

DAVIS POLK & WARDWELL
450 Lexington Avenue
New York, New York 10017
Telephone: (212) 450-4000
Facsimile: (212) 701-6001
Marshall S. Huebner
Timothy E. Graulich
Lynn I. Poss

*Proposed Counsel to the Debtors
and Debtors in Possession*

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

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:
In re: :
: **Chapter 11 Case No.**
:
STAR TRIBUNE HOLDINGS : **09-10244 (___)**
CORPORATION, et al., :
: **(Jointly Administered)**
:
Debtors.¹ :
----- X

**DEBTORS' MOTION FOR AUTHORIZATION (i) TO PAY
PRE-PETITION CLAIMS OF CRITICAL VENDORS
AND (ii) TO AUTHORIZE FINANCIAL INSTITUTIONS TO
HONOR AND PROCESS RELATED CHECKS AND TRANSFERS**

Star Tribune Holdings Corporation (“**Star Tribune Holdings**”) and The Star
Tribune Company (“**Star Tribune**”) and, together with Star Tribune Holdings, the
“**Debtors**”) respectfully represent:

¹ The Debtors are Star Tribune Holdings Corporation and The Star Tribune Company. The employer tax identification numbers and addresses for each of the Debtors are set forth in the Debtors’ chapter 11 petitions.

Background and Jurisdiction

1. On the date hereof (the “**Petition Date**”), each Debtor commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors have filed a motion seeking joint administration of these chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”).

2. Additional information about the Debtors’ businesses and the events leading up to the Petition Date can be found in the Affidavit of David W. Montgomery, Chief Financial Officer of Star Tribune which is incorporated herein by reference.

3. The Court has subject matter jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b) and may be determined by the Bankruptcy Court. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

4. Pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, the Debtors seek an order in the form attached hereto as Exhibit A (a) granting them the authority, but not the obligation, in their sole discretion to pay all or a portion of the pre-petition obligations of certain Critical Vendors (as defined below), (b) authorizing banks to receive, process, honor and pay checks or electronic transfers used by the Debtors to pay the foregoing and (c) granting related relief.

5. If the requested relief is not granted and certain essential trade vendors refuse to continue to supply goods and services to the Debtors post-petition, the Debtors may be unable to continue portions of their operations, thereby endangering the Debtors' successful reorganization and substantially harming all creditors.

The Debtors' Critical Vendors

6. The Debtors purchase goods and services from certain vendors and independent contractors that are unaffiliated with the Debtors and are, by and large, sole source or limited source suppliers without which the Debtors could not operate. Certain of these vendors do not have written contracts with the Debtors for this supply arrangement or might be able to obtain (or have obtained) mechanics' liens, possessory liens, shippers' liens or similar state law trade liens on property necessary to the Debtors' ongoing operations, might be entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code, or could not be replaced within a reasonable time and on terms as beneficial to the Debtors as those already in place (collectively, the "**Critical Vendors**"). Many of these limited source suppliers are in the unique position of holding a virtual monopoly over the services they provide. Replacement vendors, even where available, would likely result in higher costs for the Debtors. If the Debtors can benefit from maintaining lower costs of goods and services purchased during the post-petition period and avoid the severe disruption that might be occasioned by the cessation of service therefrom, it is prudent for the Debtors to pay selected Critical Vendors some or all of their pre-petition claims. However, except under extraordinary circumstances, such payment would be contingent on an agreement that the Critical Vendors continue to sell

their goods or services to the Debtors on a going forward basis on terms favorable to the Debtors.

7. The Debtors are mindful of their fiduciary obligations to seek to preserve and maximize the value of their estates. The preservation of key business relationships is among management's primary goals as the Debtors transition into chapter 11. Providing seamless service to customers is key to meeting those goals. For these reasons, the Debtors seek to minimize the adverse business effects as well as the cash flow impact of their chapter 11 filing, and possible irreparable harm, to the fullest extent possible by obtaining authority to pay certain necessary trade vendors that are not subject to written contracts with the Debtors or that have trade liens and that are so essential to the Debtors' business that the loss of their particular goods or services would cause immediate and irreparable harm to the Debtors' business, goodwill and market share.

Categories of Critical Vendors

8. The Debtors' Critical Vendors include: (a) newspaper delivery agents (the "**Agents**") and (b) newsprint vendors. While the Debtors hope and expect to assure a continuing post-petition supply of goods and services by consensual negotiation with the vendors in the categories above, the Debtors recognize that their fiduciary duties bind them to consider and plan for the vendors which may refuse to provide future goods or services unless their pre-petition claims are paid. The Critical Vendors are so essential to the Debtors' businesses that the lack of any of their particular services, even for a short duration, would disrupt the Debtors' operations and cause irreparable harm to the Debtors' business, goodwill and market share, particularly because the Debtors are in

such a time-sensitive business where any delay (even by a few hours) of their product—a *daily* newspaper—substantially decreases the value of their businesses. This irreparable harm to the Debtors and to the recovery of all creditors will far outweigh the cost of payment of the pre-petition claims of the Critical Vendors.

