

YAHOO! NEWS

Tribune seen nearing bankruptcy conclusion

AP REUTERS By Tom Hals | Reuters - 16 hrs ago

WILMINGTON, Delaware (Reuters) - Tribune Co's long bankruptcy entered what is expected to be the final stage on Thursday, although the media company still faces months of regulatory clearances to transfer broadcast licenses to new owners.

The owner of 23 television stations and publisher of the Chicago Tribune and Los Angeles Times asked a Delaware bankruptcy court to approve a reorganization plan to pay off creditors. The company failed a year ago in an attempt to end its Chapter 11 case because of creditor disputes, but this time success appears much more likely.

"Here we find ourselves back at the river's edge," Tribune lawyer James Bendernagel, of law firm Sidley Austin, told the court as the confirmation hearing began. "This time the river's quite a bit narrower."

Tribune Co, which also owns a cable network and several other large newspapers, was acquired in 2007 by financier Sam Zell in a \$13 billion leveraged buyout.

The buyout, which Zell has called the "deal from hell," coincided with a U.S. recession and a major downturn in newspaper advertising and readership as consumers flocked to the Internet. Less than a year after the deal closed, the company filed for bankruptcy, and noteholders have blamed Zell and the buyout for their losses.

The bankruptcy plan would turn over ownership to holders of the company's loans, a group that is led by JPMorgan Chase & Co and hedge funds Oaktree Capital Management LP and Angelo, Gordon & Co. They will appoint the company's seven-member board.

On a conference call with the legal teams on Wednesday, U.S. Bankruptcy Judge Kevin Carey discussed when the reorganization would become effective and procedures for an appeal -- giving the impression that confirmation was likely.

The confirmation hearing is expected to end on Friday and Carey is expected to issue his ruling at a later date.

A spokesman for Tribune declined to comment.

The company has lingered in bankruptcy as its lenders have waged war with junior creditors, led by the Aurelius Capital Management hedge fund, which hold the company's notes.

In rejecting last year's reorganization plan, Carey approved a settlement that provided about \$500 million to the company's noteholders, leaving those noteholders with fewer lines of attack.

The noteholders' objections with the current plan are largely limited to classifications of claims and processes for paying attorneys' fees.

Once its bankruptcy plan is confirmed, Tribune can formally seek approval from the Federal Communications Commission to transfer its broadcast licenses to the new owners. That process could take months, Tribune's lawyers have said.

The company needs FCC approval before it can exit Chapter 11.

"This has been a difficult, contested case from the beginning, certainly a function of the 2007 deal, a difficult industry, and the questions about valuation in a changing market," said Christopher Simon, a Wilmington, Delaware bankruptcy attorney with Cross & Simon who represented unions in the bankruptcy.

Tribune's business is on a bit of an upswing. In February, investment bank Lazard estimated the company was worth \$7.372 billion as its broadcasting business continues to increase in value more quickly than the newspapers deteriorate. Lazard said the company was worth \$6.75 billion in October 2010, according to court documents.

While Tribune has overhauled management and sold the Chicago Cubs baseball team during its bankruptcy, it is expected to consider selling assets in earnest after the new owners take over.

The market for newspapers has shown some signs of life, led by Warren Buffett's Berkshire Hathaway Inc. The conglomerate bought the majority of Media General Inc's papers for \$142 million in cash last month.

Ending its bankruptcy will not end the litigation stemming from the buyout.

The company's creditors are trying to increase their potential recovery by suing those who had a role in the buyout but who did not contribute to the settlement. That includes the thousands of shareholders who sold their Tribune stock into Zell's buyout, along with companies that advised on the deal.

A multidistrict litigation is being organized in Manhattan's federal court to coordinate those lawsuits, which are seeking billions of dollars.

(Reporting By Tom Hals; Editing by Martha Graybow and Phil Berlowitz)

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