



**CANWEST PUBLISHING INC. / PUBLICATIONS CANWEST INC.,  
CANWEST BOOKS INC. AND CANWEST (CANADA) INC.**

**PRE-FILING REPORT OF FTI CONSULTING CANADA INC.  
IN ITS CAPACITY AS PROPOSED MONITOR OF THE  
APPLICANTS**

**January 7, 2010**

Court File No.

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF CANWEST PUBLISHING INC./  
PUBLICATIONS CANWEST INC., CANWEST BOOKS  
INC., AND CANWEST (CANADA) INC.

PRE-FILING REPORT OF FTI CONSULTING CANADA INC.,  
in its capacity as Proposed Monitor of the Applicants

January 7, 2010

**INTRODUCTION**

1. FTI Consulting Canada Inc. (“**FTI**” or “**Proposed Monitor**”) understands that Canwest Publishing Inc. / Publications Canwest Inc. (“**CPI**”), Canwest Books Inc. (“**CBI**”), and Canwest (Canada) Inc. (“**CCI**”, and together with CPI and CBI, the “**Applicants**”) intend to bring an application before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) granting a stay of proceedings until February 5, 2010 and appointing FTI as Monitor (the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. The Applicants are also seeking to have the stay of proceedings and other relief provided under the CCAA extended to Canwest Limited Partnership / Canwest Societe en

Commandite (the “**Limited Partnership**”, and together with the Applicants, the “**LP Entities**”).

3. This is the pre-filing report of the Proposed Monitor in the CCAA Proceedings. The purpose of this report is to provide this Honourable Court with information on the following:

- FTT’s qualifications to act as Monitor (if appointed), including FTT’s role in proceedings involving parties related to the LP Entities;
- background information about the LP Entities and their businesses;
- the LP Entities’ corporate and reporting structure;
- the reasons for including the Limited Partnership in the request for protection under the Initial Order;
- transfer of the assets and business of The National Post Company / La Publication National Post (the “**National Post Company**”) to a wholly-owned subsidiary of CPI, National Post Inc. (“**NPI**”)<sup>1</sup>;
- the current debt structure and financial position of the LP Entities;
- defaults under the LP Credit Facilities, the insolvency of the LP Entities and the Forbearance Agreement (as these terms are defined below);
- the LP Entities’ inter-entity services (shared business-critical services) arrangements;

---

<sup>1</sup> As described in greater detail below, NPI is not an Applicant in the CCAA Proceedings.

- the LP Entities' cash management system;
- the LP Entities' pension plans and other employee obligations;
- employee management incentive plans and Key Employee Retention Plans of the CMI Entities (as defined below);
- funding of the CCAA Proceedings, including overview and the Proposed Monitor's report in accordance with section 23(1)(b) of the CCAA on the 13-week cash flow projections;
- proposed debtor-in-possession ("DIP") financing;
- proposed creditor notification procedures;
- proposed Initial Order, including proposed pre-filing payments, other payments during the CCAA Proceedings, proposed revised reporting structure during the CCAA Proceedings, approval of financial advisor agreement, chief restructuring advisor, Court-ordered charges and financial thresholds;
- proposed restructuring, including the Support Transaction (as defined below) and the sale and investor solicitation process; and
- the Proposed Monitor's conclusions.

## **TERMS OF REFERENCE**

4. In preparing this report, FTI has relied upon unaudited financial information of the LP Entities, the LP Entities' books and records, certain financial information prepared by,

and discussions with, the LP Entities' management. FTI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and accordingly expresses no opinion or other form of assurance on the information contained in this report.

5. Capitalised terms not defined in this report shall have the meanings assigned to them in the affidavit of Thomas Strike sworn January 7, 2009 (the "**Strike Affidavit**") filed in support of the Applicants' application for relief under the CCAA. Where reference is made to the Canwest enterprise as a whole, which includes the LP Entities, Canwest Global Communications Corp. ("**Canwest Global**") and its other subsidiaries which are not applicants in the CCAA Proceedings, the term "**Canwest**" will be used.
6. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars.

#### **FTI'S QUALIFICATIONS TO ACT AS MONITOR**

7. FTI was retained by Canwest on January 29, 2009 to provide financial, restructuring and strategic advice to it and certain of its subsidiaries and, if necessary, to assist it and certain of its subsidiaries and its advisors in preparing for one or more filings under the CCAA.
8. Paul Bishop of FTI will have primary carriage of this matter and is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**"). Neither FTI nor any of its representatives have been at any time in the two preceding years:

- i. the auditor of any of the LP Entities;
  - ii. a director, an officer or an employee of any of the LP Entities;
  - iii. related to the LP Entities or to any director or officer of the LP Entities; or
  - iv. trustee (or related to any such trustee) under a trust indenture issued by any of the LP Entities or any person related to the LP Entities, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the *Civil Code of Quebec* that is granted by the LP Entities or any person related to the LP Entities.
9. On October 6, 2009, FTI was appointed as Monitor of the CMI Entities (as defined and described in greater detail below). In addition, as part of the restructuring initiatives of the CMI Entities in their CCAA proceedings, on November 26, 2009, four wholly-owned subsidiaries (which did not file for CCAA protection on October 6, 2009) of Canwest Media Inc. (“CMI”) made assignments in bankruptcy under the BIA<sup>2</sup> and FTI was appointed trustee in bankruptcy of those entities.
10. FTI has consented to act as Monitor should this Honourable Court grant the Applicants’ request to commence the CCAA Proceedings in respect of the LP Entities.

## BACKGROUND

11. As described in the Strike Affidavit, Canwest carries on business through a number of subsidiaries. Through its ownership of the LP Entities, Canwest is Canada’s largest

---

<sup>2</sup> The four CMI subsidiaries, Fireworks Entertainment Inc., Canwest Entertainment Inc., CEIDI (Canada) I Inc. and CEIDI (Canada) II Inc, are holding companies that have been inactive since late 2005.

publisher of English-language daily and non-daily newspapers and owns and operates substantial digital media and online businesses. Canwest also directly or indirectly owns, operates and/or holds substantial interests in free-to-air television stations, subscription-based specialty television channels, and websites in Canada.

12. Starting in the second half of 2008, the LP Entities began to experience declines in advertising revenues which had a negative impact on their cash flows, resulting in the LP Entities breaching certain covenants, missing certain principal and interest payments, and defaulting under their various credit facilities, including the LP Secured Credit Agreement, the LP Senior Subordinated Credit Agreement and the LP Note Indenture (as these terms are defined below) and related guarantee obligations in May 2009. As a result of these events of default, amounts under the LP Entities' various credit facilities became immediately due and payable, which has led the LP Entities to conclude that a restructuring of their balance sheets is required and must be pursued in order to preserve the enterprise values of their businesses.

13. Following extensive negotiations, on August 31, 2009, the LP Entities and the LP Administrative Agent (with the consent of LP Secured Lenders holding in the aggregate a minimum of 50.1% of the advances outstanding under the LP Credit Agreement (the "**Majority Lenders**")) entered into the Forbearance Agreement under which the LP Administrative Agent agreed, subject to certain terms and conditions, to forbear from enforcing the LP Secured Lenders' security in order to allow the LP Entities and the LP Secured Lenders the opportunity to negotiate a pre-packaged restructuring or reorganization of the business and affairs of the LP Entities (as these terms are defined and described in greater detail below). The Forbearance Agreement expressly

contemplated that the LP Entities and the LP Secured Lenders would negotiate the terms of a pre-packaged credit acquisition, restructuring or recapitalization to be implemented under CCAA protection. The Forbearance Agreement has been extended by letters dated September 29, 2009, October 7, 2009, October 14, 2009 and October 30, 2009 (collectively, the “**Extension Letters**”). The most recent Extension Letter extended the Forbearance Agreement to November 9, 2009 (which was also identified as the deadline for having finalized a pre-prepackaged transaction in the Forbearance Agreement). Although the Forbearance Agreement has not been extended beyond that date, the discussions and negotiations between LP Entities and the LP Administrative Agent continued.

14. The LP Entities and the LP Administrative Agent have negotiated a pre-arranged support transaction pursuant to which (subject to a successful bid as a result of and in accordance with the terms of the SISP (as defined below) and approval by this Honourable Court) an entity to be initially capitalized as described in the Acquireco Capitalization Term Sheet (as this term is defined in the Senior Lenders’ Plan (as defined below)) (“**AcquireCo**”) will acquire substantially all of the assets of the LP Entities, assume the liabilities of the LP Entities (other than certain specified liabilities and subject to AcquireCo’s right to exclude certain additional liabilities) and offer employment to all or substantially all of the employees of the LP Entities on terms and conditions consistent with their current employment (the “**Support Transaction**”).
15. The financial advisor to the LP Entities will conduct a sale and investor solicitation process under the supervision of the Monitor (if appointed) (the “**SISP**”) in an effort to



attract an alternative offer to the one contained in the Acquisition Agreement (as defined and described in greater detail below).

16. The LP Entities are seeking a stay of proceedings under the CCAA in order to allow them to implement the Support Transaction and allow their financial advisor (under the supervision of the Monitor) to conduct the SISP in order to restructure and reorganize their businesses and preserve their enterprise values.
17. Relief in the CCAA Proceedings is being sought by the Canwest entities which carry on, *inter alia*, newspaper and online publishing and digital media businesses. Not included in this application is NPI, a wholly-owned subsidiary of the LP Entities which acquired the business and certain assets that comprised the *National Post* newspaper from The National Post Company / La Publication National Post in October 2009 (as described in greater detail below).
18. Other divisions and/or subsidiaries of Canwest, including:
  - i. Canwest Global, its principal operating subsidiary CMI, and certain subsidiary corporations and partnerships of CMI that own and operate Canwest's free-to-air television broadcast business and certain subscription-based specialty television channels in Canada<sup>3</sup> (collectively, the "**CMI Entities**"); and
  - ii. Canadian subscription-based specialty television channels acquired from Alliance Atlantis Communications Inc. in August 2007, which are held jointly with

---

<sup>3</sup> Except for the following Canwest specialty television channels: *TVtropolis*, *MenTV*, and *MysteryTV*.

Goldman Sachs Capital Partners and operated by CW Investments Co. and its subsidiaries,

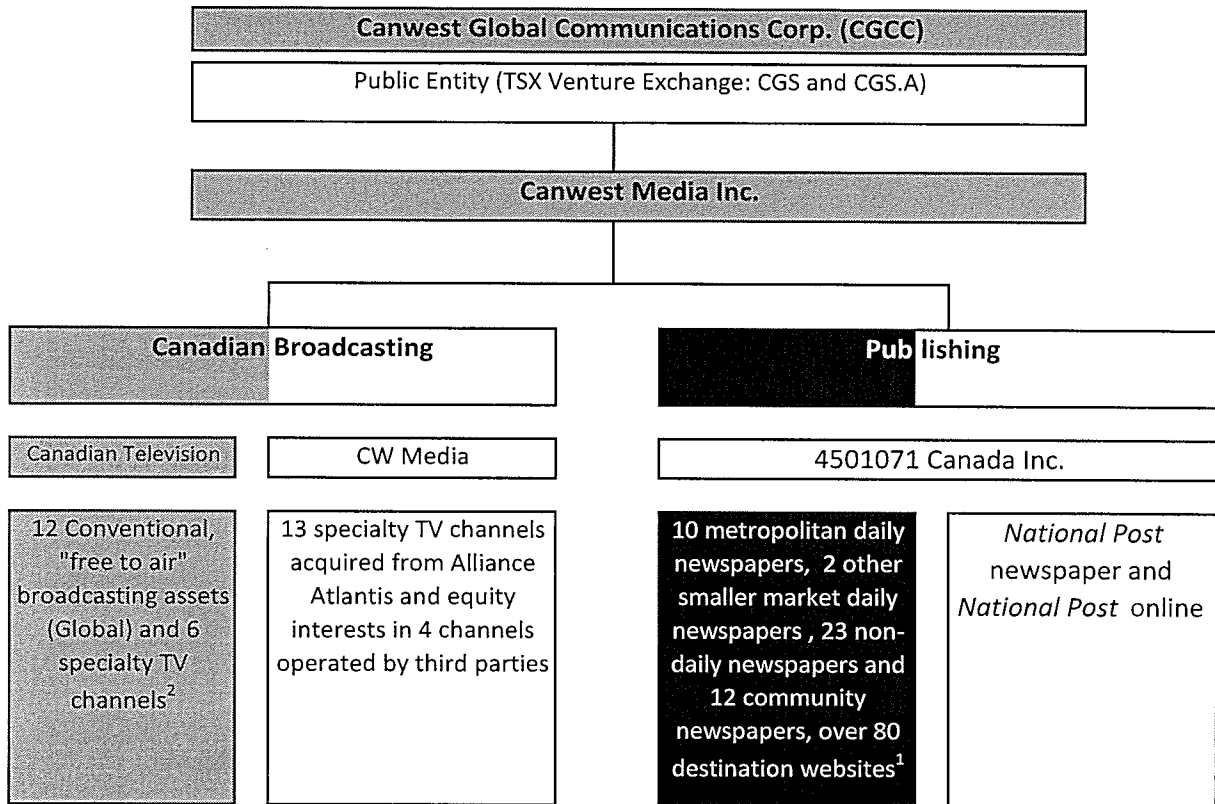
are not Applicants in the CCAA Proceedings nor is a stay of proceedings sought in respect of any of these entities in these CCAA Proceedings.

