THE NEWSGUILD – CWA
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September 20, 2021

Ms. Marcie Frost
Chief Executive Officer
California Public Employees' Retirement System (CalPERS)
400 Q Street
Sacramento, CA 95811

Dear Ms. Frost:

CalPERS has invested $2.0 billion in funds managed by Cerberus Capital Management (CCM). This letter expresses our alarm about your fund's relationship with CCM, and it requests action on your part.

On July 29, 2021, I wrote to Stephen Feinberg, Co-CEO of Cerberus, about my concerns over the involvement of CCM with Alden Global Capital. Feinberg has not responded. I encourage you to read my letter to Mr. Feinberg, which you will find appended to this letter.

CCM has been the principal lender to Alden, providing the latter with hundreds of millions of dollars in financing over the last five year. CCM has enabled Alden's destruction of the news, first through ownership of the MediaNews Group and most recently through control and then ownership of Tribune Publishing. Alden has cut thousands of news jobs, thereby weakening local news coverage and depriving local communities of the information they need. It has shuttered newsrooms, invested employees' pensions in its own funds, and otherwise engaged in a strategy to strip assets from its news holdings. As Alden's main financial backer, CCM is responsible for Alden's behavior.

Not only has CCM been Alden's main enabler, one of its portfolio companies, Tier 1 Group, trained members of the Saudi assassination squad that murdered and dismembered Washington Post journalist Jamal Khashoggi. With both Alden and Tier 1, Cerberus is on the wrong side of the First Amendment.

As a shadow bank, Cerberus has been able to skirt both banking regulations and ESG requirements. A recent article has suggested that Cerberus operates at the margin of its ethical investment responsibility in fire arms, private military contractors, and espionage.[1] Its financial support for Alden suggests ruthlessness in pursuit of profit that ignores other stakeholders and directly undermines our country's democracy by destroying our free press and our local news ecosystem.

[1] Julie Reynolds, "The 'shadow bank' that — with the help of public pension funds — is aiding the destruction of local news," Nieman Lab, September 1, 2021: https://www.niemanlab.org/2021/09/the-shadow-bank-that-with-the-help-of-public-pension-funds-is-aiding-the-destruction-of-local-news/

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As a limited partner of Cerberus, your funds are enabling the destruction of news. This is especially poignant for the state of California. Alden's MediaNews Group operates 26 daily newspapers in the state, and they have all been squeezed by Alden in the last eight years.

Your fund can atone for this unfortunate investment by confronting Cerberus with its effects on the news industry. I ask you to put several questions before Cerberus and report its response back to The NewsGuild-CWA. Those questions include:

1. Will Cerberus make public the loan agreement with Alden Global Capital that made possible the latter's acquisition of Tribune Publishing?
2. Will Cerberus scrupulously enforce that agreement and terminate it if Alden is found in violation?
3. Will Cerberus refuse further business with Alden Global Capital and Alden-owned entities because of Alden's history of destroying America's local news ecosystem?
4. Will Cerberus issue a statement that supports local journalism and pledge to do all within its power to improve the health of local news?

I also ask that you reconsider future investments in Cerberus.

Walter Cronkite once said, "journalism is what we need to make democracy work."[2] Newspapers and independent, online news sites inform the public and are therefore critical to democratic governance. News outlets enable citizens to make informed choices in electing leaders. They shed light on the rich and powerful. At local, state, and national levels, they shed light on the expenditure of monies so that citizens have insight into how their tax revenues are spent. The coronavirus pandemic and the consequent public health emergency have shown how communities need the fact-based reporting provided by news outlets.

Please forward all Cerberus' responses and direct all queries to Tony Daley, TNG-CWA Economist, by email tdaley@cwa-union.org or by cell [redacted].

Thank you.

Sincerely,

Jon Schleuss
President
NewsGuild-CWA

[2] John Nichols, "The Nation: Walter Cronkite America's Anchorman," National Public Radio, July 20, 2009: https://www.npr.org/templates/story/story.php?storyId=106796633

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July 29, 2021

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

Dear Mr. Feinberg,

I write regarding Cerberus Capital Management's role in repeatedly enabling and profiting from Alden Global Capital's newspaper asset-stripping.

Over the last several years, Alden has undermined news coverage critical to American democracy. It has cut thousands of jobs, shuttered newsrooms, invested employees' pensions in its own funds, and otherwise engaged in a strategy to strip assets from critical institutions.

