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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 (___)**
CORPORATION, et al., :
: **(Jointly Administered)**
:
Debtors.¹ :
----- X

**DEBTORS' MOTION FOR AUTHORIZATION TO (i) PAY PRE-PETITION
SALES AND USE TAXES, EMPLOYMENT TAXES AND OTHER SIMILAR
TAXES AND FEES AND (ii) DIRECT 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.

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. By this motion (the “**Motion**”), the Debtors seek entry of an order in the form of Exhibit A attached hereto, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, granting the Debtors the authority, in their sole discretion, to (a) pay any Covered Taxes and Fees (as defined below) that arose prior to the Petition Date, including all Covered Taxes and Fees subsequently determined upon audit, or otherwise, to be owed for periods before the Petition Date and (b) direct the Banks (as defined

below) to receive, process, honor and pay checks or electronic transfers used by the Debtors to pay Covered Taxes and Fees.

5. In connection with the normal operations of their businesses, the Debtors collect, withhold and incur sales taxes, use taxes, employment taxes, franchise taxes and fees and property taxes, as well as other fees and charges described in this Motion (all such taxes, fees and charges collectively, the “**Covered Taxes and Fees**”).² The Debtors remit Covered Taxes and Fees to various federal, state and local government, taxing and licensing authorities (collectively, the “**Governmental Authorities**”). Covered Taxes and Fees are remitted by the Debtors through checks and electronic transfers that are processed through their banks and other financial institutions (the “**Banks**”).

6. The Debtors believe that many of the Covered Taxes and Fees collected pre-petition are not property of the Debtors’ estates, and must for that reason be turned over to the Governmental Authorities. To the extent that they are not actually the property of the Governmental Authorities, they may well give rise to priority claims. Moreover, the Debtors also seek to pay pre-petition Covered Taxes and Fees in order to forestall Governmental Authorities from taking actions that might interfere with the Debtors’ successful reorganization, including possibly bringing personal liability actions against directors, officers and other employees in connection with non-payment of Covered Taxes and Fees. Actions against the Debtors’ directors, officers and other employees would likely distract key personnel, whose full-time attention to the Debtors’

² Although the Debtors also incur taxes based on or measured by their net income (including, but not limited to, the federal corporate income tax and state income taxes), this motion does not pertain to such taxes.

reorganization efforts is required, and would likely cause potential business disruptions. Any such business disruptions would likely erode the Debtors' customer base and negatively impact these chapter 11 cases. Accordingly, the Debtors submit that the proposed relief is in the best interest of the Debtors' estates.

The Debtors' Covered Taxes and Fees

Sales and Use Taxes

7. The Debtors collect or incur various general sales and use taxes (“**Sales and Use Taxes**”). The Debtors are required to remit these Sales and Use Taxes to the applicable Governmental Authorities on a periodic basis. Approximately \$91,000 in Sales and Use Taxes have been incurred or collected by the Debtors before the Petition Date, but have not yet been remitted to the relevant Governmental Authority. The Debtors generally also intend to pay to the appropriate Governmental Authorities any Sales and Use Taxes that arise after the Petition Date.

Employment and Wage-Related Taxes

8. The Debtors are required by law to withhold from their employees' wages various amounts related to federal, state and local taxes. These taxes include, but are not limited to, income taxes, FICA Taxes (as defined below), unemployment taxes and similar state, local and federal taxes that accrue on wages, benefits, disability and workers' compensation paid to the Debtors' employees (“**Employment and Wage-Related Taxes**”). The Debtors pay these Employment and Wage-Related Taxes to various Governmental Authorities in accordance with the Internal Revenue Code and applicable state law. The Debtors remit Employment and Wage-Related Taxes on a weekly basis. Although it is difficult to precisely assess the amount of the Employment

and Wage-Related Taxes that have been withheld on account of pre-petition services, the Debtors' next obligation to remit such taxes will be in the amount of approximately \$612,000. Upon approval of this Motion, all withheld Employment and Wage-Related Taxes will be paid as they come due.

9. Contemporaneously herewith, the Debtors have filed a motion seeking, among other things, authorization to continue to pay pre-petition wages, salaries and other compensation to employees. The post-petition payment of pre-petition wages, salaries and other compensation will result in additional withholding of various Employment and Wage-Related Taxes as described above, for which authorization for payment to Governmental Authorities is also requested by this Motion.