19. As stated above, the CMI Entities applied for and obtained protection under the CCAA on October 6, 2009.

#### **LP ENTITIES' CORPORATE AND REPORTING STRUCTURE**

20. Information regarding the organizational structure of Canwest and the LP Entities is set forth in detail in the Strike Affidavit and is therefore described only in summary form in this report.
21. Canwest is a public company continued under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended. Canwest's principal subsidiary is CMI which holds a 100% indirect ownership interest in 4501071 Canada Inc., which in turn holds 100% direct or indirect interests in the LP Entities and NPI.
22. A copy of Canwest's complete corporate organization chart is attached as Exhibit "D" to the Strike Affidavit. A simplified corporate structure showing all of the LP Entities, including the designation of LP Entities seeking protection under the CCAA, is attached hereto as **Appendix "A"** and is further summarized below:

- CCAA Applicant     
  - Not a CCAA Applicant     
  - Filed for CCAA protection on October 6, 2009



<sup>1</sup> Over 80 destinations in the *canada.com* network, including websites for the LP Entities' daily and community newspapers, online classified websites, *dose.ca* (an entertainment website) and *FPinfomart.ca* (a subscription-based media monitoring service)

<sup>2</sup> Excluding *TVtropolis*, *MenTV*, and *MysteryTV*

23. As described in greater detail in the Strike Affidavit, Canwest and certain of its subsidiaries have taken steps to consolidate and streamline corporate decision making in the Canwest enterprise. To do so, Canwest and certain of its subsidiaries, including CCI and CPI<sup>4</sup>, entered into unanimous shareholder declarations which removed the rights, powers and duties of the directors to manage, or supervise the management of, the

<sup>4</sup> No shareholder declaration was entered into with respect to CBI as it is currently inactive. Similarly, no shareholder declaration was entered into with respect to NPI.

business and affairs of those subsidiary companies. In particular, on May 28, 2009: (i) CCI executed a unanimous shareholder declaration that removed the directorial powers from the directors of CPI; (ii) 4501071 Canada Inc. executed a unanimous shareholder declaration that removed the directorial powers from the directors of CCI (including in its capacity as the general partner of the Limited Partnership); and (iii) CMI executed a unanimous shareholder declaration that removed the directorial powers from the directors of 4501071 Canada Inc. Concurrently, Canwest Global executed a unanimous shareholder declaration that removed the directorial powers from the directors of CMI.

24. By executing the unanimous shareholder declarations, the shareholder of each applicable subsidiary company removed from the subsidiary's directors the power to manage or supervise the management of the subsidiary's business and affairs. The ultimate effect of the various unanimous shareholder declarations was to consolidate decision making with Canwest Global through its board of directors. The implementation of the shareholder declaration by 4501071 Canada Inc. resulted in an event of default under the LP Credit Agreement (as described in greater detail in the Strike Affidavit).

#### **INCLUSION OF THE LIMITED PARTNERSHIP IN THE STAY OF PROCEEDINGS**

25. FTI is advised that, among other things, the Limited Partnership performs an integral role in the Applicants' ongoing operations and is the administrative backbone of the LP Entities. Among other things, the Limited Partnership:
- i. owns all of the shared information technology ("IT") assets used by the various LP entities;

- ii. provides hosting services for the LP Entities;
  - iii. holds many software licences used by the LP Entities;
  - iv. is a party to certain shared administrative and/or advisory service agreements with the CMI Entities (as described below); and
  - v. employs approximately 390 full-time equivalent (“FTE”) employees working in shared services areas, such as human resources, accounting, business and IT services, and the *ReachCanada* call centre.
26. The Applicants have advised FTI that the continued operation of the Limited Partnership and the protections sought in the Initial Order on behalf of the Limited Partnership are vital to the LP Entities’ ongoing viability. In addition, the DIP Lenders (as defined below) require that the assets of all of the LP Entities (including the Limited Partnership, but excluding NPI) be subject to the DIP Charge (as defined below).
27. It is FTI’s view that the extension of the protections provided by the Initial Order to the Limited Partnership is necessary to preserve the LP Entities’ enterprise values and is critical to the restructuring.

#### **TRANSFER OF THE *NATIONAL POST* TO A SUBSIDIARY OF THE LP ENTITIES**

28. Effective October 30, 2009, the newspaper and related online assets and operations of the National Post Company, a wholly-owned subsidiary of CMI, were transferred to NPI, a wholly-owned subsidiary of CPI.

29. NPI (which, as stated above, is not an Applicant in the CCAA Proceedings) requires external funding for its ongoing operations. Currently, NPI is funded by CPI under the terms of an intercompany loan agreement dated October 30, 2009 (the “**NPI Loan Agreement**”). Under the terms of the NPI Loan Agreement, NPI may draw up to a maximum of \$12.5 million (less an availability block of \$2.5 million) under a revolver-type facility provided by CPI. The availability block requires consent of the LP Administrative Agent to be released. Draws, however, are limited to an initial draw of \$2.6 million, and going forward, on a weekly basis, to the next week’s projected net disbursements.
30. NPI pays interest monthly, in arrears, and is subject to an ongoing cash sweep requirement whereby any cash on hand in excess of the sum of \$100,000 and the following week’s projected net disbursements must be repaid. The NPI intercompany loan is secured by a general security over all of the assets of NPI and is due and payable on maturity, which is defined as the earlier of July 26, 2010 and the date on which there is a change of control of NPI.
31. The LP Entities are requesting, and the Proposed Monitor supports, this Honourable Court’s authorization to continue to provide funding to NPI pursuant to the terms of the NPI Loan Agreement throughout the course of the CCAA Proceedings.

#### **LP ENTITIES’ DEBT STRUCTURE**

32. As further detailed in the Strike Affidavit, as at August 31, 2009, the LP Entities reported consolidated indebtedness of approximately \$1.4 billion (at foreign currency exchange

rates in effect at the LP Entities' latest fiscal year end) pursuant to the following credit facilities (collectively, the "**LP Credit Facilities**"):

- i. the LP Credit Agreement - \$883 million
  - ii. the LP Senior Subordinated Credit Agreement - \$75 million
  - iii. the LP Senior Subordinated Notes - \$438 million
33. In addition, the LP Entities have Swap Obligations (as defined and further described below) outstanding in the amount of approximately \$68.9 million.

*The LP Secured Credit Facilities*

34. Pursuant to a credit agreement dated as of July 10, 2007, (as amended, the "**LP Credit Agreement**") between CanWest MediaWorks Limited Partnership (now, the Limited Partnership), The Bank of Nova Scotia ("**BNS**"), as administrative agent (in such capacity, the "**LP Administrative Agent**") for a syndicate of lenders (the "**LP Secured Lenders**") and CanWest MediaWorks (Canada) Inc. (now, CCI), CanWest MediaWorks Publications Inc. (now, CPI) and CBI (collectively, the "**LP Guarantors**"), as guarantors, the LP Secured Lenders agreed to provide the Limited Partnership the following credit facilities in the aggregate maximum amount of \$1.017 billion (at foreign currency exchange rates in effect at the LP Entities' latest fiscal year end) (collectively, the "**LP Secured Credit Facilities**"):

- i. a revolving credit facility of up to \$250 million (the "**LP Revolving Facility**"), balance drawn of \$116 million as of May 2009;

- ii. a non-revolving term credit facility in the amount of \$265 million (the “**Credit C Facility**”); and
  - iii. a non-revolving term credit facility in the amount of US\$458 (or approximately \$502 million based upon foreign currency exchange rates utilized in the LP Entities’ audited consolidated financial statements for the fiscal year ended August 31, 2009) (the “**Credit D Facility**”).
35. The LP Secured Credit Facilities are guaranteed by the LP Guarantors and secured by the Existing Security (as defined and described in further detail below).

*The LP Senior Subordinated Credit Agreement*

36. Pursuant to a senior subordinated credit agreement dated as of July 10, 2007 between the CanWest MediaWorks Limited Partnership (now, the Limited Partnership), BNS, as administrative agent for a syndicate of lenders (the “**LP Subordinated Lenders**”), and the LP Guarantors as guarantors, the LP Subordinated Lenders agreed to provide the Limited Partnership with access to a term credit facility of up to \$75 million (the “**LP Senior Subordinated Credit Facility**”).
37. The LP Senior Subordinated Credit Facility is unsecured, guaranteed by the LP Guarantors on an unsecured basis and currently fully drawn.

*LP Senior Subordinated Notes*

38. Pursuant to a note indenture between the CanWest MediaWorks Limited Partnership (now, the Limited Partnership), The Bank of New York Trust Company of Canada as



trustee, and CanWest MediaWorks Publications Inc. (now, CPI) and CBI as guarantors (the “**LP Note Indenture**”), the Limited Partnership issued 9.25% per annum senior subordinated unsecured notes due 2015 in the aggregate principal amount of US\$400 million (or approximately \$438 million based upon foreign currency exchange rates utilized in the LP Entities’ audited consolidated financial statements for the fiscal year ended August 31, 2009) (the “**LP Senior Subordinated Notes**”).

39. The LP Senior Subordinated Notes are guaranteed by CanWest MediaWorks Publications Inc. (now, CPI) and CBI on an unsecured basis.
40. An *ad hoc* committee of the holders of the LP Senior Subordinated Notes (the “**Ad Hoc Committee**”) was formed in July 2009 and retained Davies Ward Phillips & Vineberg LLP and the Limited Partnership agreed, *inter alia*, to pay the fees of the Ad Hoc Committee’s counsel up to a maximum aggregate amount of \$250,000.
41. Representatives of the Limited Partnership and their advisors have met with and discussed the LP Entities’ affairs with representatives of the Ad Hoc Committee and its counsel, which discussions are ongoing. Counsel to the Ad Hoc Committee was also granted access to certain confidential information regarding the business and affairs of the LP Entities following execution of a confidentiality agreement. By letter dated December 15, 2009, counsel to the Ad Hoc Committee also advised that the Ad Hoc Committee engaged Moelis & Company LLC to act as its financial advisor which has been granted and obtained access to the virtual data room containing various confidential information regarding the business and affairs of the LP Entities.

### ***Swap Obligations***

42. The Limited Partnership is a party to certain foreign currency and interest rate swaps (as described in greater detail in the Strike Affidavit) with various swap counterparties (the “**Hedging Secured Creditors**”). Defaults under the LP Secured Credit Facilities described below triggered defaults in respect of these swap arrangements. As a result, the Hedging Secured Creditors demanded immediate repayment of amounts totaling approximately \$68.9 million (exclusive of unpaid interest). All obligations owing to the Hedging Secured Creditors pursuant these swap obligations (the “**Swap Obligations**”) are secured by the Existing Security.

### ***Cash Management***

43. The centralized cash management system maintained at BNS is described in greater detail below. The obligations to BNS (in such capacity, the “**Cash Management Creditor**”) pursuant to such cash management arrangements (the “**Cash Management Obligations**”) are secured by the Existing Security. The proposed Initial Order provides that the Existing Security with respect to the Cash Management Obligations in the maximum amount of \$7.5 million will rank *pari passu* with the DIP Charge (as defined below).

### ***Existing Security and Inter-creditor Arrangements***

44. Pursuant to an amended and restated inter-creditor and collateral agency agreement (as amended, the “**Collateral Agency Agreement**”) dated as of July 10, 2007, CIBC Mellon Trust Company, as collateral agent (the “**Collateral Agent**”) agreed to hold various

security granted in its favour by the Limited Partnership and the LP Guarantors over their respective property and assets (the “**Existing Security**”) for the benefit of “Secured Creditors” (as defined therein). All obligations owing from time to time under the LP Secured Credit Facilities (the “**LP Senior Secured Obligations**”), the Swap Obligations and the Cash Management Obligations rank *pari passu* as to priority of payment under the Collateral Agency Agreement.

45. Pursuant to credit confirmations dated July 10, 2007 numbered 1 through 8 (collectively, the “**Confirmations**”), the LP Administrative Agent for and on behalf of the LP Secured Lenders, the Cash Management Creditor and the Hedging Secured Creditors, respectively, became “Secured Creditors” (as defined in the Collateral Agency Agreement) and beneficiaries of the security granted by the Limited Partnership and the LP Guarantors in favour of the Collateral Agent.
46. FTI is advised by the LP Entities that the LP Administrative Agent for and on behalf of the LP Secured Lenders, the Cash Management Creditor and the Hedging Secured Creditors are the only beneficiaries of the Existing Security granted in favour of the Collateral Agent and that the Confirmations constitute the only outstanding credit confirmations under the Collateral Agency Agreement.

***Subordination of the LP Senior Subordinated Notes***

47. Pursuant to an inter-creditor agreement dated as of July 10, 2007 between the LP Administrative Agent and BNS, as administrative agent for the LP Subordinated Lenders, the obligations of the Limited Partnership and the LP Guarantors to the LP Subordinated Lenders are subordinated and postponed until the payment in full of Senior Indebtedness

(as defined therein), including LP Senior Secured Obligations, Hedging Obligations and Cash Management Obligations. The unsecured guarantees provided by the LP Guarantors under the LP Senior Subordinated Credit facilities rank *pari passu* with the LP Senior Subordinated Notes and the guarantees provided by certain of the LP Guarantors thereunder.

48. The LP Senior Subordinated Notes are expressly subordinate to all Senior Indebtedness (as defined in the LP Note Indenture), including LP Senior Secured Obligations and the Swap Obligations and rank *pari passu* with the obligations owing under the LP Senior Subordinated Credit Facility.

