

Petrik, Daniel

From: Hagel, Charles W
Sent: Tuesday, July 10, 2007 4:45 PM
To: Anderson, Curtis L; Caston, Bob L; Colegate, Jim
Cc: Petrik, Daniel; Mills, Jeff
Subject: FW: New Business Reviews
Attachments: New Business Review Worksheet Central Region 2Q-07.xls

Curtis / Bob / Jim:

Outlined below is the client team's response to Credit Review's comments on the Tribune transaction.

CS11 (Consistency with Risk Mgt. Business Plan) – Rating – “1”

- The team strongly disagrees with the “1” rating. We acknowledge and recognize that the proposed transaction deviates from our Leveraged Lending underwriting guidelines. However, from a client selection standpoint, the Tribune Company is a well-known, diversified media company with high quality broadcasting and publishing assets with leading market shares in its respective markets.
- In addition, the company also owns other entities with significant enterprise value including the Chicago Cubs, Comcast Sports and equity investments in rapidly growing interactive businesses such as Careerbuilder, Classified Ventures and the Food Network.
- Furthermore, the Tribune organization will be managed by Sam Zell and his highly capable management team with whom we've had past experience and hold in high regard.
- The proposed transaction was thoroughly screened, discussed and approved at the highest levels within the Commercial Bank, Global Bank Debt and Credit Risk Management. A conference call was held among Gene Taylor, David Darnell, Kris Gagnon, Jim Alessandri, Bob Caston, Curtis Anderson and Martin Richards to discuss whether or not the proposed transaction was appropriate to pursue and all parties agreed to move forward.
- Additionally, the proposed transaction was screened with the Leveraged Finance Committee on three separate occasions and all voting members approved the transaction.
- Although the transaction is highly levered, the CAR clearly articulates an exposure management strategy that is reasonable relative to the fees generated from this transaction.

CS41 (Financial Profile) – Rating – “2”

- The client team does not dispute the comment that the proposed transaction does not de-lever quickly.

UW41 (PSOR Analysis) – Rating – “2”

- We acknowledge that 7.2x total leverage at maturity is significant. While the Tribune generates significant free cash flow, a more appropriate comment regarding our PSR would be - “Refinance at maturity based on the Enterprise Value of the Tribune's broadcasting and publishing assets supplemented by free cash flow and the company's access to the public debt and equity markets”.

UW61 (Structural Risk Mitigation) – Rating – “1”

- The team strongly disagrees with the “1” rating. While total leverage is high at 8.9x, senior secured leverage totals 5.7x and there is 3.2x turns of structurally subordinated debt beneath us.
- TLB amortization is mitigated by the excess cash flow recapture requirement and mandatory prepayment provisions for proceeds generated from asset sales and debt/equity issuances.
- In addition, we are participating only in the unfunded Revolver and have clearly articulated a reasonable

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hold strategy as referenced above.

- On 6/29/07, S&P upgraded the Tribune's issuer rating two notches from BB- to BB+. In addition, S&P upgraded Tribune's recovery rating from a "2" to a "1" which means a 90-100% probability of a full recovery of principal in a payment default scenario.

UW71 (Collateral Risk Mitigation) – Rating – "2"

- The team does not dispute the fact that the transaction has a large airball. However, we believe a 7.5x sales multiple is attainable given the industry mean of 9.9x combined with the supplemental valuations of the company's interactive investments (\$1.7BN).

UW91 (Consistency with Originate to Distribute Goals) – Rating – "2"

- The team strongly disagrees with the "2" rating as p. 4 of the CAR clearly articulates the team's exposure management and sell-down strategy including the payment of fees in the secondary market to achieve our desired hold level.

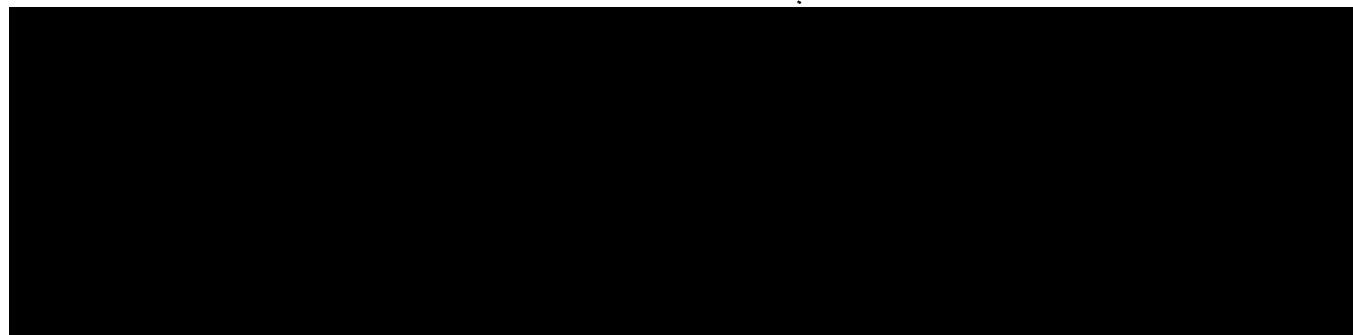
Please let me know if you have any questions or if you would like to discuss further.

Thanks,

Chuck

From: Caston, Bob L
Sent: Monday, July 09, 2007 7:24 PM
To: Tekell, Victor N; Mackenzie, Steven A; Butler, Norman; Jones, Thomas H; Hellmann, Debra; Hagel, Charles W; Anderson, Curtis L
Cc: Clary, Charles; Beckham, Stephen C; Gluckman, Thomas P; Nicholas, Greg; Parsons, Rick L; Steck, Ann; Kohler, Randolph
Subject: FW: New Business Reviews

Central Region CPM's and Risk Partners:



If you have a name that was reviewed and received a score of "1" or "2", please get with your risk partner and review the low score area and provide us with your perspective on the score. As in the SLT Exam, if the score is an accurate reflection of the risk at the "1" or "2" level, then so be it, but if not, we would like to know your view. The SRA can't know the transaction as you do, and as has been evident throughout the SLT exam, many times the Credit Review score will change based on this incremental perspective. I am confident that this will be the case here, and want to thank you for the partnering you exhibit with your risk teammate, not only in this instance, but in what you do every day. We look forward to your feedback and please feel free to call me with any questions or comments that you might have. Thanks.

Bob

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From: McDuffie, Malcolm D
Sent: Friday, July 06, 2007 5:53 PM
To: Anderson, Curtis L; Caston, Bob L
Subject: New Business Reviews

Bob and Curtis - attached pleas find the workbook with the Q2 '07 new business reviews. While I would welcome the opportunity to discuss any particular names with you, I would prefer to discuss the overall conclusions in the context of the Direction of Risk Report discussion at the end of the month.

Duncan

M. Duncan McDuffie
Senior Vice President
Middle Market Credit Review
55 S. Lake Ave.
Pasadena, CA 91101-2627
CA9-513-09-01
Phone: 626-584-4576

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