

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION**

In re: )  
 ) Case No. 14-30315-KRH  
VA Newspaper Debtor Co., *et al.*, )  
 ) Chapter 11  
Debtors. ) (Jointly Administered)  
 )  
 )

**AMENDED DISCLOSURE STATEMENT ACCOMPANYING  
JOINT PLAN OF LIQUIDATION PROPOSED BY THE DEBTORS AND THE  
OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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Lynn Lewis Tavenner, Esquire (Va. Bar No. 30083)  
Paula S. Beran, Esquire (Va. Bar No. 34679)  
Tavenner & Beran, PLC  
20 North Eighth Street, Second Floor  
Richmond, Virginia 23219  
Telephone: (804) 783-8300  
Telecopy: (804) 783-0178

*Counsel for Debtors*

Tyler P. Brown, Esq. (VSB No. 28072)  
Jason W. Harbour, Esq. (VSB No. 68220)  
Justin F. Paget, Esq. (VSB No. 77949)  
Hunton & Williams LLP  
Riverfront Plaza, East Tower  
951 East Byrd Street  
Richmond, Virginia 23219  
Tel: (804) 788-8674  
Fax: (804) 788-8218

*Counsel for the Official Committee  
of Unsecured Creditors*

## GLOSSARY

Any term in the Disclosure Statement or Plan that is defined in §§ 101, 102 or 1101 of the Bankruptcy Code shall have the meaning assigned therein. The following terms, where they are used in the Disclosure Statement and in the Plan, shall have the meanings hereinafter assigned.

**Administrative Claim** - means a Claim for costs and expenses of administration of the Debtors' estates pursuant to Sections 503(b) and 507(a)(2) of the Bankruptcy Code, including the actual, necessary costs and expenses incurred after the Petition Date of preserving the Estates and operating the business of the Debtors (such as wages, salaries, or commissions for services rendered).

**Allowed Claim** - means with respect to any Claim: (a) a Claim that is evidenced by a proof of claim filed by the applicable claims bar date (or a Claim for which a proof of claim is not required to be filed pursuant to the Bankruptcy Code or a Final Order of the Court); (b) a Claim that is listed in the Debtors' Schedules of Assets and Liabilities as not contingent, not unliquidated, and not disputed, and for which no proof of claim has been timely filed; or (c) a Claim allowed pursuant to a Final Order of the Court; provided, that with respect to a Claim described in clauses (a) and (b) herein, such Claim shall be considered Allowed only if and to the extent that, with respect to such Claim, it has not been withdrawn or satisfied, and no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, or the Court. Any Claim that has been or is hereafter listed in the Debtors' Schedules of Assets and Liabilities as contingent, unliquidated, or disputed, and for which no proof of claim is or has been timely filed, is not considered Allowed and shall be expunged without further action and without further notice to any party, or action, approval, or order of the Court.

**Allowed [Class or Claim Type Designation] Claim** - means an Allowed Claim in the specified Class or an Allowed Claim for Administrative Claims or Fee Claims. For example, an Allowed Unsecured Claim Against VA Newspaper is an Allowed Claim in Class 3, the Class of Unsecured Claims Against VA Newspaper.

**Allowed PBGC GUC** - means the Allowed non-Priority, General Unsecured Claim against the Debtors in the amount of \$21,007,208 as set forth in Section 2.1 of the Settlement Agreement.

**Allowed PBGC Priority Claim** – means the Allowed Priority Claim against the Debtors in the amount of \$9,453 as set forth in Section 2.1 of the Settlement Agreement.

**Asset Purchase Agreements** - means, collectively, the Newspaper Purchase Agreement, the Radio Business Asset Purchase Agreement and the Tower Purchase Agreement.

**Available VA Newspaper Cash** - means all Cash, which is an Excluded Asset or the Net Proceeds thereof, excluding the Non-DSP Distribution Funds, held by the VA Newspaper Estate.

**Bankruptcy Code** - means title 11 of the United States Code, as now in effect or hereafter amended.

**Bankruptcy Rules** - means the Federal Rules of Bankruptcy Procedure and the local rules of the Court, as now in effect or hereafter amended.

**Business Day** - means any day except a Saturday, Sunday, or “legal holiday” as such term is defined in Bankruptcy Rule 9006(a).

**Buyer** - shall have the meaning ascribed to it in the Sale Order.

**Case** - means the jointly administered chapter 11 cases of the Debtors pending before the Court and assigned Case No. 14-30315-KRH.

**Cash** - means legal tender of the United States or its equivalents, including but not limited to bank deposits, checks, and other similar items.

**Chapter 5 Causes of Action** - mean any and all actual or potential Claims and causes of action to avoid a transfer of property or an obligation incurred by the Debtors arising under Chapter 5 of the Bankruptcy Code, including Sections 544, 545, 547, 548, 549, 550, 551, and 553(b) of the Bankruptcy Code.

**Claim** - means a claim against the Debtors (or either of them), whether or not asserted, known or unknown, as such term is defined in section 101(5) of the Bankruptcy Code.

**Class** - means a group of Claims or Interests described in Articles II and III of the Plan.

**Confirmation Date** - means the date the Court enters the Confirmation Order on its docket.

**Confirmation Hearing** - means the hearing pursuant to which the Court enters the Confirmation Order.

**Confirmation Order** - means the order of the Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

**Court** - means the United States Bankruptcy Court for the Eastern District of Virginia, or any other court exercising competent jurisdiction over the Case or any proceeding therein.

**Creditors’ Committee** - means the Official Committee of Unsecured Creditors in the Case, as appointed by the United States Trustee and as may be reconstituted from time to time.

**Debtors** - has the meaning ascribed to such term on the first page of the Plan.

**Disclosure Statement** - means the Disclosure Statement that relates to the Plan, and as approved by the Court pursuant to section 1125 of the Bankruptcy Code, as such Disclosure

Statement may be amended, modified, or supplemented (and all exhibits and schedules annexed thereto or referred to therein).

**Disputed Claim** - means that portion (including, when appropriate, the whole) of a Claim that is not an Allowed Claim. For the purposes of the Plan, a Claim shall be considered a Disputed Claim in its entirety before the time that an objection has been or may be filed if: (a) the amount or classification of the Claim specified in a relevant proof of claim exceeds the amount or classification of any corresponding Claim scheduled by the Debtors in their Schedules of Assets and Liabilities; (b) any corresponding Claim scheduled by the Debtors has been scheduled as disputed, contingent or unliquidated; or (c) no corresponding Claim has been scheduled by the Debtors in their Schedules of Assets and Liabilities.

**Distribution** - means the distribution of Cash or other property, as the case may be, in accordance with the Plan.

**Distribution Address** - means the address set forth in a proof of claim. If no proof of claim is filed with respect to a particular Claim, such defined term means the address set forth in the Debtors' Schedules of Assets and Liabilities.

**Distribution Date** - means (a) with respect to Administrative Claims, Priority Claims, Secured Claims and Unsecured Claims, the date that is the later of: (i) the Effective Date (or as soon thereafter as reasonably practicable), and (ii) the date such Claims become Allowed Claims or otherwise become payable under the Plan (or as soon thereafter as reasonably practicable), and (b) with respect to Fee Claims, the date that such Claims are allowed by final order of the Court (or as soon thereafter as reasonably practicable).

**DSP** - means DSP Acquisition, LLC.

**DSP Allowed Claim** - means the claim of DSP against the Debtors as provided and as allowed in the Settlement Agreement.

**DSP's Claim** - means, collectively, DSP's Secured Claim and DSP's Deficiency Claim.

**DSP's Deficiency Claim** - means the general unsecured portion of the DSP Allowed Claim against the Debtors determined after the disposition of DSP's Secured Claim.

**DSP's Secured Claim** - means the portion of the DSP Allowed Claim that is secured by Liens against the Debtors' property.

**Effective Date** - means the last to occur of (a) the first Business Day after the "Effective Date" (as defined in section 6.1 of the Settlement Agreement) of the Settlement Agreement, (b) if no stay of the Confirmation Order is in effect, the first Business Day after the date on which the Confirmation Order becomes a Final Order, or (c) if a stay of the Confirmation Order is in effect, the first Business Day after the date such stay is vacated or any appeal, rehearing, remand or petition for certiorari is resolved in a manner that does not reverse or materially modify the Confirmation Order.

**Employee Programs** - means any program to or for the benefit of the employees or former employees of the Debtors, but specifically excludes the Pension Plan.

**Estates** - means the estates created in the Case pursuant to section 541 of the Bankruptcy Code.

**Estimation Order** - means an order or orders of the Court estimating for voting and/or distribution purposes (under section 502(c) of the Bankruptcy Code) the aggregate (and if applicable, individual) Face Amount of Disputed Claims in each relevant Class. The defined term Estimation Order includes the Confirmation Order if the Confirmation Order grants the same relief that would have been granted in a separate Estimation Order.

**Excluded Assets** - has the meaning ascribed to it in the Settlement Agreement.

**Face Amount** - means (a) with respect to any Claim for which a proof of claim is filed, an amount equal to: (i) the liquidated amount, if any, set forth therein, or (ii) any other amount set forth in an Estimation Order, or (b) with respect to any Claim scheduled in the relevant Debtor's Schedules of Assets and Liabilities, but for which no proof of claim is filed, the amount of the Claim scheduled as undisputed, noncontingent and liquidated.

**FCC** - means the United States Federal Communications Commission.

**FCC Applications** - means the application or applications that VA Newspaper and/or the Buyer have filed or must file with the FCC requesting its consent to the assignment of the FCC Licenses to the Buyer.

**FCC Consent** - means the initial action by the FCC granting the FCC Applications.

**FCC Licenses** - means those licenses, permits, and other authorizations issued to VA Newspaper by the FCC, and all pending applications related thereto, including those listed on Schedule 1(cc) to the Radio Business Asset Purchase Agreement.

**Fee Claim** - means a Claim for compensation or reimbursement of expenses pursuant to section 327, 328, 330, 331 or 503(b) of the Bankruptcy Code in connection with the Case. Fee Claim does not include any Claim for compensation or reimbursement of expenses related to services rendered after the Effective Date by professionals employed by the Plan Administrator.

**Final FCC Order** - means an FCC Consent: (i) that has not been vacated, reversed, stayed, enjoined, set aside, annulled, or suspended; (ii) with respect to which no request for stay, motion, or petition for rehearing, reconsideration, or review, or application or request for review or notice of appeal or sua sponte review by the FCC is pending; and (iii) as to which the time for filing any such request, motion, petition, application, appeal, or notice, and for the entry of orders staying, reconsidering, or reviewing on the FCC's own motion has expired.

