

**CANWEST GLOBAL  
COMMUNICATIONS CORP.  
AND THE OTHER  
APPLICANTS LISTED ON  
SCHEDULE "A**

**SIXTEENTH REPORT  
OF FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR OF THE APPLICANTS**

**July 9, 2010**

**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 GLOBAL  
COMMUNICATIONS CORP. AND THE OTHER APPLICANTS  
LISTED ON SCHEDULE "A"**

**SIXTEENTH REPORT  
OF FTI CONSULTING CANADA INC.  
IN ITS CAPACITY AS MONITOR**

**INDEX**

<b>TAB</b>	<b>DOCUMENT</b>
1.	Sixteenth Report
A.	Canadian Association of Insolvency and Restructuring Professionals' Standard of Practice No. 09-7
B.	February 2010 Financial Statements
C.	Estimated Recovery Analysis
D.	Plan Emergence Agreement
E.	Table summarizing number and value of claims asserted as at July 8, 2010

**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 GLOBAL  
COMMUNICATIONS CORP. AND THE OTHER  
APPLICANTS LISTED ON SCHEDULE "A"**

**SIXTEENTH REPORT OF FTI CONSULTING CANADA INC.  
IN ITS CAPACITY AS MONITOR**

**July 9, 2010**

**INTRODUCTION**

1. By Order of this Court dated October 6, 2009 (the "**Initial Order**"), Canwest Global Communications Corp. ("**Canwest Global**") and certain of its subsidiaries listed in **Schedule "A"** hereto (collectively, the "**Applicants**") obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "**CCAA**"). The Initial Order also granted relief in respect of certain affiliated partnerships of the Applicants listed in **Schedule "B"** hereto (collectively, the "**Partnerships**", and together with the Applicants, the "**CMI Entities**") and appointed FTI Consulting Canada Inc. ("**FTI**") as monitor (the "**Monitor**") of the CMI Entities. The proceedings commenced by the CMI Entities under the CCAA will be referred to herein as the "**CCAA Proceedings**".

## PURPOSE OF THIS REPORT

2. The purpose of this Sixteenth Report is to provide the creditors of the CMI Entities with the Monitor's comments on the CMI Entities' Consolidated Plan of Compromise and Arrangement dated and accepted for filing on June 23, 2010, as may be amended (the "Plan"). This Sixteenth Report is prepared in accordance with section 23(1)(d.1) of the CCAA which requires the Monitor to:

*(d.1) file a report with the court on the state of the company's business and financial affairs — containing the monitor's opinion as to the reasonableness of a decision, if any, to include in a compromise or arrangement a provision that sections 38 and 95 to 101 of the Bankruptcy and Insolvency Act do not apply in respect of the compromise or arrangement and containing the prescribed information, if any — at least seven days before the day on which the meeting of creditors referred to in section 4 or 5 is to be held;*

3. In preparing this report, the Monitor was guided, *inter alia*, by the Canadian Association of Insolvency and Restructuring Professionals' ("CAIRP") Standard of Practice No. 09-7, Plan of Compromise or Arrangement approved, ratified and confirmed by CAIRP members on August 21, 2009 (the "Guidelines"). A copy of the Guidelines is attached hereto as **Appendix "A"**.

## TERMS OF REFERENCE

4. In preparing this report, FTI has relied upon unaudited financial information of the CMI Entities, the CMI Entities' books and records, certain financial information prepared by, and discussions with, the CMI 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. Capitalized terms used but not defined in this report shall have the meanings ascribed to such terms in FTT's pre-filing report dated October 5, 2009 (the "**Pre-filing Report**") filed by the Monitor in the CCAA Proceedings and available on the Monitor's website for these proceedings at: <http://cfcanada.fticonsulting.com/cmi>. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars.

## **BACKGROUND**

### ***Canwest Global***

6. Canwest Global carries on business through a number of subsidiaries and is Canada's largest publisher of English language daily and non-daily newspapers, and 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.
7. Canwest Global, principally through its subsidiary Canwest Television Limited Partnership ("**CTLP**"), owns and operates the *Global Television Network*, which is comprised of 12 free-to-air television stations and covers approximately 98% of Canada's English-language television market. Canwest Global, through its subsidiaries, also owns and operates a portfolio of leading subscription-based national specialty television channels, including 17 leading specialty channels which were acquired jointly with a number of entities related to Goldman Sachs, namely GS Capital Partners VI Fund L.P., GSCP VI AA One Holding S.ar.l and GS CP VI AA One Parallel Holding (collectively,

the “**GS Parties**”), from Alliance Atlantis Communications Inc. in August 2007 (“**CW Media Segment**” or “**CW Media**”)<sup>1</sup>.

8. Until October 2009, Canwest Global, indirectly through its subsidiary CanWest MediaWorks Ireland Holdings (“**Irish Holdco**”), was also the majority and controlling shareholder of Ten Network Holdings Limited (“**Ten Holdings**”), which is the owner and operator of various businesses in Australia, including Ten Television Network, a free-to-air television network and Eye Corp Pty. Limited, a multi-national out-of-home advertising business.
9. Relief in the CCAA Proceedings was obtained by: Canwest Global, its principal operating subsidiary Canwest Media Inc. (“**CMI**”), certain subsidiary corporations and partnerships of CMI that own and operate Canwest Global’s free-to-air television broadcast business and certain Canadian subscription-based specialty television channels, and, at the time, The National Post Company/La Publication National Post (the “**National Post**”).
10. Canwest Global’s other television broadcasting divisions and/or subsidiaries (including CW Investments) are not Applicants in the CCAA Proceedings. The entities in Canwest Global’s newspaper publishing and digital media business in Canada (other than National

---

<sup>1</sup> In particular, the CW Media Segment consists of: (i) 13 wholly-owned and partially-owned specialty television channels that are operated by CW Investments Co. (“**CW Investments**”) and its subsidiaries (including *Showcase*, *Slice*, *HGTV Canada*, *History Television* and *Food Network Canada*); and (ii) four other specialty television channels in which CW Investments has 50% or lesser ownership interests and does not operate (consisting of *Historia*, *Series +*, *DUSK* (formerly *Scream*) and *One: the Body, Mind and Spirit Channel*). As described in greater detail below, Shaw now effectively holds (or will hold) the interest in CW Investment previously held by the GS Parties.

Post Inc.) (the “**LP Entities**”) separately applied for and obtained protection under the CCAA on January 8, 2010.

***Material Assets & Liabilities***

11. Canwest Global reports its financial results on a consolidated basis. A copy of Canwest Global’s unaudited consolidated financial statements for the second fiscal quarter ending February 28, 2010 (which include the financial results of the CMI Entities and certain non-Applicant subsidiaries of Canwest Global, such as the LP Entities and CW Media Segment) (the “**February 2010 Financial Statements**”) is attached as **Appendix “B”**. The Monitor is advised that Canwest Global expects to release its unaudited consolidated financial statements for the third fiscal quarter ending May 31, 2010 on or about July 14, 2010 following which the Monitor will post a copy of same on its website for these proceedings.
  
12. As indicated in Note 10 to the February 2010 Financial Statements, the CMI Entities (exclusive of the LP Entities, CW Media Segment and other non-Applicant entities) had combined assets with a net book value of \$1.8 billion (\$249 million in current assets, \$1.6 billion in non-current assets), total consolidated liabilities of \$1.4 billion (\$128 million in current liabilities, \$1.3 billion in non-current liabilities) and total combined shareholders’ equity of \$447 million. Of the \$1.6 billion in non-current assets, \$1 billion relates to CMI’s investment in the LP Entities. On January 8, 2010, the LP Entities filed for protection under the CCAA and, pursuant to the plan of compromise and arrangement dated May 23, 2010 proposed by the LP Entities, which obtained creditor approval and Court sanction and is anticipated to be implemented on or before July 15, 2010, equity

holders on the LP Entities will not receive any distributions on account of their equity holdings. Accordingly, it is expected that the CMI Entities will be reducing the value of this investment to nil which will reduce the net book value of their assets to \$800 million.