10. Pursuant to section 3402 of the Internal Revenue Code and under various state and local laws, all employers generally are required to withhold income taxes on wages paid to employees. I.R.C. § 3402. The Debtors' current practice is to pay withheld amounts on employee wages to the appropriate Governmental Authorities on a periodic basis.

11. The Federal Insurance Contributions Act ("**FICA**") requires employers to pay an old-age, survivors and disability tax and a hospital insurance tax on wages paid to employees and to withhold from such wages a separate old-age, survivors and disability tax and hospital insurance tax ("**FICA Taxes**"). I.R.C. §§ 3102, 3111. The employer portion of FICA Taxes and the separate employee portion of FICA Taxes generally arise when employee wages are paid, and employers, such as the Debtors, are obligated to pay such taxes to the applicable Governmental Authorities promptly thereafter. I.R.C. §§

3101, 3111. The Debtors' current practice is to pay such amounts to the relevant Governmental Authorities.

12. The Debtors are also required to fund certain unemployment benefits for their employees and may withhold from employee wages certain unemployment-related fees. The Debtors are required to remit these fees to the relevant Government Authorities on a periodic basis. The Debtors' current practice is to pay such amounts to the relevant Governmental Authorities.

Franchise Taxes and Fees

13. The Debtors are required to pay various state franchise taxes, annual report fees, and privilege fees (the "**Franchise Taxes and Fees**") in order to continue conducting their businesses. In 2009, the Debtors will be required to pay Franchise Taxes and Fees for the business conducted in 2008. In 2008, the Debtors paid Franchise Taxes and Fees in Delaware and Minnesota of approximately \$13,000, and expect to pay a similar amount in 2009. Failure to pay this fee will cause the Debtors to lose their ability to conduct their businesses.

Property Taxes

14. The Debtors have property tax obligations to Governmental Authorities for their real property holdings (the "**Property Taxes**"). It is integral that the Debtors be able to pay any Property Taxes where under applicable law the failure to pay gives rise to a secured state law lien. The Debtors expect to pay Property Taxes in the amount of approximately \$1.7 million in 2009, which amount will become due and payable in two installments on May 15 and October 15, 2009. Interest and penalties will begin to accrue

if such Property Taxes are not paid. Paying these Property Taxes, therefore will reduce costs by minimizing interest and penalty charges.

**Cause Exists to Authorize
the Debtors to Pay Covered Taxes and Fees**

15. 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. 174, 175 (Bankr. S.D.N.Y. 1989). “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).

16. In a long line of well-established cases, federal courts have consistently permitted post-petition payment of pre-petition obligations where necessary to preserve or enhance the value of a debtor’s estate for the benefit of all creditors. *See, e.g.*, *Miltenberger v. Logansport Ry.*, 106 U.S. 286, 312 (1882) (permitting payment of pre-receivership claim prior to reorganization to prevent “stoppage of [crucial] business relations”); *Mich. Bureau of Workers’ Disability Comp. v. Chateaugay Corp.* (*In re Chateaugay Corp.*), 80 B.R. 279, 285–86 (S.D.N.Y. 1987), *appeal dismissed*, 838 F.2d 59 (2d Cir. 1988) (approving lower court order authorizing payment of pre-petition wages, salaries, expenses and benefits).

17. This doctrine of “necessity” functions in a chapter 11 reorganization as a mechanism by which the bankruptcy court can exercise its equitable power to allow payment of critical pre-petition claims not explicitly authorized by the Bankruptcy Code. *See In re Boston & Maine Corp.*, 634 F.2d 1359, 1382 (1st Cir. 1980) (recognizing existence of judicial power to authorize trustees to pay claims for goods and services that are indispensably necessary to debtors’ continued operation). The doctrine is frequently invoked early in a reorganization, particularly in connection with those chapter 11 sections that relate to payment of pre-petition claims. The court in *In re Structurlite Plastics Corp.*, 86 B.R. 922, 931 (Bankr. S.D. Ohio 1988), indicated its accord with “the principle that a bankruptcy court may exercise its equity powers under section 105(a) to authorize payment of pre-petition claims where such payment is necessary to ‘permit the greatest likelihood of survival of the debtor and payment of creditors in full or at least proportionately.’” The court stated that “a *per se* rule proscribing the payment of pre-petition indebtedness may well be too inflexible to permit the effectuation of the rehabilitative purposes of the [Bankruptcy] Code.” *Id.* at 932. Accordingly, pursuant to section 105(a) of the Bankruptcy Code, this Court is empowered to grant the relief requested herein.

