

**A NEW EQUITABLE SUBORDINATION/LENDER LIABILITY LAWSUIT:
TRIBUNE COMPANY BONDHOLDER GROUP SUES BANKS OVER FAILED
LEVERAGED BUYOUT**

A group of subordinated bondholders has filed a lawsuit against the commercial and investment banks that participated as lenders and advisers in the failed leveraged buyout (the “LBO”) of Tribune Company (“Tribune”), a Chicago-based media and entertainment company. The Tribune LBO was completed in December 2007 and resulted in Tribune’s incurring substantial secured debt that was guaranteed by subsidiaries of Tribune. Unable to support its new debt load, in December 2008 Tribune, along with the subsidiary guarantors, filed for relief under the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. On March 4, 2010, the indenture trustee, Wilmington Trust Company, on behalf of the holders of Exchangeable Subordinated Debentures due 2029 of Tribune (such debentures referred to as the “PHONES”) filed a complaint (the “Complaint”) in the Bankruptcy Court. The named defendants include JP Morgan Chase Bank, N.A., Merrill Lynch Capital Corporation, Citigroup Global Markets, Inc., Bank of America, N.A., Barclays Bank, PLC and Morgan Stanley & Co., Inc., and certain of their affiliates.

The Complaint seeks (1) a transfer to the Tribune bankruptcy estate of all liens securing the claims of the secured lenders whose debt was incurred in connection with the LBO and the equitable subordination of all such claims and all other claims of the defendants against Tribune to the claims of the PHONES; (2) disallowance of all claims of the secured lenders and all other claims of the defendants against Tribune and its subsidiaries that guaranteed the LBO debt until the claims of the PHONES are paid in full; (3) an award of damages against certain defendants for breach of fiduciary duties or aiding and abetting such breach; and (4) the imposition of a constructive trust for the benefit of holders of the PHONES on all property, claims, rights or other legal interests obtained by the defendants as a consequence of their wrongful conduct in connection with the LBO until the PHONES are paid in full.

According to the Complaint, the LBO fundamentally and adversely changed Tribune’s capital structure in order to meet the demands of major shareholders of Tribune that they be cashed out and to transfer control of Tribune to Sam Zell, a Chicago real estate developer and investor. Before the buyout, Tribune was able to support its existing senior and subordinated funded debt, which totaled approximately \$5.3 billion. In the LBO, Tribune obligated itself to buy out all of its existing shareholders, increased its total debt to over \$13 billion to finance the buyout and caused subsidiaries to guarantee the new senior debt. The Complaint says that Tribune’s ratio of indebtedness to EBITDA jumped from 4.8:1.0 to 11.8:1.0 and the amount of debt senior to the PHONES increased from \$4.1 billion to \$11.3 billion.

The Complaint charges that the banks financed the buyout with knowledge that it would likely lead to Tribune’s insolvency. The banks’ economic self interest and their desires for profits drove them to advocate the LBO, notwithstanding allegedly unmistakable evidence of deterioration in Tribune’s business and financial performance and in the newspaper industry generally and doubts raised about Tribune’s ability to service and repay the significant amount of

new debt to be incurred. The Complaint asserts that the defendants, acting on the knowledge of the likely insolvency of Tribune, structured the financing to structurally subordinate the PHONES and other surviving pre-LBO debt to the senior LBO debt, through subsidiary guarantees, pledges of security and subordination agreements. It also asserts that the guarantors became liable for debt far exceeding the individual or collective net worth of the guarantors, but did not receive anything of value in exchange. The defendants' pattern of "egregious misconduct" with respect to the LBO, says the Complaint, requires the remedy of equitable subordination.

The Complaint says that none of Tribune, its creditors or the subsidiary debt guarantors benefited from the incurrence of the LBO debt. Over \$8 billion of loan proceeds were paid to the shareholders of Tribune, who were cashed out at a premium. Another \$2.8 billion was used to refinance Tribune's existing senior bank debt, a significant portion of which, according to the Complaint, was held by the defendant banks. The Complaint states that the refinanced debt provided the defendants with higher interest rates and was supported by subsidiary guarantees that had not previously existed. Finally, another \$200 million of buyout loan proceeds went to the defendants and others for fees in connection with the LBO. According to the Complaint, the PHONES, which had been outstanding before the buyout and remained outstanding following the buyout, were left in a substantially worse position as a result of the LBO.

To support pleas for damages and equitable subordination, the Complaint alleges multiple conflicts of interest arising from the defendants' participation in the buyout that contributed to the failed transaction. In the case of the investment banks that acted as financial advisers to Tribune or the special committee of the Tribune board, their advice was allegedly conflicted by the opportunity to make millions of dollars by participating in the LBO financing and by the prospect of doing future deals with Sam Zell. In addition, the advisers were said to be conflicted because their affiliates were lenders under Tribune's senior credit agreement and would benefit from rolling their debt into the LBO facilities with higher interest rates and priority over the PHONES. The Complaint also alleges conflicts of interest arising out of Citibank's acting as the initial indenture trustee for the PHONES while its affiliate Citigroup advised Tribune on the LBO and invested in Tribune debt.

Subsequently, on March 18, 2010, Tribune filed a motion with the Bankruptcy Court for the entry of an order (1) determining that Wilmington Trust Company, the indenture trustee, violated the automatic stay under the Bankruptcy Code by filing the Complaint, (2) requiring Wilmington Trust Company to show cause why it should not be held in contempt for knowingly violating the automatic stay and (3) halting all proceedings with respect to the Complaint. The motion is pending.

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