CONFIDENTIAL SETTLEMENT NOTICE TO SHAREHOLDER DEFENDANTS – SUBJECT TO FEDERAL RULE OF EVIDENCE 408

***In re: Tribune Company Fraudulent Conveyance Litigation*, 11-MD-2296 (RJS) (S.D.N.Y.)**

***Kirschner v. FitzSimons, et al.*, 12-CV-2652 (RJS) (S.D.N.Y.) ("FitzSimons Action")**

***Deutsche Bank Trust Co. Ams., et al. v. Adaly Opportunity Fund TD Secs. Inc., et al.*, 11-CV-4784 (S.D.N.Y.), and related cases (together, "the Noteholder Actions")**

***Niese, et al. v. Alliance Bernstein L.P.*, 11-CV-4538 (S.D.N.Y.), and related cases (together, "the Retiree Actions")**

March 27, 2018

This communication is addressed only to counsel for defendants in the FitzSimons Action, the Noteholder Actions, and the Retiree Actions (collectively the "Shareholder Actions") referenced above and to pro se defendants (i.e., defendants that have not retained counsel) that have not previously settled. ***If you are represented by counsel in this matter, please deliver this notice to your counsel. We also request that counsel transmit this notice to their clients.***

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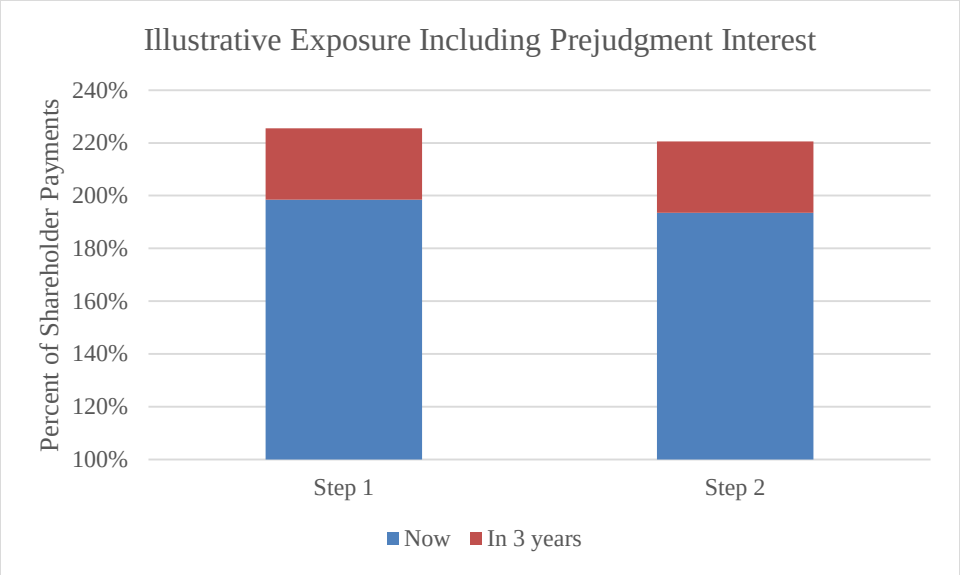
Marc S. Kirschner, Litigation Trustee ("the Trustee") and Plaintiff in the FitzSimons Action and all Plaintiffs in the Noteholder Actions and the Retiree Actions (together with the Trustee, "Plaintiffs") hereby submit a new offer to settle all of the claims in the Shareholder Actions to recover payments in connection with the leveraged buyout of Tribune Company that closed in two steps in 2007 (the "LBO").

On account of a recent change in the law by a unanimous United States Supreme Court, the Noteholder and Retiree Actions will likely be reinstated, and the Trustee has requested leave to add a constructive fraudulent transfer count to his lawsuit. To prove their constructive fraud claims, Plaintiffs need only prove insolvency at each step of the LBO, regardless of the intent of any of the actors, and lack of reasonably equivalent value. Plaintiffs believe they have a very strong case. Notably, with respect to the second step of the LBO, the independent, court-appointed Examiner in the Tribune bankruptcy case found that "it is *highly likely that a court would conclude that Tribune was rendered insolvent* and left without adequate capital." *Report of Kenneth N. Klee, as Examiner*, vol. 1, at 18 (emphasis added).

