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Transaction ID 61819193
Case No. 2018-0134-JRS

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

SOLA LTD AND ULTRA MASTER LTD,	)	
	)	
Plaintiffs,	)	C.A. No. 2018-0134-VCS
	)	
v.	)	
	)	
MNG ENTERPRISES, INC.,	)	
	)	
Defendant.	)	

DEFENDANT'S ANSWER TO VERIFIED COMPLAINT FOR RELIEF PURSUANT TO 8 DELAWARE CODE SECTION 220 TO COMPEL INSPECTION OF BOOKS AND RECORDS

Defendant MNG Enterprises, Inc. ("MNG Enterprises" or "Defendant"), by its attorneys, hereby files its Verified Answer to the Verified Complaint of Plaintiffs Sola Ltd and Ultra Master Ltd (collectively, "Solus" or "Plaintiffs"), and states as follows:

1. Solus brings this action to enforce its rights under section 220 of the General Corporation Law of the State of Delaware, 8 *Del. C.* § 220 ("**Section 220**"), to inspect certain books and records of the Company for the purposes of (a) investigating possible mismanagement and breaches of fiduciary duty by the directors and officers of the Company, by directors and officers of MediaNews Group, Inc. ("**MN Group**"), and by the Company's controlling stockholder, Alden Global Capital LLC (together with the funds for which it acts as an investment adviser, "**Alden**"); (b) investigating the independence and disinterestedness of the Company's board of directors in determining whether pre-suit demand is necessary prior to commencing derivative litigation; and (c) and enabling Solus to value its investment in the Company.

RESPONSE NO. 1: MNG Enterprises admits that Plaintiffs purport to seek certain of MNG Enterprises' books and records as alleged, but otherwise lacks

knowledge or information sufficient to form a belief as to the truth of the allegations and therefore denies the same.[1]

2. MNG Enterprises is one of the largest newspaper companies in the United States. Alden is the Company's controlling stockholder. Sola Ltd and Ultra Master Ltd collectively have legal and beneficial ownership of approximately 24% of the Company's outstanding voting stock and believe they are the Company's largest minority stockholder. The Company has five directors, four of whom are directly or indirectly connected with Alden.

RESPONSE NO. 2: MNG Enterprises admits that it is one of the largest newspaper companies in the United States, and that Alden[2] is MNG Enterprises' largest stockholder. MNG Enterprises further admits, upon information and belief, that Sola Ltd and Ultra Master Ltd hold stock in MNG Enterprises. MNG Enterprises further admits that certain of its directors have had direct or indirect connections to Alden. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

3. Solus has reasonable cause to believe that there has been a fundamental change to the Company's business. This suspicion is informed by a series of insider transactions involving Alden and the Company; investments by the Company that have no relationship to its media business; and, most recently, the creation by the Company of a new investment-company subsidiary. There has been no disclosure or explanation to the minority stockholders of the business purposes of any of the forgoing. To the contrary, the Company has stopped providing stockholders with financial and other information necessary to evaluate (or understand) the transactions in which the Company is engaging under Alden's control.

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[1] Paragraphs in this Answer correspond to the numbered paragraphs in the Verified Complaint.

[2] Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Verified Complaint.

RESPONSE NO. 3: MNG Enterprises denies the allegations.

4. The chronology of events is troubling. In 2013, MN Group acquired Century Newspapers Holdings LLC ("**Century**") from funds associated with Alden for $125 million and the assumption of certain liabilities. In December 2014, MN Group invested $10 million in a fund managed by an Alden affiliate that invests in mortgaged-backed securities and commercial real estate. As of June 2016, MN Group had $248.5 million of pension assets invested in hedge funds and managed accounts advised by Alden and was a party to other transactions with Alden, including a sale-leaseback transaction with an Alden affiliate. In October 2016, MN Group consummated a restructuring (the "**2016 Restructuring**") pursuant to which it created a new holding company, i.e., the Company (MNG Enterprises), and a new subsidiary called Investment Holdings LLP ("**InvestmentCO**"). In 2017, the Company and Alden amended the MN Group Stockholders' Agreement dated as of March 19, 2010 (as amended, the "**Stockholders' Agreement**") to remove the information-rights covenant and eviscerate the Company's reporting obligations to stockholders (the "**2017 Amendment**"). The 2017 Amendment was signed only by the Company and its controlling stockholder (Alden) and specifically by Heath Freeman, president and co-owner of Alden and its representative on the Company's board of directors. Finally, in early 2018, the Company began soliciting proposals for a new financing facility, the proceeds of which will be used to retire existing debt and make additional contributions to InvestmentCO.

