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Counsel for Pension Benefit Guaranty Corporation

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)**

[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 1200 Q Street, Sacramento, California 95816.

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PENSION BENEFIT GUARANTY CORPORATION'S LIMITED OBJECTION TO 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 Pension Benefit Guaranty Corporation ("PBGC") for its *Limited Objection* (the "Objection") *to 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* [DN 11] (the "DIP Motion") states as follows:

PRELIMINARY STATEMENT

PBGC objects to the DIP Motion to the extent that it seeks permanent and irrevocable admissions, stipulations, acknowledgements, agreements, and releases to the parties to the Transactions, as defined below, including certain Prepetition Secured Creditors in the Interim Order.[2] PBGC believes that the Debtors' estates may hold significant and material claims in connection with the Transactions. There is no basis for these broad provisions, particularly at this early point in the proceedings before any outside parties have an opportunity to investigate potential claims.

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[2] Except as otherwise noted to the contrary in this Objection, capitalized terms not defined herein have the meanings ascribed to them in the DIP Motion.

BACKGROUND

1. In 2018, the Debtors' largest Class A shareholder and largest holder of unsecured debentures, Chatham Asset Management ("CAM"), orchestrated a series of complex refinancing and exchange transactions (collectively, the "2018 Transaction"). The 2018 Transaction appears to have significantly benefited CAM to the detriment of the Debtors and their unsecured creditors.

2. Publicly available information shows that at the time of the 2018 Transaction, the Debtors were already insolvent. See 2018 10Q Balance Sheet as of July 1, 2018 (showing the Debtors' as balance sheet insolvent), attached as Exhibit A. Yet the Debtors allowed CAM to convert approximately $275,000,000 in unsecured debt into the exact same amount of secured debt. In conjunction with the 2018 Transaction, the Company also allowed CAM to receive an additional $75 million secured claim for only $60 million of new money resulting in CAM holding over $350,000,000 of total secured debt. The only benefit the Debtors appear to have received is the replacement of a secured obligation due in 2022 (a maturity more than four years away at the time of the Transaction) with a secured obligation due in 2026.

3. As a result of the 2018 Transaction, the Debtors went from owing a little over $344,000,000 of secured debt to over $670,000,000 of secured debt (including at least $350,000,000 to CAM). *See* 8K dated July 13, 2018, attached as Exhibit B.

4. CAM's $275,000,000 of unsecured debt prior to the 2018 Transaction, which had been *pari passu* with the Debtors' obligations to the pension plan, became secured debt and senior in priority to any pension obligations and other general unsecured claims.

5. Publicly available information regarding the 2018 Transaction raises serious concerns about whether fraudulent transfers[3] may have occurred, or whether CAM's claims should be partially or completely subordinated.[4]

6. In March 2019, CAM again benefitted from an additional exchange of unsecured debentures at par into additional senior secured junior lien notes. In this subsequent transaction, the Debtors agreed to exchange approximately $75 million of unsecured debentures held by CAM and not due until 2029 into $75 million of senior secured junior lien notes due 2031 (the "2019 Transaction," and together with the 2018 Transaction the "Transactions").

7. The Transactions raise significant concerns of possible fraudulent transfer. These must be investigated before this Court enters an order releasing the parties to the Transactions and shielding CAM's claims from challenge, and certainly before Debtors' Plan of Reorganization ("POR"), filed at DN 25, can be meaningfully evaluated.

[3] Pursuant to 11 U.S.C. §548, a transfer made or obligation incurred within two years of the petition date may be avoided as intentionally or actually fraudulent if it was made "with actual intent to hinder, delay, or defraud any entity to which the debtor was or became, on or after the date that such transfer was made or such obligation was incurred, indebted." 11 U.S.C. §548(a)(1)(A). Alternatively, a transfer is constructively fraudulent if the debtor "received less than a reasonably equivalent value in exchange for such transfer or obligation; and was insolvent on the date that such transfer was made or such obligation was incurred, or became insolvent as a result of such transfer or obligation. 11 U.S.C. §548(a)(1)(B). See *Buchwald Capital Advisors LLC v. JP Morgan Chase Bank*, 480 B.R. 480, 485 (S.D.N.Y. 2012).

