees are pending enrollment.

for the balance. Employee contributions are collected by the Debtors as a pro-rated amount from the first two pay dates in each calendar month. Thus, payments to the Medical Plans consist of both Employee contributions and contributions from the Debtors. Total annualized spend related to the Medical Plans, based on the Debtors' most current enrollment data, is approximately $22.5 million. In addition, the Medical Plans have an employee wellness component. Payments for this component of the Medical Plans are made to Virgin Pulse. As of the Petition Date, the Debtors estimate that approximately $2.5 million is currently owed under the Medical Plans.

123. The Debtors also offer their Employees dental benefits pursuant to two dental plans (the "**Dental Plan**") through Cigna ("**Cigna**"). Dental coverage is self-insured by the Debtors, with Employees submitting claims to Cigna, which are then paid by the Debtors. As of the Petition Date, approximately 1,290 Employees have elected individual coverage, 550 Employees have elected to cover themselves and either (a) a spouse or domestic partner or (b) one or more dependent child(ren), and 210 Employees have elected family coverage.

124. The Dental Plan is funded through contributions by participating Employees and by the Debtors. Approximately 72% of the cost of the Dental Plan is borne by the Debtors, and the remainder is paid through Employee contributions which the Debtors collect as a pro-rated amount from the first two pay dates in each calendar month. The total annual cost of the Dental Plan to the Debtors is approximately $1.5 million. As of the Petition Date, the Debtors estimate that approximately $76,000 is currently owed under the Dental Plan.

125. The Debtors also offer their Employees vision benefits pursuant to a vision plan (the "**Vision Plan**") through Vision Service Plan ("**VSP**"). Vision coverage is self-insured by the Debtors, with Employees submitting claims to VSP, which are then paid by the Debtors. As of the Petition Date, approximately 1,250 Employees have elected individual coverage, 490

Employees have elected to cover themselves and either (a) a spouse or domestic partner or (b) one or more dependent child(ren), and 180 Employees have elected family coverage.

126. The Vision Plan is funded through contributions by participating Employees and by the Debtors. Approximately 8% of the cost of the Vision Plan is borne by the Debtors, and the remainder is paid through Employee contributions which the Debtors collect as a pro-rated amount from the first two pay dates in each calendar month. The total annual cost of the Vision Plan is approximately $200,000. As of the Petition Date, the Debtors estimate that $10,000 is currently owed under the Vision Plan.

127. The Debtors provide Employees with basic life insurance coverage of 1.0x salary, including direct sales commission and certain incentives, up to $300,000 to benefits-eligible full-time Employees. The Debtors provide Executives with basic life insurance coverage of 1.5x salary, with similar enhancement to Long-Term Disability (as defined below), up to $1 million. The Debtors provide Accidental Death and Personal Loss ("**ADPL**") coverage in the same amount as the basic life insurance coverage.

128. The Debtors provide each Employee with short-term disability coverage ("**Short-Term Disability**").[27] Such coverage generally provides 60% of the Employee's base salary (plus direct sales commissions and certain incentives) up to a maximum of $2,500 per week for a maximum of 25 weeks following a seven-day waiting period. The Debtors provide each Employee with long-term disability insurance coverage ("**Long-Term Disability**"). Such coverage generally provides 50% of the Employee's base salary (plus direct sales commissions

[27] The Short-Term Disability is self-funded by the Debtors and administered by Aetna. Aetna also administers the Company's Long-Term Disability and Supplemental Life Insurance plans. Aetna recently sold its short-term disability, long-term disability, and life insurance businesses to The Hartford. The Company expects that The Hartford will become the administrator of these plans during the course of the Chapter 11 Cases.

and certain incentives) up to a monthly maximum of $15,000. Employees may obtain, at their own expense, additional Long-Term Disability coverage that increase the total coverage at 60% of the Employee's base salary (plus direct sales commissions and certain incentives) up to a monthly maximum of $15,000. The Debtors provide Executives with Long-Term Disability equal to 60% of the Executive's base salary.

129. Employees may obtain certain types of supplemental life insurance coverage for themselves, their spouses, domestic partners, and eligible children ("**Supplemental Life Insurance**") at their own expense. In particular, Employees may obtain Supplemental Life Insurance coverage for themselves of up to $500,000. Employees who elect supplemental life insurance coverage for themselves may also obtain, at their own expense, life insurance coverage of up to $250,000 for their spouse or domestic partner and up to $20,000 per child.

130. The Basic Life Insurance, Short-Term Disability, and Long-Term Disability, are paid primarily through employer contributions, with the Debtors bearing approximately 90% of the aggregate cost. The cost of the Supplemental Life Insurance is borne solely by Employees. The Debtors pay approximately $60,000 per month on account of the Basic Life Insurance, Short-Term Disability, and Long-Term Disability. As of the Petition Date, the Debtors estimate that $20,000 is currently owed under the Life Insurance Plans, inclusive of amounts withheld from Employees.

131. *Additional Benefits*. The Debtors offer Employees the opportunity to use tax-advantaged flexible spending accounts to use pre-tax dollars toward the payment of medical expenses ("**FSA Medical Plan**") or dependent care expenses ("**FSA Dependent Plan**," together with the FSA Medical Plan, the "**FSA Plan**"). At the beginning of each calendar year, the FSA participants commit a set amount of funds for their FSA Medical Plan account, and the Debtors

collect a pro-rated amount from the employee's first two paychecks of each month and pay claims as they come due (up to the pre-committed amount). The participant submits claims to the claims administrator, and the claims administrator reimburses the Employee for the claimed amount and seeks reimbursement from the Debtors. On January 1 of each year, an Employee can withdraw up to the entire amount of their elected annual contribution for their FSA Medical Plan. Any unused FSA Medical Plan balances for an Employee at year end are forfeited if not claimed by March 15 of the following year. If any Employee is terminated or otherwise leaves the Company with a negative account balance, the Employee is not required to repay those amounts to the Company.

132. The Debtors provide the FSA Dependent Plan for dependent care assistance which covers dependent care expenses for children up to the age of 13 and for adult dependents. At the beginning of each calendar year, the FSA Dependent Plan participants commit a set amount of funds for the FSA Dependent Plan, and the Debtors collect a pro-rated amount from the employee's first two paychecks of each month and pay claims as they come due (up to the pre-committed amount). At any given time, an Employee can only withdraw up to their current contribution amounts for the year; thus, an Employee will never have a negative account balance. Any unused FSA Dependent Plan balances for dependent care expenses at year end are forfeited if not claimed by March 15 of the following year.

133. The Debtors pay an administrative fee of approximately $1,100 per month for the FSA Plans. As of the Petition Date, approximately $360,000 is outstanding on account of administrative fees and claims under the FSA Medical Plan. Approximately $40,000 is outstanding on account of administrative fees and claims under the FSA Dependent Plan.

134. The Debtors offer Health Savings Accounts ("**HSA**") to eligible employees enrolled in the Saving Advantage Plan. At the beginning of each calendar year, the HSA participants commit a set amount of funds for the HSA, and the Debtors collect a pro-rated amount from the employee's first two paychecks of each month and pay claims as they come due (up to the pre-committed amount). The Debtors make an annual employer contribution to each employee's HSA based on their level of coverage in the Savings Advantage Plan.[28] The contribution is generally paid in two installments per year, in January and July, respectively. As of the Petition Date, approximately $50,000 is outstanding on account of claims under the HSAs.

135. The Debtors also provide an Employee Assistance Program ("**EAP**"), a confidential program that assists Employees and their families with balancing the demands of work, life, and personal issues. Under the EAP, Employees are eligible to access licensed behavioral health professionals. As of the Petition Date, approximately $6,000 is outstanding on account of claims under the EAP.

136. The Debtors also make available to Employees, at the Employees' expense, certain additional insurance coverage. As of the Petition Date, such optional coverage includes voluntary critical illness and accident insurance, provided by Allstate; a legal and identity protection plan, provided by InfoArmor; pet insurance, provided by Nationwide; and a transit benefit, provided by PayFlex (collectively, the "**Optional Plans**"). The Optional Plans are fully funded by Employees. As such, the Debtors withhold monthly premiums for the Optional Plans from the payroll disbursements to Employees who elect to participate. On average, the aggregate

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28 Specifically, a $500 annual contribution is made for Employees who have elected to cover only themselves; a $750 annual contribution is made for Employees who have elected to cover themselves and either a spouse or one or more dependent child(ren); and a $1,000 annual contribution is made for Employees who have elected to cover themselves and their family.

monthly cost for all Employee premiums under the Optional Plans is approximately $80,000. The Debtors incur no out-of-pocket costs on account of the Optional Plans

137. The Debtors also offer tuition reimbursement for certain eligible Employees (the "**Tuition Reimbursement Program**"). Under the Tuition Reimbursement Program, the Debtors reimburse participating Employees 60% of their tuition fees once the Employee successfully passes the course. Currently, two employees participate in the Tuition Reimbursement Program. As of the Petition Date, the Debtors owe approximately $109,000 for the Tuition Reimbursement Program. Approximately $5,000 is expected to come due during the Interim Period. The Debtors also offer relocation reimbursement ("**Relocation Reimbursement Program**") to certain eligible Employees. No amounts on account of the Relocation Reimbursement Program remain accrued and unpaid as of the Petition Date.

138. *Savings and Retirement Plans*. The Debtors offer Employees a savings and retirement plan. Specifically, Employees each year may contribute pre-tax, Roth or post-tax compensation, consistent with IRS regulations, for investment in a 401(k) plan (the "**401(k) Plan**"). The Debtors match one-third of the first 6% of pre-tax or Roth contributions Employees make to the plan up to the annual maximum of $2,000 in matching contributions per employee per calendar year.[29] The 401(k) Plan is invested with Vanguard. There are approximately 5,700 Employees or former Employees with account balances in the 401(k) Plan (the "**401(k) Plan Participants**"). The Debtors withhold approximately $1.3 million each month from active 401(k) Plan Participants' paychecks on account of contributions to the 401(k) Plan ("**401(k) Plan Withholdings**") and have contributed an average amount per month of approximately

[29] For the year 2020, there is a $2,000 cap on the Debtors' employer contribution.

$210,000 as matching contributions for the trailing twelve months.[30] As of the Petition Date, the Debtors estimate that they hold approximately $0 in prepetition 401(k) Plan Withholdings and owe approximately $75,000 as matching contributions for the prepetition period.

139. The Debtors also sponsor two supplement 401(k) Plans that cover executives and senior management. One is the Benefit Restoration Plan ("**BER**"), which provides match-like contributions on a participant's eligible compensation that exceeds the statutory limit. The other supplemental 401(k) Plan is the Bonus Recognition Plan ("**BOR**"), which provides match-like contributions on a participant's MBO payment. Participants become fully-vested in both the BER and BOR after three years of service. The Debtors carry a liability for benefits earned under the BER and BOR but not yet payable for participants with less than three years of vesting service. There are a total of seven remaining participants in the BER whose benefits have not yet vested, and a total of four remaining participants in the BOR whose benefits have not yet vested. Given the Company's financial situation, both the BER and BOR were suspended for the year 2020, and therefore, neither plan will accrue additional benefits in 2020.

140. *Workers' Compensation*. The Debtors provide workers' compensation benefits (the "**Workers' Compensation Programs**") to the Employees. In particular, I have been advised under the laws of the various jurisdictions in which they operate, the Debtors are required to maintain policies and programs to provide Employees with workers' compensation benefits. In accordance with this obligation, the Debtors maintain workers' compensation insurance policies in all jurisdictions where they operate. The workers' compensation benefits provided by the Debtors are covered primarily under the Debtors' workers' compensation

[30] Contributions by 401(k) Participants vary by month, and accordingly the Debtors' matching amounts vary by month. In addition, the Debtors true up their matching contributions at year-end to reflect the amount that would have been matched had such 401(k) Plan Participant contributed evenly across the calendar year.

insurance program administered by Travelers LLC ("**Travelers**"), with the exception of Employees in Washington and California. The Workers' Compensation Programs include a large-deductible workers' compensation plan (the "**Large Deductible Plan**") whereby Travelers pays out claims as they arise, and the Debtors reimburse Travelers for claims under the deductible. The Debtors estimate that approximately $7.6 million is owed on account of claims under the Large Deductible Plan. In addition, the Large Deductible Plan requires the Debtors to issue a $23.3 million letter of credit for the benefit of Travelers in order to provide Travelers with security in the event that the Large Deductible Plan terminates or if the Debtors are unable to meet their premium obligations

141. Workers' compensation insurance coverage for employees in Washington is purchased from, and claims are administered by, Washington's Department of Labor & Industries ("**WA DOL&I**"). For the 12 months preceding the Petition Date, the Debtors paid approximately $149,000 to the WA DOL&I. The Debtors estimate approximately $27,000 is owed on account of claims pending before the WA DOL&I.

142. In California, the Debtor is self-insured for workers' compensation by York Risk Services Group. Under this self-insured plan, the Debtor pays the cost of claims as they are incurred. For the 12 months preceding the Petition Date, the Debtors paid approximately $1.2 million on account of workers' compensation claims arising in California. The Debtors estimate approximately $5 million is owed on account of worker's compensation claims for California Employees.

143. I have further been advised that failure to maintain workers' compensation insurance could result in administrative or legal proceedings against the Debtors and their officers and directors.

144. *Social Security, Income Taxes, and Other Withholding*. The Debtors routinely withhold from Employee paychecks amounts that the Debtors are required to transmit to third parties. Examples include Social Security, FICA, federal and state income taxes, garnishments, health care payments, other insurance payments, 401(k) contributions, and certain other voluntary payroll deductions. The Debtors believe that such withheld funds, to the extent that they remain in the Debtors' possession, constitute monies held in trust and therefore are not property of the Debtors' bankruptcy estates.

145. *Severance Plan*. In addition to the Debtors' other benefit plans and programs, the Debtors provide severance pay to eligible Employees under a wrap-around ERISA severance plan (the "**Severance Plan**"). Under the Severance Plan, upon involuntary termination or, if applicable, voluntary election under the terms of the Severance Plan, the Debtors generally provide four to 26 weeks of severance pay (consisting of base pay plus direct sales commission, if applicable) and benefits to full-time participating Employees, and two to 13 weeks of severance pay to participating part-time Employees, depending on length of service. Eligible Employees who are not offered and/or do not accept a non-comparable position with the Company are eligible for severance pay allowance equal to two weeks of pay per year of service.