RESPONSE NO. 4: MNG Enterprises admits that MN Group acquired Century from funds associated with Alden for $125 million and the assumption of certain liabilities. MNG Enterprises further admits that in December 2014 MN Group invested $10 million in a fund managed by an Alden affiliate that invests in mortgaged-backed securities and commercial real estate. MNG Enterprises further admits that as of June 2016, MN Group had $248.5 million invested in accounts advised by Alden and was a party to a sale-leaseback transaction with an Alden affiliate. MNG Enterprises further admits that in October 2016 MN Group consummated the 2016 Restructuring, pursuant to which it created a new holding

company and InvestmentCO. MNG Enterprises further admits that MN Group issued Consolidated Financial Statements on June 30, 2016, and on September 30, 2016, true and correct copies of which are attached to the Verified Complaint as Exhibits F and G, and respectfully refers the Court to these documents for a true and correct statement of their contents. MNG Enterprises further admits that it has a Stockholders Agreement, a true and correct copy of which is attached to the Verified Complaint as Exhibit A, and that the Stockholders Agreement was amended in 2017, a true and correct copy of which amendment is attached to the Verified Complaint as Exhibit B; MNG Enterprises respectfully refers the Court to these documents for a true and correct statement of their contents. MNG Enterprises further admits that it began soliciting proposals for a new financing facility in early 2018, the proceeds of which will be used to retire existing debt and make additional contributions to InvestmentCO. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

5. The 2017 Amendment eliminated any transparency into the Company's financial performance, the activities of InvestmentCO, and insider transactions involving Alden. Even though the investments owned by InvestmentCO likely constitute a material portion of the value of the enterprise, those investments have not been disclosed to the minority stockholders. And, those investments may involve transactions with Alden that are entirely unrelated to the Company's core businesses, may disproportionately favor Alden, or may entail Alden and its hedge fund affiliates using InvestmentCO to monetize illiquid or losing positions. The extent to which InvestmentCO's activities overlap with those of Alden and its affiliates has been purposefully obfuscated.

RESPONSE NO. 5: MNG Enterprises denies the allegations.

6. To value its investment in the Company, Solus expects to receive accurate and reliable information from the Company about its assets and liabilities and operating performance. The efforts by the Company and Alden to curb the access of minority stockholders to financial information about the Company and its investment activities is making such valuation increasing challenging.

RESPONSE NO. 6: MNG Enterprises lacks knowledge or information sufficient to form a belief as to the truth of the allegations and therefore denies the same.

7. Furthermore, Alden, as the controlling stockholder, owes fiduciary duties to minority stockholders that Solus believes Alden may have breached. Among other things, Alden may be receiving significant management fees. There is certainly a precedent for Alden taking management fees from Company subsidiaries: Alden is the investment manager for Strategic Investment Opportunities LLC ("**Opportunities**"). Opportunities is an indirect, wholly-owned subsidiary of the Company that makes investments in other companies, some of which are not related to print media, e.g., Opportunities' $158 million investment in Fred's, Inc. (a chain of retail discount stores and pharmacies).

RESPONSE NO. 7: MNG Enterprises admits that Alden is receiving management fees. MNG Enterprises further admits that Alden is the investment manager for Opportunities, and that Opportunities is an indirect, wholly-owned subsidiary of MNG Enterprises that makes investments in other companies. The remaining allegations contain conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations.

8. Accordingly, Solus requests information on the following topics.

- ***Insider Transactions With Alden.*** Solus requests information about the Company's and MN Group's transactions with Alden from and after 2014, including information about the process (if any) that has been or will be undertaken by the Company and its

board of directors in connection with those transactions and information about how the price was or will be derived in those transactions. Solus also requests documents about the Company's agreement with Alden to strip the information-rights covenant (§ 6.01) from the Stockholders' Agreement pursuant to the 2017 Amendment.

- ***2016 Reorganization.*** Solus requests information about the purpose and strategy behind the formation of InvestmentCO in connection with the 2016 Reorganization and the process undertaken by MN Group and its board of directors with respect to that aspect of the 2016 Reorganization.

- ***Financial Information.*** For reporting periods after the 2016 Reorganization and the 2017 Amendment, the Company has released very little financial information. Solus requests financial information concerning the Company's performance—with the same level of detail previously provided pursuant to the information-rights covenant.

- ***InvestmentCO Activities.*** Solus requests information about the Company's activities conducted through InvestmentCO, including documents concerning whether the investments are arms' length, are with Alden, or are in the best interests of the Company and its stockholders. Solus also requests documents concerning the process (if any) undertaken by the Company and its board of directors in connection with those investments.