**Final Order** - means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the applicable subject matter (a) that has not been reversed, stayed, modified or amended and as to which any right to appeal or seek certiorari, review, reargument, stay or rehearing has expired and no appeal or petition for certiorari, review, reargument, stay or rehearing is pending, or (b) as to which an appeal has been taken or petition for certiorari, review, reargument, stay or rehearing has been filed and (i) such appeal or petition for certiorari, review, reargument, stay or rehearing has been resolved by the highest court to which the order or judgment was appealed or from which certiorari, review, reargument, stay or rehearing was sought, or (ii) the time to appeal further or seek certiorari, review, reargument, stay or rehearing has expired and no such further appeal or petition for certiorari, review, reargument, stay or rehearing is pending; provided, that no order shall fail to be a Final Order solely because of the possibility that a motion pursuant to Section 502(j) of the Bankruptcy Code, Rule 59 or Rule 60 of the Federal Rules of Civil Procedure or Rule 9024 of the Federal Rules of Bankruptcy Procedure may be filed with respect to such order in the future.

**Holder** - means a Person holding an Interest or a Claim.

**Interest** - means an equity security, within the meaning of section 101(16) of the Bankruptcy Code, in the Debtors.

**Lien** - means a judicial lien as defined in section 101(36) of the Bankruptcy Code; a lien as defined in section 101(37) of the Bankruptcy Code; a security interest as defined in section 101(51) of the Bankruptcy Code; a statutory lien as defined in section 101(53) of the Bankruptcy Code; and any other lien, interest, charge or encumbrance.

**Litigation Claim** - means any claim, right or cause of action included in the Excluded Assets, which may be asserted by or on behalf of the Debtors, whether known or unknown, in law, equity or otherwise; provided, however, for purposes of clarity, Litigation Claim shall not include any claim, right or cause of action that has been settled and satisfied or waived pursuant to the Settlement Agreement, the Plan, the Confirmation Order or another Court order in the Case entered prior to the Effective Date or any Chapter 5 Causes of Action.

**Net Proceeds** - means the Cash consideration received from the sale, transfer, or collection of the non-Cash Excluded Assets or the conversion of such Excluded Assets to Cash in some other manner as contemplated in the Plan, whether occurring prior to or from and after the Effective Date, less the reasonable, necessary and customary expenses attributable to such sale, transfer, collection or conversion, including the costs of paying personal property or other taxes accruing in connection with such sale, transfer or conversion or such property, brokerage fees and commissions, collection costs, reasonable attorneys' fees and expenses and any applicable taxes or other claims of any governmental authority in connection with such property and any escrows or accounts established to hold funds for purchase price adjustments, indemnification claims, or other purposes in connection with such sale, transfer or collection.

**Newspaper Purchase Agreement** - means that certain Asset Purchase Agreement, dated as of May 23, 2014, by and among The Free Lance-Star Publishing Co. of Fredericksburg, Va.,

as seller, William Douglas Properties, LLC, as seller, and Buyer, as buyer, and all exhibits and ancillary agreements thereto.

**Non-DSP Distribution Funds** - means the fund to be established by the Debtors on the Effective Date. The initial amount of such fund shall be the remaining Sale Proceeds (totaling \$2,500,000 plus certain interest thereon) plus the amount of \$180,500.

**PBGC** - means Pension Benefit Guaranty Corporation, that wholly owned United States government corporation that administers the termination insurance program for defined benefit pension plans under Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), 29 U.S.C. §§1321, 1322 and 1361.

**Pension Plan** - means the single-employer tax qualified defined benefit pension plan, The Retirement Plan for Employees of The Free Lance-Star Publishing Company of Fredericksburg, Virginia, sponsored by VA Newspaper.

**Person** - means an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity, the Creditors' Committee, Holders of Interests, Holders of Claims, current or former employees of the Debtors, or any other entity, and (as applicable) any spouses, heirs, predecessors, successors, representatives or assignees of any of the foregoing.

**Petition Date** - means January 23, 2014.

**Plan** - means the Joint Plan of Liquidation, together with any amendments or modifications hereto as the Debtors and the Creditors' Committee may file hereafter in accordance with the terms of the Plan (such amendments or modifications only being effective upon compliance with section 10.4 of the Plan), which must be reasonably agreeable in form and substance to the Creditors' Committee, DSP and PBGC and consistent in all respects with the Settlement Agreement, and which must incorporate and implement the provisions of the Settlement Agreement.

**Plan Administrator** - means Florence C. Barnick, or such other person as may be appointed pursuant to Section 6.9 of the Plan to administer the Plan pursuant to, without limitation, Sections 6.4 and 6.6 of the Plan.

**Plan Proponents** - has the meaning ascribed to such term on the first page of the Plan, provided, however, in the event the Committee is disbanded prior to the Confirmation Date, the Debtors, acting without the Committee, shall be deemed the Plan Proponents of the Plan for all purposes hereunder.

**Priority Claim** - means any Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than (a) an Administrative Claim, or (b) a Fee Claim.

**Radio Business Asset Purchase Agreement** - means that certain Radio Business Asset Purchase Agreement, dated as of May 23, 2014, by and between The Free Lance-Star Publishing Co. of Fredericksburg, Va., as seller, and Buyer, as buyer, and all exhibits and ancillary agreements thereto.

**Ratable Share** - means a number (expressed as a percentage) equal to the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims plus Disputed Claims (in their aggregate Face Amount) in such Class as of the date of determination.

**Released Party** - means the Plan Administrator, any current or former director, officer, agent, representative, attorney, accountant, financial advisor or other professional of the Plan Administrator, the Debtors, or the Creditors' Committee, but only in such party's capacity as such, and only if, in each case, such party served in such capacity on or after the Petition Date.

**Remaining Assets** - shall have the meaning ascribed to it in the Settlement Agreement.

**Sale Order** - means the "Order Pursuant to 11 U.S.C. §§ 105, 363 and 365 and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedures Authorizing and Approving (A) Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, and Encumbrances; (B) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (C) Granting Related Relief" entered May 27, 2014 in the Case [Docket No. 264].

**Sale Proceeds** - means the Cash consideration received by the Debtors from the sale of substantially all of their assets to Buyer pursuant to the Sale Order.

**Schedules of Assets and Liabilities** - means the Debtors' schedules of assets and liabilities filed with the Court pursuant to sections 521(1) and 1106(a)(2) of the Bankruptcy Code, and as amended from time to time.

**Secondary Closing** - has the meaning ascribed to such term in the Radio Business Asset Purchase Agreement.

**Settlement Agreement** - means that certain Settlement Agreement and Mutual Release, dated July 24, 2014, by and among the Debtors, DSP, the Committee and PBGC, attached as Exhibit 1 to the Settlement Agreement Order.



**Settlement Agreement Order** - means the order entered by the Court on July 31, 2014 approving the Settlement Agreement [Docket No. 343].

**Station Operating Agreement** - means that certain Station Operating Agreement, dated as of June 19, 2014, by and between The Free Lance-Star Publishing Co. of Fredericksburg, Va. and Buyer.

**Tower Purchase Agreement** - means that certain Tower Asset Purchase Agreement, dated as of May 23, 2014, by and between The Free Lance-Star Publishing Co. of Fredericksburg, Va., as seller, and Buyer, as buyer, and all exhibits and ancillary agreements thereto.

**Unclaimed Property** - means any Cash or other distributable property unclaimed on or after the Effective Date or the date on which an additional Distribution would have been made in respect of an Allowed Claim. Unclaimed Property shall include (a) checks (and the funds represented thereby) mailed to a Distribution Address and returned as undeliverable without a proper forwarding address, (b) funds for uncashed checks, and (c) checks (and the funds represented thereby) not mailed or delivered because no Distribution Address to mail or deliver such property was available, notwithstanding efforts by the Debtor or the Plan Administrator to locate such address which were commercially reasonable under the circumstances.

**United States Trustee Fees** - means fees assessed against the Estates under Section 1930 of Title 28 of the United States Code.

**Unsecured Claim** - means any Claim that is not (a) an Administrative Claim, (b) a Priority Claim, (c) a Secured Claim, or (d) a Fee Claim.

**Unsecured Distribution Fund** - means the fund to be established by the Debtors on the Effective Date for Distribution to be made to Allowed Class 3 Claims and DSP's Deficiency Claim after the payment in full of Allowed Administrative Claims, Allowed Priority Claims and Allowed Fee Claims. The initial amount of such fund shall be the money remaining in the Estates, if any, after the funding of the Wind-down Reserve. For the purposes of clarity, the Unsecured Distribution Fund shall not include the Non-DSP Distribution Funds and shall include funds remaining in the Wind-down Reserve after the payment of certain expenses in accordance with the Plan.

**VA Newspaper** - means Debtor VA Newspaper Debtor Co. (f/k/a Free Lance-Star Publishing Co. of Fredericksburg, Va.).

**VA Real Estate** - means Debtor VA Real Estate Debtor LLC (f/k/a William Douglas Properties, LLC).

**William Street Contract** - means that certain Amended and Restated Purchase and Sale Agreement for the William Street Property attached as Exhibit A to the William Street Sale Motion, as amended or modified by the William Street Sale Order.

**William Street Property** - means all of the Debtors' right, title and interest in and to the "Property" as defined in Paragraph 1 of the William Street Contract.

**William Street Sale** - means the sale of the William Street Property on the terms provided in the William Street Sale Order.

**William Street Sale Motion** - means that certain motion filed by the Debtors on July 3, 2014 for the sale of the real property located on William Street in the City of Fredericksburg entitled Debtors' Motion for Entry of an Order (A) Authorizing Sale of a Certain Real Property Interest Free and Clear of All Liens, Claims, and Encumbrances and (B) Approving Related Sale Procedures and Memorandum of Law in Support Thereof [Docket No. 302], as such motion may be amended with the prior consent of DSP.

**William Street Sale Order** - means the order of the Court approving the William Street Sale Motion in accordance with the provisions of the Settlement Agreement and the Plan.

**William Street Sale Proceeds** - means the proceeds of the sale of the William Street Property as defined and provided in the Settlement Agreement.

**Wind-down Budget** - means the budget prepared by the Debtors and acceptable to the Creditors' Committee, PBGC, and DSP, attached to the Plan as Exhibit A, estimating the funds necessary to administer the Plan and wind-down the Debtors' affairs, including, without limitation, the costs of holding and liquidating the Estates' remaining property, objecting to Claims, making the Distributions required by the Plan, prosecuting Litigation Claims, paying taxes, filing tax returns, paying professionals' fees and providing for the purchase of errors and omissions insurance and/or other forms of indemnification for the Plan Administrator.

**Wind-down Reserve** - means the fund to be established on the Effective Date by the Plan Administrator from Available VA Newspaper Cash in accordance with the terms of the Wind-down Budget to fund the winding up of the affairs of the Debtors and the prosecution of the Litigation Claims. After the Effective Date, in the Plan Administrator's discretion, the Wind-down Reserve may be supplemented with up to 100% of the Net Proceeds from the collection, sale, liquidation or other disposition of any non-Cash Excluded Assets, to the extent such property has not otherwise been allocated pursuant to the terms of the Plan.

## **I. INTRODUCTION**

### **A. GENERAL INFORMATION**

The Debtors and the Creditors' Committee submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code and in connection with the solicitation of acceptance of the Plan, a copy of which is attached as **Exhibit A**. Unless otherwise defined herein, terms used in this Disclosure Statement have the meaning assigned in the Plan.