Since at least 2016, Cerberus has been with Alden every step of the way. While Cerberus has sought to hide behind its role as a lender, it has repeatedly provided financing for Alden.

Most recently, Cerberus recently made a $218 million loan to support Alden Global Capital's acquisition of Tribune Publishing, the publisher of newspapers such as the Chicago Tribune, the Baltimore Sun, the Hartford Courant, the Orlando Sentinel, and the Virginian-Pilot, among others. Without this loan from Cerberus, Alden would likely not have had the cash to acquire Tribune Publishing.[1]

Since Alden acquired Tribune Publishing in late May, it has already cut jobs by at least 10%.[2] Some of Tribune's newspapers have seen jobs reduced by as much as 20%. This follows newsroom staff cuts of more than 30% in the year after Alden acquired a stake in Tribune Publishing and took multiple seats on the company's board.[3] Alden has already shuttered a Tribune weekly, the Bowie Blade-News.[4]

In addition, Tribune Publishing employees reported that since Alden took over the company has halted contributions to their retirement plans.[5]

Dramatic job cuts and shirking on commitments to employees are a familiar pattern for Alden.

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Cerberus has nonetheless continued to lend money to Alden, and benefit from the interest it collects on that debt. Cerberus, as Alden Global Capital's main financial backer, is responsible for the Alden's actions.

Cerberus has made these loans with full knowledge of Alden's actions. We wrote to Cerberus in 2019 detailing concerns about Alden's dramatic job cuts and closures of newspapers, Alden's investment of employees' pensions in its own funds, and Alden's investment of its newspaper company's cash in unrelated industries.

In 2015, Cerberus sought to acquire Alden Global Capital's MediaNews Group (then known as Digital First Media) from the hedge fund.[6] Rather than acquiring the company, though, in 2016 Cerberus instead provided a loan to Alden-owned MediaNews Group secured by MediaNews Group's assets and income.[7]

Cerberus made this loan despite the dramatic job cuts Alden Global Capital had already made at MediaNews Group newspapers and despite Alden having taken the extremely unorthodox action of investing MediaNews Group (MNG) employees' pensions in its own funds.

Cerberus loan to Alden-backed MediaNews Group despite DOL investigation

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.[8] 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.[9]

These investments drew scrutiny from the United States Department of Labor, which opened an investigation in July 2016. The DOL notified the company of this investigation in July 2016 and began conducting onsite interviews in August of that year. In September 2016, the DOL converted the case to a Program 48 fiduciary review, noting "Our initial document reviews raised several questions regarding the [MNG Pension] Plans' investments in Alden-sponsored investment vehicles."[10]

Undeterred, Cerberus made a loan to Alden-owned MediaNews Group in October 2016, as evidenced by a uniform commercial code filing, even as Alden and MNG faced a DOL investigation.[11]

In addition to returning hundreds of millions of dollars MediaNews Group employees' pension assets, Alden in June 2019 also made $20.7 million in additional payments into the MNG pension plans to address the DOL's "concerns with respect to the restoration of losses and lost opportunity costs to the Plans."[12]

The decision-makers who approved the investment of MNG employees' pension funds in Alden Global Capital-controlled funds are still in key roles. For example, R. Joseph Fuchs, who served

on the MNG committee that approved the investment[13], was recently appointed to Tribune Publishing's board of directors following Alden's acquisition of the company. [14]

Investments of MediaNews Group cash in unrelated assets

Within weeks of Cerberus' financing in 2016, Alden's MediaNews Group began making investments in entirely unrelated companies and investment vehicles, effectively acting like a hedge fund itself.

For example, just weeks after the October 2016 loan from Cerberus, MediaNews Group invested $154 million in shares of Fred's[15], a publicly-traded discount pharmacy chain that later filed for bankruptcy.[16] Rather than investing in local journalism, with Cerberus' backing Alden's 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 Worldwide[17], coal miner Peabody Energy[18], Payless Holdings debt[19], Gannett[20], New Media Investment Group Inc.,[21] and Alden's own Alden Global CRE Opportunities Master Fund LP.[22]

Shuttered newsrooms and dramatic job cuts

Alden Global Capital has shuttered newsrooms and made dramatic job cuts since Cerberus has been the firm's key financier.

