

**IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:

THE NEWS-GAZETTE, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 19-11901 (KBO)

(Jointly Administered)

Related Docket No. 394

**DECLARATION OF JOHN L. REED IN SUPPORT OF
CONFIRMATION OF THE DEBTORS' AMENDED PLAN OF
LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

I declare under penalty of perjury that the facts set forth in the following Declaration are true and correct, according to the best of my knowledge, information and belief:

1. I am the Chief Executive Officer of the above-captioned debtors and debtors-in-possession (the "Debtors").

2. I submit this Declaration in support of the *Debtors' Amended Plan of Liquidation under Chapter 11 of the Bankruptcy Code*, dated August 3, 2020, Docket No. 394 (as the same may be amended, supplemented or otherwise modified, the "Plan").²

3. Except as otherwise noted herein, the facts set forth in this Declaration are personally known to me, and, if called as a witness, I could and would testify thereto.

4. I began working with the Debtors in June 2008, and I have acted as Chief Executive Officer of the Debtors since January 2015. Since that time, I have participated in all facets of the Debtors' decision making, including financial planning, strategy, and plan negotiations. I also worked collaboratively with the Debtors' court-approved professionals

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: The News-Gazette, Inc. (0894) and D.W.S., Inc. (7985). The Debtors' headquarters are located at 15 East Main Street, Champaign, Illinois 61820.

² Capitalized terms appearing herein that are not otherwise defined shall have the meanings ascribed to such terms in the Plan.

throughout the Chapter 11 Cases and have been directly involved throughout the Debtors' entire chapter 11 process.

5. I am generally familiar with the Plan as filed by the Debtors.

6. I am generally familiar with the *Amended Disclosure Statement for the Debtors' Amended Plan of Liquidation Under Chapter 11 of the Bankruptcy Code*, dated August 3, 2020, Docket No. 395 (the "Disclosure Statement").

7. I am generally familiar with the *Order (A) Approving Disclosure Statement; (B) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Debtors' Plan of Liquidation; (C) Scheduling a Hearing on Confirmation of Debtors' Plan Of Liquidation; and (D) Approving Notice Procedures*, Docket No. 399 (the "Disclosure Statement Order"), entered by the Court on August 4, 2020.

8. I am generally familiar with the *Affidavit of Service Regarding the Solicitation Materials*, Docket No. 407 (the "Solicitation Certificate of Service") and, to the best of my knowledge, the Solicitation Materials (as defined in the Disclosure Statement Order) were served on or about August 10, 2020.

9. I am generally familiar with the *Notice of Filing Plan Supplement*, Docket No. 434 (the "Plan Supplement").

10. I am generally familiar with the *Certification of Stretto Regarding Tabulation of Votes in Connection with the Debtors' Amended Plan of Liquidation Under Chapter 11 of the Bankruptcy Code*, Docket No. 445 (the "Voting Report").

11. I am generally familiar with the *Debtors' Memorandum of Law in Support of Debtors' Amended Plan of Liquidation Under Chapter 11 of the Bankruptcy Code*, Docket No. 448 (the "Confirmation Brief").

12. I have been advised and believe that the Plan: (a) complies with all applicable provisions of the Bankruptcy Code as required by section 1129(a)(1) of the Bankruptcy Code, including sections 1122 and 1123 of the Bankruptcy Code; (b) satisfies the mandatory requirements of section 1123(a) of the Bankruptcy Code; and (c) is consistent with section 1123(b) of the Bankruptcy Code.

A. THE PLAN SATISFIES EACH REQUIREMENT FOR CONFIRMATION.

i. The Plan Complies with the Applicable Provisions of the Bankruptcy Code (Section 1129(a)(1)).

13. I have been advised and believe that the Plan complies with 11 U.S.C. § 1129(a)(1), which requires the Plan to comply with 11 U.S.C. §§ 1122 and 1123 in all respects.

ii. The Plan Satisfies the Requirements of Section 1122 of the Bankruptcy Code.