RESPONSE NO. 8: MNG Enterprises admits that Plaintiffs purport to request information on the topics listed.

9. The information requested is essential to enable Solus to (a) evaluate whether the Company, in connection with the transactions with Alden and the activities of InvestmentCO, instituted an appropriate process to evaluate, negotiate, and approve those transactions and activities, especially in light of Alden's extensive relationships with the Company, e.g., controlling stockholder, sale-leaseback counterparty, and hedge fund advisor; (b) evaluate whether the activities of InvestmentCO and the transactions with Alden are arms' length and in the best interests of the Company and its stockholders; (c) assess the ability of the board of directors to consider impartially a demand for action (including a request to file a suit

on the Company's behalf) if the activities of InvestmentCO and the transactions with Alden constitute a breach of fiduciary duties or other impermissible action; (d) take appropriate action in the event the members of the board of directors do not properly discharge their fiduciary duties, including the preparation and filing of a stockholder derivative lawsuit, if appropriate; and (e) evaluate the Company's financial performance and the value of Solus' investment in the Company.

RESPONSE NO. 9: MNG Enterprises lacks knowledge or information sufficient to form a belief as to the truth of the allegations and therefore denies the same.

10. On January 17, 2018, Solus propounded a valid section 220 demand for inspection of books and records (attached hereto as **Exhibit C**) (the "**Solus 220 Demand**"). The Company's response, dated February 9, 2018 (attached hereto as **Exhibit D**) (the "**MNG Response**"), declined the Solus 220 Demand almost entirely.

RESPONSE NO. 10: MNG Enterprises admits that Solus sent a letter dated January 17, 2018, a true and correct copy of which is attached to the Verified Complaint as Exhibit C, and MNG Enterprises admits that MNG Enterprises responded by letter dated February 9, 2018, a true and correct copy of which is attached to the Verified Complaint as Exhibit D; MNG Enterprises respectfully refers the Court to these documents for a true and correct statement of their contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

11. The Company requested additional time (beyond the statutory requirement) to respond to the Solus 220 Demand. Solus reasonably anticipated that given the extension, the Company would provide a substantive response together with relevant information. Solus' expectations were severely disappointed. This Complaint followed.

RESPONSE NO. 11: MNG Enterprises admits that it requested additional time to respond to the Solus 220 Demand, but otherwise lacks knowledge

or information sufficient to form a belief as to the truth of the allegations and therefore denies the same.

12. Plaintiff Solus believes it is the largest minority stockholder of the Company, with legal and beneficial ownership of approximately 24% of the Company's outstanding voting stock. Attached as **Exhibit E** are true and correct transaction confirmations reflecting Solus' acquisition of MN Group's stock, which it continues to own.

RESPONSE NO. 12: MNG Enterprises admits, upon information and belief, that Solus is the largest minority stockholder of MNG Enterprises, with legal and beneficial ownership of approximately 24% of MNG Enterprises outstanding voting stock. MNG Enterprises lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations and therefore denies the same.

PARTIES

13. Defendant MNG Enterprises is a corporation organized under the laws of the State of Delaware, having its registered office in Delaware at 1209 Orange Street, Wilmington, Delaware 19801. The name of its registered agent is Corporation Trust Company.

RESPONSE NO. 13: MNG Enterprises admits the allegations.

FACTUAL BACKGROUND

A. MNG ENTERPRISES – THE COMPANY

14. MNG Enterprises is a holding company and the parent and manager of MN Group, which, together with its subsidiaries, publishes over 200 daily and non- daily newspapers and related digital properties across 10 states that reach a monthly audience of more than 48 million readers.

RESPONSE NO. 14: MNG Enterprises admits the allegations.

15. Solus believes that a majority of the board of directors lacks independence. There are five members of the Company's board of directors: Heath Freeman, R. Joseph Fuchs, Maz Akram, Martin Wade, and Christopher Minnetian. There are significant overlapping interests among the directors. Mr. Freeman is the president and co-owner of Alden and previously worked for Smith Management LLC, which is affiliated with Alden. Mr. Minnetian is the president of Smith Management LLC. Mr. Fuchs previously was the president of Rockfleet Broadcasting, Inc., which (as of 2011) had a management agreement with Smith Management LLC. Mr. Minnetian also is listed in documents filed with the Federal Communications Commission as having an "attributable interest" in Rockfleet Broadcasting, Inc. Finally, Mr. Wade and Mr. Freeman both served on the board of directors of RDA Holding Co. (Reader's Digest Association) as Alden's representatives.