#### ***Review of the Existing Security***

49. The Proposed Monitor's counsel, Stikeman Elliott LLP ("**Stikeman**"), conducted a security review of the Existing Security and rendered an opinion with respect to the validity and perfection thereof under the laws of Ontario, Alberta, British Columbia and Quebec. This opinion states that (subject to the assumptions and qualifications contained therein, including those relating to statutory and possessory liens and claims that have priority by operation of law), the Collateral Agent's personal property security is valid and enforceable and ranks in priority to other claims with respect to the personal property secured, subject to certain registrations of secured parties made under the provincial personal property security acts prior to the registration by the Collateral Agent (as more particularly described in Schedule "F" to Stikeman's opinion). The LP Entities have advised FTI that all prior registrations referred to therein are with respect to equipment leases.

50. Similar opinions were obtained by the Proposed Monitor with respect to the validity and perfection of the Collateral Agent's personal property security under the laws of Manitoba and Saskatchewan. The LP Entities has advised that these jurisdictions, together with the jurisdictions covered by the Stikeman opinion, are the only Canadian jurisdictions in which the LP Entities own material assets.
51. The Proposed Monitor also reviewed Stikeman's real property report. The registrations in favour of the Collateral Agent against the LP Entities' real property located in Ontario, Alberta, British Columbia and Quebec and referred to in the Stikeman opinion are the only mortgages registered on title to the real properties.
52. If the Proposed Monitor is appointed Monitor, a copy of Stikeman's opinion will be provided to the Court upon request and to any interested party requesting a copy of same who confirms in advance that: (a) such party is not Stikeman's client and therefore is not entitled to rely upon the opinion and that Stikeman has no liability or responsibility to such party with respect to any loss, liability, damage or expense in connection with the provision to such party of the opinion or such party's review of contents thereof; (b) such party will not disclose the opinion to any other party; and (c) the provision of the opinion does not constitute a waiver of privilege.

#### **LP ENTITIES' FINANCIAL PERFORMANCE**

53. The LP Entities' financial performance and position are detailed extensively in the Strike Affidavit and are only described in summary form in this report.

54. The LP Entities report their financial results on a consolidated basis. The consolidated financial results of Limited Partnership (which include the accounts of the Limited Partnership and its subsidiaries CPI and CBI, but not CCI or NPI) are referred to as the results of the LP Entities herein.
55. The LP Entities' fiscal year end is August 31. The LP Entities' audited year-end consolidated financial statements for the fiscal year ended August 31, 2009 ("FY2009") are attached as Exhibit "E" to the Strike Affidavit.
56. As at August 31, 2009, the LP Entities had total consolidated assets with a net book value of \$645 million (\$183 million in current assets, \$462 million in non-current assets), total consolidated liabilities of approximately \$1.7 billion (\$1.6 billion in current liabilities and \$106.0 million in non-current liabilities), and a total consolidated partners' deficiency of approximately \$1.1 billion.
57. In FY2009, the LP Entities reported consolidated revenue of \$1.02 billion and a consolidated net loss of approximately \$66.0 million.
58. Commencing in the first quarter of FY2009, the Limited Partnership started experiencing a decline in its advertising revenues. As a result, in FY2009, the Limited Partnership's consolidated:
  - i. revenues decreased by \$181.7 million (or 15%) to \$1.02 billion as compared to \$1.2 billion in fiscal year ended August 31, 2008 ("FY2008");
  - ii. operating income (before amortization expense) decreased by \$150.5 million (or 51%) to \$144.6 million from \$295.1 million in FY2008; and

- iii. cash flows from operations decreased to \$117.2 million from \$187.4 million in FY2008.
- 59. In FY2009, the LP Entities suffered a consolidated net loss of \$66.0 million as compared to consolidated net earnings of \$143.5 million in FY2008.
- 60. LP Entities' management expects weak economic conditions to continue through the fiscal year ending August 31, 2010 ("FY2010").

## **DEFAULTS UNDER THE LP CREDIT FACILITIES, INSOLVENCY OF THE LP ENTITIES & THE FORBEARANCE AGREEMENT**

### ***Defaults under the LP Credit Facilities***

- 61. The LP Entities have advised FTI that due, in part, to declining revenues in FY2009 and the increased price of newsprint (as detailed in the Strike Affidavit), the LP Entities breached certain of their financial covenants under the various LP Credit Facilities and failed to make certain required payments of interest, principal and fees in FY2009, including those payable under the LP Credit Agreement. These and other events of default under the various LP Credit Facilities are described in greater detail in the Strike Affidavit.
- 62. As a result of the declines in advertising revenue, the LP Entities have undertaken a number of capital and operating cost cutting initiatives, have disposed of several non-core assets, and have launched several restructuring initiatives (all as detailed in the Strike Affidavit).

63. Despite the LP Entities' cost cutting initiatives and restructuring efforts, the LP Entities have been unable to cure the defaults under the LP Credit Facilities. In addition, the LP Entities have advised FTI that the decline in advertising revenues brought on by the global economic crisis is not expected to recover until later in FY2010, at the earliest.
64. Accordingly, the Limited Partnership has been unable to satisfy its debts as they become due and is thus insolvent. The LP Entities have concluded that the Applicants as guarantors under the LP Credit Facilities cannot satisfy their respective guarantee obligations and are also insolvent.

*Forbearance Agreement and Current Status of Discussions with the LP Secured Lenders*

65. Following extensive negotiations, on August 31, 2009, the LP Entities and the LP Administrative Agent (with the consent of the Majority Lenders) agreed on the terms and conditions of a forbearance agreement, as amended (the "**Forbearance Agreement**"), pursuant to which the LP Administrative Agent agreed to forbear, subject to certain terms and conditions, from taking steps to proceed with enforcement of the Existing Security held in support of the loans under the LP Senior Secured Credit Facilities in order to allow the LP Entities and the LP Secured Lenders an opportunity to negotiate a consensual restructuring, recapitalization or reorganization of the affairs of the LP Entities.
66. The Forbearance Agreement expressly contemplated that the LP Entities and the LP Secured Lenders would negotiate the terms of a pre-packaged restructuring or recapitalization to be implemented under CCAA protection.



67. The LP Entities requested, and the LP Administrative Agent agreed, to extend the forbearance period under the Forbearance Agreement on two separate occasions. The last such extension expired on November 9, 2009.
68. As a result of the expiry of the forbearance period, the LP Secured Lenders are now in a position to exercise their rights to direct the Collateral Agent to enforce the Existing Security. The LP Entities are also in default of their obligations under the LP Senior Subordinated Credit Agreement and the LP Senior Subordinated Notes and the LP Subordinated Lenders, the holders of the LP Senior Subordinated Notes and the Hedging Secured Creditors are also in position to demand repayment of the principal and unpaid interest outstanding under those facilities.
69. The LP Entities do not have sufficient funds to satisfy their obligations under, *inter alia*, the LP Senior Subordinated Credit Agreement and the LP Senior Subordinated Notes.
70. The LP Entities and the LP Administrative Agent have negotiated the Support Transaction pursuant to which (subject to failure to obtain a superior offer and approval of this Honourable Court) substantially all of the assets and certain of the liabilities of the LP Entities would be transferred to AcquireCo.
71. By letter dated December 7, 2009, the LP Administrative Agent conveyed to the LP Entities the LP Secured Lenders' dissatisfaction with, *inter alia*, the LP Entities' continuing breaches under the LP Credit Agreement and the LP Entities' failure to commence consensual CCAA proceedings and take steps to implement the Support Transaction. The LP Administrative Agent also advised that it was already empowered by the LP Secured Lenders to act (in consultation with the Steering Committee of the LP

Secured Lenders) to enforce the rights of the LP Secured Creditors including by “the pursuit of alternative non-consensual courses of action through legal action.”

72. For the reasons noted above, the LP Entities need protection under the CCAA in order to implement the Support Transaction or an alternative sale transaction in accordance with the SISP to preserve their enterprise value for their stakeholders.

### **INTER-ENTITY SERVICES**

73. Canwest’s various corporate entities (including those not subject to this application) share certain business-critical services. For example, pursuant to a number of inter-entity service agreements, the CMI Entities and the LP Entities provide each other with certain administrative and advisory services and engage in certain cross-promotional activities and inter-entity services which are integral to the LP Entities and the CMI Entities.
74. On October 30, 2009, on a motion brought within the CMI Entities’ CCAA proceedings, this Honourable Court approved the Transition and Reorganization Agreement between the LP Entities and the CMI Entities which included the Shared Services Transition Agreement dated October 26, 2009 (the “**Shared Services Transition Agreement**”), which agreement provides for the orderly transition and termination of the shared services arrangements between the LP Entities and the CMI Entities.
75. The Shared Services Transition Agreement establishes fixed monthly fees to be paid for the various shared services until the services are either terminated, or, at the option of the parties involved, renegotiated on alternative commercial terms.

76. During the course of the CCAA Proceedings, the LP Entities intend to continue to provide, receive, collect and pay for the shared services and inter-entity transactions in the ordinary course pursuant to the terms of the Shared Services Transition Agreement and in accordance with current arrangements, payment terms and business practices, except as to payment terms that may be amended to provide for revised timing of reconciliations. It is anticipated that the LP Entities will have a net cost recovery of \$10.7 million during the FY2010 in respect of shared services excluding the services related to the *National Post*.
77. The LP Entities have advised FTI that the shared services provided and received by the LP Entities are greatly beneficial to them. Accordingly, the LP Entities are seeking authorization to continue to provide and receive all inter-entity services pursuant to the Shared Services Transition Agreement during the course of the CCAA Proceedings and are seeking an order prohibiting the LP Entities and the CMI Entities from modifying, ceasing to provide or terminating the provision or payment of the inter-entity services except with the consent of, *inter alia*, the Monitor, the LP CRA and the party receiving such services or further Order of this Honourable Court.
78. It is intended that all pre-filing amounts owing by the LP Entities for shared services will be paid in the ordinary course during the CCAA Proceedings.

#### **CASH MANAGEMENT SYSTEM**

79. The LP Entities currently use a centralized cash management system which, as of December 11, 2009, consisted of 61 Canadian and 17 U.S. dollar accounts, which are

consolidated daily and are maintained at BNS. All but 11 of the 61 Canadian accounts are consolidated daily and all of the accounts are maintained at BNS.

80. The LP Entities' cash management system is managed centrally using oversight procedures and controls implemented by Canwest's treasury department and Canwest Business Services, an operating division of the Limited Partnership, both located in Winnipeg, Manitoba. On a daily basis, the treasury and the accounting departments review the account balances and activity, and inter-entity fund transfers.
81. Since October 2005, the LP Entities' Canadian and U.S. dollar accounts operated under a mirror netting arrangement (the "**LP Mirror Netting Arrangement**"). Currently, 50 of the LP Entities' Canadian and all of the US dollar accounts are included in this arrangement. The LP Mirror Netting Arrangement allows the balances in the accounts operating under that arrangement to be automatically (rather than manually) netted on a daily basis. The net position is used to determine the daily surplus or overdraft position.
82. The LP Mirror Netting Arrangement continues to operate in the manner described above. The non-mirror netting accounts continue to be maintained in a surplus position.

### *Cash Management Post-Filing*

83. By centralizing control over their cash management arrangements, the LP Entities are able to facilitate cash forecasting and reporting, monitor collection and disbursement of funds, and maintain control over the administration of various bank accounts required to effect the collection, disbursement and movement of cash.

84. The LP Entities have advised the Proposed Monitor that the cash management system, as outlined above, is critical to the orderly management of the LP Entities' business affairs. Accordingly, the LP Entities are seeking to continue to operate their cash management system post-filing in substantially the same manner as before the commencement of the CCAA Proceedings. The Proposed Monitor supports this request.

## **EMPLOYEES**

85. In November 2009 (on average), the LP Entities employed the equivalent of approximately 5,300 FTE unionized and non-unionized employees in Canada, of whom approximately 1,300 FTE employees were located in Ontario.
86. Approximately 45% of the LP Entities' employees are unionized under 43 collective bargaining agreements. Approximately 45% of the LP Entities' employees are unionized under 43 collective bargaining agreements. As at December 31, 2009, nine of the 43 collective agreements will have expired. Four additional collective agreements are set to expire in FY2010. Two of the expired collective agreements have been referred to conciliation proceedings.

### ***Pension Plans Payment Obligations***

87. FTI is advised that the LP Entities maintain three defined benefit ("DB") pension plans including the Canwest Publications Inc. Retirement Plan ("**CPI DB Plan**") registered in Ontario, the Canwest Windsor Star Group Inc. Employees' Plan ("**Windsor Star DB Plan**") registered in Ontario, and the Canwest Plan for Vancouver Island Employees registered in British Columbia ("**VI DB Plan**") and together with the CPI DB Plan and the

Windsor Start DB Plan, the “**DB Plans**”). In addition to the defined benefit plans, the LP Entities maintain three defined contribution (“**DC**”) pension plans.

88. According to the LP Entities, as at the last filed actuarial valuations for the LP Entities’ DB Plans as of December 31, 2008, there were approximately 2,210 active members, and 685 pensioners, survivors and other non-active DB Plan members.

89. The DB Plans are valued regularly as required by their applicable governing legislation. As at December 16, 2009, the last valuations (as of December 31, 2008) of all of the DB Plans had been filed.