Newspaper Delivery Agents

9. The Agents are responsible for delivering the *Star Tribune* newspaper to the Debtors' home delivered subscribers, within the Twin Cities primary market area, and to certain single copy outlets (such as convenience stores and supermarkets) that then sell the *Star Tribune* to individual readers. In addition, the Agents are responsible for delivering the *Star Tribune* newspaper to home delivered subscribers and single copy outlets in all other geographic areas outside the greater Twin Cities market area in Minnesota, Wisconsin, Iowa and South Dakota. This is the sole means, other than a small portion delivered by mail, by which the *Star Tribune* reaches the Debtors' subscribing customers and a significant portion of their non-subscribing customers. Daily publication is an essential aspect of the *Star Tribune's* value, and thus any interruption in the Agents' services will have a significant negative effect on the Debtors' business. Moreover, any such delay would not only affect the value of the Debtors' product to its customers, but would also prevent the Debtors from meeting the readership expectations of their advertisers. These advertisements, as well as the *Star Tribune's* news and other content, are predominantly time-sensitive, and thus it is imperative that the *Star Tribune* be delivered without interruption or delay. If the Debtors are not

permitted to pay their Agents, the magnitude of the potential injury to their business will in all likelihood greatly exceed the amount of unpaid claims held by such Agents.

10. In addition, the Debtors are, in the case of many of the Agents, the only or major source of such Agents' revenue. If the Debtors were not permitted to pay the Agents, these Agents might be forced to permanently close their doors to business, leaving the Debtors with a critical part of their distribution network extinguished and irreparably harming the Debtors' future business and reorganization prospects.

11. Finally, to the extent the Debtors have not paid those Critical Vendors for their services, the Agents may be able to, pursuant to state law, assert liens on the newspapers in their possession to secure the charges and expenses incurred in connection with the transportation, storage or preservation of the Debtors' goods and merchandise.² In some circumstances, these liens can be perfected notwithstanding the automatic stay established by section 362(a) of the Bankruptcy Code. Indeed, pursuant to section 362(b)(3) of the Bankruptcy Code, the act of perfecting certain of such liens, to the extent consistent with section 546(b) of the Bankruptcy Code, is expressly excluded from the automatic stay.³ As a result, certain Agents may refuse to deliver or release the publications in their possession before their unpaid claims have been satisfied. As noted above, any such interruption or failure to deliver would negatively impact the Debtors' business operations.

² See, e.g., U.C.C. § 7-307(1) (2003) (granting lien rights to carriers covered by a bill of lading for charges and expenses for transportation, storage and preservation of goods).

³ Under section 546(b) of the Bankruptcy Code, a debtor's lien avoidance powers "are subject to any generally applicable law that . . . permits perfection of an interest in property to be effective against an entity that acquires rights in such property before the date of perfection . . ." 11 U.S.C. § 546(b)(1)(A).

Newsprint Vendors

12. The newsprint vendors supply the Debtors with key raw materials necessary for the production of their newspaper. These raw materials are essential for the continuing production of the Debtors' newspaper product. As is the case with potential delays in delivery by the Agents, any interruption in the supply of newsprint will affect the Debtors' ability to deliver a daily product to their customers. Even an interruption lasting less than a single day would negatively affect the value of the *Star Tribune* to its readers. Further, if there was an interruption in the supply of newsprint to the Debtors, the Debtors would not be able to fulfill their obligations to their advertisers, who require timely delivery of their often time-sensitive advertisements. There is no value in advertising a one-day sale if the advertisement reaches readers after the sale ends due to a production delay. In addition, the newsprint vendors would likely be entitled to an administrative expense claim under section 503(b)(9) of the Bankruptcy Code for newsprint delivered twenty days prior to the Petition Date. Section 503(b)(9) grants, after notice and a hearing, an administrative expense for "the value of any goods received by the debtor within 20 days before the date of commencement of a [chapter 11 case] in which the goods have been sold to the debtor in the ordinary course of such debtor's business." 11 U.S.C. § 503(b)(9). The newsprint vendors are generally paid for the newsprint they provide to the Debtors every fifteen days. As such, it is unlikely that the pre-petition amount owed to the newsprint vendors is greater than the amount of the administrative expense claim that the vendors would be entitled to under section 503(b)(9).

13. It is essential to the reorganization efforts that the Debtors be permitted to pay selected Critical Vendors in order to continue the Debtors' businesses and to honor their contractual commitments to their customers and advertisers.

Payment of Critical Vendors is in the Best Interests of the Debtors' Estates and Creditors

14. While the Debtors hope and expect to be able to assure a continuing post-petition supply of goods and services by consensual negotiation with the Critical Vendors, the Debtors recognize that their fiduciary duties bind them to consider and plan for the vendors that may refuse to provide future goods or services unless their pre-petition claims are paid. The Critical Vendors are so essential to the Debtors' businesses that the lack of each of their particular goods and services, even for a short duration, would disrupt the Debtors' operations and cause irreparable harm to the Debtors' business, goodwill and market share. This irreparable harm to the Debtors and to the recovery of all creditors will far outweigh the cost of payment of the pre-petition claims of the Critical Vendors.