[4] In determining whether to apply equitable subordination, bankruptcy courts have looked to the test articulated in *Benjamin v Diamond (In re Mobil Steel Corp.)*, 563 F.2d 692 (5th Cir. 1977). *BH Sutton Mezz LLC v. Sutton 58 Assocs. LLC (In re BH Sutton Mezz LLC)*, 2016 Bankr. LEXIS 4113, *103 (Bankr. S.D.N.Y. Dec. 1, 2016). The three factors are: "(i) [t]he claimant must have engaged in some type of inequitable conduct; (ii) [t]he misconduct must have resulted in injury to the creditors of the bankrupt or conferred an unfair advantage on the claimant; [and] (iii) [e]quitable subordination of the claim must not be inconsistent with the provisions of the Bankruptcy Act." The conducted required may include "a secret or open fraud, lack of faith or guardianship by a fiduciary; an unjust enrichment by bon chance, astuteness or business acumen, but enrichment through another's loss brought about by one's own unconscionable, unjust, unfair, close or double dealing or foul conduct." *Id*. at 104 (citing cases).

8. These concerns are particularly acute because the POR contemplates transmuting CAM's junior secured obligations into 97% of the reorganized Debtors' equity, while at the same time granting broad releases to the parties to the Transactions.

OBJECTION

9. PBGC objects to the DIP Motion to the extent that it seeks permanent and irrevocable admissions, stipulations, acknowledgements, agreements, and releases to the parties to the Transactions, including certain Prepetition Secured Creditors.

10. Within 36 hours of the Petition Date, the Debtors are asking this Court to shield CAM's claims and to give CAM a broad release, which includes a release from any liability for the Transactions.

11. Section E of the Interim Order attached as Exhibit A to the DIP Motion, is objectionable because it requires that the Debtors to "permanently and irrevocably admit, stipulate, acknowledge, and agree" to a number of improper and premature provisions.

12. In sections E(vi) and E(vii) of the Interim Order, the Debtors acknowledge that the obligations owing to and liens in favor of the Prepetition Secured Creditors (which include CAM) are legal, valid, and binding obligations and liens not subject to setoff, counterclaim, etc. DN 11, § E(vi)-(vii).

13. The Debtors further re-acknowledge in section E(viii) of the Interim Order that there are no claims, counterclaims, etc., that could affect or impair the Prepetition Liens and Prepetition Secured Obligations. DN 11, § E(viii).

14. Finally, the Interim Order requires that the Debtors give broad releases to CAM including, without limitation, for claims arising under Chapter 5 of the Bankruptcy Code. This

includes the potential actual and constructive fraudulent transfer claims and equitable subordination claims that may exist. DN 11, § E(xii).

15. The PBGC objects to the inclusion of these paragraphs in the Interim Order. It is simply too early in this case for the Debtors to give CAM such permanent and irrevocable admissions, stipulations, acknowledgements, agreements, and releases. Instead, a Committee should be formed and given the opportunity to investigate these matters and, if appropriate, bring the causes of action against CAM.

16. At the very least, the Interim Order should make clear that the Debtors' acknowledgements are not binding on the PBGC or any other party in interest and reject the releases.

17. Aside from the objections contained herein, the PBGC believes continued use of cash collateral and authorization of the DIP Loan is appropriate.

RESERVATION OF RIGHTS

18. Nothing contained herein shall constitute a waiver of any rights or remedies of PBGC under the Bankruptcy Code or applicable law, including, without limitation, the right to supplement this Objection or raise any other arguments at a later date.

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WHEREFORE, the Pension Benefit Guaranty Corporation respectfully requests that this Honorable Court reject section E(vi) through E(vii) and section E(x) through (xii) of the Interim Order, and grant the remainder of the relief requested therein.

Respectfully Submitted,
SCHAFER AND WEINER, PLLC

By: / s / *Joseph K. Grekin*

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Dated: February 14, 2020

[5] Admitted Pro Hac Vice.

EXHIBIT A

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: July 1, 2018

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number: 1-9824

The McClatchy Company
(Exact name of registrant as specified in its charter)

Delaware	52-2080478
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 "Q" Street, Sacramento, CA	95816
(Address of principal executive offices)	(Zip Code)

916-321-1844
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer (Do not check if smaller reporting company) ☐	Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b of the Exchange Act).

