

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

Debtors: Star Tribune Holdings Corporation, et al. ⁽¹⁾

Case Number: Jointly Administered 09-10244

Monthly Operating Report for the Period:

February 2 to March 1, 2009

Debtor's Address:

425 Portland Avenue
Minneapolis, MN 55488

Monthly Operating Loss (*in thousands*): \$1,742

Debtor's Attorney:

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Report Preparer: Star Tribune Holdings Corporation

The undersigned, having reviewed the attached report and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that the information contained therein is complete, accurate and truthful to the best of my knowledge. ⁽²⁾

Date: March 20, 2009

/s/ David W. Montgomery

David W. Montgomery
CFO of The Star Tribune Company

(1) See next page for a listing of Debtors by case number.

(2) All amounts herein are unaudited and subject to revision. The debtors reserve all rights to revise this report.

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
MONTHLY OPERATING REPORT

(1) The Debtors in these jointly administered cases are as follows:

| <u>Debtor Name</u> | <u>Case Number</u> |
|-----------------------------------|---------------------------|
| Star Tribune Holdings Corporation | 09-10244 |
| The Star Tribune Company | 09-10245 |

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
SCHEDULE OF DISBURSEMENTS
(in thousands)

| Debtor Name | Case Number | Disbursements February 2- March 1, 2008 |
|-----------------------------------|------------------------|--|
| Star Tribune Holdings Corporation | 09-10244 | \$0 |
| The Star Tribune Company | 09-10245 | \$15,154 |

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
MONTHLY OPERATING REPORT
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STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
MONTHLY OPERATING REPORT
CONSOLIDATED DEBTORS-IN-POSSESSION STATEMENT OF OPERATIONS
(in thousands)

| | February 2, 2009 - March 1, 2009 |
|--|---|
| REVENUE, net: | \$ 14,529 |
| OPERATING EXPENSES: | |
| Compensation and benefits | 8,151 |
| Newsprint and supplements | 2,444 |
| Depreciation | 1,200 |
| Other operating expenses | 4,095 |
| Total Operating Expenses | 15,890 |
| OPERATING INCOME/(LOSS) | (1,361) |
| NON-OPERATING INCOME (EXPENSE) | |
| Interest Expense, net (contractual interest expense was \$2,641)(Note 2) | (4) |
| LOSS BEFORE REORGANIZATION ITEMS AND INCOME TAXES | (1,365) |
| Reorganization items (Note 4) | (1,562) |
| Income tax benefit | 1,185 |
| NET INCOME/(LOSS) | (1,742) |
| RETAINED EARNINGS, beginning of period | (301,292) |
| RETAINED EARNINGS, end of period | \$ (303,034) |

The accompanying notes are an integral part of the financial statements

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
MONTHLY OPERATING REPORT
CONSOLIDATED DEBTORS-IN-POSSESSION BALANCE SHEET
(in thousands)

| | March 1, 2009 |
|---|----------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 34,871 |
| Accounts receivables (less \$1,903 allowance for doubtful accounts) | 22,657 |
| Other receivables | 522 |
| Inventories | 4,778 |
| Deferred income taxes | 3,432 |
| Deposits | 2,602 |
| Other current assets | 1,812 |
| Total Current Assets | 70,674 |
| Property and equipment, net | 149,191 |
| Intangible assets, net of amortization | 210,012 |
| Other assets | 9,025 |
| TOTAL ASSETS | \$ 438,902 |
| LIABILITIES AND STOCKHOLDERS' DEFECIT | |
| Current maturities of long-term debt | \$ 384 |
| Accounts payable | 5,403 |
| Accrued compensation | 16,249 |
| Unearned revenue | 13,899 |
| Other accrued liabilities | 4,603 |
| Total current liabilities | 40,538 |
| Defined benefit pension obligations | 63,389 |
| Other long-term obligations | 18,267 |
| Deferred Income Taxes | 41,348 |
| Liabilities Subject to Compromise (Note 5) | 513,584 |
| TOTAL LIABILITIES | 677,126 |
| STOCKHOLDERS' DEFICIT: | |
| Common stock, \$0.01 par value, authorized 1,450,000 shares, issued and outstanding 1,095,000 shares | 11 |
| Additional Paid-in Capital | 110,965 |
| Accumulated retained earnings/(deficit) | (303,034) |
| Accumulated other comprehensive income | (46,166) |
| TOTAL STOCKHOLDERS' DEFICIT | (238,224) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 438,902 |

The accompanying notes are an integral part of the financial statements

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
CONSOLIDATED DEBTORS-IN-POSSESSION STATEMENT OF CASH FLOWS
(in thousands)

| | | February 2, 2009 - March 1, 2009 |
|---|----|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income/(loss) from continuing operations | \$ | (1,742) |
| Reconciliation to net cash provided: | | |
| Depreciation | | 1,200 |
| Stock option expense | | 4 |
| Deferred taxes | | (1,185) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable | | 4,481 |
| Inventories | | 694 |
| Prepaid expenses and Other | | 973 |
| Accounts payable | | (40) |
| Accrued compensation | | (257) |
| Other liabilities | | 1,250 |
| Net Cash provided by operating activities | | <u>5,378</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant, and equipment | | <u>(145)</u> |
| Net cash used in investing activities | | <u>(145)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net cash provided by financing activities | | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 5,233 |
| CASH AND CASH EQUIVALENTS—Beginning | | <u>29,638</u> |
| CASH AND CASH EQUIVALENTS—Ending | \$ | <u>34,871</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ | 4 |
| Income taxes paid | | 5 |
| Restructuring items paid | | 27 |

The accompanying notes are an integral part of the financial statements

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
NOTES TO MONTHLY OPERATING REPORT

1. Background and Organization

General - The accompanying consolidated financial statements include the accounts of Star Tribune Holdings Corporation and its subsidiary The Star Tribune Company (“Star Tribune”). Star Tribune is engaged primarily in the publication of the Star Tribune newspaper serving markets in the Minneapolis/Saint Paul metropolitan and greater Minnesota outstate areas. The Star Tribune also operates the leading local news and information web site in the Twin Cities and other direct marketing products and niche publications, which extend its audience and reach in this market.