15. The Debtors therefore seek the authority to pay, in their sole discretion and business judgment, some or all of the pre-petition obligations of certain Critical Vendors (the "**Vendor Claims**") to maintain their operations. Without this authority, these Critical Vendors may refuse to continue to supply goods and services to the Debtors post-petition. As is illustrated above, the Critical Vendors are an essential component of the Debtors' continuing operations. The Debtors estimate the maximum amount needed to pay the pre-petition claims (excluding those pre-petition claims secured by trade liens

or entitled to an administrative expense claim under section 503(b)(9) of the Bankruptcy Code) of Critical Vendors is approximately \$3,000,000 (the “**Vendor Claims Cap**”).⁴

16. In determining the amount of the Vendor Claims Cap, the Debtors have carefully reviewed their suppliers to determine, among other things, (a) which suppliers were sole source or limited source suppliers, without whom the Debtors could not continue to operate without disruption, (b) which suppliers would be prohibitively expensive to replace, (c) which suppliers present an unacceptable risk should they cease the provision of truly essential services or supplies and (d) the extent to which suppliers may be able to obtain or have obtained trade liens on equipment, supplies or goods of the Debtors. The Debtors then considered the financial condition of each supplier, where that information was known, including the level of dependence each supplier has on the Debtors’ continued business. After compiling this information, the Debtors estimated the amount they believe they would be required to pay to ensure the continued supply of critical goods and services. The Vendor Claims Cap represents this estimated amount.

17. The Vendor Claims Cap represents only a small percentage of the total amount of the pre-petition vendor claims in these cases. It represents the Debtors’ best estimate as to how much must be paid to such creditors to continue the supply of critical goods and services. The Debtors hope to pay far less than the requested amount.

18. To minimize the amount of payments required, the Debtors request authority to identify Critical Vendors in the ordinary course of their businesses.

Identifying the Critical Vendors now would likely cause all such vendors to demand

⁴ The Vendor Claims Cap does not include any prepetition claims that the Debtors have authority to pay under other orders entered by this Court in these cases.

payment in full. The Debtors propose to pay the Vendor Claims of each Critical Vendor that agrees, in the Debtors' sole discretion, to continue to supply goods or services to the Debtors on such Critical Vendor's "**Customary Trade Terms**" for a period of time and on other such terms and conditions as are acceptable to the Debtors. As used herein, "**Customary Trade Terms**" means, with respect to a Critical Vendor, (a) the normal and customary trade terms, practices and programs (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, and availability, and other applicable terms and programs), that were most favorable to the Debtors and in effect between such Critical Vendor and the Debtors prior to the Petition Date or (b) such other trade terms as agreed by the Debtors and such Critical Vendor. However, as noted above, in determining the Vendor Claims Cap, the Debtors were careful to include only such payments the Debtors, in their best estimate, determined would be required to continue the supply of critical goods and services as a condition of continued sales. Therefore, it may be necessary to pay certain Critical Vendors only a portion of such vendors' claim in return for the continued supply of critical goods and supplies (or to ensure the release of any trade liens)—even if not on the Critical Vendor's Customary Trade Terms. Further, in certain circumstances a Critical Vendor may refuse to provide services to the Debtors on the Critical Vendor's Customary Trade Terms even after payment of such Critical Vendor's claim. To accommodate these circumstances, the Debtors seek approval to enter into separate agreements, at the Debtors' discretion, with each such Critical Vendor on a case-by-case basis.

19. The Debtors further propose that if a Critical Vendor later refuses to continue to supply goods or services to the Debtors on the Customary Trade Terms for the applicable period, or on such terms as were individually agreed to between the Debtors and such Critical Vendor, then the Debtors may, in their discretion, and without further order of the Court: (a) declare that the payment of the creditor's Vendor Claim is a voidable post-petition transfer pursuant to section 549(a) of the Bankruptcy Code that the Debtors may recover from such Critical Vendor in cash or in goods and (b) demand that the creditor immediately return such payments in respect of the Vendor Claim to the extent that the aggregate amount of such payments exceeds the post-petition obligations then outstanding without giving effect to alleged setoff rights, recoupment rights, adjustments, or setoffs of any type whatsoever, and the creditor's Vendor Claim shall be reinstated in such an amount as to restore the Debtors and the Critical Vendor to their original positions, as if the agreement had never been entered into and the payment of the Vendor Claim had not been made. In sum, the Debtors will return the parties to their positions immediately prior to the entry of the order approving the relief sought herein.

20. To ensure that Critical Vendors transact business with the Debtors on Customary Trade Terms, the Debtors propose the following procedures as a condition to paying any Critical Vendor: (a) that a letter or contract including provisions substantially in the form of the letter attached hereto as Exhibit B (a "**Vendor Agreement**") be delivered to, and executed by, the Critical Vendors along with a copy of the order granting the relief sought herein and (b) that payment of Vendor Claims include a communication of the following statement:

By accepting this payment, the payee agrees to the terms of the Order of the U.S. Bankruptcy Court for the Southern District of New York, dated January __ 2009, in the chapter 11 cases of Star Tribune Holdings Corporation, *et al.* (Cases No. 09-10244 ()), entitled “Order Authorizing Debtors to (i) Pay Pre-Petition Claims of Critical Vendors and Certain Administrative Claimholders and (ii) Authorize Financial Institutions to Honor and Process Related Checks and Transfers” and submits to the jurisdiction of that Court for enforcement thereof.