14. Article III of the Plan places Claims and Interests into five (5) different Classes, except for Administrative Claims, Priority Claims, and Professional Compensation Claims, which are not classified. Each Claim or Interest placed in a particular class is substantially similar to the other Claims or Interests in that class. In addition, valid legal and/or factual reasons exist for the separate classification of each of the classes of Claims and Interests created under the Plan, and there is no unfair discrimination between or among holders of Claims and Interests.

15. For example, the Plan properly and separately classifies the Secured Claims (Class 1), General Unsecured Claims (Class 2), Pension Claims (Class 3), Intercompany Claims (Class 4), and Equity Interests (Class 5).

16. I believe that there will be sufficient cash available to pay Allowed Administrative Claims, Allowed Priority Claims, and Allowed Class 1 Secured Claims in full. I

also believe there will be material distributions made to Holders of Allowed Class 2 and Class 3 Claims.

17. Class 2 is comprised of General Unsecured Claims, which will be satisfied on a pro rata basis from the \$250,000 that will be set aside as the Reorganized Debtor General Unsecured Claims Reserve. I believe that the estimated recovery for Holders of these Claims varies depending on the resolution of claims objections to certain General Unsecured Claims. Therefore, I estimate that recovery for Holders of Allowed Class 2 Claims could range from 60.0% - 81.0%.

18. Class 3 is comprised of Pension Claims, which consist of the Allowed Claims of the Pension Benefit Guaranty Compensation, GCIU Employer Retirement Fund, and CWA/ITU Negotiated Pension Plan. Holders of Class 3 Pension Claims will be satisfied by the Reorganized Debtor Fund, which comprises all the residual cash left in the Estates after payment of expenses under the Plan, the Reorganized Debtors General Unsecured Fund, and payment to Allowed Administrative, Priority, Professional Compensation and Secured Claims. Therefore, I estimate that a recovery to this Class could range between 28.0% - 36.0%.

19. Class 4 is comprised of Intercompany Claims, and all Intercompany Claims will be cancelled on the Effective Date. No distributions will be made on account of any Intercompany Claims.

20. Class 5 is comprised of Equity Interests in the Debtors, which Interests will be cancelled on the Effective Date. No distributions will be made to members of Class 5 on account of their Interests.

21. I have been advised and believe that valid factual and legal reasons exist for separately classifying the various Classes of Claims and Interests created under the Plan. In each

instance, the Plan classifies Claims based upon their different rights and attributes. Additionally, each of the Claims of Interests in each particular Class is substantially similar to the other Claims of Interests in such Class. Accordingly, I believe the Plan fully complies with and satisfies section 1122 of the Bankruptcy Code.

iii. The Plan Satisfies the Mandatory Requirements of Section 1123(a) of the Bankruptcy Code.

22. I have been advised and believe that the Plan satisfies the seven applicable requirements set forth in section 1123(a) of the Bankruptcy Code because:

- Article II of the Plan satisfies this requirement by expressly classifying all Claims and Interests, other than Administrative Claims, Priority Claims, and Professional Compensation Claims, which are not classified;
- Article III of the Plan satisfies this requirement by specifying that Secured Claims (Class 1) is unimpaired;
- Article III of the Plan specifies that Claims in Class 2 (General Unsecured Claims) and Class 3 (Pension Claims) are Impaired under the Plan. The Plan sets for the treatment of each such Impaired Classes;
- Article III of the Plan provides the same treatment to each Claim or Interest that is classified in a particular class under the Plan;
- Article V of the Plan, and the provisions located within other Articles of the Plan, provide numerous provisions to facilitate the implementation of the Plan, including, but not limited to, the actions required to effectuate the Plan, the vesting of property of the Debtors' Estates in the Reorganized Debtors, and the allowance of all organizational actions necessary to effectuate the Plan;
- I am advised that the requirements of section 1123(a)(6) of the Bankruptcy Code are inapplicable to the Debtors because there is no issuance of new securities under the Plan; and
- I understand that the Plan Supplement designates that I will be the initial Plan Administrator due to my experience and familiarity with the Debtors' Estates through my role as Chief Executive Officer and President of the Debtors. As Plan Administrator, I understand that I will be authorized to distribute and administer all of the Reorganized Debtors' assets in accordance with the provisions of the Plan and be authorized to