146. Eligible, full-time Employees who are eliminated but who are offered and accept a non-comparable position with the Company may be eligible for severance pay equal to one week of base pay per year of service. The minimum severance pay allowance for such employees will be two weeks of base pay and the maximum severance pay allowance will be thirteen weeks of base pay. Payments made under the Severance Plan are made in a lump sum and subject to applicable federal and state withholding taxes. In addition to payment for a certain number of weeks' worth of wages, benefits under the Severance Plan for a particular

Employee may include, at the discretion of senior management, payment for certain healthcare benefits (*i.e.* COBRA coverage assistance).

147. Currently, 28 former Employees have been terminated but have not yet received payments on account of the Severance Plan. As of the Petition Date, the remaining payments due to these former Employees total approximately $300,000 and approximately $265,000 is expected to come due during the Interim Period. No former Employees currently receiving payments under the Severance Plan are due amounts in excess of the Priority Cap during the Interim Period.

148. *Other Compensation: Vacation, Holiday, and Sick Time, and Business Expenses.* The Debtors offer their Employees other forms of compensation, including vacation time, overtime pay, paid holidays, other earned time off, and reimbursement of certain business expenses. I believe that these forms of compensation are usual, customary, and necessary if the Debtors are to retain qualified employees during the reorganization process.

149. The manner in which vacation time ("**Vacation Time**") accrues varies from debtor to debtor and based on the Employee's tenure. All eligible Employees receive between two and five weeks of Vacation Time per calendar year. At year end, Employees outside of California and D.C. may rollover up to one week of unused Vacation Time to be used during the following year, which is not paid out upon termination. All other unused Vacation Time for these employees is forfeited. Employees in California and D.C. may rollover Vacation Time from year to year, however, the Employee's accrued Vacation Time cannot exceed their annual Vacation Time accrual plus one additional week. Vacation Time for California and D.C. Employees is paid out upon termination.

150. Employees accrue and use Vacation Time constantly, making it difficult to quantify the cost of accrued Vacation Time as of the Petition Date. However, the Debtors estimate that the Employees have accrued an aggregate of approximately $2.0 million worth of Vacation Time.

151. The Debtors provide Holiday time ("**Holiday Time**") in accordance with an approved holiday schedule. The Debtors have designated nine holidays during calendar year 2020.

152. The Debtors also provide certain Employees with sick time ("**Sick Time**" and, together with Vacation Time and Holiday Time, "**PTO**"). Eligible Employees are entitled to between five and ten days of Sick Time per calendar year.[31] Employees who would not otherwise be eligible to receive Sick Time may otherwise be entitled to up to 48 hours of Sick Time per calendar year as statutorily required in certain jurisdictions, including California, Washington, and D.C. Sick Time may not be rolled over to the next calendar year, and no cash payouts for unused Sick Time (whether at the end of the calendar year or upon an Employee's termination) are offered.

153. The Debtors routinely reimburse Company employees for travel, lodging, ground transportation, meals, supplies, and other business expenses (collectively, the "**Reimbursable Expenses**"). In the ordinary course of business, the Debtors maintain company-paid credit cards (the "**Corporate Credit Cards**"). The Corporate Credit Cards are issued by Wells Fargo Bank, N.A. ("**Wells Fargo**") under the WellsOne Commercial Card Agreement (as amended, restated,

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[31] Prior to The McClatchy Company's merger with the Knight Ridder, Inc. in 2006, certain employees of Knight Ridder were eligible to roll over and continue to accrue Sick Time from year to year. Accordingly, certain Employees have accrued substantial amounts of Sick Time. These Employees are not entitled to use additional Sick Time in excess of what they would otherwise earn in a calendar year without a physician's note, and are not eligible to be paid out for such Sick Time upon resignation or termination.

supplemented or otherwise modified from time to time, the "**Card Agreement**"), between the Debtors and Wells Fargo. There are currently 1,154 active Corporate Credit Cards held by employees that are used to pay for the Reimbursable Expenses. Amounts charged to the Corporate Credit Cards are paid directly by the Debtors.

154. Employees may also incur out-of-pocket Reimbursable Expenses and seek reimbursement for their Reimbursable Expenses from the Debtors. Accordingly, the Reimbursable Expenses are incurred by Employees with the understanding that they will be reimbursed by the Debtors.

155. Certain prepetition Reimbursable Expenses may not have been paid as of the Petition Date because, among other reasons, amounts charged to the Corporate Credit Cards have not yet become due or Employees have not yet submitted a request for reimbursement. There is a lag time between the time expenses are incurred and the time expenses are reimbursed and paid. Thus, it is difficult for the Debtors to determine with precision the actual amount of incurred but not reported Reimbursable Expenses as of any particular time. Typically, however, the average aggregate monthly amount expended by the Debtors for the Reimbursable Expenses varies between $1.5 million and $2.4 million. As of the Petition Date, approximately $1,300,000 is outstanding on the Corporate Credit Cards.

156. *Non-Qualified Plans.* The Debtors make contributions to three supplemental income plans for the benefit of select former Employees: the Executive Supplemental Retirement Plan (the "**ESRP**"), the Supplemental Executive Retirement Plan (the "**SERP**") and the Retirement Benefit Restoration Plan (the **"BRP**," and together with the SERP, the "**Supplemental Income Plans"**). The ESRP provides payment to plan participants in three annual installments following separation from the Company, and the SERP and BRP provide a

monthly annuity payment to plan participants following separation from the Company. The Supplemental Income Plans provide such payments to plan participants upon eligible termination or death circumstances and are funded through the Debtors' payroll. The plans are maintained for the purpose of providing deferred compensation. As of the Petition Date, there were approximately 450 retired Employees participating in the Supplemental Income Plans and approximately 14 current Employees participating in the Supplemental Income Plans. The Debtors estimate that payments on account of the Supplemental Income Plans are approximately $640,000 per month and the Debtors believe that, as of the Petition Date, they owe approximately $1.3 million in aggregate on account of the Supplemental Income Plans.

157. In addition, the Debtors are party to individual separation agreements with approximately 182 retired Employees, pursuant to which the Debtors agreed to provide post-retirement supplemental income benefits (the "**Special Arrangements**").[32] Under the Special Arrangements, retired Employees or their beneficiaries receive annual or monthly annuity payments. The Debtors estimate that payments on account of the Special Arrangements are approximately $65,000 per month and the Debtors believe that, as of the Petition Date, they owe approximately $130,000 in aggregate on account of the Special Arrangements.

158. *Qualified Pension Plans.* The Debtors also maintain The McClatchy Company Retirement Plan, a company-sponsored single employer pension plan (the "**Pension Plan**" together with the Supplemental Income Plans and the Special Arrangements, the "**Former Employee Benefit Plans**"). The Pension Plan was frozen as of March 31, 2009 to "freeze" benefits by eliminating future benefit accruals. While the Pension Plan is frozen, pension obligations continue to exist for past service performed by certain Employees and former

[32] There are approximately 27 retired employees who qualify for both the BRP and the Special Arrangements Plan.

Employees. As of January 1, 2019, the Pension Plan covered approximately 24,500 participants. The Pension Plan is a noncontributory defined benefit pension plans covering Pension Plan participants of certain Debtors.

159. The Pension Plan is insured by the Pension Benefit Guaranty Corporation ("**PBGC**"), a wholly owned United States government corporation established under 29 U.S.C. § 1302 to administer the pension plan termination insurance program created under Title IV of the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1301–1461. According to the Pension Information Profile of the Pension Plan provided by PBGC, PBGC estimates that the Pension Plan's unfunded benefit liabilities, as defined under 29 U.S.C. § 1301(a)(18), is approximately $805.2 million as of July 19, 2019.[33] I understand that this measurement of liability is different than the measurement of liability required under the Internal Revenue Code.

160. The Debtors have been required to make minimum funding contributions based on actuarial calculation to the Pension Plan on a quarterly basis (the "**Quarterly Contributions**"). The last Quarterly Contribution was made on October 15, 2019. In fiscal year 2020 alone, the required contributions will be approximately $124 million.[34]

161. Given the Pension Plan's underfunding, the required contributions to the Pension Plan are significant. In fiscal years 2021 and 2022, the projected required contributions are approximately $88 million and $117 million, respectively.

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[34] A required contribution to the Pension Plan was due on January 15, 2020 in the amount of approximately $4 million. On January 14, 2020, PBGC and McClatchy entered into a Standstill Agreement under which PBGC agreed to forbear from filing Notices of Federal Lien to perfect any liens enforceable by PBGC under Internal Revenue Code section 430(k). The forbearance period terminates under the agreement on February 18, 2020.

162. By contrast, the Company's EBITDA, which must cover interest expense, capital expenditures, taxes, and, if applicable, pension contributions, is far less the projected required pension contributions alone:

Fiscal	Est. 2020	Est. 2021	Est. 2022
Adj. EBITDA (in $1,000's)	$92,295	$74,771	$65,945
Pension Contributions	$120,100	$88,100	$117,100

163. *Retiree Welfare Benefits.* The Debtors also sponsor a welfare plan for certain retired employees (the "**Retiree Welfare Program**"), pursuant to which the Debtors provide health reimbursement accounts to fund medical benefits and life insurance. Under the Retiree Welfare Program, for certain participants, the Debtors provide health reimbursement plans with a quarterly credit to assist in maintaining certain medical benefits, that eligible retired Employees can decide to participate in. Under the Retiree Welfare Program, in 2005, the Debtors established health reimbursement plans for certain participants with varying amounts to assist in maintaining certain medical benefits. The health reimbursement plan participant submits claims to the claims administrator, and the claims administrator reimburses the Employee for the claim amount and seeks reimbursement from the Debtors. The Debtors also make payments in connection with life insurance plans provided to select retired Employees under the Retiree Welfare Program. The Debtors expect to owe approximately $90,000 on account of the Retiree Welfare Program as of the Petition Date.

164. *Continuation of Employee Programs*. The Debtors seek to continue their ordinary-course Employee compensation (including, wages, salaries, and the Incentive Plans), PTO, expense reimbursement, corporate credit cards, benefits (including, without limitation, insurance), savings and retirement plans, workers' benefits (including, without limitation,

insurance), and related programs during the postpetition reorganization process. I believe the continuation of these programs is essential to the success of the Debtors' reorganization.

165. Moreover, I believe that failing to honor these obligations would have devastating consequences for the Debtors' ability to operate their business during these Chapter 11 Cases and, thus, the Debtors' reorganization. Authorization to pay the Prepetition Employee Obligations is, in my opinion, necessary to maximize the value of the Debtors' estates for all creditors and stakeholders.

C. Emergency Credit Card Motion (Item 8)

166. As described above, in the ordinary course of business, the Debtors maintain Corporate Credit Cards issued by Wells Fargo under the Card Agreement, which are used by current Employees for Reimbursable Expenses.

167. I understand that prior to the Petition Date, Wells Fargo, who administers the Company's Corporate Credit Cards, informed the Debtors that it would place a freeze on the Corporate Credit Cards until the Court enters an order approving their continued use and payment of any prepetition obligations, which relief the Debtors are seeking in their Employee Motion. Although the Debtors do not believe the freeze is warranted given the postpetition ordinary course nature of the charges, I understand the Debtors have been unable to convince Wells Fargo to agree not to freeze the Corporate Credit Cards postpetition.

168. I understand that to avoid a freeze on the Corporate Credit Cards, Wells Fargo is requiring the Debtors to obtain entry of a bridge order (the "**Bridge Order**") granting the Debtors limited authority to continue using the Corporate Credit Cards, on a postpetition basis, in the ordinary course of business and consistent with the Debtors' prepetition practices, between the Petition Date and the date the Court enters the order granting relief requested by the Employee Motion (the "**Bridge Period**"). The Debtors anticipate, based on past practices, that

they will expend approximately $200,000 over the course of the Bridge Period on account of postpetition charges to the Corporate Credit Cards. The Debtors are not seeking to pay any prepetition amounts pursuant to the Bridge Order.

169. I believe that any freeze to the Corporate Credit Cards during the Bridge Period would cause significant disruption to the Debtors' business. The Debtors' Employees rely on the Corporate Credit Cards to pay for costs incurred in connection with their duties. For example, reporters, advertising sales Employees, and business segment leaders all use the Corporate Credit Cards to book travel accommodations such as flights, hotels, and meals.

170. I believe that the experience of having their Corporate Credit Cards declined would likely cause the workforce to lose confidence in the Debtors and the assertions that their day-to-day practices will continue business as usual, which could have a detrimental impact on morale and retention. In addition, I believe that if the Employees were forced to personally bear their work-related expenses, the Debtors' relationship with their Employees could be greatly strained, and it would place a greater administrative burden on both the Employees and the Debtors to review and administer employee reimbursements. Further, I believe the Employees may, in light of the uncertainty caused by the declined Corporate Credit Cards, be unwilling to incur expenses on the Debtors' behalf.

171. The Reimbursable Expenses may represent a significant cost to the Employees who incur them, but represent a relatively minimal cost to the Debtors' estates in light of the overall benefits achieved.

172. In addition, the advertising sales Employees use the Corporate Credit Cards in connection with their day-to-day sales efforts, such as taking advertising clients out to meals or events. Because advertising revenue makes up approximately half of the Debtors' revenues, I

believe that having Corporate Credit Card charges declined in the presence of advertising clients would be detrimental to the Debtors' reputation, client relationships, and revenues.

173. Accordingly, I believe that entry of the Bridge Order is necessary for the Debtors to operate without interruption and to preserve value for their estates, and that the Court should grant the Debtors limited authority to continue using the Corporate Credit Cards, on a postpetition basis, in the ordinary course of business and consistent with the Debtors' prepetition practices during the Bridge Period.

D. Taxes Motion (Item 9)

174. In the ordinary course of business, the Debtors incur (a) income, sales and use, property, production, and other taxes (the "**Taxes**") and (b) business license fees, compliance and regulatory fees, and other similar assessments (the "**Assessments**"). The Debtors pay or remit, as the case may be, the Taxes and Assessments as incurred, or monthly, quarterly, semiannually, or annually, to various federal, state, county, and city taxing, licensing, and regulatory authorities (the "**Applicable Authorities**"), as required by applicable laws and regulations. The Debtors were substantially current in the payment of assessed and undisputed Taxes and Assessments that came due and payable prior to the Petition Date; however, certain Taxes and Assessments attributable to the prepetition period are not yet due. As of the Petition Date, the Debtors estimate that approximately $620,000 of Taxes and approximately $10,000 of Assessments relating to the prepetition period will become due and payable to the Applicable Authorities in the ordinary course of business in the next 30 days.

