SUMMARY AND OVERVIEW

1. This is a securities class action on behalf of all purchasers of the publicly traded common stock of Tribune Company ("Tribune" or the "Company") between January 24, 2002 and September 10, 2004 (the "Class Period"), against Tribune and certain of its officers, directors, and employees for violations of the Securities Exchange Act of 1934 (the "1934 Act").

2. Tribune is a media and entertainment company. The Company is engaged in newspaper publishing, television and radio broadcasting, and entertainment. The publishing segment operates at least 11 daily newspapers, including Newsday and Hoy, and represents roughly 70% of Tribune’s total business.
3. As alleged herein, Tribune intentionally or recklessly overstated the paid circulation numbers for both Newsday and Hoy, going back as far as 2001. Circulation is a critical metric for a publishing company because it drives advertising revenue, and therefore earnings and growth figures. The greater the circulation of the newspaper or periodical, the more the advertiser pays for its advertisements to appear in them.

4. Tribune’s fraudulent circulation scheme extracted unearned revenues from the Company’s advertisers, which were induced to overpay for their advertisements. Those ill-gotten gains were then wrongly included in Tribune’s financial reports to the market, causing the price of Tribune’s stock to be artificially inflated. Accordingly, defendants’ scheme not only defrauded the Company’s advertisers, but it also artificially inflated the price of Tribune’s stock, thus defrauding unsuspecting investors as well. The unraveling of defendants’ scheme caused a material drop in the price of Tribune stock as the truth became known to the market over time, thus damaging Lead Plaintiff and the Class.

5. Beginning in February 2004, certain advertisers threatened or initiated lawsuits against Tribune, including a class action lawsuit seeking at least $100 million in punitive damages, based on allegations of overstated circulation at Newsday and Hoy. The United States Securities and Exchange Commission ("SEC") began an informal inquiry.

6. In response to the advertisers’ suits, Tribune compounded its fraud by issuing a vehement denial and reassuring the marketplace that the suits were “completely without merit.” The Company blamed the allegations on a “disgruntled former employee.”
7. However, in June 2004, following the arrests of certain Tribune employees in connection with the fraudulent circulation scheme, the Company was forced to change its position and acknowledge that its circulation figures for Newsday and Hoy had been falsified.

8. On June 17, 2004, Tribune first revealed that Newsday was reducing, by 40,000 copies, or about 7 percent, the 579,729 average daily circulation it had claimed as of September 2003. Newsday also reduced by 60,000 copies, or about 9 percent, the 671,819 Sunday circulation it had earlier claimed. In addition, Hoy said it would trim about 15,000 copies, or 16 percent, from the daily circulation of 92,604 it had earlier reported. Hoy's Sunday circulation was adjusted downward by 4,000, or about 12 percent, from the original 33,198. Those reductions were just the tip of the iceberg.

9. On July 15, 2004 Tribune recorded a $35 million second quarter charge against earnings, to reserve against liability and to settle suits with advertisers. However, neither the June 17, 2004 reductions to reported circulation numbers, nor the July 15, 2004 disclosure of the $35 million charge, revealed the full extent of the fraud.

10. On September 10, 2005 the true circulation numbers were finally revealed, and Tribune disclosed an additional $45-$60 million charge against earnings. As reported the next day in Newsday itself:

The parent company of Newsday and Hoy announced Friday substantial reductions in their respective circulations that are more than double earlier revisions and indicate the circulation scandal is worse than previously disclosed. Tribune Co. also said it would set aside an additional $45 million to $60 million to pay settlements to aggrieved advertisers. This is on top of the $35 million earmarked in July.

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The paper's circulation for the six months ended March 30 was 480,000-490,000 copies of the weekday paper and 540,000-550,000 of Sunday's editions. Tribune expects figures for the full year ending Sept. 30 to be "somewhat below" those figures.

-- Lowest circulation since '70s

With the latest numbers, Newsday likely will drop out of the Top 10 ranking of largest papers; it had been No. 9. The last time Newsday's circulation was this low was during the late 1970s.

The second round of revisions shows that Newsday's daily sales were inflated by between 90,000 and 100,000 copies and on Sundays by between 122,000 and 132,000 copies. That's more than double the amount of fraudulent circulation that the paper announced in June, when it first disclosed the scandal.

11. Tribune stock reacted with the news. From the first partial disclosure in June 2004, through the September 10, 2004 announcement finally setting forth the true circulation numbers, Tribune's stock price declined from over $47 per share to less than $40 per share, thereby causing damages to Lead Plaintiff and the Class. Tribune's stock has never recovered, and now languishes at approximately $31 per share.

12. As set forth herein, each earnings related press release and SEC filing issued by defendants during the Class Period was materially false and misleading when issued. Because defendants had fraudulently inflated the publicly reported circulation figures for Newsday and Hoy, they had fraudulently recognized advertising revenue. By including such ill-gotten revenue in its financial statements and earnings announcements, defendants misled the investing public regarding Tribune's financial condition. Moreover, each of defendants' statements regarding the efficacy of controls, as certified pursuant to the Sarbanes-Oxley Act of 2002, were false and misleading as well because Tribune's control environment was so weak it allowed the circulation fraud to go on unchecked for the better part of three years. After defendants' fraud was finally revealed, Tribune
was forced to record a total $90 million charge against earnings. The true facts, which were concealed from the investing public during the Class Period, were as follows:

(a) since at least FY 2001, defendants were fraudulently inflating the circulation of Tribune’s Newsday and Hoy publications, thus generating ill-gotten revenue from their advertisers;

(b) as a result of the inflated circulation figures, the Company’s publicly reported financial results during the Class Period were artificially inflated (including revenue, earnings, and growth figures) and the Company’s liabilities were understated;

(c) defendants had intentionally or recklessly established extremely weak circulation controls which allowed for the circulation overstatements to go on unchecked for the better part of three years;

(d) the true circulation of Newsday was only 480,000-490,000 copies of the weekday paper and 540,000-550,000 of Sunday's editions, or roughly 80% of what had been previously reported;

(e) the true circulation of Hoy was only 40,000 to 50,000 copies, or roughly half of what had been previously reported; and

(f) as a result of (a)-(e) above, defendants’ ability to continue to achieve future earnings per share and revenue growth would be severely threatened, and would and did result in a $90 million charge against earnings.

JURISDICTION AND VENUE

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13. The claims asserted herein arise under §§ 10(b) and 20(a) of the 1934 Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5. Jurisdiction is conferred by § 27 of the 1934 Act, 15 U.S.C. § 78aa.

14. Venue is proper here pursuant to § 27 of the 1934 Act. Acts and transactions giving rise to the violations of law complained of occurred here.

15. The Company’s principal executive offices are located at 435 North Michigan Avenue, Chicago, IL 60611, where the day-to-day operations of the Company are directed and managed.

THE PARTIES

16. Lead Plaintiff, the City of Philadelphia Board of Pensions & Retirement (“Philadelphia or “Lead Plaintiff”) purchased Tribune common stock during the Class Period at artificially inflated prices, as set forth in the Certification previously filed with the Court, and was damaged thereby.

17. Defendant Tribune is a media and entertainment company. The Company is engaged in newspaper publishing, television and radio broadcasting and entertainment. The publishing segment operates at least eleven daily newspapers, including Newsday and Hoy, and represents roughly 70% of Tribune’s total business.

18. Defendant John W. Madigan (“Madigan”) was Chairman and Chief Executive Officer of Tribune from July 2001 through December 2002. During the Class Period, Madigan reaped $4 million in ill-gotten bonuses tied to the Company’s falsely reported revenue, and pocketed $12,098,400 in ill-gotten insider trading proceeds.
19. Defendant Dennis J. FitzSimons ("FitzSimons") has been Chairman, President and Chief Executive Officer of Tribune since January 2003. From July 2001 through December 2002, FitzSimons was President and Chief Operating Officer of Tribune. During the Class Period, FitzSimons reaped $2,345,000 in ill-gotten bonuses tied to the Company’s falsely reported revenue, and pocketed $2,703,707 in ill-gotten insider trading proceeds.

20. Defendant Donald C. Grenesko ("Grenesko") is Senior Vice President, Finance and Administration, Tribune’s equivalent of a Chief Financial Officer. During the Class Period, Grenesko pocketed $1,157,775 in ill-gotten insider trading proceeds.

21. Defendant Jack Fuller ("Fuller") was President of Tribune Publishing Company. During the Class Period, Fuller pocketed $3,143,024 in ill-gotten insider trading proceeds.

22. Defendant Robert Brennan ("Brennan") was Newsday’s Vice President for Circulation until he was placed on administrative leave in June 2004.

23. Defendant Richard Czark ("Czark") was Hoy’s national circulation manager. Czark was arrested in June 2005 for participation in the fraud.

24. Defendant Robert Garcia ("Garcia") was Newsday’s circulation manager for New York City and a sales and distribution manager for Hoy. Garcia was arrested in June 2005 for participation in the fraud.

25. The individuals named as defendants in ¶¶ 18-24, are referred to herein as the “Individual Defendants. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Tribune’s circulation reports to the Audit Bureau of Circulations ("ABC") and/or Tribune’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e.,
the market. Each defendant was provided with copies of the SEC filings, press releases, and circulation reports alleged herein to be misleading, prior to or shortly after their issuance, and had the ability and opportunity to prevent their issuance or cause them to be corrected.

26. Because of their positions and access to material non-public information – including the truth about Newsday’s and Hoy’s circulation, a critical newspaper metric – each of the Individual Defendants knew or recklessly disregarded that Tribune’s revenues, earnings and growth figures were being overstated and that Tribune’s liabilities were being understated, and that the positive representations which were being made were thus materially false and misleading.

CLASS ACTION ALLEGATIONS

27. Lead Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Tribune publicly traded common stock on the open market during the Class Period (the “Class”). Excluded from the class are defendants, their immediate families, employees, affiliates, legal representatives, heirs, predecessors, successors, assigns and any entity in which they have a controlling interest.

28. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Tribune has more than 311 million shares of stock outstanding, owned by hundreds if not thousands of persons.

29. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendants;
(b) whether defendants omitted and/or misrepresented material facts;
(c) whether defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
(d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
(e) whether the prices of Tribune publicly traded common stocks were artificially inflated; and
(f) the extent of damages sustained by Class members and the appropriate measure of damages.

30. Lead Plaintiff’s claims are typical of those of the Class because Lead Plaintiff and the Class sustained damages from defendants’ wrongful conduct.

31. Lead Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Lead Plaintiff has no interests which conflict with those of the Class.

32. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

THE FRAUDULENT SCHEME

33. On June 10, 2005, in a criminal action captioned: United States of America v. Ed Smith, Richard Czark, and Robert Garcia, No.: 05-775M (E.D.N.Y.), Scott Briggs, a Special Agent with the United States Postal Inspection Service, filed an “Affidavit In Support of Arrest Warrants”, relying on several confidential witnesses who participated in the fraud and are expected to plead
guilty to federal offenses. According to the Briggs affidavit, the fraud was perpetrated, at least in part, as set forth in ¶¶ 34-59 below:

**Newsday Distribution**

34. *Newsday* circulates its newspapers to customers throughout Long Island, New York City, New Jersey and elsewhere. *Newsday* is distributed in a variety of ways. For distribution to individual subscribers, *Newsday* contracts with independent contractors called home delivery agents ("the HD agents"). HD agents deliver to subscribers in Long Island and Queens. *Newsday* employs HD agents under one-year contracts in which HD agents agree to buy *Newsday* at wholesale and sell to home subscribers at a prescribed retail rate. HD agents, rather than *Newsday*, hire carriers to deliver the newspaper to subscribers. HD agents, or in some instances the carriers, collect the weekly retail cost of the newspaper from each subscriber. The HD agent then reimburses *Newsday* for the newspapers, and pays carriers costs and other expenses. Some subscribers are billed directly by credit card by *Newsday*, after which *Newsday* reimburses the HD agent a distribution fee, from which he pays his carriers and other expenses.

35. On Long Island, *Newsday* also delivers newspapers in bulk directly to retail outlets, such as grocery stores, delis, newsstands and coffee carts. Like HD agents, single copy dealers receive newspapers at a discounted rate from *Newsday* and then, in turn, sell to the public at a retail rate, as directed by *Newsday*. This operation is called single copy distribution, and the retail outlets are called single copy dealers.

36. In Queens, New Jersey and other locations outside Long Island, *Newsday* relies on wholesale distributors to effect single copy sales and distribution. In these markets, *Newsday* sells
to distributors at a discount rate who in turn sell to other single copy dealers at a wholesale rate. The single copy dealers sell to the public at a retail rate.

37. Another method by which *Newsday* effects single copy distribution is by the use of hawkers who sell to customers at designated locations around New York and New Jersey such as street intersections, street corners, train stations and toll plazas. Hawkers work for Hawker captains who buy *Newsday* at wholesale rates. *Newsday* pays hawker captains site fees for each location that they cover. In the same way that HD agents sell newspapers to subscribers at a retail rate, hawker captains hire employees to stand at designated locations and sell *Newsday* newspapers to the public at a retail rate. Hawker captains are responsible for paying these employees at each site.

38. Single copy dealers and hawker captains are reimbursed by *Newsday* for returned and damaged papers that they have purchased, cartage (distribution expenses), and other miscellaneous expenses they can substantiate. Similarly, *Newsday* will pay hawker captains site fees in the form of a credit for each site manned by hawkers. In addition, hawker captains, single copy dealers and distributors are required to submit invoices detailing expenses incurred. HD agents receive credits on invoices from *Newsday* for, among other things, delivery credits, agent incentive for good customer service, collection fees and other items that are listed in their individuals contracts with *Newsday*. In some instances, *Newsday* employees encouraged HD agents, single copy dealers and hawker captains to pad paid circulation, repeatedly paying sales and delivery invoices submitted by these contractors even though the *Newsday* employees knew the invoices were false and inflated.

39. On occasion, retail stores, retail chains and others buy the newspaper and give it away to their customers for free at venues like shopping centers or events such as baseball games or concerts. This is commonly referred to as bulk or sponsored sales. *Newsday* is not permitted to
claim such bulk distribution as paid circulation unless the charge to the bulk buyer per copy is at least 25% of the single copy retail or cover price.

**Hoy Distribution**

40. *Hoy* is a Spanish-language newspaper targeted for distribution to the Latino population in the United States. *Hoy* was a subsidiary of *Newsday* until 2004 when control of *Hoy* was transferred directly to Tribune. *Hoy* began to be distributed in New York in late 1998. The majority of *Hoy* distribution occurs through single copy dealers, hawkers and vending machines in New York, New Jersey, Chicago and Los Angeles.

41. *Hoy* relies on personnel from *Newsday*, Distribution Systems of America (“DSA”) (a distributor of newspapers and magazines which is wholly owned by *Newsday*) and other Tribune employees for production and distribution to the public. In many instances, the persons overseeing *Hoy*’s distribution were also simultaneously or at varying times employees overseeing distribution of all three of Tribune’s subsidiaries.

**ABC Policies**

42. Newspapers report their circulation figures to the Audit Bureau of Circulations (“ABC”), an independent non-profit nationwide monitoring service which serves as an industry watchdog to insure the integrity of data that publishers give to advertisers. Publishers are required to certify their paid circulation numbers to ABC every six months. Among other things, ABC sets standards and criteria for publishers of newspapers and magazines to follow in calculating what is and what is not paid circulation. Paid circulation figures are of acute interest to advertisers because a person is more likely to read a newspaper or magazine, including the advertisements within, if the household to which that person belongs has paid for that publication. Accordingly, advertisers rely
heavily on ABC-audited and approved paid circulation figures when negotiating advertising rates with newspaper and magazine publishers.

43. Under ABC regulations, paid circulation refers to purchases of newspapers by a home delivery subscriber, sales of newspapers by single copy dealers and legitimate bulk sale purchases of newspapers that are distributed to the public. In order to be counted as paid circulation for ABC purposes, the newspaper must be sold for at least 25% of its face value.

44. "Sampling programs, in which newspapers are delivered free of charge to non-subscribers for a period of time in an effort to encourage them to subscribe, are not eligible to be counted as "paid circulation under ABC rules unless an outside sponsor of the sampling program pays at least 25% of the basic single copy price for each newspaper sampled.

45. ABC rules require that newspaper publishers obtain from single copy dealers return sheets or affidavits that accurately record the number of newspapers that were unsold and thereafter returned to the publisher. The number of papers received by a single copy dealer is called the "draw; the draw minus the returns is the "net. The net sales are included as paid circulation data under ABC rules.

The Schemes

46. Tribune employees engaged in various schemes to boost paid circulation numbers for Newsday and Hoy by, among other ways, falsifying paid circulation reported to ABC and paying distributors to submit false data regarding paid circulation, which false data included phony cartage and other expense information.

47. Ed Smith was an employee of Newsday from November 1972 until his retirement in May 2002. From May 2002 until approximately May 2004, Smith continued to work as a
"consultant to both Newsday and Hoy, serving as their liaison to ABC. Among other criminal activities, Smith participated in efforts to increase paid circulation numbers by setting up phony hawking programs and coaching other employees, including HD agents, to lie to ABC auditors about paid circulation information.

48. Defendant Richard Czark was employed by Newsday in its circulation and advertising departments and later by Hoy as its national circulation manager. Czark and Smith falsified numbers reporting Hoy’s paid circulation in New Jersey. Czark also falsified data with respect to Hoy’s paid circulation in Chicago and Los Angeles. The means that Czark used to create the fraudulent data with respect to paid circulation of Hoy in Chicago and Los Angeles included, among other things, (1) phony hawking programs, (2) false affidavits that understated returns and overstated net sales and (3) directions to subordinates to pay distributors for bogus deliveries of newspapers, which were in turn concealed with false invoices that Hoy continued to pay even though Czark and others knew the deliveries had not in fact occurred.

49. Defendant Robert Garcia was employed by Newsday as the sales manager for Hoy. Garcia engaged in schemes to falsify paid circulation numbers by, among other ways, assisting in setting up phony hawking programs and directing others to submit false invoices to conceal kickbacks that were paid to distributors and single copy dealers for newspapers that were never delivered.

50. Richard and John Faiella ran an HD agency that, beginning in 2000, delivered Newsday newspapers to home subscribers. In April 2002, Richard Faiella was recruited by several Newsday employees to help inflate paid circulation for Newsday. The Newsday employees asked Faiella to make sham purchases of large volumes of Newsday newspapers, which were ostensibly
slated for delivery to non-traditional single copy retail outlets. Faiella dumped most of the newspapers rather than delivering them. According to confidential witnesses, *Newsday* nevertheless reported to ABC that Faiella was selling up to 30,000 *Newsday* papers every weekday, and up to 50,000 papers every Sunday, under a single copy program. Invoices for the Faiella account show that Faiella falsely reported delivering up to 65,000 papers daily and 50,000 papers each Sunday. In fact, however, Faiella never actually sold more than 7,000 newspapers per weekday or more than 10,000 papers on a Sunday. The tens of thousands of remaining papers were instead given to HD agents with instructions to give them away for free. *Newsday* employees compensated Faiella for his assistance, paying him cartage and other expenses that he had not in fact incurred.

51. In or about April 2004, a *Newsday* circulation manager and others met to discuss how to keep ABC from discovering that *Newsday* had routinely falsified paid circulation figures from the Faiella programs. Ed Smith and others proposed that *Newsday* trick ABC into concluding that the Faiella program had been legitimate by arranging for ABC to observe a purported re-creation of Faiella’s hawking program. Unbeknownst to ABC auditors, however, the “re-creation” that Smith and others proposed depended on dispatching *Newsday* employees to buy up newspapers.

52. Immediately thereafter, *Newsday* managers directed several HD agents to station hawkers at over 100 locations around Long Island. In addition, to trick the ABC auditors whom they had been informed would observe the “re-creation” of the Faiella program, the *Newsday* managers recruited and directed numerous bogus customers, including *Newsday* employees to buy multiple copies of the newspaper every day for a period of several days.

53. In 2000, Garcia told a distributor who was colluding to inflate circulation, that *Hoy* was raising its wholesale price to the distributor from $.01 per copy to $.06 per copy. Garcia
promised the distributor, however, that the increased charge would be offset through kickbacks to the distributor. Garcia further instructed the distributor to conceal the kickbacks by billing the newspaper for bogus trucking expenses. Documents, including copies of checks from *Newsday* to the distributor, show that $50,000 was paid to the distributor to cover up the scheme.

54. *Hoy* managers continued to rely on the same distributor to inflate paid circulation data when the newspaper later expanded. In the Fall of 2003, Garcia, the distributor and others met to discuss how to bolster *Hoy*'s operations in Chicago. During the meeting, the distributor told the group that he was reporting 3,000 in daily paid circulation, but actually only selling 2,000 copies of *Hoy* per day. A *Hoy* manager replied in substance that it was good that the distributor was working for *Hoy* in Chicago, like he had been in New Jersey, because that way, *Hoy* could "control the number. Similarly, Garcia later told the distributor that his/her false report of 3,000 copies sold per day in Chicago constituted a "good number for *Hoy."

