digitalfirst MEDIA

Employee FAQ

1. What Is Chapter 11 Bankruptcy?
A company that files for protection under Chapter 11 is allowed to continue to operate and maintain its business "in the ordinary course." A Chapter 11 filing gives a company time to restructure its liabilities while preventing anyone from taking action until the process is complete. In our case, Chapter 11 will allow the Company to address our unsustainable legacy cost infrastructure including debt, leases, defined benefit pensions and other liabilities.

2. What's A Bankruptcy Sale:
A bankruptcy sale includes a court supervised public auction whereby the current bid by 21st CMH Acquisition Co., an affiliate of funds managed by Alden Global Capital LLC, is subject to higher or better offers, if any, from potential competing bidders. The winner can decide which assets it wishes to buy "free and clear" of claims except those the buyer expressly agrees to assume. At this time, we have a signed purchase contract with 21st CMH Acquisition Co., to buy substantially all of the company's assets, and we are marketing the company to see if other parties might be interested in bidding.

3. So What Happens Now?
During the sale process, daily operations continue with management remaining in place, and new initiatives and growth plans continue.

Offices, newsrooms, sales teams and publishing continue working. Employees are paid and goods and services purchased after the filing date are paid for in the ordinary course of business.

An "automatic stay" is in place which prevents anyone from collecting debts owed by the Company, such as loan payments it would ordinarily make to the bank or payments to vendors for merchandise received before the filing.

4. What Happens To My Job After The Sale Is Complete?
That decision will be made by the ultimate purchaser. As always, the best way to secure our jobs is to keep doing a great job.

5. Journal Register Company Went Through Bankruptcy in 2009. Why Is This Happening Again?
The Company exited the 2009 restructuring with approximately $225 million in debt and with a legacy cost structure, which includes leases, defined benefit pensions and other liabilities that are now unsustainable and threaten the Company's efforts for a successful digital transformation.

From 2009 through 2011, digital revenue grew 235% and digital audience more than doubled at Journal Register Company. So far this year, digital revenue is up 32.5%. Expenses by year's end will be down more than 9.7% compared to 2009.

At the same time, as total expenses were down overall, the Company has invested heavily in digital with digital expenses up 151% since 2009. Journal Register Company has and will continue to invest in the future.

But also from 2009 to 2011 Journal Register Company's print advertising revenue declined 19% and print advertising represents more than half of the Company's revenues. Print advertising for the newspaper industry declined approximately 17% over the same time period, according to the Newspaper Association of America.

Since 2009, printing facilities have been reduced from 14 to 6; 9 of the 50 owned facilities have been sold and 8 distribution centers have been outsourced.

During the same time period, debt was reduced by 28% with the Company currently servicing in excess of $160 million of debt.

All of the digital initiatives and expense efforts are consistent with the Company's Digital First strategy and while the Journal Register Company cannot afford to halt its investments in its digital future it can now no longer afford the legacy obligations incurred in the past.

Many of those obligations, such as leases, were entered into in the past when revenues, at their peak, were nearly twice as big as they are today and are no longer sustainable. Revenues in 2005 were about two times bigger than projected 2012 revenues. Defined Benefit Pension underfunding liabilities have grown 52% since 2009.

After a lot of thought, the Board of Directors concluded a Chapter 11 filing was the best course of action.

6. How Does This Affect Our Day-To-Day Operations?

During the sale process, we will continue to operate as usual. Our management will be unchanged. Our operations will remain the same and we will ensure that our business continues in the ordinary course.

7. How Long Will This Take?

It's impossible to predict how long this process will take, but we anticipate the auction and approval of sale will take place in the next 90 days. Company management will keep you informed of the progress.

8. Are There Any Changes In Company Management?

No. John Paton is the Chief Executive Officer and Jeff Bairstow is the President. There is no impact or change in the Company's leadership.

9. In the 2009 bankruptcy senior managers received bonuses for leading the Company through that process. Will senior managers receive bonuses this time?
No. All senior managers, including CEO John Paton and President Jeff Bairstow, will not accept any bonuses or enhanced compensation or salaries related to the restructuring process.

10. How Will This Affect Employees?
During the sale process, there won't be any changes to salaries, paychecks, insurance or expense reimbursement. Paychecks will be issued on the same schedule the Company has always used.

Expense reimbursements will follow the usual schedule and process, and there will be no impact on employee health insurance.

11. How Will Employees Be Kept Informed About Our Progress?
In the past few years the Company has taken great strides to open up communication within Journal Register Company. Many of you email our CEO John Paton and President Jeff Bairstow directly. You should feel free to continue to do that. Management will be completely available to answer any of your questions.

Also, we will communicate important steps in this process directly with you, through email, or in group meetings.