Yes ☐ No ☒

As of August 3, 2018, the registrant had shares of common stock as listed below outstanding:

Class A Common Stock	5,347,337
Class B Common Stock	2,428,191

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THE MCCLATCHY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; amounts in thousands, except share amounts)

	July 1, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,128	$ 99,387
Trade receivables (net of allowances of $2,919 and $3,225)	71,939	101,081
Other receivables	10,319	11,556
Newsprint, ink and other inventories	9,164	7,918
Assets held for sale	6,050	6,332
Other current assets	19,532	19,000
	137,132	245,274
Property, plant and equipment, net	246,520	257,639
Intangible assets:		
Identifiable intangibles — net	204,259	228,222
Goodwill	705,174	705,174
	909,433	933,396
Investments and other assets:		
Investments in unconsolidated companies	7,371	7,172
Other assets	64,551	62,437
	71,922	69,609
	$ 1,365,007	$ 1,505,918
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current portion of long-term debt	$ —	$ 74,140
Accounts payable	35,387	31,856
Accrued pension liabilities	8,941	8,941
Accrued compensation	21,893	24,050
Income taxes payable	12,715	10,133
Unearned revenue	62,058	60,436
Accrued interest	7,624	7,954
Other accrued liabilities	16,127	18,832
	164,745	236,342
Non-current liabilities:		
Long-term debt	688,359	707,252
Deferred income taxes	26,237	28,062
Pension and postretirement obligations	589,238	599,763
Financing obligations	105,401	91,905
Other long-term obligations	45,544	46,926
	1,454,779	1,473,908
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock $.01 par value:		
Class A (authorized 200,000,000 shares, issued 5,385,339 shares and 5,256,325 shares)	54	52
Class B (authorized 60,000,000 shares, issued 2,428,191 shares and 2,443,191 shares)	24	24
Additional paid-in-capital	2,216,168	2,215,109
Accumulated deficit	(2,032,071)	(1,970,097)
Treasury stock at cost, 43,155 shares and 3,157 shares	(422)	(51)
Accumulated other comprehensive loss	(438,270)	(449,369)
	(254,517)	(204,332)
	$ 1,365,007	$ 1,505,918

See notes to the condensed consolidated financial statements.

EXHIBIT B

8-K 1 tv498624_8k.htm FORM 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): July 13, 2018

THE McCLATCHY COMPANY

(Exact name of Registrant as specified in its charter)

Delaware	1-9824	52-2080478
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

2100 Q Street Sacramento, CA 95816
(Address of principal executive offices) (Zip Code)

(916) 321-1844
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ **Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**

☐ **Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**

☐ **Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**

☐ **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01. Entry into a Material Definitive Agreement.

Fifth Supplemental Indenture

On July 13, 2018, The McClatchy Company (the "Company"), in connection with its outstanding 7.15% Debentures due November 1, 2027 (the "2027 Debentures") and 6.875% Debentures due March 15, 2029 (the "2029 Debentures" and together with the 2027 Debentures, the "Debentures"), entered into a Fifth Supplemental Indenture (the "Supplemental Indenture") by and among the Company, subsidiaries of the Company party thereto as guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Debentures Trustee"), supplementing that certain Indenture, dated as of November 4, 1997 (as amended by the First Supplemental Indenture, dated as of June 1, 2001, the Second Supplemental Indenture, dated as of November 1, 2004, the Third Supplemental Indenture, dated as of August 16, 2005, and the Fourth Supplemental Indenture, dated as of June 27, 2006), by and among the Company, the guarantors party thereto and the Debentures Trustee (the "Debentures Indenture"), pursuant to which the Debentures were issued.

The Supplemental Indenture effects certain amendments to the Debentures Indenture proposed in connection with the Company's refinancing of existing indebtedness, eliminating certain restrictive covenants contained in the Debentures Indenture.

The description of the Supplemental Indenture contained herein is qualified in its entirety by reference to the text of the Supplemental Indenture, which the Company will file as an exhibit to its quarterly report on Form 10-Q for the fiscal quarter ended July 1, 2018.

Indenture

On July 16, 2018, the Company entered into an Indenture (the "2026 Notes Indenture"), among the 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 "2026 Notes Trustee"), pursuant to which the Company issued $310,000,000 aggregate principal amount of 9.000% Senior Secured Notes due 2026 (the "2026 Notes") in a private placement to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

The 2026 Notes mature on July 15, 2026, and bear interest at a rate of 9.000% per annum. Interest on the 2026 Notes is payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2019.