The Debtors and the Creditors' Committee provide this Disclosure Statement to enable any creditor whose Claim is Impaired under the Plan and, therefore, entitled to vote on the Plan, to arrive at a reasonably informed decision in exercising the right to vote to accept or reject the Plan. This Disclosure Statement should be read in its entirety prior to voting on the Plan. The information contained herein is based on records maintained by the Debtors, and no representation or warranty is made as to their complete accuracy.

For the Plan to be confirmed, creditors in each class of Impaired Claims who hold at least two-thirds in amount and more than one-half in number of Claims within the class must vote in favor of the Plan. If a party does not vote, i.e. does not return a fully completed Ballot within the specific time to the correct addressee, neither the party nor the amount of its Claim or Interest is counted to determine acceptance or rejection of the Plan. If you are entitled to vote and do not, the Ballots will be tallied as though your Claims did not exist. The Court can confirm the Plan even if the requisite acceptances are not obtained so long as the Plan complies with the Bankruptcy Code and accords fair and equitable treatment to any non-accepting Class.

Parties entitled to vote are furnished a Ballot on which to record their respective acceptances or rejections of the Plan. Those completed Ballots must be returned to counsel for the Debtors by the deadline set forth on the Ballot, who will tally the votes and report the results to the Court at the Hearing on Confirmation of the Plan.

#### **B. INFORMATION REGARDING DISCLOSURE STATEMENT**

**NO REPRESENTATIONS CONCERNING THE DEBTORS, THE DEBTORS' OPERATIONS, THE VALUE OF THE DEBTORS' PROPERTY OR THE PLAN ARE AUTHORIZED UNLESS THEY ARE IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT IS THE ONLY STATEMENT WITH RESPECT TO THE PLAN. NO OTHER REPRESENTATION CONCERNING THE DEBTORS, THEIR OPERATIONS OR THE VALUE OF THEIR PROPERTY HAS BEEN AUTHORIZED. YOU SHOULD RELY ONLY ON THE REPRESENTATIONS OR INDUCEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT. YOU SHOULD REPORT ANY ADDITIONAL REPRESENTATIONS AND INDUCEMENTS TO THE COURT, COUNSEL FOR THE DEBTORS OR OFFICE OF THE UNITED STATES TRUSTEE.**

**THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION BY THE COURT AS TO THE MERITS OF THE PLAN BUT MERELY CONFIRMS THAT THE DISCLOSURE STATEMENT IS ADEQUATE TO PROVIDE THE INFORMATION NECESSARY FOR YOU TO MAKE AN INFORMED JUDGMENT REGARDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.**

**THIS DISCLOSURE STATEMENT PROVIDES INFORMATION ABOUT THE PLAN. ALTHOUGH THE DEBTORS AND THE CREDITORS' COMMITTEE BELIEVE THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS ACCURATE, THE PROVISIONS OF THE PLAN CONTROL IF THERE IS ANY INCONSISTENCY BETWEEN THE PLAN AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.**

Neither the Debtors nor the Creditors' Committee warrant that the financial data in this Disclosure Statement is error free, but the officer and directors of the Debtors and the Debtors' professionals have been careful to see that all financial information is fairly and accurately presented. To the best of their knowledge and belief, the officer and directors of the Debtors believe the financial information in this Disclosure Statement is accurate.

If the Court does not confirm the Plan, the Plan Proponents may amend the Plan or file a different Plan. If the Court does not confirm the Plan and the exclusive period within which the Debtors can obtain acceptance expires, a creditor may file a plan of reorganization. Additionally, on motion of a party in interest and after notice and a hearing, the Court may convert the Bankruptcy Case to a Chapter 7 case.

The summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference are qualified in their entirety by reference to those documents. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

## **II. GENERAL INFORMATION ABOUT THE DEBTORS**

The Free Lance-Star Publishing Co. of Fredericksburg, Va. ("FLS") was a family-owned publishing, newspaper, radio and communications company located primarily in Fredericksburg, Virginia. William Douglas Properties, L.L.C. ("William Douglas") was a related entity that owned a portion of the land pursuant to which FLS operated certain aspects of its business. For nearly 130 years, FLS had developed a reputation for integrity, credibility and innovation in the Fredericksburg region and the media industry. The Free Lance was first published in 1885 when a group of local Fredericksburg merchants and businessmen created the paper to serve the news and advertising needs of the community. In 1900, the company merged with The Daily Star and published two papers independently until 1926 when, under the leadership of Josiah P. Rowe Jr., they were combined into a single, six day a week newspaper: The Free Lance-Star. Rowe eventually became the owner and publisher of the newspaper. The sons of Josiah P. Rowe, Jr., Charles S. Rowe and Josiah P. Rowe III, assumed the duties of co-publishers after their father's death in 1949. In 1997, upon Charles' retirement, the family of Josiah P. Rowe III purchased total ownership of the business. Florence C. Barnick and Nicholas J. Cadwallender, Associate Publishers (and Rowe family members), served as FLS' leadership with Josiah P. Rowe III as President and Publisher. In 1998, The Free Lance-Star responded to changing lifestyles and regional growth by adding a Sunday edition and moving from afternoon to morning publication.

FLS diversified by expanding into radio broadcasting. WFLS-AM, the first radio station, began on-air operation in 1960, WFLS-FM in 1961, and today WFLS-FM's country format is the region's radio powerhouse. The AM signal now broadcasts WNTX News, Talk, Sports. In 1994, WYSK (now WVBX) became the second FM station. Situated in Spotsylvania County, its contemporary hits format is popular among younger listeners. To round out radio offerings, the

Company purchased WWUZ Classic Rock, licensed to Bowling Green, in 2001. All four stations continue on the air today.

FLS grew to meet business and audience demand, its mission remained: to improve and connect the lives of the people in the communities it serves. Indeed, as the internet emerged in the mid-1990's, FLS developed a web presence under the name FLStarWeb.com. In 1999, the web address was changed to [www.fredericksburg.com](http://www.fredericksburg.com), and it has become the premier news, advertising and community portal for the region.

In 2006, FLS developed plans to diversify the portfolio of offered services by significant expansion of the commercial printing business and FLS borrowed from Branch Banking and Trust ("BB&T") \$50.8 million to design and build a state-of-the-art printing facility that began operation in 2009. The building of the plant coincided with the worst recession since the Great Depression. Newspaper and radio advertising declined precipitously as businesses reduced their marketing budgets. Additionally, newspaper circulation revenue declined as many readers migrated to the internet for their news.

As early as 2009, with Print Innovators still under construction, it became apparent FLS would not be in compliance with certain covenants of its loan agreement with BB&T and gave notice to BB&T of that fact. In December of 2011, FLS signed a forbearance agreement with BB&T. In 2011 Josiah P. Rowe III retired after 60 years as publisher, and Nicholas J. Cadwallender became President and Publisher, with Florence C. Barnick serving as Associate Publisher. FLS continued to make timely payments to BB&T even though revenue continued to decline. Efforts to restructure the business to become compliant with the loan covenants could not fully offset the continued revenue losses. These efforts included reducing employee head count by one third from 454 full and part-time employees in 2007 to 303 full and part-time employees at the end of 2013. At BB&T's request, FLS, with the assistance of professional advisors, attempted to refinance the BB&T obligations. When this was not successful, FLS also with the assistance of professional advisors, pursued a sale as a going concern. However, FLS and its advisors were not able to find a buyer at a price acceptable to BB&T. On June 25, 2013, BB&T assigned its claims and rights against the Debtors to DSP. Pursuant to that certain Allonge dated June 25, 2013, BB&T assigned, transferred and conveyed the Note to DSP. FLS consented to the assignment.

DSP suggested that FLS should consider filing a Chapter 11 bankruptcy case and sell substantially all of its assets pursuant to 11 U.S.C. § 363. FLS agreed to work with DSP in connection with a Chapter 11 filing in an effort to maximize the value of its assets and in the hopes of providing a mechanism for the continuation of the businesses and mission, which had developed over 129 years.

### **III. MATERIAL POST-PETITION PROCEEDINGS AND EVENTS**

On January 23, 2014, VA Newspaper and VA Real Estate each filed a voluntary petition for relief under chapter 11 of title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division (the "Court" or "Bankruptcy Court"), with such cases being jointly administered under case number 14-30315.

On January 24, 2014, the Debtors filed the Motion of the Debtors for (I) an Order (A) Approving Bidding Procedures, (B) Scheduling Bid Deadline, Auction Date, and Sale Hearing and Approving Form and Manner of Notice Thereof; and (C) Approving Cure Procedures and the Form and Manner of Notice Thereof; and (II) an Order Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims and Interest (the "Large Sale Motion") [Docket No. 17] seeking to sell substantially all of their operating assets (the "Business Assets") and another similar motion to sell certain assets commonly referred to as the "Tower Assets" (the "Tower Assets Sale Motion" and together with the Large Sale Motion, the "Sale Motions") [Docket No. 18]. Thereafter, in connection with the Sale Motions, the Court entered two orders related to procedures requested in the Sale Motion (the "Sale Procedures Orders") [Docket Nos. 111, 112].

On February 14, 2014, the United States Trustee appointed the Creditors' Committee.

By complaint (the "Complaint") dated March 10, 2014, styled DSP Acquisition, LLC v. The Free Lance-Star Publishing Co. of Fredericksburg, VA, William Douglas Properties, LLC and the Official Committee of Unsecured Creditors, Adversary Proceeding No. 14-03038 (the "Adversary Proceeding"), DSP commenced litigation against the Debtors seeking determination of, among other things, DSP's secured claim and the extent and priority of its liens on the Debtors' assets.

On March 10, 2014, DSP filed a Motion for Summary Judgment for Declaratory Judgment Determining the Extent, Validity and Priority of DSP Acquisition, LLC's Liens on Substantially All of the Debtors' Assets (the "DSP's Summary Judgment Motion") [Adversary Proceeding, Docket No. 11].

On March 19, 2014, the Committee filed its response to DSP's Summary Judgment Motion, and the Debtors filed their Opposition to Plaintiff's Motion for Summary Judgment, Cross Motion for Summary Judgment and Memorandum in Support Thereof (the "Debtors' Summary Judgment Motion") [Adversary Proceeding, Docket No. 28].

On March 19, 2014, the Debtors filed their Memorandum in Support of Request for Court to Determine Credit Bid Issues as Contained in (1) Motion of the Debtors for (I) an Order (A) Approving Bidding Procedures, (B) Scheduling Bid Deadline, Auction Date, and Sale Hearing and Approving Form and Manner of Notice Thereof; and (C) Approving Cure Procedures and the Form and Manner of Notice Thereof; and (II) an Order Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims and Interest and (2) Related Orders (the "Credit Bid Motion") [Docket No. 122], which the Committee supported.