13. CMI and/or CTLP are indebted as borrowers and the remaining CMI Entities as guarantors in the approximate aggregate amount of \$1.1 billion pursuant to the following credit facilities:
  - (a) 8% senior subordinated notes issued by CMI due 2012 (the “8% Notes”) - US\$458.5 million (inclusive of interest to August 31, 2010)
  - (b) CIT Facility (as defined in the Pre-filing Report) - \$10.7 million (in connection with outstanding letters of credit)
  - (c) senior secured promissory note (the “Irish Holdco Secured Note”) - \$187.3 million (exclusive of interest)
  - (d) unsecured promissory note (the “Irish Holdco Unsecured Note”) - \$430.6 million (exclusive of interest)
14. The terms of these credit facilities are described in greater detail in, among other things, the Pre-filing Report and the Fifteenth Report of the Monitor. Also as detailed in the Pre-filing Report, the CMI Entities’ obligations under the CIT Facility and the Irish Holdco Secured Note are secured by substantially all of the assets of the CMI Entities.
15. In addition to the above-noted credit facilities, claims in the approximate aggregate amount of \$195 million (exclusive of CMI Intercompany Claims of approximately \$714



million) have been asserted against the CMI Entities (including non-Plan Entities) in the Claims Procedure (as these terms are defined and described in greater detail below).

***Causes of Financial Difficulties***

16. As described in greater detail in the affidavit of John E. Maguire sworn October 5, 2009, and the Pre-filing Report, the CMI Entities (not including the CW Media Segment) experienced declines in their advertising revenues in 2008 and 2009 which had a negative impact on their cash flow causing them to default under various credit facilities and guarantee obligations.

***Summary of Operating Results since the Filing of the CCAA Application***

17. Due, in part, to an improvement in the market conditions in general, the CMI Entities have experienced improvement in their operating and financial results since the commencement of the CCAA Proceedings and, further, following the announcement of the Original Shaw Transaction (as defined and described below). In particular, the CMI Entities:

- (a) reported EBITDA (earnings before interest, taxes, depreciation and amortization) for the three months ending February 28, 2010 totalling \$0.5 million compared with a negative EBITDA of \$10.8 million in the same period in the fiscal year ending August 31, 2009 (“FY2009”); and

- (b) reported EBITDA for the six months ending February 28, 2010 totalling \$34.7 million compared with a negative EBITDA of \$1.3 million in the same period in FY2009.

18. The Monitor is advised that Canwest Global expects to release its operational results for the third fiscal quarter ending May 31, 2010 on or about July 14, 2010 after the date on which the Monitor is required to file this report. The Monitor will post a copy of the third quarter results on its website for these proceedings at <http://cfcanada.fticonsulting.com/cmi>.
19. The Monitor believes that the improved operational results are, at least in part, attributable to the going concern outcome for the CMI Entities provided by, at first, the Original Recapitalization Transaction (as defined and described in greater detail below) and, subsequently, the Original Shaw Transaction. The Monitor believes that failure to implement the Plan may lead to operational difficulties, including issues with the CMI Entities' large studio suppliers and advertising customers, likely to result from uncertainty as to the outcome of the CMI Entities' CCAA Proceedings.
20. The consolidated forecast of the CMI Entities' receipts, disbursements, and financing requirements until September 8, 2010 was included in the Supplement to the Fourteenth Report of the Monitor.
21. The Plan contemplates that the Plan Sponsor (as defined below) will continue to operate all of the television broadcasting businesses of the CMI Entities in substantially the same manner as they are currently operated, with no plans to discontinue operations, sell material assets or make significant changes to employment levels. Future business plans and decisions will be made by the Plan Sponsor's board of directors and management.

### ***Further Background Information***

22. Further background information regarding the CMI Entities, their corporate structure and operations and the CCAA Proceedings is provided in, *inter alia*, the affidavit of John E. Maguire sworn October 5, 2009, the Pre-filing Report and subsequent reports of the Monitor, copies of which have been posted on the Monitor's website maintained for the CCAA Proceedings at <http://cfcanada.fticonsulting.com/cmi>.

## **RESTRUCTURING EFFORTS LEADING UP TO THE PROPOSED PLAN**

### ***Pre-filing Restructuring Efforts and Transactions***

23. Prior to commencing the CCAA Proceedings, the CMI Entities were engaged with their major stakeholders in attempts to restructure their operations. These discussions and restructuring efforts are detailed extensively in the Pre-filing Report and the Fifteenth Report (copies of which are available on the Monitor's website for these proceedings) and included, among other things, the following:

- (a) negotiations between the CMI Entities and an *ad hoc* committee (the "**Ad Hoc Committee**") of the holders (the "**8% Noteholders**") of over 70% (as at October 6, 2009) of the 8% Notes and a series of extension agreements following CMI's failure to make interest payments with respect to the 8% Notes that were due and payable on March 15, 2009;
- (b) an agreement dated May 20, 2009 between CMI, CTLP and certain members of the Ad Hoc Committee, pursuant to which CMI and CTLP issued senior secured notes bearing interest at a rate of 12% per annum and payable monthly in arrears

(the “**12% Secured Notes**”) in an aggregate principal amount of US\$94 million (for net proceeds of US\$89 million) proceeds of which were used to repay CMI’s outstanding obligations under the then existing credit agreement between CMI, certain guarantors and a syndicate of lenders with BNS as administrative agent (which was in default at the time) and to provide the CMI Entities with the funding necessary to operate in the ordinary course until they were able to negotiate and agree on the terms of a transaction to recapitalize or restructure CMI’s secured and unsecured indebtedness;

- (c) extensive negotiations with the Ad Hoc Committee and agreement on the terms of a going concern recapitalization transaction for the CMI Entities which was intended to form the basis of a plan of arrangement for the CMI Entities under the CCAA (the “**Original Recapitalization Transaction**”) (as described in greater detail below);
- (d) a sale of Irish Holdco’s majority equity interest in Ten Holdings realizing gross proceeds of approximately \$634 million (the “**Ten Proceeds**”), which proceeds the Ad Hoc Committee (notwithstanding the 8% Noteholders’ direct claims against Irish Holdco on account of its guarantee of the 8% Notes) agreed to allow Irish Holdco to loan to CMI pursuant to the Irish Holdco Secured Note and the Irish Holdco Unsecured Note (collectively, the “**Irish Holdco Notes**”) pursuant to a Cash Collateral and Consent Agreement (as defined and described in the Pre-filing Report and the Fifteenth Report); and

- (e) repayment by CMI of all amounts outstanding under the 12% Secured Notes (US\$94.9 million) and reduction of CMI's indebtedness under the 8% Notes (which are guaranteed by Irish Holdco) by \$430.6 million from funds advanced under the Irish Holdco Notes. The remainder of the funds advanced by Irish Holdco (\$85.0 million) was utilized to fund the general liquidity and operating costs of the CMI Entities, including repaying certain then outstanding secured obligations of the CMI Entities in the approximate amount of \$23.4 million.