As illustrated in the following graph, due to the availability of prejudgment interest, your exposure as a percentage of payments received in the LBO (the "Shareholder Payments") has grown substantially over time, and will continue to grow as the cases progress to trial. **Applying New York's 9% prejudgment interest rate, as of now you are exposed to liability equal to nearly double the Shareholder Payments you received in 2007; in three years' time, those percentages will grow to 226% and 221%, respectively, for Step 1 and Step 2.** Such liability is in addition to any legal fees incurred in connection with your defense of these matters.



Plaintiffs are making this new settlement offer for a limited time to provide all defendants that received payments for Tribune stock in connection with the LBO (hereafter "Shareholder Payments") an opportunity to consensually fully and finally resolve all Shareholder Actions. If you settle on the terms set out below, **all** Plaintiffs will provide legal releases of all claims respecting the Shareholder Payments asserted in **all** of the Shareholder Actions and dismiss those claims against you with prejudice in all cases in which you were or are named.

Summary of Settlement Offer

1. **Eligibility**: All defendants named in any or all of the Plaintiffs' actions are eligible to participate in the settlement.

2. **Settlement Terms**: If the total amount of Shareholder Payments you received is **less than $1,000,000,** all Plaintiffs will settle all claims asserted against you in the Shareholder Actions in return for payment of a total of 27.5% of the amount of Shareholder Payments you received in Step One of the LBO (if any), plus 55% of the amount of Shareholder Payments you received in Step Two of the LBO (if any). When New York's 9% statutory prejudgment interest rate is considered, this payment is approximately equal to 14% of Step One Shareholder Payments, and 28.5% of Step Two Shareholder Payments.

   If the total amount of Shareholder Payments you received is **$1,000,000 or more**, all Plaintiffs will settle all claims asserted against you in the Shareholder Actions in return for payment of a total of 35% of the amount of Shareholder Payments you received in Step One of the LBO (if any), plus 70% of the amount of Shareholder Payments you received in Step Two of the LBO (if any). When New York's 9% statutory prejudgment interest rate is considered, this payment is approximately equal to 17.5% of Step One Shareholder Payments, and 36% of Step Two Shareholder Payments.

For example, if you received a total of $170,000 in Shareholder Payments between Step One and Step Two (split evenly), in order to accept this Settlement and be dismissed you would need to make a payment of $70,125 (27.5% x $85,000 + 55% x $85,000). If you received a total of $1,500,000 in Shareholder Payments between Step One and Step Two (split evenly), in order to accept this Settlement and be dismissed you would need to make a payment of $787,500 (35% x $750,000 + 70% x $750,000).

This settlement of claims, irrespective of the total amount of Shareholder Payments, includes all claims to recover all Shareholder Payments, and all claims for prejudgment interest, fees, and costs. In return for payment of this amount, you will be dismissed with prejudice from the above litigations and will receive full releases of all claims related to your Shareholder Payments by the Trustee Plaintiff, the Noteholder Plaintiffs, and the Retiree Plaintiffs. **If you are named as a defendant in any count of the Fifth Amended Complaint in the FitzSimons Action other than Count One**, those additional claims and counts will **not be released** by this settlement.

3. **Deadline**: This offer will terminate without further notice 45 days from today (May 11, 2018) and may be terminated at any time at the option of the Plaintiffs. Upon termination of the offer, all settlement agreements previously executed and delivered to Plaintiffs' counsel or settlement administrator will be honored, irrespective of whether the settlement payment has been already made, provided that the payment is promptly made thereafter.

4. **To accept the settlement offer**: Please contact Plaintiffs' counsel at (646) 845-4522 and we will send you a form settlement agreement for execution. When you call, please have available records or other information as to the exact amount of Shareholder Payments you received at both steps of the LBO. If you reach a voicemail, please leave your contact information, and someone will contact you promptly. The form settlement agreement can also be obtained on the Litigation Trust's website: www.tribunetrustlitigation.com.

What Prompted This New Offer?