21. As a further condition of receiving payment on a Vendor Claim, the Debtors propose that a Critical Vendor must agree to take whatever action is necessary to remove any existing trade liens at such Critical Vendor’s sole cost and expense and waive any right to assert a trade lien on account of the paid Vendor Claim.

22. The Debtors shall maintain a matrix summarizing (a) the name of each Critical Vendor paid on account of Vendor Claims, (b) the amount paid to each Critical Vendor on account of its Vendor Claim and (c) a brief description of the goods or services provided by such Critical Vendor. This matrix will periodically be provided to the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”) and any official committee of unsecured creditors (the “**Committee**”), *provided, however*, that the Committee’s professionals shall keep the matrix confidential and shall not disclose any of the information in the matrix to anyone, including, but not limited to, any member of the Committee, without prior written consent from the Debtors.

23. The Debtors believe that payment of some or all Vendor Claims owed to Critical Vendors will be necessary to preserve operations and successfully reorganize. The need for the flexibility to pay such claims is particularly acute in the period immediately following the Petition Date. During this period, the Debtors, their attorneys

and financial advisors, and their other professionals will be focusing on stabilizing operations and developing a long-term business plan. At the same time, while the Debtors are distracted with stabilization of the businesses and long-term planning, Critical Vendors may attempt to assert their considerable leverage and deny provision of goods and services going forward, suddenly and without notice, in an effort to cripple operations and coerce payment.

24. Furthermore, if the relief sought herein is not granted, Critical Vendors will have no incentive to continue to finance the Debtors on customary trade terms. Indeed, over the past year certain vendors that became concerned about Debtors' financial condition have demanded that the Debtors pay for their goods on accelerated payment terms, cash in advance and cash on delivery basis. Any further expansion of these activities by other Critical Vendors would be detrimental to the Debtors, their estates and their creditors.

25. The continued availability of trade credit, in amounts and on terms consistent with those the Debtors struggled to obtain over the years, is clearly advantageous to the Debtors. It allows the Debtors to maintain and enhance necessary liquidity and focus on returning to profitability. The Debtors believe that preserving working capital through the retention and reinstatement of their normally advantageous trade credit terms will enable the Debtors to stabilize business operations at this critical time, to maintain their competitiveness and to maximize the value of their businesses for the benefit of all interested parties. Conversely, any deterioration of trade credit, or disruption or cancellation of deliveries of goods or provision of essential services, could

spell disaster for the restructuring efforts. Finally, the relief requested herein also may help to avert the institution of numerous reclamation claims, suits and motions. Avoiding the time and expense of evaluating and litigating such claims will provide another incremental benefit for the Debtors, their estates and their creditors. Any occurrence affecting operations could prolong the Debtors' chapter 11 cases, increase administrative expenses and jeopardize their reorganization.

**Request for Authority for Financial Institutions
to Honor and Process Related Checks and Transfers**

26. The Debtors also request that all applicable banks and other financial institutions be authorized to receive, process, honor and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtors related to, the claims that the Debtors request authority to pay in this motion, regardless of whether the checks were presented or fund transfer requests were submitted before or after the Petition Date, *provided, however*, that: (a) funds are available in the Debtors' accounts to cover the checks and fund transfers and (b) all the banks and other financial institutions are authorized to rely on the Debtors' designation of any particular check as approved by the attached proposed order.

Applicable Authority

27. Similar relief has repeatedly been granted in other chapter 11 cases in this district. *See, e.g., In re Frontier Airlines Holdings, Inc.*, Case No. 08-11298 (RDD) (Bankr. S.D.N.Y. May 15, 2008) (court granted the debtor authority to pay \$6 million in critical vendor claims); *In re Calpine Corp.*, Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. Dec. 21, 2005) (court granted debtor authority to pay \$20 million in critical vendor

claims); *In re Delphi Corp.*, No. 05-44481 (RDD) (Bankr. S.D.N.Y. Oct. 13, 2005) (court granted debtor authority to pay \$90 million in the debtors' vendor rescue program); *In re Delta Air Lines, Inc.*, Case No. 05-17923 (PCB) (Bankr. S.D.N.Y. Sept. 16, 2005) (court granted debtor authority, subject to the debtor's reasonable exercise of business judgment, to pay all critical vendor claims); *In re WorldCom, Inc.*, Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. Jul. 21, 2002) (court granted debtor authority to pay \$70 million in critical vendor claims); *In re Enron Corp.*, Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. Dec. 12, 2001) (court approved \$48 million in critical vendor claims); *In re AI Realty Mktg. of New York, Inc.*, Nos. 01-40252 through 01-40290 (AJG) (Bankr. S.D.N.Y. 2001).

28. In addition, section 363(b)(1) of the Bankruptcy Code empowers the Court to allow the debtor to "use, sell, or lease, other than in the ordinary course of business, property of the estate." Debtors' decisions to use, sell or lease assets outside the ordinary course of business must be based upon the sound business judgment of the debtor. *See In re Chateaugay Corp.*, 973 F.2d 141, 143 (2d Cir. 1992) (holding that a judge determining a section 363(b) application must find from the evidence presented before him a good business reason to grant such application); *see also Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1071 (2d Cir. 1983) (same); *In re Global Crossing Ltd.*, 295 B.R. 726, 743 (Bankr. S.D.N.Y. 2003); *In re Ionosphere Clubs, Inc.*, 100 B.R. 670, 674 (Bankr. S.D.N.Y. 1989) (noting that the standard for determining a section 363(b) motion is "good business reason").

