

Hearing Date: July 1, 2009 at 10:00 a.m. (prevailing Eastern Time)

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

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In re: :
:
: **Chapter 11 Case No.**
:
STAR TRIBUNE HOLDINGS : **09 -10244 (RDD)**
CORPORATION, et al., :
:
: **(Jointly Administered)**
:
Debtors. :
:
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**BLACKSTONE ADVISORY SERVICE L.P.’S REPLY TO THE
RESPONSE OF THE UNITED STATES TRUSTEE REGARDING
APPLICATIONS FOR INTERIM COMPENSATION**

Blackstone Advisory Services L.P. (“**Blackstone**”) financial advisor to the above captioned debtors and debtors-in-possession (collectively, the “**Debtors**”), respectfully submits this reply (the “**Reply**”) to the response filed on June 26, 2009 (the “**Response**”) by the United States Trustee for the Southern District of New York (the “**United States Trustee**”) to the first interim application (the “**First Interim Application**”) for compensation and reimbursement of expenses filed by Blackstone (Docket No. 293).

I. BACKGROUND

1. On January 15, 2009 (the "**Petition Date**"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as amended (the "**Bankruptcy Code**"). The Debtors are operating their businesses as debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

2. On January 21, 2009, the Debtors applied to this Court for an order authorizing the retention of Blackstone as financial advisor to the Debtors pursuant to an engagement agreement dated January 15, 2009.

3. On March 13, 2009, this Court entered an order pursuant to 11 U.S.C. §§ 327(a) and 328(a) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 2014(a) authorizing the employment and retention of Blackstone as financial advisor to the Debtors *nunc pro tunc* to the Petition Date.

4. On June 12, 2009, Blackstone submitted its First Interim Application for approval and allowance of compensation and reimbursement of expenses incurred for the period of January 15, 2009 through April 30, 2009 (the "**First Interim Period**").

5. In the Response, the United States Trustee, among other things: (1) requests that the Court order an unspecified "holdback" of a portion of the fees that would otherwise be allowed and due to Blackstone (See Response ¶ 18); (2) objects to the reimbursement of \$315.10 in research expenses representing \$277.50 of "Internal Research" and \$37.60 of "External Research – Online Database" expenses in Blackstone's First Interim Application (See Response ¶

32); (3) objects to the reimbursement of Mr. Henry Hsu's "working dinner meal" expense incurred on February 5, 2009 in the amount of \$218.57 (See Response ¶ 33); (4) objects to the reimbursement of certain meal and transportation expenses incurred by Blackstone aggregating \$228.84 (See Response ¶ 34); and (5) objects to the reimbursement of \$218.56 in photocopying expenses (See Response ¶ 35).

6. This Reply will address each of the United States Trustee's objections in the order they appear in the Response.

II. HOLDBACK

7. The Debtors in these cases have submitted a reply (the "**Debtors Reply**") (Docket No. 312) in response to the United States Trustee's Response. Blackstone echoes the arguments set forth in §1, ¶¶ 2-9 of the Debtors' Reply, and incorporates the same as its own to the same extent as if the text was fully set forth herein. As such, Blackstone respectfully requests that the United States Trustee's request for the Holdback be denied.

III. INTERNAL RESEARCH AND EXTERNAL RESEARCH – ONLINE DATABASE EXPENSES

8. The United States Trustee objects to the reimbursement of \$315.10 in expenses categorized in the Blackstone Application as "Internal Research" (\$277.50) and "External Research – Online Database" (\$37.60) on the grounds that, "absent explanation," these expenses "are not reimbursable pursuant to Section D(2)(b) of the Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases dated June 20, 1991" (the "**SDNY Guidelines**"). See Response ¶ 32.

9. As indicated in the Blackstone’s First Interim Application, Blackstone’s external research category of expenses includes charges from outside computer/electronic service companies that supply, for a fee, research and/or financial documents to Blackstone. The services provided by these companies primarily consist of the retrieval of financial documents from regulatory agencies and/or the retrieval of research that would not otherwise be available to Blackstone. The internal research category of expenses are charged for time spent by Blackstone research staff in operating the computer/electronic terminals related to these computer/electronic service companies.

10. Additional details concerning the “Internal Research” and “External Research – Online Database” expenses referenced in the Response are provided in the tables below:

Internal Research						
Professional	Description	Database	Time	Hourly Billing Rate	Date	Cost
McKee	Research concerning final union profit-sharing plans that were filed by Delta Airlines, Northwest Airlines, United Airlines, US Airways	Bloomberg, PACER	2.28	\$75.00	03/02/09	\$171.25
McKee	Research concerning historical yields on AA-bonds going back 10 years	Bloomberg	1.42	\$75.00	03/09/09	\$106.25

External Research – Online Database				
Professional	Description	Database	Date	Cost
McKee	Retrieved Court filings from Court docket	PACER	01/27/09	\$37.60

11. Blackstone respectfully requests that the Court allow Blackstone to be fully reimbursed for the “Internal Research” (\$277.50) and “External Research – Online Database” (\$37.60) requested in its First Interim Application.