90. FTI is advised that the aggregate going concern funding shortfall of the DB Plans effective as of December 31, 2008 was \$48.6 million, and the aggregate solvency deficiency was \$10.3 million. The 2009 annual service contributions for the DB Plans based upon the December 31, 2008 valuations totalled \$8.3 million and annual special payments totalled \$18.5 million.

91. The Limited Partnership also contributes to a Canwest MediaWorks Limited Partnership Retirement Compensation Arrangement Plan (“**LP RCA**”). This plan provides certain retirement compensation for some of their current and former management employees where the difference between the net assets and estimated settlement liabilities was secured by a letter of credit (as described more particularly in the Strike Affidavit). FTI is advised by the LP Entities that an Event of Default (as defined in the trust agreement governing the LP RCA (the “**Trust Agreement**”)) occurred on December 8, 2009 as a result of the LP Entities not renewing or replacing a letter of credit on December 1, 2009. The letter of credit (valued at \$1.9 million) was held by Royal Trust Corporation of

Canada (“**Royal Trust**”) in its capacity as the trustee of the LP RCA. The LP RCA has been automatically terminated. On December 16, 2009, Royal Trust presented the letter of credit to BNS for payment. On the same day, BNS remitted 50% of the value of the letter of credit to Royal Trust and 50% to the Canada Revenue Agency. The terms of the Trust Agreement require Royal Trust to distribute the assets of the LP RCA to those persons who are entitled to benefits under the LP RCA and the distributions to participants will occur in due course.

92. Some of the LP Entities maintain and/or contribute to certain other retirement benefit plans detailed further in the Strike Affidavit.
93. The LP Entities have advised that they also provide certain other post-employment and post-retirement benefits to their employees. As of August 31, 2009, the accrued post-retirement benefit liability for FY2009 totalled approximately \$64.8 million and the aggregate annual cash contribution to provide these post-employment and post-retirement benefits was approximately \$3 million.

***Other Employee-Related Obligations***

94. FTI is advised that in addition to regular payroll obligations, the LP Entities also offer benefits to their eligible salaried and hourly employees, including benefits provided through group insurance programs such as employee medical, dental, disability, accidental death and dismemberment, life insurance and similar benefit plans, share compensation plans, automobile allowances, and employee assistance programs. In FY2009, the LP Entities paid approximately \$37.5 million for such group benefits

(excluding share compensation plans and employee assistance programs) for their hourly and salaried employees (excluding all statutory withholdings).

***Employee-Related Payments Post-Filing***

95. The LP Entities are seeking this Honourable Court's authorization to honour their payroll obligations to their employees, including all pre-filing wages and employee benefits outstanding as at the date of the commencement of the CCAA Proceedings and authorization to continue making all annual service contributions and special payments in connection with their pension obligations.
96. The Proposed Monitor supports the LP Entities' proposed employee-related payments for the period after the commencement of the CCAA Proceedings.
97. The LP Entities do not intend to continue making termination and severance related payments after the commencement of the CCAA Proceedings.
98. The LP Entities forecast that the termination of severance payments will impact approximately 66 employees. The cessation of the Southam Executive Retirement Arrangements (described in greater detail in the Strike Affidavit) ("SERAs") is expected to impact approximately 9 current and former senior management employees. The LP Entities expect that the wage and employment benefits accruing to all of their other employees will not be affected by or during the CCAA Proceedings.



## MANAGEMENT INCENTIVE PLAN AND KEY EMPLOYEE RETENTION PLANS

99. To ensure retention of key personnel during the CCAA Proceedings, the LP Entities have formulated and are seeking this Honourable Court's approval of the following employee incentive programs:

- i. management incentive program for 24 employees of the LP Entities in the aggregate amount of approximately \$3.4 million ("LP MIP"), of which half were paid on the last regular payroll period occurring in December 2009;
- ii. management incentive program for one employee of NPI in the amount of approximately \$417,000 (the "NPI MIP"), of which half was paid on the last regular payroll period occurring in December 2009; and
- iii. employee special arrangements (the "**Special Arrangements**") for two employees in the amount of \$1.2 million.

Redacted copies of the LP MIP, the NPI MIP and the Special Arrangements are attached as Exhibits to the Strike Affidavit and unredacted versions of same (containing individually identifiable information and compensation information) are attached to a Confidential Supplement to this pre-filing report as **Appendices "A", "B", and "C"**, respectively, and requested to be sealed and kept confidential.

### *The LP MIP and the NPI MIP*

100. The LP MIP and the NPI MIP (collectively, the "**MIPs**") were developed to incentivize employees who are considered by the LP Entities to be critical to the success of the

restructuring to remain with the LP Entities or NPI (as applicable) through completion of the restructuring. Participation in the MIPs is limited to those employees (the “**MIP Participants**”) who are considered by the LP Entities, in consultation with the Proposed Monitor, to be integral to (i) the continued operation of the LP Entities’ business during the restructuring, and/or (ii) the successful completion of a plan of restructuring, reorganization, compromise or arrangement (or a divestiture of all or substantially all of the LP Entities’ assets and operations as one or more going concern entities) as approved by the requisite majorities of the LP Entities’ classes of creditors and this Honourable Court.

101. The LP Entities’ financial problems have been public knowledge for at least six months prior to the commencement of these proceedings as a result of which the LP Entities have experienced increasing difficulty retaining key employees. To address this problem, management determined that retention payments should be made to the MIP Participants in accordance with the MIPs.
  
102. Therefore, half of the amounts payable to the MIP Participants under the MIPs were paid on the last regular payroll period occurring in December 2009, and the second (and final) payments will, subject to the approval of this Honourable Court, be made on the date the LP Entities emerge from the CCAA Proceedings (the “**Emergence Date**”). It is proposed that the LP Entities’ remaining obligations under the LP MIP will be secured by the MIP Charge (as defined and described in greater detail below).

103. The amounts payable to the MIP Participants were calculated as percentages of their respective base compensation. The existing terms of employment will continue for all of the MIP Participants.
104. The MIPs were the subject of extensive negotiations with and was approved in form and substance by the LP Administrative Agent. The LP CRA facilitated the negotiations between the LP Entities and the LP Administrative Agent and is supportive of the terms and conditions of the MIPs as negotiated between the parties.
105. The LP Entities believe that the MIPs provide appropriate incentives for the participating employees and/or directors to remain in their current positions at the LP Entities or NPI (as applicable).
106. FTI assisted with the framework of the proposed MIPs. The Proposed Monitor recognizes the need to retain the services of the employees included in the MIPs and is supportive of the terms and conditions of the MIPs as negotiated.

*Special Arrangements*

107. The LP Entities also entered into the Special Arrangements to amend the employment agreements of one employee of CPI and one employee of NPI to provide for termination payments payable in the event that, upon a sale, divestiture, reorganization or recapitalization of CPI, these employees are not offered employment with the successor entity on commercially reasonable terms. The termination payments are inclusive of all entitlements to all notice of termination, pay in lieu thereof and similar obligations.

108. It is proposed that the LP Entities' obligations under the Special Arrangements will be secured by the MIP Charge.

***KERP***

109. As detailed in the Prefiling Report of FTI as the proposed monitor of the CMI Entities dated October 5, 2009, key employee retention plans (“**KERP**”) were implemented by the CMI Entities to incentivize certain of its employees. Some of the KERP participants are providing restructuring and related advisory services to the LP Entities in addition to providing restructuring and related services to the CMI Entities. Accordingly, and as part of the agreement between the CMI Entities and the LP Entities to bear their respective costs and expenses of the restructuring of their operations, the LP Entities established a trust in favour of certain KERP participants in the amount of approximately \$3.95 million being the net contributions from the LP Entities. On November 12, 2009, the LP Entities paid the \$3.95 million into a trust account held by Gordon Marantz, Q.C., as trustee in an account with Royal Bank of Canada (“**RBC**”) for the benefit of certain KERP participants who are employed by the CMI Entities, of which \$1,035,511 was paid out to the KERP participants on December 30, 2009.
110. This Honourable Court approved the KERP by Order dated October 6, 2009 in the CMI Entities' CCAA proceedings.

## FUNDING OF THESE PROCEEDINGS

### *Cash Flow Projections*

111. The LP Entities, with the assistance of the Proposed Monitor, have prepared consolidated 13-week cash flow projections of their receipts, disbursements and financing requirements (the “**Cash Flow Projections**”). Copies of the Cash Flow Projections and a report containing the prescribed representations of the LP Entities regarding the preparation of the Cash Flow Projections are appended to the Strike Affidavit and attached hereto collectively as **Appendix “B”**.
112. As shown in the Cash Flow Projections, it is estimated that for the period from January 4, 2010 to April 4, 2010, the LP Entities will have total operating receipts of \$284.7 million, total operating disbursements of \$255.2 million, funding requirements for its subsidiary, NPI (not an Applicant in this proceeding), totaling \$2.3 million, and total disbursements relating to the restructuring of \$27.0 million for net cash inflows during the period of \$0.2 million.
113. It is anticipated that the LP Entities’ projected liquidity requirements throughout the CCAA Proceedings will be met by cash generated from operations. However, the ability to borrow funds from a Court-approved DIP Facility, secured by a DIP Charge, (as defined below), will be crucial to retain the confidence of the LP Entities’ trade creditors, employees and suppliers and would enhance the prospects of a viable compromise or arrangement being made with respect to the LP Entities.

***DIP Facility***

114. Some of the LP Secured Lenders (the “**DIP Lenders**”) have agreed to extend to the Limited Partnership a senior secured super-priority DIP revolving credit facility in the maximum amount of \$25 million, including a letter of credit sub-facility of up to \$5 million (the “**DIP Facility**”).
115. The terms of the DIP Facility are contained in the commitment letter between the LP Entities, the DIP Lenders and BNS as administrative agent (in such capacity, the “**LP DIP Agent**”) dated as of January 8, 2010 (the “**Commitment Letter**”) (a copy of which is attached as Exhibit “W” to the Strike Affidavit) and include, *inter alia*, the following:
- i. the total availability under the DIP Facility is not to exceed the lesser of:
    - a) \$25 million; and
    - b) the sum of (i) 50% of the fair market value of the Eligible Real Property (to a maximum of \$15 million), and (ii) 85% of the Eligible Accounts (as such terms are defined in the Commitment Letter), less (iii) any reserves established by BNS as administrative agent of the DIP Facility (including, *inter alia*, in respect of the Administration Charge, the Cash Management Obligations and any claims that may have priority over the DIP Charge (as defined below));
  - ii. pending satisfaction of certain conditions, including negotiation of the definitive documentation for the DIP Facility (as outlined in the Commitment Letter), the

Limited Partnership may request immediate advances under the DIP Facility of up to \$10 million;

- iii. the types of credit available under the DIP Facility and interest rates and fees associated therewith are as follows:
  - a) Canadian dollar prime rate advances, with interest at BNS' Canadian prime rate (subject to a floor of 2.25%), plus a margin of 7% per annum;
  - b) U.S. dollar advances, with interest at BNS' U.S. base rate (subject to a floor of 3.75%), plus a margin of 7% per annum;
  - c) to the extent available, one or two months' Canadian dollar bankers' acceptances (subject to a bankers acceptance rate floor of 1.25%), with a stamping fee of 8% per annum; and
  - d) letters of credit, subject to a letter of credit fee of 8% per annum;
- iv. the Limited Partnership must pay certain fees in connection with the DIP Facility, including: (a) an upfront fee of \$750,000 to the DIP Lenders; (b) an arrangement fee to BNS as arranger of the DIP Facility in the amount of \$125,000; (c) \$150,000 to LP DIP Agent; and (d) an unused commitment fee to the DIP Lenders in the amount of 150 basis points per annum times the unused portion of the DIP Facility;
- v. the DIP Facility may only be used for certain purposes, including, *inter alia*, working capital and other ordinary course expenditures of the LP Entities in

accordance with the approved cash flow forecast, and may not be used (without the prior consent of the LP DIP Agent) to pay any interest, principal or fees in respect of the LP Note Indenture;

- vi. the DIP Facility matures on the earliest of: (a) July 31, 2010; (b) the date on which a plan of arrangement under the CCAA has been implemented by the LP Entities; (c) the date on which the Initial Order herein expires without being extended or on which the CCAA Proceedings are dismissed or converted into a proceeding under the BIA; and (d) the date of acceleration and termination of the commitment under the DIP Credit Facilities; and
  - vii. all orders (including the Initial Order) in any proceeding commenced by the LP Entities under the CCAA must be in form and substance satisfactory to the DIP Lenders.
116. The DIP Commitment Letter also contains a number of affirmative, negative and financial covenants and events of default.
117. The DIP Facility is guaranteed by the Applicants and all of their direct and indirect subsidiaries (save and except for NPI) and is to be secured by the DIP Charge (as defined and described below).
118. Prior to entering into the Forbearance Agreement, the LP Entities sought proposals from other third party lenders for a DIP facility. However, as required by the Forbearance Agreement, the LP Entities have, as part of the Support Transaction, negotiated the DIP Facility provided by the DIP Lenders.