175. The Taxes and Assessments are summarized as follows:

Category	Description	Approximate Amount Accrued as of the Petition Date	Approximate Amount Due in the Interim Period
Assessments	Regulatory and Licensing Fees, Business Taxes, Annual Reporting Fees, and Other Miscellaneous Assessments	$0	$10,000
Income Taxes	Taxes imposed on the Debtors' income and required to conduct business in the ordinary course	$365,000	$10,000
Sales and Use Taxes	Taxes imposed on the sale and use of certain goods and services	$900,000	$610,000
Property Taxes	Taxes and obligations related to real and personal property	$4,900,000	$0
	Total:	**$6,165,000**	**$630,000**

176. *Income Taxes*. The Debtors are subject to income taxation by the federal government and certain state governments (collectively, "**Income Taxes**"). Nonetheless, because the Debtors are operating at a net loss for the prepetition period, the Debtors have little or no Income Tax liability due to the U.S. federal government as of the Petition Date. The Debtors have $10,000 of Income Tax liability due to the Mexican federal government. The Debtors also estimate that they have approximately $355,000 of Income Tax liability due to state and local governments.

177. *Sales and Use Taxes*. In the normal course of their business, sales taxes ("**Sales Taxes**") accrue as the Debtors sell tangible goods or collect revenues for services, and are calculated on the basis of statutorily mandated percentages of the price at which the Debtors' products are sold and/or services are performed. The Debtors also incur and collect use taxes (the "**Use Taxes**" and, together with the Sales Taxes, the "**Sales and Use Taxes**"). The Debtors estimate the prepetition liability for Sales and Use Taxes to be approximately $900,000.

178. *Property Taxes*. Various state and local governments in jurisdictions where the Debtors' operations are located have the authority to levy property taxes against the Debtors' leased and owned real and personal property (the "**Property Taxes**"). The leased and owned real personal property that the Debtors pay Property Taxes on includes 96 locations. The

Debtors typically pay Property Taxes annually, quarterly or semi-annually depending on how the relevant tax is assessed. The Debtors estimate the prepetition liability for Property Taxes to be approximately $4.9 million. The Debtors expect to pay approximately $4.5 million per year for pre- and post-petition Property Taxes during the pendency of the Chapter 11 Cases.

179. *Regulatory and Licensing Fees*. Laws and regulations in jurisdictions in which the Debtors operate require the Debtors to pay fees (collectively, the "**Regulatory and Licensing Fees**") to obtain a range of licenses and permits from a number of different Applicable Authorities. The methods for calculating amounts due for such licenses and permits, and the deadlines for paying such amounts, vary by jurisdiction. The Debtors paid approximately $200,000 for licensing and environmental fees in 2019 and are current on all other miscellaneous regulatory and licensing fees incurred as part of normal operations.

180. *Miscellaneous Fees and Business Taxes*. Certain states require the Debtors to pay various business taxes, annual reporting fees, and other miscellaneous taxes and fees to remain in good standing in order to conduct business within the state (the "**Miscellaneous Fees and Business Taxes**"). The manner in which the fees are computed vary according to the tax law of the applicable jurisdiction. I have been advised that as they come due, the Applicable Authorities to whom these Miscellaneous Fees and Business Taxes are owed may be entitled to a priority claim.

181. It is my understanding that many of the Taxes constitute so-called trust fund obligations that the Debtors are required to collect from third parties and held in trust for payment to the taxing and regulatory authorities. I understand that the funds that would be used to pay the trust fund Taxes are not property of the Debtors' estates.

182. I have also been advised that the nonpayment of certain of the Taxes that constitute trust fund obligations and are not property of the Debtors' estates may result in personal liability for the Debtors' officers and directors. Efforts by the Applicable Authorities to collect such trust fund amounts would unnecessarily divert the Debtors' officers and directors from tasks relating to the restructuring and ongoing management of the Debtors' businesses.

183. Additionally, the Applicable Authorities may take disruptive actions, including audits, lien filings, moving for relief from the automatic stay, and other administrative procedures, all of which would consume valuable time and resources and divert the Debtors' attention from their business operations and sale efforts. In all cases, I believe that the Debtors' failure to pay Taxes could have an adverse impact on their ability to operate in the ordinary course of business.

E. Utilities (Item 10)

184. The Debtors obtain utility products and services from the Utility Companies (the "**Utility Services**" giving rise to "**Utility Obligations**"). The Debtors have approximately 386 utility accounts as of the Petition Date. On average, prior to the Petition Date, the Debtors spent approximately $930,000 each month on account of the Utility Services.

185. The Debtors have filed a motion requesting that this Court approve (a) the Debtors' proposed form of adequate assurance of postpetition payment (the "**Proposed Adequate Assurance**") to the Utility Companies and (b) the Debtors' proposed procedures for resolving any objections by the Utility Companies relating to the Proposed Adequate Assurance, and prohibiting the Utility Companies from altering, refusing, or discontinuing service to, or discriminating against, the Debtors.

186. In particular, the Debtors have proposed for the Utility Companies the establishment of a newly created, interest-bearing segregated account in which the Debtors will

place a deposit equal to approximately two weeks of Utility Services (the "**Utility Deposit Account**"). I believe that creation of the Utility Deposit Account and the additional procedures set forth in the motion adequately protect the rights that I have been advised are provided to the Utility Companies under the Bankruptcy Code, while also protecting the Debtors' need to continue to receive, for the benefit of their estates, the Utility Services upon which their businesses depend. The Debtors estimate the aggregate of all the Utility Deposits will be approximately $371,000.

187. I believe that any interruption in Utility Services, even for a brief period of time, would disrupt the Debtors' ability to continue operations. Such a result could potentially jeopardize the Debtors' ability to perform under their customer contracts and impair the Debtors' reorganization efforts and, ultimately, the value of the Debtors' business. In my opinion, it is critical that Utility Services continue uninterrupted during the Chapter 11 Cases.

F. Critical Vendors Motion (Item 11)

188. The Debtors' operations as a leading local media company serving more than 30 U.S. markets depend on, among other things, the Debtors' ability to print and deliver their newspapers and preprint advertising materials, publish their digital content, and fulfill their commitments to advertising and marketing customers in a timely manner and over a broad geographic area. As such, the seamless operation of the Debtors' businesses requires close coordination and integration among numerous parties, including certain vendors and service providers who provide essential goods and services (the "**Critical Vendors**"). The Critical Vendors generally provide the following categories of goods and services: (i) newsprint and other printing materials and supplies; (ii) ink; (iii) press plates; (iv) press blankets; (v) machine calibration and maintenance services; (vi) outsourced billing and finance services; (vii) software and related IT infrastructure; (viii) market research and data processing; (ix) outsourced

solicitation and retention services; and (x) security and building maintenance services (the "**Critical Vendor Products and Services**"), without which the Debtors would be unable to meet the needs of their businesses, effectively serve their customers, and maintain their reputation within the newspaper and digital advertising industries.

189. In light of the importance of the Critical Vendor Products and Services, and due to the nature of the Debtors' businesses, I believe that many vendors will make credible and actionable threats that, unless paid on account of their prepetition debt, they will cease to supply the Debtors with the specialized goods and services necessary to maintain the smooth operation of the Debtors' businesses during these Chapter 11 Cases, or may otherwise impair the Debtors' ability to operate their businesses. Accordingly, I believe that the Debtors ability to pay the prepetition claims of such Critical Vendors (the "**Critical Vendor Claims**") is critical to maintaining stability at the outset of these Chapter 11 Cases and to avoid jeopardizing the Debtors' ability to service their customers going forward.

190. I believe that payment of the Critical Vendor Claims is vital to the Debtors' reorganization efforts. Many of the Debtors' trade relationships with their Critical Vendors are not generally governed by long-term contracts.[35] Accordingly, I believe that such trade relationships may materially deteriorate, causing disruption to the Debtors' operations if the Debtors are unable to pay Critical Vendor Claims as provided herein. Furthermore, in certain

[35] The Debtors and their advisors spent time reviewing and analyzing certain contracts and supply agreements. To the extent such agreement exists, and the Debtors can compel such vendor to continue to perform, the Debtors do not intend to treat such contract counterparties as Critical Vendors. In cases where the Debtors' contracts only provide a framework for the issuance of purchase or service orders that are limited in scope to particular projects, the Debtors' postpetition ability to use the contracts to compel the Critical Vendors to continue to provide goods and services may be limited. In addition, certain Critical Vendors who are party to long term written supply contracts may cease performance under such contracts postpetition, notwithstanding the application of the automatic stay, causing irreversible harm to the Debtors' businesses. Nothing in this Motion should be construed as a waiver of the Debtors' right to compel performance of any Critical Vendor under any agreement. The Debtors seek authority to pay such Critical Vendors as necessary, in their business judgment, to ensure continued performance.

cases, the Critical Vendor Products and Services are available only from one or more limited number of vendors. Even where alternative vendors exist, switching from one vendor to another often results in significant costs and may require a significant amount of time, either of which would be detrimental to the Debtors' estates. Therefore, I believe that payment of the Critical Vendor Claims is essential to avoid costly disruptions to the Debtors' businesses during these Chapter 11 Cases.

191. I believe that jeopardizing their relationships with the Critical Vendors and attempting to procure the Critical Vendor Products and Services from replacement vendors would impose a severe strain on the Debtors' business operations, and would likely result in significant revenue loss. Even a temporary halt of the provision of Critical Vendor Products and Services would impose a severe strain on the Debtors' operations, and the cumulative impact of such events could have a significant adverse effect on the Debtors' operations and, particularly, on the ability of the Debtors to maintain business-as-usual and to serve their customers. Due to the potential for immediate and irreparable consequences if the Critical Vendors do not continue to provide uninterrupted and timely deliveries of goods and services, I believe that payment of the Critical Vendor Claims is essential to avoid costly disruptions to the Debtors operations.

192. *The Development of the Critical Vendor Program.* Absent payment of the Critical Vendor Claims, the Debtors' businesses would be impeded, which in turn would disrupt the Debtors' future cash flows. Accordingly, prior to the Petition Date, the Debtors and their advisors conducted a thorough review of their vendors with possible outstanding prepetition claims to determine how to minimize any disruption of the ongoing business from the commencement of the Chapter 11 Cases.

193. To identify vendors to be paid pursuant to this relief requested in this Motion, the Debtors, in consultation with their advisors, closely reviewed their accounts payable and prepetition vendor lists, and consulted with employees most familiar with the Debtors' vendors to identify those vendors that are most essential to the Debtors' operations. The criteria considered included:

(a) which vendors are simply at risk of ceasing the provision of truly essential services or supplies;

(b) whether a vendor is a sole- or limited-source supplier of materials or other services for use in the Debtors' businesses;

(c) whether alternative vendors are available, including those in particular locations, that can provide requisite volumes, specifications, customization or other relevant characteristics, and expedited delivery of similar goods or services on equal (or better) terms and, if so, whether the Debtors would be able to continue operations without interruption while transitioning business thereto;

(d) the degree to which replacement costs (including pricing, transition expenses, professional fees, and lost sales or future revenue) exceed the amount of a vendor's prepetition claim;

(e) whether the Debtors' inability to pay all or part of the vendor's prepetition claim could trigger financial distress for the applicable vendor;

(f) the likelihood that a temporary break in the vendor's relationship with the Debtors could be remedied through the use of the tools available in these Chapter 11 Cases;

(g) whether failure to pay all or part of a particular vendor's claim could cause the vendor to hold goods owned by the Debtors, or refuse to ship inventory or to provide critical services on a postpetition basis;

(h) whether failure to pay a particular vendor could result in contraction of trade terms as a matter of applicable non-bankruptcy law or regulation; and

(i) whether an agreement exists by which the Debtors could compel a vendor to continue performing on prepetition terms.

194. Based on this analysis, the Debtors used a narrowly-tailored protocol identifying the goods and services that are absolutely essential to preserve the timely delivery of services on which the Debtors rely. Following the above-described analysis, the Debtors, in consultation

with their advisors, identified the categories set forth above as critical to the Debtors continued operations, and estimated the total payments, based on accounts payable outstanding as of the Petition Date, that would be necessary to ensure the continued provision of the Critical Goods and Services to the Debtors.

195. As of the Petition Date, the Debtors estimate that they owed the Critical Vendors approximately $1.8 million in the aggregate on account of Critical Vendor Claims. I believe that failure to timely pay the Critical Vendor Claims would cause disproportionate harm and economic damage to the Debtors' businesses, without any corresponding benefit for other stakeholders. Conversely, the timely payment of such claims will facilitate the Debtors' reorganization.

196. Likewise, any disruption to the Critical Vendor Products and Services would compromise the Debtors' ability to continue operations in the ordinary course of business. It is my belief that this harm and disruption would far outweigh the cost of payment of the Critical Vendor Claims.

197. *The 503(b)(9) Claimants*. As noted above, certain of the Debtors' relationships with their Critical Vendors are not governed by long-term contracts and some supplies are obtained on an order-by-order basis. Accordingly, the Debtors have received certain goods from various vendors within the 20 days before the Petition Date (collectively, the "**503(b)(9) Claimants**"), some of whom may refuse to supply new orders without payment of their prepetition claims. I believe that certain 503(b)(9) Claimants could reduce the Debtors' existing trade credit—or demand payment in cash on delivery—further exacerbating the Debtors' limited liquidity. For the avoidance of doubt, the 503(b)(9) Claims represent a subset of the Critical Vendor Claims.

198. As of the Petition Date, the Debtors believe they owed approximately $1.1 million in the aggregate on account of the 503(b)(9) Claims. Additionally, prior to the Petition Date, and in the ordinary course of business, the Debtors may have ordered goods that will not be delivered until after the Petition Date (the "**Outstanding Orders**"). To avoid becoming general unsecured creditors of the Debtors' estates with respect to such goods, certain suppliers may refuse to ship or transport such goods (or may recall such shipments) with respect to such Outstanding Orders unless the Debtors issue substitute purchase orders postpetition. To prevent any disruption to the Debtors' business operations, and given that goods delivered after the Petition Date are afforded administrative expense priority under section 503(b) of the Bankruptcy Code, the Debtors seek an order: (a) granting administrative expense priority under Section 503(b) of the Bankruptcy Code to all undisputed obligations of the Debtors arising from the postpetition acceptance of goods subject to Outstanding Orders; and (b) authorizing the Debtors to satisfy such obligations in the ordinary course of business.

