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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Chapter 11
: :
Journal Register Company, et al.,¹ : Case No. 09-10769 (ALG)
: :
Debtors. : Joint Administration Pending
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**DEBTORS' APPLICATION FOR ORDER AUTHORIZING DEBTORS
TO EMPLOY AND RETAIN CONWAY, DEL GENIO, GRIES & CO., LLC
TO PROVIDE RESTRUCTURING MANAGEMENT SERVICES TO THE
DEBTORS AND ROBERT P. CONWAY AS CHIEF RESTRUCTURING OFFICER
OF JOURNAL REGISTER COMPANY, PURSUANT TO SECTION 363 OF THE
BANKRUPTCY CODE, NUNC PRO TUNC TO THE PETITION DATE**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Journal Register Company ("**JRC**") and the other debtors and debtors in possession in the above-captioned cases (collectively, the "**Debtors**" or the "**Company**") file this application (the "**Application**") for entry of an order, pursuant to section 363 of title 11 of the

¹ If applicable, the last four digits of the taxpayer identification numbers of the Debtors follow in parentheses: (i) Journal Register Company (8615); (ii) 21st Century Newspapers, Inc. (6233); (iii) Acme Newspapers, Inc. (6478); (iv) All Home Distribution Inc. (0624); (v) Chanry Communications, Ltd. (3704); (vi) Greater Detroit Newspaper Network, Inc. (4228); (vii) Great Lakes Media, Inc. (5920); (viii) Great Northern Publishing, Inc. (0800); (ix) The Goodson Holding Company (2437); (x) Heritage Network Incorporated (6777); (xi) Hometown Newspapers, Inc. (8550); (xii) Independent Newspapers, Inc. (2264); (xiii) JiUS, Inc. (3535); (xiv) Journal Company, Inc. (8220); (xv) Journal Register East, Inc. (8039); (xvi) Journal Register Supply, Inc. (6546); (xvii) JRC Media, Inc. (4264); (xviii) Middletown Acquisition Corp. (3035); (xix) Morning Star Publishing Company (2543); (xx) Northeast Publishing Company, Inc. (6544); (xxi) Orange Coast Publishing Co. (7866); (xxii) Pennysaver Home Distribution Corp. (9476); (xxiii) Register Company, Inc. (6548); (xxiv) Saginaw Area Newspapers, Inc. (8444); (xxv) St. Louis Sun Publishing Co. (1989); (xxvi); Up North Publications, Inc. (2784); and (xxvii) Voice Communications Corp. (0455). The Debtors' executive headquarters' address is 790 Township Line Road, Third Floor, Yardley, PA 19067.

United States Code (the “**Bankruptcy Code**”), authorizing the Debtors to employ and retain Conway, Del Genio, Gries & Co., LLC (“**CDG**”) to provide restructuring management services to the Debtors and Robert P. Conway (“**Conway**”) as Chief Restructuring Officer (“**CRO**”) of JRC *nunc pro tunc* to the commencement of these chapter 11 cases. In support of this Application, the Debtors rely upon and incorporate by reference the Affidavit of Robert P. Conway, in Support of the Debtors’ Application for an Order Authorizing Debtors to Employ and Retain Conway, Del Genio, Gries & Co., LLC to Provide Restructuring Management Services to the Debtors and Robert P. Conway as Chief Restructuring Officer of Journal Register Company Pursuant to Section 363 of the Bankruptcy Code Nunc Pro Tunc to the Petition Date (the “**Conway Affidavit**”) attached hereto as Exhibit A. In further support of the Application, the Debtors respectfully represent as follows:

JURISDICTION

1. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue of these cases and this Application in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief requested herein is section 363 of the Bankruptcy Code.

BACKGROUND

2. On the date hereof (the “**Petition Date**”), Journal Register Company (“**JRC**”) and each of the other Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors intend to continue in the possession of their respective properties and the management of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors have requested that these

chapter 11 cases be consolidated for procedural purposes. As of the date hereof, no official committee of unsecured creditors has been appointed.

