

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re:)	Chapter 11
Philadelphia Newspapers, LLC, <i>et al.</i> , ¹)	Case No. 09-11204 (JKF)
Debtors.)	Jointly Administered

**THIRD INTERIM ORDER (A) AUTHORIZING THE DEBTORS TO USE
CASH COLLATERAL OF EXISTING SECURED LENDERS AND GRANTING
ADEQUATE PROTECTION FOR USE AND (B) PRESCRIBING THE FORM
AND MANNER OF NOTICE AND SETTING THE TIME FOR THE FINAL HEARING**

This matter came before the Court on the motion (the "Motion") of the above-captioned debtors (the "Debtors") for interim and final orders pursuant to 11 U.S.C. §§ 105, 361 and 363 and Fed. R. Bankr. P. 4001 and 9014, (a) authorizing the Debtors to use the cash collateral of existing secured lenders and granting adequate protection to existing secured lenders for the use of their cash collateral and (b) prescribing the form and manner of notice and setting the time for the final hearing (the "Final Hearing") on the Motion. Upon review of the Motion and the Thayer Declaration² and based upon the evidence presented to this Court at the interim hearing (the "Interim Hearing") on the Motion, the Court hereby makes the following findings of fact and conclusions of law:

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: PMH Acquisition, LLC (1299), Broad Street Video, LLC (4665), Philadelphia Newspapers, LLC (3870), Philadelphia Direct, LLC (4439), Philly Online, LLC (5185), PMH Holdings, LLC (1768), Broad Street Publishing, LLC (4574) and Philadelphia Media, LLC (0657).

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

A. Adequate and sufficient notice of the Motion and the Interim Hearing has been provided to all persons entitled thereto pursuant to Rules 2002 and 4001 of the Bankruptcy Rules. No further notice of the Motion is necessary.

B. This matter constitutes a "core proceeding" within the meaning of 28 U.S.C. § 157.

C. This Court has jurisdiction over the parties and the subject matter of this proceeding pursuant to 28 U.S.C. §§ 1334 and 157.

D. On February 22, 2009 (the "Petition Date"), the Debtors commenced these voluntary cases (the "Cases") by the filing of petitions for relief under chapter 11 of the Bankruptcy Code.

E. The Debtors continue in possession of their properties and continue to operate their respective businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

F. On March 2, 2009, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee") in these Cases.

The Prepetition Secured Debt

G. Debtor Philadelphia Newspapers, LLC is the borrower under the Prepetition Credit Agreement with the Prepetition Agent and Prepetition Senior Lenders (collectively the "Prepetition Senior Lenders"). The Prepetition Credit Agreement provides for: (i) a revolving credit facility (and letter of credit subfacility) (the "Revolving Credit Facility") in the maximum aggregate amount of \$50 million; and (ii) a term loan (the "Term Loan," and together with the Revolving Loan, the "Prepetition Credit Facility") in the amount of \$295 million.

H. Debtors Philadelphia Direct, LLC, Philly Online, LLC, PMH Holdings, Broad Street Publishing, LLC, Philadelphia Media, LLC and Broad Street Video, LLC guaranteed the obligations incurred by the borrowers under the terms of the Prepetition Credit Agreement.

I. The amounts borrowed under the Prepetition Credit Agreement were used to fund, among other things, working capital requirements. As of the Petition Date, approximately \$296,600,000 is outstanding under the Prepetition Credit Agreement.

J. The Prepetition Senior Lenders assert that the Prepetition Credit Facility is secured, on an equal and ratable basis, by a first-priority security interest in substantially all of the Debtors' assets (the "Collateral"), including the Debtors' cash and cash equivalents (the "Cash Collateral").

The Debtors' Need to Use Cash Collateral

K. The Debtors own and operate numerous print and online publications in the Philadelphia market, including the *Philadelphia Inquirer*, the *Philadelphia Daily News*, several community newspapers, the region's number one local website, philly.com, and a number of related online products.

L. Pursuant to sections 363(a) and 552(b) of the Bankruptcy Code, the Cash Collateral held by the Debtors as of the Petition Date may constitute "cash collateral" within the meaning of section 363(a) of the Bankruptcy Code. The Prepetition Senior Lenders assert that they have an interest in the Cash Collateral within the meaning of sections 363(c)(2) and 363(e) of the Bankruptcy Code.

M. The Debtors have an immediate need to use Cash Collateral on an interim basis through the date of expiration of this Interim Order to, among other things, fund their payroll

obligations and pay other operating expenses, in accordance with the Budget attached hereto as **Exhibit 1**.

