

Dear Editor,

Please publish my letter below in the next issue of the Courier Islander.

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Dear Mr. Widen,

First we would like to commend you on your past service to CRTV and the zeal with which you are rallying to preserve the organization. We understand how you feel and hope that you, in turn, realize that the Board had to make some very difficult decisions to arrive at this point.

Thirty-odd years ago, when you served on the Board, running a cable company was a lot simpler. We were virtually the only show in town and did not have to face the ongoing challenge of profound changes in technology to survive. Times have changed. This business is very different from the one you knew then.

In your letter to the North Island Courier published on July 18, 2008, you brought up a number of issues we would like to address.

#### Issue 1: Management severance package

It has been insinuated that a severance package has been the ulterior motive for the CEO to push this deal through. That is simply untrue. The CEO was actively planning and executing an aggressive infrastructure renewal plan. It was the Board, not the CEO, who agreed to consider the Shaw offer to purchase. As your Board of Directors, we have a moral and legal responsibility to all CRTV members to consider all reasonable options that become available to the Association. Furthermore, given Shaw's successful CRTC approval to overwire Campbell River, we felt compelled to be address this offer.

Virtually all employment contracts, management or otherwise, include severance terms. The terms of severance in the CEO's contract were developed and approved by the Board of Directors as being fair and on par with comparable positions within the industry. It should be noted that Mr. Forsyth has served CRTV tirelessly since 1994, has 34 years of experience in the industry and is a proven advocate of independent cable systems in Canada. If it were up to him and not so much was at stake for the community of Campbell River, he would joust with Shaw as he has done so many times in the past.

With respect to public disclosure of the CEO's contract conditions, we have received a legal opinion on this matter and have been advised that severance package details may be disclosed only if the individual consents. It is well within an individual's rights to keep such information private.

#### Issue 2: The Union contract between CRTV and the IBEW

You speculate that the Union contract between CRTV and the IBEW will end. Two points strongly suggest that this is a false threat. First, Shaw has agreed in writing to assume the Collective agreement with ALL Union Employees. Furthermore, Shaw presently has a number of Union contracts with the IBEW in British Columbia, the same union that represents CRTV employees, representing some 400 other employees. In the future, as you are fully aware, the responsibility to negotiate new contracts is the Union's. Second, as I'm sure you're also fully aware, it is extremely difficult to remove a union from a workplace unless the employees themselves agree to do so. That is a highly unlikely outcome.

### Issue 3: Shaw's threat to overwire

You speculate Shaw is bluffing with its threat to overwire. However, in response to the July 2nd meeting, the President of Shaw stated that, if this deal collapses or is turned down, Shaw will overwire. That being said, Shaw has CRTC approval to extend their services to Campbell River but they are not obligated to service all of Campbell River. From a technical and strategic perspective, it can be done selectively. They would most likely first focus on our downtown core, going after high-density neighbourhoods and multiple dwelling units like apartment blocks, condos and hotel/motel businesses, interconnecting them with fibre. CRTV would progressively lose market share and would be forced either to increase rates to subsidize the rising cost of providing services to a shrinking subscriber base, or watch the quality of its programs and services begin to suffer.

Would it cost less than \$3,000 per subscriber to overwire? If Shaw skims off the high-density areas, it definitely would. In the end, the top-value offer we now have on the table will disappear.

So why not just overwire? The answer is simple. First, from a business perspective, it would be easier to buy the whole system intact and have the immediate cash flow rather than build from scratch. Second, Shaw knows CRTV is a very well-built cable system. The best proof of that is the best offer to purchase the industry has seen so far.

As I said earlier, times have changed since you sat at the board table. We Board members have exercised our due diligence in keeping up to date with incredibly rapid changes in this industry; learning about our members and how they view CRTV; and gaining a much better understanding of what challenges we now face and will face in the next few years, let alone the next decade.

The Board of Directors is convinced that we face two mutually exclusive choices. We can choose to preserve the quality cable broadband services we enjoy right now by accepting the sale offer from Shaw or we can choose to "preserve" CRTV and watch those cable broadband services shrink and erode. This board is not prepared to put CRTV in the same position as the Elk Falls Mill and the Co-Op, waiting until the situation is dire before making an even tougher decision. There is a top offer on the table right now. Extreme competition is imminent. We've done the math and have decided that it is best to deal with this using our heads as well as our hearts.

### Issue 4: Taxes on the sale

Your assertion that sale proceeds will be taxed twice is erroneous. Yes, there will be taxes, and three excellent professional opinions have described that tax liability.

First, we have it on the very best authority that the society itself will not pay taxes on sale proceeds. All three professional opinions state unequivocally that CRTV is a not-for-profit organization and thus is exempt from paying income tax under paragraph 149(1)(1) of the Income Tax Act. The Board has taken the necessary steps to obtain an advance tax ruling from the Canada Revenue Agency (CRA) to confirm this point officially.

As this is a very complex case, it will take the CRA many hours to read the submission, research the tax law, write the decision, have the decision reviewed by various superiors, make any necessary amendments or adjustments and finally issue the opinion. Since the decision is binding on the CRA and can set precedents for future Rulings and Tax Court decisions, they naturally take their time. CRTV has proceeded with this process and is awaiting a firm ruling from the CRA.

Second, concerning individual members' tax situations, the professional opinions we received state that each member will pay capital gains tax on any money, other than the debenture refund, received from the sale of the CRTV assets. Obviously, the tax amount will vary from member to member depending on other taxable income received by each member during the relevant taxation year. CRTV suggests that you consult with your accountant if you want to receive further details on your personal potential tax liability.

As for the money leaving Campbell River, that choice, too, resides with each member. However, imagine the local economic benefit of each subscriber having over \$3100 to spend within the community or pay down personal debt. Of course, there will be individual tax consequences but we are sure that the financial planning community will offer a host of strategies to minimize taxes paid. There are also many community organizations that would gratefully accept donations, further mitigating tax liability and enhancing the legacy of CRTV.

The Board, management and staff of CRTV have worked hard for nearly a year so that all members can make the decision that is right for each of them. Beginning with Shaw's first foray into Campbell River last year and continuing through today, we have made information available on the CRTV web site, in print from the office and through the local media. The time has come for each member to consider the offer Shaw has made, to ponder the options and impacts of each choice, and then to vote accordingly.

On behalf of the Board of Directors of CRTV,

Layne Marshal  
Director