



September 24, 2019

Stephen Feinberg
Co-Chief Executive Officer
Cerberus Capital Management
875 Third Avenue
New York, NY 10022

Dear Mr. Feinberg,

I write to express concern with Cerberus' lending to MediaNews Group (also known as Digital First Media), a newspaper company controlled by hedge fund Alden Global Capital.

I write as President of the NewsGuild-Communications Workers of America, which represents hundreds of employees at MediaNews Group.

Since it has controlled MediaNews Group, Alden Global Capital has played a particularly destructive role in local journalism. They have slashed staff and sold real estate to extract cash from the news organizations without regard to the role news organizations play in communities. Alden has depleted newsrooms, eliminated beats, and made it virtually impossible for local papers to fully tell the stories of their communities.¹

Alden has taken unorthodox actions at MediaNews Group that should be of particular concern to lenders.

Investment of MediaNews Group employees' pension funds in Alden funds

Beginning in 2013, Alden-controlled MediaNews Group invested nearly \$250 million multiple pension funds of MediaNews Group employees and retirees in funds managed by Alden Global Capital.²

Between 2013 and 2018, the San Jose Mercury News Retirement Plan, three pension funds for Denver Post employees, and the MediaNews Group Defined Benefit Plan for Certain Employees all invested in multiple Alden Global Capital managed funds, including Alden Global CRE Opportunities Fund and the AGBPI Fund.³ In 2015, for example, the San Jose Mercury News Retirement Plan had 89.5% of its assets invested in Alden-managed funds with 77.3% of the pension fund's assets invested in the AGBPI Fund alone.⁴

The pension investments have triggered federal scrutiny. In April of 2019, a spokesman for Alden confirmed that the hedge fund was being investigated by the Department of Labor for management of the pensions.⁵

Converting MediaNews Group into a hedge fund

Under Alden's ownership, MediaNew Group has, in effect, converted into a hedge fund, investing balance sheet capital in unrelated companies and assets.

For example, between 2016 and 2018, MediaNews Group invested around \$168 million in shares of Fred's⁶, a discount pharmacy chain that recently filed for bankruptcy.⁷ So rather than investing in local journalism, under Alden's stewardship MediaNews Group made a money-losing investment in an unrelated retail chain.

In the last few years, MediaNews Group has also invested in online job site owner Monster Worldwide⁸, coal miner Peabody Energy⁹, Payless Holdings debt¹⁰, Gannett¹¹, New Media Investment Inc,¹² and Alden's own Alden Global CRE Opportunities Master Fund LP.¹³

Sale of MediaNews Group real estate to Alden-affiliated Twenty Lake Holdings

In 2013, Alden affiliate Twenty Lake Holdings began taking ownership of some of the real estate owned by MediaNews Group newspapers. In some cases, DFM has sold the newspapers' real estate to Twenty Lake and then leased back all or part of the space. After MediaNews Group acquired the Denver Post, for example, it sold the paper's printing plant and its offices to Twenty Lake Holdings, meaning the MediaNews Group-owned newspaper is now a tenant of Alden-controlled Twenty Lake Holdings.¹⁴

Cerberus and MediaNews Group

In 2015, multiple news sources reported that Cerberus was in talks to acquire MediaNews Group from Alden Global Capital.¹⁵ Beginning in 2016 and continuing through at least July 2019, Cerberus Business Finance has filed financing statements involving a number of MediaNews Group subsidiaries, suggesting that it has instead become a lender to Digital First Media.¹⁶

For example, in July 2019, Cerberus Business Finance filed a financing statement for MNG-RE Acquisition LLC¹⁷, the entity through which MediaNews Group acquired the Reading Eagle newspaper of Reading, Pennsylvania.¹⁸ As part of the sale nearly half of the Reading Eagle's employees were laid off and not rehired.¹⁹

On September 5, 2019, a representative of the NewsGuild-Communications Workers of America reached out to Dan Wolf, CEO of Cerberus Business Finance, to inquire about Cerberus' lending to Digital First Media. Mr. Wolf was unwilling to share any information regarding Cerberus' current or potential future lending to Digital First Media.