G. Customer Programs Motion (Item 12)

199. Nearly all of the revenue generated by the Debtors comes from one of three sources (collectively, the "**Customers**"). At least 48% of the Debtors' total annual revenue in 2019 came from the sale of advertising and marketing products to, among others, large national retail chains, small local business, and individuals (the "**Advertising Customers**"). Another approximately 45% was generated from the sale of digital and print subscriptions to consumers and single copy newspaper sales (the "**Audience Customers**"). Approximately 7% of the Debtors' revenues in 2019 were generated from the commercial printing and distribution services provided by the Debtors to third party publishers (the "**Unaffiliated Publishing Customers**"), which allow the Debtors to maximize the use of their existing printing press capacity, distribution network, and related infrastructure.

200. Prior to the Petition Date, and in the ordinary course of their businesses, the Debtors provided their Customers with various discounts, rebates, advertisement reruns and other make-whole services, barter and trade agreements, access to the Debtors' network of third party service partners, event sponsorship opportunities, refunds, billing adjustments, customer service programs, and print and delivery services. The Customer Programs and related practices are designed to (a) attract and retain Customers, (b) develop and sustain a positive reputation in the marketplace for the Debtors' varied print and digital products and services, (c) ensure customer satisfaction, (d) engender customer loyalty, and (e) meet competitive market pressures. As set forth in more detail below, I believe that the Customer Programs are critical to the Debtors' ongoing operations and the preservation and maximization of stakeholder value.

201. I believe that the Debtors generate goodwill through the Customer Programs and the satisfaction of their Customer Programs Obligations, thereby allowing the Debtors to not only retain their current Customers, but also to attract new ones. The revenue generated by the Customer Programs exceeds the operational and administrative cost to implement and maintain them. In addition, several of the Debtors' prepetition Customer Programs Obligations do not require the expenditure of cash. For these, and the other reasons set forth herein, I believe that it is essential and in the best interests of the Debtors, their estates, and their creditors that the Debtors be permitted to honor their prepetition Customer Programs Obligations and to continue the Customer Programs in the ordinary course of their businesses.

202. Further, it is my understanding that the Debtors' Customer Programs are common in the digital and print newspaper industry. I believe that most major digital and print publishers, including many of the Debtors' competitors, employ similar or identical customer programs. Therefore, if the Debtors are to stay competitive, I believe that it is critical that the Debtors be

authorized, in their business judgment, to continue the Customer Programs and to honor the prepetition Customer Programs Obligations associated therewith.

203. *Advertising Programs*. The Debtors' advertising and marketing-related Customer Programs (the "**Advertising Programs**"), each of which is more fully described below, include providing (a) certain promotional discounts, service credits and adjustments, rebates, allowances, and other incentives (the "**Incentive Program**") in order to solicit and retain Advertising Customers, from whom (as noted above) the Debtors derive a significant portion of their revenue, (b) complimentary reruns of advertisements to correct previous publication errors and to account for audience underdelivery (the "**Make-Good Program**"), (c) trade agreements with advertisers for the exchange of advertising and other sales and marketing services (the "**Trade Program**"), and (d) access to the Debtors' network of third party service partners (the "**Custom Package Program**").

204. It is my understanding that the Advertising Programs are consistent with customary industry practice and allow the Debtors to provide advertising and marketing services at competitive prices. In addition, the Advertising Customers consider the Advertising Programs to be indispensable elements of their commercial relationships with the Debtors. I believe that refusing to honor the Advertising Programs would engender significant ill will among the Debtors' Advertising Customers and ultimately would erode the Debtors' Advertising Customer base.

205. Through the Incentive Program, the Debtors provide Advertising Customers with various discounts, price adjustments and related allowances, which are custom-tailored and directly negotiated with each participating Advertising Customer to meet that Advertising Customer's specific needs or the needs of a particular vertical segment of the marketplace (the

"**Advertiser Incentive Obligations**"). The Incentive Program is designed primarily to encourage either (a) new Advertising Customers to purchase large volume print, media and digital advertising and marketing packages, or (b) existing Advertising Customers to increase their advertising "spend" with the Debtors. Specifically, in order to lock in lower advertising rates, rebates and/or allowances, Advertising Customers agree to certain minimum spend or frequency thresholds throughout the life of the governing agreement. The Incentive Program has been employed by the Debtors for several years and is consistent with customary industry practice.

206. In connection with their advertising and marketing sales, the Debtors may, from time to time, rerun advertisements to make up for audience underdelivery. Despite the Debtors' best efforts, audience underdelivery may occur if, for example, (a) a certain number of click-throughs, impressions, views, or digital other performance measures are not reached, or (b) print advertisements or marketing materials are inadvertently run with errors or otherwise not to an Advertising Customer's satisfaction. To the extent such underdelivery or printing errors occur, the Debtors will, under the Make-Good Program, either rerun the subject advertisement at no additional charge or provide a credit to the Advertising Customer's invoice or account for future use (collectively, the "**Make-Good Obligations**").

207. For example, the Debtors often bill their digital Advertising Customers based on a certain number of online advertisement views (the "**Impressions**"). If the requisite number of Impressions is not achieved, an Advertising Customer may either elect to pay only for the Impressions actually delivered by the Debtors, or to have the Debtors rerun the subject advertisement, either for a limited additional period of time or until the requisite number of Impressions is achieved, at no additional cost to the Advertising Customer.

208. The Debtors generally allocate a reserve for Make-Good Obligations, which is included in the reserve for the Refunds and Billing Adjustments described below. Due to the fact that the Debtors' primary Make-Good Obligations are to rerun advertisements or provide related services, the Debtors do not believe that any actual cash payments are due to Advertising Customers as of the Petition Date on account of the Make-Good Program. It is my belief that the Debtors' ability to continue fulfilling Make-Good Obligations incurred in connection with the Make-Good Program is an essential element of the Debtors' digital and print advertising business, and a key component of the Debtors' relationships with their Advertising Customers. I believe that, should the Debtors fail to honor their Make-Good Obligations, satisfaction of Advertising Customers will be jeopardized, potentially resulting in the loss of Advertising Customers to competitors providing similar programs.

209. *Trade Program and Together Program*. In the ordinary course of business, the Debtors, like many of their peers, exchange advertising and marketing services in lieu of cash payments. Specifically, the Debtors sponsor and promote certain local community sporting, music, and other events of varying size in the markets they serve (the "**Promotional Events**"). In exchange, the Debtors receive, among other things, tickets to the Promotional Events or related merchandise. Accordingly, under the Trade Program, the Debtors incur both a non-cash performance obligation to publish the agreed upon advertisement or promotional material, and the costs associated with printing or publishing the particular advertisement or promotional material for the Promotional Event (collectively, the "**Trade Obligations**"). The Debtors also typically offset their printing and publishing costs by selling their Advertising Customers opportunities to be included in advertisements related to the Promotional Events. It is my understanding that these bartering and sponsorship transactions are consistent with industry

practice, and generally entered into on a one-off basis. Through the Trade Program, the Debtors generate both revenue as well as goodwill and brand recognition, which in turn helps to attract new customers and foster the Debtors' relationships with their existing Customers.

210. The Debtors have also established community outreach programs in certain of their markets (collectively, the "**Together Program**"). In each of the Together Program's participating markets, the Debtors partner with local businesses (collectively, the "**Together Program Participants**") from whom the Debtors receive cash sponsorships (the "**Together Program Contributions**"). In exchange for the Together Program Contributions, the Together Program Participants receive recognition on promotional materials for the Together Program. The Debtors and the Together Program Participants then plan a series of community projects to be accomplished throughout the year, funded by the Together Program Contributions (the "**Together Program Projects**"). Accordingly, the Together Program Contributions generally give rise to the Debtors' obligation to complete future Together Program Projects and to fulfill the related promotional material obligations for the benefit of the Together Program Participants.

211. Through each of the Trade Program and the Together Program, the Debtors generate both revenue as well as goodwill and brand recognition, which in turn helps to attract new customers and foster the Debtors' relationships with their existing Customers. The Debtors estimate that approximately $700,000 in accrued and unsatisfied Trade Obligations and unused Together Program Contributions exist as of the Petition Date.

212. *Custom Package Program*. The Debtors provide their Advertising Customers with a number of full-service customized advertising and marketing sale packages (the "**Custom Package Program**"), through which Advertising Customers request or require the provision of additional products and services that the Debtors procure from various third party product and

service suppliers (the "**Advertising Third Party Providers**"). The Debtors contract with the Advertising Third Party Providers to supply certain products and services, which the Debtors themselves do not manufacture or provide, to the Debtors' Advertising Customers (the "**Customized Services**"). The Customized Services include, among other things, software that enables advertisements to be placed on the Debtors' websites or the websites of the Advertising Third Party Providers, search engine marketing and optimization, and data analytics tools. Accordingly, upon the sale of advertising under the Custom Package Program, the Debtors generally incur both an obligation to their Advertising Customers as well as an obligation to one or more Advertising Third Party Providers (the "**Advertising Third Party Obligation**"), the costs of which are indirectly passed on to Advertising Customers through the Debtors' sale of advertising and marketing packages.

213. As of the Petition Date, the Debtors estimate that they have accrued approximately $3.4 million of unsatisfied Advertising Third Party Obligations in connection with the sale of advertising under the Custom Package Program which, by comparison, has generated approximately $16.0 million in average monthly revenue for the Debtors.

214. The Advertising Third Party Providers supply the products and services that the Debtors' Advertising Customers would otherwise need to procure directly from the Advertising Third Party Providers. By acting as an intermediary, the Debtors provide a valued service for their Advertising Customers, acting a "one-stop-shop" for existing Advertising Customers and enabling the Debtors to attract new customers, while also generating revenue and remaining competitive in the marketplace. Therefore, without the ability to compensate the Advertising Third Party Providers, the Debtors' ability to generate revenue from their Advertising Customers would be limited. The Debtors' ability to continue serving their Advertising Customers and

meeting their performance expectations depends upon the Debtors' ability to offer and effectively operate the Custom Package Program in the ordinary course of their businesses. Therefore, I believe that it is of paramount importance that the Debtors be authorized to continue to maintain and administer the Custom Package Program, including partnering with and outsourcing essential products and services from the Advertising Third Party Providers, and to honor all prepetition obligations related thereto.

215. *Audience Programs*. The Debtors offer their Audience Customers several print and digital subscription products across their various markets (the "**Subscription Program**"), some of which are priced at a discount (the "**Subscriber Discounts**"). For example, the Debtors may, from time to time, offer to both new and repeat customers certain promotional rates for monthly, quarterly, semi-annual, and annual print or digital subscriptions, or access to custom digital news packages (e.g., sports content or election coverage). The Subscriber Discounts are designed to enable the Debtors to retain existing Audience Customers and to attract new ones, thereby allowing the Debtors to remain competitive in the newsprint and digital media industry. Because the Subscriber Discounts are generally built into the subscription prices offered to the Debtors' Audience Customers under the Subscription Program, the Debtors do not incur a separate obligation on account of the Subscriber Discounts.

216. The Debtors also offer their Audience Customers the option of purchasing single copy newspapers from retail stores and standalone racks (the "**Single Copy Program**"). In order to fulfill their obligations to Audience Customers under both the Subscription Program and the Single Copy Program (the "**Audience Programs**"), the Debtors outsource certain printing and distribution services from third parties (collectively, the "**Audience Third Party Providers**"). For example, in each market, the Debtors contract with third party distributors (the "**Carriers**")

to deliver their print newspapers to subscribers and other retail locations for single copy sales.[36] In certain markets, the Debtors lease trucks from third parties (the "**Leased Trucks**"), which are then driven by the Debtors' employees to fulfill the Debtors' delivery obligations.

217. I believe that the Audience Third Party Providers are critical to the Debtors' operations. Without the outsourced printing and distribution services provided by the Audience Third Party Providers, the Debtors would be unable to publish and deliver their newspapers to Audience Customers. As noted above, the Debtors generate about 45% of their revenue from their Audience Customers. The Debtors estimate that, as of the Petition Date, they have accrued approximately $3.7 million of unsatisfied obligations owed to Audience Third Party Providers in connection with their Audience Programs. By comparison, the Audience Programs have generated approximately $17.5 million in average monthly in revenue for the Debtors.

218. *Prepayments and Billing Adjustments*. The Debtors offer many types of subscription, advertising, and marketing products and services, some of which require payment in advance by Customers (the **"Prepayments**"). For example, the Debtors offer 13-week home delivery subscriptions as well as daily, monthly, and annual digital subscriptions to the Debtors' various newspapers and customized digital products (the "**Prepaid Subscriptions**"). Advertising Customers also prepay for certain advertising slots, media inserts, and other products and services provided in connection with both print and digital marketing packages (the "**Prepaid Advertisements**"). The Prepayments generally give rise to the Debtors' obligation to deliver the prepaid subscriptions, advertisements and related services, as applicable. However,

[36] The Debtors require the Carriers to obtain general liability insurance coverage and to post bonds to protect the Debtors against any default of monies collected by the Carriers on behalf of the Debtors. The Debtors withhold from payments to the Carriers the amounts due for the insurance and bonds. These payments average approximately $25,000 per month.

in certain circumstances the Debtors are obligated to return unused Prepayments (the "**Refunds**"). In other instances, such as overpayments or invoicing errors, Customers may be entitled to certain billing adjustments, generally in the form of credits for future services (the "**Billing Adjustments**").

219. Despite the Debtors' best efforts to issue accurate invoices to Customers, the Debtors may from time to time issue an invoice that does not properly reflect the products or services ordered by a Customer, or the prices for such products or services (the "**Invoice Errors**"). Conversely, Customers may from time to time make a duplicate payment on account of the same order (the "**Payment Errors**"). The amounts outstanding on account of Refunds, Invoice Errors and Payment Errors at any given time are difficult to predict with certainty. The Debtors generally allocate a reserve for Refunds, Billing Adjustments, and Make-Good Obligations at the end of each fiscal quarter, calculated by dividing the total amount of Refunds, Billing Adjustments, and Make-Good Obligations incurred within the past 12 months by the revenues generated during the past 12 months, and applying the resulting percentage to revenues generated in the current period. As of the Petition Date, the Debtors believe that they are holding approximately $57.3 million on account of Prepayments and estimate that approximately $2.9 million is outstanding in connection with Refunds and other Billing Adjustments.