*Proposed Monitor's Report on the Reasonableness of the Cash Flow Projections*

119. Pursuant to section 23(1)(b) of the CCAA, the Proposed Monitor is required to provide this Honourable Court with the Proposed Monitor's findings with respect to its review of the LP Entities' Cash Flow Projections as to their reasonableness. The Proposed Monitor's Report with respect to same is as follows.
120. The Cash Flow Projections have been prepared by the management of the LP Entities for the purpose of determining the liquidity requirements for the LP Entities during the CCAA Proceedings using the Probable and Hypothetical Assumptions<sup>5</sup> as identified by the LP Entities and as discussed with FTI. Copies of the Cash Flow Projections and the report containing the prescribed representations of the LP Entities regarding the preparation of the Cash Flow Projections are already attached hereto collectively as Appendix "B".
121. FTI's review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the LP Entities. Since Hypothetical Assumptions need not be supported, FTI's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projections. The Proposed Monitor also reviewed the support provided by management of the LP Entities for the Probable Assumptions, and the preparation and presentation of the Cash Flow Projections.

---

<sup>5</sup> All terms used but not defined in this section of the report have the meanings ascribed to them in the Canadian Association of Insolvency and Restructuring Professionals ("CAIRP") Standard of Practice No. 09-1, Cash-Flow Statement, approved, ratified and confirmed by CAIRP members on August 21, 2009.

122. Based on FTI's review, nothing has come to its attention that causes the Proposed Monitor to believe that, in all material respects:
- i. the Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Projections;
  - ii. as at the date of this report, the Probable Assumptions developed by management are not Suitably Supported and consistent with the plans of the LP Entities or do not provide a reasonable basis for the Cash Flow Projections, given the Hypothetical Assumptions; or
  - iii. the Cash Flow Projections do not reflect the Probable and Hypothetical Assumptions.
123. Since the Cash Flow Projections are based upon Assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Projections will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by it in preparing this report.
124. The Cash Flow Projections have been prepared solely for the purpose of determining the liquidity requirements for the LP Entities during the CCAA Proceedings, using Probable and Hypothetical Assumptions, and readers are cautioned that it may not be appropriate for other purposes.

## CREDITOR NOTIFICATION

125. The draft Initial Order requires the LP Entities or the Monitor (if appointed) to:
- i. publish one notice in each of *The Globe and Mail*, the *National Post* and *La Presse* containing the information prescribed under the CCAA without delay; and within five days of the date of the Initial Order to:
  - ii. send notice of the Initial Order to every known creditor having a claim in excess of \$5,000;
  - iii. make the Initial Order publicly available in the manner prescribed under the CCAA; and
  - iv. prepare a list showing the names and addresses of all known creditors (other than in respect of the LP Senior Secured Lenders holding LP Secured Claims (as these terms are defined below) and creditors that are individuals in order to preserve the identity and privacy of such individuals) and the estimated amounts of their claims, and make it publicly available in the prescribed manner.
126. Approval of the higher threshold of \$5,000 is sought to reduce the burden and cost of such process. FTI will also post the Initial Order on its website at <http://cfcanada.fticonsulting.com/clp>. The Proposed Monitor also recognises that the CCAA Proceedings will likely be widely publicized by Canadian media outlets and will be the subject of a press release distributed to North American news services.

127. The Monitor has set up a dedicated hotline and email address in order to address creditor inquiries. Information for both the hotline and email address can be found on the Proposed Monitor's website and are: 1-888-310-7627 and [canwestlp@fticonsulting.com](mailto:canwestlp@fticonsulting.com).

## **PROPOSED INITIAL ORDER**

128. FTI reviewed the proposed Initial Order and provides comments on certain paragraphs thereof below.

### ***Payment of Pre-filing Obligations***

129. The proposed Initial Order contemplates the LP Entities, subject to availability under the Cash Flow Projections and, if drawn upon, the DIP Facility, having the ability to pay certain pre-filing expenses, including with respect to all amounts owing to:

- i. certain critical suppliers;
- ii. Amex Bank of Canada ("**American Express**");
- iii. employees in connection with unpaid wages, salaries, benefits, pension, and certain related amounts; and
- iv. the CMI Entities in connection with the inter-entity services.

### **Critical Suppliers**

130. The LP Entities advised FTI that they are dependent upon an uninterrupted supply of goods and services from certain of their suppliers, including, among others, certain suppliers of newsprint and ink, distributors of newspapers, content providers to

*FPInfomart.ca* (part of the LP Entities' digital media and online business), IT service and license providers, and equipment, parts and maintenance providers. Therefore, the LP Entities are seeking this Honourable Court's authorization to pay amounts owing for goods and services actually supplied to the LP Entities, or to obtain the release of goods contracted for prior to the date of the Initial Order with the prior consent of the Monitor (if appointed), if in the opinion of the LP CRA, in consultation with the LP Entities, the supplier is critical to the business of the LP Entities and ongoing operations of any of the LP Entities.

131. The proposed Initial Order provides that the Monitor (if appointed) will report to the Court on, *inter alia*, any payments of pre-filing arrears made to critical suppliers.

#### American Express

132. Employees of the LP Entities use the American Express Corporate Card Program and the American Express Central Billed Accounts for business related travel and entertainment. The LP Entities consider the American Express Central Billed Account to be an integral part of the LP Entities' cash management and accounting function and consider the continued ability to reimburse employees for such expenses to be essential to the operation of the LP Entities' businesses.

133. On January 23, 2009, as a condition of allowing ongoing use of its Corporate Card Program and the Central Billed Account, American Express required that the LP Entities agree that in the event of a filing under the CCAA, they would seek a provision in the Initial Order allowing for payment of any and all amounts due to American Express at the

time of filing. Therefore, the LP Entities are seeking the authority from this Honourable Court to pay all pre-filing amounts due to American Express.

#### FTI's Recommendation Regarding Proposed Payments of Pre-Filing Obligations

134. FTI agrees that the uninterrupted, timely supply of newsprint, distribution services and certain other goods and services outlined above is necessary to preserve the LP Entities' enterprise value and that payment of some pre-filing amounts may be necessary to ensure such uninterrupted supply. Accordingly, the Proposed Monitor supports the Applicants' proposed approach to critical supplier payments as set out in the Strike Affidavit and draft Initial Order. However, FTI also recognizes that the LP Entities' financing is limited and, if appointed Monitor, will work with the LP Entities' to ensure that payments to suppliers in respect of pre-filing liabilities are minimized.

135. As indicated above, the Proposed Monitor also supports the payment of pre-filing arrears to employees in connection with unpaid wages, salaries, benefits, pension, and certain related amounts and the CMI Entities in connection with the inter-entity services.

#### ***Other Proposed Payments during CCAA Proceedings***

##### Sales Representation Agreements

136. The LP Entities are parties to various sales representation agreements under which the LP Entities, as commissioned agent, sell printed and/or online advertising on behalf of third-party clients. In certain cases, the LP Entities also invoice and collect advertising receivables on behalf of these clients. The LP Entities charge fees for these services, which are typically calculated as a percentage of the advertising sold and, where

applicable, collected on behalf of these clients. At any point in time, the LP Entities may be in possession of cash collected pursuant to one or more of these sales representation agreements that is owed to one or more of their clients.

137. The LP Entities intend to continue to honour the terms of the sales representation agreements throughout the pendency of the CCAA Proceedings. In order to honour the terms of the sales representation agreements, the LP Entities have requested that any cash held on behalf of a sales representation customer not be subject to the stay of proceedings provided in the Initial Order as not forming part of the LP Entities' property.
138. FTI agrees that the cash held on behalf of sales representation clients does not form part of the property of the LP Entities and, therefore, supports the LP Entities' request that such funds should not be subject to the stay of proceedings provided under the proposed Initial Order.

#### Funding of NPI

139. The LP Entities are also requesting authorization to continue to provide funding to NPI pursuant to the terms of the NPI Loan Agreement throughout the course of the CCAA Proceedings. The Monitor supports this request due to the positive financial contribution that NPI makes to the LP Entities.

#### Payments to the LP Secured Lenders, the LP Administrative Agent and the Hedging Secured Creditors

140. The proposed Initial Order also authorizes and directs the LP Entities to make payments of interest on principal outstanding under the LP Credit Agreement and the Swap

Obligations, pay all Recoverable Expenses<sup>6</sup> and make certain other payments to the LP Administrative Agent as provided in the Support Agreement (as defined below).

### ***Financial Advisor Agreement***

141. The LP Entities are seeking approval of the agreement between Canwest Limited Partnership, CPI and RBC Dominion Securities Inc. (the “**Financial Advisor**”) dated October 1, 2009 relating to the Financial Advisor’s provision of investment banking services to the LP Entities (the “**Financial Advisor Agreement**”). A copy of the redacted Financial Advisor Agreement (as amended) is attached as Exhibit “DD” to the Strike Affidavit. An unredacted version of same is attached as **Appendix “D”** to the Confidential Supplement to this pre-filing report and requested to be sealed and kept confidential.
142. The LP Entities have advised FTI that they believe (i) that the Financial Advisor’s services are essential to the completion of the SISF, and (ii) that the quantum and nature of the remuneration provided for in the Financial Advisor Agreement are fair and reasonable.

### ***Chief Restructuring Advisor***

143. The LP Entities are seeking appointment of CRS Inc. as Chief Restructuring Advisor of the LP Entities (the “**LP CRA**”) and approval of the terms and conditions of the agreement between the LP Entities, Canwest Global and the CRS Inc. outlining the terms

---

<sup>6</sup> Defined in the Support Agreement as all recoverable fees, expenses and costs incurred by the LP Administrative Agent both prior to and after the commencement of the CCAA Proceedings which the Limited Partnership agreed to reimburse under the terms of the LP Credit Agreement or otherwise, including, *inter alia*, reasonable costs of conducting the search for directors of AcquireCo and investment banking advice relating to the equity of AcquireCo.



and conditions of such appointment (the “**CRA Agreement**”) (which CRA Agreement is not to be amended without prior Court approval). A copy of the CRA Agreement is attached as Exhibit “V” to the Strike Affidavit.

144. In the event that this Honourable Court grants the requested Initial Order, the LP CRA will assume primary responsibility for the formulation and implementation of the restructuring and/or recapitalization of all, or part, of the business and/or capital structure of the LP Entities.

### ***Court-Ordered Charges***

#### Administration Charge

145. The proposed Initial Order provides for a first-ranking charge (subject to any purchase money security interests and statutory encumbrances existing on the date of the Initial Order in favour of any person which is a secured creditor, if any, in respect of certain priority payables<sup>7</sup>) in an amount not to exceed \$3 million charging the assets of the LP Entities to secure the fees and disbursements incurred in connection with services rendered to the LP Entities both before and after the commencement of the CCAA Proceedings by counsel to the LP Entities, the Proposed Monitor, the Proposed Monitor’s counsel, counsel and financial advisor to the Special Committee, and the LP CRA and its counsel (the “**Administration Charge**”).

---

<sup>7</sup> As set out in paragraph 56 of the draft Initial Order.

### DIP Charge

146. The proposed Initial Order provides for a charge in favour of the DIP Lenders in the amount not to exceed \$25 million charging all of the assets of the LP Entities (the “**DIP Charge**”). The DIP Charge is proposed to rank immediately subsequent to the Administration Charge as against all property of the LP Entities and *pari passu* with the Existing Security solely to the extent that such Existing Security secures the Cash Management Obligations of up to \$7.5 million.

### Financial Advisor Charge

147. The proposed Initial Order provides for a charge to secure payments of fees and disbursements, including the success fee (if any) payable to the Financial Advisor pursuant to the Financial Advisor Agreement (the “**Financial Advisor Charge**”) over the property of the LP Entities in the maximum aggregate amount of \$10 million ranking immediately subsequent to the DIP Charge.

### Directors & Officers Charge

148. The LP Entities are seeking approval of a charge in favour of the directors and officers of the LP Entities (the “**D&O Charge**”) over the property of the LP Entities in the amount of \$35 million ranking immediately subsequent to the Financial Advisor Charge and *pari passu* with the MIP Charge (as defined below).

149. The LP Entities, with the assistance of their counsel and FTI, have carried out procedures to identify and attempt to quantify the directors’ and officers’ potential liabilities. The amount of the D&O Charge was estimated taking into consideration existing directors’

and officers' liability insurance (which totals \$40 million, is set to expire on February 28, 2010 and cannot be extended under its terms, and is also applicable to the claims made against the directors and officers in the CMI Entities' CCAA proceedings (currently totalling approximately \$4.2 million)) and the potential liabilities which may attach to the directors and officers, and is based upon the potential liability of the directors and officers for certain employee-related and tax-related obligations.

150. FTI has been advised that due to the potential for personal liability and lack of sufficient directors' and officers' insurance, the directors of the LP Entities are unwilling to continue their services and involvement in this restructuring without the protection of the D&O Charge. As the LP Entities will require the participation of their respective directors and officers and their experience in the Canadian media industry to pursue a successful restructuring, FTI believes that the D&O Charge is required and reasonable in the circumstances.
151. The amount and priority ranking of the D&O Charge have been negotiated and agreed with the DIP Lenders and the LP Administrative Agent.

#### MIP Charge

152. The proposed Initial Order provides for a charge to secure payments remaining under the LP MIP and the Special Arrangements (the "**MIP Charge**") over the property of the LP Entities in the maximum amount of \$3 million ranking immediately subsequent to the Financial Advisor Charge and *pari passu* with the D&O Charge.

