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Tribune, Zell Named in Employees' Suit

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One current and five former [Tribune Co.](#) employees accused the company and Chief Executive Sam Zell in a lawsuit Tuesday of mismanaging the newspaper-and-television concern, the latest sign of worker protest against Mr. Zell's oversight.

The lawsuit, filed in a Los Angeles federal court, alleges Tribune and Mr. Zell have failed to uphold their fiduciary duty to the company's employee stock-ownership plan, Tribune's majority owner. The lawsuit also claims Mr. Zell and other Tribune officials have improperly raided worker pension funds.

"Zell and his accessories threaten to destroy the Tribune Company and its assets," the lawsuit says. "They are doing so illegally, without consideration for the employee-owners."

In December, Mr. Zell led an \$8.2 billion buyout with an unusual twist: The stock plan, known as an ESOP, became the majority owner, while Mr. Zell invested about \$315 million in exchange for a promissory note and warrants to buy 40% of the company. The deal weighed down Tribune with nearly \$13 billion in debt, but the ESOP structure allowed Tribune to avoid most federal income taxes.

The lawsuit, which seeks class-action status, encapsulates months of employee frustration about Mr. Zell and the buyout deal. As deteriorating newspaper advertising and the deal's debt weigh on Tribune, Mr. Zell has slashed employee rolls and pared news pages at company papers. He has invested in other areas of the company, including Tribune's local television stations.

The plaintiffs are or were newsroom employees for the Los Angeles Times, Tribune's biggest paper and the nexus of complaints about Mr. Zell's oversight of Tribune. The plaintiffs are Dan Neil, a Pulitzer Prize-winning columnist for the L.A. Times; Jack Nelson, a former Washington bureau chief for the paper, and four former writers: Corie Brown, Henry Weinstein, Myron Levin, Walter Roche Jr.

A Tribune spokesman said the company hasn't seen the lawsuit, and he declined to comment. In addition to Mr. Zell, the defendants include current Tribune directors and former Chief Executive Dennis FitzSimons. Mr. FitzSimons, and a spokeswoman for Mr. Zell and director William Pate declined to comment. Other Tribune board members either couldn't be reached or referred calls to Tribune.

Since the deal was struck, according to the lawsuit, Tribune hasn't been forthright about the value of pension assets, even as they are tapped to fund severance payments to employees. The lawsuit asks for board representation for employees and a new ESOP trustee. The plaintiffs say the current trustee is too cozy with Mr. Zell. ESOP's trustee couldn't be reached for comment.

Mr. Neil, the L.A. Times columnist, said he hoped the suit would unearth more information about how the company is run.

"There has been a notable lack of transparency in the operation of Tribune," Mr. Neil said. "We as employee owners of the company want to know about the finances of the company."

The lawsuit claims Tribune violated the Employee Retirement Income Security Act, a federal law governing most pension and other retirement plans. Particularly since the collapse of energy giant Enron, such lawsuits have become common, according to Mark Johnson, who consults and serves as an expert witness on ERISA matters.

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