



## Friends of Canadian Broadcasting

### Shareholders challenge Shaw deal by Martin Cash

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-- Canwest group involves Asper family -- Says process excluded other large players

Source: Winnipeg Free Press

A group of Canwest shareholders, including the Asper family, is mounting a last-gasp effort to throw out the deal allowing Shaw to buy the Winnipeg company's television assets.

Lawyers for the group are meeting a judge today in Toronto to discuss a format for hearing their complaints.

According to sources, the group is seeking a motion from the court to start a new auction process that would solicit bids for 100 per cent of the company.

They say that was not the case in the original auction that saw an offer from Shaw Communications of Calgary selected as the winning bid in February.

At that time, Shaw was to pay \$95 million for 20 per cent of the equity in the company, not including the partnership with Goldman Sachs. That auction process precluded bidders from having any involvement or discussion with Goldman Sachs for its majority stake in Canwest's stable of digital specialty channels.

Instead, the winning bidder was expected to repudiate the arrangement with Goldman Sachs. But the Wall Street firm objected and a mediation process was set up that resulted in Shaw getting exclusive rights to make a deal with Goldman that resulted in the deal announced May 3. That deal allows Shaw to pay \$700 million to take out Goldman and another \$1.3 billion to buy out the Canwest bondholders and own 100 per cent of the company, with former shareholders getting nothing.

The original Shaw deal called for Canwest shareholders to receive 2.3 per cent of the new company. Sources say that was an arrangement that was made as a condition for placing the company into bankruptcy protection.

(The sale of Canwest's newspaper assets is a completely separate transaction and is not part of this process.)

The Free Press spoke with two members of the shareholder committee and they said they are only responding to changing facts and circumstances that came out at the beginning of last month and because they believe that process has not been transparent.

"The world has changed a lot since the restructuring began," said one of them, both of whom spoke on condition their names not be used. "We believe there is now value there well in excess of what the Shaw deal proposes. It is incumbent on somebody to maximize the value of the estate. It should be the responsibility of the board to do that. If they don't, someone has to."

John Douglas, a Canwest spokesman, said, "We are focused on closing the deal with Shaw. We believe we made the right decision and with the right process." But the shareholder committee members argue the process was flawed and it did not attract some the largest potential bidders.

"When RBC went out to auction, it was for 20 per cent of the company and a fight with Goldman Sachs," said one of the members. "That's what the offer was."

They say the process excluded many of the country's largest media players like Rogers, Quebecor and Astral Media as well as the large pension funds because none was inclined to go to battle against Goldman Sachs.

They argue the mediated settlement Shaw was able to reach with Goldman was unfair because other potential bidders were not also given the same opportunity. The National Post reported, and sources confirmed, the shareholder committee includes the Winnipeg Asper family -- which holds about 50 per cent of the equity of Canwest -- as well as Blott Asset Management of New York.

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