55. In or about late 2003, Czark proposed that the distributor sell 15,000 copies of *Hoy* per day. He knew, however, that the distributor was actually distributing only 5,000 copies per day. As payment to the distributor for inflating paid circulation by 10,000 copies per day, Czark agreed to lower the rate that *Hoy* charged the distributor to buy and deliver the paper.

56. In addition, during that same period, Czark approached the distributor to do home sampling of *Hoy* in the Chicago suburbs. After the distributor complained that he/she had not been paid for consulting fees promised him/her for doing the sampling, Czark instructed the distributor to bill *Hoy* for nonexistent hawking services in an amount equal to what *Hoy* owed the distributor in consulting fees for home sampling.
In 2003, the distributor met with Czark and Smith to discuss what he/she should say to Tribune auditors who were reviewing the paid circulation that the distributor had reported relating to his work in Chicago. The distributor suggested that he overstate the volume of sales of Hoy at each hawkers location. Smith replied that the distributor should instead fabricate bills from other hawking companies and tell the auditors that those non-existent companies had helped to distribute Hoy in Chicago. Smith explained that the distributor could blame the fictitious hawker companies for any hawkers and hawker locations that Tribune auditors could not confirm. The distributor did as Smith had instructed, setting up phony accounts in the names of other hawking firms, which he/she cited to Hoy as if they substantiated paid circulation numbers.

In January 2004, Czark and Smith met with the distributor to discuss an ongoing audit by ABC of circulation numbers. At the time, the distributor was being paid to distribute 6,000 Hoy papers daily in New Jersey. In fact, however, he/she was distributing less than 3,000 papers per day in New Jersey and destroying the remainder. Smith directed the distributor to fabricate records that would falsely claim that the approximately 3,000 Hoy papers were being sold by hawkers when in fact they were being dumped. Smith told the distributor that setting up these phony accounts would be enough to fool the auditors. At Smith's instructions, the distributor set up a shell corporation, and falsely claimed to ABC that the shell had produced genuine paid circulation from hawkers.

After Hoy began being distributed in Los Angeles in late 2003, Czark also directed the distributor to set up shell corporations to mask falsified distribution data relating to paid circulation in that city as well.

FALSE AND MISLEADING STATEMENTS
60. Prior to the Class Period, Newsday reported its circulation figures, in an October 25, 2001 press release. The release stated:

    Newsday’s circulation edged up in the six months ended September 30, both during the week and on Sunday, the newspaper said yesterday.

    Sales of newspapers in general have been especially strong since the Sept. 11 terrorist attacks. Compared with its average daily circulation of 577,354 during the six-month period, Newsday said it sold more than 675,000 copies in the first few days after the attacks and continues to sell more than 590,000.

    The six-month average circulation figure represented a gain of 0.18 percent from the same period a year earlier. Sunday circulation totaled 675,619, up 0.14 percent.

    The newspaper said the gains, which are subject to audit the Audit Bureau of Circulations, mark the 13th consecutive increase in daily circulation and 11th straight increase in Sunday sales.

61. These false circulation figures were widely disseminated to the market and remained uncorrected at the beginning of the Class Period, on January 24, 2002.

62. Defendants have now admitted that Newsday’s and Hoy’s circulations were overstated, generating false advertising revenues going back as far as 2001. Accordingly, the Class Period begins with Tribune’s announcement of 2001 year end results.


    Tribune Company, one of the country's premier media companies, operating businesses in broadcasting, publishing and on the Internet, today reported diluted earnings per share (EPS), before restructuring charges and non-operating items, of $0.21 for the 2001 fourth quarter, compared with $0.36 for the 2000 fourth quarter. For the full year 2001, on the same basis, Tribune reported diluted EPS of $0.72, compared with $1.30 for 2000. Including restructuring charges and non-operating items, diluted EPS for the fourth quarter 2001 was $0.32, compared with $0.11 for the same period in 2000. Including restructuring charges, non-operating items and a loss in 2000 from discontinued operations, diluted EPS for the full year 2001 was $0.28, compared with $0.70 for 2000.
Cash earnings (defined as net income, before restructuring charges and non-operating items, plus amortization expense) were $134 million in the 2001 fourth quarter, down from $185 million during the same period last year. In the 2001 fourth quarter, cash EPS, excluding restructuring charges and non-operating items, was $.40, down from $.54 per share in the 2000 fourth quarter.

64. The January 24, 2002 press release was materially false and misleading because defendants had fraudulently inflated the publicly reported circulation figures for Newsday and Hoy, and thus had fraudulently recognized advertising revenue. By including such ill-gotten revenue in its earnings announcements and financial statements, defendants misled the investing public regarding Tribune’s financial condition and control environment. After defendants’ fraud was finally revealed, Tribune was forced to record a total $90 million charge against earnings. The true facts, which were concealed from the investing public during the Class Period, were as follows:

(a) since at least FY 2001, defendants were fraudulently inflating the circulation of Tribune’s Newsday and Hoy publications, thus generating ill-gotten revenue from their advertisers;

(b) as a result of the inflated circulation figures, the Company’s publicly reported financial results during the Class Period were artificially inflated (including revenue, earnings, and growth figures) and the Company’s liabilities were understated;

(c) defendants had intentionally or recklessly established extremely weak circulation controls which allowed the circulation overstatements to go on for the better part of three years;

(d) the true circulation of Newsday was only 480,000-490,000 copies of the weekday paper and 540,000-550,000 of Sunday's editions, or roughly 80% of what had been previously reported;
(e) the true circulation of Hoy was only 40,000 to 50,000 copies, or roughly half of what had been previously reported; and

(f) as a result of (a)-(e) above, defendants’ ability to continue to achieve future earnings per share and revenue growth would be severely threatened, and would and did result in a $90 million charge against earnings.

65. On March 18, 2002, Tribune filed its Form 10-K for the year ended December 30, 2001, signed by defendants Madigan, FitzSimons, Fuller, and Grenesko. The Form 10-K reiterated the 2001 year-end results set forth in the January 24, 2002 press release. The Form 10-K also stated that Tribune’s publishing segment represented 73% of the Company’s consolidated operating revenues in 2001 and 68% of its profits, that Newsday had average circulation of 577,000 daily and 676,000 Sunday for the six months ended September 30, 2001, and that Newsday ranked 9th and 12th in the country for average daily and Sunday circulation, respectively.

66. With respect to internal controls, the 2001 10-K stated:

Internal Control System – Management is also responsible for establishing and maintaining a system of internal control, designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the preparation of reliable published financial statements. The system of internal controls is continually reviewed for its effectiveness and is augmented by written policies and procedures, the careful selection and training of qualified personnel and a program of internal audit.

67. The 2001 10-K was materially false and misleading for the reasons set forth in ¶64.

68. On April 19, 2002, the Company issued a press release entitled “Tribune Reports First Quarter Earnings. The press release stated in part:

Tribune Company, one of the country's premier media companies, operating businesses in publishing, broadcasting and on the Internet, today reported first quarter diluted earnings per share (EPS) of $.32, before restructuring charges, non-
operating items and the cumulative effect of a change in accounting principle. These results are even with a pro forma $.32 per share for the 2001 first quarter.

69. The April 19, 2002 press release was materially false and misleading for the reasons set forth in ¶ 64.


71. The first quarter 2002 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.

72. On July 18, 2002, the Company issued a press release entitled “Tribune Reports Second Quarter Earnings. The press release stated in part:

Tribune Company, one of the country's premier media companies, operating businesses in publishing, broadcasting and on the Internet, today reported second quarter diluted earnings per share (EPS), before non-operating items in both years and restructuring charges in 2001, of $.52, compared with a pro forma $.39 per share for the 2001 second quarter. Including non-operating items in both years and the restructuring charges in 2001, diluted EPS was $.33 in the second quarter of 2002 compared to a pro forma $.36 and a reported $.21 in 2001.

* * *

Dennis FitzSimons, Tribune president and chief operating officer said, "The performance of our operating groups was better during the final month of the quarter. On a comparable basis, June advertising revenues were up 7 percent at our television stations, 1 percent at our newspapers, and 37 percent at our interactive businesses." He added, "As we move to the third quarter, we look to maintain the sequential improvement we have seen since the start of the year."

73. The July 18, 2002 press release was materially false and misleading for the reasons set forth in ¶ 64.

Form 10-Q also contained certifications by defendants Madigan and Grenesko, pursuant to the Sarbanes-Oxley Act of 2002, certifying that:

(i) Tribune Company's Form 10-Q for the quarter ended June 30, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q for the quarter ended June 30, 2002 fairly presents, in all material respects, the financial condition and the results of operations of Tribune Company.

75. The second quarter 2002 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.

76. On October 17, 2002, the Company issued a press release entitled “Tribune Reports Third Quarter Earnings.” The press release stated in part:

Tribune Company today reported third quarter diluted earnings per share (EPS) of $.46, before non-operating items in 2001 and 2002 and restructuring charges in 2001, compared with $.24 per share (adjusted for intangible amortization) in the 2001 third quarter. Including non-operating items in both years and restructuring charges in 2001, diluted EPS was $.71 in the third quarter of 2002 compared with an adjusted $.31 loss and a reported $.49 loss in 2001.

"Overall, Tribune will deliver more than $1.45 billion in EBITDA this year, and free cash flow of about $650 million -- despite the difficult economic environment," said John Madigan, Tribune chairman and chief executive officer. "We’ve used that free cash flow to significantly reduce our debt and make capital investments necessary to sustain long-term growth."

Dennis FitzSimons, Tribune president and chief operating officer, added, "This year’s third quarter results are continued proof of the strength and resilience of our media businesses and the people who run them . . ."

77. The October 17, 2002 press release was materially false and misleading for the reasons set forth in ¶ 64.

Form 10-Q contained certifications by defendants Madigan and Grenesko, pursuant to the Sarbanes-Oxley Act of 2002, in which they each certified that:

1. I have reviewed this quarterly report on Form 10-Q of Tribune Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

79. The third quarter 2002 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.


Tribune Company today reported fourth quarter 2002 diluted earnings per share (EPS) of $.57, up 58 percent from fourth quarter 2001 EPS of $.36. These results exclude non-operating items in both 2002 and 2001 and restructuring charges in 2001. Including these items, diluted EPS was $.57 in the fourth quarter of 2002, up 21 percent from $.47 in 2001. All amounts for 2001 are adjusted for intangible amortization.