220. As noted above, receipts from Advertising Customers and Audience Customers comprise the vast majority of the Debtors' revenue. The Refunds and Billing Adjustments issued by the Debtors represent a comparatively small portion of the revenue generated from sales to these Customers, and are designed to avoid protracted, and potentially costly, disputes with Customers. It is my belief that, if the Debtors are unable to honor their obligations arising from Prepayments, or unable to issue Refunds and make appropriate Billing Adjustments to

Customers' accounts, the Debtors' goodwill could be severely undermined and the risk of losing Customers greatly increased. The resulting loss of credibility, and ultimately Customers, would have devastating effects on the Debtors' ability to generate revenue going forward. Thus, I believe it is crucial that the Debtors be authorized, in their business judgment, to continue issuing Refunds, making Billing Adjustments, and honoring their obligations to Customers on account of Prepayments in the ordinary course of operating their businesses.

221. *Credit Card Program*. The Debtors are parties to certain agreements with credit and debit card processors (the "**Credit Card Processors**") under which the Credit Card Processors accept and process credit and debit card payments made by the Debtors' Customers for both subscription and certain advertising purchases (the "**Credit Card Program**"). Under the Credit Card Program, the Credit Card Processors disburse to the Debtors the amounts received from the Debtors' Customers, subject to certain adjustments, including the processing fee charged to the Debtors (the "**Credit Card Processing Fee**") for the Credit Card Processors' services. These Credit Card Processing Fees total approximately $50,000 on average per month. The large majority of the Debtors' Customers pay for the products and services provided by the Debtors by credit card. Thus, I believe that the Debtors' continued ability to utilize the services of the Credit Card Processors is essential to the Debtors' ability to maximize the value of their estates for their creditors.

222. The Debtors pay certain Credit Card Processing Fees directly to certain Credit Card Processors and American Express ("**Amex**") on a monthly basis.[37] The Debtors record the gross revenue generated through credit card payments processed by these Credit Card Processors

[37] The Debtors are also contractually obligated to make weekly payments to one of their Credit Card Processors in order to fund a reserve account to cover chargebacks and reimbursements that may be owed to a cardholder's issuing bank by the Credit Card Processor.

and Amex, and book a selling expense for the expected Credit Card Processing Fees incurred as a result of each credit card transaction. On a monthly basis, the Debtors remit the accrued Credit Card Processing Fees payable to the applicable Credit Card Processors and Amex for the previous month's activity. As of the Petition Date, the Debtors estimate that approximately $50,000 and $75,000 of prepetition Credit Processing Fees will be due, respectively, to these Credit Card Processors and Amex.

223. For credit card payments processed by other Credit Card Processors and using Visa and Mastercard, the Debtors record the gross revenue generated through credit card payments, and book a selling expense for the expected Credit Card Processing Fees incurred as a result of each credit card transaction. On a daily basis, the Debtors remit the accrued Credit Card Processing Fees payable to the applicable Credit Card Processor, Visa, and/or Mastercard for the day's activity. As of the Petition Date, the Debtors estimate that approximately $10,000 of Credit Card Processing Fees will be due to the Credit Card Processors, Visa and/or Mastercard on account of credit card payments made by the Debtors' Customers.

224. I believe that the Debtors' ability to honor their obligations with respect to Credit Card Processing Fees is critical to maintaining the loyalty and goodwill of their Customers.

225. *Customer Service Program*. In order to best serve their Customers, the Debtors operate a call center and have also engaged the services of certain third party call centers (the "**Customer Service Providers**") to address inquiries and issues related to the Debtors' advertising services and publications, including, but not limited to, newspaper subscription issues, delivery issues, billing questions, advertising, customer accounting, online technical issues, and debt collection services, and to conduct certain telephone marketing activities (the "**Customer Service Program**").

226. The Customer Service Providers function as critical intermediaries between the Debtors and their Customers. Due to the direct level of contact between the Customer Service Providers and the Debtors' Customers, many Customers perceive the Customer Service Providers as direct employees of the Debtors and purchase the Debtors' products directly through the Customer Service Providers. As a result, I believe that the failure of the Customer Service Providers to adequately perform their services could severely undermine the Debtors' ability to generate revenue and customer loyalty.

227. The Customer Service Providers generally invoice the Debtors for services rendered in the previous month in an amount based on the volume of calls received. Because the Customer Service Providers generally bill in arrears, the Debtors estimate that, as of the Petition Date, approximately $700,000 is due and owing to Customer Service Providers. The services provided by the Customer Service Providers are based on countless hours of planning, organization and training by both the Debtors and the Customer Service Providers. The cost to the Debtors' estates to formulate an alternative program with new providers and to train new customer service representatives would greatly outweigh the cost of paying the Customer Service Providers for their prepetition services. Thus, I believe it is imperative that the Debtors be authorized to pay any prepetition amounts owing, and continue honoring their obligations, to the Customer Service Providers.

228. *Printing and Delivery Service Programs*. Prior to the Petition Date, the Debtors contracted with certain non-affiliated newspaper companies (the "**Unaffiliated Publishing Customers**") to provide printing services and/or delivery services in defined geographical areas, which may include both "home delivery" and "single copy" delivery (the "**Printing and Delivery Service Program**"). For home delivery service, the Debtors or their Carriers deliver

newspapers directly to the Unaffiliated Publishing Customers' subscribers. For single copy delivery services, the Debtors or their Carriers deliver the Unaffiliated Publishing Customers' newspapers to newsstands, stores, or other retail locations. As part of their services to the Unaffiliated Publishing Customers, the Debtors collect the proceeds owed to the Unaffiliated Publishing Customers from certain locations, such as retail stores. In some instances, the Debtors also agree to buy newspapers from the Unaffiliated Publishing Customers at a wholesale price, which the Debtors then resell to retailers. The Debtors then retain the proceeds from such retail sales.

229. Under the Printing and Delivery Service Program, the Unaffiliated Publishing Customers generally pay a set price per copy printed and/or delivered (as applicable) and, in certain circumstances, an additional flat fee. The Debtors also purchase copies of certain Unaffiliated Publishing Customers' products at a wholesale rate to sell through the Debtors' single copy outlets. The Debtors drive revenue and profit through the Printing and Delivery Service Programs, while strengthening their overall relationship with the Unaffiliated Publishing Customers.

H. Motion to Preserve Tax Attributes (Item 13)

230. The Debtors have generated, and are currently generating, NOLs for United States federal income tax purposes. As of January 1, 2020, the Debtors had approximately $26.5 million of U.S. Federal NOLs available to offset taxable income. In addition, the Debtors have generated, and may currently be generating, disallowed interest carryovers. As of January 1, 2020, the Debtors had approximately $118 million of U.S. federal disallowed interest carryovers available to offset taxable income. While the value of the Debtors' Tax Attributes is contingent upon the amount of the Debtors' taxable income that may be offset by the Tax Attributes before

they expire and any existing limitation on their usage, the Debtors' Tax Attributes could translate into potential future tax savings which are valuable assets of the Debtors' estates.

231. It is my understanding that the Debtors' ability to use their tax attributes, however, could be severely limited under Section 382 of title 26 of the United States Code as a result of the trading and accumulation of their equity securities prior to consummation of a chapter 11 plan. The Debtors thus seek to establish procedures for continuously monitoring the trading of their equity securities, so that the Debtors can preserve their ability to seek substantive relief at the appropriate time, particularly if it appears that additional trading may jeopardize the use of their NOLs under Section 382. Therefore, I submit that the relief requested in the NOL Motion is necessary and in the best interests of the Debtors' estates, their creditors and other parties in interest.

PART III

THE RESTRUCTURING TRANSACTION

A. The Plan

232. As described above, following extensive arms'-length negotiations among the Company, Chatham, and their respective advisors, the Company has commenced solicitation of acceptances for the Plan from the holders of the First Lien Notes, the Second Lien Facility, the Third Lien Notes and the PBGC. The Plan will result in a deleveraging of the Company's total funded debt by approximately 55% upon emergence. Specifically, the Plan provides that upon the Plan Effective Date, the holders of the First Lien Notes (other than Chatham) will be exchanged for new First Lien Notes in the principal amount of approximately $218 million, carrying an interest rate of 10% per annum. Otherwise, the terms of the new First Lien Notes will be substantially similar to the existing First Lien Notes, except as described in Exhibit E to the Disclosure Statement.

233. Under the Plan, $45 million of Chatham's First Lien Notes will be subordinated to the new First Lien Notes and form a part of a new 1.5 lien secured note facility in the aggregate principal amount of $81 million (the "1.5 Lien Facility"). Chatham will provide the Company with $30 million of new financing under the 1.5 Lien Facility with original issue discount of 7%. This new financing is sufficient to satisfy the Company's exit costs from the Chapter 11 Cases.

234. In exchange for the Second Lien Term Loan Claims and Third Lien Notes Claims, holders of such claims will receive their pro rata portion of 97% of the Reorganized Equity, subject to dilution from the MIP Equity and the Warrant Equity (all as defined in the Plan).

235. The Company's go-forward trade claimants will be paid in full in cash on the Plan Effective Date or paid in the ordinary course.

236. The Company's other general unsecured creditors will have the right to elect their pro rata portion of warrants for 2.5% of the Reorganized Equity or a $3 million cash pool.

237. Under the Plan, the Company has offered the PBGC will receive 10 annual payments of $3.3 million, commencing in 2023, or if the Effective Date is within 45 days of the Petition Date commencing on the one month anniversary of the Petition Date, secured by liens junior to the liens securing the First Lien Notes, the 1.5 Lien Facility and the Exit Facility, plus 3% of the Reorganized Equity. Such consideration would be in settlement of its claims arising from the termination premium incurred in connection with the distress termination of the Pension Plan.

238. Equity Interests in The McClatchy Company will be deemed canceled and extinguished on the Plan Effective Date.

239. The Plan is a compromise that maximizes value for all the Company's stakeholders, including the Pension Plan and the PBGC. And, to be sure, no plan of

reorganization could provide for Pension Plan continuation because the Company's projected EBITDA cannot sustain the projected required pension contributions.

PART IV

INFORMATION REQUIRED BY LOCAL BANKRUPTCY RULE 1007-2

240. It is my understanding that Local Bankruptcy Rule 1007-2 requires that the Debtors provide certain information, which is set forth below.[38]

241. As required under Local Bankruptcy Rule 1007-2(a)(3), to the best of the Debtors' knowledge and belief, no official committee or ad hoc group of creditors was organized prior to the Petition Date.

242. As required under Local Bankruptcy Rule 1007-2(a)(4), **Exhibit B** lists the following information with respect to each of the holders of the Debtors' 30 largest unsecured claims on a consolidated basis, excluding claims of insiders: the creditor's name, address (including the number, street, apartment or suite number, and zip code, if not included in the post office address), telephone number, the name(s) of person(s) familiar with the Debtors' accounts, the amount of the claim, and an indication of whether the claim is contingent, unliquidated, disputed or partially secured. In each case, the claim amounts listed on **Exhibit B** are estimated and subject to verification. In addition, the Debtors reserve their rights to assert remedies, defenses, counterclaims, and offsets with respect to each claim.

[38] The information contained in the Exhibits attached to this Declaration shall not constitute an admission of liability by, nor is it binding on, the Debtors. The Debtors reserve all rights to assert that any debt or claim listed herein is a disputed claim or debt, and to challenge the priority, nature, amount, or status of any claim or debt. The descriptions of the collateral securing the underlying obligations are intended only as brief summaries. In the event of any inconsistencies between the summaries set forth and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control.

243. As required under Local Bankruptcy Rule 1007-2(a)(5), **Exhibit C** provides the following information with respect to each of the holders of the five largest secured claims against the Debtors on a consolidated basis: the creditor's name and address (including the number, street, apartment or suite number, and zip code, if not included in the post office address), the amount of the claim, a brief description and an estimate of the value of the collateral securing the claim, and whether the claim or lien is disputed. In each case, the claim amounts listed on **Exhibit C** are estimated and subject to verification. In addition, the Debtors reserve their rights to assert remedies, defenses, counterclaims, and offsets with respect to each claim.

244. As required under Local Bankruptcy Rule 1007-2(a)(6), the Debtors submit that as of December 1, 2019, the Debtors' unaudited consolidated financial statements, as prepared in accordance with U.S. generally accepted accounting principles ("**GAAP**"), aggregated $946,500,000 in total assets and $1,618,200,000 in total liabilities.

245. As required under Local Bankruptcy Rule 1007-2(a)(7), to the best of the Debtors' knowledge and belief, as of February 11, 2020, 7,935,411 shares of common stock were outstanding. **Exhibit D** lists those shares held by the Debtors' officers and directors.

246. As required under Local Bankruptcy Rule 1007-2(a)(8), **Exhibit E** provides a list of all the Debtors' property in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents, or secured creditor, or agent for any such entity, giving the name, address, and telephone number of each such entity and the court in which any proceeding relating thereto is pending.

247. As required under Local Bankruptcy Rule 1007-2(a)(9), **Exhibit F** provides a list of the premises owned, leased, or held under other arrangement from which the Debtors operate their businesses.

248. As required under Local Bankruptcy Rule 1007-2(a)(10), **Exhibit G** provides the location of the Debtors' substantial assets, the location of their books and records, and the nature, location, and value of assets held by the Debtors outside the territorial limits of the United States.

249. As required under Local Bankruptcy Rule 1007-2(a)(11), **Exhibit H** provides a list of the nature and present status of actions or proceedings, pending or threatened, against the Debtors or their property where a judgment against the Debtors or a seizure of the Debtors' property may be imminent.

250. As required under Local Bankruptcy Rule 1007-2(a)(12), **Exhibit I** provides a list of the names of the individuals who comprise the Debtors' existing senior management, their tenure with the Debtors, and a brief summary of their relevant responsibilities and experience.

