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Tribune Co's Bankruptcy enters Confirmation Stage

The highly publicized case of Tribune Co's bankruptcy case is finally set to be presented before a judge for its confirmation hearing. A confirmation is where the bankruptcy judge signs off a plan for reorganization that was agreed upon by the bankrupt company and its creditors. normally, there is only one plan but in the case of Tribune Co, the company that owns the Chicago Tribune, the Los Angeles Times and dozens of TV stations, there are two competing plans.

Over the next two weeks, US Bankruptcy Court Judge Kevin Carey will begin hearing arguments from lawyers of the two sides each presenting their view of why their plan is the best in the interest of the Tribune and its creditors. The first group with their reorganization plan comprises of the Tribune, the Official Committee of Unsecured Creditors, Oaktree Capital Management and Angelo, Gordon & Co. whereas the second group with a competing plan is Aurelius Capital Management, a hedge fund that

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owns most of the Tribune's junior debt. Aurelius has grouped together a coalition of investors to try to obtain a higher payout from the other group.

Most bankruptcy experts have made the Tribune bankruptcy the typical case of how hedge funds can jam up the bankruptcy process by buying corporate debt for dirt cheap prices once a company files for Chapter 11 bankruptcy and then try to exact as much profit as they can through legal wrangles. In Tribune's case, this has resulted in two opposing groups seeking to capitalize on legal disputes stemming from the company's 2007 leveraged buyout, led by Chicago financier Sam Zell. These legal disputes are highly complex and made even more complicated when a court-appointed examiner said last year that the part of the transactions very likely contributed to the Tribune's insolvency.

Although there is no sign of a compromise between the two groups, anything can happen. In the course of the confirmation hearings, if Judge Carey is seen to favor one side, it may prompt the other side to propose a compromise, present a new plan or adjust their existing plan.

Judge Carey has allotted the next two weeks to hear both sides then will take a few more days to hear any objections from other parties like the US Justice Department and then another month or so to gather post-trial briefs. So his decision is likely to come only in a few months.

If you are interested in filing for bankruptcy protection for yourself or your business, call us at (813) 200 4133 for a free consultation.

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