N. Good cause has been shown for entry of this third interim cash collateral order (the "Third Interim Order"), as an immediate and critical need exists for the Debtors to be permitted access to funds to continue to operate their businesses.

O. Absent the ability to use Cash Collateral, the Debtors will not be able to pay insurance, wages, rent, utility charges, and other critical operating expenses (all as reflected in the Budget). Consequently, without access to Cash Collateral, the Debtors will not be able to maintain their business operations and continue their restructuring efforts.

P. The record adequately demonstrates that without the use of such funds, the Debtors' estates would be immediately and irreparably harmed.

Q. The Debtors seek to use Cash Collateral existing on or after the Petition Date that may be subject to the Prepetition Senior Lenders' liens, for the purposes and in the amounts set forth in the Budget.

R. Subject to compliance with the terms of this Third Interim Order, the Debtors are authorized to use the Cash Collateral during the period and in the amounts set forth herein.

S. All conclusions of law that are or may be deemed to be findings of fact are hereby incorporated as findings of fact.

T. This Third Interim Order is entered pursuant to, and shall be construed and be consistent with sections 361 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b).

ACCORDINGLY, THE COURT HEREBY CONCLUDES THAT:

1. Good cause has been shown for the entry of this Third Interim Order and the authorizations herein. Among other things, the entry of this Third Interim Order pending a final hearing (the "Final Hearing") will enable the Debtors to continue operating, avoid immediate and irreparable harm to the Debtors' estates and otherwise is in the best interests of the Debtors, their creditors and their respective estates.

2. This Third Interim Order is immediately valid and fully effective upon its entry.

3. All findings of fact that are or may be deemed to be conclusions of law are incorporated herein as conclusions of law.

ACCORDINGLY, IT IS ORDERED, ADJUDGED AND DECREED THAT:

4. Pending expiration of this Third Interim Order, the Debtors are permitted to use Cash Collateral, in accordance with the Budget, for, among other things, working capital purposes, the payment of certain obligations in accordance with relief authorized by the Court and other obligations as set forth in the Budget. The Budget may be updated and modified through the date of the Final Hearing by: (i) consensual agreement between the Debtors and the Prepetition Senior Lenders or (ii) by further order of the Court.

5. The Debtors shall be, and hereby are, authorized to use Cash Collateral on the terms and conditions set forth in this Third Interim Order in accordance with the Budget; provided, however, that the Debtors may exceed any line item in the Budget by up to ten percent (10%) in any week, so long as the aggregate amount of the variance from the Budget for any week on a rolling net basis is not exceeded by more than ten percent (10%).

6. The Debtors' right to use Cash Collateral under the Third Interim Order shall commence on the date of entry of the Third Interim Order and expire on the earlier of: (a) the entry of a subsequent interim cash collateral order, or (b) the entry of a Final Order.

7. As adequate protection: (i) to protect the Prepetition Senior Lenders' interest, if any, in the Cash Collateral pursuant to sections 361 and 363(e) of the Bankruptcy Code, (ii) for any diminution in value from the use of the Collateral, and (iii) for the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code, the Court hereby grants the Prepetition Senior Lenders replacement security interests in and replacement liens (exclusive of any avoidance actions available to the Debtors' estates pursuant to sections 544, 545, 547, 548, 549, 550, 553(b) or 724(a) of the Bankruptcy Code or any proceeds thereof) on all of the Debtors' real and personal property, whether such property was acquired before or after the Petition Date.

8. Such replacement liens (the "Replacement Liens") shall be equal to the aggregate diminution in value, if any, after the Petition Date of the Collateral. The Replacement Liens shall be of the same validity and priority as the liens of the Prepetition Senior Lenders on the prepetition Collateral.

9. Subject to the foregoing paragraph, the Replacement Liens shall constitute valid and duly perfected security interests and liens as of the Petition Date. The Prepetition Senior Lenders shall not be required to file or serve financing statements, notices of lien or similar interests which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such Replacement Liens.

10. The Replacement Liens shall be subject and subordinate to fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) and the Clerk of the Bankruptcy Court (collectively, the "Carve Out").

11. No Cash Collateral shall be used to pay: (a) salaries to the Publisher and Chief Executive Officer, the Executive Vice President, Finance, and the Executive Vice President of Production, Labor, and Purchasing, beyond or above the salary amounts that were in place prior to December 2008; (b) the Debtors' advisory board; or (c) any fees or expenses in connection with any proposed debtor-in-possession financing facility.

12. The Debtors are directed to keep their books and records of original entry current and updated, so that all business activity is posted to them in the ordinary course of the Debtors' business. The Debtors shall provide to the Prepetition Senior Lenders the reports of operations required to be provided by the respective prepetition agreements at the same time and in the same manner as set forth therein.