Through their previous (and materially lower) settlement offers, Plaintiffs indicated their belief that the law governing fraudulent transfers was likely to change and require the reinstatement of Plaintiffs' claims (and/or assertion of additional claims) seeking to recover the Shareholder Payments under both an intentional and constructive fraud theory of liability. **That change has now occurred.**

On February 27, 2018, the United States Supreme Court issued a unanimous opinion in *Merit Mgmt. Grp., LP v. FTI Consulting, Inc.*, 138 S. Ct. 883 (2018) ("*Merit Mgmt.*"), affirming the opinion of the Seventh Circuit Court of Appeals. The Supreme Court ruled that the safe harbor contained in Section 546(e) of the U.S. Bankruptcy Code only looks to the transfer that the plaintiff seeks to avoid, and therefore, the involvement of a bank or other financial institution as an intermediary is wholly irrelevant. The Court's opinion is available at https://www.supremecourt.gov/opinions/17pdf/16-784_gdhk.pdf. The Court rejected arguments made by petitioners (and defendants in the FitzSimons Action and Noteholder and Retiree

Actions) that the statute was designed to insulate from liability all shareholders that received payments in a leveraged buyout. *See* slip op. at 18 ("we need not deviate from the plain meaning of the language used in § 546(e)").

The Supreme Court decision overturned the law previously prevailing in the Second and Third Circuits and now controls the parties' rights and defenses in these cases. Certain defenses previously available to the Shareholder Defendants no longer exist. Plaintiffs believe that *Merit Mgmt.*, coupled with (i) the Noteholder and Retiree Plaintiffs' pending cert petition seeking to reinstate their complaints and (ii) the Trustee's pending request to the District Court to amend the complaint in the FitzSimons Action to assert a constructive fraudulent transfer claim based on that ruling, will enable one or more Plaintiffs to pursue their claims to recover the Shareholder Payments from the vast preponderance of the defendants (subject to a single collective recovery), along with prejudgment interest that could more than double a defendant's ultimate liability.

Many legal commentators have already observed that the ruling will have wide-ranging implications for the finality of securities transactions, especially leverage buyouts, and provide increased leverage to a bankruptcy estate's ability to recover fraudulent transfers.[1] It is also notable that the adverse impact of the *Merit Mgmt*. ruling on the Shareholder Defendants in Plaintiffs' actions was argued to the Supreme Court by many of the Tribune Shareholder Defendants.

Judge Sullivan (the District Court judge handling these cases) previously stated that the Litigation Trustee would have a "a strong argument in support of amending his complaint to include a constructive fraudulent conveyance claim" in the event of a Supreme Court affirmance in *Merit Mgmt.*, and Plaintiffs have no reason to believe the Court will reconsider this position when evaluating the Trustee's renewed request to amend.

The following additional information concerning the Tribune litigations can be found on the Trustee's website, www.tribunetrustlitigation.com, including schedules of the actions included in the Noteholder Actions and Retiree Actions, a summary of the litigations, questions and answers about the current settlement offer, the form settlement agreement, and a notice to Tribune Retiree Claimants.

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[1] *See, e.g.* Francis J. Lawall, Kate A. Mahoney, *Unwinding an LBO Transaction in Bankruptcy Made Easier*, The Legal Intelligencer (Mar. 19, 2018), https://www.law.com/thelegalintelligencer/2018/03/19/unwinding-an-lbo-transaction-in-bankruptcy-made-easier ("No longer can failed LBO transactions which result in a subsequent bankruptcy be insulated from review simply because the sale proceeds were run through a bank. Creditors of the bankrupt companies will applaud this outcome as providing a possible source of recovery where none may have existed before."); Duane Morris, *Supreme Court Limits Safe Harbor; May Increase Challenges to LBOs in Chapter 11* (Mar. 5, 2018) ("The Supreme Court's decision in Merit Management Group has immediate implications in the bankruptcy proceedings of companies acquired in prepetition leveraged buyouts. Selling stockholders that are not financial institutions are now subject to greater risk that a creditors' committee, trustee or other estate fiduciary will seek to 'claw back' the sale proceeds."); Paul N. Silverstein, David A. Zdunkewicz, *SCOTUS Rules that Bankruptcy Code Safe Harbor Does Not Protect Transfers in Which Financial Institutions Are "Mere Conduits,"* National Law Journal (Mar.1, 2018), http://bit.ly/2FdJ5HU ("the Supreme Court rejected the seller's attempt to interpret the safe harbor provisions as a broad attempt to protect securities and commodities transactions in order to respect the finality of transactions").

We urge you to take this limited opportunity to obtain a release from liability in these cases. Your liability (and associated legal expenses) will only continue to increase with the passage of time. **This offer will only be open for a maximum of 45 days, or until May 11, 2018, unless terminated earlier.** To be effective all settlement agreements must be signed by defendants on or before that date.

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Counsel for the Litigation Trustee and the Plaintiffs in the Noteholder Actions