Chapter 11 Reorganization Cases – On January 15, 2009 (the “Petition Date”), Star Tribune Holdings Corporation and its subsidiary The Star Tribune Company (the “Debtors”) filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”). The Debtors continue to operate their businesses as “debtors-in-possession” under the jurisdiction of the Court and in accordance with the applicable provision of the Bankruptcy Code and orders of the Court. On January 28, 2009 the Office of the United States Trustee for the Southern District of New York appointed a statutory committee of unsecured creditors.

2. Basis of Presentation

Consolidated Debtor-in-Possession Financial Statements – The unaudited financial statements and supplemental information contained herein represent the consolidated financial information for the Debtors.

American Institute of Certified Public Accountants Statement of Position 90-7, “Financial Reporting by Entities in Reorganization under the Bankruptcy Code” (“SOP 90-7”), which is applicable to companies in chapter 11, generally does not change the manner in which financial statements are prepared. It does, however, require that the financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. The Debtor’s financial statements contained herein have been prepared in accordance with the guidance in SOP 90-7.

The results of operations contained herein are not necessarily indicative of results that may be expected from any other period or for the full year, and may not necessarily reflect the consolidated results of operations, financial position and cash flows of the Debtors in the future.

Intercompany Transactions – Intercompany transaction between Debtors have been eliminated
Case Number: 09-10244 (Jointly Administered)

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
NOTES TO MONTHLY OPERATING REPORT

in the financial statements contained herein.

Property and Equipment, net- Recorded at cost net of accumulated depreciation.

Contractual Interest Expense – Contractual interest expense represents amounts due under the contractual terms of outstanding debt for the period February 2 through March 1, 2009, including debt subject to compromise for which interest expense is not recognized in the income statement in accordance with the provisions of SOP 90-7.

Taxes – Income taxes are accounted for in accordance with SFAS No. 109, “Accounting for Income Taxes,” and current and deferred income tax assets and liabilities are recognized based upon all events that have been recognized in the consolidated financial statements as measured by the enacted tax laws.

The Debtors have received approval to pay pre-petition employee withholding obligations in addition to employment and wage related taxes, sales and use taxes, and certain other taxes due in the normal course of business through certain first day motions. As such, the Debtors have paid such taxes when due.

3. Cash Management System & Use of Cash

The Court has entered an order authorizing the Debtors to continue to use their existing cash management system including: (i) maintenance of existing bank accounts and business forms; and (ii) the authorization to open and close bank accounts. The Debtors are continuing to collect and disburse cash since the Petition Date using the existing cash management system.

4. Reorganization Items

SOP90-7 requires separate disclosure of reorganization items such as realized gains and losses from the settlement of pre-petition liabilities, provisions for losses resulting from the reorganization and restructuring of the business, as well as professional fees directly related to the process of reorganizing the Debtors under Chapter 11. The Debtors’ reorganization items consist of the following (*in thousands*):

| | February 2, 2009 - March 1, 2009 | |
|--|---|-------------|
| Professional fees directly related to reorganization | \$ | 1,581 |
| Other | | <u>(19)</u> |
| Total reorganization items | \$ | 1,562 |

STAR TRIBUNE HOLDINGS CORPORATION, ET AL.
NOTES TO MONTHLY OPERATING REPORT

5. Liabilities Subject to Compromise

As a result of the Chapter 11 filing, most pre-petition indebtedness is subject to compromise or other treatment under a plan of reorganization. Generally, actions to enforce or otherwise effect payment of pre-Chapter 11 liabilities are stayed. At hearings held on January 16, 2009, the Court granted final approval of many of the Debtors' "first day" motions covering, among other things human capital obligations, supplier relations, insurance, customer relations, business operations, certain tax matters, cash management, utilizes, case management and retention of professionals.

The Debtors have been paying and intend to continue to pay undisputed post-petition claims in the ordinary course of business. In addition, the Debtors may reject pre-petition executory contracts and unexpired leases with respect to the Debtors' operations with the approval of the Court. Damages resulting from rejection of executory contracts and unexpired leases are generally treated as general unsecured claims and will be classified as liabilities subject to compromise. Holders of pre-petition claims will be required to file proofs of claims by a bar date to be determined by the court. A bar date is the date by which claims against the Debtors must be filed if the claimants wish to receive any distribution in the Chapter 11 cases. The Debtors will notify all known claimants subject to the bar date of their need to file a proof of claim with the Court. Differences between liability amounts estimated by the Debtors and claims filed by creditors will be investigated and, if necessary, the Court will make a final determination of the allowable claim. The determination of how liabilities will ultimately be treated cannot be made until the Court approves a Chapter 11 plan of reorganization. Accordingly, the ultimate amount or treatment of such liabilities is not determinable at this time.

SOP 90-7 requires pre-petition liabilities that are subject to compromise to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. The amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, or other events.

Liabilities subject to compromise include trade accounts payable related to pre-petition purchases, some of which was scheduled for payment in the February 2 to March 1 period. As a result, the February 2 through March 1 cash flows from operations were favorably impacted by the stay of payment related to these accounts payable.

6. Post-petition Accounts Payable

To the best of the Debtors' knowledge, all undisputed post-petition accounts payable have been and are being paid under agreed-upon payment terms. Thus, an accounts payable aging is not included in this report.