For the full year 2002, Tribune reported diluted EPS of $1.87, an increase of 42 percent from $1.32 for 2001. These results exclude non-operating items and restructuring charges in both years and the cumulative effect of a change in accounting principle in 2002. Including these items, diluted EPS for the full year 2002 was $1.30, up 44 percent from $.90 in 2001. All amounts for 2001 are adjusted for intangible amortization.

* * *

"This was an outstanding year for our company," said John Madigan, Tribune's chairman. "Our people have proven once again that they are star performers. Through their efforts, we achieved record earnings per share for the fourth quarter and full year, and our businesses established real momentum heading into 2003."

Dennis FitzSimons, Tribune's president and chief executive officer, said, "Our results clearly demonstrate the strength and resiliency of our local mass media franchises. In difficult times, advertisers rely on media that deliver results. In addition, the dedication of our employees, including a strong focus on cost controls,
enabled the company to grow EBITDA by 20 percent to $1.5 billion, generate free cash flow of $700 million and reduce debt by $650 million."

81. The January 29, 2003 press release was materially false and misleading for the reasons set forth in ¶ 64.

82. On March 12, 2003, Tribune filed its Form 10-K for the year ended December 24, 2002, in which it reiterated the earnings report set forth in the January 29, 2003 press release. The 10-K also stated that Newsday had average paid circulation of 579,000 daily and 677,000 Sunday for the six months ended September 30, 2002, and that Newsday ranked 8th and 13th in the country for average daily and Sunday circulation, respectively. The 2002 10-K was signed by defendants Madigan, FitzSimons, Fuller, and Grenesko.

83. With respect to controls, the 2002 10-K stated:

Within the 90 days prior to the date of filing this report, the Company's management, including the President and Chief Executive Officer and Senior Vice President/Finance and Administration (Chief Financial Officer), carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Company's President and Chief Executive Officer and Senior Vice President/Finance and Administration (Chief Financial Officer) concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information required to be included in the Company's periodic SEC filings. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company's management carried out its evaluation.

84. Additionally, the 2002 10-K contained Sarbanes-Oxley certifications from defendants Fitzsimons and Grenesko which stated:

1. I have reviewed this annual report on Form 10-K of Tribune Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Tribune Company as of, and for, the periods presented in this annual report;

4. Tribune Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Tribune Company and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to Tribune Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of Tribune Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. Tribune Company's other certifying officer and I have disclosed, based on our most recent evaluation, to Tribune Company's auditors and the audit committee of Tribune Company's board of directors:
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect Tribune Company's ability to record, process, summarize and report financial data and have identified for Tribune Company's auditors any material weakness in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in Tribune Company's internal controls; and

6. Tribune Company's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

85. The 2002 Form 10-K was materially false and misleading for the reasons set forth in ¶ 64.
86. On April 16, 2003, the Company issued a press release entitled “Tribune Reports 2003 First Quarter Earnings.” The press release stated in part:

Tribune Company (NYSE: TRB) today reported first quarter 2003 diluted earnings per share (EPS) of $.41 compared with a diluted loss per share of $.33 in the first quarter of 2002. The 2003 first quarter results included a net non-operating gain of $.02 per diluted share. In the 2002 first quarter, Tribune recorded a net non-operating loss of $.09 per diluted share, a restructuring charge of $.05 per diluted share and a one-time $.51 loss per diluted share for the cumulative effect of a change in accounting principle related to the initial application of the impairment provisions of FAS 142.

"Our first quarter results clearly demonstrate the strength of our local mass media franchises -- revenues and operating cash flow are both up," said Dennis FitzSimons, Tribune president and chief executive officer. "During this difficult time, with the war in Iraq dominating news coverage, more and more readers and viewers are turning to our newspapers, television stations and web sites for news and information they can trust.

87. The April 16, 2003 press release was materially false and misleading for the reasons set forth in ¶ 64.

88. On May 9, 2003, Tribune filed its first quarter 2003 Form 10-Q with the SEC, reiterating the earnings figures set forth in the April 16, 2003 press release. The first quarter 2003 Form 10-Q also contained renewed Sarbanes-Oxley certifications from defendants FitzSimons and Grenesko attesting to the adequacy of controls.

89. The first quarter 2003 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.


Tribune Company (NYSE: TRB) today reported second quarter 2003 diluted earnings per share (EPS) of $.67 compared with $.33 in the second quarter of 2002. The 2003 second quarter results included a net non-operating gain of $.10 per diluted
share while the 2002 second quarter results included a net non-operating loss of $.19 per diluted share.

* * *

"Our second quarter results reflect solid momentum as we head into the second half of 2003," said Dennis FitzSimons, Tribune president and chief executive officer. "The advertising environment is slowly but steadily improving and Tribune’s broadcasting and publishing groups are benefiting as a result."

91. The July 17, 2003 press release was materially false and misleading for the reasons set forth in ¶ 64.

92. On August 5, 2003, Tribune filed its second quarter 2003 Form 10-Q with the SEC, reiterating the earnings announced in the July 17, 2003 press release. The second quarter 2003 Form 10-Q also contained renewed Sarbanes-Oxley certifications from defendants Fitzsimons and Grenesko attesting to the adequacy of controls.

93. The second quarter 2003 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.

94. On October 16, 2003, the Company issued a press release entitled “Tribune Reports 2003 Third Quarter Results. The press release stated in part:

Tribune Company (NYSE: TRB) today reported third quarter 2003 diluted earnings per share (EPS) of $.53 compared with $.71 in the third quarter of 2002. The 2003 and 2002 third quarter results included a net non-operating gain of $.05 per diluted share and $.25 per diluted share, respectively.

* * *

"Despite a challenging advertising environment in the third quarter, Tribune achieved solid revenue growth in both our newspaper and television businesses," said Dennis FitzSimons, Tribune's President and CEO. "Tribune has generated more than $1.1 billion of operating cash flow year-to-date and is on track to reach $1.6 billion for the full year. In the fourth quarter, we expect revenues to grow and expenses to be flat, setting the stage for a strong 2004."
Tribune's 2003 third quarter operating revenues increased 3.4 percent to $1.39 billion from $1.34 billion in the 2002 third quarter . . .

95. The October 16, 2003 press release was materially false and misleading for the reasons set forth in ¶ 64.

96. On November 3, 2003, Tribune filed its third quarter 2003 Form 10-Q with the SEC, reiterating the earnings announced in the October 16, 2003 press release. The 10-Q also contained renewed Sarbanes-Oxley certifications from defendants Fitzsimons and Grenesko attesting to the adequacy of controls.

97. The third quarter 2003 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.

98. On January 28, 2004, the Company issued a press release entitled “Tribune Reports 2003 Fourth Quarter and Full Year Results. The press release stated in part:

Tribune Company (NYSE: TRB) today reported fourth quarter 2003 diluted earnings per share (EPS) of $1.00 compared with $.57 in the fourth quarter of 2002. The 2003 fourth quarter results included a net non-operating gain of $.34 per diluted share. Non-operating items had no impact on 2002 fourth quarter diluted earnings per share.

For the full year 2003, Tribune reported diluted earnings per share of $2.61 compared with $1.30 in 2002. The 2003 full year results included a net non-operating gain of $.52 per diluted share. In 2002, Tribune recorded a net non-operating loss of $.02 per diluted share, a restructuring charge of $.05 per diluted share and a one-time $.50 loss per diluted share for the cumulative effect of a change in accounting principle related to the initial application of the impairment provisions of FAS 142.

2004 Full Year Outlook

As stated at the December 2003 analyst conferences, the Company anticipates consolidated revenue growth of about 6 percent in 2004, including about 1 percent from new publications. Consolidated operating expenses should grow in the range
of 5.5 percent due to higher expenses for retirement plans, medical, newsprint and the impact of new publications. Full year 2004 diluted earnings per share is expected to be within the range of current Wall Street analyst estimates. This projection assumes that non-operating items are not material in 2004.

99. The January 28, 2004 press release was materially false and misleading for the reasons set forth in ¶ 64.

100. In February 2004, lawsuits were filed against Tribune alleging that Newsday and Hoy had misstated circulation figures. Tribune’s denials were so forceful and convincing that not only did Tribune’s stock not decline in value but it actually increased. The Company’s February 11, 2004 press release stated:

    Newsday publisher Raymond Jansen issued the following statement today regarding lawsuit filed yesterday against the newspaper and the Spanish-language newspaper Hoy:

    “The lawsuit filed yesterday against Newsday and Hoy is completely without merit.

    The allegations contained in the lawsuit are false. The source of the allegations is a disgruntled former employee who was a principal of a bankrupt distribution company that was an affiliate of Newsday, bought in 1998.

    The allegations involve less than 1% of Newsday’s total circulation, and less than 15% of Hoy’s total circulation.

    The Audit Bureau of Circulations conducts annual audits of Newsday and Hoy. The last one was done in 2003, and we are scheduled for another in 2004.

    As the lawsuit is without merit and the allegations it contains false, we will not comment further at this time.

101. The February 11, 2004 press release was materially false and misleading for the reasons set forth in ¶ 64.

102. On February 23, 2004, Tribune issued a press release announcing the expansion of Hoy, including the paper’s circulation rates:
Hoy, the nation’s fastest growing Spanish-language daily newspaper, will hit newsstand in the Los Angeles area on March 1. Hoy will publish four zoned editions providing local news and advertising specific to Hispanic consumers in Los Angeles, Orange County/Long Beach, San Gabriel/Inland Empire and San Fernando.

* * *

Available Monday through Friday, Hoy sells for 25 cents. The single-copy, tabloid-sized paper can be purchased from more than 7,000 retail locations.

"With a retail buying power of $48 million, Los Angeles-area Hispanics are an attractive audience to marketers," said Mildred Diaz, Hoy general sales manager. "Hoy’s ability to zone advertising to specific local communities presents a great opportunity for advertisers.

Hoy is the nation’s fastest growing Spanish-language daily newspaper, with editions in New York, Chicago and Los Angeles (March 2004). In New York, Hoy’s paid daily circulation is more than 94,000 and Sunday paid circulation is more than 35,000. In Chicago, Hoy’s paid daily circulation is more than 18,000. Hoy is published by Tribune Company, one of the country’s premier media companies, operating businesses in broadcasting, publishing and on the Internet. Tribune reaches more than 80 percent of U.S. households and is the only media company with television stations, newspapers and websites in the nation’s top three markets. Visit www.holahoy.com for more information.

103. The February 23, 2004 press release was materially false and misleading for the reasons set forth in ¶ 64.

104. On February 27, 2004, Tribune filed its Form 10-K for the year ended December 28, 2003, signed by defendants Fitzsimons, Grenesko and Fuller. In the 10-K, Tribune reiterated the earnings announcement set forth in the January 28, 2004 press release. Tribune reported that Newsday had averaged paid circulation of 674,000 daily and 713,000 Sunday for the six months ended September 30, 2003, ranking it 9th and 13th in the country respectively. The 10-K also represented that Hoy was the second largest Spanish language newspaper in the U.S.