RESPONSE NO. 15: The allegations contained in the first and third sentences contain conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations contained in the first sentence. MNG Enterprises lacks knowledge or information sufficient to form a belief as to the truth of the allegation that Rockfleet Broadcasting, Inc. had a management agreement with Smith Management LLC and therefore denies the same. MNG Enterprises admits the remaining allegations.

B. 2016 REORGANIZATION

16. Pursuant to the 2016 Reorganization, a new holding company was formed—MNG Enterprises—that replaced MN Group as the top-tier holding company and stock issuer. MN Group became a subsidiary of MNG Enterprises, and the stockholders of MN Group—including Solus—became stockholders of MNG Enterprises, holding the same number and classes of stock in MNG Enterprises that they held previously in MN Group.

RESPONSE NO. 16: MNG Enterprises admits the allegations.

17. InvestmentCO was formed as a wholly-owned subsidiary of MNG Enterprises and a sister company to MN Group pursuant to the 2016 Reorganization. The Company also entered into a $225 million credit facility (the "**Credit Facility**")

and used the proceeds to fund InvestmentCO and to pay off certain 12.0% Senior Secured Notes due 2018. As part of the 2016 Reorganization, MN Group also contributed real estate, cash, cash equivalents, and other assets into InvestmentCO.

RESPONSE NO. 17: MNG Enterprises admits that MN Group issued Consolidated Financial Statements on September 30, 2016, and respectfully refers the Court to this document for a true and correct statement of their contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

18. Neither MN Group nor the Company provided minority stockholders like Solus with information regarding the purpose of forming InvestmentCO in connection with the 2016 Reorganization.

RESPONSE NO. 18: MNG Enterprises denies the allegations.

19. The Company has never provided minority stockholders like Solus with information regarding InvestmentCO's activities or explained whether or how they benefit the Company and its stockholders.

RESPONSE NO. 19: MNG Enterprises denies the allegations.

20. InvestmentCO may be investing in businesses outside of the Company's core business of print and digital news media, including investments in funds associated with Alden. But, those matters have not been disclosed to minority stockholders like Solus.

RESPONSE NO. 20: MNG Enterprises admits that it is investing in businesses outside of print and digital news media. The remaining allegations contained in the first sentence contain conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations contained in the first sentence. MNG Enterprises denies the remaining allegations.

21. The Company should make available to its stockholders information disclosing investments consummated through InvestmentCO since its formation. This disclosure should include documents concerning the purpose of those investments, the Company's process in making those investment decisions, including the involvement (if any) of the controlling stockholder Alden and/or its affiliates in those transactions, the actions of the board of directors or any independent special committee of the board with respect thereto, and how the price of such investments was derived.

RESPONSE NO. 21: The allegations are conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations.

C. ALDEN TRANSACTIONS

22. Alden is an investment advisor to funds that purport to hold in excess of 50.1% of the Company's stock. Alden is registered as an investment company under the Investment Advisers Act of 1940.

RESPONSE NO. 22: MNG Enterprises admits the allegations.

23. In 2013, MN Group acquired Century from certain funds associated with an Alden Affiliate (Alden Century Newspapers Holdings LLC) for $125 million, consisting of cash and the assumption of certain liabilities (the "21st Century Media Transaction"). Century was the holding company of the 21st Century Media, Inc. (f/k/a Journal Register Company).

RESPONSE NO. 23: MNG Enterprises admits the allegations.

24. At the time MN Group consummated the 21st Century Media Transaction, Alden had different financial interests throughout the capital structure of the MN Group. Alden was (a) the controlling stockholder of MN Group; (b) a lender to one of MN Group's affiliates, The Denver Post LLC, and (c) a counterparty to a sale-lease back transaction with MN Group through one if its associated funds (Twenty Lake Holdings, LLC) (the "**Sale-Leaseback Transaction**").

RESPONSE NO. 24: The allegation that Alden was the "controlling" stockholder contains conclusions of law to which no response is required. To the

extent that a response is required, MNG Enterprises denies the allegation. MNG Enterprises admits the remaining allegations.

25. Alden is party to other insider transactions with the Company, including (a) $248.5 million (as of June 30, 2016) of pension assets invested by the Company in hedge funds and managed accounts advised by Alden; (b) a $10 million investment in December 2014 by MN Group in Alden Global CRE Opportunities Master Fund LP, a fund that invests in mortgaged-backed securities and commercial real estate (collectively, (a), (b), and the 21st Century Media Transaction, the "**Alden Transactions**").