Summary of the Proposed Rankings of the Court-Ordered Charges and Certain Existing Security

153. The effect of the proposed Court-ordered charges in relation to each other is the following ranking (subject to any purchase money security interests and statutory encumbrances existing on the date of the Initial Order in favour of any person which is a secured creditor, if any, in respect of certain priority payables<sup>8</sup>):

- i. First – the Administration Charge;
- ii. Second – the DIP Charge and the Existing Security solely to the extent that such Existing Security secures the Cash Management Obligations of up to \$7.5 million on a *pari passu* basis;
- iii. Third – the Financial Advisor Charge; and
- iv. Fourth – the D&O Charge and the MIP Charge on a *pari passu* basis.

154. FTI believes that the above noted proposed Court-ordered charges and rankings are required and reasonable in the circumstances of the CCAA Proceedings in order to preserve going concern operations of the LP Entities and maintain their enterprise values and, accordingly, supports the granting of and the proposed ranking of the charges. FTI is advised that all secured creditors that may be affected by the proposed Court-ordered charges have received notice of these proceedings.

---

<sup>8</sup> As more particularly set forth in paragraph 56 of the draft Initial Order.

***Financial Thresholds***

155. The draft Initial Order reviewed by FTI permits the LP Entities, subject to, *inter alia*, the requirements of the CCAA and the consent of the Monitor (if appointed), to sell or dispose of property not exceeding \$1 million in any one transaction or \$5 million in the aggregate, so long as the proceeds of all such sales are applied to reduce the principal amount owed to the LP Secured Lenders under the LP Secured Credit Facilities.
156. In the Proposed Monitor’s view these thresholds are appropriate.

**PROPOSED RESTRUCTURING**

***The Support Transaction***

157. As referenced above, the LP Entities and the LP Administrative Agent have negotiated the Support Transaction. The general terms of the Support Transaction are contained, *inter alia*, in the LP Support Agreement between the LP Administrative Agent and the LP Entities dated January 7, 2010 (the “**Support Agreement**”) (a copy of which is attached as Exhibit “X” to the Strike Affidavit) and include, among other things, the following:
- i. Pursuant to an acquisition and assumption agreement (the “**Acquisition Agreement**”), AcquireCo (to be initially capitalized as described above in paragraph 14) will:
    - a) acquire substantially all of the assets of the LP Entities (including all of the shares of NPI and excluding all avoidance- or reviewable transaction-type

claims) (the “**Subject Assets**”) free and clear of any withholdings for taxes or otherwise;

b) assume certain (principally post-filing operating) liabilities of the LP Entities;  
and

c) offer employment to all or substantially all of the employees of the LP Entities and, subject to an election right described below, assume certain employee related liabilities, including:

I. all of the LP Entities’ existing pension plans and existing post-retirement and post-employment benefit plans (with the exception of any obligations related to the LP RCA and SERAs (described above));

II. termination and severance liabilities owing to any employees AcquireCo does not make an offer of employment to; and

III. termination and severance obligations of the LP Entities which may be stayed under the CCAA Proceedings.

ii. Under the terms of the Acquisition Agreement, AcquireCo, acting commercially reasonably and after consultation with the operational management of CPI, can elect to exclude any specified employment-related liabilities described in subparagraphs (c)(I)-(III) above and, (as expressly provided in section 5.5 of the Acquisition Agreement) to the extent such election is permitted under applicable laws and, subject to any collective bargaining with unionized employees of the LP Entities, any other employment-related liabilities of the LP Entities.

- iii. The Acquisition Agreement is to be approved by the LP Secured Lenders and the Hedging Secured Creditors (collectively, the “**LP Senior Secured Lenders**”) pursuant to a plan of compromise or arrangement between the Limited Partnership, CPI and the LP Senior Secured Lenders (the particulars of which are described in greater detail below) (the “**Secured Lenders’ Plan**”). The proposed Initial Order expressly authorizes:
- a) the LP Entities to seek approval of the Secured Lenders’ Plan; and
  - b) the LP Administrative Agent to amend, modify and/or supplement the Secured Lenders’ Plan at any time prior to the LP Senior Secured Lenders Meeting (as defined and described below).
- iv. A formal vote of the LP Senior Secured Lenders under the CCAA on the Senior Lenders’ Plan will be held on or before January 31, 2010 (the “**LP Senior Secured Lenders’ Meeting**”). The proposed Initial Order provides procedures for the:
- a) valuation of the LP Secured Claims for the purposes of voting on the Senior Lenders’ Plan and subsequent distribution (as described in greater detail below) (the “**Claims Process**”); and
  - b) conduct of the LP Senior Lenders’ Meeting and voting on the Senior Lenders’ Plan.
- v. The Financial Advisor, under the supervision of the Monitor (if appointed), will carry out the SISP in accordance with the Procedures for the Sale and Investor

Solicitation Process (a copy of which is appended to the draft Initial Order as Schedule “A” and which is described in greater detail below) (the “**SISP Procedures**”).

- vi. Subject to a successful bid as a result of and in accordance with the terms of the SISP and subject to the approval of the LP Senior Secured Lenders and obtaining approval of this Honourable Court of the Senior Lenders’ Plan, the LP Senior Secured Lenders will, in accordance with the terms of the Senior Lenders’ Plan (as more fully described in paragraph 160 below), exchange their outstanding secured claims against the LP Entities under the LP Credit Agreement and the Swap Obligations (and for greater certainty, excluding the Cash Management Obligations) (each a “**LP Secured Claim**”) for their *pro rata* shares of the debt and equity to be issued by AcquireCo.
- vii. All of the LP Entities’ obligations under the LP Secured Claims calculated as of the date of the closing less \$25 million (the “**Cash Discount**”) shall be deemed to be satisfied following the closing of the Acquisition Agreement. The LP Secured Claims in the amount of the Cash Discount will continue to be held by AcquireCo and constitute outstanding unsecured claims against the LP Entities.
- viii. Pursuant to the Support Agreement, the LP Entities have agreed to facilitate the transactions contemplated by the Senior Lenders’ Plan. The Support Agreement contains a number of affirmative, negative and financial covenants and events of default, including, the obligation of the LP Entities to (and, where applicable, to



cause NPI to), among other things (pending the date of the implementation of the Senior Lenders' Plan):

- a) carry on their respective businesses in the usual and ordinary course;
  - b) continue to pay (free and clear of any withholding for taxes or otherwise) all interest on the LP Secured Claims and all Recoverable Expenses when due; and
  - c) use best efforts to deliver a written report to the LP Administrative Agent not less than 24 hours prior to making any payment<sup>9</sup> in excess of \$100,000 on account of pre-filing obligations (exclusive of payments for employee-related items and sales taxes);
- ix. On or prior to closing, AcquireCo, the LP Entities and the Monitor shall agree on (or this Honourable Court shall determine) the amount of cash to be reserved (the "**Cash Reserve**") to be held in a segregated account by the Monitor in trust for the benefit of persons entitled to be paid the Cash Reserve Costs (as defined below) and AcquireCo and used to pay, *inter alia*, outstanding amounts secured by the Administration Charge, the Financial Advisor Charge or the D&O Charge, Post-Filing Trade Payables (as defined in the Senior Lenders' Plan), certain employment related obligations of the LP Entities, certain claims of government entities, and the fees and costs of any trustee in bankruptcy of the LP Entities (up to a maximum amount of \$150,000 incurred on or before the first meeting of

---

<sup>9</sup> Provided that if such report is not delivered to the LP Administrative Agent at least 24 hours prior to making any such payment, the LP Entities shall deliver such report to the LP Administrative Agent as soon as possible and not later than close of business on the date such payment is made.

creditors), in each case to the extent not paid by the LP Entities or, to the extent AcquireCo so elects as permitted by the Senior Lenders' Plan, assumed by AcquireCo (the "**Cash Reserve Costs**"). Any residual balance in the Cash Reserve after the full payment of all Cash Reserve Costs shall be an asset of and owned by AcquireCo. During a period of five years after acquiring the Subject Assets (or such longer period as AcquireCo and CPI may agree), AcquireCo is also obligated to, *inter alia*, direct any requested former employees of the LP Entities transferred to AcquireCo to provide any trustee in bankruptcy of the LP Entities assistance with the performance of such trustee's statutory duties and obligations under the BIA, including the preparation and service of notices to creditors.

158. Pursuant to a Senior Lenders Support Agreement between the LP Administrative Agent and certain LP Senior Secured Lenders (the "**Senior Lenders Support Agreement**"), those LP Senior Secured Lenders parties thereto authorized the LP Administrative Agent to pursue the Support Transaction and enter into the Support Agreement. FTI is advised by the LP Administrative Agent that LP Senior Secured Lenders representing 48.1% of the LP Secured Claims have become party to the Senior Lenders Support Agreement in consideration for a commitment fee of 0.375% of their respective LP Secured Claims. The LP Administrative Agent has provided evidence, satisfactory to FTI that approximately 48% of the LP Senior Secured Lenders have become party to the Senior Lenders Support Agreement. The LP Senior Secured Lenders that are not party to the Senior Lenders Support Agreement prior to the date hereof will be invited to execute the

Senior Lenders Support Agreement up until January 22, 2010 in consideration for a commitment fee of 0.25% of their LP Secured Claims.

159. The LP Entities believe that the Support Transaction provides them the opportunity to implement a going concern restructuring of their businesses and will permit the continued employment for their employees.

***Senior Lenders' Plan***

160. The Senior Lenders' Plan (a copy of which is attached as Exhibit "X" to the Strike Affidavit) provides, *inter alia*, as follows:

- i. The Senior Lenders' Plan will only compromise the LP Secured Claims and will not affect or compromise any other claims against any of the LP Entities (the "**Unaffected Claims**").
- ii. No holders of the Unaffected Claims will be entitled to vote on or receive any distributions in respect of their claims.
- iii. For the purposes of considering and voting on the Senior Lenders' Plan and any entitlement to receive distributions thereunder, there will only be one class of the LP Senior Secured Lenders.
- iv. Subject to acceptance of the Senior Lenders' Plan, failure to generate a Superior Offer (as defined in the SISP Procedures) as a result of the SISP (as more fully described in paragraphs 165-179 below) and obtaining approval of this Honourable Court of the Senior Lenders' Plan, and upon satisfaction or waiver of

all conditions precedent to implementation of the Support Transaction outlined in the Secured Lenders' Plan, the Secured Lenders' Plan will be implemented as follows:

- a) each of the LP Senior Secured Lenders will be deemed to have transferred to AcquireCo its existing LP Secured Claim in exchange for a *pro rata* share of the debt and equity to be issued by AcquireCo;
  - b) each of CBI, the Limited Partnership and CCI will transfer of all their right, title and interest in all of their respective assets (other than, *inter alia*, the partnership interest of CCI in the Limited Partnership and the voting shares of CPI) to CPI;
  - c) the stay of proceedings provided for in the Initial Order in the CCAA Proceedings (if granted) will be lifted to permit AcquireCo to deliver a demand to CPI in respect of CPI's obligations under the LP Secured Claims; and
  - d) following the LP Entities' failure to pay the amounts owing to AcquireCo, AcquireCo will acquire the Subject Assets from CPI pursuant to the terms of the Acquisition Agreement by way of foreclosure or enforcement of its security.
- v. In the event that a Superior Cash Offer is received and accepted, and upon satisfaction or waiver of all conditions precedent to implementation of the Support Transaction outlined in the Secured Lenders' Plan, each of the LP Senior

Secured Lenders will receive its *pro rata* share of the Reference Amount (as defined in the Senior Lenders' Plan) in repayment in full of its Senior Secured Claim.

- vi. Certain Unaffected Claims (including, *inter alia*, the DIP Facility, certain employee and pension related claims, Cash Management Obligations and any secured claims ranking in priority to the LP Secured Claims) will be paid by the LP Entities, assumed by AcquireCo on or before the Senior Lenders' Plan implementation date or paid in full by the Monitor from the Cash Reserve.
- vii. In the event a Superior Alternative Offer is identified in the SISP and closes not later than sixty days after the Phase 2 Deadline, the Senior Lenders' Plan shall terminate unless otherwise provided pursuant to such Superior Alternative Offer.

