

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

In re: : Chapter 11
: :
PHILADELPHIA NEWSPAPERS, LLC, *et al.*, : Bankruptcy No. 09-11204 (JKF)
: :
Debtors. : Jointly Administered

In re: : Chapter 11
: :
PHILADELPHIA MEDIA HOLDINGS, LLC : Bankruptcy No. 09-14315 (JKF)
: :
Debtor. : Joint Administration Requested with
: Bankruptcy No. 09-11204

**ACTING UNITED STATES TRUSTEE'S RESPONSE TO THE MOTION FOR AN
ORDER PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE
MAKING CERTAIN ORDERS AND OTHER PLEADINGS ENTERED OR FILED IN
CHAPTER 11 CASES OF AFFILIATED DEBTORS APPLICABLE TO PHILADELPHIA
MEDIA HOLDINGS, LLC**

The Acting United States Trustee, Roberta A. DeAngelis (the "U.S. Trustee"), by and through her counsel, hereby files this response to the Motion of Philadelphia Newspapers, LLC for an order pursuant to section 105(a) of the Bankruptcy Code making certain orders and other pleadings entered or filed in the Chapter 11 cases of the affiliated Debtors applicable to Philadelphia Media Holdings (the "Motion"), and in support thereof represents as follows:

Introduction

1. This Court has jurisdiction to hear the above-referenced Response.
2. Pursuant to 28 U.S.C. § 586, the U.S. Trustee is charged with the administrative oversight of cases commenced pursuant to Title 11 of the United States Bankruptcy Code. This duty is part of the U.S. Trustee's overarching responsibility to enforce the bankruptcy laws as written by Congress and interpreted by the courts. *See United States Trustee v. Columbia Gas Sys., Inc. (In re*

Columbia Gas Sys., Inc.), 33 F.3d 294, 295-96 (3d Cir. 1994) (noting that UST has “public interest standing” under 11 U.S.C. § 307, which goes beyond mere pecuniary interest); *Morgenstern v. Revco D.S., Inc. (In re Revco D.S., Inc.)*, 898 F.2d 498, 500 (6th Cir. 1990) (describing the UST as a “watchdog”).

3. Pursuant to 11 U.S.C. § 307, the U. S. Trustee has standing to be heard with regard to the above-referenced Response.

Background

4. On February 22, 2009, the Debtor Philadelphia Newspapers, LLC, and its subsidiary companies (the “PNL Debtors”), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (the “PNL Chapter 11 Cases”). The Court entered an order granting joint administration of the PNL Chapter 11 Cases. The PNL Debtors have been in possession of their respective properties and operating their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. On June 10, 2009, the Debtor Philadelphia Media Holdings (“PMH”) filed a petition for relief under chapter 11 of the Bankruptcy Code (the “PMH Case”). PMH is the ultimate parent of the PNL Debtors. According to the Motion, PMH has no operations, no material assets, and no secured debt.

6. On March 2, 2009, the U.S. Trustee appointed the Official Committee of Unsecured Creditors (the “Creditors’ Committee”) in the PNL Chapter 11 Cases. Upon information and belief, the Creditors’ Committee and its professionals are performing the duties and responsibilities on behalf of their respective constituency, i.e., the unsecured creditors in the PNL Chapter 11 Cases.

7. Through this Motion, the PNL Debtors and PMH seek an order pursuant to section

105(a) of the Bankruptcy Code making certain orders and other pleadings entered or filed in the PNL Chapter 11 Cases to be applicable in the PMH Case. In addition, the PNL Debtors are seeking that the PMH Case be jointly administered with the PNL Chapter 11 Cases.

Basis For Relief Requested

8. The U.S. Trustee does not object to joint administration of the PMH Case with the PNL Chapter 11 Cases. The U.S. Trustee also does not object to certain procedural orders from the PNL Chapter 11 Cases being made applicable in the PMH Case. The U.S. Trustee does take issue with the applicability of certain substantive orders unless proper disclosures and safeguards are made and implemented. The U.S. Trustee also objects to the applicability of the Creditors' Committee, or the retention of its professionals, to the PMH Case until the U.S. Trustee makes a decision as to whether a creditors committee should be appointed in the PMH Case.

9. The PNL Debtors have retained a number of professionals approved by this Court pursuant to the requirements of section 327 of the Bankruptcy Code. These requirements include the filing of an application accompanied by an affidavit containing the proposed professional's connections to the PNL Debtors and other parties in the case. Before their retention is approved in the PMH Case, those professionals need to file updated affidavits with the appropriate disclosures related to the PMH Case. The U.S. Trustee avers that such affidavits must be filed before any of the retention orders are made applicable in the PMH Case.

10. The Motion contains a request to have an order establishing a bar date in the PNL Chapter 11 Cases made applicable in the PMH Case, with a slight modification to change the bar date for the PMH Case to July 10, 2009. The U.S. Trustee avers that this proposed deadline fails to give creditors of PMH adequate notice to assert their claims. The U.S. Trustee requests that a

separate bar date motion be filed for PMH that will give all creditors the appropriate due process.

11. While the U.S. Trustee does not necessarily have an issue with the applicability of the cash management order in the PMH Case, the U.S. Trustee reserves her right to review all bank accounts of PMH to ensure that those accounts are properly part of the PNL Debtors' cash management system and are in compliance with proper investment guidelines and other provisions of the Bankruptcy Code.

12. Finally, the U.S. Trustee takes issue with the applicability in the PMH Case of the order approving the retention of professionals of the Creditors' Committee. The U.S. Trustee believes that such an order implies that the committee in the PNL Chapter 11 Cases shall serve as the creditors' committee in the PMH case, which improperly encroaches on the U.S. Trustee's discretion to appoint an official committee pursuant to section 1102(a). After consultation with the parties and a review of the creditor list from the PMH Case, the U.S. Trustee will decide the committee issue in the PMH case. At this time, however, no orders related to the Creditors' Committee and its professionals should be made applicable to the PMH Case.

13. The U. S. Trustee leaves the Movants to their burden and the U. S. Trustee reserves any and all rights, remedies and obligations to, *inter alia*, complement, supplement, augment, alter and/or modify this Response and to conduct any and all discovery as may be deemed necessary or as may be required and to assert such other grounds as may become apparent upon further factual discovery.

WHEREFORE, the Acting United States Trustee respectfully requests this Court issue a ruling commensurate with the above referenced response, and award such other relief as this Court deems appropriate under the circumstances.

Respectfully submitted,

ROBERTA A. DEANGELIS
Acting United States Trustee
for Region Three

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Dated: June 15, 2009

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CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that on the 15th day of June, 2009, the Acting United States Trustee's Response to the Motion For an Order Pursuant to Section 105(a) of the Bankruptcy Code Making Certain Orders and Other Pleadings Entered or Filed in Chapter 11 Cases of Affiliated Debtors Applicable to Philadelphia Holdings, LLC., was caused to be served electronically and/or by placing copies in the United States Mail, postage prepaid, addressed as follows:

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