Most of the Covered Taxes and Fees Are Not Property of the Debtors’ Estates

18. Most of the Covered Taxes and Fees are collected or withheld by the Debtors on behalf of the applicable Governmental Authority and are held in trust by the Debtors. *See, e.g.*, I.R.C. § 7501 (stating that certain Covered Taxes and Fees are held in trust). As such, these Covered Taxes and Fees are not property of the Debtors’ estates

under section 541 of the Bankruptcy Code. *See, e.g., Begier, Jr. v. IRS*, 496 U.S. 53 (1990) (stating that withholding taxes are property held by debtor in trust for another and, as such, are not property of debtor's estate); *DeChiaro v. N.Y. State Tax Comm'n*, 760 F.2d 432, 433 (2d Cir. 1985) (concluding that sales taxes are "trust fund" taxes); *Al Copeland Enter., Inc. v. Texas (In re Al Copeland Enter., Inc.)*, 991 F.2d 233 (5th Cir. 1993) (finding that debtors' pre-petition collection of sales taxes and interest thereon were held subject to trust and were not property of the estate); *Texas Comptroller of Pub. Accounts v. Megafoods Stores, Inc. (In re Megafood Stores, Inc.)*, 163 F.3d 1063 (9th Cir. 1998) (determining that under Texas law, state sales taxes collected created statutory trust fund, if traceable, and were not property of the estate); *Shank v. Wash. State Dept. of Revenue, Excise Tax Div. (In re Shank)*, 792 F.2d 829, 830 (9th Cir. 1986) (concluding that sales taxes required by state law to be collected by sellers from their customers are "trust fund" taxes); *In re Am. Int'l Airways, Inc.*, 70 B.R. 102, 103 (Bankr. E.D. Pa. 1987) (excise and withholding taxes are "trust fund" taxes); *Shiple Co. v. Darr (In re Tap, Inc.)*, 52 B.R. 271, 272-73 (Bankr. D. Mass. 1985) (finding that withholding taxes are "trust fund" taxes). *See generally Official Comm. of Unsecured Creditors of the Columbia Gas Transmission Corp. v. Columbia Gas Sys. Inc. (In re Columbia Gas Sys. Inc.)*, 997 F.2d 1039, 1060 (3d Cir. 1993) (indicating that even if statute does not establish an express trust, constructive trust may be found). Because many of these Covered Taxes and Fees are not property of the Debtors' estates, these funds are not available for the satisfaction of creditors' claims and are the property of the Governmental Authorities.

Certain of the Covered Taxes and Fees Are Priority Claims

19. To the extent any amounts in respect of Covered Taxes and Fees are even property of the estates under section 541 of the Bankruptcy Code, most, if not all, would likely be afforded priority status under section 507(a)(8) of the Bankruptcy Code. As priority claims, the Covered Taxes and Fees must be paid in full before any general unsecured obligations of the Debtors can be satisfied. The Debtors submit that sufficient assets exist to pay all priority Covered Taxes and Fees in full under any plan of reorganization that may ultimately be proposed and confirmed by this Court. Accordingly, to the extent the collected taxes are property of the Debtors and give rise to claims, the relief requested will only affect the timing of the payment of these priority Covered Taxes and Fees and will not prejudice the rights of general unsecured creditors.

20. In this respect, it should be noted that obligations labeled as “fees” or “charges” may also be entitled to priority status as taxes. 11 U.S.C. § 507(a)(8). A fee or charge is a tax if it is an involuntary pecuniary burden: (a) laid upon the individual or their property, (b) imposed by, or under authority of a legislative body, (c) assumed for the public purposes, including the purposes of defraying expenses of government or undertakings authorized by it and (d) assessed under the police or taxing power of the state. *See LTV Steel Co. v. Shalala (In re Chateaugay Corp.)*, 53 F.3d 478, 498 (2d Cir. 1995) (citation omitted). Substantially all of the Covered Taxes and Fees are involuntary pecuniary burdens imposed by the authority of a federal, state or local legislature under its police or taxing power. Regardless of their statutory characterization as “fees” or “charges,” many, if not all, of the claims in respect of Covered Taxes and Fees may well

qualify for priority under section 507(a)(8) of the Bankruptcy Code and, as such, must be paid in full before any general unsecured obligations of a debtor may be satisfied. Thus, payment of these Covered Taxes and Fees will only affect the timing of the payment and will not prejudice the rights of the general unsecured creditors of these estates.