### *Claims Process*

161. The proposed Initial Order provides, among other things, that for the purposes of voting and distribution under the Senior Lenders' Plan, the principal or termination amount of each of the LP Secured Claims (as the case may be) will be determined in the following manner:

- i. within two business days of the filing date:
  - a) the LP Administrative Agent will:
    - I. send to the LP Entities (with a copy to the Monitor) a notice setting out the aggregate amount owing by each of the LP Entities under the LP Credit

Agreement as at the filing date and each LP Secured Lender's *pro rata* share of same based on the records of the LP Administrative Agent (the "**Secured Lender Claim Notice**"); and

II. post a copy of the Secured Lender Claim Notice on one of the IntraLinks websites maintained by the LP Administrative Agent for the benefit of the LP Secured Lenders (the "**Website**");

b) the LP Entities will send to each Hedging Secured Creditor (with a copy to the Monitor and the LP Administrative Agent) a notice setting out the termination amounts owing by each of the LP Entities to each of the Hedging Secured Creditor and the rate of interest payable on such amounts (the "**Hedging Creditor Claim Notice**");

ii. within five days of receipt or posting on the Website of the Secured Lender Claim Notice or the Hedging Creditor Claim Notice (as applicable), the LP Entities, the LP Secured Lenders and the Hedging Secured Creditors will advise whether the amounts set out in the Secured Lender Claim Notices or the Hedging Creditor Claim Notices are incorrect by delivering a notice of dispute (in the forms attached to the draft Initial Order) (the "**Notice of Dispute**") to the Monitor, failing which, they shall be deemed to have confirmed the amounts set out therein for the purposes of voting and for calculating the entitlement to distribution under the Senior Lenders' Plan;

iii. if a Notice of Dispute is delivered in accordance with the procedures set out in the draft Initial Order, then the disputing party, the Monitor, the LP Entities, and the

LP Administrative Agent (as may be applicable) will have five days to reach an agreement in writing as to the amount disputed in the Notice of Dispute;

- iv. if a Notice of Dispute is not resolved within five days of receipt thereof, then the disputed amount will be determined by the Court on a motion for advice and directions brought by the Monitor on notice to all interested parties. The Monitor and the disputing party will each use reasonable efforts to have such motion, and any appeal therefrom, disposed of on an expedited basis with a view to having it finally determined on a timely basis;
- v. if a dispute by an LP Secured Lender or a Hedging Secured Lender is not resolved on or before the second business day immediately prior to the day of the LP Senior Lenders' Meeting, then, for the purposes of voting, the LP Secured Lender or a Hedging Secured Lender shall have an accepted LP Senior Secured Claim in the amount set out in the Secured Lender Claim Notice or the Hedging Claim Notice (as applicable); and
- vi. if, following the vote at the LP Senior Lenders' Meeting, the votes in respect of the LP Senior Secured Claims that have not at the time of the LP Senior Lenders' Meeting been finally determined would affect the result of the vote, the Monitor, in consultation with the LP Entities and the LP Administrative Agent, will request direction of the Court.

162. The LP Entities and the LP Administrative Agent are of the view, and the Proposed Monitor agrees, that it is important to conclude the CCAA Proceedings as soon as possible to minimize any disruption to the LP Entities' business. Accordingly, the

Support Agreement contains certain milestones by which various steps in the CCAA Proceedings must be taken, including, *inter alia*, holding a meeting to vote on the Senior Lenders' Plan by no later than January 31, 2010. The terms of the claims process outlined in the proposed Initial Order were formulated in order to allow the LP Entities to proceed with the Support Transaction efficiently and effectively so that the LP Entities can emerge from CCAA protection as soon as possible.

163. The draft Initial Order also provides that any LP Senior Lender which asserts that its LP Senior Secured Claim includes a claim or claims in addition to the claim for principal or termination amounts (as the case may be), must notify the Monitor (with a copy to the LP Administrative Agent and the LP Entities) of any such additional claims and the amounts thereof within ten days of the filing date, failing which, such claims will be forever extinguished and barred.
164. The Senior Lenders' Plan provides that on its implementation date, the Monitor will establish a reserve for any LP Secured Claims (or any portions thereof) that had not been finally determined at the time of the LP Senior Lenders' Meeting (the "**Unresolved Senior Claims Reserve**") and distribute same in accordance with the provisions of the Senior Lenders' Plan.

***Proposed Sales and Investor Solicitation Process (SISP)***

165. The SISP was designed to allow the LP Entities to test the market, recognizing, however, that no alternative offer to the Acquisition Agreement (unless it is a Superior Cash Offer) can proceed without the requisite majority of the LP Senior Secured Lenders. The LP



Entities and the LP Administrative Agent agreed to conduct the SISP pursuant to the SISP Procedures in two phases (as described below).

166. There are to be no amendments to the SISP Procedures without the consent of the LP Administrative Agent. At any time during the SISP, the Monitor, following consultation with the Financial Advisor, the LP CRA and the LP Administrative Agent (collectively, the “**Consulting Parties**”), may apply to the Court for advice and directions with respect to the discharge of its powers and duties thereunder.

#### Phase 1

167. Phase 1 of the SISP is expected to last approximately seven weeks (or such shorter period as the Monitor, in consultation with the Financial Advisor may determine appropriate) and includes, *inter alia*, the following steps:

- i. The Financial Advisor will solicit interest from prospective financial or strategic parties to acquire all or substantially all of the assets of the LP Entities and/or invest in the LP Entities. Within three business days of the commencement of the CCAA Proceedings, the Monitor (if appointed) must publish a notice of the SISP and any other relevant information to be published in the *National Post* and the LP Entities must issue a press release setting out the notice and any other relevant information in form and substance satisfactory to the Monitor with Canada Newswire.
- ii. Qualified interested parties (as determined pursuant to the requirements outlined in the SISP Procedures) who execute a confidentiality agreement will be provided

with a confidential information memorandum (the “**CIM**”) that contains general information about the business and financial affairs of the LP Entities and NPI.

- iii. Qualified interested parties can submit non-binding proposals to the Financial Advisor on or before February 26, 2010 (the “**Phase 1 Bid Deadline**”).

Consideration Whether to Proceed to Phase 2 of or to Terminate the SISP

168. Within two weeks of the Phase 1 Bid Deadline (or such later date as may be agreed by the Monitor, in consultation with the Financial Advisor and the LP CRA, and the LP Administrative Agent), the Monitor, in consultation with the Consulting Parties, will assess the Qualified Non-Binding Indications of Interest (as defined in and determined pursuant to the SISP Procedures) to determine in its sole discretion whether there is a reasonable prospect of obtaining an offer which is a credible, reasonably certain and financially viable offer that would result in a cash distribution to the LP Senior Secured Lenders on closing of the amount owed to them less \$25 million (a “**Superior Cash Offer**”).
169. If the Monitor determines that there is such a reasonable prospect, the Monitor will recommend to the Special Committee that the SISP continue for a further seven weeks in accordance with the SISP Procedures (“**Phase 2**”).
170. If, at the end of Phase 1, the Monitor, in consultation with the Consulting Parties, determines that there is no reasonable prospect of a Superior Cash Offer, the Monitor will notify the LP Administrative Agent and will, in consultation with the Consulting Parties, assess whether there is a reasonable prospect of a Qualified Non-Binding Indication of

Interest resulting in a credible, reasonably certain and financially viable offer for the purchase of all or substantially all of the LP Entities' property or reorganization of the LP Entities (the "**Superior Alternative Offer**") and, if so, will notify the LP Administrative Agent forthwith.

171. If, within two weeks of being so advised, the LP Administrative Agent determines that the LP Senior Secured Lenders holding at least 33.4% of the LP Secured Claims will not support a Superior Alternative Offer, the Monitor shall recommend to the Special Committee that the SISP will be terminated. In the alternative, the SISP will proceed to Phase 2.

#### Phase 2

172. In the event that there is a reasonable prospect of obtaining a Superior Cash Offer or a Superior Alternative Offer, the SISP will proceed to Phase 2 during which time, qualified parties not eliminated from the SISP in accordance with the SISP Procedures will be granted due diligence access to such materials and information relating to the property and business of the LP Entities as the Financial Advisor, in its reasonable judgment, in consultation with the Monitor, deems appropriate, including, if appropriate, meetings with senior management of the LP Entities and facility tours.
173. Qualified parties may deliver final, binding proposals to the Financial Advisor on or before the date which is seven weeks following the commencement of Phase 2 (or such other date or time as may be agreed by the Financial Advisor, in consultation with the Monitor and the LP CRA, and the LP Administrative Agent) (the "**Phase 2 Deadline**").

174. Following the Phase 2 Deadline, the Monitor, in consultation with the Financial Advisor and the LP CRA, will determine if any of the submitted Qualified Bids (as defined and determined pursuant to the SISP Procedures) qualify as a Superior Cash Offer (as defined in and to be determined in accordance with the SISP Procedures). If there is a Superior Cash Offer, the Monitor, in consultation with the Financial Advisor and the LP CRA, shall recommend to the Special Committee that such bid be selected and that a definitive agreement (subject to certain conditions) be negotiated and settled.
175. If the Monitor does not receive any Superior Cash Offers, the Monitor will, in consultation with the Consulting Parties, assess whether any of the submitted Qualified Bids qualify as a potential Superior Alternative Offer and, if so, will provide such bid to the LP Administrative Agent.
176. Unless the LP Administrative Agent advises within two weeks of receiving the particulars of the potential Superior Alternative Offer that the LP Senior Secured Lenders holding at least 33.4% of the LP Secured Claims will not support it, the Monitor, in consultation with the Financial Advisor, the LP CRA or the LP Administrative Agent, shall, in consultation with the Financial Advisor and the LP CRA, recommend to the Special Committee that the Monitor, in consultation with the Consulting Parties, negotiate a definitive agreement (subject to certain conditions) in respect of the potential Superior Alternative Offer and have the right to seek CCAA approval thereof.
177. If the LP Administrative Agent advises within two weeks of receiving the particulars of the potential Superior Alternative Offer that the LP Senior Secured Lenders holding at least 33.4% of the LP Secured Claims will not support the potential Superior Alternative

Offer or if CCAA Approval of the potential Superior Alternative Offer is sought and not obtained, then the LP Entities (and if they do not, the LP Administrative Agent) shall promptly (i) apply for Court sanction of the Senior Lenders' Plan in accordance with the Initial Order and (ii) take steps to complete the Support Transaction, subject to satisfaction of the conditions precedent under and compliance with the terms and conditions of various relevant agreements.

Disagreement of Special Committee with Monitor's Recommendation(s)

178. If, at any point during the SISP, the Special Committee does not accept any of the Monitor's recommendations, the Monitor will report to this Honourable Court that the Special Committee does not accept such recommendation, and will seek advice and directions from this Honourable Court with respect to the SISP.

Termination of the SISP

179. If, at any point during the SISP, the SISP is terminated pursuant to the Monitor's recommendation or pursuant to Court Order, the LP Entities (and if they do not, the LP Administrative Agent) shall promptly (i) apply for Court sanction of the Senior Lenders' Plan in accordance with the Initial Order and (ii) take steps to complete the Support Transaction, subject to satisfaction of the conditions precedent under and compliance with the terms and conditions of various relevant agreements.

***Role of the Monitor in the SISP***

180. Under the proposed Initial Order, the Monitor will have certain additional powers, rights and obligations in addition to those prescribed under the CCAA. A comprehensive list of

such additional proposed powers (which are highlighted throughout the SISP) is contained in the proposed Initial Order and includes, *inter alia*, the following powers:

- i. supervising the SISP and the Financial Advisor in connection therewith and taking such actions and fulfilling such roles as are contemplated in the SISP Procedures;
  - ii. making recommendations to the Special Committee (including, among others, whether the SISP should proceed to Phase 2, whether the SISP should be terminated at any point in accordance with the SISP Procedures, and whether any submitted bids constitute a Superior Cash Offer or a Superior Alternative Offer); and
  - iii. proceeding to this Honourable Court for further direction if the Special Committee disagrees with any of its recommendations.
181. In addition, if the Senior Lenders' Plan is approved and the transaction contemplated by the Acquisition Agreement closes, the Monitor will be empowered to enter into such arrangements with the LP Entities, the LP Senior Secured Lenders and any other parties to the Senior Lenders' Plan that the LP Entities and the LP Senior Secured Lenders deem advisable (including the setting up and administration of one or more trust accounts) in order to facilitate funding of the Cash Reserve Costs and distribution of the Unresolved Senior Claims Reserve.
182. The SISP contains features that recognize that it was negotiated with the LP Administrative Agent on behalf of certain LP Senior Secured Lenders (which LP Senior

Secured Lenders have the benefit of security over all of the assets of the LP Entities), including, *inter alia*, the inability of the LP Entities, without the consent of the LP Administrative Agent, to entertain a Superior Alternative Offer at the end of Phase 2 of the SISF if there is a Superior Cash Offer, even if such Superior Alternative Offer would provide a better result for the unsecured creditors of the LP Entities.

### **REVISED REPORTING STRUCTURE DURING THE CCAA PROCEEDINGS**

183. The Initial Order provides for a revised corporate reporting structure of the LP Entities during the CCAA Proceedings, including requiring the President of CPI (the “**President of CPI**”) to:

- i. report directly and solely to the Special Committee;
- ii. keep the Monitor and the LP CRA advised on a timely basis of developments in the operations and financial performance of the LP Entities and shall meet with the Monitor, the LP CRA and the financial advisor to counsel for the LP Administrative Agent (the “**McMillan Financial Advisor**” and collectively with counsel and other advisors to the LP Administrative Agent, the “**Agent’s Advisors**”) at least once per week, unless otherwise agreed by the McMillan Financial Advisor, to provide an update on operations and financial performance of the LP Entities; and
- iii. advise the Monitor, the LP CRA and the McMillan Financial Advisor forthwith if the Special Committee disagrees with and precludes the President of CPI from proceeding with any recommended financial or operational initiative which the

President of CPI believes is in the best interests of the LP Entities, in which case the Monitor will apply to this Honourable Court for advice and direction if the Monitor and the LP CRA are unable to assist the parties in coming to agreement.

184. The proposed Initial Order also requires the LP Entities to provide the LP Administrative Agent's advisors with any non-privileged, reasonably requested information.

### **PROPOSED MONITOR'S CONCLUSIONS**

185. It is the Proposed Monitor's view that the Applicants are insolvent and it would benefit their stakeholders that they be granted the benefit of protection under the CCAA and, that such protections should be extended to the Limited Partnership.
186. The LP Entities are also seeking, and the Proposed Monitor supports their request, to continue to operate their cash management system and inter-entity services and payments post-filing in substantially the same manner as before the commencement of the CCAA Proceedings (subject to any future modifications to be made with the consent of FTI).
187. The Proposed Monitor supports the payment of certain pre-filing liabilities (as outlined above), subject to the consent of the Monitor where required.
188. The Proposed Monitor supports approval of the DIP Facility in the amount of \$25 million.
189. The Proposed Monitor supports the creation of the LP MIP, NPI MIP and the Special Arrangements, as set out in the confidential supplement to this Report and the requested sealing thereof.