251. As required under Local Bankruptcy Rule 1007-2(b)(1)-2(A) and (C), **Exhibit J** provides the estimated weekly payroll amount, on a consolidated basis, to be paid to the Debtors' employees (exclusive of officers, directors, and stockholders) and the estimated amounts proposed to be paid to officers, stockholders, directors, and financial and business consultants retained by the Debtors, for the 30-day period following the Petition Date.

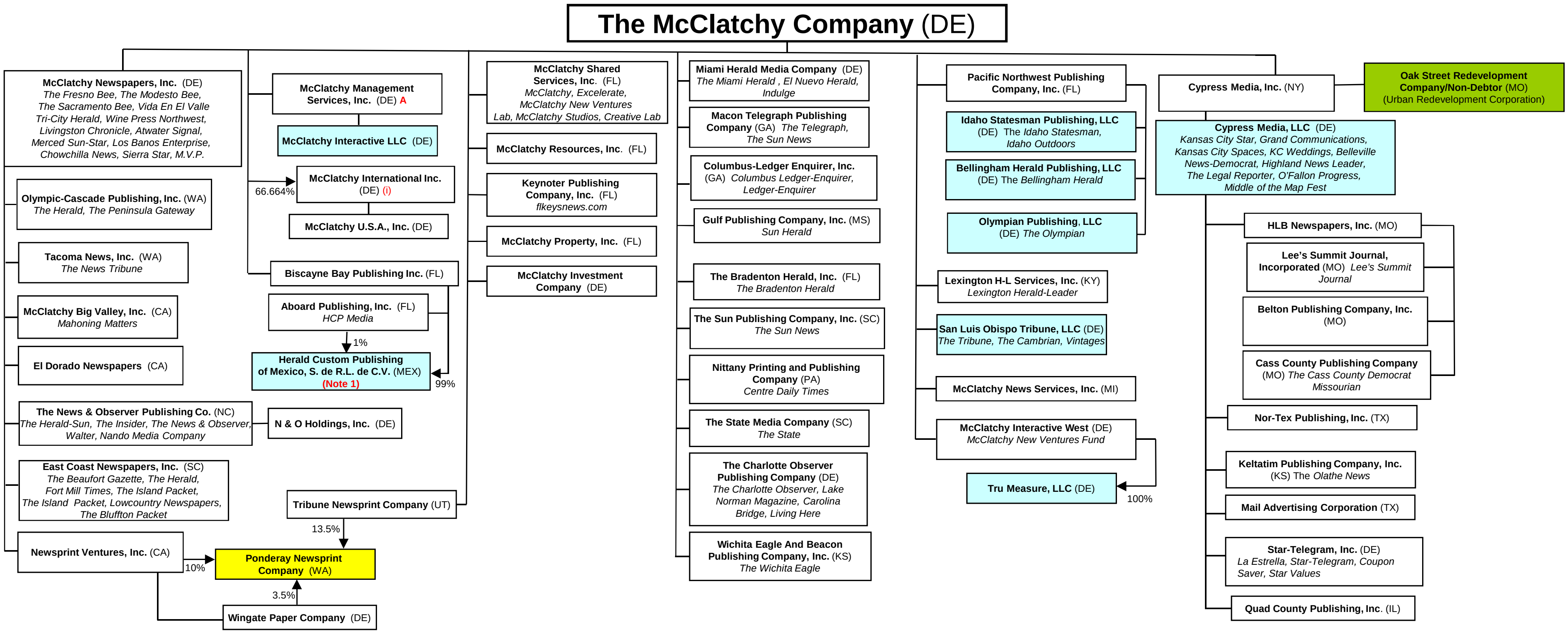
252. As required under Local Bankruptcy Rule 1007-2(b)(3), **Exhibit K** provides the estimated cash receipts and disbursements, estimated net cash gain or loss, and estimated obligations and receivables expected to accrue that remain unpaid, other than professional fees, on a consolidated basis for the 30-day period following the Petition Date.

Dated: New York, New York
February 13, 2020

<u>/s/ Sean M. Harding</u>
Sean M. Harding
Senior Managing Director
FTI Consulting, Inc.

Annex 1

Organizational Chart



Notes and Legend:

Note 1 – Similar to an LLC

Ownership is 100% unless otherwise noted

Corporation

LLC

Partnership

Redevelopment Company/Non-Debtor

(i)

Subsidiary	% Owned
The Bradenton Herald, Inc.	1.235%
Gulf Publishing Company, Inc.	1.235%
The Charlotte Observer Publishing Company	9.877%
Lexington H-L Services, Inc.	3.704%
Macon Telegraph Publishing Company	2.469%
Columbus Ledger-Enquirer, Inc.	1.235%

Subsidiary	% Owned
Nittany Printing and Publishing Company	1.235%
The State Media Company	4.938%
The Sun Publishing Company, Inc.	1.235%
Pacific Northwest Publishing Company, Inc.	2.469%
Wichita Eagle and Beacon Publishing Company, Inc.	3.704%

A

Subsidiary	% Owned
McClatchy Big Valley, Inc.	1.7%
East Coast Newspapers, Inc.	5.3%
McClatchy Newspapers, Inc.	60.9%
N & O Holdings, Inc.	22.5%
Olympic-Cascade Publishing, Inc.	0.7%
Tacoma News, Inc.	8.9%

Annex 2

Schedule of Debtors

Debtors		Employee Identification Number (EIN)
1.	Cypress Media, Inc.	37-0742453
2.	The McClatchy Company	52-2080478
3.	Aboard Publishing, Inc.	65-1051606
4.	Bellingham Herald Publishing, LLC	59-0184700
5.	Belton Publishing Company, Inc.	43-1412853
6.	Biscayne Bay Publishing, Inc.	65-1051521
7.	Cass County Publishing Company	43-0891076
8.	Columbus-Ledger Enquirer, Inc.	58-0376130
9.	Cypress Media, LLC	65-0764225
10.	East Coast Newspapers, Inc.	68-0201685
11.	El Dorado Newspapers	94-2605579
12.	Gulf Publishing Company, Inc.	64-0469077
13.	Herald Custom Publishing of Mexico, S. de R.L. de C.V.	HCP001215UZ1
14.	HLB Newspapers, Inc.	43-1675371
15.	Idaho Statesman Publishing, LLC	59-0184700
16.	Keltatim Publishing Company, Inc.	48-1161908
17.	Keynoter Publishing Company, Inc.	59-0789679
18.	Lee’s Summit Journal, Incorporated	44-0534462
19.	Lexington H-L Services, Inc.	61-0259090
20.	Macon Telegraph Publishing Company	58-0333650
21.	Mail Advertising Corporation	75-2588187
22.	McClatchy Big Valley, Inc.	68-0307849
23.	McClatchy Interactive LLC	56-0338580
24.	McClatchy Interactive West	65-0683075
25	McClatchy International Inc.	65-0732198
26.	McClatchy Investment Company	51-0274877
27.	McClatchy Management Services, Inc.	52-2360846
28.	McClatchy Newspapers, Inc.	94-0666175
29.	McClatchy News Services, Inc.	38-2022755
30.	McClatchy Property, Inc.	65-0789132
31.	McClatchy Resources, Inc.	65-0891517
32.	McClatchy Shared Services, Inc.	65-0651121
33.	McClatchy U.S.A., Inc.	65-0732197
34.	Miami Herald Media Company	20-5063905
35.	N & O Holdings, Inc.	52-2360850
36.	Newsprint Ventures, Inc.	68-0041100
37.	Nittany Printing and Publishing Company	24-0676050
38.	Nor-Tex Publishing, Inc.	75-1109443
39.	Olympian Publishing, LLC	59-0184700
40.	Olympic-Cascade Publishing, Inc.	68-0098889

Debtors		Employee Identification Number (EIN)
41.	Pacific Northwest Publishing Company, Inc.	59-0184700
42.	Quad County Publishing, Inc.	37-1225856
43.	San Luis Obispo Tribune, LLC	20-5001401
44.	Star-Telegram, Inc.	26-2674582
45.	Tacoma News, Inc.	68-0099037
46.	The Bradenton Herald, Inc.	59-1487839
47.	The Charlotte Observer Publishing Company	56-0612746
48.	The News and Observer Publishing Company	56-0338580
49.	The State Media Company	57-0477517
50.	The Sun Publishing Company, Inc.	57-0564988
51.	Tribune Newsprint Company	87-0415831
52.	Tru Measure, LLC	65-0683075
53.	Wichita Eagle and Beacon Publishing Company, Inc.	52-2080478
54.	Wingate Paper Company	68-0068249

EXHIBIT A

List of Papers Seeking First Day Relief

1. Debtors' Motion for Entry of Order (I) Directing Joint Administration of Cases and (II) Waiving Requirements of Bankruptcy Code Section 342(c)(1) and Bankruptcy Rules 1005 and 2002(n)

2. Debtors' Motion for Entry of Order (I) Waiving Certain List Filing Requirements; (II) Authorizing the Filing of a Consolidated List of Top 30 Unsecured Creditors; (III) Authorizing Debtors to Redact Certain Personal Identification Information for Individual Creditors; (IV) Authorizing Debtors to Establish Procedures for Notifying Parties of the Commencement of These Cases; and (V) Waiving the Requirements to File the List of Equity Security Holders and Provide Notice of Commencement to Equity Security Holders

3. Debtors' Motion for Entry of an Order (I) Extending Time for Debtors to File Schedules and Statements; (II) Granting Additional Time to File Reports of Financial Information Required Under Bankruptcy Rule 2015.3; and (II) Authorizing Debtors to File Consolidated Monthly Operating Reports

4. Debtors' Motion for Order Authorizing the Establishment of Certain Notice, Case Management, and Administrative Procedures

5. Debtors' Application for Order Appointing Kurtzman Carson Consultants LLC as Claims and Noticing Agent *Nunc Pro Tunc* to the Petition Date

6. Debtors' Motion for Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief

7. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Continued Use of Existing Cash-Management System, Bank Accounts, and Business Forms, and Payment of Related Prepetition Obligations, (II) Modifying Certain Deposit Requirements, and (III) Authorizing Continuance

of Intercompany Transactions and Honoring Certain Related Prepetition Obligations

8. Debtors' Motion for Entry of Interim and Final Orders Authorizing Debtors to Pay Prepetition Wages, Compensation, and Employee Benefits

9. Debtors' Motion for Entry of Interim and Final Orders Authorizing Debtors to Pay Certain Prepetition Taxes and Related Obligations

10. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of (A) Critical Vendors, and (B) Section 503(b)(9) Claimants, and (II) Granting Related Relief

11. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Honor Certain Prepetition Obligations to Customers and Continue Customer Programs in the Ordinary Course of Business, and (II) Granting Related Relief

12. Debtors' Motion for Entry of Interim and Final Orders Establishing Notice and Hearing Procedures for Trading In, or Claims of Worthlessness With Respect to, Equity Securities in the Debtors

EXHIBIT B

List of Committees Formed Prior to the Petition Date

Pursuant to Local Bankruptcy Rule 1007-2(a)(3), to the best of the Debtors' knowledge and believe, no committee has been organized prior to the Petition Date.

EXHIBIT C

Consolidated List of the Holders of the Debtors' 30 Largest Unsecured Claims

Pursuant to Local Bankruptcy Rule 1007-2(a)(4) set forth below is a list of creditors holding the thirty (30) largest unsecured claims against The McClatchy Company, *et al*., (collectively, the "**Debtors**"), as of approximately February 12, 2020. This list has been prepared on a consolidated basis, based upon the books and records of the Debtors. The information presented in the list below shall not constitute an admission by, nor is it binding on, the Debtors.

This List of Creditors does not include (a) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101 or (b) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the largest unsecured claims.

	Name of creditor and complete mailing address, including zip code	Name, telephone number, and email address of creditor contact	Nature of the claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of unsecured claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
					Total Claim, if partially secured	Deduction for value of collateral or setoff	Unsecured Claim
1.	Pension Benefit Guaranty Corporation Attn: Accounts Payable 1200 K Street NW 12th Floor Washington, DC 20005				$530,352,623		
2.	Bank of New York Mellon One Wall Street New York, NY 10286				$14,900,000		
3.	Gannett Supply Corporation 7950 Jones Branch Drive McLean, VA 22107				$1,646,978		
4.	Wipro Limited 2 Tower Center Blvd East Brunswick, NJ 08816	ruchika.aggarwal@wipro.com			$1,439,122		
5.	Google Inc 1600 Amphitheater Parkway Mountain View, CA 94043	legal-notices@google.com			$800,000		
6.	Dallas Morning News 508 Young Street Dallas, TX 75202	cgarrett@dmnmedia.com			$669,851		
7.	Endava Inc 757 3rd Ave Suite 1901 New York, NY 10017	accounts.receivable@endava.com			$664,818		
8.	Alorica Inc 400 Horsham Road Ste 130 Horsham, PA 19044	MarkAlWaren.Gamboa@alorica.com			$541,490		
9.	Andrew Distribution Inc PO Box 1099 Melrose Park, IL 60161	Fax: (630) 839-0424			$495,055		

	Name of creditor and complete mailing address, including zip code	Name, telephone number, and email address of creditor contact	Nature of the claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of unsecured claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
					Total Claim, if partially secured	Deduction for value of collateral or setoff	Unsecured Claim
10.	Simpli Fi Holdings Inc 3003 Tasman Dr Santa Clara, CA 95054	receivables@simpli.fi			$490,000		
11.	Brightcove Inc 290 Congress Street Boston, MA 02210				$294,044		
12.	Facebook Inc 315 Montgomery Street San Francisco, CA 94104	ar@fb.com			$257,713		
13.	Adobe Systems, Inc 560 Mission St Floor 5 San Francisco, CA 94105	remittance@adobe.com			$232,766		
14.	LinkedIn Corporation 2029 Stierlin Court Mountain View, CA 94043				$230,385		
15.	Dow Jones And Co Inc 4300 US Rt. 1 North Monmouth Junction, NJ 08852				$191,835		
16.	Times News C/O Lee Advertising PO Box 4690 Carol Stream, IL 60197	Fax: (319) 291-4014			$155,943		
17.	Bulkley Dunton Publishing Group 613 Main Street Wilmington, MA 1887				$144,985		
18.	Gary Pruitt 101 Warren Street #1110 New York, NY 10007				$127,962		
19.	Johnson Controls 4415 Sea Ray Dr Charleston, SC 29405				$126,440		
20.	Infosys BPM 6100 Tennyson Parkway Suite 200 Plano, TX 75024				$107,537		
21.	Jobvite Inc 1300 S El Camino Real #400 San Mateo, CA 94402				$106,981		
22.	Solo Printing Inc 7860 NW 66th St Miami, FL 33166				$103,332		
23.	Tribune Direct 435 N Michigan Ave Chicago, IL 60611				$102,084		

	Name of creditor and complete mailing address, including zip code	Name, telephone number, and email address of creditor contact	Nature of the claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of unsecured claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
					Total Claim, if partially secured	Deduction for value of collateral or setoff	Unsecured Claim
24.	Datamatics Technologies 31572 Industrial Road Ste 100 Livonia, MI 48150				$101,500		
25.	Adswerve, Inc 999 18th Street Ste 1555N Denver, CO 80202				$100,000		
26.	Site Impact LLC 6119 Lyons Road Coconut Creek, FL 33073				$100,000		
27.	Socialflow Inc 52 Vanderbilt Ave 12th Floor New York, NY 10017				$100,000		
28.	Ryder Integrated Logistics 24610 Network Place Chicago, IL 60673				$99,599		
29.	USA Today PO Box 677460 Dallas, TX 75267				$98,865		
30.	Solutions Through Software Inc 2295 S Hiawassee Rd Ste 208 Orlando, FL 32835				$98,344		

EXHIBIT D

Consolidated List of the Holders of the Debtors' Five Largest Secured Claims

Pursuant to Local Bankruptcy Rule 1007-2(a)(5), the following is a list of creditors holding the five largest secured claims against the Debtors, on a consolidated basis, as of the Petition Date.