RESPONSE NO. 25: MNG Enterprises admits that in December 2014 MN Group invested $10 million in a fund managed by an Alden affiliate that invests in mortgaged-backed securities and commercial real estate. MNG Enterprises further admits that as of June 2016, MN Group had $248.5 million invested in accounts advised by Alden. MNG Enterprises admits that MN Group issued Consolidated Financial Statements on June 30, 2016, a true and correct copy of which is attached as Exhibits A, and respectfully refers the Court to this document for a true and correct statement of its contents. MNG Enterprises further admits that Alden or certain of its affiliates were parties to the Alden Transactions. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

26. In addition, MNG Enterprises has made investments through its indirect, wholly-owned subsidiary, Opportunities, including purchasing an interest in Monster Worldwide, Inc. (an on-line employment agency) and acquiring a 24.8% interest in Fred's, Inc. (a chain of retail discount stores and pharmacies). As disclosed in a filing with the SEC on Schedule 13D dated April 21, 2017, Alden is the investment manager for Opportunities. The Fred's Inc. investment, which involved Opportunities paying $158,201,820 for 9,275,000 shares ($17.06 per share), does not

appear to be doing well. As of February 27, 2018, the stock price had declined 80% to $3.35 per share.

RESPONSE NO. 26: MNG Enterprises admits that it has made investments through Opportunities or other affiliates, including purchasing an interest in Monster Worldwide, Inc. and a 24.8% interest in Fred's, Inc. MNG Enterprises further admits that Opportunities filed with the SEC a Schedule 13D dated April 21, 2017, and respectfully refers the Court to this document for a true and correct statement of its contents. MNG Enterprises further admits that the stock price of Fred's Inc. was $3.35 on February 27, 2018. The remaining allegations contain conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the remaining allegations.

27. Moreover, there is significant overlap among the interests of the members of the board of directors. Mr. Freeman, who has served on the board of directors of both MNG Enterprises (since 2016) and MN Group (since 2011), is the president, a founding member, a co-owner, and a director of Alden. Mr. Freeman and Mr. Wade served on the Reader's Digest Association board of directors at Alden's request. Mr. Minnetian is the president of Smith Management LLC, and Mr. Minnetian has an "attributable interest" in Rockfleet Broadcasting, Inc., where Mr. Fuchs previously served as the president. And, as of 2011, Rockfleet Broadcasting, Inc. had a management agreement with Smith Management LLC. These facts raise additional concerns regarding insider transactions involving Alden, management fees Alden may be receiving, and other benefits that Alden may be receiving that are unique to Alden and not shared by other stockholders.

RESPONSE NO. 27: The allegations contained in the first sentence contain conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations contained in the first

sentence. MNG Enterprises admits the allegations contained in the second, third and fourth sentences. MNG Enterprises lacks knowledge or information sufficient to form a belief as to the truth of the allegation that Rockfleet Broadcasting, Inc. had a management agreement with Smith Management LLC and therefore denies the same. MNG Enterprises denies the remaining allegations.

D. FINANCIAL REPORTING BEFORE 2017 AMENDMENT

28. As originally executed in 2010, the Stockholders' Agreement afforded the stockholders of MN Group rights to routine financial reporting, including (a) quarterly (unaudited) balance sheets and statements of operations and cash flows prepared in accordance with GAAP and that provided for, among other things, "such reconciliations as necessary for the evaluation of whether performance targets established by the Equity Incentive Plan and the employment agreements of senior management of the Company are met" (§ 6.01(a)); (b) yearly audited balance sheets and statements of operations and cash flows that are prepared in accordance with GAAP, that similarly provided reconciliations to evaluate whether performance targets established by the Equity Incentive Plan and senior management employment agreements are met, and that contain narrative found in a typical "Management's Discussion And Analysis" prepared in accordance with Regulation S-K under the Exchange Act (§ 6.01(b)); (c) quarterly conference calls with stockholders (§ 6.01(c)); and (d) "as promptly as reasonably practicable, such other information with respect to the Company or any of its Subsidiaries as would be required to be disclosed on a Form 8-K under the Exchange Act if the Company were subject to the periodic reporting requirements of Section 13 or 15(d) of the Exchange Act" (§ 6.01(d)).