3. The events leading up to the Petition Date and the facts and circumstances supporting the relief requested herein are set forth in the Affidavit of James W. Hall, Chairman and Chief Executive Officer of Journal Register Company, In Support of Chapter 11 Petitions and First Day Pleadings (the “**Hall Affidavit**”), which was filed with the Court concurrently herewith.

RELIEF REQUESTED

4. By this Application, the Debtors seek entry of an order, pursuant to section 363 of the Bankruptcy Code, authorizing and approving the employment and retention of CDG to provide restructuring management services and Mr. Conway as CRO of JRC, *nunc pro tunc* to the Petition Date, pursuant to the terms and conditions of the letter agreement between JRC and CDG, dated July 23, 2008 (as amended on October 31, 2008, the “**Engagement Letter**”), a copy of which is annexed hereto as Exhibit B and incorporated by reference herein.

QUALIFICATIONS OF CDG

5. CDG was founded by three former partners from the corporate finance and restructuring and reorganization practices of Ernst & Young, LLP. Each of CDG’s founders has more than 25 years of experience advising corporate clients. CDG was created as a financial advisory firm to provide services focusing on, among other things, the management and restructuring of under-performing companies, mergers and acquisitions and valuations. CDG employs approximately 35 professionals possessing experience in a wide range of industries. The Debtors selected CDG based on its longstanding reputation in assisting companies through complex financial restructurings, including bankruptcy reorganizations, and its degree of success in a wide range of industries. CDG’s past and current clients include Sharper Image

Corporation, Adelphia Communications Corporation, Converse, Inc., VSV Group, Inc., USinternetworking, Inc., Orius Corporation, Metalforming Technologies, Inc., Dan River, Inc., Microage CTI and Wheeling Pittsburg Steel Corporation.

6. Based on the foregoing, the Debtors believe the continued engagement of CDG to assist the Debtors during their chapter 11 cases is essential to the success of the cases. CDG's services will be provided by a team of professionals led by Mr. Conway in his capacity as CRO, John Strek, a Managing Director, Maura O'Neill, an Associate, and David Olstein, an Analyst. Specifically, Mr. Conway and Mr. Strek have extensive experience in providing restructuring management and advisory services and mergers and acquisition services in reorganization proceedings and have an excellent reputation for the services they have rendered in chapter 11 cases on behalf of debtors and creditors throughout the United States. The engagement will be staffed by other CDG personnel possessing the requisite skills and experience necessary to achieve the objectives set forth above in an expeditious and effective manner.

7. Since July 23, 2008, CDG has provided services to the Debtors in connection with their restructuring efforts. CDG has, among other things: (a) examined strategic alternatives; (b) analyzed the Debtors' current liquidity and projected cash flow; (c) spent considerable time reviewing and developing alternative means to meet the Debtors' near-term liquidity needs; (d) assisted in the negotiation of the Debtors' prenegotiated plan of reorganization filed concurrently herewith; and (e) assisted in creating and implementing a business plan for the Debtors which provided for an extensive operational restructuring of the Debtors' businesses. In addition, Mr. Conway has served as the Debtors' CRO since July 2008,

and Mr. Strek has operated in the capacity of Acting Chief Financial Officer (the “**Acting CFO**”) for the Debtors since November 2008.²

8. In providing management services to the Debtors, Mr. Conway, Mr. Strek and CDG have worked closely with the Debtors’ management and have become well-acquainted with the Debtors’ businesses, capital structure, financial affairs and related matters. The experience that CDG gained before the Petition Date will facilitate their provision of the services required by the Debtors in these chapter 11 cases. The Debtors believe that CDG is both well qualified and uniquely able to represent them in their chapter 11 cases in an efficient and timely manner. Therefore, CDG’s retention is in the best interests of the Debtors and their estates, creditors and other parties in interest.