pursue Causes of Action (if any). I also understand that the Plan Supplement designates J. Michael Martin as the remaining member of the board of the Reorganized Debtors. I believe that Mr. Martin is appropriately qualified for this role due to his having previously served on the Debtors' board of directors. I believe that the selection of the Plan Administrator and the member of the board of the Reorganized Debtors are consistent with the interests of Holders of Claims and Interests and public policy.

iv. 1123(b): The Plan Includes Appropriate Permissive Provisions.

23. The Plan contains a number of permissive provisions, all of which are intended to facilitate a prompt resolution of the Chapter 11 Cases and are appropriate under the circumstances. Among other things, the Plan provides for (i) the rejection of the executory contracts and unexpired leases of the Debtors not previously assumed, assigned, or rejected (or for which the motions for assumption or rejection are filed prior to the Effective Date) under the relevant section of the Bankruptcy Code; (ii) the distribution of any remaining proceeds from the liquidation of the Debtors' assets to Holders of Allowed Claims; (iii) the provisions of Article X of the Plan regarding exculpation and injunction; (iv) the provisions of Article XI of the Plan regarding retention of jurisdiction by the Bankruptcy Court over certain matters; the provisions of Article V of the Plan regarding the means for implementation of the Plan; and (v) the provisions of Articles VI and VII of the Plan regarding distributions under the Plan.

v. Substantive Consolidation Is Appropriate

24. I have been advised and believe that "substantive consolidation" for purposes of voting, confirmation, and distributions under the Plan is appropriate in these Chapter 11 Cases for several reasons. The Debtors are related entities: D.W.S. is a wholly-owned subsidiary of News-Gazette. The Debtors operated primarily on a consolidated basis, often with one Debtor using the assets of the other Debtor in its operations. The Debtors also operated with shared executive, financial and administrative staff, and occupied the same space. Most importantly,

the Sale was conducted as the sale of substantially all of the assets of both Debtors, without allocation by any party of the value achieved among the Debtor entities.

25. Accordingly, I do not believe there is any practical or fair way, other than through after-the-fact estimation without material basis in fact, to allocate the sale proceeds among distinct estates. I believe that it would be burdensome and expensive to disentangle the Debtors' claim obligations or assets in these Chapter 11 Cases; and that doing so might require retention of separate counsel for each entity and could result in allocation litigation among the entities. I also believe that such allocation efforts would be wasteful and not likely to create material value for any constituent, and that substantive consolidation for purposes of voting, confirmation, and distributions under the Plan would otherwise avoid the erosion of cash and other value that would otherwise be made available to Holders of General Unsecured Claims or Pension Claims of a single estate.

vi. The Exculpation Provision Is Appropriate

26. Article X.B of the Plan provides for the exculpation of the Exculpated Parties.³ I believe the exculpation is fair and appropriate under both applicable law and the facts and circumstances of the Chapter 11 Cases. The exculpation provision in the Plan is appropriately crafted so as to protect only those parties whose efforts have been instrumental in connection with the formulation and development of Plan and who have made a substantial contribution to the overall Chapter 11 Cases. The exculpation provision was important to the development of a feasible, confirmable Plan, and the Exculpated Parties participated in these Chapter 11 Cases in reliance upon the protections afforded to those constituents by the exculpation.

³ Under the Plan, "Exculpated Parties" means the Debtors, the Debtors' officers and directors, the Plan Administrator, and the Debtors' professionals retained under sections 327 or 328 of the Bankruptcy Code (each in their capacities as such) that served in such capacities at any time between the Petition Date and the Effective Date.

vii. 1129(a)(2): The Debtors Have Complied with All Applicable Provisions of the Bankruptcy Code.