On April 14, 2014, the Bankruptcy Court entered its Memorandum Opinion and Order denying DSP's Summary Judgment Motion and granting in part the Debtors' Summary Judgment Motion (the "Lien Decision") [Adversary Proceeding, Docket Nos. 61, 62]. On April 14, 2014, the Bankruptcy Court entered its Memorandum Opinion and Order on the Credit Bid Motion (the "Credit Bid Decision") [Docket Nos. 185, 186].

Pursuant to the Sale Procedures Orders, the Debtors conducted an auction for the sale of Business Assets and the Tower Assets. At the scheduled auction (which was robust with multiple bidders and numerous rounds of offers for various lots of assets), DSP submitted what appeared to the Debtors and the Committee to be the highest and best offer for the Business Assets and the Tower Assets.

With the approval of the Bankruptcy Court, the Debtors sold substantially all of their assets to DSP (the "Sold Assets") on June 19, 2014 pursuant to the Asset Purchase Agreements. In accordance with the Order Pursuant to 11 U.S.C. §§ 105, 363 and 365 and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure Authorizing and Approving (A) Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, and Encumbrances; (B) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (C) Granting Related Relief entered on May 27, 2014 [Docket No. 264], the Debtors segregated the cash proceeds pertaining to the Sold Assets (the "Sale Proceeds").

Pursuant to the terms of the Station Operating Agreement, until such time as achieving Secondary Closing, the Debtors are required to retain two employees whose primary purpose is to oversee the use and administration of the Debtors' licenses from the FCC. Ms. Florence Barnick is one said employee employed by the Debtors. Ms. Barnick is also designated by Bankruptcy Court order to perform the duties imposed upon the Debtors by the Bankruptcy Code, with such designation to remain in effect during the pendency of the Case unless altered by order of the Bankruptcy Court.

On June 30, 2014, DSP filed its Motion for Compliance with Appellate Mandate or, in the Alternative, to Revise Summary Judgment Decision Pursuant to Federal Rule of Civil Procedure 54(b) (the "Appellate Mandate Motion") [Adversary Proceeding, Docket No. 122]. On July 24, 2014, the Bankruptcy Court entered an order denying the Appellate Mandate Motion [Adversary Proceeding, Docket No. 140].

On June 30, 2014, White Birch Paper Co. and Flint Group North America, two of the three members of the Creditors' Committee (with PBGC being the third member of the Creditors' Committee), withdrew their proofs of claim and waived and released any and all claims against the Debtors and their estates as a result of these members receiving payment in full of their claims. On July 1, 2014, DSP filed its Motion to Disband Committee [Docket No. 299]. On July 23, 2014, the Creditors' Committee filed a Motion of the Official Committee of Unsecured Creditors for an Order Directing the United States Trustee to Change the Membership of the Committee (collectively, with the Motion to Disband Committee, the "Committee Motions") [Docket No. 322].

The Debtors and the Creditors' Committee, on the one hand, and DSP on the other hand, disputed, among other things, the respective positions of the other in regard to, *inter alia*, the Complaint, the Lien Decision, the Appellate Mandate Motion, the Committee Motions, the disposition of Sale Proceeds and other pending issues in the Bankruptcy Case. The parties, however, desired to resolve the Adversary Proceeding and all issues among and between them. The parties concluded that, because of the substantial expense of litigating the issues associated with the Complaint and the other issues, the length of time necessary to resolve such issues

presented therein, the risks attendant to further litigation and appeals relating to the Lien Decision and the other pending matters, and the concomitant disruption to the Debtors' efforts to further the resolution of the Bankruptcy Case, a compromise and settlement was fair and reasonable, and in the best interests of the Debtors, their estates, and their creditors. The various parties reached a resolution that was memorialized in the Settlement Agreement. Thereafter, the Debtors filed a motion seeking approval from the Bankruptcy Court of the Settlement Agreement [Docket No. 335]. The Bankruptcy Court entered an order approving the Settlement Agreement [Docket No. 343]. A copy of the Settlement Agreement is attached hereto as **Exhibit B**. In the event of any inconsistency between the provisions of the Plan or this Disclosure Statement and the provisions of the Settlement Agreement, the provisions of the Settlement Agreement shall control.

#### IV. **THE DEBTORS' REMAINING ASSETS**

After the sales approved by Court orders and after the transactions approved in the Settlement Agreement Order, the Debtors' remaining assets and their treatment, are as follows:

<b>Asset / Right</b>	<b>Excluded Asset To Be Distributed Under Debtors' Chapter 11 Plan</b>	<b>Excluded Asset That Shall Not Be Distributed and Shall Remain an Asset of the Estate</b>
All assets identified on the Wind-Down Budget in Section I (attached to the Settlement Agreement), which such Assets are currently estimated to be approximately \$1,376, 000.	Yes	No
Non-DSP Distribution Funds in the approximate amount of \$2,680,500.00	Yes	No
All Corporate Formation Records (as such term is defined in the Asset Purchase Agreements).	No	Yes



<b>Asset / Right</b>	<b>Excluded Asset To Be Distributed Under Debtors' Chapter 11 Plan</b>	<b>Excluded Asset That Shall Not Be Distributed and Shall Remain an Asset of the Estate</b>
All shares of capital stock or other equity interests of the Debtors or securities convertible into or exchangeable or exercisable for any such shares of capital stock or other equity interests of the Debtors.	Not Applicable. (these assets are not an asset of the estate, but, for the avoidance of doubt, such assets shall not be distributed pursuant to Section 2.19 of the Settlement Agreement, and shall be deemed an Excluded Asset).	
All Tax Returns (as such term is defined in the Asset Purchase Agreements) and Tax (as such term is defined in the Asset Purchase Agreements) records of the Debtors.	No	Yes
Any records which the Debtors are required by Law to retain in their possession.	No	Yes
Contract custodial arrangement with Wilmington Trust Company and files related thereto.	No	Yes
Contract Engagement Letter with Brooks, Pierce, McLendon, Humphrey & Leonard, L.L.P. and files related thereto	No	Yes
Contract Engagement Letter with Kaufman & Canoles and files related thereto.	No	Yes
Contract Engagement Letter with Milliman Inc. and files related thereto.	No	Yes
Contract Engagement Letter with Morrison & Heard LP and files related thereto.	No	Yes

<b>Asset / Right</b>	<b>Excluded Asset To Be Distributed Under Debtors' Chapter 11 Plan</b>	<b>Excluded Asset That Shall Not Be Distributed and Shall Remain an Asset of the Estate</b>
Contract Engagement Letter with Protiviti Inc. and files related thereto.	No	Yes
Contract Investment Management arrangement with UBS and files related thereto.	No	Yes
Contract Retention Agreement with Tavenner & Beran, PLC and files related thereto.	No	Yes
Deposits with utility providers and trade vendors estimated at approximately \$21,000.00.	Yes	No
Engagement Letter with Wells, Coleman & Company, L.L.P. and files related thereto	No	Yes
Professional fee retainer balances.	Yes	No
Representation Letter with Parrish, Houck & Snead, PLC and files related thereto.	No	Yes
All funds received by Debtors under the Station Operating Agreement (as defined in the Asset Purchase Agreements) and under the true-up agreement relating to the Asset Purchase Agreements (collectively, the "Reimbursement Proceeds") to the extent not otherwise included in Section I of the Wind-Down Budget.	Yes	No

<b>Asset / Right</b>	<b>Excluded Asset To Be Distributed Under Debtors' Chapter 11 Plan</b>	<b>Excluded Asset That Shall Not Be Distributed and Shall Remain an Asset of the Estate</b>
The Debtors' rights under the Settlement Agreement and the Asset Purchase Agreements (excluding the Reimbursement Proceeds).	No	Yes
Miscellaneous Office Equipment Purchased Post-Closing for Operations Under Station Operating Agreement and Wind-down of Estates (Purchase Value Approximately \$2,000)	No	Yes
Documents and/or electronic information that were not Newspaper Assets, Radio Assets, or Tower Assets (as defined in the Asset Purchase Agreements) and are not related to assets identified in the Wind-Down Budget as Item IV(B), Item IV(C), Item IV(D), or obligations of Mario Alfaro to the Debtors and the related Lien in favor of the Debtors on certain real property located at 2708 Lafayette Boulevard, Fredericksburg, VA 22408	No	Yes

## **V. THE DEBTORS' LIABILITIES**

### **A. SECURED CREDITORS**

As of the Petition Date, the Debtors' were indebted to DSP in the amount of \$37,905,195.83.

### **B. ADMINISTRATIVE EXPENSES**

1. Professional Fees and Expenses. Professional fees and expenses incurred by the Debtors, after approval by the Bankruptcy Court, are Administrative Expenses. Certain professional fees already have been paid pursuant to Court order and others will likely be paid

before the Effective Date. The estimated amount of professional fees to be paid is delineated on **Exhibit C** attached. The actual amount owed to professionals will depend upon the nature and extent of the matters addressed during the Case and the approval of the Bankruptcy Court.

2. Post-Petition Expenses Incurred in the Ordinary Course. Other Administrative Expenses the Debtors have incurred in this Case include payment of undisputed business expenses incurred after the Petition Date. Many of these expenses already have been paid. Attached hereto at **Exhibit C** is an estimate of amounts that will be paid to conclude the Case as provided in the Plan.

3. Administrative Tax Claims. Generally, taxes accruing after the Petition Date are Administrative Claims. Any amounts owed will be paid by the shareholders and/or members; no funds of the Estates will be necessary.

4. Other Expenses. Other expenses associated with the wind-down of the estate are identified on **Exhibit C** attached hereto.

5. Additional Asserted Administrative Claims. Nicholas Cadwallender has filed proof of claim number 42-1 asserting an administrative claim in the amount of \$21,121.42.

## **C. OBLIGATIONS TO THE PBGC**

VA Newspaper is the contributing sponsor of the Pension Plan. VA Real Estate is a wholly-owned subsidiary and controlled group member of the contributing sponsor. The Pension Plan is a defined benefit pension plan. There are approximately 466 participants in the Pension Plan. FLS has applied to PBGC for a “distress termination” of the Pension Plan. Distress termination of the Pension Plan is governed by 29 U.S.C. §1341 (also known as ERISA § 4041).

To qualify for a distress termination of the Pension Plan, the sponsor and each of its controlled group members must meet one of the three statutory financial distress tests.

VA Newspaper has applied for distress termination of the Pension Plan pursuant to the “liquidation” distress test, 29 U.S.C. § 1341(c)(2)(B)(i), under which VA Newspaper must establish that each Debtor is liquidating in a bankruptcy or insolvency proceeding that has not been dismissed as of the proposed termination date. The proposed termination date for the Pension Plan is May 15, 2014.

PBGC filed three (3) proofs of claim against each Debtor’s bankruptcy estate. PBGC’s claims are for estimated liabilities: (1) under 26 U.S.C. §§ 412 and 430, and 29 U.S.C. § 1082, 1342 and 1362(c) for unpaid minimum funding contributions to the Pension Plan; (2) under 29 U.S.C. § 1307, for unpaid flat and variable rate insurance premiums, interest, and penalties, if any, owing to PBGC, and (3) for the unfunded benefit liabilities of the Pension Plan, arising under 29 U.S.C. §§ 1362 and 1368, upon the termination date of the Pension Plan. PBGC asserts that the portion of the unpaid minimum funding contributions claim due but not made during the

180 days prior to the Petition Date are entitled to Priority Claim status under Section 507(a)(5) of the Bankruptcy Code.