QUALIFICATIONS OF ROBERT P. CONWAY AS CRO

9. Mr. Conway has extensive experience in providing restructuring advisory and management services in reorganization proceedings and has an excellent reputation for the services he has rendered in chapter 11 cases on behalf of debtors and creditors throughout the United States. The compensation arrangement reflected in the Engagement Letter is consistent with, and typical of, arrangements entered into by Mr. Conway and other restructuring management and consulting experts with respect to rendering similar services for clients such as the Debtors.

10. Mr. Conway has substantial experience in advising troubled companies regarding operational and financial issues. Prior to joining CDG, Mr. Conway was with Ernst & Young LLP as the Chairman of Global Corporate Finance and the Managing Partner and National Director of Financial Advisory Services with overall responsibility for Restructuring

² The complete list of the Debtors’ officers and directors is annexed hereto as Exhibit C.

and Reorganization, Corporate Finance, Valuation and Litigation Services. Mr. Conway has been advising clients on all aspects of corporate finance for more than 25 years as both banker and advisor. His experience includes 15 years with a major commercial bank, where he managed major debt restructurings for both privately-owned and publicly-held commercial and industrial companies in a wide variety of industries, and established the first money center bank unit to specialize in debtor in possession financing. The Debtors believe that Mr. Conway is highly qualified to advise the Debtors in these chapter 11 cases.

SCOPE OF SERVICES

11. In accordance with the terms of the Engagement Letter, Mr. Conway, in his capacity as CRO, Mr. Streck in his capacity as Acting CFO and CDG, in providing restructuring management services, have performed and/or will perform the following services, among others, in connection with these cases to the extent they are desired or necessary:³

- (a) gather and analyze data (including the Company's existing indebtedness), interview appropriate management and evaluate the Company's existing financial forecasts and budgets to determine the extent of the Company's financial challenges;
- (b) review the Company's current liquidity forecast and assist management in modifying and updating such forecasts based upon current information, with a view towards reporting observations and any suggested changes to the Company and its lenders under the Existing Credit Agreement,⁴ dated January 25, 2006 (the "**Lenders**");
- (c) review the Company's current business plan (including detailed financial projections), with a view towards reporting observations and any suggested enhancements to the Company and its Lenders;

³ The description of the Engagement Letter is a summary. To the extent that this Application and the terms of the Engagement Letter are inconsistent, the terms of the Engagement Letter control.

⁴ All capitalized terms used but not defined herein shall have the meanings ascribed in the Hall Affidavit.

- (d) assist the Company in its negotiations with the Company's creditors, including the Lenders, including by providing periodic verbal or written reports to the Lenders on the progress of restructuring efforts;
- (e) participate in the Company's board meetings as appropriate, and provide periodic status reports;
- (f) provide the services described for the CRO in that certain Forbearance Agreement and Amendment No. 3 dated as of July 24, 2008 (the "**Forbearance Agreement**") between the Company, JPMorgan Chase, N.A., as administrative agent, and the Lenders specified therein, including the services set forth in Exhibit A thereto; and
- (g) perform such other services and analyses relating to the Company as are or become consistent with the foregoing items as the parties hereto mutually agree.

12. All of the services that CDG will provide to the Debtors will be undertaken at the request of the Debtors and will be directed by the Debtors, and their counsel when appropriate, so as to avoid duplicative efforts among the professionals retained in these cases.

13. The Debtors believe that CDG is well qualified and able to provide the foregoing services to Debtors in a cost-effective, efficient and timely manner. CDG has indicated a willingness to act on behalf of the Debtors and to subject itself to the jurisdiction and supervision of the Court.

DISINTERESTEDNESS

14. Although not being retained as a professional pursuant to section 327 of the Bankruptcy Code, CDG has nonetheless performed a conflict check, as described in the Conway Affidavit. To the best of the Debtors' knowledge, information and belief, other than as set forth herein or in the Conway Affidavit, CDG has not represented and has no relationship with: (a) the Debtors; (b) their creditors or equity security holders; (iii) any other potential parties in interest in these cases; (d) the respective attorneys and accountants of any of the

foregoing; or (e) the United States Trustee or any person employed in the Office of the United States Trustee, in any matter relating to these cases.