27. I have been advised and believe that the Debtors have satisfied section 1129(a)(2) of the Bankruptcy Code, which requires the plan proponent to comply with the applicable provisions of the Bankruptcy Code. As set forth below, I have been advised and believe that the Debtors have complied with these provisions, including sections 1125 and 1126 of the Bankruptcy Code, as well as Bankruptcy Rules 3017 and 3018, by distributing the Disclosure Statement and soliciting acceptances of the Plan through their Stretto, the Court-approved voting and solicitation agent in accordance with the Disclosure Statement Order.

viii. The Debtors Complied with Section 1125 of the Bankruptcy Code.

28. Before the Debtors solicited votes on the Plan, the Court approved the Disclosure Statement in accordance with section 1125(a)(1) of the Bankruptcy Code. The Court also approved the contents of the solicitation materials provided to Holders of Claims entitled to vote on the Plan, the non-voting materials provided to parties not entitled to vote on the Plan, and the relevant dates for voting and objecting to the Plan.

29. As stated in the Voting Report and Solicitation Certificate of Service, I believe the Debtors, through Stretto, complied with the content and delivery requirements of the Disclosure Statement Order. I also believe that the Debtors caused the Disclosure Statement to be transmitted to all parties entitled to vote on the Plan.

30. Based on the foregoing, I believe that the Debtors have complied in all respects with the solicitation requirements of section 1125 of the Bankruptcy Code and the Disclosure Statement Order.

ix. The Debtors Complied with Section 1126 of the Bankruptcy Code.

31. The Debtors solicited votes only from the Voting Classes, Holders of Allowed Claims and Interests in Classes 2 and 3, because each of these Classes is Impaired and entitled to receive a distribution under the Plan.

32. I believe that the Voting Report reflects the results of the voting process in accordance with section 1126 of the Bankruptcy Code. The Voting Report reflects that: (i) for Class 2, one hundred percent (100%) in amount and one hundred percent (100%) in number of the thirty-one [31] valid ballots received in Class 2 voted in favor of the Plan and that Class 2, therefore, accepted the Plan; and (ii) for Class 3, one hundred percent (100%) in amount and one hundred percent (100%) in number of the two valid ballots received in Class 3 voted in favor of the Plan and that Class 3, therefore, accepted the Plan. Based on the foregoing, I believe the Debtors have satisfied the requirements of section 1129(a)(2) of the Bankruptcy Code.

x. 1129(a)(3): The Plan Was Proposed in Good Faith.

33. The Plan was proposed with honesty, good intentions, and with the goal of maximizing stakeholder recoveries. Throughout these cases, the Debtors and their senior management team have upheld their fiduciary duties to stakeholders and protected the interests of all constituents with an even hand. The Plan is the result of arm's-length negotiation between the Debtors and their stakeholders to realize the highest possible recoveries under the circumstances. Importantly, the Plan received no objections from any party in interest. I respectfully submit that the Plan was negotiated with the objective of ensuring that economic stakeholders in the Estates realize the best possible recovery under the circumstances. Accordingly, the Plan has been proposed in good faith and to my knowledge not by any means forbidden by law, thereby satisfying section 1129(a)(3) of the Bankruptcy Code.

xi. 1129(a)(4): The Plan Provides for Court Approval of all Payments for Services in Connection with these Cases.

34. It is my understanding that all payments made or to be made by the Debtors for services or for costs in connection with these Chapter 11 Cases prior to the Effective Date, including all Professional Compensation Claims, have been approved by, or are subject to the approval of, the Court. Pursuant to Article II of the Plan, all such fees and expenses, as well as all other accrued fees and expenses of professionals through the Effective Date, remain subject to final review by the Court. Therefore, I believe that the Plan complies with section 1129(a)(4) of the Bankruptcy Code.

xii. 1129(a)(5): The Plan Discloses Directors and Officers.