The information contained herein shall not constitute an admission of liability by, nor is it binding on, the Debtors. The Debtors reserve all rights to assert that any debt or claim included herein is a disputed claim or debt, and to challenge the priority, nature, amount, or status of any such claim or debt. The descriptions of the collateral securing the underlying obligations are intended only as brief summaries. In the event of any inconsistencies between the summaries set forth below and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control.

Creditor Name	Creditor Contact	Amount of Claim	Collateral Description and Value
Bank of New York Mellon	2001 Bryan St, Ste 1000 Dallas, TX 75201 Lpcoe-dallasgentsvcs@bnymellon.com	$688,357,000	Substantially All Assets Value: Undetermined
Wells Fargo	Wells Fargo Bank, National Association 2450 Colorado, Suite 3000W Santa Monica, CA 90404 Gary.Whitaker@wellsfargo.com	$26,650.000	Cash Value: $26,650,000
US Bank Equipment Finance	2521 N. Church St. Rocky Mount, NC, 27804	$305,118	Certain Copier Systems Value: Undetermined
Leaf Capital Funding, LLC	1720A Crete Street Moberly, MO 65270	$27,207	Certain Copier Systems Value: Undetermined

EXHIBIT E

Summary of the Debtors' Assets and Liabilities

Pursuant to Local Bankruptcy Rule 1007-2(a)(6), the following are estimates of the Debtors' total assets and liabilities on a consolidated basis. The following financial data is the latest available information and reflects the Debtors' financial condition, as consolidated with its affiliated Debtors and non-Debtors.

The information contained herein shall not constitute an admission of liability by, nor is it binding on, the Debtors. The Debtors reserve all rights to assert that any debt or claim included herein is a disputed claim or debt, and to challenge the priority, nature, amount, or status of any such claim or debt.

Assets and Liabilities[1]	Amount
Total Assets	$946,500,000
Total Liabilities	$1,618,200,000

1 The assets and liabilities listed herein constitute the book values as of December 1, 2019.

EXHIBIT F

Summary of the Publicly Held Securities of the Debtors

Pursuant to Local Bankruptcy Rule 1007-2(a)(7), the following lists the stock held by each of the debtors' officers and directors and the amounts so held.

Directors and Officers	**Common Share Amount and Nature of Beneficial Ownership as of February 8, 2020** **Percentage (%)**
Forman, Craig I. (President, CEO & Director)	1.21
Evangelisti, Molly Maloney (Independent Director)	0.56
McClatchy, Kevin S. (Non-Executive Chairman of the Board)	0.45
Ballantine, Elizabeth (Independent Director)	0.42
Zieman, Mark (Vice President of Operations)	0.42
Ostler, Clyde W. (Independent Director)	0.42
Lintecum, R. Elaine (VP of Finance & CFO)	0.41
Barnes Jr., Leroy T. (Independent Director)	0.41
Maloney, Brown McClatchy (Independent Director)	0.41
McConkey, Billie S. (Vice President of Legal & People and Corporate Secretary)	0.30
Mitchell Ph.D., Theodore R. (Independent Director)	0.27
Thomas, Maria (Independent Director)	0.26
McClatchy, William B. (Independent Director)	0.25
Joshi, Anjali (Independent Director)	0.16
Pergam, Andrew (Vice President of Video & New Ventures)	0.13
Ravindran, Vijay (Former Director)	0.08
Manuel, Scott R. (Vice President of Digital Product & Technology)	0.05
Roberts, Kristin (Regional Editor of East region)	0.02
R. Farr CPA, Peter (Chief Accounting Officer & Corporate Controller)	0.004
	Class B Common Share
Evangelisti, Molly Maloney (Independent Director)	18.60
McClatchy, Kevin S. (Non-Executive Chairman of the Board)	3.74
Trust for Benefit of: William B. McClatchy (Independent Director)	1.67

EXHIBIT G

Summary of Debtors' Property Held by Third Parties

Pursuant to Local Bankruptcy Rule 1007-2(a)(8), the following lists the Debtors' property, as of the Petition Date, that is in the possession or custody of any custodian, public officer, mortgagee, pledge, assignee of rents, secured creditor, or agent for any such entity.

Certain property of the Debtors is likely to be in the possession of various other persons, including maintenance providers, shippers, common carriers, materialmen, custodians, public officers, mortgagees, pledges, assignees of rents, secured creditors, or agents. Through these arrangements, the Debtors' ownership interest is not affected. In light of the movement of this property, providing a comprehensive list of the persons or entities in the possession of the property, their addresses and telephone number, and the location of any court proceeding affecting such property would be impractical.

EXHIBIT H

Summary of Debtors' Property From Which the Debtors Operate Their Business

Pursuant to Local Bankruptcy Rule 1007-2(a)(9), the following lists the location of the premises owned, leased, or held under other arrangement from which the Debtors operate their businesses as of the Petition Date.

Property Address	City, State	Country	Owned or Leased
125 W TAYLOR, TAYLOR W 125 STE 300	Meridian, ID	U.S.A.	Leased
140 E MAIN ST, STE 420	Rock Hill, SC	U.S.A.	Leased
150 NEWSPAPER WAY	Holly Springs, NC	U.S.A.	Leased
7 THAMES VLY RD	Irmo, SC	U.S.A.	Leased
304 TACOMA AVE S, #501	Tacoma, WA	U.S.A.	Leased
330 N MEAD	Wichita, KS	U.S.A.	Leased
336 E COLLEGE AVE, STE 303	Tallahassee, FL	U.S.A.	Leased
365 RED CEDAR, STE 603	Bluffton, SC	U.S.A.	Leased
401 I ST, STE 200	Sacramento, CA	U.S.A.	Leased
421 FAYETTEVILLE ST, SUITES 104 1400	Raleigh, NC	U.S.A.	Leased
487 CHERRY ST, 1ST FL	Macon, GA	U.S.A.	Leased
522 FRANKLIN ST SE	Olympia, WA	U.S.A.	Leased
536A E WASHINGTON ST, UNIT A	Stephenville, TX	U.S.A.	Leased
550 S CALDWELL ST, FLOORS 10 11 AND 12	Charlotte, NC	U.S.A.	Leased
708 B PASO ROBLES ST	Paso Robles, CA	U.S.A.	Leased

Property Address	City, State	Country	Owned or Leased
307 W 7TH ST STAR-TELEGRAM BLDG, SUITES 110 220 400 500 600	Fort Worth, TX	U.S.A.	Leased
925 L ST STE 675	Sacramento, CA	U.S.A.	Leased
945 BROADWAY, SUITES 102 AND 200	Columbus, GA	U.S.A.	Leased
948 11TH ST	Modesto, CA	U.S.A.	Leased
1025 CONNECTICUT AVE NW, STE 1100	Washington, DC	U.S.A.	Leased
1058 TEXAN TRL, STE 100	Grapevine, TX	U.S.A.	Leased
1111 3RD AVE W SUITES 101 - 105 AND 202A	Bradenton, FL	U.S.A.	Leased
1340 N MOSLEY ST	Wichita, KS	U.S.A.	Leased
1301-1345 N MARKET BLVD	Sacramento, CA	U.S.A.	Leased
1400 EDWARDS ML RD, STE 125B	Raleigh, NC	U.S.A.	Leased
1406-D S POLLOCK ST, UNIT D F	Selma, NC	U.S.A.	Leased
1425 SHOP RD	Columbia, SC	U.S.A.	Leased
1530 N GREGSON ST, SUITES 2A 3A 3B 2ND AND 3RD FLOORS	Durham, NC	U.S.A.	Leased
1851 GROGAN AVE	Merced, CA	U.S.A.	Leased
2029 OPPORTUNITY DR, UNIT #5	Roseville, CA	U.S.A.	Leased
2569 W PAWNEE	Columbia, SC	U.S.A.	Landlord/Lessor - Owned Asset
2585 W ROOSEVELT BLVD	Monroe, NC	U.S.A.	Leased

Property Address	City, State	Country	Owned or Leased
2809 SUPERIOR DR	Wake Forest, NC	U.S.A.	Leased
1992 ROCKEFELLER DR, SUITES 800 AND 900	Ceres, CA	U.S.A.	Leased
2107 NE 2ND ST	Mineral Wells, TX	U.S.A.	Leased
3525 E HWY 114, STE 3525	Rhome, TX	U.S.A.	Leased
4302-4308 4318 SW 73 AVE	Miami, FL	U.S.A.	Leased
4508 BENNETT MEMORIAL RD	Durham, NC	U.S.A.	Leased
4735 CORPORATE DR, STE 500	Concord, NC	U.S.A.	Leased
4871 N BEACH ST	Fort Worth, TX	U.S.A.	Leased
5001 PACIFIC AVE SE, STE B	Lacey, WA	U.S.A.	Leased
5540 E LAMONA AVE, STE 103	Fresno, CA	U.S.A.	Leased
5680 W BARSTOW AVE	Fresno, CA	U.S.A.	Leased
5709 34TH AVE NW, STE 103	Gig Harbor, WA	U.S.A.	Leased
5771 MIAMI LK DR, BLDG NO 40E	Miami Lakes, FL	U.S.A.	Leased
5829 TRIANGLE DR, STE A	Raleigh, NC	U.S.A.	Leased
6966 - 6980 NW 46 ST	Miami, FL	U.S.A.	Leased
8210 BERRY AVE, STE 100	Sacramento, CA	U.S.A.	Leased
9006 PERIMETER WOODS DR, STE B	Charlotte, NC	U.S.A.	Leased
9820 DINO DR, STE 110	Elk Grove, CA	U.S.A.	Leased
13450 SW 126TH ST, UNITS 1 2 3 4	Miami, FL	U.S.A.	Leased

Property Address	City, State	Country	Owned or Leased
225 TWO NOTCH RD	Lexington, SC	U.S.A.	Leased
8375 OLD PERCIVAL RD	Columbia, SC	U.S.A.	Leased
STAR OAK ST	Kansas City, MO	U.S.A.	Leased
CAPITOL BLDG, RM 227	Frankfort, KY	U.S.A.	Leased
8700 FREEPORT PKWY, STE 120	Irving, TX	U.S.A.	Leased
112 S MAIN	Weatherford, TX	U.S.A.	Leased
2006 BOBBY LN	Granbury, TX	U.S.A.	Leased
611 WALNUT AVE	Augusta, KS	U.S.A.	Leased
1019 39TH AVE SE, STE B-120	Puyallup, WA	U.S.A.	Leased
2316 S STATE ST	Tacoma, WA	U.S.A.	Leased
11320 TRADE CTR DR, SUITES D E	Rancho Cordova, CA	U.S.A.	Leased
2403 SPIRES DR	Macon, GA	U.S.A.	Leased
1007 PRIMROSE CT	Lexington, KY	U.S.A.	Leased
1025 CONNECTICUT AVE NW, EXPANSION	Washington, DC	U.S.A.	Leased
10 BUCK ISLAND RD	Bluffton, South Carolina	U.S.A.	Landlord/Lessor - Owned Asset
3566 S HIGUERA ST, STE 310	San Luis Obispo, California	U.S.A.	Leased
735 TANK FARM RD, STE 220	San Luis Obispo, California	U.S.A.	Leased
1235 GLENHAVEN CT, STE 400	El Dorado Hills, California	U.S.A.	Leased
264 BUTTON AVE	Manteca, California	U.S.A.	Leased

Property Address	City, State	Country	Owned or Leased
642 HITECH PKWY, UNIT B	Oakdale, California	U.S.A.	Leased
1190 W OLIVE AVE, STE F	Merced, California	U.S.A.	Leased
631 H ST #F	Los Banos, California	U.S.A.	Leased
3511 NW 91 AVE/RE-ENTRY WESTPOINTE BUSINESS PARK	Miami, FL	U.S.A.	Leased
5231 FRONT ST	Kansas City, Missouri	U.S.A.	Leased
5151-5161 MERRIAM DR	Shawnee, Kansas	U.S.A.	Leased
2200 NW 24TH AVE	Miami, FL	U.S.A.	Leased
1626 E ST	Fresno, CA	U.S.A.	Landlord/Lessor - Leased Asset
3125 MERCER AVE, UNIT 102	Bellingham, WA	U.S.A.	Leased
1626 E ST	Fresno, CA	U.S.A.	Leased
1424 LOS ALTOS AVE, #101	Clovis, CA	U.S.A.	Leased
2100 Q ST	Sacramento, CA	U.S.A.	Landlord/Lessor - Leased Asset
513 W OGDEN ST, MEECE BLDG	Somerset, KY	U.S.A.	Leased
915 S SODERQUIST RD, UNIT 915	Turlock, CA	U.S.A.	Leased
2504 SUNDANCE RD, STE C	Nampa, ID	U.S.A.	Leased
KEENE PLZ,, Richland	Benton, WA	U.S.A.	Leased
920 WAREHOUSE OR 2073 FM RD	Weatherford, Parker, TX	U.S.A.	Leased
720 OLIVE DR, #U	Davis, CA	U.S.A.	Leased
3715 1ST AVE, RIV ML WAREHOUSES STE 4-B	Columbus, GA	U.S.A.	Leased

Property Address	**City, State**	**Country**	**Owned or Leased**
1417 COLUMBIA ST SW	Olympia, WA	U.S.A.	Leased
2211 RIMLAND DR, STE 301	Bellingham, WA	U.S.A.	Leased
1417 COLUMBIA ST	Olympia, WA	U.S.A.	Leased
120 S ILLINOIS ST	Belleville, IL	U.S.A.	Leased
3400 E COLLEGE AVE	State College, PA	U.S.A.	Landlord/Lessor - Owned Asset
333 W CANAL DR	Kennewick, WA	U.S.A.	Leased
907 6th STREET	Los Banos, CA	U.S.A.	Leased

EXHIBIT I

Location of the Debtors' Substantial Assets, Books and Records, and Nature and Location of Debtors' Assets Outside the United States

Pursuant to Local Bankruptcy Rule 1007-2(a)(10), the following provides the location of the Debtors' substantial assets, books and records, and the nature, location, and value of any assets held by the Debtors outside the territorial limits of the United States as of the Petition Date.