Pursuant to the Settlement Agreement and Mutual Release dated July 24, 2014, by and among the Debtors, DSP, the Committee and PBGC, approved by the Court on July 31, 2014, PBGC's proofs of claim shall be allowed against each of the Debtors' bankruptcy estates as an Allowed non-priority general unsecured Claim in the amount of \$21,007,208, and as an Allowed Priority Claim, pursuant to Section 507(a)(5) of the Bankruptcy Code, in the amount of \$9,453.

Notwithstanding any provision to the contrary in the Settlement Agreement or the Plan, nothing in the Settlement Agreement or the Plan will be construed as discharging, releasing or relieving the Debtors, or any other Party or Person, in any capacity, from any liability under Title I of ERISA with respect to the Pension Plan (a "Title I Claim"). PBGC is not and will not be enjoined or precluded from seeking to collect or otherwise enforce any such liability or Title I Claim as a result of any provision of the Settlement Agreement or the Plan or any order confirming the Plan.

#### **D. PRIORITY CLAIMS**

Priority Tax Claims are those Claims for taxes entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code. The Debtors are aware of no such claims. The Bankruptcy Code provides for priority treatment of other claims as provided in section 507 of the Bankruptcy Code. The Debtors paid certain priority claims pursuant to various orders of the Bankruptcy Court. Certain individuals filed claims asserting priority treatment but, upon an initial review of said Claims, those amounts may be included as part of amounts that will be paid to the PBGC under the Settlement Agreement and the Plan. Other obligations that would constitute priority claims have been assumed by DSP in the Asset Purchase Agreements. The only other known priority claim that has been asserted is found in a proof of claim number 43-1 filed by Nicholas Cadwallender in the amount of \$12,475.00, which claim was filed after the applicable bar date for filing such claims.

#### **E. UNSECURED CLAIMS**

##### **1. VA Newspaper**

Pursuant to the Debtors' books and records, there was approximately \$622,937 of unsecured business obligations due and owing as of the Petition Date. However, pursuant to the Asset Purchase Agreements, DSP agreed to assume valid trade indebtedness up to certain caps. The Debtors believe that additional amounts owed to said creditors were paid pursuant to orders of this Court and/or through cure claims paid by DSP. Certain entities filed claims related to the purported rejection of contracts, but substantially all contracts were assumed by DSP.

Similarly, as of the Petition Date, there were amounts due and owing to the Debtors' employees. Certain of these amounts were paid by the Debtors pursuant to orders of the Bankruptcy Court. Other employee obligations have been assumed by DSP in the Asset

Purchase Agreements. The only other known asserted claim by a former employee is found in a proof of claim number 43-1 filed by Nicholas Cadwallender, which claim was filed after the applicable bar date for filing such claims.

Attached hereto at **Exhibit D** is a schedule of all unsecured claims filed in the Case. The Debtors are in the process of investigating the validity of said claims.

## 2. VA Real Estate

Pursuant to the Debtors' books and records, there was approximately \$1,386,828.95 of unsecured obligations due and owing as of the Petition Date. However, it anticipated that there will be no unencumbered assets of VA Real Estate to allow any Distribution on these amounts.

# VI. **DESCRIPTION OF THE PLAN**

## A. **TREATMENT OF CLAIMS**

The principal provisions of the Plan are summarized below. The Plan provides for six (6) classes of Claims and/or Interests as follows:

### **Class 1 – Priority Claims**

shall consist of all Priority Claims, including, but not limited to, the Allowed PBGC Priority Claim.

Each Holder of an Allowed Class 1 Priority Claim shall be paid 100% of the unpaid amount of such Allowed Claim in Cash on the Distribution Date. Any claim or demand for penalty relating to any Priority Claim consisting of taxes shall be disallowed, and the Holder of an Allowed Priority Claim for taxes shall not assess or attempt to collect such penalty from the Debtors. Notwithstanding the foregoing, the Holder of an Allowed Class 1 Priority Claim may receive such other, less favorable treatment as may be agreed upon by the claimant and the Debtors. Allowed Class 1 Priority Claims shall be paid first from the Wind-down Reserve and then, to the extent there are insufficient funds in the Wind-down Reserve, from the Unsecured Distribution Fund and then, to the extent there are insufficient funds in the Unsecured Distribution Fund, from the Non-DSP Distribution Funds.

### **Class 2 – DSP's Secured Claim**

shall consist of DSP's Secured Claim.

DSP's treatment under this section shall be in full and final satisfaction of DSP's Secured Claim:

Pursuant to the terms of the Settlement Agreement, (i) DSP's credit bid under the Asset Purchase Agreements of \$13,900,000 will be deemed applied against the DSP Allowed Claim as of the effective date of the Settlement Agreement; (ii) DSP received the Undisputed

Proceeds (as such term is defined in the Settlement Agreement) from the Sale Proceeds, which will be deemed applied against the DSP Allowed Claim as of the effective date of the Settlement Agreement, (iii) DSP received, or will receive, the sum of \$13,800,000 plus certain interest thereon (less the amount of the Undisputed Proceeds) from the Sale Proceeds, which was or will be deemed applied against the DSP Allowed Claim; (iv) all Adequate Protection Payments (as such term is defined in the Settlement Agreement) were deemed applied to the DSP Allowed Claim as of the dates they were received by DSP; (v) DSP received, or will receive, the Life Insurance Proceeds (as such term is defined in the Settlement Agreement) (less \$180,500), which was or will be deemed applied against the DSP Allowed Claim; and (vi) DSP received, or will receive, the Remaining Assets (including any and all books and records and other documents relating to the Remaining Assets).

DSP shall retain its Lien on the William Street Property until such time as such property is disposed of in accordance with the Settlement Agreement, the William Street Sale Order and the Plan. DSP shall receive the William Street Sale Proceeds or title to the William Street Property, on the terms provided in the Settlement Agreement and the William Street Sale Order, for application to the DSP Allowed Claim. In the event that the William Street Contract is terminated in accordance with its terms, if DSP shall not then have received title to the William Street Property, without further order of the Court, (i) the Debtors may abandon the William Street Property and otherwise consent to DSP exercising any remedies that it may elect solely against the William Street Property, including, without limitation, commencing a foreclosure sale, (ii) at DSP's option, in its sole discretion, the Debtors shall convey the William Street Property to DSP or its assignee free and clear of all liens, claims and encumbrances pursuant to Section 363 of the Bankruptcy Code (in which case the sum of \$2,550,000 shall be applied against the DSP Allowed Claim), DSP shall be entitled to the protections of Section 363(m) of the Bankruptcy Code as a good faith purchaser, and such conveyance shall not be subject to avoidance under Section 363(n) of the Bankruptcy Code, provided, however, DSP shall assume the Debtors' liability for all brokers' commission that may be due and shall be liable for all transfer and recordation taxes associated with such conveyance or (iii) the Debtors and DSP may agree, in their discretion, to any other, less favorable disposition of the William Street Property. Provided that the Debtors have not breached any of their obligations under the Settlement Agreement or the William Street Contract, DSP shall have no further Claim against the Estates relating to the William Street Property.

### **Class 3 – Unsecured Claims Against VA Newspaper**

shall consist of all Unsecured Claims against VA Newspaper not otherwise classified that are not cured, paid, released or waived pursuant to the Sale Order or the Plan, or classified in any other Class, including, but not limited to, the Allowed PBGC GUC.

Each Holder of an Allowed Class 3 Unsecured Claim shall receive (a) (i) a Ratable Share of Distributions from the Non-DSP Distribution Funds as and when the Plan Administrator determines, after consultation with PBGC and DSP, that there are sufficient funds in the Non-DSP Distribution Funds to justify a Distribution to Holders of Class 3 Claims and (ii) a Ratable Share of fifty percent (50%) of Distributions from the Unsecured Distribution Fund as and when the Plan Administrator determines, after consultation with PBGC and DSP, that there

are sufficient funds in the Unsecured Distribution Fund to justify a Distribution to Holders of Class 3 Claims; or (b) such other, less favorable treatment as shall be agreed upon by the Holder of such Claim and the Debtor. Distributions to Holders of Allowed Class 3 Unsecured Claims shall be made only from the Non-DSP Distribution Funds and the Unsecured Distribution Fund.

#### **Class 4 – DSP’s Deficiency Claim Against VA Newspaper**

shall consist of DSP’s Deficiency Claim against VA Newspaper.

On account of DSP’s Deficiency Claim against VA Newspaper, DSP shall receive fifty percent (50%) of Distributions from the Unsecured Distribution Fund as and when the Plan Administrator, after consultation with PBGC and DSP, determines that there are sufficient funds in the Unsecured Distribution Fund to justify a Distribution.

#### **Class 5 – Unsecured Claims Against VA Real Estate**

shall consist of all Unsecured Claims against VA Real Estate not otherwise classified that are not cured, paid, released or waived pursuant to the Sale Order or the Plan, or classified in any other Class, including, but not limited to, the Allowed PBGC GUC and DSP’s Deficiency Claim against VA Real Estate.

It is not anticipated that there will be unencumbered assets of VA Real Estate to allow any Distribution to Holders of Allowed Class 5 Unsecured Claims. Accordingly, Holders of Class 5 Claims will not receive any Distribution under the Plan.

#### **Class 6 – Interests**

shall consist of all Interests in the Debtors as of the Effective Date.

No Holder of an Interest shall be entitled to any Distribution under the Plan. In accordance with Section 6.4 of the Plan, (i) upon the Effective Date, all Interests in VA Real Estate shall be cancelled, and (ii) upon the occurrence of the Secondary Closing, all Interests in VA Newspaper shall be cancelled.

Pursuant to section 1126(f) of the Bankruptcy Code, Holders of unimpaired Claims shall be deemed to have accepted the Plan. The Holders of Administrative Claims, Priority Claims and Fee Claims are not impaired classes under the Plan, and accordingly, they are conclusively presumed to have accepted the Plan.

**Administrative Claims** - Subject to the terms of Section 6.16 of the Plan and unless (a) otherwise provided for herein or (b) the Holder of an Allowed Administrative Claim agrees to receive other, less favorable treatment, each Holder of an Allowed Administrative Claim shall be



paid 100% of the unpaid allowed amount of such Administrative Claim in Cash on the Distribution Date. Notwithstanding the immediately preceding sentence, United States Trustee Fees shall be paid in accordance with the applicable schedule for payment of such fees. Allowed Administrative Claims shall be paid first from the Wind-down Reserve and then, to the extent there are insufficient funds in the Wind-down Reserve, from the Unsecured Distribution Fund and then, to the extent there are insufficient funds in the Unsecured Distribution Fund, from the Non-DSP Distribution Funds.