Since it has controlled MNG, Alden has 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 coverage, and made it virtually impossible for local journalists to tell the stories of their communities.[23]

The headline in the Washington Post from February 2019 summarized succinctly Alden's activity in the news industry: buy newspapers, slash jobs, sell the buildings.[24] *The New York Times* referred to Alden as "the destroyer of newspapers."[25] Joe Nocera compared Heath Freeman, Alden President, to Gordon Gekko from the movie "Wall Street": "His papers are intended not so much to inform the public or hold officialdom to account, but to supply cash for Freeman to use elsewhere. His layoffs aren't just painful. They are savage."[26] In another article, Nocera describes Alden's approach to the news industry:

> [I]t cuts and cuts, and then cuts some more, until there's little left but a carcass. Speaking truth to power, the importance of the Fourth Estate to a functioning democracy, the idea of bearing witness — none of that matters to Freeman and his fellow hedgies at Alden Global. Their only goal is to suck out cash and redirect it elsewhere.[27]

According to media analyst Ken Doctor, Alden's strategy appears to be to "milk its newspapers until they run dry."[28] In an interview with Colorado Public Radio in March 2018, Doctor concluded that Alden's strategy is to run papers into the ground and then leave: "If it's not profitable you turn out the lights."[29] Dean Singleton, founder of the Media News Group, who

sold his controlling interest to Alden in 2013, quit as Chairman and member of the editorial board of the Denver Post in May 2018, saying of Alden: "They've killed a great newspaper."[30]

Growing scrutiny from elected officials

Alden's actions have not just drawn condemnation from reporters, they have also increasingly drawn scrutiny from elected officials.

In March 2020, US Senators Richard Durbin and Tammy Duckworth wrote to Alden that "We are deeply concerned that Alden Global Capital, with a history of dismantling local newspapers for personal gain, is now pursuing an alarming strategy of staff cuts at Tribune Publishing."[31]

Senators Durbin and Duckworth also noted:

> We are also disturbed by Alden's lack of transparency surrounding its investors. A recent filing with the Securities and Exchange Commission indicates that 80 percent of Alden's clients are non-U.S. persons and that more than $830 million of Alden's assets under management are connected to non-U.S. citizens. Furthermore, Alden has domiciled significant funds in the Cayman Islands, a well-known tax haven that lends itself to corporate secrecy.[32]

In November 2019, US Senate Majority Leader Chuck Schumer vowed to watch Alden "like a hawk" in its role at Tribune Publishing:

"Any plans to reduce the size, scope or impact of the New York Daily News, as Alden has done in the past to other prominent newspapers, will be met with fierce resistance," Schumer said in a statement. [33]

> The New York Daily News is one of this city's crown jewels for its long history of coverage that has galvanized change, given a voice to the voiceless and held power to account. The sheer thought that some hedge fund, which believes in destroying value to make a quick buck, could send in a machete to New York's 'Hometown Newspaper' should worry us all, and is why I will be watching the new (shareholders) like a hawk.[34]

Cerberus has said that it "conducted due diligence on Alden and Tribune Publishing" prior to making the recent loan and that "Such diligence was satisfactory in all respects."[35]

While Cerberus has sought to hide behind its role as a lender to Alden Global Capital, it is clear that Cerberus has been the primary financial backer of Alden Global Capital's relentless staff cuts at MediaNews Group and now at Tribune Publishing, Alden's misappropriation of hundreds of millions of dollars of employees' pension assets, and Alden's investment of critical resources in unrelated businesses.

The fact that Cerberus is satisfied with Alden's actions suggests it is not attuned to the regulatory and headline risks that its loans to Alden create.

You have the opportunity, however, to make amends and show that companies like yours should exist. Address your relationship with Alden. While we recognize that you have a contractual obligation to your current loan agreement with Alden, we recommend the following:

1. Make public that loan agreement;
2. Enforce that agreement and terminate if Alden is in violation; and
3. Refuse further business with Alden Global Capital and Alden-owned entities.

We would be happy to discuss the news business, Alden Global Capital, and the role Cerberus has played in the aiding and abetting of the destruction of first MediaNews Group and now Tribune Publishing.