Non-Payment of Certain Covered Taxes and Fees Would Cause Immediate and Irreparable Harm to the Debtors' Estates

21. Many federal and state statutes hold certain directors, officers and other employees of entities responsible for collecting or withholding taxes, or remitting certain taxes, personally liable for these types of taxes. *See, e.g.*, I.R.C. § 6672 (imposing personal liability in connection with non-payment of employment taxes described above). To the extent such Covered Taxes and Fees were incurred by the Debtors before the Petition Date and are not remitted or paid by the Debtors, certain of the Debtors' directors, officers and other employees may be subject to lawsuits during the pendency of these chapter 11 cases. Payment of the Covered Taxes and Fees will avoid director and employee loss of focus and morale resulting from the risk of personal liability. A lawsuit and any ensuing liability would distract personnel from important tasks, to the detriment of all parties in interest in these chapter 11 cases. The dedicated and active participation of the Debtors' directors, officers and other employees is not only integral to the Debtors' continued, uninterrupted operations, but is also essential to their successful reorganization.

22. Payment of certain of the pre-petition Covered Taxes and Fees is critical to the Debtors' continued, uninterrupted operations and to avoid immediate and irreparable harm to the Debtors' estates. Non-payment of the Covered Taxes and Fees

may cause certain Governmental Authorities to take precipitous action, including but not limited to conducting audits, filing liens, pursuing payment of Covered Taxes and Fees from the Debtors' directors, officers and other employees, and seeking to lift the automatic stay, all of which would disrupt the Debtors' day-to-day operations and could potentially impose significant costs and burdens on the Debtors' estates. Prompt payment of the Covered Taxes and Fees will avoid these unnecessary and potentially costly governmental actions. *See In re FCC*, 217 F.3d 125, 137 (2d Cir. 2000).

Accordingly, to the extent the relief requested herein involves the use of property of the estate and Bankruptcy Rule 6003 is applicable, the requested relief is consistent with such Rule because failure to pay the Covered Taxes and Fees would cause immediate and irreparable harm to the Debtors.

Substantial Precedent Exists for Authorizing Payment of Pre-petition Taxes

23. In numerous chapter 11 cases in this district, courts have authorized debtors to pay similar pre-petition tax obligations. *See, e.g., Frontier Airlines Holdings, Inc.*, Case No. 08-11298 (RDD) (Bankr. S.D.N.Y. Apr. 14, 2008); *In re PLVTZ, Inc.*, Case No. 07-13532 (REG) (Bankr. S.D.N.Y. Nov. 9, 2007); *In re Dana Corp.*, Case No. 06-10354 (BRL) (Bankr. S.D.N.Y. March 6, 2006); *In re Calpine Corp.*, Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. Dec. 27, 2005); *In re Delphi Corp.*, Case No. 05-44481 (RDD) (Bankr. S.D.N.Y. Oct. 14, 2005); *In re Delta Air Lines, Inc.*, Case No. 05-17923 (PCB) (Bankr. S.D.N.Y. Sept. 16, 2005); *In re Global Crossing Ltd.*, Case No. 02-40188 (REG) (Bankr. S.D.N.Y. 2002); *In re WorldCom, Inc.*, Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. 2002); *In re Enron Corp.*, Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. 2001);

In re Ames Dep't Stores, Inc., Case No. 01-42217 (REG) (Bankr. S.D.N.Y. 2001). The Debtors submit the circumstances described herein warrant similar relief.

24. 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.” 11 U.S.C. § 363(b)(1). The 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 Official Comm. of Unsecured Creditors of LTV Aerospace & Defense Co. v. LTV Corp. (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 evidence presented before him 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”).

25. 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.

26. The Debtors submit that to the extent the use of property of the estate is even implicated here, the actions for which relief is requested represent a sound exercise of the Debtors' business judgment and are justified under section 363(b), as well as under section 105(a) of the Bankruptcy Code. As noted above, if the Covered Taxes and Fees are not paid, Governmental Authorities could take actions that could be costly and distracting to the Debtors and interfere with the Debtors' ability to successfully reorganize, which would negatively affect all of the creditors, employees and other affected parties. Moreover, because most if not all of the Covered Taxes and Fees either (a) are "trust fund" taxes, and are therefore not property of the Debtors' estates, or (b) would be afforded priority status under section 507(a)(8) of the Bankruptcy Code, the Debtors' general unsecured creditors would not be prejudiced by the Court's granting of the relief requested herein.