RESPONSE NO. 28: MNG Enterprises admits that it has a Stockholders Agreement, a true and correct copy of which is attached as Exhibit C, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

E. 2017 AMENDMENT WITH ALDEN

29. In an amendment to the Stockholders' Agreement dated February 14, 2017, the agreement purportedly was modified to delete the sections of the Stockholders' Agreement providing information rights to stockholders. In particular, the 2017 Amendment deleted Section 6.01 (Information Rights. Reports by the Company) and 6.02 (Information Rights. Termination) (providing that Section 6.01 would terminate "when the Company first becomes subject to the periodic reporting requirements of Sections 13 or 15(d) of the Exchange Act"). See Ex. A at 27 (§ 6.01).

RESPONSE NO. 29: MNG Enterprises admits that the Stockholders Agreement was amended in 2017, and respectfully refers the Court to that document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

30. The 2017 Amendment also imposed extraordinary restrictions on stock transfers, including the requirement that any transfer of shares be approved by the Company's board of directors.

RESPONSE NO. 30: MNG Enterprises admits that the Stockholders Agreement was amended in 2017, and respectfully refers the Court to that document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

31. At the time the 2017 Amendment was signed, Alden was (and continues to be) the controlling stockholder of the Company. The 2017 Amendment was executed by the Company and the so-called "consenting stockholders," which consisted solely of funds advised by Alden, that is, Alden Global Opportunities Master Fund, L.P., and its affiliates, Alden DFM SPV LLC, Alden Global Value Recovery Master Fund, L.P., Alden DFM SPV Ltd., and Turnpike Limited. Although it purports to bind all stockholders, including Solus, no other stockholder of the Company is a signatory to the 2017 Amendment.

RESPONSE NO. 31: The allegation that Alden was the "controlling" stockholder contains conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegation. MNG Enterprises admits that at the time the 2017 Amendment was signed, Alden was a stockholder of MNG Enterprises. MNG Enterprises further admits that the Stockholders Agreement was amended in 2017, and respectfully refers the Court to that document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

32. Highlighting the unilateral elimination of minority information rights by the controlling stockholder, consent to the 2017 Amendment was signed on behalf of each of the various Alden entities that hold stock in the Company by Heath Freeman (president of Alden and a member of the Company's board of directors) in Alden's capacity as "investment advisor" to each of those stockholders.

RESPONSE NO. 32: MNG Enterprises admits that the Stockholders Agreement was amended in 2017, and respectfully refers the Court to that document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

F. FINANCIAL REPORTING AFTER 2017 AMENDMENT

33. Since the 2016 Reorganization and the 2017 Amendment, the Company's financial reporting has been nearly useless.

RESPONSE NO. 33: The allegations contain conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations.

34. Financial reports provided to stockholders prior to the 2016 Reorganization and 2017 Amendment contained significant detail. For example, the Consolidated Financial Statements for the year ending June 30, 2016 (the "**2016 Annual Report**") and the Unaudited Consolidated Financial Statements for the quarter ending September 30, 2016 (the "**September 2016 Quarterly Report**") (copies of which are attached hereto as **Exhibit F** and **Exhibit G**) were prepared consistently with the obligations imposed under the information-rights covenant (§ 6.01) in the Stockholders' Agreement. The 2016 Annual Report and the September 2016 Quarterly Report contain evaluative information describing material changes to underlying business fundamentals and highlighting the extent to which those changes impact components of income and cash flow. They also disclose whether performance targets established by equity incentive plans and managements' employment agreements were met.

RESPONSE NO. 34: MNG Enterprises admits that MN Group issued Consolidated Financial Statements on June 30, 2016, and on September 30, 2016, and respectfully refers the Court to these documents for a true and correct statement of their contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

35. Specifically, the 2016 Annual Report lists all assets and liabilities; breaks out information relating to cash flows; and provides detailed notes discussing, among other things, cash uses, investments, material indebtedness, major asset acquisitions and sales, employee benefit plans, and income taxes. It also contains other highly relevant information, e.g., disclosures concerning (a) the $10 million investment of MN Group's cash in Alden Global CRE Opportunities Master Fund, LP, which invests primarily in commercial mortgage backed securities as well as other commercial real estate; (b) MN Group's €70 million investment in "issues of bonds of the Hellenic Republic ('Investment in Greek Sovereign Debt');" and (c) the fact that $248.5 million of pension assets are invested in hedge funds and managed accounts advised by Alden. Similarly, the September 2016 Quarterly Report provided detail on cash flows and comparable explanatory notes.

RESPONSE NO. 35: MNG Enterprises admits that MN Group issued Consolidated Financial Statements on June 30, 2016, and on September 30, 2016, and

respectfully refers the Court to these documents for a true and correct statement of their contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

36. Solus has not been sent any financial report for periods after June 30, 2017. While the Company issued quarterly reports for some periods ending after the 2016 Reorganization and the 2017 Amendment, i.e., for the periods ending December 31, 2016, March 31, 2017, and June 30, 2017, they contain only rudimentary financial information without any accompanying explanation or detail.