Sincerely,

Jon Schleuss
President
The NewsGuild-CWA

[1] "In a hedge fund's bid for Tribune's newspapers, a hidden risk lurks in the fine print," *The Washington Post*, May 6, 2021: https://www.washingtonpost.com/business/2021/05/06/alden-tribune-hidden-risk/

[2] Rick Edmonds, "Alden buyouts have eliminated more than 10% of Tribune Publishing newsroom staffing in just six weeks," Poynter, July 1, 2021: https://www.poynter.org/locally/2021/alden-buyouts-have-eliminated-more-than-10-of-tribune-publishing-newsroom-staffing-in-just-six-weeks/

[3] Rick Edmonds, "Even under current management, Tribune Publishing's news capacity is shrinking fast," Poynter, April 12, 2021: https://www.poynter.org/locally/2021/even-under-current-management-tribune-publishings-news-capacity-is-shrinking-fast/

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[5] Keith J. Kelly, "New owner of NY Daily News mulling bankruptcy: source," *New York Post*, July 9, 2021: https://nypost.com/2021/07/08/new-owner-of-ny-daily-news-mulling-bankruptcy/

[6] "Cerberus Said to Be in Talks to Acquire Digital First Media," Bloomberg, January 23, 2015: https://www.bloomberg.com/news/articles/2015-01-23/cerberus-said-to-be-in-talks-to-acquire-digital-first-media

[7] California Newspaper Partnership, Monterey Newspapers Partners, MNG Partnership Holdings LLC and Cerberus Business Finance, California UCC filing, October 20, 2016.
[8] IRS Form 5500, 2013-2017, for the following retirement plans: San Jose Mercury-News Retirement Plan; MediaNews Group Defined Benefit Plan for Certain Employees; Denver Newspaper Pressmen's Retirement Plan, Denver Newspaper Mailers' Retirement Plan, and Denver Typographical Retirement Plan.
[9] IRS Form 5500, San Jose Mercury-News Retirement Plan, 2015.
[10] Report of Investigation, DOL Employee Benefits Security Administration, December 5, 2019.
[11] California Newspaper Partnership et al., California UCC filing, October 20, 2016.
[12] Report of Investigation, DOL Employee Benefits Security Administration, December 5, 2019.
[13] Report of Investigation, DOL Employee Benefits Security Administration, Dec 5, 2019.
[14] SEC Form SC 13D/A, Tribune Publishing Company, May 24, 2021: https://www.sec.gov/Archives/edgar/data/0001616882/000119312521173983/d187846dsc13da.htm
[15] SEC Form 13D, Fred's Inc., October 31, 2018: https://www.sec.gov/Archives/edgar/data/724571/000092189518002889/sc13da708392006_10312018.htm; SEC SEC Form 13D, Fred's Inc., October 26, 2018: https://www.sec.gov/Archives/edgar/data/724571/000092189518002863/sc13da608392006_10262018.htm SEC Form 13D, Fred's Inc., October 19, 2018: https://www.sec.gov/Archives/edgar/data/724571/000092189518002805/sc13da408392006_10192018.htm; SEC Form 13D, Fred's Inc., December 22, 2016: https://www.sec.gov/Archives/edgar/data/0000724571/000092189516006396/sc13d08392006_12212016.htm
[16] Nathan Bomey, "Fred's to close all of its stores in Chapter 11 bankruptcy liquidation," *USA Today*, September 9, 2019: https://www.usatoday.com/story/money/2019/09/09/freds-chapter-11-bankruptcy-liquidation-store-closings/2262477001/
[17] SEC Form 13D, Monster Worldwide, October 24, 2016: https://www.sec.gov/Archives/edgar/data/1020416/000090266416008507/p16-2007sc13da.htm
[18] SEC Form 424B5, Peabody Energy Corporation, August 21, 2017: https://www.sec.gov/Archives/edgar/data/1064728/000119312517263781/d444294d424b5.htm; https://www.google.com/finance/, accessed July 31, 2019.
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[25] Edmund Lee and Tiffany Hsu, "Hedge Fund Called 'Destroyer of Newspapers' Bids for USA Today Owner Gannett," *The New York Times*, January 14, 2019: https://www.nytimes.com/2019/01/14/business/dealbook/gannett-takeover-offer-mng.html

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[35] Email from Mark A. Neporent, COO, Senior Legal Officer, and Senior Managing Director, Cerberus Capital Management, May 26, 2021.