105. With respect to controls, the Form 10-K stated:
As of December 28, 2003, the Company's management, including the Chairman, President and Chief Executive Officer and Senior Vice President/Finance and Administration (Chief Financial Officer), carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, the Company's Chairman, President and Chief Executive Officer and Senior Vice President/Finance and Administration (Chief Financial Officer) concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information required to be included in the Company's periodic SEC filings, including this annual report.

There has been no change in the Company's internal controls over financial reporting that occurred during the Company's fiscal quarter ended December 28, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

106. Tribune's 2003 Form 10-K also announced that Tribune had adopted a Code of Ethics, effective May 6, 2003, which stated:

CODE OF ETHICS FOR CEO AND SENIOR FINANCIAL OFFICERS
(Adopted and effective as of May 6, 2003)

All of the employees of Tribune Company (the "Company") are bound by the provisions set forth in the Company's Code of Business Conduct relating to ethical conduct, conflicts of interest and compliance with law. In addition, Tribune's Chief Executive Officer ("CEO"), Senior Vice President, Finance and Administration ("CFO") and Vice President and Controller ("Controller"), are subject to the following additional policies:

1. The CEO, CFO and Controller are responsible for full, fair, accurate, timely and understandable disclosure in the periodic reports filed by the Company with the SEC and in other public communications. Accordingly, it is the responsibility of the CEO, CFO and Controller promptly to bring to the attention of the Disclosure Committee any material information that affects the disclosures made by the Company in its public filings.

2. The CEO, CFO and Controller shall promptly bring to the attention of the Disclosure Committee, the Audit Committee and the Company's auditors any information concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.
3. The CEO, CFO and Controller shall promptly bring to the attention of the General Counsel and the Audit Committee any information concerning (a) any violation of this Code, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls and (b) evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof.

4. The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of this Code by the CEO, CFO or Controller. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code. In determining what action is appropriate in a particular case, the Board of Directors or such designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or a repeated occurrence, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

Any waiver of this Code for the CEO, CFO or Controller may be made only by the Board or a Board committee and will be promptly disclosed as required by law or stock exchange regulation.

Management shall periodically review and reassess the adequacy of this Code and recommend changes to the Board for approval. The Board reserves the right to amend this Code from time to time as it determines to be desirable or appropriate. Any amendment of this Code will be promptly disclosed as required by law or stock exchange regulation.

107. Additionally, the 2003 Form 10-K contained renewed Sarbanes-Oxley certifications from defendants Fitzsimons and Grenesko, attesting to the adequacy of controls, stating:

1. I have reviewed this annual report on Form 10-K of Tribune Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the
financial condition, results of operations and cash flows of Tribune Company as of, and for, the periods presented in this annual report;

4. Tribune Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Tribune Company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Tribune Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of Tribune Company's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

c) Disclosed in this annual report any change in Tribune Company's internal control over financial reporting that occurred during Tribune Company's most recent fiscal quarter (Tribune Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, Tribune Company's internal control over financial reporting; and

5. Tribune Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Tribune Company's auditors and the audit committee of Tribune Company's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Tribune Company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Tribune Company's internal control over financial reporting.

108. The 2003 Form 10-K was materially false and misleading for the reasons set forth in ¶ 64.
109. On April 15, 2004, the Company issued a press release entitled "Tribune Reports 2004 First Quarter Results." The press release stated in part:

Tribune Company today reported first quarter 2004 diluted earnings per share (EPS) of $.35 compared with $.41 in the first quarter of 2003. The 2004 first quarter results included a net non-operating loss of $.05 per diluted share, while the 2003 first quarter results included a net non-operating gain of $.02 per diluted share.

*   *   *

Tribune's 2004 first quarter operating revenues increased 3 percent to $1.33 billion from $1.29 billion in the 2003 first quarter... Operating cash flow was flat compared with the first quarter of 2003. Tribune's operating profit decreased 1 percent to $273 million, compared with $276 million in 2003.

Publishing

Publishing's first quarter operating revenues were $1 billion, up 3 percent from last year's first quarter. Publishing cash operating expenses rose by 5 percent. Publishing operating cash flow was $235 million, a 3 percent decrease from $243 million in the first quarter of 2003. Publishing operating profit decreased 4 percent to $190 million, down from $198 million in 2003.

110. The April 15, 2004 press release was materially false and misleading for the reasons set forth in ¶ 64.

111. On April 30, 2004, Tribune filed its first quarter 2004 Form 10-Q with the SEC, reiterating the earnings announced in its April 15, 2004 press release. The Form 10-Q also contained renewed Sarbanes-Oxley certifications from defendants Fitzsimons and Grenesko attesting to the adequacy of controls.

112. The first quarter 2004 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.
THE TRUTH BEGINS TO EMERGE

113. On June 7, 2004, Bloomberg published an article entitled "Tribune Co. Plans to Cut Jobs as Newspaper Ad Sales Miss Target." The article stated in part:

Tribune Co., publisher of the Chicago Tribune and Los Angeles Times, said it will eliminate jobs and reduce spending because advertising sales at the Times and some other papers are falling short of forecasts.

Tribune will record $10 million to $15 million in expenses related to the job cuts in the second quarter, the company said in a statement distributed by PR Newswire. It didn't specify how many jobs will be eliminated.

Newspapers are selling fewer ads than expected for products such as home furnishings, electronic goods and autos, the statement said. Gains in other categories such as real estate advertising will help overall increase about 4 percent during 2004, the company said.

Apart from job cuts, the company plans to reduce costs by conserving newsprint and trimming expenses in all departments. Tribune spokesman Gary Weitman didn't immediately return a call seeking additional comment.

114. On the vague news of the Company's advertising sales slump, the Company's shares began their descent, from approximately $48 per share, as rumors relating to poor advertising performance began to circulate.

115. Following the arrest of certain employees, Tribune backed off its position that the advertisers' lawsuits were completely without merit, partially disclosed the circulation fraud, and placed defendant Brennan, Newsday's Vice President for Circulation, on administrative leave. On June 17, 2004, Newsday issued a press release announcing that Newsday and Hoy had overstated circulation rates:

Newsday announced today that it would reduce its reported September 2003 Publisher's Statement of Circulation of 579,729 daily and 671,819 Sunday by approximately 40,000 daily and by approximately 60,000 Sunday. In addition, Hoy will reduce its reported circulation during the same period of 92,604 daily and 33,198 on Sunday by approximately 15,000 and 4,000 respectively. Both
newspapers also expect to make significantly smaller adjustments to their March 2004 circulation figures.

Newsday and Hoy have been cooperating with the Audit Bureau of Circulation (ABC) on audit of the newspapers’ circulation figures since February. A Tribune Company audit determined that during portions of 2002 and 2003 some copies of Newsday that were distributed for free as part of a home delivery promotional campaign were improperly recorded as paid copies. In addition, some single copy sales could not be verified because of inadequate record-keeping by one of Newsday’s outside distributors.

As a result of the audit, Newsday’s vice president of circulation has been placed on administrative review. Tribune Company’s internal investigation of the circulation practices at Newsday and Hoy is ongoing.

“We take these matters very seriously,” said Newsday’s publisher Raymond Jansen. “Once these discrepancies were brought to our attention we moved quickly to correct the situation and are instituting new policies and procedures to prevent it from happening again.

116. The June 17, 2004 press release was materially false and misleading for the reasons set forth in ¶ 64.

117. On June 21, 2004, Bloomberg published an article entitled “Tribune to Review Circulation Counts at All Papers.” The article stated in part:

Tribune Co., the second-largest U.S. newspaper publisher, is reviewing how circulation is calculated at the Los Angeles Times and the rest of its newspapers after finding that Newsday and Hoy inflated sales figures.

The probe involves 14 newspapers, including the Baltimore Sun, Orlando Sentinel and Chicago Tribune, said Gary Weitman, a spokesman for Chicago-based Tribune. Tribune Vice President Thomas Caputo will head the investigation.

Tribune last week cut the circulation of New York’s Newsday and Spanish-language Hoy, and placed a Newsday vice president on administrative leave after saying the publications overstated their 2002 and 2003 numbers. Advertisers demand lower rates and shareholders may sell Tribune’s stock unless they are reassured circulation numbers are accurate, said investors including Craig Nedbalski of Victory Capital Management.
On June 23, 2004, Bloomberg published an article entitled "Tribune Circulation Executives Must Certify Figures." The article stated in part:

Tribune Co., which said last week that two of its newspapers inflated sales figures, will require circulation department heads to verify the accuracy of their numbers every quarter, Chief Executive Officer Dennis FitzSimons said.

The changes are effective at the end of the month, when the Chicago-based company's second quarter ends. Tribune said last week that circulations at its Newsday and Hoy papers in the New York area were inflated. The company now is reviewing circulation practices at all 14 of its newspapers, including the Los Angeles Times, Baltimore Sun and Chicago Tribune.

Advertisers may demand rebates and shareholders may sell the company's stock unless Tribune can ensure that its circulation figures are accurate, investors and analysts have said.

On July 14, 2004, the Company issued a press release entitled "Tribune Reports 2004 Second Quarter Results." The release stated in part:

Tribune Company today reported second quarter 2004 diluted earnings per share (EPS) of $.29 compared with $.67 in the second quarter of 2003.

Publishing operating profit in the 2004 second quarter included two pretax charges: $17 million, or $.03 per diluted share, for the elimination of 375 positions and $35 million, or $.06 per diluted share, related to the anticipated settlement with advertisers regarding misstated circulation at Newsday and Hoy, New York. On June 17th, the Company announced that both newspapers would be reducing their reported daily and Sunday circulation for both the twelve months ended September 2003 and the six months ended March 2004. Since that time, the ongoing internal investigation has identified additional misstatements for these periods, as well as misstatements that impact 2001 and 2002.

The 2004 second quarter results also included a net non-operating loss of $.24 per diluted share, which primarily relates to the early retirement of debt completed on March 29. The 2003 second quarter results included a net non-operating gain of $.10 per diluted share.

* * *

"In the second quarter, we moved aggressively to address circulation misstatements at Newsday and Hoy in New York, where ethical lapses occurred that
are unacceptable and wholly out of character with Tribune’s history of business integrity,” said Dennis FitzSimons, Tribune chairman, president and chief executive officer. "We also initiated expense reductions in the publishing group in the face of softening revenues at the Los Angeles Times. Results for the majority of our newspapers and our broadcasting group were good, and we have demonstrated our confidence in the future with accelerated stock repurchases," he added.

