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**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

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

[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.

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**DECLARATION OF BO S. YI IN SUPPORT OF 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**

Pursuant to 28 U.S.C. § 1746, I, Bo S. Yi, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

## BACKGROUND

### I. Introduction

1. I am a Managing Director at Evercore Group L.L.C. ("**Evercore**"), the Debtors' proposed investment banker in these Chapter 11 Cases. I submit this declaration (this "**Declaration**") in support of 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* [Docket No. ●] (the **"DIP Motion**").[2]

2. Except where specifically noted, the statements in this Declaration are based on my personal knowledge, belief, or opinion; information that I have received from the Debtors' employees or advisors and/or employees of Evercore working directly with me or under my supervision, direction, or control; or from the Debtors' records maintained in the ordinary course of their business.

3. As a professional proposed to be retained by the Debtors, Evercore is expecting to be compensated for services provided in this matter, including a fee for raising debtor-in-

[2] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the DIP Motion.

possession financing, but I am not being compensated separately for providing this Declaration or testimony. If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this Declaration on behalf of the Debtors.

## II. Professional Background and Qualifications

4. I am a Managing Director of Evercore's Restructuring and Debt Advisory group, which I joined in 2007. I personally have over 17 years of experience in advisory, corporate finance, and restructuring. Prior to joining Evercore, I held positions at Level 3 Communications and Lehman Brothers. I have a B.S. in Business Administration and a B.A. in Economics from the University of Colorado at Boulder (1999) and an M.B.A. from Columbia Business School (2007). As a Managing Director at Evercore, I specialize in advising both debtors and creditors in financial restructurings, distressed mergers and acquisitions, and raising debt and equity capital in both out-of-court and in bankruptcy proceedings. Moreover, I have advised numerous companies in complex restructurings, including in connection with obtaining postpetition financing (including DIP financing and exit financing), helping them find sources of financing, and negotiating, on their behalf, the terms of such financing.

5. Evercore is a leading independent investment banking advisory and investment management firm established in 1996. Evercore's investment banking business includes its advisory business, which provides a range of investment banking services to multinational corporations on mergers and acquisitions, divestitures, special committee assignments, recapitalizations, restructurings, and other strategic transactions. Evercore and its senior professionals have extensive experience with respect to the reorganization and restructuring of distressed companies, both out-of-court and in chapter 11 proceedings.

6. Evercore has been involved in many large and complex restructuring cases in this and other districts around the United States, including *In re Murray Energy Holdings Co.*, No.

19-56885 (Bankr. S.D. Ohio, Dec. 11, 2019); *In re Southern Foods Group, LLC*, No. 19-36313 (Bankr. S.D. Tex. Dec. 6, 2019); *In re EP Energy Corporation*, No. 19-35654 (Bankr. S. D. Tex. Oct. 4, 2019); *In re Jones Energy, Inc.*, No. 19-32113 (Bankr. S.D. Tex. Apr. 14, 2019); *In re Sheridan Holding Company II, LLC*, No. 19-35198 (Bankr. S.D. Tex. Sept. 15, 2019); *In re Southcross Energy Partners, L.P.*, No. 19-10702 (Bankr. D. Del. Apr. 2, 2019); *In re David's Bridal, Inc.*, No. 18-12635 (Bankr. D. Del. Nov. 19, 2018); *In re MACH Gen GP, LLC*, No. 18-11369 (Bankr. D. Del. Jun. 11, 2018); *In re Enduro Resource Partners LLC*, No. 18-11174 (Bankr. D. Del. May 15, 2018); *In re Tops Holding II Corp.*, No. 18-22279 (Bankr. S.D.N.Y. Mar. 22, 2018); *In re Fieldwood Energy LLC*, No. 18-30648 (Bankr. S.D. Tex. Mar. 8, 2018); *In re Pac. Drilling S.A.*, No. 17-131393 (Bankr. S.D.N.Y. Jan. 26, 2018); *In re Orchard Acquisition Co., LLC (J.G. Wentworth)*, No. 17-12914 (Bankr. D. Del. Jan. 5, 2018); *In re Castex Energy Partners, L.P.*, No. 17-35835 (Bankr. S.D. Tex. Dec. 4, 2017); *In re GulfMark Offshore, Inc.*, No. 17-11125 (Bankr. D. Del. June 15, 2017); *In re Vanguard Nat. Res., LLC*, No. 17-30560 (Bankr. S.D. Tex. Mar. 20, 2017); *In re Azure Midstream Partners, LP*, No. 17-30461 (Bankr. S.D. Tex. Mar. 10, 2017); *In re Chaparral Energy, Inc.*, No. 16-11144 (Bankr. D. Del. May 9, 2016); *In re Midstates Petroleum Company, Inc.*, No. 16-32237 (Bankr. S.D. Tex. May 1, 2016); *In re Energy & Exp. Partners, Inc.*, No. 15-44931 (Bankr. N.D. Tex. Feb. 8, 2016); *In re Parallel Energy LP*, No. 15-12263 (Bankr. D. Del. Dec. 16, 2015); *In re The Great Atl. & Pac. Tea Co., Inc.*, No. 15-23007 (Bankr. S.D.N.Y. Aug. 11, 2015); *In re Altegrity, Inc.*, No. 15-10226 (Bankr. D. Del. March 16, 2015); *In re Mineral Park, Inc.*, No. 14-11996 (Bankr. D. Del. Sept. 23, 2014 & Oct. 2, 2014); and *In re Energy Future Holdings Corp.*, No. 14-10979 (Bankr. D. Del. Sept. 16, 2014).