35. In the Plan Supplement, the Debtors have disclosed the identity and affiliation of me as the proposed Plan Administrator. While I understand that I am an “insider” of the Debtors due to my roles as an officer of the Debtors, I believe I am qualified to serve as the Plan Administrator because of my familiarity with the Chapter 11 Cases, the Debtors’ Estates, the nature of the Debtors’ businesses and the creditor body. I believe that the appointment of another individual as Plan Administrator would likely involve significant onboarding costs. The Plan Supplement also identifies J. Michael Martin to serve as the sole director for the Reorganized Debtors. I believe that my selection as Plan Administrator and Mr. Martin’s selection as a director are consistent with the interests of Holders of Claims and Interests and public policy. Based on the foregoing, I believe that the Debtors have satisfied the requirements of section 1129(a)(5) of the Bankruptcy Code.

xiii. 1129(a)(6): The Plan Does not Affect any Change in Publicly Regulated Rates.

36. I have been advised and believe that there is no governmental regulatory commission that has jurisdiction over the Debtors' rates.

xiv. 1129(a)(7): The Plan Is in the "Best Interests" of Creditors.

37. I have been advised and believe that the Plan satisfies section 1129(a)(7) of the Bankruptcy Code and the best interests test. Exhibit B to the Disclosure Statement sets forth the Debtors' liquidation analysis (the "Liquidation Analysis"). The Liquidation Analysis projected range of recoveries that would result from the liquidation of the Debtors in a hypothetical case under chapter 7 of the Bankruptcy Code with the estimated distributions to Holders of Allowed Claims and Interests under the Plan. The Liquidation Analysis is based on the value of the Debtors' assets and liabilities as of a certain date and incorporates various estimates and assumptions, including a hypothetical conversion to a chapter 7 liquidation as of a certain date.

38. Based on the Liquidation Analysis, and the assumptions included therein, the value of any distributions if the Chapter 11 Cases were converted to cases under chapter 7 of the Bankruptcy Code would be no greater than the value of distributions under the Plan. As a result, I believe that Holders of Claims and Interests in all Impaired Classes will recover at least as much as a result of confirmation of the Plan as they would recover through a hypothetical chapter 7 liquidation. Based on the recoveries set forth above, the Plan satisfies the best interests test as required by the Bankruptcy Code.

xv. 1129(a)(8): The Plan Is Confirmable Notwithstanding the Requirements of Section 1129(a)(8) of the Bankruptcy Code.

39. As will be discussed in greater detail below, I have been advised and believe that although the Classes of Claims entitled to vote on the Plan voted to accept the Plan, certain

Classes of Claims and Interests are deemed to reject the Plan under section 1126(g) of the Bankruptcy Code because holders of Claims and Interests in such Classes are not entitled to receive or retain any property under the Plan. Notwithstanding this deemed rejection, I believe that the Plan is confirmable because it satisfies section 1129(b) of the Bankruptcy Code.

xvi. 1129(a)(9): The Plan Complies with the Required Treatment of Administrative Claims and Priority Claims.

40. I have been advised and believe that the Plan satisfies the requirements of section 1129(a)(9). Article II of the Plan provides for Holders of Claims entitled to priority under the Bankruptcy Code receive specified cash payments under the these types of Claims to be paid in full and in cash. Generally, pursuant to Article II of the Plan, and except as otherwise may be agreed, Holders of Allowed Administrative Claims and Allowed Priority Claims will be paid in full, in Cash, on the later of: (i) the date on which such Administrative Claim or Priority Claim becomes an Allowed Claim; or (ii) the Effective Date. I believe that the Plan thus satisfies each of the requirements of section 1129(a)(9) of the Bankruptcy Code.

xvii. 1129(a)(10): Acceptance of the Plan by One Impaired Class of Claims.

41. As discussed above, the Voting Classes, which are Impaired, accepted the Plan independent of any insiders' votes. Thus, I believe that the Plan satisfies the requirements of section 1129(a)(10) of the Bankruptcy Code.

xviii. 1129(a)(11): The Plan is Feasible.