**Payment of Checks Issued and Other
Transfers Made for Payment of Certain Covered Taxes and Fees**

27. The Debtors pay the Governmental Authorities on a periodic basis with funds drawn by checks (the "**C**hecks") or by means of electronic fund transfers (the "**E**lectronic Transfers"). Before the Petition Date, certain Governmental Authorities

were sent Checks or Electronic Transfers for these obligations that may not have cleared as of the Petition Date.

28. To the extent any Check or Electronic Transfer has not cleared the Banks as of the Petition Date, the Debtors seek authorization in their sole discretion to direct the Banks to receive, process, honor and pay the Checks or Electronic Transfers. If the Governmental Authorities have not received payment for Covered Taxes and Fees owed, the Debtors seek authority to issue replacement Checks, re-issue Electronic Transfers or otherwise make payment to the Governmental Authorities. The Debtors represent that each of the Checks and Electronic Transfers can be readily identified as relating directly to the authorized payment of Covered Taxes and Fees. Accordingly, if the relief requested is granted, Checks and Electronic Transfers other than those relating to authorized payments will not be honored inadvertently.

29. Nothing in this Motion should be construed as impairing the Debtors' rights to contest the validity or amount of Covered Taxes and Fees assessed by the Governmental Authorities, and the Debtors expressly reserve all of their rights with respect thereto.

30. For the avoidance of doubt, the Debtors are not seeking to prepay any Covered Taxes and Fees.

31. Based upon the foregoing, the Debtors submit that the relief requested herein is essential, appropriate and in the best interest of the Debtors' estates and creditors. Absent this relief, the value of the Debtors' estates will suffer, possibly

precipitously. Consequently, all of the Debtors' creditors will benefit if the requested relief is granted.

Notice

32. No trustee, examiner or creditors' committee has been appointed in these chapter 11 cases. The Debtors have served notice of 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.

No Previous Request

33. 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
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*Proposed Counsel to the Debtors
and Debtors in Possession*

EXHIBIT A

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 :
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ORDER AUTHORIZING DEBTORS TO (i) PAY PRE-PETITION SALES AND USE TAXES, EMPLOYMENT TAXES AND OTHER SIMILAR TAXES AND FEES AND (ii) DIRECT 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**”), for authorization pursuant to sections 105(a) and 363(b) of the Bankruptcy Code to (i) pay pre-petition Covered Taxes and Fees (including sales and use taxes, employment taxes, franchise taxes and fees, property taxes and other similar taxes and fees as described in the Motion) to various Governmental Authorities and (ii) direct their banks and financial institutions to honor and process related checks and transfers, as more fully described in the Motion; and upon consideration of the Affidavit of David W. Montgomery filed 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

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.

District Court for the Southern District of New York dated July 10, 1984 (Ward, Acting 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, Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022, Attn: Mark A. Broude, (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, 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 and necessary to avoid immediate and irreparable harm to 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 upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, the relief requested in the Motion is hereby granted; and it is further

ORDERED that the Debtors are authorized, but not directed, in their sole discretion to pay Covered Taxes and Fees, including but not limited to all of those Covered Taxes and Fees subsequently determined upon audit, or otherwise, to be owed for periods prior to the Petition Date, to the Governmental Authorities; and it is further

ORDERED that the Debtors are authorized in their sole discretion to direct the Banks to receive, process, honor and pay any and all checks or electronic transfers drawn on the Debtors' accounts to pay the Covered Taxes and Fees, whether those checks were presented prior to or after the Petition Date, provided that sufficient funds are available in the applicable accounts to make the payments; 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 in this Order shall be construed as impairing the Debtors' right to contest the validity or amount of Covered Taxes and Fees assessed by the Governmental Authorities, and all of the Debtors' rights with respect thereto are hereby reserved; and it is further

ORDERED that nothing in this Order authorizes the Debtors to prepay any Covered Taxes and Fees; 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 notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion.

New York, New York

Dated: _____, 2009

UNITED STATES BANKRUPTCY JUDGE