120. The July 14, 2004 press release was materially false and misleading for the reasons set forth in ¶64.

121. Also on July 14, 2004, Bloomberg published an article entitled “Tribune Profit Falls on Circulation Errors.” The article stated in part:

Tribune Co., the second-largest U.S. newspaper publisher, said second-quarter profit fell 58 percent as it set aside $35 million to compensate advertisers for inflating circulation.

* * *

Circulation Woes

Tribune said today it will pay 6 cents a share related to a settlement with advertisers for overstating circulation at Newsday and Hoy. It also recorded a pretax cost of $17 million, or 3 cents a share, to cut 375 jobs.

Tribune said it found errors in circulation at Newsday, on New York’s Long Island, and Hoy, a Spanish-language daily, going back to 2001 and will provide cash or free ad space to advertisers. Tribune first disclosed inflated sales figures at the newspapers last month. That spurred the company to review circulation practices at all 14 of its papers, including the Los Angeles Times, Baltimore Sun and Chicago Tribune.

Revenue rose 3.2 percent to $1.5 billion from $1.45 billion, helped by advertising gains at its newspapers and television stations, the company said. Tribune was forecast to earn 61 cents in a Thomson Financial survey of 18 analysts.

Tribune Results

Advertising at Tribune's newspapers, the company's biggest division, rose 4.9 percent to $818.2 million, the company said. Retail advertising increased 5 percent, while classified ads rose 6 percent, boosted by a 16 percent gain in help-wanted placements.
122. On July 22, 2004, Bloomberg published an article entitled “Tribune’s Newsday Is Sued Over Advertising Rates, NYT Reports. The article stated in part:

Tribune Co.'s Newsday has been sued by 50 car dealerships who say the Melville, New York-based newspaper charged them advertising rates that were tied to inflated circulation figures, the New York Times reported.

The dealerships are seeking $25 million in compensatory damages and $100 million in punitive damages, the Times said. They also accused Newsday of charging them advertising rates much higher than those paid by Long Island's bigger dealerships, the newspaper said.

Tribune Co. said last month that its auditors determined Newsday's average circulation for the year ended in September was overstated by about 40,000 papers for weekdays and 60,000 for Sundays, the Times said.

123. On July 28, 2004, Bloomberg published an article entitled “Newsday Reduces Guaranteed Circulation, N.Y. Daily News Reports. The article stated in part:

Tribune Co.'s Newsday lowered its guaranteed circulation numbers in a letter to advertisers and also pledged to begin cutting ad rates through the end of next year, beginning Aug. 30, the New York Daily News reported.

Newsday guaranteed a circulation of 525,000 daily and 575,000 on Sundays. That's a reduction of 55,000 daily and 100,000 Sunday, [from] the numbers the company had used before advertisers challenged them in court, the Daily News said.

Newsday said the revised numbers are "a reliable minimum circulation base," the Daily News reported.

124. On July 30, 2004, Tribune filed its second quarter 2004 Form 10-Q with the SEC, reiterating the earnings set forth in the July 14, 2004 press release, including the $35 million charge against earnings. With respect to the circulation scandal, the 10-K disclosed that:

On Feb. 11, 2004, a purported class action lawsuit was filed in New York Federal Court by certain advertisers of Newsday and Hoy, New York, alleging that they were overcharged for advertising as a result of inflated circulation numbers at these two publications. The purported class action also alleges that entities which paid a Newsday subsidiary to deliver advertising flyers were overcharged. On July 21, 2004, another lawsuit was filed in New York Federal Court by certain advertisers of
Newsday alleging damages resulting from inflated Newsday circulation numbers as well as federal and state antitrust violations. The Company intends to vigorously defend these suits. Newsday is a morning newspaper published seven days a week and circulated primarily in Long Island, New York, and in the borough of Queens in New York City. Hoy, New York, is a Spanish language newspaper that is also published seven days a week.

On June 17, 2004, the Company publicly disclosed that it would reduce its reported September 2003 and March 2004 circulation for both Newsday and Hoy, New York. The circulation adjustments were the result of a review of reported circulation at Newsday and Hoy, New York, conducted by the Company's internal audit staff and the Audit Bureau of Circulations ("ABC"). Since the June 17th disclosure, the Company's continuing internal review has found additional misstatements for these time periods, as well as misstatements that impact 2001 and 2002.

As a result of the circulation misstatements for 2001 through 2004, the Company recorded a pretax charge of $35 million in selling, general and administrative expenses in the second quarter of 2004 as its estimate of the probable cost to settle with Newsday and Hoy, New York, advertisers based upon facts available at the date of this report. The Company will continue to evaluate the adequacy of this $35 million reserve on an ongoing basis as additional audit work is completed and negotiations with the advertisers proceed.

In addition, the Securities and Exchange Commission, the United States Attorney for the Eastern District of New York and the Nassau County District Attorney are conducting inquiries into the circulation practices at Newsday and Hoy, New York. The Company is cooperating fully with these inquiries. At the date of this report, the Company cannot predict with certainty the outcome of these inquiries.

On July 12, 2004, ABC announced that it was censuring Newsday and Hoy, New York, for improper circulation practices. For the next two years, ABC will be auditing Newsday and Hoy, New York, every six months, instead of annually, and Newsday and Hoy, New York, will not be able to publish their six-month circulation statistics prior to the completion of the ABC audits. In addition, both Newsday and Hoy, New York, must submit a plan to ABC for correcting their circulation practices. The Company intends to work with ABC to fully comply with the terms of the censure and does not believe the impact of the censure will be material. In addition, the Company's internal auditors have begun a review of the circulation practices at all of the Company's newspapers and Chicagomagazine which will be completed as soon as practical.
125. The second quarter 2004 Form 10-Q was materially false and misleading for the reasons set forth in ¶ 64.

THE TRUTH IS FINALLY REVEALED

126. On September 10, 2004, the end of the Class Period, Tribune finally revealed its true circulation numbers, and also announced an additional charge against earnings. In its press release, titled “TRIBUNE COMPANY: Tribune updates Newsday, Hoy circulation figures; Cost to settle advertiser claims will increase by $45 to $60 million; Additional charge to be taken in third quarter”, Tribune disclosed as follows:


The updated circulation figures are being announced in advance of the release of the Audit Bureau of Circulations' (ABC) final audit report for Newsday for the 12-month period ended Sept. 30, 2003, which is expected in mid-October, in order to provide advertisers and the public with the most accurate information possible. The ABC audit for the six-month period ended March 31, 2004 is expected to be completed and released by mid-November.

Based on information gathered from ABC's ongoing audit and Tribune's internal investigation at Newsday:
- For the 12-month period ending Sept. 30, 2003, daily circulation is expected to be between 480,000 and 490,000, and Sunday circulation is expected to be between 570,000 and 580,000.
- For the six-month period ending March 31, 2004, daily circulation is expected to be between 480,000 and 490,000, and Sunday circulation is expected to be between 540,000 and 550,000.
- For the 12-month period ending Sept. 30, 2004, daily and Sunday circulation is expected, due to seasonal fluctuations, to be somewhat below the March 2004 range.

Based on information gathered during Tribune's internal investigation at Hoy, New York:
- For the 12-month period ending Sept. 30, 2003, daily circulation is expected to be between 45,000 and 55,000. The ABC audit for this period is expected to be completed and released no later than November 1.
- For the six-month period ending March 31, 2004, daily circulation is expected to be between 40,000 and 50,000. The ABC audit for this period is expected to be completed and released by mid-November.

To facilitate ABC’s focus on Hoy, New York, the Chicago and Los Angeles editions of Hoy will withdraw their reported circulation figures for the six-month period ending March 31, 2004; both newspapers are in a start-up phase.

"The ABC audit and our internal investigation at Newsday and Hoy, New York revealed a range of issues affecting circulation, including poor documentation, records mismanagement and programs that deliberately violated ABC regulations and Tribune policies," said Jack Fuller, president of Tribune Publishing. "Since these discoveries, the publishers of both newspapers have left the company, we have changed the circulation management at both newspapers and implemented tougher circulation controls. In addition, the publisher, chief financial officer and vice president of circulation at all of our newspapers must now certify to Tribune on a quarterly basis as to the accuracy of their newspaper’s circulation and that ABC guidelines and Tribune policies have been followed. Finally, we will be working closely with ABC to make sure the circulation practices and procedures at Newsday and Hoy comply with ABC regulations."

In the second quarter of 2004, Tribune recorded a pretax charge of $35 million as its estimate of the cost of settling advertiser claims related to reduced circulation at Newsday and Hoy, New York, based on the information available at the time. In the third quarter, the Company expects to record an additional pretax charge of between $45 and $60 million due to the additional circulation reductions outlined above and misstatements that impact the 12-month period ending Sept. 30, 2002 that were identified by a Tribune internal audit. ABC is still in the process of reviewing their audits of the Sept. 2002 period. The Company will continue to evaluate the adequacy of the reserve as ABC audits of Newsday and Hoy, New York are completed and negotiations with their advertisers continue.

Tribune Company will announce third quarter 2004 earnings on Thursday, October 28, before the market opens. A conference call to discuss the results will be held that day at 8 a.m. CT (9 a.m. ET, 6 a.m. PT).

Newsday and Hoy, New York, have been cooperating with ABC on an extensive audit of both newspapers’ circulation figures. A Tribune Company internal audit is ongoing at Newsday and Hoy, New York. As previously announced, Tribune's audit staff is also verifying the accuracy of the circulation figures at each of the Company's other newspapers.

127. Also on September 10, 2004, Bloomberg published an article entitled “Tribune to Take $45-$60 Min. Charge on Circulation Cut. The article stated in part:
Tribune Co., the second-largest U.S. newspaper publisher, will take a third-quarter charge of as much as $60 million to cover advertiser claims after cutting its circulation figures for Newsday and Hoy a second time this year.

An internal investigation at the two New York-area newspapers found "poor documentation, records mismanagement and programs that deliberately violated" rules at Tribune and the Audit Bureau of Circulations, an industry group that tracks circulation, Chicago-based Tribune said in a statement.

Tribune, which had cut the two papers' circulation numbers in June when it first disclosed the misstatements, said it expects Newsday's reported weekday circulation to drop by about 11 percent to as low as 480,000 for the year ended Sept. 30, 2003. The pretax charge in the current period of $45 million to $60 million follows a second-quarter cost of $35 million as the company compensates advertisers who may have overpaid.

* * *

The third-quarter charge will reduce profit by 10 cents to 12 cents a share, Atorino said. Tribune was expected to report a third-quarter profit of 55 cents a share, according to the average estimate of 17 analysts polled by Thomson Financial.