Location of Debtors' Substantial Assets, Books and Records

The Debtors' books and records, stock certificates and substantial assets are located in their executive offices as set forth below.

Debtor Name	Office Address
The McClatchy Company	2100 Q Street, Sacramento, California 95816.
Cypress Media, Inc.	2100 Q Street, Sacramento, California 95816.
Aboard Publishing, Inc.	2100 Q Street, Sacramento, California 95816.
Bellingham Herald Publishing, LLC	2100 Q Street, Sacramento, California 95816.
Belton Publishing Company, Inc.	2100 Q Street, Sacramento, California 95816.
Biscayne Bay Publishing, Inc.	2100 Q Street, Sacramento, California 95816.
Cass County Publishing Company	2100 Q Street, Sacramento, California 95816.
Columbus-Ledger Enquirer, Inc.	2100 Q Street, Sacramento, California 95816.
Cypress Media, LLC	2100 Q Street, Sacramento, California 95816.
East Coast Newspapers, Inc.	2100 Q Street, Sacramento, California 95816.
El Dorado Newspapers	2100 Q Street, Sacramento, California 95816.
Gulf Publishing Company, Inc.	2100 Q Street, Sacramento, California 95816.
Herald Custom Publishing of Mexico, S. de R.L. de C.V.	2100 Q Street, Sacramento, California 95816.

Debtor Name	**Office Address**
HLB Newspapers, Inc.	2100 Q Street, Sacramento, California 95816.
Idaho Statesman Publishing, LLC	2100 Q Street, Sacramento, California 95816.
Keltatim Publishing Company, Inc.	2100 Q Street, Sacramento, California 95816.
Keynoter Publishing Company, Inc.	2100 Q Street, Sacramento, California 95816.
Lee's Summit Journal, Incorporated	2100 Q Street, Sacramento, California 95816.
Lexington H-L Services, Inc.	2100 Q Street, Sacramento, California 95816.
Macon Telegraph Publishing Company	2100 Q Street, Sacramento, California 95816.
Mail Advertising Corporation	2100 Q Street, Sacramento, California 95816.
McClatchy Big Valley, Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy Interactive LLC	2100 Q Street, Sacramento, California 95816.
McClatchy Interactive West	2100 Q Street, Sacramento, California 95816.
McClatchy International Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy Investment Company	2100 Q Street, Sacramento, California 95816.
McClatchy Management Services, Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy Newspapers, Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy News Services, Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy Property, Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy Resources, Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy Shared Services, Inc.	2100 Q Street, Sacramento, California 95816.
McClatchy U.S.A., Inc.	2100 Q Street, Sacramento, California 95816.

Debtor Name	**Office Address**
Miami Herald Media Company	2100 Q Street, Sacramento, California 95816.
N&O Holdings, Inc.	2100 Q Street, Sacramento, California 95816.
Newsprint Ventures, Inc.	2100 Q Street, Sacramento, California 95816.
Nittany Printing and Publishing Company	2100 Q Street, Sacramento, California 95816.
Nor-Tex Publishing, Inc.	2100 Q Street, Sacramento, California 95816.
Olympian Publishing, LLC	2100 Q Street, Sacramento, California 95816.
Olympic-Cascade Publishing, Inc.	2100 Q Street, Sacramento, California 95816.
Pacific Northwest Publishing Company, Inc.	2100 Q Street, Sacramento, California 95816.
Quad County Publishing, Inc.	2100 Q Street, Sacramento, California 95816.
San Luis Obispo Tribune, LLC	2100 Q Street, Sacramento, California 95816.
Star-Telegram, Inc.	2100 Q Street, Sacramento, California 95816.
Tacoma News, Inc.	2100 Q Street, Sacramento, California 95816.
The Bradenton Herald, Inc.	2100 Q Street, Sacramento, California 95816.
The Charlotte Observer Publishing Company	2100 Q Street, Sacramento, California 95816.
The News and Observer Publishing Company	2100 Q Street, Sacramento, California 95816.
The State Media Company	2100 Q Street, Sacramento, California 95816.
The Sun Publishing Company, Inc.	2100 Q Street, Sacramento, California 95816.
Tribune Newsprint Company	2100 Q Street, Sacramento, California 95816.
Tru Measure, LLC	2100 Q Street, Sacramento, California 95816.

Debtor Name	Office Address
Wichita Eagle and Beacon Publishing Company, Inc.	2100 Q Street, Sacramento, California 95816.
Wingate Paper Company	2100 Q Street, Sacramento, California 95816.

Debtors' Assets Outside the United States

Herald Custom Publishing of Mexico, S. de R.L. de C.V.., a foreign disregarded entity of Biscayne Bay Publishing, Inc. has assets in Mexico.

EXHIBIT J

Summary of Legal Actions Against the Debtors

Pursuant to Local Bankruptcy Rule 1007-2(a)(11), the following lists actions and proceedings pending or threatened against the Debtors or their properties where a judgment against the Debtors or a seizure of their property may be imminent as of the Petition date. This list reflects actions or proceedings considered material by the Debtors and, if necessary, will be supplemented in the corresponding schedules to be filed by the Debtors in these chapter 11 cases.

Entity	Case Caption	Jurisdiction	Nature of Claim	Status
News & Observer	*Desmond v. News & Observer*	North Carolina Supreme Court	Libel case.	Plaintiff obtained jury verdict of $1.5 million compensatory and $4.5 million punitive damages. Insurance covers full amount of damages that were awarded. Court of Appeal upheld jury verdict. N.C. Supreme Court granted our petition to review and heard oral argument on 11/4/19. Waiting for NC Supreme Court ruling.
Fresno Bee	*Devin Nunes v. The McClatchy Company*	Virginia State Court	Libel case.	Case filed 4/11/19 in Virginia state court. We filed Motion to Dismiss on 9/9/19. Waiting for court ruling.
Bradenton Herald	*Terra Carroll v. Bradenton Herald et al.*	Florida State Court	Libel case.	Florida state court judge granted anti-SLAPP motion to dismiss case on 9/19/19. Plaintiff appealed on 10/10/19.

Entity	**Case Caption**	**Jurisdiction**	**Nature of Claim**	**Status**
Kansas City Star	*Clay Chastain v. Kansas City Star*	Missouri Federal Court	Libel case.	Case filed 4/19/19 in Missouri federal court. Court dismissed and Plaintiff appealed on 11/12/19.
News & Observer	*Anne Blythe v. News & Observer*	North Carolina State Court	Libel case.	Served on 8/12/19 but Plaintiff has agreed to open ended extension of time to answer to allow time for settlement. No current activity.
Miami Herald	*Hernando Sandoval v. Miami Herald*	Miami-Dade County	Personal injury litigation.	Trial is scheduled for late March/early April 2020.
Belleville News-Democrat	*Joanna Culley, Guardian of Dennis Williams v. Belleville News-Democrat*	Illinois State Court	Personal injury litigation.	Independent contractor newspaper carrier is accused of hitting pedestrian. Motion for Summary Judgment based on carrier's status as independent contractor has been filed and is pending a scheduled hearing after mediation. Mediation is scheduled for February 13, 2020. Newspaper carrier's insurer, Allstate, has accepted defense and indemnification of Belleville News-Democrat.

Entity	**Case Caption**	**Jurisdiction**	**Nature of Claim**	**Status**
Sierra Star	*Carol Hill v. The McClatchy Company*	California State Court	Personal injury litigation.	California state court matter in which customer injured inside office of Sierra Star. Summons served on January 21, 2020.
Kansas City Star	*Shelly Ferro v. Kansas City Star*	Missouri State Court	Personal Injury litigation.	Independent contractor newspaper carrier claims she was injured when she slipped in parking lot. Settlement understanding was reached but no Release/Settlement Agreement has been executed to date and no settlement check issued.
The Idaho Statesman	*Gewalt v. The Idaho Statesman*	Idaho Federal Court	Employment litigation, FMLA Complaint.	Motion for Summary Judgment filed 6/7/19 and waiting for court ruling.
The Sacramento Bee	*Sawin, et. al. v. McClatchy Newspapers, Inc. (The Sacramento Bee)*	Superior Court of the State of California in Sacramento County	Class Action newspaper carrier suit.	Class Action newspaper carrier suit. See 10Q.
The Fresno Bee	*Becerra, et. al. v. McClatchy Newspapers, Inc. (The Fresno Bee)*	United States District Court for the Eastern District of California	Class Action newspaper carrier suit.	Class Action newspaper carrier suit. See 10Q.

Entity	**Case Caption**	**Jurisdiction**	**Nature of Claim**	**Status**
The Miami Herald	*Manuel Rodeiro v. Miami Herald*	United States District Court for the Southern District of Florida	Employment litigation.	FLSA complaint filed by former employee in Florida federal court. Overtime payments at issue are less than $50,000. Discovery is underway.
Kansas City Star	*Eric Bowers v. The McClatchy Company (Kansas City Star) et. al.*	Missouri Federal Court	Copyright infringement claim.	First Amended complaint filed December 21, 2019 but has not yet been served on any defendant.
The McClatchy Company	*In the Matter of the Trust for the Primary Benefit of James B. McClatchy*	California	Breach of Trust.	Complaint filed in California state court alleging breach of trust by the trustees of the Eleanor McClatchy Trust. The McClatchy Company was later added as an additional defendant. Plaintiff lost at trial and has appealed.
Fort Worth Star-Telegram	*In re Sears Holdings Corporation, et. al, U.S. Bankruptcy Case No. 18-23538*	United States Bankruptcy Court for the Southern District of New York	Avoidance action.	Kmart, owned by Sears Holding, has filed a complaint to recover alleged preferential transfers as part of their bankruptcy proceedings. In active settlement negotiations.

Entity	**Case Caption**	**Jurisdiction**	**Nature of Claim**	**Status**
Miami Herald	*In re Sears Holdings Corporation, et. al, U.S. Bankruptcy Case No. 18-23538*	United States Bankruptcy Court for the Southern District of New York	Avoidance action.	Kmart, owned by Sears Holding, has filed a complaint to recover alleged preferential transfers as part of their bankruptcy proceedings. In active settlement negotiations.
The Fresno Bee	*In re Sears Holdings Corporation, et. al, U.S. Bankruptcy Case No. 18-23538*	United States Bankruptcy Court for the Southern District of New York	Avoidance action.	Kmart, owned by Sears Holding, has filed a complaint to recover alleged preferential transfers as part of their bankruptcy proceedings. In active settlement negotiations.
News & Observer	*In re Sears Holdings Corporation, et. al, U.S. Bankruptcy Case No. 18-23538*	United States Bankruptcy Court for the Southern District of New York	Avoidance action.	Kmart, owned by Sears Holding, has filed a complaint to recover alleged preferential transfers as part of their bankruptcy proceedings. In active settlement negotiations.

EXHIBIT K

The Debtors' Senior Management

Pursuant to Local Bankruptcy Rule 1007-2(a)(12), the following provides the names of the individuals who constitute the Debtors' existing senior management, their tenure with the Debtors, and a brief summary of their responsibilities and relevant experience as of the Petition Date.

Debtor	Name of Directors/Managers and Officers	Titles/Responsibilities	Approx. Dates Appointed
The McClatchy Company	Craig Forman	President and Chief Executive Officer	3 years
The McClatchy Company	Billie McConkey	General Counsel, VP of People and Corporate Secretary	4 years
The McClatchy Company	Elaine Lintecum	VP of finance and Chief Financial Officer	7 years
The McClatchy Company	Peter Farr	Corporate Controller and Chief Accounting Officer	2 years
The McClatchy Company	Scott Manuel	VP of Customer and Product	3 years
The McClatchy Company	Kristin Roberts	Vice President	3 years

EXHIBIT L

Debtors' Payroll for the 30 Day Period Following the Petition Date

Pursuant to Local Rules 1007-2(b)(1)-(2)(A) and (C), the following provides, for the 30-day period following the Petition Date, the estimated amount of weekly payroll to employees (exclusive of officers, directors, and stockholders), the estimated amount paid and proposed to be paid to officers, stockholders, and directors, and the amount paid or proposed to be paid to financial and business consultants retained by Debtors.

Estimated amount of weekly payroll to employees (exclusive of officers, directors, and stockholders): $3,400,000

Estimated amount paid and proposed to be paid to officers, stockholders, and directors:

$425,000

Amount paid or proposed to be paid to financial and business consultants: $3,300,000

EXHIBIT M

Debtors' Estimated Cash Receipts and Disbursements for the Thirty-Day Period Following the Filing of the Chapter 11 Petitions

Pursuant to Local Rule 1007-2(b)(3), the following provides, for the 30-day period following the Petition Date, the Debtors' estimated cash receipts and disbursements, net cash gain or loss, and obligations and receivables expected to accrue that remain unpaid, other than professional fees.

Estimated Cash Receipts	$57,100,000
Estimated Disbursements	$55,600,000
Net Cash Gain	$1,500,000
Accrued but Unpaid Obligations (other than professional fees)	$30,800,000
Accrued but Unpaid Receivables	$57,300,000