15. Further, other than as set forth in the Conway Affidavit, the principals and professionals of CDG: (a) do not have any connection with the Debtors, creditors, or any party in interest, or their respective attorneys; (b) do not hold or represent an interest adverse to the estate; and (c) are “disinterested persons” within the meaning of section 101(14) of the Bankruptcy Code, if such a finding needed to be made.

COMPENSATION

16. The terms of CDG’s proposed compensation are fully set forth in the Engagement Letter. The Debtors propose to compensate CDG for services to be performed in these chapter 11 cases by payment of a monthly fee of \$260,000.00 (the “**Monthly Fee**”), which shall be payable in advance on each monthly anniversary of the execution date of the Engagement Letter.

17. Additionally, the Debtors have agreed to reimburse CDG for its reasonable expenses incurred in connection with the provision of services, such as travel and other reasonable out-of-pocket expenses (including all reasonable fees, disbursements and other charges of CDG’s counsel and other consultants and advisors retained by CDG). CDG will maintain records in support of any actual and necessary costs and expenses incurred in connection with the rendering of its services in these cases.

18. After the Petition Date, Mr. Conway will continue to serve as CRO and Mr. Strek will continue to serve as the Acting CFO of the Debtors, and each will be named as an insured on the Debtors’ directors and officers insurance policies and on any employment practices rider to such policies.

19. Prior to the Petition Date, CDG received approximately \$1,705,667 from the Debtors for services rendered. In addition, CDG received a retainer under the Engagement Letter in connection with preparing for the filing of these cases. The unapplied residual retainer, which is estimated to total approximately \$225,000, will be applied towards the amount of the initial Monthly Fee under the Engagement Letter payable on or after the date hereof.

20. If the Court approves the relief requested herein, CDG will be employed and retained to provide restructuring management services pursuant to section 363 of the Bankruptcy Code, rather than as a professional under section 327 of the Bankruptcy Code. Accordingly, CDG will not be required to submit fee applications pursuant to sections 330 and 331 of the Bankruptcy Code. Instead, CDG will file with the Court, and provide notice to the United States Trustee for the Southern District of New York (the "**U.S. Trustee**") and all official committees, reports of compensation earned and expenses incurred on at least a quarterly basis. Such compensation reports and expenses shall be subject to Court review in the event that an objection is filed.

21. CDG has agreed not to share with any person or firm the compensation that will be paid for professional services rendered in connection with these cases.

22. The Engagement Letter provides for the use of arbitration if any dispute arises between CDG and the Debtors. Although this provision is standard for CDG contracts, for purposes of these bankruptcy cases, CDG has advised the Debtors that it will agree to submit any disputes under the Engagement Letter to the jurisdiction of this Court.

23. To the best of the Debtors' knowledge, the compensation arrangement described above is consistent with, and typical of, arrangements entered into by CDG and other

restructuring advisory firms with respect to rendering similar services for clients such as the Debtors.

INDEMNIFICATION AND LIMITATION OF LIABILITY

24. Notwithstanding anything contained in the Engagement Letter to the contrary, if the Application is granted, the Debtors will indemnify and hold harmless CDG personnel who are serving as officers or directors of the Debtors (each, an “**Indemnified Party**” and collectively, the “**Indemnified Parties**”) against liabilities arising out of or in connection with its retention by the Debtors, on the same terms as provided to the Debtors’ other officers and directors under the corporate bylaws and applicable state law, along with insurance coverage under the Debtors’ directors’ and officers’ liability policies.