IV. EXPENSES FOR MEAL WITH CLIENTS

12. The United States Trustee objects to the reimbursement of \$218.57 Blackstone for a “meal with clients” expense incurred by Blackstone professional Henry Hsu on February 5, 2009 on the grounds that “[a]bsent an explanation as to why this amount is reasonable, this expense should be disallowed. *See* Response ¶ 33.

13. The “meal with clients” expense referenced in the United States Trustee’s Response was incurred by Mr. Hsu in connection with a dinner meeting with Dave Montgomery, Chief Financial Officer of Star Tribune, and Jamie Baird of Blackstone to discuss union negotiations and the Debtors’ chapter 11 cases. Blackstone deems the amount expended to be reasonable, and respectfully requests that it be fully reimbursed for this expense.

V. MEAL AND TRANSPORTATION EXPENSES

14. The United States Trustee objects to the reimbursement of certain meal and transportation expenses on the grounds that “[m]any of the meals or transportation were provided to Blackstone employees on days when they only worked for less than three hours on matters relating to the Debtors, or did not provide any services on behalf of any matter relating to the Debtors at all.” *See* Response ¶ 34. Summarized in the table below are the meal and transportation expenses being objected to by the United States Trustee:

DATE	SERVICE	AMOUNT	EMPLOYEE	HOURS BILLED
02/03/09	Transportation	\$15.00	McKee	0
01/15/09	Meals	\$20.00	Hsu	0
01/15/09	Meals	\$20.00	McKee	0
02/12/09	Meals	\$20.00	Baird	1.5
01/20/09	Transportation	\$11.30	Baird	0
01/26/09	Transportation	\$9.90	Baird	2.0
02/05/09	Transportation	\$11.12	Baird	2.0
02/07/09	Transportation	\$9.70	Baird	2.0
02/18/09	Transportation	\$7.40	McKee	2.5
02/19/09	Transportation	\$7.25	McKee	2.0
02/23/09	Transportation	\$7.40	McKee	2.0
03/13/09	Transportation	\$6.48	McKee	2.0
02/07/09	Breakfast	\$7.04	Baird	2.0
02/16/09	Meals	\$20.00	McKee	0.5
02/19/09	Meals	\$20.00	McKee	2.0
03/12/09	Meals	\$16.25	McKee	2.5
03/13/09	Meals	\$20.00	McKee	2.0

15. With respect to the pre-petition meal expenses incurred by Blackstone professionals Henry Hsu and Patrick McKee on January 15, 2009, Blackstone will apply Mr. Hsu's and Mr. McKee's pre-petition expenses against the expense deposit it received prior to the Petition Date.

16. With respect to the remaining meal expenses referenced in the Response, Blackstone agrees to withdraw its request for reimbursement of these expenses which amount to \$103.29.

17. With respect to the transportation expenses referenced in the Response, Blackstone agrees to withdraw its request for reimbursement for these expenses which amount to \$85.55.

VI. PHOTOCOPYING EXPENSES

18. The United States Trustee objects to the reimbursement of \$218.56 of photocopying expenses because it is alleged that Blackstone's First Interim Application fails to certify that the photocopying rates appearing in the First Interim Application represent actual cost for such expenses (Response ¶ 35).

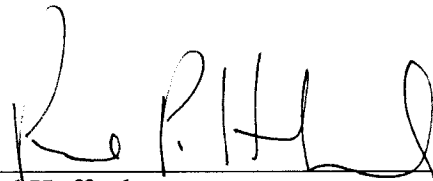
19. As discussed in Blackstone's First Interim Application, the Document Production category of expenses includes charges from outside service companies that provide, for a fee, high volume photocopying services on an expedited basis to Blackstone; and charges for internal photocopying services provided by Blackstone. Blackstone bills internal Document Production expenses at the rate of \$0.14 per page for black and white photocopies, and \$0.36 per page for color photocopies. Blackstone does not factor general overhead expenses into expenses charged to its clients in connection with chapter 11 cases.

20. For the First Interim Period, Blackstone recognized internal black and white photocopying expenses in the amount of \$11.20, and internal color photocopying expenses in the amount of \$207.36. Blackstone respectfully requests that the \$11.20 of black and white photocopying expenses be fully reimbursed. With respect to the color photocopying expenses incurred, Blackstone's agrees to reduce its billing rate from \$0.36 per page to \$0.20 per page, reducing this category of expenses by \$92.16, from \$207.36 to \$115.20.

VII. CONCLUSION

WHEREFORE, for all of the aforementioned reasons, Blackstone seeks an order granting Blackstone's First Interim Application in full, as modified hereby, authorizing payment of the amounts so far withheld and allowing reimbursement of the expenses set forth therein, and granting such other and further relief as the Court may find just and proper.

Dated: New York, New York
June 30, 2009

By: 

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