**Fee Claims** - Each Holder of an Allowed Fee Claim shall receive 100% of the unpaid allowed amount of such Claim in Cash on the Distribution Date. Notwithstanding the foregoing, the Holder of an Allowed Fee Claim may receive such other, less favorable treatment as may be agreed upon by the claimant and the Debtors. Allowed Fee Claims shall be paid first from the Wind-down Reserve and then, to the extent there are insufficient funds in the Wind-down Reserve, from the Unsecured Distribution Fund and then, to the extent there are insufficient funds in the Unsecured Distribution Fund, from the Non-DSP Distribution Funds.

## **B. EXPECTED DISTRIBUTIONS**

Based upon the foregoing, it is anticipated that there will be funds available for distribution on unsecured claims of VA Newspaper other than DSP's Deficiency Claim against VA Newspaper as delineated on **Exhibit C** attached hereto.

## **VII. PLAN IMPLEMENTATION**

### **Settlement Agreement**

The terms and provisions of the Settlement Agreement are incorporated in the Plan in their entirety, regardless of whether any such term or provision is specifically referenced in the Plan. The terms and provisions of the Settlement Agreement are binding on, and shall be performed by, the Debtors, their estates, the post-confirmation Debtors and the Plan Administrator on behalf of the Debtors and their estates. In the event of any inconsistency between the provisions of the Plan and the provisions of the Settlement Agreement, the provisions of the Settlement Agreement shall control.

### **Post-Confirmation Debtors**

**VA Real Estate.** On the Effective Date, any assets of VA Real Estate, which are Excluded Assets, shall be used first to pay Allowed Administrative Claims of VA Real Estate and Allowed Priority Claims of VA Real Estate and any assets remaining shall be transferred to the Wind-down Reserve in consideration of VA Newspaper having heretofore paid all expenses of the administrations of both Debtors' Estates. VA Real Estate shall then be deemed dissolved for all purposes, without the necessity for any other or further actions to be taken by or on behalf of VA Real Estate or payments to be made in connection therewith. After the Effective Date,

VA Real Estate shall have no liability to Holders of Claims or Interests other than as provided for in the Plan.

VA Newspaper. VA Newspaper shall continue to exist after the Effective Date in accordance with the laws of the Commonwealth of Virginia and pursuant to VA Newspaper's certificate of incorporation and by-laws, except to the extent such documents are amended under the Plan, for the limited purpose of, and to the extent necessary, holding the FCC Licenses, performing under the Station Operating Agreement, satisfying the conditions necessary to achieve Secondary Closing, and administering the winding-up of the affairs of VA Newspaper Debtor Co. under the Plan. Prior to achieving Secondary Closing, VA Newspaper shall continue to control the FCC Licenses. After the Effective Date, VA Newspaper shall have no liability to Holders of Claims or Interests other than as provided for in the Plan.

### **Substantive Consolidation**

The Plan does not provide for the substantive consolidation of the Debtors and, after the Effective Date, parties in interest shall be barred from seeking to substantively consolidate the Debtors.

### **Succession by Plan Administrator**

VA Real Estate. Upon the Effective Date, all Interests in VA Real Estate shall be cancelled and the members of VA Real Estate shall be deemed to have resigned, and the Plan Administrator shall be deemed appointed sole member and manager of VA Real Estate and shall succeed to all such powers as would have been applicable to VA Real Estate. The Plan Administrator shall be authorized to take all steps necessary to wind-down the affairs of VA Real Estate. Following the Effective Date, the Plan Administrator may take actions in the name of VA Real Estate irrespective of the dissolution of VA Real Estate.

VA Newspaper. Upon the Effective Date and prior to achieving Secondary Closing, the Plan Administrator shall have the authority to act on behalf of VA Newspaper in exercising his or her powers under Section 6.6 of the Plan subject to (a) reporting to and receiving direction from the board of directors pursuant to requisite corporate authority and (b) consulting with the PBGC as provided herein. Following the achievement of Secondary Closing, all Interests in VA Newspaper shall be cancelled and the members of the board of directors and the officers of VA Newspaper shall be deemed to have resigned. The Plan Administrator shall be deemed appointed the sole director and officer of VA Newspaper and shall succeed to all such powers as would have been applicable to VA Newspaper, and the Plan Administrator shall be authorized to take all steps necessary to wind-down the affairs of VA Newspaper. Following the achievement of Secondary Closing, the Plan Administrator may take actions in the name of VA Newspaper irrespective of the dissolution of VA Newspaper.

### **Appointment of the Plan Administrator**

Subject to the approval of the Court pursuant to the Confirmation Order, Florence C. Barnick shall be the Plan Administrator. The Plan Administrator shall have and perform the

duties, responsibilities, rights and obligations and shall be entitled to reasonable compensation as set forth in the Plan.

### **Powers and Obligations of the Plan Administrator**

The Plan Administrator shall succeed to all rights of the Debtors, as and when provided in Section 6.4 of the Plan, necessary to effectuate a wind-down of the Debtors' affairs. In addition, the Plan Administrator shall have the exclusive power, subject to requisite corporate governance and in consultation with PBGC, and following the achievement of Secondary Closing, in consultation with PBGC and DSP, to implement the Plan and prosecute, defend, compromise, settle and otherwise deal with all Litigation Claims without further Court approval, subject to the terms and conditions of the Plan and the Confirmation Order including, without limitation:

- (a) To perform and implement the Settlement Agreement;
- (b) To perform and implement the Asset Purchase Agreements, and all ancillary agreements entered into in connection therewith, including, without limitation, the Station Operating Agreement;
- (c) To perform and implement the William Street Sale Order;
- (d) To maintain accounts, make Distributions and take other actions consistent with the Plan and the implementation of the Plan, including the establishment, re-evaluation, adjustment and maintenance of appropriate reserves in the name of the Plan Administrator;
- (e) To collect and liquidate, without further Court approval, the assets of the Debtors in accordance with the Plan and the Settlement Agreement for the purpose of winding-up of the affairs of VA Real Estate Debtor, LLC and, after the occurrence of Secondary Closing, to administer the winding-up of the affairs of VA Newspaper Debtor Co.;
- (f) To object to any Claims (Disputed or otherwise), including as discussed in Article 9.1 of the Plan, and to compromise or settle any Claims prior to objection without supervision or approval of the Court, free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the guidelines and requirements of the United States Trustee, other than those restrictions expressly imposed by the Plan or the Confirmation Order, and/or to seek Court approval for any Claims settlements made after objection; provided, however, that any compromise or settlement of a Claim in excess of \$10,000 shall only be authorized upon 10-days' prior written notice to DSP and PBGC (with any objection by DSP or PBGC to be resolved by the Court after notice and a hearing if such objection is not resolved by agreement of the parties), and any compromise or settlement of a Claim in excess of \$25,000 shall require application to the Court for approval of such compromises;
- (g) To make decisions, without further Court approval, but after consultation with PBGC and following achievement of Secondary Closing after consultation with PBGC and DSP, regarding the retention or engagement of professionals, employees and consultants by the Plan Administrator and, subject to 10-days' prior written notice to DSP and

PBGC (with any objection by DSP or PBGC to be resolved by the Court after notice and a hearing if such objection is not resolved by agreement of the parties), to pay from the Wind-down Reserve, subject to the limitations in Section 10.1 of the Plan, the fees and charges incurred by the Plan Administrator on or after the Effective Date for such professionals, employees and consultants relating to the winding down of the Debtors and implementation of the Plan;

(h) To seek a determination of tax liability under section 505 of the Bankruptcy Code and to pay taxes, if any, related to the Debtors' assets;

(i) To take all other actions not inconsistent with the provisions of the Plan and the Settlement Agreement that the Plan Administrator deems reasonably necessary or desirable with respect to administering the Plan;

(j) To make all Distributions to Holders of Allowed Claims provided for or contemplated by the Plan; provided, however, that no Distributions shall be made on any Claim not already an Allowed Claim pursuant to a Final Order until expiration of the period provided under the Plan for objecting to Claims unless such Distribution is agreed to by the Plan Administrator, in consultation with PBGC and following achievement of Secondary Closing after consultation with PBGC and DSP;

(k) To invest Cash in accordance with the Plan;

(l) To enter into any agreement or execute any document required by or consistent with the Plan and perform all obligations thereunder;

(m) To abandon in any commercially reasonable manner, including abandonment or donation to a charitable organization of the Plan Administrator's choice, any assets if he or she concludes that they are of no benefit to the Estates; provided, however, that the abandonment of any asset shall be upon no less than 10-days' prior written notice to DSP and PBGC (with any objection by DSP or PBGC to be resolved by the Court after notice and a hearing if such objection is not resolved by agreement of the parties);

(n) To preserve documents of the Debtors as necessary for the pursuit of Litigation Claims and as necessary to wind down the affairs of the Debtors, and to abandon and/or destroy documents upon a determination by the Plan Administrator, after consultation with PBGC and following the achievement of Secondary Closing after consultation with PBGC and DSP, that the documents are no longer necessary or beneficial to the Estates;

(o) To prosecute and/or settle Litigation Claims and, upon 10-days' prior written notice to PBGC and following the achievement of Secondary Closing upon 10-days' prior written notice to with PBGC and DSP (with any objection by DSP or PBGC to be resolved by the Court after notice and a hearing if such objection is not resolved by agreement of the parties), exercise, participate in or initiate any proceeding before the Court or any other court of appropriate jurisdiction and participate as a party or otherwise in any administrative, arbitral or other non-judicial proceeding and litigate or settle such Litigation Claims, and pursue such actions to settlement or judgment;

(p) To purchase and maintain all insurance policies and pay all insurance premiums and costs the Plan Administrator deems necessary or advisable; and

(q) To implement and/or enforce all provisions of the Plan.

### **Retention of Professionals and Other Persons**

The Plan Administrator shall be authorized, subject to Section 6.6(f) of the Plan, to retain and pay professionals and such other persons the Plan Administrator determines in his or her sole discretion to be necessary to carry out his or her duties and responsibilities, or otherwise to accomplish the purposes of the Plan and the Confirmation Order. The Plan Administrator shall have the right to pay the professionals from the Wind-down Reserve and, to the extent there are insufficient funds in the Wind-down Reserve, from the Unsecured Distribution Fund and, to the extent there are insufficient funds in the Unsecured Distribution Fund, from the Non-DSP Distribution Funds.

### **Creditors' Committee**

On the Effective Date, the Creditors' Committee will be deemed dissolved and cease to exist. The dissolution of the Creditors' Committee under this Section shall not prevent any professional from filing a Fee Claim for service provided to the Creditors' Committee.

### **Resignation, Death or Removal of Plan Administrator**

The Plan Administrator may resign at any time upon thirty (30) days' written notice to the Court and PBGC, and following achievement of Secondary Closing upon thirty (30) days' written notice to the Court, PBGC and DSP. Such resignation may become effective prior to the expiration of such thirty (30) days' notice period upon appointment by the Court of a permanent or interim successor Plan Administrator. The Plan Administrator may be removed by the Court for cause upon motion filed by PBGC or DSP. Any successor Plan Administrator, including upon the death of the Plan Administrator, shall be (i) appointed by the Court upon motion filed by PBGC or DSP, and (ii) acceptable to PBGC and, following achievement of Secondary Closing, DSP.