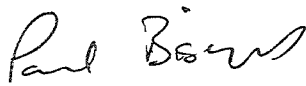


190. The Proposed Monitor supports the amounts and rankings of the Court-ordered charges and the financial thresholds proposed in the draft Initial Order, including:
- i. Administration Charge in the amount of \$3 million;
  - ii. DIP Charge in the amount of \$25 million;
  - iii. D&O Charge in the amount of \$35 million;
  - iv. MIP Charge in the maximum amount of \$3 million;
  - v. Financial Advisor Charge in the amount of \$10 million; and
  - vi. asset sale thresholds of \$1 million or \$5 million in the aggregate.
191. The Proposed Monitor also supports the notice to creditors arrangements proposed by the LP Entities and the establishment of a \$5,000 threshold for sending of notices of the CCAA Proceedings to creditors.
192. The terms of the Support Agreement and the SISP were the subject of lengthy and intense arm's length negotiations between the LP Entities and the LP Administrative Agent. The Proposed Monitor supports the approval of the process contemplated therein and of the approval of those documents, but without in any way fettering the various powers and discretions of the Monitor. The Proposed Monitor (if appointed) will make further recommendations, as contemplated by the SISP, once the results of that process become known.

All of which is respectfully submitted this 7<sup>th</sup> day of January, 2010

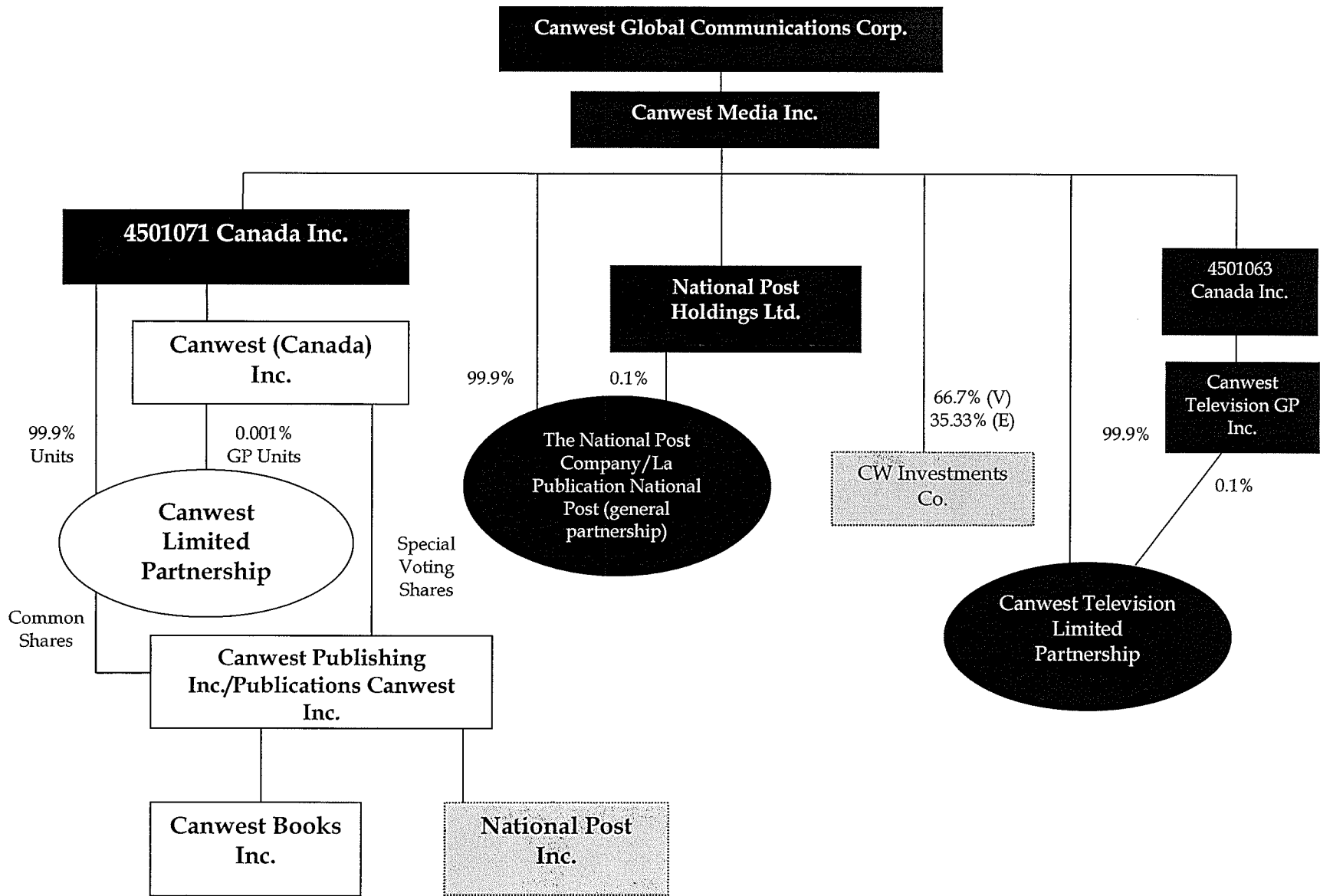
FTI Consulting Canada Inc.,  
in its capacity as the Proposed Monitor of Canwest Publishing Inc. / Publications Canwest Inc.,  
Canwest Books Inc., Canwest (Canada) Inc., and Canwest Limited Partnership / Canwest Societe  
en Commandite

Per



Paul Bishop  
Senior Managing Director

# APPENDIX "A"



Filed October 6, 2009

Non-filing Entities

LP Entities

All holdings are 100%, unless otherwise provided

# APPENDIX "B"

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF CANWEST PUBLISHING INC. /  
PUBLICATIONS CANWEST INC., CANWEST BOOKS  
INC., AND CANWEST (CANADA) INC.

**Report on Cash flow Statement**  
**(Paragraph 10.2(b) of the CCAA)**

The management of Canwest Publishing Inc./ Publications Canwest Inc., Canwest Books Inc., Canwest (Canada) Inc. and Canwest Limited Partnership/ Canwest Societe en Commandite (the "LP Entities") has developed the assumptions and prepared the attached statement of projected cash-flow of the LP Entities, as at the 7th day of January 2010, consisting of a 13-week cash-flow dated January 4, 2010 through to April 4, 2010 ("the Projections").

The hypothetical assumptions are reasonable and consistent with the purpose of the Projections and the probable assumptions are suitably supported and consistent with the plans of the LP Entities and provide a reasonable basis for the Projections.

Since the Projections are based on assumptions regarding future events, actual results will vary from the information presentation, and the variations may be material.

The Projections have been prepared solely for the purpose described in the Monitor's Prefiling Report. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 7th day of January 2010.

  
\_\_\_\_\_  
Doug Lamb  
Canwest Limited Partnership/  
Canwest Societe en Commandite

Canwest Limited Partnership  
13 WEEK CASH FLOW

CAD 000s	Jan	Jan	Jan	Jan	Feb	Feb	Feb	Feb	Mar	Mar	Mar	Mar	Apr	TOTAL
Beginning	4-Jan-10	11-Jan-10	18-Jan-10	25-Jan-10	1-Feb-10	8-Feb-10	15-Feb-10	22-Feb-10	1-Mar-10	8-Mar-10	15-Mar-10	22-Mar-10	29-Mar-10	4-Jan-10
Ending	10-Jan-10	17-Jan-10	24-Jan-10	31-Jan-10	7-Feb-10	14-Feb-10	21-Feb-10	28-Feb-10	7-Mar-10	14-Mar-10	21-Mar-10	28-Mar-10	4-Apr-10	4-Apr-10
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
<b>Operating Cashflow</b>														
<u>Receipts</u>														
Operating Receipts	23,102	23,790	23,572	24,415	22,264	21,478	20,566	20,148	18,161	20,122	19,435	19,268	19,884	276,206
Related Party Receipts	-	-	-	2,843	-	-	-	2,809	-	-	-	-	2,830	8,482
<b>Total Operating Receipts</b>	<b>23,102</b>	<b>23,790</b>	<b>23,572</b>	<b>27,258</b>	<b>22,264</b>	<b>21,478</b>	<b>20,566</b>	<b>22,957</b>	<b>18,161</b>	<b>20,122</b>	<b>19,435</b>	<b>19,268</b>	<b>22,714</b>	<b>284,688</b>
<u>Disbursements</u>														
Payroll & Benefits	(8,918)	(11,379)	(6,863)	(8,253)	(8,225)	(9,478)	(7,728)	(8,799)	(7,092)	(7,170)	(9,805)	(6,863)	(6,659)	(107,234)
Operating Expenses	(7,102)	(8,427)	(8,620)	(11,846)	(8,108)	(8,108)	(8,379)	(11,352)	(8,798)	(8,798)	(8,824)	(12,128)	(8,766)	(119,254)
Capital Expenditures	(469)	(659)	(519)	(685)	(469)	(591)	(519)	(1,108)	(519)	(569)	(764)	(469)	(720)	(8,058)
Inter Company Disbursements	-	-	-	(4,538)	-	-	-	(3,297)	-	-	-	-	(3,396)	(11,231)
Interest	-	-	(3,063)	(145)	-	-	-	(3,293)	-	-	-	(2,767)	(131)	(9,400)
<b>Total Disbursements</b>	<b>(16,489)</b>	<b>(20,465)</b>	<b>(19,065)</b>	<b>(25,467)</b>	<b>(16,802)</b>	<b>(18,177)</b>	<b>(16,626)</b>	<b>(27,849)</b>	<b>(16,408)</b>	<b>(16,537)</b>	<b>(19,393)</b>	<b>(22,227)</b>	<b>(19,672)</b>	<b>(255,176)</b>
<b>Net Operating Cashflows</b>	<b>6,614</b>	<b>3,325</b>	<b>4,508</b>	<b>1,791</b>	<b>5,463</b>	<b>3,301</b>	<b>3,939</b>	<b>(4,892)</b>	<b>1,752</b>	<b>3,586</b>	<b>43</b>	<b>(2,959)</b>	<b>3,042</b>	<b>29,512</b>
National Post (Advances)/Repayments	(179)	(1,711)	538	1,610	(449)	(985)	(462)	(273)	302	(549)	(1,700)	(801)	2,337	(2,322)
<b>Restructuring Costs</b>														
Professional Fees - Restructuring	(838)	(1,360)	(875)	(875)	(963)	(510)	(500)	(513)	(600)	(523)	(500)	(500)	(788)	(9,343)
Critical Supplier Payment	-	(3,000)	(3,000)	(3,000)	(3,000)	-	-	-	-	-	-	-	-	(12,000)
Other restructuring	(518)	(181)	(56)	(3,025)	(151)	(56)	(186)	(56)	(95)	-	(130)	-	(95)	(4,549)
DIP Interest/Fees	(63)	(963)	-	(24)	-	-	-	(28)	-	-	-	-	(35)	(1,111)
<b>Total - Restructuring costs</b>	<b>(1,418)</b>	<b>(5,504)</b>	<b>(3,931)</b>	<b>(6,924)</b>	<b>(4,113)</b>	<b>(566)</b>	<b>(686)</b>	<b>(596)</b>	<b>(695)</b>	<b>(523)</b>	<b>(630)</b>	<b>(500)</b>	<b>(917)</b>	<b>(27,003)</b>
<b>Total Net Cashflow</b>	<b>5,017</b>	<b>(3,889)</b>	<b>1,115</b>	<b>(3,522)</b>	<b>900</b>	<b>1,750</b>	<b>2,791</b>	<b>(5,762)</b>	<b>1,359</b>	<b>2,515</b>	<b>(2,288)</b>	<b>(4,260)</b>	<b>4,461</b>	<b>188</b>
Opening Unrestricted Cash	34,655	39,672	35,783	36,898	33,375	34,275	36,025	38,817	33,054	34,414	36,928	34,641	30,381	34,655
<b>Total Cash</b>	<b>39,672</b>	<b>35,783</b>	<b>36,898</b>	<b>33,375</b>	<b>34,275</b>	<b>36,025</b>	<b>38,817</b>	<b>33,054</b>	<b>34,414</b>	<b>36,928</b>	<b>34,641</b>	<b>30,381</b>	<b>34,843</b>	<b>34,843</b>

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

Court File No.

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANWEST PUBLISHING INC./PUBLICATIONS CANWEST INC., CANWEST BOOKS INC. AND CANWEST (CANADA) INC.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**Proceeding commenced at Toronto**

**PRE-FILING REPORT OF FTI CONSULTING  
CANADA INC., IN ITS CAPACITY AS PROPOSED  
MONITOR OF THE APPLICANTS**

**STIKEMAN ELLIOTT LLP**  
Barristers & Solicitors  
5300 Commerce Court West  
199 Bay Street  
Toronto, Canada M5L 1B9

**David R. Byers LSUC #: 22992W**

Tel: (416) 869-5697

**Ashley John Taylor LSUC#: 39932E**

Tel: (416) 869-5236

**Maria Konyukhova LSUC#: 52880V**

Tel: (416) 869-5230

Fax: (416) 861-0445

Lawyers for the Proposed Monitor