The Company may redeem the 2026 Notes, in whole or in part, at any time on or after July 15, 2022 at specified redemption prices and may also redeem up to 40% of the aggregate principal amount of the 2026 Notes using the proceeds of certain equity offering completed before July 15, 2021 at specified redemption prices, in each case, as set forth in the 2026 Notes Indenture. Prior to July 15, 2022, the Company may also redeem some or all of the 2026 Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date and a "make-whole" premium.

The Company will be required to redeem the 2026 Notes from the net cash proceeds of certain asset dispositions and from a portion of its Excess Cash Flow (as defined in the 2026 Notes Indenture).

If the Company experiences specified change of control triggering events, the Company must offer to repurchase the 2026 Notes at a repurchase price equal to 101% of the principal amount of the 2026 Notes repurchased, plus accrued and unpaid interest, if any, to, but excluding the applicable repurchase date.

The 2026 Notes Indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to:

- incur certain additional indebtedness and issue preferred stock;
- make certain distributions, investments and other restricted payments;
- sell assets;
- agree to any restrictions on the ability of restricted subsidiaries to make payments to the Company;
- create liens;
- merge, consolidate or sell substantially all of the Company's and the Company's subsidiaries' assets, taken as a whole; and
- enter into certain transactions with affiliates.

These covenants are subject to a number of other limitations and exceptions set forth in the 2026 Notes Indenture.

The 2026 Notes Indenture provides for customary events of default, including, but not limited to, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving the Company and its significant subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding 2026 Notes under the 2026 Notes Indenture will become due and payable immediately without further action or notice. If any other event of default under the 2026 Notes Indenture occurs or is continuing, the 2026 Notes Trustee or holders of at least 25% in aggregate principal amount of the then outstanding 2026 Notes under the 2026 Notes Indenture may declare all of such 2026 Notes to be due and payable immediately.

The description of the 2026 Notes and 2026 Notes Indenture contained herein is qualified in its entirety by reference to the text of the form of 2026 Note and 2026 Notes Indenture, which the Company will file as an exhibit to its quarterly report on Form 10-Q for the fiscal quarter ended July 1, 2018.

ABL Facility

On July 16, 2018, the Company entered into a Credit Agreement, among the Company, the subsidiaries of the Company party thereto as borrowers (the "Borrowers"), the lenders from time to time party thereto and Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent (the "ABL Credit Agreement"). The ABL Credit Agreement provides for a $65.0 million secured asset-backed revolving credit facility with a letter of credit subfacility and a swing line subfacility. In addition, the ABL Credit Agreement provides for a $35.0 million cash secured letter of credit facility. The commitments under the ABL Credit Agreement expire July 16, 2023 (the "Maturity Date"). The Borrowers' obligations under the ABL Credit Agreement are guaranteed by the Company and certain of the Company's subsidiaries meeting materiality thresholds set forth in the ABL Credit Agreement.

The borrowing base under the ABL Credit Agreement is comprised of a 85% of eligible advertising accounts, 80% of eligible unbilled advertising accounts receivable and the lesser of (x) $6.0 million and (y) 50% of the book value of eligible inventory, in each case subject to reserves established by the administrative agent (the "Borrowing Base"). The proceeds of the loans under the ABL Credit Agreement may be used for working capital and general corporate purposes. The Borrowers have the right to prepay loans under the ABL Credit Agreement in whole or in part at any time without penalty. Subject to availability under the Borrowing Base, amounts repaid may be reborrowed. As of the closing date of the ABL Credit Agreement, $10.0 million was borrowed by the Borrowers and was outstanding under the Credit Agreement.

Loans under the Credit Agreement bear interest, at the Company's option, at either a rate based on the London Interbank Offered Rate ("LIBOR") for the applicable interest period or a base rate, in each case plus a margin. The base rate is the highest of Wells Fargo's publicly announced prime rate, the federal funds rate plus 0.50% and one month LIBOR plus 1.0%. The margin ranges from 1.75% to 2.25% for LIBOR loans and 0.75% to 1.25% for base rate loans and is determined based on average excess availability. Interest on the loans is payable quarterly in arrears with respect to base rate loans and at the end of an interest period (and at three month intervals if the interest period exceeds three months) in the case of LIBOR loans. Principal, together with accrued and unpaid interest, is due on the Maturity Date.

The ABL Credit Agreement requires, at any time the availability under the Company's revolving credit facility falls below the greater of 12.5% of the total facility size or $8,125,000, to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 until such time as the availability under the Company's exceeds such threshold for 30 consecutive days.