13. The Debtors shall promptly serve by first-class United States mail a copy of this Third Interim Order upon the parties having been given notice of the Interim Hearing, any other party that has filed a request for notices with this Court and counsel for the Committee.

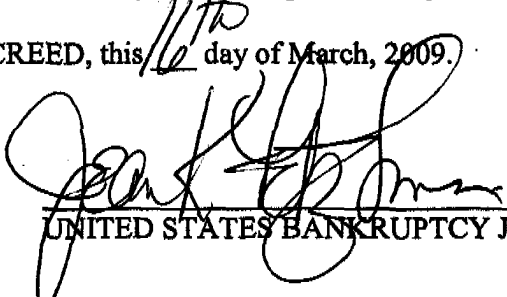
14. The Final Hearing to consider the entry of a Final Order authorizing and approving use of Cash Collateral and providing adequate protection is hereby scheduled for ~~March 17, 2009, at 10:00 a.m.~~ ^{3/19/09 1:00 p.m.} and will continue on ~~March 18, 2009, at 1:00 p.m.~~ ^{April 19/09}

15. Any party in interest objecting to the relief sought at the Final Hearing shall serve and file a written objection upon the following parties: (a) counsel for the Debtors, Proskauer Rose LLP, Three First National Plaza, 70 West Madison, Suite 3800, Chicago, Illinois 60602,

Attn: Mark K. Thomas; (b) the Office of the United States Trustee for the Eastern District of Pennsylvania, 833 Chestnut Street, Suite 500, Philadelphia, PA 19107, Attn: David M. Klauder; (c) counsel to the Prepetition Agent, Drinker Biddle & Reath LLP, One Logan Square, 18th & Cherry Streets, Philadelphia, PA 19103 Attn: Andrew C. Kassner; and (d) counsel to the Committee, O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, California 90071, Attn: Ben Logan and Eckert Seamans Cherin & Mellott, LLC, Two Liberty Place, 50 South 16th Street, 22nd Floor, Philadelphia, PA 19102, Attn: Gary M. Schildhorn. All objections to the entry of such Final Order shall be filed with the Clerk of the United States Bankruptcy Court, Eastern District of Pennsylvania, in each case to allow actual receipt by the foregoing notice parties no later than March 20, 2009, at 4:00 p.m. (prevailing Eastern Time) (the "Objection Deadline").

16. This Third Interim Order shall be fully effective upon its entry.

SO ORDERED, ADJUDGED AND DECREED, this ^{16th} day of March, 2009.


UNITED STATES BANKRUPTCY JUDGE

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CERTIFICATE OF NOTICE

District/off: 0313-2
 Case: 09-11204

User: Krista
 Form ID: pdf900

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 Total Served: 31

Date Rcvd: Mar 17, 2009

The following entities were served by first class mail on Mar 19, 2009.