42. I have been advised and believe the Plan satisfies the feasibility requirements of section 1129(a)(11) of the Bankruptcy Code by providing for a clear path to emergence from these Chapter 11 Cases and the ability of the Debtors to satisfy all of their obligations under the Plan. The Plan itself provides for the ultimate liquidation of the Debtors' Estates. I believe the Cash available in the Reorganized Debtor Administrative and Priority Claim Reserve will be

sufficient to pay Allowed Administrative Claims, Allowed Priority Claims, and Class 1 Allowed Secured Claims in full. Class 2 General Unsecured Claims will also be satisfied on a pro rata basis from the \$250,000 set aside in the Reorganized Debtor General Unsecured Claim Reserve. Finally, Class 3 Pension Claims will receive all residual value held by the Reorganized Debtor Fund.

43. I believe that the Debtors have established that they will have sufficient funds to satisfy all requirements and obligations under the Plan. Accordingly, I believe that confirmation and consummation of the Plan is feasible.

xix. 1129(a)(12): The Plan Provides for Payment of all Statutory Fees.

44. I have been advised and believe that the Plan satisfies section 1129(a)(12) of the Bankruptcy Code because all fees payable under section 1930 of title 29, United States Code, have been paid or will be paid pursuant to Article XII.A of the Plan. Accordingly, I believe that the Plan fully complies with and satisfies the requirements of section 1129(a)(12) of the Bankruptcy Code.

xx. Non-Applicability of Certain Sections (11 U.S.C. §§ 1129(a)(13), (14), (15), and (16)).

45. I have been advised and believe that sections 1129(a)(13) through 1129(a)(16) do not apply to the Plan because, among other things, the Debtors (a) do not have any remaining obligations to pay retiree benefits, (b) are not subject to domestic support obligations, (c) are not “individuals,” and (d) are moneyed, business, or commercial corporations.

xxi. The Plan Satisfies the Requirements of Section 1129(b) of the Bankruptcy Code.

46. Classes 2 and 3, which are Impaired Classes of Claims entitled to vote on the Plan, have voted overwhelmingly in favor of the Plan. I have been advised and believe that

Class 4 and Class 5 are deemed to have rejected the Plan. Nonetheless, I believe, as set forth below, that the Plan satisfies the requirements under section 1129(b) of the Bankruptcy Code.

1. The Plan is Fair and Equitable.

47. I have been advised and believe the Plan satisfies section 1129(b) of the Bankruptcy Code. Notwithstanding the fact that Class 4 and Class 5 are deemed to have rejected the Plan, the Plan is confirmable. There are no Claims or Interests that are junior to Class 4 or Class 5 that are receiving any recovery under the Plan before any Class that is senior in priority, nor is any Holder of a Claim or Interest receiving more than payment in full of its Claim or Interest. Accordingly, I believe the Plan is “fair and equitable” with respect to all Impaired Classes and Interests and satisfies section 1129(b) of the Bankruptcy Code.

2. The Plan Does Not Discriminate Unfairly.

48. There are no dissenting classes or other classes of the same priority as Class 4 or Class 5 subject to a different treatment under the Plan. The Plan does not discriminate — unfairly or otherwise — against Class 4, Class 5, or any other Class.

49. Accordingly, I believe the Plan does not discriminate unfairly with respect to Class 4 and Class 5.

B. THE WAIVER OF THE STAY OF THE CONFIRMATION ORDER IS APPROPRIATE.

50. I have been advised that cause exists for waiving the stay of the entry of the Confirmation Order. Importantly, no objections to the Plan were timely filed and, as such, I believe that the chance of a party seeking to preserve any rights for an appeal is unlikely. Immediate consummation of the Plan will not prejudice any party in interest, and creditors will benefit from an accelerated Effective Date.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information and belief.

Dated: September 18, 2020



JOHN L. REED