29. The business judgment rule is satisfied “when the following elements are present: (1) a business decision, (2) disinterestedness, (3) due care, (4) good faith, and (5) according to some courts and commentators, no abuse of discretion or waste of corporate assets.” *Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650, 656 (S.D.N.Y. 1992), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993) (internal quotations omitted). In fact, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *Comm. of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). Courts in this district have consistently and appropriately been loath to interfere with corporate decisions absent a showing of bad faith, self-interest or gross negligence and will uphold a board’s decisions as long as they are attributable to any “rational business purpose.” *In re Integrated Res. Inc.*, 147 B.R. at 656.

30. The “necessity of payment” doctrine further supports the relief requested herein. This doctrine “recognizes the existence of the judicial power to authorize a debtor in a reorganization case to pay pre-petition claims where such payment is essential to the continued operation of the debtor.” *Ionosphere Clubs*, 98 B.R. 174, 176 (Bankr. S.D.N.Y. 1989); *see also Michigan Bureau of Workers’ Disability Comp. v. Chateaugay Corp. (In re Chateaugay Corp.)*, 80 B.R. 279, 285-86 (S.D.N.Y. 1987). The rationale for the necessity of payment rule is consistent with the paramount goal of chapter 11—

“facilitating the continued operation and rehabilitation of the debtor.” *Ionosphere Clubs*, 98 B.R. at 176.

31. Finally, section 105(a) of the Bankruptcy Code empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). A bankruptcy court’s use of its equitable powers to “authorize the payment of pre-petition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept.” *In re Ionosphere Clubs, Inc.*, 98 B.R. at 175. “Under Section 105, the court can permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor.” *In re NVR L.P.*, 147 B.R. 126, 127 (Bankr. E.D. Va. 1992) (citing *Ionosphere Clubs*, 98 B.R. at 177).

32. The Debtors submit that the requested relief represents a sound exercise of the Debtors’ business judgment and is justified under sections 363(b), and 105(a) of the Bankruptcy Code, and is also in line with the relief granted in this and other districts. The Debtors strongly believe that the uninterrupted supply of goods and services, on customary trade terms, and the continuing support of their customers are imperative to the ongoing operations and viability of the Debtors. Authority to pay the Critical Vendors in the ordinary course of the Debtors’ businesses is in the best interest of the Debtors’ estates and creditors. Absent such payment, the operations and value of the Debtors’ estates will suffer, possibly precipitously, and the requested relief is necessary to avoid immediate and irreparable harm. This irreparable harm to the Debtors and to the recovery of all creditors will far outweigh the cost of payment.

Necessity for Immediate Relief

33. Bankruptcy Rule 6003 provides that “[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 20 days after the filing of the petition, grant . . . (b) a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition” For all the reasons set forth herein, if the Debtors are not authorized to pay certain critical vendors, immediate and irreparable harm might be caused to the Debtors’ estates. Accordingly, the interim relief requested herein is consistent with Bankruptcy Rule 6003.

Request for Waiver of Stay

34. In addition, by this Motion, the Debtors seek a waiver of any stay of the effectiveness of the order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 10 days after entry of the order, unless the court orders otherwise.” As set forth above, the Debtors require immediate relief to continue ordinary business operations for the benefit of all parties in interest. Accordingly, the Debtors submit that ample cause exists to justify a waiver of the ten-day stay imposed by Bankruptcy Rule 6004(h), to the extent that it applies.

Interim Order

35. The Debtors seek the relief requested in this Motion in the form of the interim order (the “**Interim Order**”) attached hereto. Within three business days of the entry of the Interim Order, the Debtors will serve a copy of the Interim Order and this

Motion on (a) the Office of the United States Trustee for the Southern District of New York, (b) attorneys to the agent for the Debtors' first-lien pre petition lenders, (c) attorneys to an ad hoc committee of the Debtors' second-lien pre-petition lenders, (d) those creditors holding the five largest secured claims against the Debtors' estates on a consolidated basis, (e) those creditors holding the 30 largest unsecured claims against the Debtors' estates on a consolidated basis, (f) the Internal Revenue Service and (g) Avista Capital Partners (collectively, the "**Notice Parties**").

36. The deadline to file an objection ("**Objection**") to the Motion shall be 4:00 p.m. (prevailing Eastern Time) on the date that is 15 calendar days after the date of the entry of the Interim Order (the "**Objection Deadline**"). An Objection shall be considered only if, on or before the Objection Deadline, it is (a) filed with the Court and (b) served upon and actually received by (i) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Brian Masumoto; (ii) attorneys for the Debtors, Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, Attn: Marshall S. Huebner and Timothy Graulich; (iii) attorneys for any official committee of unsecured creditors then-appointed in these cases; and (iv) attorneys to the agent for the Debtors' first lien pre-petition lenders, Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022, Attn: Mark A. Broude.

37. Unless otherwise ordered by the Court, a reply to an Objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on the day that is at least two business days before the date of the applicable hearing.

38. If no Objections are timely filed and served as set forth herein, the Debtors shall, on or after the Objection Deadline, submit to the Court a final order granting the relief requested herein, which order shall be submitted and may be entered with no hearing and no further notice or opportunity to be heard afforded to any party. If an Objection is timely filed, a hearing will be held at a date and time to be established by the Court.