db +Philadelphia Newspapers, LLC, 400 N. Broad Street, Philadelphia, PA 19130-4015
 aty +ABID QURESHI, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036-6715
 aty +BEN LOGAN, O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, CA 90071-2899
 aty +FRED S. HODARA, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park,
 New York, NY 10036-6715
 aty +GERALD C. BENDER, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square,
 New York, NY 10036-6524
 aty +JAMES L. LINSEY, Cohen, Weiss and Simon LLP, 330 West 42nd Street, 25th Floor,
 New York, NY 10036-6976
 aty +JENNIFER TAYLOR, O'Melveny & Myers LLP, Two Embarcadero Center, 28th Floor,
 San Francisco, CA 94111-3903
 aty +JOSHUA WEISSER, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square,
 New York, NY 10036-6524
 aty +MARK K. THOMAS, Proskauer Rose LLP, Three First National Plaza, 70 W. Madison, Suite 3800,
 Chicago, IL 60602-4342
 aty +MICHELLE McMAHON, BRYAN CAVE LLP, 1290 Avenue of the Americas, New York, NY 10104-0101
 aty +PAUL J. PASCUZZI, Felderstein, Fitzgerald, Willoughby &, Pascuzzi LLP, 400 Capitol Mall,
 Suite 1450, Sacramento, CA 95814-4434
 aty +PAUL V. POSSINGER, Proskauer Rose, LLP, Three First National Plaza, 70 W. Madison,
 Suite 3800, Chicago, IL 60602-4342
 aty +RICHARD J. CORBI, Proskauer Rose LLP, 1585 Broadway, New York, NY 10036-8299
 aty +STEPHEN M. BALDINI, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park,
 New York, NY 10036-6715
 smg +City of Philadelphia, City of Philadelphia Law Dept., Tax Unit/Bankruptcy Dept.,
 1515 Arch Street 15th Floor, Philadelphia, PA 19102-1504
 smg ++INTERNAL REVENUE SERVICE, CENTRALIZED INSOLVENCY OPERATIONS, PO BOX 21126,
 PHILADELPHIA PA 19114-0326
 (address filed with court: Internal Revenue Service, P.O. Box 21126, Philadelphia, PA 19114)
 smg Pennsylvania Department of Revenue, Bankruptcy Division, P.O. Box 280946,
 Harrisburg, PA 17128-0946
 smg +U.S. Attorney Office, c/o Virginia Powel, Esq., Room 1250, 615 Chestnut Street,
 Philadelphia, PA 19106-4404
 fa +Alvarez & Marsal North America, LLC, 600 Lexington Avenue, New York, NY 10022-6000
 cr +Callowhill Partners, LLC, as agent for BET Associa, c/o Jeffrey Kurtzman, Esquire,
 Klehr, Harrison, Harvey, Branzburg & Ell, 260 S. Broad Street, Philadelphia, PA 19102-5021
 cr +Carpenters Pension and Annuity Fund of Phila., c/o Jennings Sigmond, P.C., 510 Walnut Street,
 Suite 1600, Philadelphia, Pa 19106-3601
 cr Delage Landen Financial Services, c/o Michael G. Menkowitz, Esquire, Fox Rothschild LLP,
 2000 Market Street - Tenth Floor, Philadelphia, PA 19103-3291
 cr Graphic Communications Holdings, Inc., c/o Prince Altee Thomas, Esquire, Fox Rothschild LLP,
 2000 Market Street - Tenth Floor, Philadelphia, PA 19103-3291
 intp IKON Financial Services, Bankruptcy Administration, 1738 Bass Road, P.O. Box 13708,
 Macon, GA 31208-3708
 intp +J. Scott Douglass, 909 Fannin, Suite 1800, Houston, TX 77010-1016
 intp +Newspaper Guild of Greater Philadelphia-CWA Local, 1329 Buttonwood Street,
 Philadelphia, PA 19123-3609
 cr +PA-1601 Market Street Limited Partnership, 25 W. 45th Street, New York, NY 10036-4902
 cr +Pension Benefit Guaranty Corporation, Office of the Chief Counsel, 1200 K Street,
 N.W., Suite 340, Washington, DC 20005-4025
 intp +Realty Associates Keystone Industrial Portfolio IV, c/o Ciardi Ciardi & Astin,
 2005 Market Street, Ste. 1930, Philadelphia, PA 19103-7011
 cr +Robert Swanlund, 5406 Saul Street, Philadelphia, pa 19124-1216
 cr +Sharon Swanlund, 5406 Saul Street, Philadelphia, pa 19124-1216

The following entities were served by electronic transmission on Mar 18, 2009.

intp +E-mail/Text: jsdlaw@msn.com J. Scott Douglass, 909 Fannin,
 Suite 1800, Houston, TX 77010-1016

TOTAL: 1

**** BYPASSED RECIPIENTS (undeliverable, * duplicate) ****

cr BMO Capital Markets Financing Inc.

TOTALS: 1, * 0

Addresses marked '+' were corrected by inserting the ZIP or replacing an incorrect ZIP.
 USPS regulations require that automation-compatible mail display the correct ZIP.

Addresses marked '++' were redirected to the recipient's preferred mailing address
 pursuant to 11 U.S.C. 342(f)/Fed.R.Bank.PR.2002(g)(4).

District/off: 0313-2
Case: 09-11204

User: Krista
Form ID: pdf900

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Total Served: 31

Date Rcvd: Mar 17, 2009

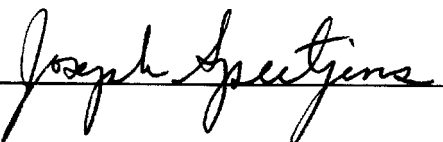
***** BYPASSED RECIPIENTS (continued) *****

I, Joseph Speetjens, declare under the penalty of perjury that I have served the attached document on the above listed entities in the manner shown, and prepared the Certificate of Notice and that it is true and correct to the best of my information and belief.

Meeting of Creditor Notices only (Official Form 9): Pursuant to Fed. R. Bank. P. 2002(a)(1), a notice containing the complete Social Security Number (SSN) of the debtor(s) was furnished to all parties listed. This official court copy contains the redacted SSN as required by the bankruptcy rules and the Judiciary's privacy policies.

Date: Mar 19, 2009

Signature:

A handwritten signature in black ink, reading "Joseph Speetjens", written over a horizontal line.