## III. Evercore's Retention

7. Evercore has been engaged as investment banker to the Debtors since January 2019. Since its engagement, Evercore has worked closely with the Debtors' board of directors, management team and other professional advisors to assist the Debtors in evaluating various strategic and financial alternatives.

8. Specifically, Evercore assisted the Debtors in analyzing their liquidity and cash flows, evaluating in- and out-of-court restructuring alternatives, preparing for the Chapter 11 Cases, and seeking to secure postpetition financing on the most competitive terms and conditions available to the Debtors. As a result of Evercore's work to date, Evercore has become well-acquainted with the Debtors' business operations and financial affairs, including the Debtors' current liquidity situation and financing requirements.

## IV. The DIP Sizing Process

9. Starting in July 2019, the Debtors engaged FTI Consulting, Inc. ("**FTI**") to assist both in the development of long-term business projections and the analysis of their general liquidity needs, including particularly in the event the Debtors needed to file for chapter 11 protection. This analysis accounted for the potential payment of certain prepetition claims of trade vendors to avoid irreparable harm as a result of a chapter 11 filing, as well as financing fees for any debtor-in-possession ("**DIP**") facilities, professional fees, and other anticipated administrative expenses.

10. Evercore reviewed the DIP sizing analysis prepared by the Debtors and FTI and relied on this information in its conversations with potential postpetition lenders.

## V. The Debtors' Need for Postpetition Financing and Use of Cash Collateral

11.

12. The Debtors generally finance their working capital needs through a combination of cash generated from ordinary operations, which is all Cash Collateral, and borrowings under the Prepetition ABL Facility. The Debtors require continued access to Cash Collateral and incremental liquidity from the DIP financing to continue operations in the ordinary course, fund the costs to administer these Chapter 11 Cases, and successfully restructure their capital structure. In addition, I believe that adequate postpetition financing gives confidence to other stakeholders that these Chapter 11 Cases are well-funded and that the Debtors will timely satisfy their postpetition obligations to vendors, customers, employees, and other stakeholders.

## VI. The Debtors' Efforts to Obtain Postpetition Financing

13. My view that the proposed DIP Facility represents the best alternative for postpetition financing available to the Debtors is informed by, among other things, (a) my consideration of a competing DIP financing proposal offered by an incumbent stakeholder and (b) responses to Evercore's efforts to solicit third-party DIP financing.

14. Beginning in early December, the Debtors, with the assistance of Evercore and their other advisors, 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 DIP financing proposals from Wells Fargo, the Prepetition ABL Agent, and certain large existing noteholders. Of the third-party lenders that Evercore reached out to, three parties executed non-disclosure agreements and received confidential information and access to the data room. The Debtors ultimately received two DIP financing proposals, one from the Prepetition ABL Agent, Wells Fargo, 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.

15. As part of Encina's proposal, Encina agreed to fund the payoff of the ABL Lenders and to provide additional postpetition capital, provided that Encina would be in the same position in the capital structure as the ABL Lenders and would have the same rights as the ABL Lenders under the Intercreditor Agreements.

16. The Debtors, with the assistance of Evercore and their other advisors, carefully considered both proposals before determining to proceed with a DIP Facility from Encina. The proposal from Encina was superior to Wells Fargo's proposal in several ways. First, the Encina proposal contained no financial covenants and provided flexibility on milestones, whereas under the Wells Fargo proposal, access to the DIP facility would be subject to financial covenants and tight case milestones. Second, the Wells Fargo proposal was more expensive on an all-in basis than the Encina proposal. Third, Encina's proposal expressly included the ability to roll the DIP Facility into an exit facility, whereas the Wells Fargo proposal did not address exit financing needs. Ultimately, the Debtors concluded that Encina's proposed financing package provided the best terms and conditions available under the circumstances, and the Debtors focused their efforts on negotiating the DIP Facility.