### **Plan Administrator Standard of Care; Exculpation**

Neither the Plan Administrator, nor his or her professionals or other representatives, shall be personally liable, in connection with implementing the terms of the Plan, to any Holder or any other Person, except for such acts or omissions which shall constitute willful misconduct or gross negligence. The Plan Administrator is entitled to rely upon and shall have no liability in relying upon the advice of professionals retained by the Plan Administrator.

### **Indemnification**

Except as otherwise set forth in the Plan, the Plan Administrator and any Person retained or employed by the Plan Administrator shall be defended, held harmless and indemnified from time to time by the Estates against any and all losses, claims, expenses and liabilities to which such indemnified parties may be subjected by reason of such indemnified party's performance of

duties pursuant to the discretion, power and authority conferred on such Person by the Plan or the Confirmation Order; provided, however, that the indemnification obligations arising pursuant to this section shall not indemnify either the Plan Administrator or any Person retained or employed by the Plan Administrator, for any actions taken by such persons which constitute willful misconduct, or gross negligence.

### **Investments**

All Cash held by the Plan Administrator shall be invested (a) in accordance with section 345 of the Bankruptcy Code or as otherwise permitted by a Final Order of the Court and (b) as deemed appropriate by the Plan Administrator after consultation with PBGC and following the achievement of Secondary Closing after consultation with PBGC and DSP.

### **Employee Programs**

From and after the Effective Date, to the extent not earlier terminated in accordance with their terms or any prior orders of the Court, the Employee Programs shall be deemed terminated in accordance with their terms with no further action required by the Debtors, and to the extent any of such Employee Programs constitute distinct executory contracts with individual employees or otherwise, such contracts shall be deemed rejected in accordance with Section 8.1 of the Plan.

### **Exemption from Certain Transfer Taxes**

Pursuant to section 1146(a) of the Bankruptcy Code, the sale of any assets of the Debtors, including any deeds, bills of sale or assignments executed in connection with this Plan or the Confirmation Order, shall not be subject to any stamp tax, transfer tax, intangible tax, recording fee, or similar tax, including, but not limited to, any conveyances of property by any of the Debtors, the Plan Administrator, or DSP on or after the Effective Date under the William Street Sale Contract, the William Street Sale Order, or Section 5.1 of the Plan.

### **Setoffs**

Except as otherwise provided in the Plan, the Confirmation Order, or in agreements previously approved by Final Order of the Court, the Debtors, or the Plan Administrator may, pursuant to applicable law (including section 553 of the Bankruptcy Code), offset against any Claim, including an administrative expense of the Debtors, before any Distribution is made on account of such Claim, any and all of the claims, rights and causes of action of any nature that the Debtors or the Plan Administrator may hold against the Holder of such Claim; provided, however, that neither the failure to effect such a setoff, the allowance of any Claim hereunder, any other action or omission of the Debtors or the Plan Administrator, nor any provision of the Plan shall constitute a waiver or release by the Debtors or the Plan Administrator of any such claims, rights and causes of action that the Debtors or the Plan Administrator may possess against such Holder.

### **Withdrawal of Plan**

The Plan Proponents reserve the right, in the exercise of their reasonable discretion, to revoke and withdraw or modify the Plan at any time prior to the Confirmation Date or, if the Debtors are for any reason unable to consummate the Plan after the Confirmation Date, at any time up to the Effective Date. If the Plan Proponents revoke or withdraw the Plan, (a) nothing contained in the Plan shall be deemed to constitute a waiver or release of any claims by or against the Debtors or to prejudice in any manner the rights of the Debtors or any Person in any further proceeding involving the Debtors and (b) the result shall be the same as if the Confirmation Order were not entered, the Plan was not filed and the Effective Date did not occur. In the event the Creditors' Committee is disbanded prior to the Confirmation Date, the Plan shall not be deemed withdrawn solely as a result of such disbandment, and the Debtors may continue to pursue confirmation of the Plan in their sole discretion.

### **Wind-down Reserve**

As further set forth in the Plan, the Plan Administrator shall pay from the Wind-down Reserve the costs of administering the Plan, and all Allowed Administrative Claims, Allowed Priority Claims, and Allowed Fee Claims. To the extent the Plan Administrator determines that funds allocated to the Wind-down Reserve are insufficient for such purposes, Net Proceeds or funds from the Unsecured Distribution Fund, to the extent necessary for such purposes, shall be allocated to the Wind-down Reserve. After all costs associated with the Wind-down Reserve have been paid and/or upon the reasonable determination of the Plan Administrator that the funds in the Wind-down Reserve exceed the amounts necessary to pay the foregoing amounts, the remaining or excess funds, as applicable, in the Wind-down Reserve shall be deposited into the Unsecured Distribution Fund. For the purposes of clarity, except as provided in Article 4 of the Plan no amounts from the Non-DSP Distribution Funds shall be allocated to the Wind-down Reserve.

### **Insurance Preservation**

Nothing in the Plan, including any releases, shall diminish or impair the enforceability of any insurance policies that may cover claims against the Debtors or any other Person.

## **VIII. RELEASES AND INJUNCTIONS**

### **A. EXCULPATION**

**The Plan provides for certain exculpations. Specifically, the Plan provides:**

**The Debtors, the Released Parties, the Plan Administrator, the Creditors' Committee and members thereof (in their capacity as such, and specifically excluding any member of the Creditors' Committee as a vendor of, or in similar relationship or capacity to, the Debtors) and any property of or professionals retained by such parties, or**

direct or indirect predecessor in interest to any of the foregoing Persons, shall not have or incur any liability to any Person for any act taken or omission in connection with, related to or arising out of the Case, including but not limited to (i) formulating, preparing, disseminating, implementing, confirming, consummating or administering this Plan (including soliciting acceptances or rejections thereof if necessary); (ii) the Disclosure Statement, or any contract, instrument, release or other agreement or document entered into or any action taken or not taken in connection with this Plan; or (iii) any Distributions made pursuant to this Plan, except for acts constituting willful misconduct or gross negligence, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan.

#### **B. CERTAIN MUTUAL RELEASES**

The Plan provides for certain releases. Specifically, the Plan provides:

The Debtors hereby waive, release and discharge all Released Parties from any claim (as such term “claim” is defined in section 101(5) of the Bankruptcy Code), except for claims based upon willful misconduct or gross negligence, arising from the Petition Date through the Effective Date related to such party’s acts or omissions to act (including, but not limited to, any claims arising out of any alleged fiduciary or other duty) as an officer, director, employee, agent, representative, attorney, accountant, financial advisor or other professional of the Debtors or the Creditors’ Committee, in that capacity. Any such release shall additionally act as an injunction against any claimant or equity interest holder of the Debtors from commencing or continuing any action, employment of process or act to collect, offset or recover any claim that is so released.

The Plan also provides as follows:

Each of the releases in Article III of the Settlement Agreement is reaffirmed in its entirety, with effect as of the Effective Date, and the Confirmation Order shall so provide.

#### **C. INJUNCTION AS TO DEBTORS**

The Plan provides for certain injunctions. Specifically, the Plan provides:



**The Confirmation Order shall provide, among other things, that all Persons who have held, hold or may hold Claims against or Interests in the Debtors are, with respect to any such Claims or Interests, permanently enjoined from and after the Confirmation Date from taking any of the following actions (other than actions to enforce any rights or obligations under this Plan): (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtors, the Plan Administrator or any of their property; (ii) enforcing, levying, attaching (including any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Debtors, the Plan Administrator or any of their property; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Plan Administrator or any of their property; (iv) asserting any right of setoff, directly or indirectly, against any obligation due the Debtors, the Plan Administrator or any of their property, except as contemplated or allowed by this Plan; (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of this Plan; and (vi) prosecuting or otherwise asserting any right, claim or cause of action released pursuant to this Plan. The injunction provided for in this section shall be limited in all respects to the breadth of the releases granted in this Plan.**

#### **D. CARVE-OUT FROM RELEASES, DISCHARGE AND INJUNCTION**

The Plan provides for a carve-out from releases, discharge and injunction for the PBGC. Specifically, the Plan provides:

Notwithstanding any provision to the contrary in the Settlement Agreement or the Plan, nothing in the Settlement Agreement or the Plan will be construed as discharging, releasing or relieving the Debtors, or any other Person, in any capacity, from any liability under Title I of ERISA with respect to the Pension Plan (a "Title I Claim"). PBGC is not and will not be enjoined or precluded from seeking to collect or otherwise enforce any such liability or Title I Claim as a result of any provision of the Settlement Agreement, the Plan or the Confirmation Order.

#### **IX. ALTERNATIVES TO THE PLAN**

## **A. BEST INTEREST OF CREDITORS**

The Debtors and Creditors' Committee have proposed a Plan which is consistent with the Settlement Agreement and provides a mechanism for them to maximize the value of assets (while adhering to the Bankruptcy Code and Bankruptcy Rules). Accordingly, the Debtors and the Creditors' Committee believe the Plan is in the best interest of creditors and other parties-in-interest.

## **B. HYPOTHETICAL LIQUIDATION ANALYSIS**

Section 1129(a)(7)(A)(ii) of the Bankruptcy Code requires that Holders of Claims that are Impaired under the Plan who do not vote for the Plan must receive property under the Plan worth, as of the Effective Date, at least as much as the amount they would receive if the Debtors liquidated in a Chapter 7 bankruptcy. The Debtors and the Creditors' Committee believe that the distribution under its Plan is preferable to the distribution creditors would receive if the Debtors' Estates were liquidated under Chapter 7.

In a hypothetical Chapter 7, if estate property has equity, the Chapter 7 Trustee would first reduce said property to Chapter 7 proceeds. The first question a Chapter 7 Trustee would ask is whether there is sufficient equity in the property to justify his or her administration of the property. In making a decision not to abandon the property and instead to administer it, the Chapter 7 Trustee would have to be confident that he or she could obtain more than the value of the secured claims on the property after paying the operating costs and costs of sale.

A Chapter 7 Trustee is charged under Bankruptcy Code section 704(1) to perform his or her duties expeditiously. If the Chapter 7 Trustee concludes that he or she should liquidate rather than abandon the property, a Trustee would be under a duty to liquidate the property expeditiously.

