

Milbank Scores Victory for Senior Secured Lenders in Highly Contested Bankruptcy Case

*Court Denies Unsecured Creditors' Reinstatement Plan in Young Broadcasting
Reorganization*

NEW YORK, May 10, 2010 – The international law firm Milbank, Tweed, Hadley & McCloy LLP announced that it has received a favorable ruling in a high-profile bankruptcy confirmation fight on behalf of Wachovia Bank, N.A., acting as the agent for the senior secured lenders. The ruling denies a “reinstatement plan” proposed by the unsecured creditors in the bankruptcy and confirms the plan of reorganization supported by Milbank’s client. The *Young Broadcasting* Court refused to accept the unsecured creditors’ plan, signaling that reinstatement strategies in bankruptcy cases will face substantial judicial scrutiny where the plan proponents cannot demonstrate that their plan is the most feasible and responsible course for the debtor.

“We were very pleased that the Court accepted our arguments that the proposed reinstatement plan was not viable and did not contain adequate legal protections,” said Los Angeles-based Milbank partner Gregory A. Bray. “Clearly, the question of which creditors should retain the most influence during restructuring has become a critical issue in bankruptcy filings. This ruling sets a cautious tone for all reinstatement plans, which require scrutiny and analysis to ensure they position the debtor for success post-reorganization.” Reinstatement plans have become popular among debtors seeking to maintain credit agreements with favorable terms and below-market interest rates and junior creditor classes seeking a greater recovery.

United States Bankruptcy Judge Arthur J. Gonzalez found that it was “undisputed” that the current value of the Debtors business was less than the amount of Milbank’s client’s claim and that “any evidence of the purported future valuation of the company in November 2012 is purely speculative.”

Confirmation of the lenders' plan followed repeated impeachment of Young Broadcasting's management team and the valuation expert proffered by the unsecured creditors. Milbank's litigators successfully cross-examined these witnesses at trial, undermining the company's inflated business projections and the expert testimony on feasibility proffered by the unsecured creditors' expert.

"It was clear from the outset that the valuation estimates were inflated," said Milbank senior litigation partner, Linda Dakin-Grimm. "The Court agreed that the assumed future sale of the company under the unsecured creditors' plan was at a price that was not supported by any reasonable analysis." Ms. Dakin-Grimm tried the case along with partners Daniel M. Perry and Mark C. Scarsi.

Currently headquartered in New York, Young Broadcasting owns and operates 10 television stations including KRON in San Francisco and previously KCAL in Los Angeles. The company was founded in 1986 by Vincent Young and his father, Adam Young.

During the years leading up to the Chapter 11 filing, Young Broadcasting suffered a substantial decline in revenue and encountered increased competition from other television stations as well as alternate advertising vehicles such as newspapers, radio stations, magazines, cable networks, and internet portals. Its largest station, KRON-TV, suffered severe cash flow losses. Young explored various options prior to filing Chapter 11, including cost savings initiatives, attempts to sell KRON, and discussions of out-of-court restructuring.

Young Broadcasting appointed a chief restructuring officer to effect a recapitalization and deleveraging through a Chapter 11 plan or a section 363 sale. When the cases were first filed, the Debtors pursued a dual track process, exploring a sale of substantially all of their assets while attempting to reach a consensual "stand alone" plan with their major constituents. The Debtors ultimately proposed a plan resulting in a sale of substantially of their assets to the senior lenders. The unsecured creditors later proposed a competing plan that called for the reinstatement of the senior lenders' credit agreement with the

equity of the new company going to the unsecured creditors and the Chairman of Young Broadcasting, Vincent Young. After the unsecured creditors proposed their plan, the Debtors indicated a “preference” for the unsecured creditors’ plan in the event that the Court found that plan feasible under applicable bankruptcy law.