***The Original Recapitalization Transaction***

- 24. The original basis of a plan of arrangement for the CMI Entities under the CCAA was a going concern recapitalization transaction, the terms and conditions of which were agreed upon following intensive and extended negotiations between the CMI Entities and the Ad Hoc Committee and are set out in the CCAA Support Agreement (the "**Original Support Agreement**") and the Recapitalization Transaction Term Sheet attached thereto (the "**Original Recapitalization Term Sheet**"). The Original Recapitalization Transaction contemplated that the then current debt of the CMI Entities would be converted into equity of a restructured Canwest Global. The Original Recapitalization Transaction also contemplated that the 8% Noteholders' recovery would be reduced by 2.3% of the equity of restructured Canwest Global (the "**Shareholder Recovery**") to be distributed to Canwest Global's existing shareholders (the "**Existing Shareholders**").

25. Pursuant to the Original Recapitalization Transaction, it was proposed that one or more Canadians (as defined in the CRTC Direction<sup>2</sup>) would invest at least \$65 million in a restructured Canwest Global (the “**New Investors**”) for a minimum 20% of the equity in a restructured Canwest Global. The New Investors had to qualify as Canadians in order to satisfy certain ownership requirements that apply to parent corporations of a corporation that is in receipt of a television licence from the CRTC. The equity investment in restructured Canwest Global had to be on terms acceptable to CMI and the Ad Hoc Committee.
26. The CMI Entities and the Ad Hoc Committee believed that the shareholders agreement between CMI, 4414616 Canada Inc.<sup>3</sup>, the GS Parties and CW Investments with respect to the CW Media Segment, as amended and restated (the “**CWI Shareholders Agreement**”) was uneconomic and needed to be addressed as part of any successful restructuring or recapitalization plan. Accordingly, the terms of the Original Recapitalization Transaction (as outlined in the Original Recapitalization Term Sheet) contained a condition that the CWI Shareholders Agreement be amended and restated or otherwise addressed in a manner agreed to by CMI and the Ad Hoc Committee and approved by the CRTC (if required).

---

<sup>2</sup> *Direction to the CRTC (Ineligibility of Non-Canadians)*

<sup>3</sup> Until October 5, 2009, CMI held its interest in CW Investments through its 100% ownership interest in 4414616 Canada Inc. (which is not an applicant in the CCAA Proceedings). On October 5, 2009, pursuant to a Dissolution Agreement between 4414616 Canada Inc. and CMI and as part of the winding-up and distribution of its property, 4414616 Canada Inc. transferred all of its property, namely its 352,986 Class A Common Shares and 666 Class A Preferred Shares in CW Investments, to CMI.

***Commencement of the CCAA Proceedings***

27. On October 6, 2009, the CMI Entities obtained the Initial Order which provided for a stay of proceedings until November 5, 2009 (the “**Stay Period**”). By Orders dated October 30, 2009, January 21, 2010, March 29, 2010, and June 8, 2010, the Stay Period was extended until September 8, 2010.
28. On November 3, 2009, the Monitor obtained an Order under Chapter 15 of the United States Bankruptcy Code from the United States Bankruptcy Court (Southern District of New York) granting formal recognition of the CCAA Proceedings as “foreign main proceedings” and a permanent injunction for the duration thereof.
29. The Initial Order in the CCAA Proceedings provides that the CMI Entities are required to perform their obligations under the Cash Collateral and Consent Agreement and the Original Support Agreement.

***The Equity Solicitation Process and the Original Shaw Transaction***

30. On or about November 2, 2009, the CMI Entities’ financial advisor, RBC Dominion Securities Inc. (“**RBC**”), commenced an equity investment solicitation process in order to identify potential New Investors that would satisfy the requirement of being Canadian for purposes of the CRTC Direction.
31. Following completion of the Canwest equity investment solicitation process conducted by RBC and extensive negotiations with Shaw Communications Inc. (“**Shaw**”) (as described in greater detail in the affidavit of Thomas C. Strike sworn February 12, 2010),

the CMI Entities, in consultation with, *inter alia*, RBC and the CMI CRA, selected Shaw's bid as the best overall offer received.

32. The Original Shaw Transaction contemplated that restructured Canwest Global would be either a restructured Canwest Global or a newly-created private company the shareholders of which would be comprised of Shaw (or a direct or indirect wholly-owned subsidiary of Shaw that is Canadian as defined in the CRTC Direction) and those 8% Noteholders and other participating creditors of Canwest Global that elected to receive equity of restructured Canwest Global and that would otherwise hold a minimum of 5% of the equity of Restructured Canwest Global following the completion of the Original Shaw Transaction (the "**Participating Creditors**").
33. Creditors that would hold less than 5% of the equity of restructured Canwest Global following the completion of the Original Recapitalization Transaction (the "**Non-Participating Creditors**") and the Existing Shareholders were to receive cash payments equal to the value of the equity they would otherwise have received under the Original Recapitalization Transaction, but using the higher implied equity value contained in the Original Shaw Transaction.
34. Under the terms of the Original Shaw Transaction, the Ad Hoc Committee continued to be willing to fund the Shareholder Recovery out of the proceeds otherwise allocable to the 8% Noteholders.
35. The completion of the Original Shaw Transaction was conditional upon, among other things, the CWI Shareholders Agreement:



- (a) being amended and restated or otherwise addressed in a manner agreed to by Shaw, Canwest Global and the Ad Hoc Committee, subject to CRTC approval, if required; or
  - (b) being disclaimed or resiliated in accordance with the provisions of the CCAA and the Order of Justice Pepall dated October 14, 2009 establishing a claims process for the CMI Entities.
36. The GS Parties sought an adjournment of and opposed the motion to approve the agreements (the “**Shaw Transaction Agreements**”) in connection with the proposed equity investment by Shaw in restructured Canwest Global (the “**Original Shaw Transaction**”). On February 19, 2010, Justice Pepall refused the GS Parties’ adjournment request and granted the Order approving the Shaw Transaction Agreements, from which the GS Parties sought leave to appeal (which they subsequently, and as described in greater detail below, abandoned).

***Settlement with the GS Parties, the Amended Shaw Transaction and Shareholder Recovery***

37. As described in greater detail in, *inter alia*, the Thirteenth Report and the Fifteenth Report, the parties attended at a Court directed mediation conducted by the Chief Justice of Ontario, the Honourable Chief Justice Warren Winkler (the “**Mediation**”) which ultimately resulted in an agreement on a framework to resolve all of the existing and potential litigation and disputes (collectively, the “**Resolved Matters**”) in respect of, *inter alia*, (a) the CWI Shareholders Agreement, and (b) the Original Shaw Transaction and the Original Recapitalization Transaction.

38. As part of the settlement of the Resolved Matters, Shaw agreed to purchase all of the GS Parties' shares in CW Investments (subject to regulatory approval) for total cash consideration of \$709 million and replace the GS Parties as a party to the CWI Shareholders Agreement<sup>4</sup>.
39. In addition, the CMI Entities, Shaw and the Ad Hoc Committee agreed to amend the Shaw Transaction Agreements to provide for Shaw (or a direct or indirect, wholly owned subsidiary of Shaw that is a Canadian (as defined in the CRTC Direction)) to subscribe or agree to purchase all of the common shares of a restructured Canwest Global representing a 100% equity and 100% voting interest in a restructured Canwest Global.
40. The terms and conditions of the Original Shaw Transaction as amended as a result of the Mediation (the "**Amended Shaw Transaction**") are contained in various agreements (the "**Shaw Transaction Amending Agreements**") which were approved by this Court on June 23, 2010.
41. As part of the mediated settlement, Canwest Global, CMI, CW Investments, Shaw and the GS Parties executed a mutual release with respect to the Resolved Matters and the GS Parties agreed to abandon the motion for leave to appeal the Order approving the Shaw Transaction Agreements (which they have done).

