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Proposed Counsel for Debtors and Debtors in Possession

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

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<i>In re</i>	:	Chapter 11
	:	
THE McCLATCHY COMPANY, <i>et al.</i>,	:	Case No. 20-10418 (MEW)
	:	
Debtors.¹	:	(Joint Administration Pending)
	:	
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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.



**DECLARATION OF SEAN M. HARDING IN SUPPORT OF THE 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**

Pursuant to 28 U.S.C. § 1746, I, Sean M. Harding, 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 Senior Managing Director of FTI Consulting, Inc. (“**FTI**”), the Debtors’ proposed financial advisor in these Chapter 11 Cases. I submit this declaration (this “**Declaration**”) in support of the *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* (the “**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 FTI working directly with me or under my supervision, direction, or control; or from the Debtors’ records maintained in the ordinary course of their business.

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

3. As a professional proposed to be retained by the Debtors, FTI is charging for services provided in this matter, but I am not being compensated 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 Senior Managing Director of FTI, which is a full-service financial advisory firm specializing in interim management, restructuring advisory, turnaround consulting, operational due diligence, and performance improvement services across a broad range of industries. FTI and its senior professionals have extensive experience with respect to stabilizing and improving a company's financial position, including developing or validating forecasts, business plans, and related assessments of a business's strategic position; monitoring and managing cash, cash flow, and supplier relationships; assessing and recommending cost reduction strategies; and designing and negotiating financial restructuring packages. I personally have over 22 years of experience advising and executing financing and restructuring transactions. My experience includes representing companies, boards, creditors, and bondholders in a variety of situations. I graduated from the University of Virginia with a B.S. I am a Certified Turnaround Professional and a Certified Insolvency and Restructuring Advisor. Prior to joining FTI, I was a Manager with the U.S. Division of PricewaterhouseCoopers' Business Recovery Services practice.

III. FTI's Engagement

5. I, together with a team of restructuring professionals under my supervision, began working with the Company in July 2019. Since then, I have worked closely with the Debtors' management team and other professional advisors to assist the Debtors in preparing cash-flow forecasts and budgets, formulating communication plans for vendors, customers, and other

stakeholders, and other contingency planning efforts. As a result of my efforts to date, I am familiar with the Debtors' business operations and financial affairs, including the Debtors' current liquidity situation and financing requirements.

IV. The Debtors' Critical Need for Access to Cash Collateral and Postpetition Financing

6. In consultation with the Debtors' management team, FTI has produced a detailed 13-week cash-flow forecast that underlies the Approved Budget for the DIP Facility. The Debtors' 13-week cash-flow forecast projects that the Debtors will disburse approximately \$165.4 million of cash to fund the operations of the business and administrative costs of the chapter 11 proceedings between the Petition Date and the 13-week period ended May 10, 2020. The 13-week cash-flow forecast and Approved Budget reflect a comprehensive and granular review of the Debtors' liquidity situation and are predicated on assumptions and methodologies that I consider reasonable and reliable, based on my two decades of experience as a financial advisor and my familiarity with the Debtors' industry.

7. In my professional opinion, the Debtors must have sufficient liquidity to withstand exogenous factors outside of the Debtors' direct control that may be reasonably likely to occur, particularly at the outset of these Chapter 11 Cases. It is not yet clear how the Debtors' customers and vendors may react to the chapter 11 filings, and such reactions could negatively impact the Debtors' liquidity.

8. On the basis of these cash-flow projections and these factors outside of the Debtors' direct control, I believe the access to use of the Cash Collateral and access to approximately \$50 million in incremental financing during the course of these Chapter 11 Cases will be beneficial to the estates.

9. To illustrate the risk in delaying the Debtors' access to interim financing, without access to the initial financing of \$12.5 million that is currently forecast, the Debtors estimate an

ending cash balance of approximately \$4.5 million for the week ending February 23, 2020 (the week prior to the proposed final DIP hearing). During this period, should the Debtors experience delays in receipts or an acceleration in non-payroll operating disbursements of merely 10%, the Debtors' cash balance would be reduced to \$9.0 million. It would not be prudent—and would create significant risk to the ultimate success of this case and recoveries for creditors—for the Debtors to operate with so little cash on hand.

10. Moreover, I understand from the Company and counsel that substantially all of the Debtors cash is encumbered as the Prepetition Secured Parties' Cash Collateral. The Debtors need an immediate access to capital to operate their business post-petition and to fund these Chapter 11 Cases. Without immediate access to Cash Collateral and the Interim Financing of \$12.5 million, the Debtors lack sufficient funds to operate their enterprise and continue paying their debts as they come due, and they do not have readily available sources of additional financing. The Debtors forecast that they will be unable to generate sufficient levels of operating cash flows in the ordinary course of business to cover either their operating costs going forward or the projected restructuring costs of the Chapter 11 Cases without access to Cash Collateral and the proposed DIP Facility.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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/ Sean M. Harding
Sean M. Harding
Senior Managing Director
FTI Consulting, Inc.
*Proposed Financial Advisor to the
Debtors and Debtors in Possession*