The ABL Credit Agreement contains customary affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the ABL Credit Agreement contains customary negative covenants limiting the ability of the Company and its subsidiaries, among other things, to incur debt, grant liens, make investments, make certain restricted payments and sell assets, subject to certain exceptions. Upon the occurrence and during the continuance of an event of default, the lenders may declare all outstanding principal and accrued and unpaid interest under the ABL Credit Agreement immediately due and payable and may exercise the other rights and remedies provided for under the ABL Credit Agreement and related loan documents. The events of default under the ABL Credit Agreement include, subject to grace periods in certain instances, payment defaults, cross defaults with certain other indebtedness, breaches of covenants or representations and warranties, change in control of the Company and certain bankruptcy and insolvency events with respect to the Company and its subsidiaries meeting a materiality threshold set forth in the ABL Credit Agreement.

The description of the ABL Credit Agreement contained herein is qualified in its entirety by reference to the text of the ABL Credit Agreement, which the Company will file as an exhibit to its quarterly report on Form 10-Q for the fiscal quarter ended July 1, 2018.

Junior Lien Term Loan Facility

On July 16, 2018, the Company entered into a Junior Lien Term Loan Credit Agreement, among the Company, the guarantors party thereto, the lenders party thereto and The Bank of New York Mellon, as administrative agent and collateral agent (the "Junior Term Loan Agreement"). The Junior Term Loan Agreement provides for a $157.1 million secured term loan (the "Tranche A Junior Term Loans") and a $193.5 million term loan (the "Tranche B Junior Term Loans"). The Tranche A Junior Term Loans mature on July 15, 2030 (the "Tranche A Maturity Date") and the Tranche B Junior Term Loans mature on July 15, 2031 (the "Tranche B Maturity Date"). The Company's obligations under the Junior Term Loan Agreement are guaranteed by the Company's subsidiaries that guarantee the Notes as set forth in the Junior Term Loan Agreement. Pursuant to the terms of the Junior Term Loan Agreement, affiliates of Chatham Asset Management, LLC ("Chatham") may elect to convert up to $75.0 million in aggregate principal amount of 2029 Debentures into an equal principal amount of Tranche B Junior Term Loans or notes with terms substantially similar to the Tranche B Junior Term Loans upon written notice to the Company.

The proceeds of the loans under the Junior Term Loan Agreement were used to effect the exchange with Chatham of approximately $82.1 million in aggregate principal amount of 2027 Debentures and approximately $193.5 million in aggregate principal amount of 2029 Debentures and to pay fees, costs and expenses in connection with the Debt Refinancing. The Company has the right to prepay loans under the Junior Term Loan Agreement, in whole or in part, at any time, at (i) specified prices that decline over time, plus accrued and unpaid interest, if any, in the case of Tranche A Junior Term Loans, and (ii) a price equal to 100% of the principal amount thereof, plus a "make-whole" premium and accrued and unpaid interest, if any, in the case of the Tranche B Junior Term Loans. Amounts prepaid may not be reborrowed.

Tranche A Junior Term Loans bear interest at a rate per annum equal to 7.795% and Tranche B Junior Term Loans bear interest at a rate per annum equal to 6.875%. Interest on the loans is payable semi-annually in arrears. Principal, together with accrued and unpaid interest, with respect to the Tranche A Junior Term Loans, is due on the Tranche A Maturity Date, and with respect to the Tranche B Junior Term Loans, on the Tranche B Maturity Date.

The Junior Term Loan Agreement contains customary affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the Junior Term Loan Agreement contains customary negative covenants limiting the ability of the Company and its subsidiaries, among other things, to incur debt, grant liens, make investments, make certain restricted payments and sell assets, subject to certain exceptions. Upon the occurrence and during the continuance of an event of default, the lenders may declare all outstanding principal and accrued and unpaid interest under the Junior Term Loan Agreement immediately due and payable and may exercise the other rights and remedies provided for under the Junior Term Loan Agreement and related loan documents. In general the affirmative and negative covenants of the Junior Term Loan Agreement are substantially the same as the covenants in the 2026 Notes Indenture.

The description of the Junior Term Loan Agreement contained herein is qualified in its entirety by reference to the text of the Junior Term Loan Agreement, which the Company will file as an exhibit to its quarterly report on Form 10-Q for the fiscal quarter ended July 1, 2018.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth in Item 1.01 hereof is incorporated by reference into this Item 2.03.