---

<sup>4</sup> On May 3, 2010, Shaw entered into a share and option purchase agreement (the "**Share and Option Purchase Agreement**") with the GS Parties pursuant to which Shaw acquired on that date from the GS Parties approximately 29.9% of the total voting preferred shares of CW Investments and approximately 49.9% of the total common equity shares of CW Investments. Shaw also obtained an option to purchase the remaining voting preferred and equity shares of CW Investments held by the GS Parties at a later date, subject to CRTC approval. Shaw now effectively holds (or will hold) the position under the CWI Shareholders Agreement previously held by the GS Parties. Shaw has, with the consent of CMI and CW Investments, replaced the GS Parties as a party to the CWI Shareholders Agreement.

42. As stated in its Thirteenth Report, the Monitor views a consensual resolution with respect to the CWI Shareholders Agreement as manifestly preferable to the potentially lengthy, expensive and distracting litigation associated with any proposed disclaimer or resiliation of the CWI Shareholders Agreement and views the settlement of the Resolved Matters as a very positive development in the CMI Entities' restructuring process.
43. The Shaw Transaction Amending Agreements did not provide for any recovery to the Existing Shareholders.
44. Following announcement of the Settlement and in response to the CMI Entities' motion to, *inter alia*, approve the Shaw Transaction Amending Agreements, certain representatives of an *ad hoc* group of the Existing Shareholders delivered materials in opposition of the motion claiming, among other things, that the elimination of the Shareholder Recovery (which was provided for in the Original Recapitalization Transaction and the Original Shaw Transaction) from the Amended Shaw Transaction was improper.
45. On June 23, 2010, at the suggestion of Justice Pepall, the parties negotiated a settlement. The settlement terms provided that Canwest Global would effect a reorganization under section 191 of the *Canada Business Corporations Act* which would change its existing common shares into new common shares and new preferred shares and Shaw (or an entity designated by Shaw) would purchase such new preferred shares for \$11 million (representing approximately the amount of the Shareholder Recovery under the Original Shaw Transaction) for payment to the Existing Shareholders and pay the legal and other

professional fees incurred by the *ad hoc* group of the Existing Shareholders in opposing the motion.

46. The settlement with the Existing Shareholders does not impact the anticipated recovery to the Affected Creditors of the CMI Entities.

## THE PLAN

### *General*

47. The terms of the Plan (a copy of which is posted on the Monitor's website for these proceedings) are based on the terms of the Amended Shaw Transaction whereby Shaw or 7316712 Canada Inc., a wholly-owned subsidiary of Shaw ("7316712" together with Shaw, the "Plan Sponsor"), will become the sole shareholder of New Canwest (as defined in the Plan).
48. On the Plan Implementation Date<sup>5</sup>, there will be a series of sequential steps aimed to rationalize the corporate and financial structure of the CMI Entities. Following the consummation of the Plan, CTLP and CW Investments will be wholly-owned subsidiaries of 7316712 Canada Inc. (a wholly owned subsidiary of Shaw), and Canwest Global will apply to cease to be a reporting issuer under applicable Canadian securities laws. It is anticipated that the remaining CMI Entities and certain other subsidiaries will be liquidated, wound up, dissolved, placed into bankruptcy or otherwise abandoned following the Plan Implementation Date.

---

<sup>5</sup> All capitalized terms used but not defined in this section of the Report shall have the meaning ascribed to them in the Plan.

49. The Plan is the result of extensive negotiations between the CMI Entities, Shaw and the Ad Hoc Committee, and their respective financial and legal advisors. The Monitor and the CMI CRA have also been actively involved in the discussions and negotiations between the parties in respect of the Plan.

***Affected Creditors & Classification of Affected Creditors***

50. The Plan contemplates affecting the claims of only the “**Affected Creditors**” of the Plan Entities (as defined and described in greater detail below) which are essentially claims of all unsecured creditors of the Plan Entities, including for greater certainty the 8% Noteholders and the claims of Irish Holdco under the Irish Holdco Notes; and *excluding*, among other things, various claims secured by Court-ordered charges, insured claims, Intercompany Claims (other than, *inter alia*, claims of Irish Holdco under the Irish Holdco Notes), certain statutory priority claims, claims under the CIT Facility, and Post-Filing Claims (the “**Unaffected Claims**”).
51. For the purposes of voting and receiving distributions under the Plan, there will be two classes of Affected Creditors – the “**Noteholders Class**” and the “**Ordinary Creditors Class**”.
52. The Ordinary Creditors Class will include all Affected Creditors (other than the 8% Noteholders) with Claims (other than Unaffected Claims) against:
- (a) the “**CMI Plan Entities**” which include Canwest Global, CMI, 4501063 Canada Inc., MBS Productions Inc., Yellow Card Productions Inc., and Global Centre Inc.; and

- (b) the “**CTLP Plan Entities**” which include Canwest Television Limited Partnership, Canwest Television GP Inc., Canwest Global Broadcasting Inc./Radiodiffusion Canwest Global Inc., Fox Sports World Canada Holdco Inc., and Fox Sports World Canada Partnership.

The CMI Plan Entities and the CTLP Plan Entities will be referred to collectively as the “**Plan Entities**”.

53. Creditors of the CMI Entities that are not Plan Entities (other than the 8% Noteholders) and holders of Unaffected Claims will not be entitled to vote with respect to or receive any distributions under the Plan.

### ***Distributions***

#### Distributions to the 8% Noteholders

54. Under the Amended Shaw Transaction, US\$440 million (plus the amount of any Continued Support Payment, if applicable) of the Subscription Price paid by the Plan Sponsor will be used by CMI to satisfy the claims of the 8% Noteholders (the “**Noteholder Pool**”). On or after the Plan Implementation Date, each 8% Noteholder shall receive its *pro rata* share of the Noteholder Pool.
55. Distribution of the Noteholder Pool is expected to result in recovery to the 8% Noteholders of all of the principal and pre-filing interest (including penalty interest) owing under the 8% Notes and a portion of the interest accrued post-commencement of the CCAA Proceedings. The Monitor is advised by the CMI Entities that the rationale for the distribution to the 8% Noteholders includes the following facts:

- (a) the 8% Noteholders' Claims against CMI under the 8% Notes are guaranteed by each of the other CMI Entities (other than Canwest Global and 30109, LLC) and Irish Holdco, thus giving the 8% Noteholders multiple Claims against the CMI Entities in respect of the amounts owing under the 8% Notes;
- (b) the 8% Noteholders have direct claims against entities related to the CMI Entities that themselves have material claims against the CMI Entities;
- (c) the 8% Noteholders are the only material creditor of Irish Holdco which is the holder of the Irish Holdco Secured Note and the Irish Holdco Unsecured Note;
- (d) while the 8% Noteholders could have recovered all of the proceeds from the sale of the Ten Shares as a result of the Irish Holdco guarantee, they allowed sufficient funds to remain in the CMI Entities to fund ongoing operations allowing a going concern outcome to the benefit of all stakeholders;
- (e) if the Irish Holdco Secured Note becomes due and payable, and upon the request of the Ad Hoc Committee, Irish Holdco is required to assign the Irish Holdco Notes to the trustee of the 8% Notes in satisfaction of Irish Holdco's guarantee of the 8% Notes, and the 8% Noteholders can enforce on and seek recovery of the amounts owed under the Irish Holdco Notes;
- (f) the Irish Holdco Secured Note and the Irish Holdco Unsecured Note are guaranteed by each of the other CMI Entities;
- (g) the proposed distribution to the Noteholders Class is being wholly funded by the Plan Sponsor; and

- (h) the amount of the proposed distribution to the Noteholders Class was negotiated between the Ad Hoc Committee and Shaw pursuant to a Court directed mediation conducted by the Chief Justice of Ontario.