## VII. The Debtors, the Prepetition Secured Parties and the DIP Lenders Negotiated the Terms of the DIP Facility and the Adequate Protection in Good Faith and at Arm's Length.

17. The negotiations with the Debtors, the Prepetition Secured Parties, and the DIP Lenders were vigorous and were conducted in good faith and at arms' length. Following the initial proposal from Encina, draft term sheets were exchanged in December 2019 and January 2020, followed by numerous telephonic negotiation sessions aided by side-by-side comparison of the business terms. Negotiations with Encina involved a series of back and forth discussions over a number of weeks which resulted in significant improvements from the initial proposal. Simultaneously, over the past several weeks, the Debtors negotiated with the Prepetition Secured

Parties regarding terms and conditions on which the Prepetition Secured Parties would consent to the use of their Cash Collateral. Ultimately, the Debtors and Encina agreed to a set of terms and conditions that are reasonable under the current circumstances and provide the Debtors with access to continued access to Cash Collateral and additional liquidity during the pendency of these Chapter 11 Cases.

## VIII. The Proposed DIP Facility is the Best Available Alternative

18. I believe the proposed DIP Facility represents, under the circumstances, the best available financing alternative that satisfies the Debtors' requirements. Ultimately, the Debtors and Encina agreed to a reasonable set of terms that I believe provide the Debtors with necessary access to liquidity during the pendency of these Chapter 11 Cases.

### A. The Terms of the DIP Facility are Fair and Reasonable Under the Circumstances.

19. The proposed DIP Facility is a $50 million committed asset-based revolving credit facility, subject to a borrowing base. The outstanding amounts drawn under the DIP Facility accrue interest at the rate of LIBOR plus 3.5% per annum (with a Default Rate of LIBOR plus 5.5%). The DIP Facility contemplates the additional following fees and expenses: (a) interest for letters of credit issued under the revolving credit facility equal to 3.25% per annum; (b) an unused facility fee of 0.5% per annum; (c) a monthly administration fee equal to $2,500; (d) an up-front fee equal to 1.25% of the total amount of the DIP Facility, or $625,000, payable upon entry of the Final Order; (e) an early termination fee equal to 1.5% of the total amount of DIP Facility, or approximately $750,000, payable upon such early termination; and (f) payment of the reasonable and documented professional fees and expenses incurred by the DIP Secured Parties. Encina has also committed to provide exit financing to the Debtors upon the Debtors' emergence from these Chapter 11 Cases.

20. I believe, based on my knowledge of the DIP financing market and my familiarity with the Debtors' capital structure, liquidity situation, and other circumstances, that the economic terms of the proposed DIP Facility are fair and reasonable under the circumstances.

**B. The Proposed Adequate Protection For the Prepetition Secured Parties Is Customary and Reasonable.**

21. As adequate protection for any diminution in the value of the Prepetition Secured Parties' interests in the Prepetition Collateral—including as a result of use of Cash Collateral—the Debtors propose to provide the following to the Prepetition Secured Parties:

- superpriority administrative expense claims;
- replacement liens on all DIP Collateral, junior only to the liens of the DIP Credit Parties, the DIP Carve Out, and any Prepetition Permitted Liens; and
- in the case of the Senior Notes, commencing on the date upon which the Final Order is entered in the Bankruptcy Court, payment of accrued but unpaid interest on the Senior Notes at the non-default rate.

22. I believe these terms are reasonable under the circumstances and appropriate and consistent with the adequate-protection terms customarily negotiated among lenders and borrowers in similar circumstances. Furthermore, I understand that without such protections, the Prepetition Secured Parties would not have consented to the use of Cash Collateral. Consensual use of Cash Collateral avoids what would almost certainly be destabilizing, unpredictable and expensive litigation at the early stages of these Chapter 11 Cases.

23. Given the financial and operating condition of the Debtors, I believe the DIP Facility, including the fees and liens included therein, and the terms of the adequate protection package and Financing Orders are appropriate under the circumstances, and are the best terms available to the Debtors. Moreover, I believe that access to the Cash Collateral and the DIP Facility is an essential component to the Debtors' path to emergence and is critical to reassure customers and vendors, protect operations, and preserve value for all stakeholders. In sum, it is

my professional opinion that the terms of the DIP Credit Agreement and the Financing Orders are reasonable under the circumstances and were the product of good faith, arm's length negotiations.

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**WHEREFORE**, 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: New York, New York
February 13, 2020

*/s/ Bo S. Yi*
Bo S. Yi
Managing Director
Evercore Group L.L.C.

*Proposed Investment Banker to the Debtors and Debtors in Possession*