Item 8.01. Other Events.

Satisfaction and Discharge of 2022 Notes

On July 16, 2018, the Company deposited sufficient funds with The Bank of New York Mellon Trust Company, N.A., as trustee (the "2022 Notes Trustee") for the Company's 9.0% Senior Secured Notes due 2022 (the "2022 Notes") to pay the redemption price payable in respect of all outstanding 2022 Notes, plus accrued and unpaid interest on the 2022 Notes to, but excluding, the redemption date. The 2022 Notes were issued under an Indenture, dated as of December 18, 2012 among the Company, subsidiaries of the Company party thereto as guarantors and the 2022 Notes Trustee (the "2022 Notes Indenture").

As a consequence of the foregoing, the Company satisfied and discharged its obligations (subject to certain exceptions) under the 2022 Notes Indenture and the related security documents in accordance with the satisfaction and discharge provisions of the 2022 Notes Indenture. Upon the satisfaction and discharge of the 2022 Notes Indenture on July 16, 2018, all of the liens on the collateral securing the 2022 Notes were released and the Company and the guarantors were discharged from their respective obligations under the 2022 Notes and the guarantees thereof.

On July 16, 2018, the 2022 Notes Trustee, at the Company's direction, delivered a notice of redemption to holders of all $344,101,000 in aggregate principal amount of outstanding 2022 Notes. The Company paid a redemption premium of $15,484,545, which was equal to 4.5% of the outstanding principal amount.

Press Release

On July 16, 2018, the Company issued a press release announcing (i) the closing of $310 million aggregate principal amount of the 2026 Notes and (ii) the delivery of a notice of redemption to the 2022 Notes Trustee for all outstanding 2022 Notes, with such redemption scheduled to occur on August 15, 2018. A copy of this press release is attached as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated July 16, 2018, announcing closing of offering of senior secured notes.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

The McClatchy Company

July 16, 2018

By: /s/ R. Elaine Lintecum
R. Elaine Lintecum
Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated July 16, 2018, announcing closing of offering of senior secured notes.

EX-99.1 2 tv498624_ex99-1.htm EXHIBIT 99.1

Exhibit 99.1

McCLATCHY ANNOUNCES CLOSING OF
$310 MILLION OF SENIOR SECURED NOTES DUE 2026

Calls for Full Redemption of 9.00% Senior Secured Notes Due 2022

SACRAMENTO, Calif., July 16, 2018 — The McClatchy Company (NYSE American: MNI) ("McClatchy" or the "Company") today announced that it has closed its previously announced offering of $310 million aggregate principal amount of its 9.000% Senior Secured Notes due 2026 (the "2026 Notes") to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act. The 2026 Notes are guaranteed by certain of the Company's subsidiaries (the "subsidiary guarantors"), and the 2026 Notes and guarantees are secured by a first-priority lien on certain of the Company's and the subsidiary guarantors' assets and by second-priority-liens on certain of the Company's and the subsidiary guarantors' other assets.

McClatchy also today announced that it has delivered a notice of full redemption to the trustee of the $344.1 million aggregate principal amount of its outstanding 9.00% Senior Secured Notes due 2022 (the "2022 Notes") . The 2022 Notes will be redeemed on August 15, 2018 (the "Redemption Date") at a redemption price equal to $1,045 per $1,000 principal amount of such 2022 Notes, together with accrued and unpaid interest to, but excluding, the Redemption Date.

McClatchy used the net proceeds of the 2026 Notes offering, together with cash available under a new asset based revolving credit facility, junior lien term loan financing and cash on hand, to fund transaction related expenses and the satisfaction and discharge and redemption of all of its outstanding 2022 Notes.

This announcement does not constitute an offer to sell or a solicitation of an offer to buy the 2026 Notes, nor shall there be any offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful. This announcement does not constitute a notice of redemption for the 2022 Notes.

The 2026 Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements.

About McClatchy

McClatchy operates 30 media companies in 14 states, providing each of its communities with strong independent local journalism in the public interest and advertising services in a wide array of digital and print formats. McClatchy is a publisher of iconic brands including the *Miami Herald*, *The Kansas City Star*, *The Sacramento Bee*, *The Charlotte Observer, The* (Raleigh) *News & Observer,* and the (Fort Worth) *Star-Telegram*. McClatchy is headquartered in Sacramento, Calif., and listed on the New York Stock Exchange American under the symbol MNI. #ReadLocal

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