Distributions to Affected Creditors of the Plan Entities

- 56. Under the Amended Shaw Transaction, \$38 million of the Subscription Price paid by the Plan Sponsor shall be used towards satisfaction of the claims of other Affected Creditors of the Plan Entities (subject to an increase in that amount for any restructuring period claims directly referable to the Amended Shaw Transaction, in certain circumstances) (the “**Ordinary Creditors Pool**”).
- 57. The Affected Creditors of the CMI Plan Entities and CTLP Plan Entities will share in the Ordinary Creditors Pool in the following manner:
  - (a) Affected Creditors of the CMI Plan Entities (other than the 8% Noteholders and the Convenience Class Creditors (as defined below)) will share *pro rata* in 1/3 of the Ordinary Creditors Pool (less payments to the Convenience Class Creditors and certain potential fees and costs of the Monitor); and
  - (b) Affected Creditors of the CTLP Plan Entities (other than the 8% Noteholders and Convenience Class Creditors) will share *pro rata* in 2/3 of the Ordinary Creditors Pool (less payments to the Convenience Class Creditors and certain potential fees and costs of the Monitor).
- 58. The Monitor performed an analysis of the relative value of the assets of the CMI Plan Entities and the CTLP Plan Entities and the possible recoveries available to Affected



Creditors of each group in a going concern liquidation of the CMI Entities' assets and operations. Based on this analysis (which, in turn, is based on information provided by the CMI Entities and is subject to a number of assumptions and qualifications), the Monitor is of the view that it is fair and reasonable that Affected Creditors of the CMI Plan Entities share *pro rata* in 1/3 of the Ordinary Creditors Pool and the Affected Creditors of the CTLP Plan Entities share *pro rata* in 2/3 of the Ordinary Creditors Pool.

59. The Plan also provides for “**Convenience Class Creditors**” which will be made up of Affected Creditors of the Plan Entities with claims less than or equal to \$5,000 and Affected Creditors of the Plan Entities with claims greater than \$5,000 that have validly elected to value their claims at \$5,000. Convenience Class Creditors will receive cash distributions in the lesser of the amount of their claim and \$5,000 and will be deemed to vote in favour of the Plan.
60. The Plan does not contemplate specific dates for initial, interim or final distributions to Affected Creditors (other than the 8% Noteholders). Such date(s) will be determined by the Monitor from time to time after the Plan Implementation Date.
61. Attached as **Appendix “C”** to this Report is an analysis in which the Monitor has estimated the range of recoveries for Affected Creditors of the Plan Entities (other than the 8% Noteholders and the Convenience Class Creditors) pursuant to the Plan (the “**Estimated Recovery Analysis**”). The Estimated Recovery Analysis is based on a number of assumptions which are described in greater detail in Appendix “C”, including the assumption that the value of each of the ten “marker” claims (which as at the date of this Report remain unquantified) is \$0. The Estimated Recovery Analysis is an estimate

which may vary significantly from the actual results with the final recoveries for Affected Creditors being dependant, among other things, on the final determined amount of the Affected Claims against the Plan Entities and the Cash Elections that are made by Affected Creditors. The status of the determination of the Affected Claims as at the date of this Report is described in greater detail below under the heading “Claims Against the CMI Entities”.

#### Distributions with Respect to Intercompany Claims

62. The Plan does not contemplate any distributions with respect to claims of Canwest Global or any subsidiary thereof against any CMI Entity (the “**Intercompany Claims**”).
63. As part of the Claims Procedure, the CMI Entities called for claims of CMI Entities against other CMI Entities. Pursuant to the Claims Procedure Order (as defined below), the Monitor also prepared and delivered its Seventh Report dated November 27, 2009, detailing the nature and quantum of the claims of all subsidiaries of Canwest Global other than the CMI Entities (the “**Non-CMI Entity Subsidiaries**”) against the CMI Entities as at October 5, 2009.
64. The Monitor performed an analysis of the estimated ranges of recoveries to the CMI Entities holding Intercompany Claims that could be achieved upon a going concern liquidation of the CMI Entities’ operations and assets taking into account the guarantees of the 8% Notes and the Irish Holdco Notes provided by the CMI Entities (and by Irish Holdco with respect to the 8% Notes). Based on its analysis, as well as a review of the claims submitted against the CMI Entities holding Intercompany Claims by third party creditors, the Monitor believes that any prejudice to third party creditors of the CMI

Entities resulting from the proposal not to provide distributions on account of Intercompany Claims is likely *de minimis*.

65. The Monitor also performed an analysis of the estimated ranges of recoveries to the Non-CMI Entity Subsidiaries holding Intercompany Claims that could be achieved upon a going concern liquidation of the CMI Entities' operations and assets. Based on its analysis, the Monitor believes that any prejudice to the Non-CMI Entity Subsidiaries from the proposal not to provide distributions on account of Intercompany Claims is likely *de minimis*.
66. Based on the information obtained in the course of its review of the Intercompany Claims (as submitted in the Claims Procedure or detailed as part of the Seventh Report), analysis conducted with respect to potential distributions to holders of Intercompany Claims in a going concern liquidation of the CMI Entities and taking into account the guarantees of the 8% Notes and the Irish Holdco Notes provided by the CMI Entities (and by Irish Holdco with respect to the 8% Notes), review of claims submitted by third party creditors against the CMI Entities holding Intercompany Claims and the overall scheme and effect of the Plan, the Monitor does not consider the proposal not to provide any distributions on account of Intercompany Claims to be unfair or unreasonable.

#### CH Plan

67. The Plan contemplates that (pursuant to a previously reached settlement agreement and as permitted by the Initial Order) CTLP shall pay or cause to be paid the CH Plan Settlement Amount (\$350,000) to the Global Communications Limited Retirement Plan for CH Employees (the "**CH Plan**") which was terminated in August 2009 by way of

certified cheque or wire transfer in immediately available funds payable to the CH Plan Trustee for the account of the CH Plan.

### ***Releases***

#### **Releases in Favour of the CMI Entities and Other Subsidiaries of Canwest Global**

68. Article 7 of the Plan and various other provisions of the Plan provide for the release of all claims against the CTLP Plan Entities, including obligations under the Plan and Unaffected Claims. The Plan also provides for the release of all claims against the CMI Plan Entities save and except their obligations with respect to Unaffected Claims (which includes Intercompany Claims other than, *inter alia*, the claims of Irish Holdco under the Irish Holdco Notes) and to the Affected Creditors pursuant to the Plan.
69. The Plan does not provide releases in favour of the CMI Entities which are not Plan Entities or other subsidiaries of Canwest Global that are not CMI Entities and creditors of these entities will be able to continue to assert their claims against them, including in subsequent winding up or bankruptcy proceedings (if any).
70. The Monitor considers the releases of the claims against the CTLP Plan Entities and the CMI Plan Entities provided for under the Plan to be fair and reasonable.

#### **Releases in Favour of the Directors and Officers**

71. The Plan also provides releases in favour of the directors and officers of all of the CMI Entities and Canwest Global's other subsidiaries (other than the LP Entities and CW

Investments and their subsidiaries) except in respect of any claims referred to in section 5.1(2) of the CCAA.