39. The foregoing notice procedures satisfy Bankruptcy Rule 9014 by providing the counterparties with notice and an opportunity to object and be heard at a hearing. *See, e.g., In re Drexel Burnham Lambert*, 160 B.R. 729, 734 (S.D.N.Y. 1993) (an opportunity to present objections satisfies due process); *In re Colorado Mountain Cellars, Inc.*, 226 B.R. 244, 246 (D. Colo. 1998) (a hearing is not required to satisfy Bankruptcy Rule 9014). Furthermore, the proposed notice procedures protect the due process rights of the parties in interest without unnecessarily exposing the Debtors' estates to unwarranted administrative expenses.

Notice

40. No trustee, examiner, or creditors' committee has been appointed in these chapter 11 cases. The Debtors have served notice of this Motion on the Notice Parties.

No Previous Request

41. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as is just and proper.

New York, New York
Dated: January 15, 2009

By: /s/ Marshall S. Huebner
Marshall S. Huebner
Timothy E. Graulich
Lynn I. Poss

DAVIS POLK & WARDWELL
450 Lexington Avenue
New York, New York 10017
Telephone: (212) 450-4000
Facsimile: (212) 701-6001

*Attorneys for the Debtors
and Debtors in Possession*

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

----- X

In re:	:
	:
	: Chapter 11 Case No.
	:
STAR TRIBUNE HOLDINGS	: 09-10244 (___)
CORPORATION, et al.,	:
	: (Jointly Administered)
	:
Debtors. ¹	:
	:
-----	X

**INTERIM ORDER AUTHORIZING DEBTORS TO (i) PAY PRE-PETITION
CLAIMS OF CRITICAL VENDORS AND
(ii) AUTHORIZE FINANCIAL INSTITUTIONS TO HONOR
AND PROCESS RELATED CHECKS AND TRANSFERS**

Upon the motion (the “**Motion**”)² of Star Tribune Holdings Corporation (“**Star Tribune Holdings**”) and The Star Tribune Company (together with Star Tribune Holdings, the “**Debtors**”), pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, for authority to pay in the ordinary course of business pre-petition claims of critical vendors (the “**Critical Vendors**”), as more fully described in the Motion; and upon consideration of the Affidavit of David W. Montgomery pursuant to Local Bankruptcy Rule 1007-2 in support of the Debtors’ first-day pleadings; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. § 1334 and the Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York dated July 10, 1984 (Ward, Acting

¹ The Debtors are Star Tribune Holdings Corporation and The Star Tribune Company.

² Unless otherwise defined herein, each capitalized term shall have the meaning ascribed to such term in the Motion.

C.J.); and consideration of the Motion and the requested relief being a core proceeding the Bankruptcy Court can determine pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to (a) the Office of the United States Trustee for the Southern District of New York, (b) attorneys to the agent for the Debtors' first lien pre-petition lenders, (c) attorneys to an ad hoc committee of the Debtors' second-lien pre-petition lenders, (d) those creditors holding the five largest secured claims against the Debtors' estates on a consolidated basis, (e) those creditors holding the 30 largest unsecured claims against the Debtors' estates on a consolidated basis, (f) the Internal Revenue Service and (g) Avista Capital Partners (collectively, the "**Notice Parties**"), and it appearing that no other or further notice need be provided; and the relief requested in the Motion being in the best interests of the Debtors and their estates and creditors; and the Court having reviewed the Motion and having held a hearing with appearances of parties in interest noted in the transcript thereof (the "**Hearing**"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and the Court having determined that immediate relief is necessary to avoid irreparable harm; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the relief requested in the Motion is hereby granted in its entirety, *provided, however*, that until the twenty-first day after the Petition Date, the relief

requested by the Debtors is granted only to the extent that it is necessary to avoid irreparable harm; and it is further

ORDERED that, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, the Debtors are authorized, but not directed, in the reasonable exercise of their business judgment, to pay some or all of the pre-petition claims of those Critical Vendors (the “**Vendor Claims**”), who agree to continue to supply goods or services to the Debtors on such Critical Vendor’s “**Customary Trade Terms**” for a period following the date of the agreement and on other such terms and conditions as are acceptable to the Debtors. As used herein, “**Customary Trade Terms**” means, with respect to a Critical Vendor, (a) the normal and customary trade terms, practices and programs (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, and availability, and other applicable terms and programs), that were most favorable to the Company and in effect between such Critical Vendor and the Company prior to the Petition Date or (b) such other trade terms as agreed by the Debtors and such Critical Vendor; and it is further

ORDERED that after the date hereof, the Debtors shall determine, in the ordinary course of business, who is a Critical Vendor by considering, among other things, (a) which suppliers were sole source or limited source suppliers, without whom the Debtors could not continue to operate without disruption, (b) which suppliers would be prohibitively expensive to replace, (c) which suppliers present an unacceptable risk should they cease the provision of truly essential services or supplies and (d) the extent to

which suppliers may be able to obtain or have obtained trade liens on equipment, supplies or goods of the Debtors; and it is further