Sliding Circulation

* * *

Advertising rates for newspapers are based on circulation, with advertisers paying more to reach a larger base of readers. The third-quarter charge of $45 million to $60 million covers the cost of resolving the advertising impact of the misstatements, Tribune spokesman Gary Weitman said.

**POST CLASS PERIOD REVELATIONS**

128. On September 11, 2004, in an article titled "NEWSDAY CIRCULATION; Paper's scandal deepens; Tribune Co. to set aside added $45M to $60M as new cuts to figures are more than double prior revisions", it was reported that:
The parent company of Newsday and Hoy announced Friday substantial reductions in their respective circulations that are more than double earlier revisions and indicate the circulation scandal is worse than previously disclosed.

Tribune Co. also said it would set aside an additional $45 million to $60 million to pay settlements to aggrieved advertisers. This is on top of the $35 million earmarked in July.

The announcement means Newsday's daily and Sunday circulation numbers for the year ended Sept. 30 will fall below the baseline guarantees of 525,000 and 575,000 given to advertisers on July 27 by new publisher Timothy P. Knight. The guarantee has been scrapped altogether, according to a spokesman.

The paper's circulation for the six months ended March 30 was 480,000-490,000 copies of the weekday paper and 540,000-550,000 of Sunday's editions. Tribune expects figures for the full year ending Sept. 30 to be "somewhat below" those figures.

Lowest circulation since '70s

With the latest numbers, Newsday likely will drop out of the Top 10 ranking of largest papers; it had been No. 9. The last time Newsday's circulation was this low was during the late 1970s.

The second round of revisions shows that Newsday's daily sales were inflated by between 90,000 and 100,000 copies and on Sundays by between 122,000 and 132,000 copies. That's more than double the amount of fraudulent circulation that the paper announced in June, when it first disclosed the scandal.

The magnitude of the misstatements surprised some industry observers and advertisers.

"To have that much circulation wiped off your books is really a calamity," said veteran analyst John Morton. "So, it's not going to be easy for Newsday to climb back to the numbers it had before."

Morton and others said the industry has been largely unsuccessful in reversing a gradual decline in circulation during the past two decades. For a paper the size of Newsday, an increase of 2,000 to 3,000 copies per year is considered "great progress," Morton said.

*   *   *

The paper's advertising sales representatives began speaking with clients Friday; all advertisers are to receive a letter, new rates and the terms of a potential settlement agreement in the coming days.

Cutting advertising rates
Newsday spokesman Stu Vincent said ad rates would be lowered effective Oct. 1 and remain in place throughout 2005. Earlier announced reductions and circulation guarantees were never implemented, he said.

* * *

In setting aside as much as $95 million for rebates to advertisers, Tribune said in a statement that it "will continue to evaluate the adequacy of the reserve," as ABC still must review its audits of Newsday and Hoy for the year ended September 2002 and because talks with advertisers are ongoing.

* * *

For Hoy, auditors have determined its circulation for the six months ended March 31 is 40,000 to 50,000 copies, or roughly half of what had been claimed in prior years. For the year ended September 2003, Hoy had reported a daily circulation of 92,604 and Sunday sales of 33,198 copies.

The latest circulation reductions came less than a week after Newsday fired five managers and directors in its circulation department. The terminations brought to nine the number of current and former employees who have left their positions since the paper disclosed that its circulation numbers had been pumped up going back to 2001.

129. On September 13, 2004, the Chicago Sun-Times reported as follows, in an article entitled "Tribune Co. circulation woes punish stock price :

Tribune Co. stock is teetering on the brink of a new 52-week low in the wake of management's decision to take a charge against earnings of as much as $60 million stemming from misrepresentation of circulation at two of its newspapers.

* * *

Tribune stock closed Friday at $41.35, slightly above its 52-week low of $40.54, touched last month. The stock traded as high as $53 this year and has shed more than 20 percent of its value so far.

* * *

"With circulation down 11 percent at Newsday, they won't be able to increase ad rates and that'll ripple out to the fourth quarter and into next year," said Fulcrum Global Partners analyst Ed Atorino, who rates Tribune shares "neutral" and doesn't own them. "These are expensive problems, and they still have to negotiate with advertisers going forward."

The third-quarter charge will reduce profit by 10 cents to 12 cents a share, Atorino said. Tribune was expected to report a third-quarter profit of 55 cents a share.
Newsday's Sunday circulation for the year ended Sept. 30 is expected to be as low as 570,000, about 7 percent less than the company's June circulation reduction, according to the statement.

130. Also on September 13, 2004, Goldman Sachs cut its rating on Tribune to "in-line from "outperform", stating that the downgrade "reflects a heightened level of near-term earnings uncertainty in the context of the company's circulation woes, still lackluster ad trends, and a challenging industry backdrop.

131. On October 28, 2004, Tribune announced that defendant Fuller was leaving the company. As reported in Newsday:

The top executive overseeing Tribune Co.'s newspapers, which include Newsday, will retire Dec. 31, spurring a management shuffle throughout the top ranks of the country's third-largest publisher.

Division president Jack Fuller will be succeeded by Scott Smith, publisher of the Chicago Tribune, it was announced yesterday.

In the interim, Smith will become the division's chief operating officer, effective Nov. 1.

In an interview, Fuller said he had been contemplating retirement long before circulation scandals at Newsday and the Spanish language paper Hoy, which have tarnished Tribune's reputation and cost about $95 million in rebates paid to aggrieved advertisers.

"Now that we have our arms around the Newsday problem, I felt the end of the year was the best time for me to retire," he said. "There was no way I would have walked away from the mess." The circulation problems were disclosed in June.

132. On October 29, 2004, it was reported in the New York Times, in an article entitled "Tribune Co. Operating Profit Declines 18%" that:

Newsday had set a deadline of Oct. 15 for advertisers to signal their interest in agreeing to a settlement. Tribune executives said yesterday that 18,000 advertisers, about 45 percent of the number approached, had signed such an agreement. But the ultimate cost of the circulation scandal remains unknown, in part because advertisers that have yet to settle -- including 3 of the paper's top 10 advertisers -- could still take legal action.
SCIENTER

133. Defendants knew or recklessly disregarded that internal controls were ineffective at best, that Tribune’s publicly reported circulation figures for Newsday and Hoy were false and misleading, and that Tribune was not entitled to many millions of dollars of advertising revenue generated by those false circulation figures.

134. Verifying the accuracy of the sales claims would have been a relatively easy task since Tribune was entitled to revenue for every issue sold. Revenues received from third-party newspaper vendors should have matched precisely with the number of issues each vendor claimed to have sold. However, when the papers were discarded, rather than sold, there was no revenue. Thus, defendants knew or were reckless in not knowing that the sales revenues received from vendors did not support the circulation figures being reported to the Audit Bureau of Circulations.

135. Here, defendants intentionally or recklessly created extremely weak circulation controls, which allowed for the circulation overstatements. Unlike other publishers, the Company had not required that its circulation figures be certified. Defendants were responsible for verifying the accuracy of the circulation claims of Newsday and Hoy. However, rather than establishing even minimal controls, defendants instead turned a blind eye. In addition to the simple and obvious fact that sales revenue did not correlate with the circulation reported to ABC, Tribune’s internal controls were also deficient for their failure to ascertain that Newsday and Hoy were using fictitious hawkers and vendors. The inability of Tribune’s internal auditors to confirm circulation from these fictitious hawkers, as described in the Briggs affidavit, should have raised red-flags about both circulation and controls. Nevertheless, defendants did nothing while continuing to tout the effectiveness of their personally designed control procedures.
136. This scheme required the Individual Defendants' participation. As discussed above, even the most rudimentary audit would have disclosed that the revenue generated by newspaper vendors did not match the inflated circulation numbers that the Company reported. Rather than establishing effective controls, as represented to the public, Tribune instead engaged in a scheme to dupe ABC, its advertisers, and the public investment community.

137. Due to their high-level positions with the Company, and since sales revenue and circulation based advertising revenue are the two key metrics used to measure the performance of a publishing company, defendants knew or were reckless in not knowing that sales revenues did not match the inflated circulation reports. Thus, defendants' scheme required that they prevent even the most basic examination of the circulation numbers by internal or external accountants, which would have revealed it to be fraudulent.

138. The control breakdown can be attributed, at least in part, to Tribune's ill-conceived incentive structure, by which certain Tribune employees received bonuses based upon the claimed — but unverified — cash flows reported to the public. Defendants extracted millions in ill-gotten bonuses tied to the performance of the Company and its purported circulation figures, as set forth below, which were later revealed to be overstated.

139. During the Class Period, Tribune paid bonuses to its executives under its "1997 Incentive Compensation Plan" based on "Shareholder Value Added" or "SVA," which is essentially a measure of cash flow. According to Tribune's April 7, 2003 Proxy Statement:

Tribune executives and other key employees are eligible to receive annual incentive bonuses and stock options pursuant to the Tribune Company 1997 Incentive Compensation Plan (the "Incentive Plan"). The purpose of the Incentive Plan is to provide incentives to executives and other key employees to increase the value of Tribune's common stock, to reward performance and to ensure competitive compensation. Shareholder Value Added, or SVA, is a measure of after-tax cash
flow less a charge for the cost of capital invested in the business. SVA is used to measure corporate performance because of the high correlation between increases in SVA and increases on the return on investment for Tribune shareholders.

*   *   *

Tribune's annual management incentive program provides executives and other key employees the opportunity to earn an annual incentive bonus based on their performance and the financial performance of their business unit, group or Tribune as a whole. SVA is generally used as the financial performance measure for determining annual incentive bonuses. In February 2002, the Committee established the 2002 minimum and maximum SVA goals for Tribune and each business unit or group. The Committee also established target bonus levels, stated as a percentage of year-end salary, for each executive and other key employee, based on his or her level of responsibility.

*   *   *

The bonuses awarded to Mr. Madigan and Mr. FitzSimons under the Incentive Plan were calculated based upon Tribune's SVA achievement and their individual performance . . .

140. As set forth in the April 7, 2003 Proxy Statement, in 2002 defendant Madigan received a bonus of $2,000,000 and defendant Fitzsimons received a bonus of $885,000.

141. As set forth in the April 2, 2004 Proxy Statement, in 2003 defendant Madigan received a bonus of $2,000,000 and defendant Fitzsimons received a bonus of $1,200,000.