72. The Monitor received a number of claims against the directors and officers of the CMI Entities (the “**CMI Entities’ Directors and Officers**”) as part of the Claims Procedure. All such claims are related to claims asserted against one or more of the CMI Entities.
73. All but one of the remaining unresolved claims against the CMI Entities’ Directors and Officers relate to their potential statutory liability for certain employment related obligations of the Plan Entities and accordingly will share in the distributions to be made to the Affected Creditors of the Plan Entities (if they become proven claims for voting and distribution purposes). The other remaining unresolved claim against the CMI Entities’ Directors and Officers relates to their potential statutory liability for certain employment related obligations of the National Post which is also a guarantor of CMI’s obligations under the 8% Notes and the Irish Holdco Notes. The creditor asserting such claim will continue to be able to assert such claim as against the National Post in the subsequent bankruptcy of the National Post contemplated under the Plan the estate of which will benefit from a release of the National Post’s guarantees of the 8% Notes and the Irish Holdco Notes as a result of the Plan.
74. Accordingly, the Monitor considers the releases provided for in the Plan in favour of the CMI Entities’ Directors and Officers to be fair and reasonable.
75. The Monitor is not aware of any claims asserted against the directors and officers of Canwest Global’s other subsidiaries and no process to call for such claims has been conducted.

Other Releases

76. The Plan also provides releases in favour of, *inter alia*, the following entities:
- (a) the Monitor;
  - (b) the Chief Restructuring Advisor of the CMI Entities;
  - (c) the Plan Sponsor; and
  - (d) the 8% Noteholders, the Ad Hoc Committee and the trustee under the CMI 8% Noteholder Trust Indenture.
77. The Monitor was involved in the development of the scope of the releases provided for in the Plan and considers the releases to be fair and reasonable in the context of, among other things, the release of the obligations of all of the CMI Entities under their guarantees of the 8% Notes and the Irish Holdco Notes provided for in the Plan and the overall scheme and effect of the Plan.

***Conditions to Plan Implementation***

78. The implementation of the Plan is subject to the satisfaction or waiver of various conditions precedent, including, among other things, the following:
- (a) the Plan, the Sanction Order, and all definitive legal documentation in connection with all of the foregoing shall be in a form agreed by Canwest, CMI, the Ad Hoc Committee and the Plan Sponsor;

- (b) the Plan shall have been approved and sanctioned by the Court, and the Sanction Order shall be in full force and effect and all applicable appeal periods in respect thereof shall have expired and any appeals therefrom shall have been finally disposed of by the applicable appellate court;
- (c) Canwest, CMI, New Canwest, GP Inc., the Plan Sponsor and the Monitor shall have entered into the Plan Emergence Agreement and shall all have agreed to the final PIF Schedule (as defined in and attached to the Plan Emergence Agreement), which condition cannot be waived under the Plan;
- (d) all filings under applicable Laws shall have been made and any material regulatory consents or approvals that are required in connection with the transactions contemplated by the Plan, including the issue of the Broadcast Licences, shall have been obtained, including under the *Competition Act* (Canada) and the *Broadcasting Act* (Canada), on terms satisfactory to CMI and the Plan Sponsor;
- (e) all conditions of closing under the Shaw Transaction Amending Agreements shall have been satisfied or waived by the applicable parties in accordance with the terms of the Shaw Transaction Amending Agreements, and the Shaw Transaction Amending Agreements shall not have been terminated; and
- (f) the Monitor shall have received from the Plan Sponsor the Subscription Price net of the Noteholder Pool to be held in escrow until the Monitor's Certificate is delivered.

79. With respect to obtaining the necessary consents and approvals under the *Broadcasting Act* (Canada), the Monitor is informed by the CMI Entities and Shaw that Shaw has submitted an application to the CRTC for approval of the proposed change of control of the assets of the CMI Entities. Shaw anticipates its application to be published in the *Canada Gazette* before the end of July 2010 following which interested persons will be given an opportunity to make representations to the CRTC with respect thereto. Shaw anticipates that a public hearing with respect to Shaw's application will be scheduled to be held on or about September 20, 2010. The Monitor is informed by the CMI Entities and Shaw that, in applications of this magnitude, CRTC traditionally renders decisions within 35 days of the public hearing.
80. It is expected that (subject to obtaining creditor approval and Court sanction of the Plan) Plan Implementation Date will be scheduled for shortly after obtaining the necessary approvals under the *Broadcasting Act* (Canada).

#### ***Plan Emergence Agreement***

81. The Plan Sponsor, the CMI Entities, and the Monitor negotiated the terms of and entered into a Plan Emergence Agreement to provide for funding of various costs payable on emergence from CCAA protection (such as payments currently secured by Court charges), Post-Filing Claims, and wind-up costs with respect to the estates of the CMI Entities and other subsidiaries of Canwest Global (other than the LP Entities and CW Investments and their subsidiaries). A copy of the Plan Emergence Agreement is attached as **Appendix "D"**. The parties are currently working towards finalization of the PIF Schedule which is to be finalized prior to the Plan Implementation Date.



82. To the extent that the amounts available in the Plan Implementation Fund are inadequate to pay in full the amounts provided for under the Plan Emergence Agreement, New Canwest (as defined in the Plan) and/or CTLP are obligated to pay to the Monitor for the benefit of CMI the funds necessary to pay such claims in full. The Monitor is obligated to return any excess funds to New Canwest in accordance with and as set out in greater detail in the relevant provisions of the Plan Emergence Agreement.
83. Under the terms of the Plan Emergence Agreement, the Monitor has no obligation to make any payments contemplated thereby unless and until the Monitor is in receipt of funds adequate to effect such payments in full in the applicable account referred to in the PIF Schedule (as defined in and attached to the Plan Emergence Agreement).

### *Meetings & Voting*

84. On June 23, 2010, the CMI Entities obtained an Order (the “**Meeting Order**”) to call, hold, and conduct meetings of: (a) the 8% Noteholders, and (b) the Affected Creditors of the Plan Entities, to consider and vote on a resolution to approve the Plan. The Meetings are scheduled to be held at the Hilton Toronto Hotel (the Governor General Room), 145 Richmond Street West, Toronto, Ontario on July 19, 2010 (at 9:30 a.m. and 11:30 a.m., respectively). A copy of the Meeting Order is available on the Monitor’s website for these proceedings.
85. For purposes of voting on the Plan, there will be two classes of Affected Creditors: (a) the 8% Noteholders Class; and (b) the Ordinary Creditors Class.

86. Each 8% Noteholder as at the Noteholder Voting Record Date will be entitled to one vote as a member of the Noteholders Class, which vote will have a value equal to the principal and accrued and unpaid interest to the Filing Date owing under the 8% Notes held by such 8% Noteholder.
87. Each Affected Creditor with an Ordinary Creditors Proven Voting Claim will be entitled to one vote as a member of the Ordinary Creditors Class, which vote will have a value equal to the dollar value of its Ordinary Creditors Proven Voting Claims.
88. Each Convenience Class Creditor with a Proven Voting Claim will be deemed to vote in favour of the Plan in respect of its Convenience Class Claim as a member of the Ordinary Creditors Class, which vote will have a dollar value equal to the lesser of \$5,000 and the actual dollar value of such Convenience Class Creditor's Proven Voting Claim.
89. Affected Creditors having claims against CMI Entities that are not Plan Entities will not be entitled to vote on the Plan in respect of such claims. The Labour Parties will have no vote in respect of the Retiree Terminal Deficiency Claim or the CEP Terminal Deficiency Claim. Any person having an Unaffected Claim, an Intercompany Claim or an Equity Claim will not be entitled to vote at any Meeting in respect of such Unaffected Claim, Intercompany Claim or Equity Claim, as applicable.
90. Each Affected Creditor of a Plan Entity (other than a 8% Noteholder) holding an Unresolved Claim will be entitled to attend the Ordinary Creditors Meeting and will be entitled to one vote at such Meeting. The Monitor will keep a separate record of votes cast by Affected Creditors holding Unresolved Claims and will report to the Court with respect thereto at the Plan Sanction Hearing. The votes cast in respect of any Unresolved

Claim will not be counted for any purpose unless, until and only to the extent that such Unresolved Claim is finally determined to be a Proven Voting Claim.

