



THE SCOOP

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Canwest's fate remains uncertain

Canwest is not out of financial danger yet.

While the news about the company last week seemed encouraging, Canwest's ultimate fate remains dependent on money managers who run the hedge funds that own its debt. In other words, the debt holders will determine whether or not Canwest enters creditor protection (CCAA), whether or not the company is broken up into pieces and who will manage it in the near future.

According to Andrew Willis of the Globe and Mail, U.S.-based funds GoldenTree Asset Management and Beach Point Capital Management, plus Toronto-based West Face Capital, which together provided \$100 million in new money to Canwest, "have taken the dominant position among Canwest's creditors by paying off all the parent company's bank loans.

"Working with law firm Goodmans, the funds will now work on a restructuring plan with Canwest that will likely include further cost cutting, new leadership for the TV and newspaper company, and a possible prepackaged filing for creditor protection."

In addition to the \$100 million from the three hedge funds, Canwest also received a \$75-million "senior secured revolving asset-based loan facility" from CIT Business

Introducing Scoop

To help keep members informed about the events and issues confronting our local, The Scoop will be sent regularly as a pdf file by email to stewards and others.

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Credit Canada Inc.

Canadian Press quoted DBRS analyst Chris Diceman as saying the refinancing is "an interim step to possibly getting a recapitalization completed in the future" but added it's too soon to say whether that will be accomplished by Canwest's target date of July 15.

The bottom line is more uncertainty for those of us who work for the largest employer of Local 2000 members.

In the face of that uncertainty, it is important for us to keep cool, calm and collect as much solid information as we can to allow us to make informed decisions when the time comes.

Among the facts that we need to focus on are these:

- Canwest debt grew to \$4,024,057,000

on Feb. 29, 2009, from \$3,461,942,000 on Aug. 31, 2008, according to the latest Canwest financial statement.

• The publishing segment of Canwest (which includes all Local 2000 members who work for Canwest) continues to be profitable. The publishing sector had an operating profit (that's before making interest payments) of \$32.4 million in the three-month period ending Feb. 28, 2009. This works out to a rate of profit of 12.83 per cent over December, January and February, a time, the union was told, that was just about the worst ever for the newspaper business. While this was a drop from the 17.93 per cent rate of profit in the previous quarter, it would still be considered very healthy in most sectors of the economy.

• The huge debt, taken on to expand the Canwest empire, is what caused the company's current financial crisis. Employees are potential victims of the crisis, not instigators. We had no part in the transactions undertaken by the company that piled on the debt.

• There are two sides to a debt transaction, the borrower and the lender. Both sides share responsibility for the debt and its effects. Employees should not be made to pay the price for their bosses' or other people's bad judgement.

Top five at Canwest command extra-large salaries

While most Canwest employees are focused on the company's future, current financial difficulties are in many ways related to past corporate decisions, primarily regarding expansion and taking on debt. Therefore it is interesting to learn what the people making those decisions earned.

The latest Canwest annual report reveals the compensation for the three fiscal years from 2006 to 2008 for Chief Executive Officer Leonard Asper, Chief Financial Officer John Maguire, President of Canwest TV Kathleen

Dore, President of Canwest Publishing Dennis Skulsky and President of Corporate Development Thomas Strike.

Canwest's Top Five Compensation over 3 years (2006-08) (not including long-term incentives)

K. Dore	\$9,426,175
T. Strike	\$5,418,473
L. Asper	\$5,070,525
D. Skulsky	\$3,099,443
J. Maguire	\$2,805,669

Dore, who was replaced by interim President for Canwest TV Peter Viner at the end of 2008 was also eligible for a termination payment of approximately \$2.6 million.

As of Jan. 1, 2009, upon reaching the age of 62, Skulsky was eligible for an annual pension of approximately \$760,000 per year. Strike had earned pension benefits of about \$250,000 per year, Maguire \$205,000 per year, Asper \$200,000 per year and Dore \$47,000 per year for her four years service.