ORDERED that the Debtors shall maintain a matrix summarizing (a) the name of each Critical Vendor paid on account of Vendor Claims, (b) the amount paid to each Critical Vendor on account of its Vendor Claim and (c) the goods or services provided by such Critical Vendor. This matrix will be provided to the U.S. Trustee and any official committee of unsecured creditors (the “**Committee**”), *provided, however*, that the Committee and its professionals shall keep the matrix confidential and shall not disclose any of the information in the matrix to anyone, including, but not limited to, any member of the Committee, without prior written consent from the Debtors; and it is further

ORDERED that the Debtors shall undertake all appropriate efforts to cause Critical Vendors to enter into an agreement (the “**Vendor Agreement**”) including provisions substantially in the form attached to the Motion as Exhibit B; and it is further

ORDERED that the Debtors are authorized, but not required, to enter into Vendor Agreements when the Debtors determine, in the exercise of their reasonable business judgment, that it is appropriate to do so. However, the Debtors’ inability to enter into a Vendor Agreement shall not preclude them from paying a Vendor Claim when, in the exercise of their reasonable business judgment, such payment is necessary to the Debtors’ operations; and it is further

ORDERED that if the Debtors, in their discretion, determine that a Critical Vendor has not complied with the terms and provisions of the Vendor Agreement or has failed to continue to provide Customary Trade Terms following the date of the

agreement, or on such terms as were individually agreed to between the Debtors and such Critical Vendor, the Debtors may terminate a Vendor Agreement, together with the other benefits to the Critical Vendor as contained in this Order, *provided, however*, that the Vendor Agreement may be reinstated if (a) such determination is subsequently reversed by the Court for good cause after it is shown that the determination was materially incorrect after notice and a hearing following a motion from the Critical Vendor; (b) the underlying default under the Vendor Agreement is fully cured by the Critical Vendor not later than five business days after the date the initial default occurred; or (c) the Debtors, in their discretion, reach a subsequent agreement with the Critical Vendor; and it is further

ORDERED that if a Vendor Agreement is terminated as set forth above, or if a Critical Vendor that has received payment of a pre-petition claim later refuses to continue to supply goods or services for the applicable period in compliance with the Vendor Agreement or this Order, then (a) the Debtors may, in their discretion, declare that the payment of the creditor's Vendor Claim is a voidable post-petition transfer pursuant to section 549(a) of the Bankruptcy Code that the Debtors may recover in cash or in goods from such Critical Vendor, (b) the creditor shall immediately return such payments in respect of a Vendor Claim to the extent that the aggregate amount of such payments exceeds the post-petition obligations then outstanding without giving effect to alleged setoff rights, recoupment rights, adjustments, or offsets of any type whatsoever and (c) the creditor's Vendor Claim shall be reinstated in such an amount so as to restore the Debtors and the Critical Vendor to their original positions as if the Vendor Agreement

had never been entered into and no payment of Vendor Claim had been made; and it is further

ORDERED that all Vendor Agreements shall be deemed to have terminated, together with the other benefits to Critical Vendors as contained in this Order, upon entry of an order converting the Debtors' chapter 11 cases to cases under chapter 7 of the Bankruptcy Code; and it is further

ORDERED that each of the banks and financial institutions (the "**Banks**") at which the Debtors maintain their accounts relating to the payment of the claims that the Debtors request authority to pay in the Motion are authorized to receive, process, honor and pay all checks presented for payment and to honor all fund transfer requests made by the Debtors related thereto, to the extent that sufficient funds are on deposit in those accounts, and are authorized to rely on the Debtors' designation of any particular check as approved by this Order; and it is further

ORDERED that, notwithstanding anything to the contrary in any other order of this Court, the Banks (a) are authorized to accept and honor all representations from the Debtors as to which checks, drafts, wires or automated clearing house transfers ("**ACH Transfers**") should be honored or dishonored, consistent with any order of this Court and governing law, whether such checks, drafts, wires, or ACH Transfers are dated prior to, on, or subsequent to the Petition Date, and whether the Banks believe the payment is or is not authorized by an order of this Court and (b) have no duty to inquire as to whether such payments are authorized by an order of this Court; and it is further

ORDERED that the Banks shall not be liable to any party on account of (a) following the Debtors' instructions or representations as to any order of this Court, (b) the honoring of any pre-petition check or item in a good faith belief that the Court has authorized such pre-petition check or item to be honored or (c) an innocent mistake made despite implementation of reasonable item handling procedures; and it is further

ORDERED that nothing contained in this Order shall be deemed to constitute an assumption of any executory contract or to require the Debtors to make any of the payments or to post any of the deposits authorized herein; and it is further

ORDERED that notwithstanding the possible applicability of Bankruptcy Rules 6003 and 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that within three business days of the entry of this interim order (the "**Interim Order**"), the Debtors shall serve a copy of the Interim Order and the Motion on the Notice Parties; and it is further

ORDERED that any objection to the relief requested in the Motion on a permanent basis must, by 4:00 p.m. (prevailing Eastern Time) on the date that is 15 days after the date of the entry of this Interim Order (the "**Objection Deadline**"), be: (a) filed with the Court and (b) served upon and actually received by (i) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Brian Masumoto, (ii) the attorneys for the Debtors, Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, Attn: Marshall S. Huebner and Timothy Graulich, (iii) the attorneys for any official committee of unsecured creditors then appointed in

these cases and (iv) the attorneys to the agent for the Debtors' first lien pre-petition lenders, Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022, Attn: Mark A. Broude; and it is further