91. A representative of the Monitor will act as the chair of the Meetings and decide all matters relating to the conduct of the Meetings in accordance with the Meeting Order. The only Persons entitled to attend a Meeting are the Monitor and its legal counsel and advisors; the Plan Sponsor and its legal counsel and advisors; those Persons, including the holders of proxies, ballots or other voting instruments, entitled to vote at a Meeting and their legal counsel and advisors; the CMI Entities and the CMI CRA, and their respective legal counsel and advisors, including RBC; the CMI Entities' Directors and Officers, including members of the Special Committee, their legal counsel and advisors, including Genuity; members of the Ad Hoc Committee, its legal counsel and financial advisor; the trustee under the 8% CMI Note Indenture and its legal counsel; and any 8% Noteholder as of the Noteholder Voting Record Date. Any other Person may be admitted on invitation of the chair of a Meeting.
92. The quorum for the Ordinary Creditors Meeting will be one Ordinary Creditor with a Proven Voting Claim present at such meeting in person or by proxy. The quorum for the Noteholder Meeting will be one 8% Noteholder present by proxy or whose instructions to vote are included on a Master Ballot that is counted for voting purposes at the Noteholder Meeting.
93. In order to be approved, the Plan must receive an affirmative vote by that number of Affected Creditors of the Plan Entities representing at least a majority in number of the

Proven Voting Claims, whose Affected Claims represent at least two-thirds in value of the Proven Voting Claims of:

- (a) the Ordinary Creditors and Convenience Class Creditors who validly vote (in person or by proxy or who are deemed to vote pursuant to the Plan and the Meeting Order); and
- (b) the 8% Noteholders who provide a proxy, ballot or other instructions for voting or otherwise validly vote at the Noteholder Meeting as provided for in the Meeting Order.

- 94. Any vote will be binding on all Affected Creditors whether or not such Affected Creditor is present at the Meetings.
- 95. The Monitor will report to the Court no later than four Business Days after the Meetings with respect to: (a) the results of the voting at the Noteholder Meeting and the Ordinary Creditors Meeting on the resolution to approve the Plan; (b) whether the Required Majority approved the Plan; (c) the effect on the results of the voting had all of the Affected Creditors of the Plan Entities with Unresolved Claims also voted the full amount of their Unresolved Claims; and (d) any other matter relating to the CMI Entities' motion seeking sanction of the Plan.
- 96. The Monitor reviewed and was consulted with respect to the terms of the Plan and the Meeting Order setting out the procedure for the conduct of and voting at the Meetings and notice procedures with respect to same and agrees with the CMI Entities that such terms are fair and reasonable.

### ***Assignment of Claims***

97. The assignment and transfer of Affected Claims may be restricted and is governed by the terms and provisions of the Meeting Order, Claims Procedure Order and the Plan. Among other things, the Monitor and the CMI Entities are not obliged to deal with any transferee or assignee as an Ordinary Creditor or Convenience Class Creditor, including allowing such transferee or assignee to vote at the Ordinary Creditors Meeting, unless actual notice of assignment, together with satisfactory evidence thereof, is received by the Monitor prior to 5:00 p.m. on the day that is at least ten Business Days prior to the date of the Ordinary Creditors Meeting and acknowledged in writing by the Monitor and the relevant CMI Entity. The CMI Entities and the Monitor will not recognize any partial transfers or assignments of Claims by Ordinary Creditors or Convenience Class Creditors.

### ***Modifications of the Plan***

98. Before and during each Meeting, the CMI Entities may amend the Plan on consent of the Plan Sponsor and the Ad Hoc Committee and the Monitor will post such amendment on the website for these proceedings. The Meeting Order requires the CMI Entities to give reasonable written notice to all Affected Creditors present at each Meeting of the details of any such amendment prior to the vote being taken to approve the Plan<sup>6</sup>.
99. After the Meetings, the CMI Entities may amend the Plan if:

---

<sup>6</sup> Due to an inadvertent error in the search conducted to identify individual 8% Noteholders, the CMI Entities will be amending the Plan to change the Noteholder Voting Record Date from June 24, 2010 to June 28, 2010 prior to the date of the Meetings.

- (a) the Court, the CMI Entities, the Ad Hoc Committee and the Plan Sponsor, or
- (b) the Monitor, the CMI Entities, the Plan Sponsor and the Ad Hoc Committee without the need for obtaining an Order,

consent to such amendment and determine that such amendment would not be materially prejudicial to the interests of the Affected Creditors under the Plan or is necessary to give effect to the full intent of the Plan or the Sanction Order. The CMI Entities will give reasonable written notice of the details of any such amendment to Affected Creditors that have filed a notice of appearance in the CCAA Proceedings and the Monitor will post such notice on its website for these proceedings. The CMI Entities will file a copy of any amendment to the Plan with the Court, but no notice will be provided to Affected Creditors (other than as described above) and no additional vote of the Affected Creditors will be necessary to give effect to such amendment to the Plan.

***Application of Sections 38 and 95 to 101 of the BIA to the Plan***

- 100. The Plan provides that Sections 38 and 95 to 101 of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”) do not apply to it.
- 101. The Monitor has reviewed certain of the CMI Entities’ transactions preceding the commencement of the CCAA Proceedings and is not aware of any that would constitute preferences, fraudulent conveyances or other transactions at undervalue.
- 102. Accordingly, the Monitor considers that the provision that Sections 38, 95 to 101 of the BIA do not apply to the Plan is reasonable given the overall benefit of the Plan.

***Sanction***

103. If the Plan is approved by the Requisite Majority, the Applicants will apply to the Court for the Sanction Order. Under the Plan, the CMI Entities must use their commercially reasonable efforts to obtain the Sanction Order on or before August 27, 2010 and are currently scheduled to bring a motion for the Sanction Order on July 28, 2010.
104. The Meeting Order provides that any party who wishes to oppose the motion for approval of the Sanction Order must serve upon the service list a notice setting out the basis for such opposition and a copy of the materials to be used to oppose the motion at least seven days before the date set for the motion or such shorter time as this Court may, by Order, allow.

**CLAIMS AGAINST THE CMI ENTITIES**

***General***

105. On October 14, 2009, the CMI Entities obtained an Order (the “**Claims Procedure Order**”) establishing a claims procedure for the identification and quantification of certain claims against the CMI Entities and the CMI Entities’ Directors and Officers (the “**Claims Procedure**”). For reasons described in the Monitor’s Sixth Report, the Claims Procedure Order was amended by Order of Justice Pepall dated November 30, 2009. Copies of the Claims Procedure Order and the Order dated November 30, 2009 are available on the Monitor’s website for these proceedings.
106. In accordance with the Claims Procedure Order, and as described in greater detail in the Monitor’s Fifth and Ninth Reports, on October 22, 2009, the Monitor sent out 1,416 CMI

Claims Packages to the CMI Known Creditors who are not CMI Employees and 1,989 CMI Claims Packages to the CMI Employees. Further, between October 23, 2009 and November 19, 2009, the Monitor sent CMI Claims Packages to 313 additional CMI Known Creditors. In addition, on June 25, 2010, the CMI Entities delivered a CMI Claims Package to one additional CMI Known Creditor holding a claim against CMI in the amount of \$500,000 which had been inadvertently omitted by the CMI Entities in their initial review of their books and records.