142. As set forth in the April 8, 2005 Proxy Statement, in 2004 defendant Fitzsimons received a bonus of $260,000.

143. Since defendants received bonuses which were directly tied to the reported cash flows of the Company, and since those reported cash flows were fraudulently inflated by including ill-gotten gains from advertisers, the defendants were unjustly enriched by the fraud and thus had an incentive to maintain inadequate controls.
144. In addition to the ill-gotten bonuses, certain of the Individual Defendants also benefitted from the fraud by selling their personally held Tribune stock during the Class Period, and by exercising their "in the money" options.

145. Another component to the Incentive Compensation Plan was the granting of stock options. While option grants were not tied directly to business metrics in the same manner that the executive bonuses were tied to cash-flows, they nevertheless provided additional motivation for the maintenance of inadequate controls. Stock options were granted to Tribune executives each February, at then prevailing market prices. When the price of Tribune stock rose, those options became "in the money". Defendants were then able to, and did, exercise their "in the money" options during the Class Period, as set forth below, netting millions of dollars in proceeds. Those exercised options were then replaced by Tribune. As set forth in the April 7, 2003 Proxy Statement:

Tribune for many years has used stock options as long-term incentives for executives and other key employees. Stock options are used because they directly relate the amounts earned by the executives and other key employees to the amount of appreciation realized by Tribune shareholders over comparable periods.

*   *   *

The Committee considers stock option awards on an annual basis in February. In determining the amount of options awarded, the Committee generally establishes a level of award based on the position held by the individual and his or her level of responsibility, both of which reflect the ability of the executive or other key employee to influence Tribune's long-term performance.

*   *   *

To encourage stock ownership by executives and other key employees, replacement stock options ("replacement options") may be granted simultaneously with the exercise of the original stock option.

146. During the Class Period, defendant Madigan sold 250,000 shares of Tribune, netting proceeds of $12,098,400. Additionally, Madigan exercised "in the money" options during the Class Period, netting proceeds of $38,291,665.
147. During the Class Period, defendant Fitzsimons sold 55,529 shares of Tribune, netting proceeds of $2,703,707. Additionally, Fitzsimons exercised “in the money” options during the Class Period, netting proceeds of $25,310,467.

148. During the Class Period, defendant Grenesko sold 25,000 shares of Tribune, netting proceeds of $1,157,775. Additionally, Grenesko exercised “in the money” options during the Class Period, netting proceeds of $14,696,773.

149. During the Class Period, defendant Fuller sold 67,408 shares of Tribune, netting proceeds of $3,143,024. Additionally, Fuller exercised “in the money” options during the Class Period, netting proceeds of $13,158,400.

150. Accordingly, defendants Madigan, Fitzsimons, Grenesko, and Fuller each netted millions of dollars from their sales of Tribune stock and their exercising of “in the money” options during the Class Period.

151. Each defendant is liable for: (a) making false statements; or (b) failing to disclose material adverse facts known to him about Tribune; or (c) participating in a scheme to defraud; and (d) acting as a control person of Tribune and/or its employees. The defendants’ fraudulent scheme and course of business operated as a fraud or deceit on purchasers of Tribune publicly traded common stock. The scheme: (a) deceived the investing public regarding Tribune’s prospects, business, and financial condition; (b) artificially inflated the prices of Tribune stock; (c) caused Lead Plaintiff and other members of the Class to purchase Tribune stock at inflated prices; and (d) caused damages to Lead Plaintiff and the Class as the fraud was revealed to the market over time, resulting in the artificial inflation being removed from Tribune’s stock price.

LOSS CAUSATION
152. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated Tribune’s stock price and operated as a fraud or deceit on Class Period purchasers of Tribune stock by misrepresenting the Company’s circulation figures, financial results, business success and future business prospects. Defendants achieved this facade of success, growth and strong future business prospects by blatantly misrepresenting circulation numbers -- one of the Company’s most important metrics. Over at least three years, defendants improperly inflated Tribune’s reported circulation and earnings. Later, however, when defendants’ prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market during the period from June 2004 through September 2004, Tribune stock fell precipitously as the prior artificial inflation came out of Tribune’s stock price. As a result of their purchases of Tribune stock during the Class Period, Lead Plaintiff and other members of the Class suffered economic loss, i.e., damages under the federal securities laws.

153. By improperly reporting Tribune’s circulation figures for Newsday and Hoy and the Company’s financial results, the defendants presented a misleading picture of Tribune’s business and prospects. Thus, instead of truthfully disclosing during the Class Period that Tribune’s business was not as healthy as represented, defendants caused Tribune to falsely report circulation and earnings.

154. The false claims of earnings and circulation caused and maintained the artificial inflation in Tribune’s stock price throughout the Class Period, until the truth was gradually revealed to the market.
155. Defendants’ false and misleading statements had the intended effect and caused Tribune stock to trade at artificially inflated levels throughout the Class Period, reaching as high as $52 per share.

156. On June 17, 2004, defendants publicly disclosed that Newsday and Hoy had overstated circulation figures by hundreds of thousands of subscribers and that the VP of Circulation had been placed on leave. These public revelations indicated that there had been prior falsification of Tribune’s financial results due to defendants’ circulation manipulations, and that Tribune had failed to achieve the growth represented. As investors and the market became aware that Tribune’s prior financial results had been falsified and learned of Tribune’s actual circulation and business prospects, which had long been obfuscated by the scheme to inflate reported circulation and false statements, the prior artificial inflation came out of Tribune’s stock price, damaging investors.

157. As a direct result of defendants’ admissions and the public revelations regarding the truth about Tribune’s previously reported circulation and financial results and its actual business prospects going forward, Tribune’s stock price plummeted from over $47 in early June 2004 to less than $40 per share in mid-September 2004. This drop removed the inflation from Tribune’s stock price, causing real economic loss to investors who had purchased the stock during the Class Period. In sum, as the truth about defendants’ fraud and Tribune’s business performance was revealed, the Company’s stock price plummeted, the artificial inflation came out of the stock and Lead Plaintiff and other members of the Class were damaged.

158. The decline in Tribune’s stock price from June through September 2004 was a direct result of the nature and extent of defendants’ fraud finally being revealed to investors and the market. The timing and magnitude of Tribune’s stock price declines negate any inference that the
loss suffered by Lead Plaintiff and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the defendants’ fraudulent conduct. During the same period in which Tribune’s stock price fell approximately 16%, the Standard & Poor’s 500 securities index was down less than 3%. The economic loss, *i.e.*, damages, suffered by Lead Plaintiff and other members of the Class was a direct result of defendants’ fraudulent scheme to artificially inflate Tribune’s stock price and the subsequent significant decline in the price of Tribune’s stock when defendants’ prior misrepresentations and other fraudulent conduct was revealed and corrected.

**APPLICABILITY OF PRESUMPTION OF RELIANCE; FRAUD ON THE MARKET**

159. Lead Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) the omissions and misrepresentations were material;

(c) the Company’s common stock traded in efficient markets;

(d) the misrepresentations alleged would tend to induce a reasonable investor to misjudged the value of the Company’s common stock; and

(e) Lead Plaintiff and other members of the Class purchased Tribune publicly traded common stock between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

160. At all relevant times, the market for Tribune publicly traded common stock was an efficient market for the following reasons, among others:
(a) as a regulated issuer, Tribune filed periodic public reports with the SEC and the New York Stock Exchange;

(b) Tribune regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services; and

(c) Tribune's publicly traded common stock was actively traded in an efficient market.

NO SAFE HARBOR

161. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Many of the statements pleaded herein were not specifically identified as "forward-looking statements when made, and many were representations about the Company's present status. To the extent there were any forward-looking statements: (a) there were no meaningful cautionary statements identifying the important then-present factors that could cause actual results to differ materially from those in the purportedly forward-looking statements; and (b) the particular speakers of such forward-looking statements knew that the particular statements were false or misleading, and/or the forward-looking statements were authorized and/or approved by an executive officer of the Company who knew that those statements were false when made.

162. Any purported warnings contained in the press releases and statements quoted herein were generic and unperticularized boilerplate statements of risks, and thus, lacked any meaningful cautionary language necessary to insulate any purportedly forward-looking statements.
FIRST CLAIM FOR RELIEF

For Violation of § 10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

163. Lead Plaintiff incorporates ¶ 1-162 by reference.

164. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

165. Defendants violated § 10(b) of the 1934 Act and Rule 10b-5 in that they:
   (a) employed devices, schemes and artifices to defraud; and/or
   (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or
   (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon Lead Plaintiff and others similarly situated in connection with their purchases of Tribune publicly traded common stock during the Class Period.

166. In addition to their false and misleading statements and omissions, defendants Madigan, FitzSimons, Fuller, and Grenesko, also violated the “abstain or disclose” rule by selling Tribune stock while in possession of material, adverse, non-public information.

167. Lead Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Tribune publicly traded common stock. That artificial inflation was removed from the stock from June through September 2004 as the truth became known to the market, thereby causing damages to Lead Plaintiff and the Class. Lead
Plaintiff and the Class would not have purchased Tribune publicly traded common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants’ misleading statements.

168. As a direct and proximate result of defendants’ wrongful conduct, Lead Plaintiff and the other members of the Class suffered damages in connection with their purchases of Tribune publicly traded common stock during the Class Period.

SECOND CLAIM FOR RELIEF

For Violation of § 20(a) of the 1934 Act
Against The Individual Defendants


170. The Individual Defendants acted as controlling persons of Tribune and/or its employees within the meaning of § 20(a) of the 1934 Act. By reason of their positions as officers of Tribune and/or their specific responsibilities with respect to circulation disclosures, the Individual Defendants had the power and authority to cause Tribune and its employees to engage in the wrongful conduct complained of herein. By reason of such conduct, the Individual Defendants were control persons of Tribune, a primary violator, and thus they are also liable pursuant to § 20(a) of the 1934 Act.

171. Defendants Madigan, FitzSimons, Grenecko, and Fuller, by virtue of their positions as officers of Tribune, had the power and authority to control defendants Brennan, Czark, and Garcia, each of whom was a primary violator as well, and thus they are also liable pursuant to § 20(a) of the 1934 Act as control persons of those Tribune employees.

PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiff prays for judgment as follows:

58
A. Declaring this action to be a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding Lead Plaintiff and the members of the class damages, including interest;

C. Awarding Lead Plaintiff reasonable costs, including attorneys’ fees;

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.
JURY DEMAND

Lead Plaintiff demands a trial by jury.

Dated: November 15, 2005

Respectfully submitted,

s/ Leigh Handelman

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CERTIFICATE OF SERVICE

I, Leigh Handelman, an attorney, certify that, on November 15, 2005, I caused a true copy of Plaintiff's Corrected Amended Consolidated Class Action Complaint, to be served by ECF, upon counsel:

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