RESPONSE NO. 36: MNG Enterprises admits that Solus has not been sent any financial report for periods after June 30, 2017. MNG Enterprises further admits that it issued quarterly reports, and respectfully refers the Court to these documents for a true and correct statement of their contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

37. In addition, the Company no longer hosts conference calls with its Stockholders.

RESPONSE NO. 37: MNG Enterprises admits the allegations.

38. This lack of transparency, and particularly the complete lack of clarity with respect to anything related to InvestmentCO, is making it increasingly challenging to efficiently value Solus' investment in the Company. Solus reasonably expects to receive from the Company full, accurate, and timely reports of its assets and liabilities and operating performance.

RESPONSE NO. 38: MNG Enterprises lacks knowledge or information sufficient to form a belief as to the truth of the allegations and therefore denies the same.

G. SOLUS 220 DEMAND

39. The Solus 220 Demand was properly served on the Company on January 17, 2018. It demanded, pursuant to Section 220, that the following books, records, and documents of the Company, InvestmentCO, and MN Group be made available for inspection and copying within five (5) business days:

a) all information concerning the Company's financial performance required under Section 6.01 of the Stockholders' Agreement presented with the level of detail found in the 2016 Annual Report and the September 2016 Quarterly Report and underlying work-papers used to create those financial reports;

b) all Board Materials regarding the benefit to the Company and stockholders of the 2016 Reorganization and the Alden Transactions (collectively, the "Transactions");

c) all information regarding the Boards' process and determination of price in connection with approving the Transactions;

d) all information relating to assets held by InvestmentCO and its investment activities, including an analysis of InvestmentCO's strategic rationale, sources and uses of proceeds, expected liquidity, and benefit to the Company and stockholders; and

e) the following information relating to the Transactions: an analysis of strategic rationale, sources and uses of proceeds, and benefit to the Company and Stockholders.

RESPONSE NO. 39: MNG Enterprises admits that it received the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

40. The Solus 220 Demand specified the following purposes for the demand:

a) To evaluate the Company's financial performance and the value of the Stockholders' investment in the Company;

b) To evaluate whether the activities of InvestmentCO and the Transactions are arms' length and in the best interests of the Company and Stockholders;

c) To evaluate whether the Company, in connection with the activities of InvestmentCO and the Transactions, instituted an appropriate process to evaluate, negotiate, and approve them, especially in light of Alden's extensive relationships with the Company, e.g., controlling stockholder, lender, sale-leaseback counterparty, and hedge fund advisor;

d) To assess the ability of the Boards to consider impartially a demand for action (including a request for permission to file a derivative lawsuit on the Company's behalf) if the activities of InvestmentCO and the Transactions constitute a breach of fiduciary duties or other impermissible action; and

e) To take appropriate action in the event the members of the Boards did not properly discharge their fiduciary duties, including the preparation and filing of a stockholder derivative lawsuit, if appropriate.

RESPONSE NO. 40: MNG Enterprises admits that it received the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

41. The stated purposes in the Solus 220 Demand are both proper and reasonably related to Solus' interests as a stockholder.

RESPONSE NO. 41: The allegations contain conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations.

H. MNG RESPONSE

42. On February 9, 2018, the Company provided a perfunctory response to the Solus 220 Demand.

RESPONSE NO. 42: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

43. The MNG Response alleges in conclusory fashion that the "broad scope of the requests and stated purposes for the demands for inspection" are deficient under Delaware law.

RESPONSE NO. 43: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

44. The MNG Response did not provide any support for the Company's conclusory allegation that the scope of the requests was too broad apart from stating those requests needed to be articulated with "rifle precision."

RESPONSE NO. 44: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of

its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

45. The MNG Response also claimed that Solus' stated purposes for the demand were not proper, but provides no explanation for that position.

RESPONSE NO. 45: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

46. With respect to Solus' request for financial information, the Company simply indicated that the 2017 Amendment deleted Section 6.01 from the Stockholders' Agreement. The MNG Response makes no commitment to provide any financial information to Solus and therefore constitutes a refusal or failure to permit the inspection demanded.

RESPONSE NO. 46: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

47. The Company agreed in the MNG Response to provide Board minutes relating to (a) certain Alden Transactions (excluding the 21st Century Media Transaction) and (b) the pending refinancing transaction (to the extent any Board minutes exist) which, if consummated, would involve the investment of additional cash into InvestmentCO. However, the Company also indicated that responsive Board minutes would be "redacted."