Once the estate property is liquidated, the Chapter 7 Trustee would then be required to pay the Chapter 7 proceeds in the order outlined below, subject to the terms of the Settlement Agreement, which is binding on any Chapter 7 Trustee. If the Chapter 7 proceeds were insufficient to satisfy each category of Claims, the Chapter 7 proceeds would be shared pro rata by the claimants in that category, subject to the terms of the Settlement Agreement:

1. The costs of preserving and liquidating the assets;
2. Allowed Claims secured by the property that was sold, including principal and accrued interest when the value of the collateral exceeds the amount of the secured claim. To the extent that a secured creditor is not paid in full from the sale of its collateral, the balance of the claim would be an unsecured claim;
3. The costs and expenses of the Chapter 7 proceeding. These costs and expenses may include:
  - a. paying professionals to file contested matters with the Bankruptcy Court, to obtain required approval, to prepare and file income tax returns, to

- make reports to governmental agencies and to perform other acts for which their employment has been approved;
- b. paying tax liabilities incurred by the estate; and
- c. paying the expenses and fees of the Chapter 7 Trustee;
- 4. Unpaid expenses incurred by the debtor during the Chapter 11 case, including:
  - a. paying professionals to file contested matters with the Bankruptcy Court, to obtain required approvals, to prepare and file income tax returns, to make reports to governmental agencies and to perform other acts for which their employment has been approved;
  - b. paying tax liabilities incurred by the estates, and
  - c. compensation for the court-approved fees of attorneys and other professionals;
- 5. Priority Claims; and
- 6. Unsecured Claims, including the unsecured claims arising from the rejection of the Debtors' executory contracts and unexpired leases of business personal property.

In this instance, a Chapter 7 Trustee likely would retain professionals to proceed under the framework outlined in the Settlement Agreement. The Trustee would either retain the same professionals and/or engage new professionals who would have to evaluate and assist the Trustee in implementing the framework established in the Settlement Agreement. This would entail additional administrative expenses. The Chapter 7 Trustee also would be entitled to a commission for his/her services. Under the current circumstances, there likely would not be any offsetting cost savings under Chapter 7. Based upon the forgoing, the Debtors and the Creditors' Committee believe that the distribution under this liquidating Plan is greater, and therefore preferable, to the distribution creditors would receive if the Debtors' Estates were liquidated under Chapter 7.

#### **X. TAX CONSEQUENCES OF THE PLAN**

The federal income tax consequences of the Plan are complex and subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel concerning same. In addition, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular creditor in light of its individual circumstances or to certain types of Holders subject to special treatment under the federal income tax laws. There also may be state, local or other tax considerations applicable to each Holder.

**ACCORDINGLY, EACH HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO IT UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.**

## **XI. CONFIRMATION PROCEDURES**

### **A. CONFIRMATION HEARING**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing to determine whether a plan should be confirmed. A Hearing on Confirmation of the Plan will be scheduled and notice thereof will be circulated in accordance with the Bankruptcy Code and Bankruptcy Rules. The Hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the Hearing.

### **B. OBJECTIONS TO CONFIRMATION**

All objections to Confirmation of the Plan will be heard at the Confirmation Hearing. Bankruptcy Rules 3020 and 9014 govern objections to Confirmation of the Plan. Any Objection to Confirmation of the Plan must be made in writing, filed with the Court and served upon the following parties within five (5) Business Days before the Hearing on Confirmation:

Lynn L. Tavenner, Esquire  
Tavenner & Beran, PLC  
20 North Eighth Street, Second Floor  
Richmond, VA 23219  
Telephone: (804) 783-8300  
Telecopy: (804) 783-0178

Tyler Brown, Esq  
Hunton & Williams LLP  
Riverfront Plaza, East Tower  
951 East Byrd Street  
Richmond, VA 23219  
Telephone: (804) 788- 8674  
Facsimile: (804) 788- 8218

Robert B. Van Arsdale, Esquire  
Office of the United States Trustee  
701 East Broad Street, Suite 4304  
Richmond, Virginia 23219  
Telephone: (804) 771-8004

**UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

### **C. REQUIREMENTS FOR CONFIRMATION OF THE PLAN**

Statutory Requirements. At the Confirmation Hearing, the Court must determine whether the Plan meets the requirements for Confirmation set forth in section 1129(a) of the Bankruptcy Code. The Debtors believe that the Plan satisfies, or will satisfy, all the statutory requirements of

section 1129(a) of the Bankruptcy Code. The requirements of Bankruptcy Code section 1129(a) are as follows:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The proponent of the Plan complies with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made by the proponent, the Debtor, or a person issuing securities or acquiring property under the Plan, for services or costs and expenses in or in connection with the case, or in connection with the Plan and incident to the case, has been approved by or is subject to the approval of the Bankruptcy Court as reasonable.
5. (A) (i) the proponent of the Plan has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor or a successor to the Debtor under the Plan; and  
(ii) the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity security holders and with public policy, and  
(B) The proponent of the Plan has disclosed the identity of any Insider that will be employed or retained by the Reorganized Debtor, and the nature of any compensation for such Insider.
6. Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtor has approved any rate change provided for in the Plan, or such rate changes expressly conditioned on such approval.
7. With respect to each Impaired class of Claims or interest:
  - (A) each Holder of a Claim or interest of such class –
    - i. has accepted the Plan; or
    - ii. will receive or retain under the Plan on account of such Claim or interest property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would so receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date; or
  - (B) If § 1111(b)(2) of the Bankruptcy Code applies to the Claims of such class, each Holder of a Claim of the class will receive or retain under the Plan on account of such Claim, Property of a value, as of the Effective Date of the Plan,

that it is not less than the value of such Holder's interest in the property that secures such Claims.

8. With respect to each class of Claims or interest –

(A) the Class has accepted the Plan; or

(B) the Class is not Impaired under the Plan.

9. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that:

(A) with respect to a Claim of a kind specified in §§ 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the Effective Date of the Plan, the Holder of such Claim will receive on account of such Claim cash equal to the Allowed amount of such Claim;

(B) with respect to a class of claims of a kind specified in §§ 507(a)(3), 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive:

i. If such class has accepted the Plan, deferred cash payments of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim; or

ii. If such class has not accepted the Plan, cash on the Effective Date of the Plan equal to the Allowed amount of such Claim; and

(C) Priority Claims must be paid in full in the amount of the Allowed Priority Claims in not less than equal quarterly payments within five (5) years from the date of the order for relief and in a manner not less favorable than junior classes.

10. If a class of Claims is Impaired under the Plan, at least one class of Claims that is Impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any Insider.

11. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

12. All fees payable under 28 U.S. C. § 1930 as determined by the Bankruptcy Court at the hearing on Confirmation of the Plan, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

13. The Plan provides for the continuation after its effective date of payment of all retiree benefits as that term is defined in § 1114 of the Bankruptcy Code at the level established pursuant to Subsection (e)(1)(B) or (g) of § 1114 of the Bankruptcy Code, at any time prior to confirmation of the Plan, for the duration of the period the Debtor has

obligated itself to provide such benefits.

Acceptance of the Plan. The Bankruptcy Code defines acceptance of a Plan by a class of Claims as acceptance by Holders of at least two-thirds in dollar amount and a majority in number of Claims in that class that actually cast Ballots for acceptance or rejection of the Plan. Only the classes of Claims that are Impaired under a Plan are entitled to accept or reject the Plan. A class is “Impaired” if legal, equitable or contractual rights attaching to the Claims or interests in that class are modified. Acceptance by a class of equity interest holders is defined as acceptance by Holders of Interests with at least two-thirds in dollar amount, counting only those Holders of Interests who cast Ballots.

Non-Acceptance and “Cram Down.” Even if a class of Impaired Claims or Interests does not accept the Plan, the Debtors have the right to request that the Plan be confirmed pursuant to section 1129(b) of the Bankruptcy Code, the “Cram Down” provision. As long as one Impaired class votes in favor of the Plan, the Court may confirm the Plan if the Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each rejecting class. A plan “does not discriminate unfairly” within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its Claims and Interests. “Fair and equitable” has different meanings with respect to the treatment of Secured and Unsecured Claims as well as the treatment of Interests. In general, section 1129(b) establishes that the treatment of classes of Claims and Interests is fair and equitable as long as all junior classes are treated in accordance with the “absolute priority” rule, which requires that each dissenting class be paid in full before a junior class receives anything under the Plan.

## **XII. VOTING PROCEDURES AND REQUIREMENTS**

### **A. CONFIRMATION THROUGH VOTING**

The Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan (i) is accepted by all Impaired classes of Claims entitled to vote or, if rejected by an Impaired class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such class and as to the Impaired classes of Claims and Interests that are deemed to reject the Plan, (ii) is feasible, and (iii) is in the “best interests” of the Holders of Claims and Interests Impaired under the Plan.

### **B. BALLOTS**

Creditors entitled to vote will receive Ballots on which to record their acceptances or rejections of the Plan. You must complete your Ballot and return it to counsel for the Debtors who will tally the votes and report the results to the Court at the Hearing on Confirmation of the Plan. Please complete the Ballot sent to you with this Disclosure Statement, sign the original, and return it to counsel for the Debtors by the deadline set forth on the Ballot. **If no members of a class tender a vote, that class will be deemed to accept their treatment.**

### C. ENTITLEMENT TO VOTE

A Holder of a Claim against the Debtors is entitled to vote to accept or reject the Plan only if:

- (1) The Bankruptcy Court has not previously disallowed the Claim;
- (2) The Claim is Impaired under the Plan; and
- (3) The Claim is not of a class that is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code;

And either:

- a. The Debtor has not scheduled the Claim as being Disputed, Contingent or Unliquidated; or
- b. The Holder of the Claim has filed a Proof of Claim or interest on or before the last date set by the Bankruptcy Court for such filing.

Any Claim to which an objection has been filed is not entitled to vote unless the Bankruptcy Court temporarily allows such Claim in an amount that it deems proper for the purpose of voting on the Plan. In addition, a vote may be disregarded if the Bankruptcy Court determines that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

### D. EFFECT OF FAILURE TO VOTE

If a creditor or Holder of an interest does not return a fully completed Ballot within the specified time to the Debtors' attorneys, neither the creditor nor the amount of its Claim or the amount of the Holder's interest is counted to determine acceptance or rejection of the Plan. If you are entitled to vote and do not, the Ballots will be tallied as though you do not exist. **If no members of a class tender a vote, that Class will be deemed to accept their treatment.**



### **XIII. RECOMMENDATION AND CONCLUSION**

The Debtors and the Creditors' Committee believe that the Plan is in the best interest of all creditors. Accordingly, **the Debtors and the Creditors' Committee urge Holders of Impaired Claims to vote to accept the Plan and to return their Ballots with all due speed.**

Dated: September 29, 2014

By: /s/ Paula S. Beran  
Counsel

Lynn L. Tavenner (Va. Bar No. 30083)  
Paula S. Beran (Va. Bar No. 34679)  
Tavenner & Beran, PLC  
20 North Eighth Street, Second Floor  
Richmond, Virginia 23219  
Telephone: (804) 783-8300  
Telecopy: (804) 783-0178  
*Counsel for the Debtors*

By: /s/ Justin F. Paget  
Counsel

Tyler P. Brown, Esq. (VSB No. 28072)  
Jason W. Harbour, Esq. (VSB No. 68220)  
Justin F. Paget, Esq. (VSB No. 77949)  
HUNTON & WILLIAMS LLP  
Riverfront Plaza, East Tower  
951 East Byrd Street  
Richmond, Virginia 23219-4074  
Tel: (804) 788-8200  
Fax: (804) 788-8218  
*Counsel for Creditors' Committee*