While we understand that Cerberus may be limited in what it can discuss about the specifics of the loans, we request an opportunity to meet with Cerberus to discuss its relationship to Alden Global Capital and Digital First Media, the actions that Alden has taken at Digital First Media, and how Cerberus can support Digital First Media employees and robust, independent local journalism.

Please direct all to contact to Tony Daley, CWA Research Economist, by email tdaley@cwa-union.org, by phone (202-434-9515), or by cell (301-219-1517).

Thank you.

Sincerely,



Bernie Lunzer
President
NewsGuild-CWA

¹ [“A hedge fund’s ‘mercenary’ strategy: Buy newspapers, slash jobs, sell the buildings,” Washington Post, Feb 11, 2019.](#)

² [“The hedge fund trying to buy Gannett faces federal probe after investing newspaper workers’ pensions in its own funds,” The Washington Post, Apr 17, 2019.](#)

³ San Jose Mercury-News Retirement Plan Form 5500, 2013-2017, MediaNews Group Defined Benefit Plan for Certain Employees Form 5500, 2013-2017, Denver Newspaper Pressmen’s Ret Plan, Denver Newspaper Mailers’ Ret Plan, Denver Typographical Ret Plan form 5500’s, 2013-2017.

⁴ San Jose Mercury-News Retirement Plan Form 5500, 2015.

⁵ [“The hedge fund trying to buy Gannett faces federal probe after investing newspaper workers’ pensions in its own funds,” The Washington Post, Apr 17, 2019.](#)

⁶ [SC 13 D for Fred’s, Dec 22, 2016.](#) [SC 13D/A Oct 31, 2018,](#) [SC 13D/A, Oct 26, 2018,](#) [SC 13D/A, Oct 19, 2018.](#)

⁷ [“Fred’s to close all of its stores in Chapter 11 bankruptcy liquidation,” USA Today, Sept 9, 2019.](#)

⁸ [Monster Worldwide SEC Form 13D, Oct 24, 2016.](#)

⁹ [SEC Form 424B5 for Peabody Energy, Aug 21, 2017.](#) Finance.google.com, accessed Jul 31, 2019.

¹⁰ [APPLICATION OF THE DEBTORS PURSUANT TO 11 U.S.C. §§ 105\(a\) AND 363\(b\) TO \(I\) RETAIN ALVAREZ & MARSAL NORTH AMERICA, LLC AS A CONSULTANT, Mar 201, 2019.](#)

¹¹ [SEC Form 13D, Apr 29, 2019.](#)

¹² [SEC for 13D, Aug 9, 2019.](#)

¹³ Sola Ltd v. MNG, Feb 28, 2018. Admitted by MNG, Defendant’s Answer to Verified Complaint, Mar 19, 2018.

¹⁴ [“A hedge fund’s ‘mercenary’ strategy: Buy newspapers, slash jobs, sell the buildings,” Washington Post, Feb 11, 2019.](#)

¹⁵ [“Cerberus is in talks to acquire Digital First Media,” Bloomberg, Jan 23, 2015.](#) [“Cerberus, Apollo bidding for Digital First Media,” Politico, Jan 23, 2015.](#)

¹⁶ For example, Delaware UCC filing between Cerberus Business Finance and MediaNews Group, Inc., Oct 20, 2016, Delaware UCC filing between Cerberus Business Finance and MNG-RE Acquisition, Jul 1, 2019.

¹⁷ Delaware UCC filing between Cerberus Business Finance and MNG-RE Acquisition, Jul 1, 2019.

¹⁸ [Asset purchase agreement for Reading Eagle, Jun 24, 2019.](#)

¹⁹ ["New Reading Eagle owner said it will retain 'more than half' of company's employees," Philadelphia Business Journal, Jun 20, 2019.](#)