RESPONSE NO. 47: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

48. Despite taking in excess of three weeks to respond to the Solus 220 Demand, the Company did not even attempt to determine whether the information requested exists in the redacted Board minutes it agreed to provide. Further, the Company would not agree to provide Board books or PowerPoint presentations to the Board, but agreed only to "consider any specific requests" for such documents after Solus reviews the redacted Board minutes produced by the Company.

RESPONSE NO. 48: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

49. With respect to the balance of the topics identified in the Solus 220 Demand (namely, items 3 through 5 of the Demand, Ex. C at 5), the Company did not commit to provide any documents or information.

RESPONSE NO. 49: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

50. Finally, the MNG Response stated the Company would not provide any information unless and until an acceptable form of confidentiality agreement was negotiated. It made that demand even though, as noted in the Solus 220 Demand, the Stockholders' Agreement contains detailed confidentiality requirements (§ 6.03 (Confidentiality) ("Each Stockholder agrees that it shall use … Confidential Information disclosed to it only in connection with its investment in the Company and not for any other purpose …. [and] further acknowledges and agrees that it shall not disclose any Confidential Information to any Person [with limited exceptions]."")). Solus confirmed it will comply with those requirements with respect to any Confidential Information provided to it in response to the Solus 220 Demand.

RESPONSE NO. 50: MNG Enterprises admits in response to Paragraph 42 that it sent the MNG Enterprises Response to the Solus 220 Demand, and respectfully refers the Court to this document for a true and correct statement of its contents. Except as so expressly admitted, MNG Enterprises denies the remaining allegations.

COUNT I

(COMPEL INSPECTION OF BOOKS AND RECORDS PURSUANT TO 8 DEL. C. § 220)

51. Solus repeats and re-alleges the allegations set forth above as if set forth herein.

RESPONSE NO. 51: Defendant repeats and incorporates by reference its responses to Paragraphs 1-51 above with the same force and effect as if fully set forth herein.

52. Solus is and was at all relevant times a stockholder of the Company.

RESPONSE NO. 52: The allegations are conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations c.

53. Solus has complied with the requirements of Section 220 with respect to the form and manner of making a demand for inspection and copying of the Company's books.

RESPONSE NO. 53: The allegations are conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations c.

54. Solus' purposes for requesting the demanded materials are proper purposes, reasonably related to its interests as a stockholder of the Company.

RESPONSE NO. 54: The allegations are conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations c.

55. Solus is entitled to inspect and make copies and abstracts of the books and records demanded in the Solus 220 Demand and in this Complaint, including, without limitation:

a) all information concerning the Company's financial performance required under Section 6.01 of the Stockholders' Agreement presented with the level of detail found in the 2016 Annual Report and the September 2016 Quarterly Report;

b) documents, including Board Materials, concerning the reason(s) for including ¶¶ 1(e) and 1(f) in the 2017 Amendment which provide for the deletion of the information-rights provisions of the Stockholders' Agreement (§§ 6.01, 6.02);

c) documents, including Board Materials, concerning the creation of InvestmentCO;

d) documents, including Board Materials, concerning the assets held by InvestmentCO, InvestmentCO's investment activities, InvestmentCO's business strategy and purpose, the sources of funds for InvestmentCO's investments and the uses of the proceeds from InvestmentCO's investments, InvestmentCO's liquidity, and the benefit to the Company and its stockholders of InvestmentCO's investments; and

e) documents, including Board Materials, concerning transactions involving Alden or its affiliates from and after 2014, the rationale for any such investments, the sources of funds for such investments, the uses of the proceeds from such investments, the benefit to the Company and its stockholders of such investments, and the Boards' process and determination of price in connection with those transactions.

RESPONSE NO. 55: The allegations are conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations c.

56. Solus has no adequate remedy at law.

RESPONSE NO. 56: The allegations are conclusions of law to which no response is required. To the extent that a response is required, MNG Enterprises denies the allegations c.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

1. Plaintiff has failed to satisfy the requirements of 8 *Del. C.* § 220.

SECOND AFFIRMATIVE DEFENSE

2. The scope of the Demand exceeds the permissible scope of a demand pursuant to 8 *Del. C.* § 220.

THIRD AFFIRMATIVE DEFENSE

3. The Complaint fails to state a claim upon which relief can be granted.

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March 19, 2018

CERTIFICATE OF SERVICE

I hereby certify that on March 19, 2018, the foregoing document was served by File & Serve*Xpress* on the following attorneys of record:

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