ORDERED that a reply to an Objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on the day that is at least two business days before the date of the applicable hearing; and it is further

ORDERED that if timely objections are received there shall be a hearing to consider such timely objections to the Motion; and it is further

ORDERED that if no Objections are timely filed and served as set forth herein, the Debtors shall, on or after the Objection Deadline, submit to the Court a final order substantially in the form of this Interim Order, which Order shall be submitted and may be entered with no further notice or opportunity to be heard afforded any party, and the Motion shall be approved *nunc pro tunc* to the date of the commencement of these chapter 11 cases; and it is further

ORDERED that this Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

New York, New York
Dated: January __, 2009

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Star Tribune Holdings Corporation

[]

TO: [Critical Vendors]
[Name]
[Address]

Dear Valued Supplier:

As you are aware, Star Tribune Holdings Corporation (“**Star Tribune Holdings**”) and The Star Tribune Company (together with Star Tribune Holdings, the “**Company**”) filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Case**” and the “**Bankruptcy Court**,” respectively) on January 15, 2009 (the “**Petition Date**”). On the Petition Date, the Company requested the Bankruptcy Court’s authority to pay the pre-bankruptcy claims of certain suppliers in recognition of the importance of the Company’s relationship with such suppliers and its desire that the Bankruptcy Cases have as little effect on the Company’s ongoing business operations as possible. On [●], the Bankruptcy Court entered an order (the “**Order**”) authorizing the Company, under certain conditions, to pay the pre-petition claims of certain trade creditors that agree to the terms set forth below and to be bound by the terms of the Order. A copy of the Order is enclosed.

In order to receive payment on account of pre-petition claims, you must agree to continue to supply goods and services to the Company based on “**Customary Trade Terms**.” In the Order, Customary Trade Terms are defined as the normal and customary trade terms, practices and programs (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, normal product mix and availability and other applicable terms and programs), that were most favorable to the Company and in effect between you and the Company prior to the Petition Date, or such other trade terms as you and the Company agree.

For purposes of administration of this trade program as authorized by the Bankruptcy Court, you and the Company both agree that:

1. The estimated balance of the pre-petition claim (net of any setoffs, credits or discounts) (the “**Vendor Claim**”) that you will receive from the Company is \$_____.
2. You agree to waive any pre-petition general unsecured claim against the Company.
3. You will provide an open trade balance or credit line to the Company for shipment of post-petition goods in the amount of \$_____ (which shall not

be less than the greater of the open trade balance outstanding: (a) on _____, or (b) on normal and customary terms on a historical basis before and up to the Petition Date).

4 The terms of such open trade balance or credit line are as follows (if more space is required, attach continuation pages):

5. During the pendency of the Bankruptcy Case you will continue to extend to the Company all Customary Trade Terms (as defined in the Order).

6. You will not demand a lump sum payment upon consummation of a plan of reorganization in these chapter 11 cases on account of any administrative expense priority claim that you assert, but instead agree that such claims will be paid in the ordinary course of business after consummation of a plan under applicable Customary Trade Terms, if the plan provides for the ongoing operations of the Company.

7. The undersigned, a duly authorized representative of [Critical Vendor], has reviewed the terms and provisions of the Order and agrees that [Critical Vendor] is bound by such terms;

8. You will not separately seek payment for reclamation and similar claims outside of the terms of the Order unless your participation in the Critical Vendor payment program authorized by the Order (the “**Critical Vendor Payment Program**”) is terminated;

9. You agree not to file or otherwise assert against the Company, the estates or any other person or entity or any of their respective assets or property (real or personal) any lien (regardless of the statute or other legal authority upon which such lien is asserted) related in any way to any remaining pre-petition amounts allegedly owed to you by the Company arising from agreements entered into prior to the Petition Date. Furthermore, you agree to take (at your own expense) all necessary steps to remove any such lien as soon as possible; and

10. If either the Critical Vendor Payment Program or your participation therein terminates as provided in the Order, or you later refuse to continue to supply goods to the Company on Customary Trade Terms during the pendency of the Bankruptcy Case, any payments you receive on account of your Vendor Claim (including claims arising under section 503(b)(9) of chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”)) will be deemed voidable post-petition transfers pursuant to section 549(a) of the Bankruptcy Code. You will immediately repay to the Company any

payments made to you on account of your Vendor Claim to the extent that the aggregate amount of such payments exceeds the post-petition obligations then outstanding without giving effect to alleged setoff rights, recoupment rights, adjustments, or offsets of any type whatsoever. Your Vendor Claim shall be reinstated in such an amount so as to restore the Company and you to the same positions as would have existed if payment of the Vendor Claim had not been made.

11. Any dispute with respect to this letter agreement, the Order and/or your participation in the Critical Vendor Payment Program shall be determined by the Bankruptcy Court.

If you have any questions about this Agreement or our financial restructuring, please do not hesitate to call.

Sincerely,

Star Tribune Holdings Corporation

By: _____

David W. Montgomery
Chief Financial Officer

Agreed and Accepted by:
[Critical Vendor]

By: _____

Its: _____

Dated: _____, 2009