25. The Debtors submit that such indemnification provisions are standard in the specialized restructuring advisory industry, both out-of-court and in other chapter 11 cases, and that the provision of such indemnification by the Debtors is fair and reasonable considering CDG’s qualifications and the expectations of other restructuring advisors in connection with engagements of this scope and size. *See, e.g., In re FLYi, Inc.*, No. 05-20011 (MFW) (Bankr. D. Del. Jan. 17, 2006) (order authorizing retention of Miller Buckfire on substantially the same terms); *In re Foamex International, Inc.*, No. 05-12685 (PJW) (Bankr. D. Del. Oct. 17, 2005) (same); *In re Oakwood Homes Corporation*, No. 02-13396 (PJW) (Bankr. D. Del. July 21, 2003) (same); *In re United Artists Theatre Company*, No. 00-3514-SLR (Bankr. D. Del. Dec. 1, 2000) (order authorizing indemnification of Houlihan, Lokey by debtors). The indemnification provisions are similar to other indemnification provisions that have been approved by bankruptcy courts elsewhere. *See, e.g., In re Comdisco, Inc.*, No. 02-C-1174 (N.D.Ill. Sep. 23, 2002) (affirming order authorizing indemnification of Lazard Freres & Co. LLC and Rothschild, Inc. by debtors and official committee of unsecured creditors); *In re Dana Corporation*, No. 06-10354

(BRL) (Bankr. S.D.N.Y. Mar. 6, 2006) (order authorizing indemnification provisions in connection with the retention of CDG); In re Joan & David Halpern, Inc., 248 B.R. 43 (Bankr. S.D.N.Y. Dec. 6, 2000).

26. The terms and conditions of the Engagement Letter, including the indemnification provisions contained therein, were negotiated by the Debtors and CDG at arm's length and in good faith. The Debtors respectfully submit that the indemnification provisions contained in the Engagement Letter, viewed in conjunction with the other terms of CDG's proposed retention, are reasonable and in the best interests of the Debtors, their estates and creditors. Accordingly, as part of the Application, the Debtors request that the Court approve the indemnification provisions.

BASIS FOR RELIEF REQUESTED

27. The Debtors seek authority to enter into the Engagement Letter pursuant to section 363 of the Bankruptcy Code, *nunc pro tunc* to the Petition Date. Although the Debtors submit that a motion for such authority is not governed by section 327 of the Bankruptcy Code, the Debtors attach hereto the Conway Affidavit as Exhibit A in support of the Motion, in which Mr. Conway describes CDG's connections with parties in interest in these cases.

28. Section 363(b) of the Bankruptcy Code provides in pertinent part: "The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business property of the estate." 11 U.S.C. § 363(b).

29. Courts recognize the applicability of section 363(b) of the Bankruptcy Code to the use of estate property to compensate individuals employed outside the ordinary course of business to act as restructuring officers or managers. *See, e.g., In re Enron Corp., et al.*, Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. 2002); In re Iridium Operating LLC, et al., Case No. 99-45005 (CB) (Bankr. S.D.N.Y. 1999); In re The Holliston Mill, Inc., Case No. 07-10687

(MFW) (Bankr. D. Del. June 6, 2007); In re Sea Containers Ltd., Case No. 06-11156 (KJC) (Bankr. D. Del. May 8, 2007).

30. The Debtors' agreement to the Engagement Letter and employment of CDG, Mr. Conway and Mr. Strek may be considered actions outside the ordinary course of business. For the reasons set forth above, the Debtors have determined in the exercise of their business judgment that the approval of the Engagement Letter is in the best interests of the Debtors, their estates, their creditors and other parties in interest. The Debtors believe the continued employment of CDG, Mr. Conway and Mr. Strek is critical to the Debtors' ability to reorganize.

31. Accordingly, this Application should be granted under section 363 of the Bankruptcy Code.

NOTICE

32. Notice of this Application will be given to: (a) the U.S. Trustee; (b) counsel to the administrative agent under the Debtors' prepetition credit agreement; and (c) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis. The Debtors submit that, under the circumstances, no other or further notice is required.

33. No previous application for the relief sought herein has been made to this or to any other Court.

34. Because the authorities relied upon herein are set forth above, the Debtors respectfully submit that the Application itself satisfies the requirements of Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York regarding the submission of a memorandum of law.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto as Exhibit D, granting the relief requested in the Application and such other and further relief as may be just or proper.

Dated: New York, New York
February 23, 2009

Journal Register Company, et al.
Debtors and Debtors in Possession

/s/ James W. Hall
James W. Hall
Chief Executive Officer

WILLKIE FARR & GALLAGHER LLP
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