107. The Monitor also received approximately 475 CMI Proofs of Claim from CMI Unknown Creditors.
108. Since the commencement of the CCAA Proceedings and as at June 3, 2010, the Monitor also sent out 23 CMI Claims Packages in connection with Restructuring Period Claims. Of these 23 Restructuring Period Claims, five claims related to disclaimers of agreements for which the CMI Entities obtained the Monitor's consent for disclaimer of and delivered notices of disclaimer. As at the date of this report, 17 of these claims have been accepted or resolved, three have been disputed by the creditors by delivering CMI Notices of Dispute of Claim, and three remain under review by the creditors.
109. Pursuant to the Meeting Order, the Restructuring Period Claims Bar Date was set at 5:00 p.m. on July 9, 2010. As at July 7, 2010, the Monitor received two CMI Proofs of Claims asserting Restructuring Period Claims.
110. Subsequent to the Fourteenth Report and at the request of the Plan Sponsor, the CMI Entities obtained the Monitor's consent for disclaimer of and delivered notices of disclaimer in connection with thirteen additional agreements. In accordance with the



Plan and the Shaw Transaction Amending Agreements, the Plan Sponsor will fund into the Ordinary Creditors Pool an additional cash amount equal to the amount that is required to maintain the recovery rate (*pro rata* as among the Ordinary Creditors of the Plan Entities) that would otherwise be received by such creditors assuming there were no additional claims resulting from the disclaimers requested by the Plan Sponsor. All of the claims related to these disclaimers remain unresolved as at the date of this report.

***Review of Status of Claims Procedure***

111. The CMI Entities, with the assistance of the Monitor, have reviewed the claims of the CMI Creditors and have been diligently resolving these claims. As at July 8, 2010, approximately 1,600<sup>7</sup> claims asserted in the CMI Entities' Claims Procedure have been accepted, withdrawn or otherwise resolved. The CMI Entities are in active discussions with substantially all of the remaining holders of the outstanding claims.
112. A table summarizing the number and value of claims asserted, accepted and disputed as at July 8, 2010 against (a) the CTLP Plan Entities, and (b) the CMI Plan Entities is attached hereto as **Appendix "E"**.
113. The table attached at Appendix "E" hereto is intended to reflect only the claims as called for and asserted under the terms of the Claims Procedure Order and is not intended to provide a commentary on the voting and/or distribution rights of any such claims, which

---

<sup>7</sup> Including claims advanced under the CMI Noteholder Trust Indenture pursuant to paragraph 15 of the Claims Procedure Order where the number of the claiming CMI Noteholders is currently not disclosed and excluding CMI Intercompany Claims (as defined in the Claims Procedure Order).

rights may be affected by, *inter alia*, the provisions of the CCAA and the Plan. In addition, and for greater certainty, the table attached at Appendix “E” hereto does not include claims expressly excluded from the scope of the Claims Procedure Order, including the Excluded Claims and the Canwest Intercompany Claims (as defined in the Claims Procedure Order).

### ***Claims against Related Persons***

114. Treatment of Intercompany Claims under the Plan is discussed in greater detail at paragraphs 62 to 66 and 68 to 70 above. Similarly, the nature of the claims against the Directors and Officers submitted in the course of the Claims Procedure and the release of such claims contemplated under the Plan is discussed above at paragraphs 71 to 75.
115. The Monitor considers the treatment of claims by Related Persons (as defined in the Guidelines) contemplated under the Plan to be fair and reasonable.

### ***Other Claims***

116. The Monitor has not identified any trust claims or any claims that cannot be compromised in the Plan in accordance with the CCAA.

## **REPORT ON ALTERNATE BIA PROCEEDING & WHETHER CCAA PROCEEDING WAS THE BEST COURSE OF ACTION**

117. As described in greater detail in the Pre-filing Report, as a result of declining revenues, the CMI Entities defaulted under their various credit facilities and related guarantee obligations in March 2009. As a result of those events of default, amounts under the CMI Entities’ various credit facilities became immediately due and payable. The CMI Entities

required a stay of proceedings under the CCAA in order to allow them to implement a going concern restructuring and preserve their enterprise values.

118. The Monitor conducted an analysis of the estimated value that may be achieved upon a going concern liquidation of the CMI Entities' operations and assets. The analysis is based on information provided by the CMI Entities and is subject to a number of assumptions and qualifications that had to be made by the Monitor in arriving at the estimated range of recoveries for Affected Creditors of the CMI Entities. Based on its analysis, the Monitor believes that the Plan will produce a more favourable result for the Affected Creditors of the Plan Entities than a further sale process or liquidation of the CMI Entities' assets under the CCAA or the BIA.
119. In the Monitor's view, a bankruptcy under the BIA as an alternative to the proceedings under the CCAA would not be more beneficial to the CMI Entities' creditors. The Monitor is also of the view that the CCAA Proceedings were a better course of action and that it would not be more beneficial to the CMI Entities' creditors if proceedings in respect of the CMI Entities were taken under the BIA.

## **RECOMMENDATION AND CONCLUSIONS**

120. The Monitor has assisted the CMI Entities throughout the CCAA Proceedings and in the development of the Plan. The Monitor participated in the negotiation and drafting of the Plan and is of the view that the Plan complies with the requirements of the CCAA, in particular the requirements outlined in section 6 thereof.

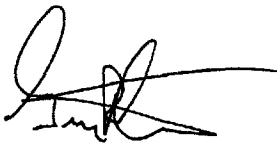
121. As stated in the Fifteenth Report, there is no reason to believe that re-starting the equity investment solicitation process or marketing 100% of the CMI Entities' assets again would result in a better (or even equally desirable) outcome. The Monitor also believes that restarting the process now may lead to operational difficulties, including issues with the CMI Entities' large studio suppliers and advertisers, resulting from continued uncertainty as to the outcome of the CMI Entities' CCAA Proceedings.
122. As a result, the Monitor believes that the likely alternative to the Plan would be a going concern liquidation/sale of the assets of the CMI Entities under the CCAA and/or the BIA and the distribution of proceeds of such sale or liquidation to creditors in accordance with their respective priorities. It is unlikely that the recovery from such going concern liquidation proceedings will result in greater recovery to the creditors of the CMI Entities.
123. The CMI Entities put forward the Plan in the expectation that stakeholders generally will derive a greater benefit from continued operations of the CMI Entities' businesses provided for under the Plan than would result from a bankruptcy or liquidation of the CMI Entities' assets. Approval of the Plan is recommended by the senior management of the CMI Entities, the Board of Directors of Canwest Global, and the CMI CRA.
124. The Monitor believes that the Plan is advantageous to the Affected Creditors of the Plan Entities and is fair and reasonable as between the CMI Entities' creditors and the CMI Entities.
125. The Monitor also believes that the CMI Entities have acted and continue to act in good faith and with due diligence and have not breached any requirements under the CCAA or any Order of the Court.

126. Accordingly, the Monitor recommends that the Affected Creditors of the Plan Entities  
vote in favour of the Plan.

All of which is respectfully submitted this 9<sup>th</sup> of July, 2010.

**FTI Consulting Canada Inc.,**  
in its capacity as the Monitor of Canwest Global Communications Corp. and the other  
Applicants listed in Schedule "A" and Partnerships listed in Schedule "B"

Per

A handwritten signature in black ink, appearing to read 'Greg Watson', with a long horizontal flourish extending to the right.

Greg Watson  
Senior Managing Director

## **Schedule "A"**

### **The Applicants**

1. Canwest Global Communications Corp.
2. Canwest Media Inc.
3. 30109, LLC
4. 4501063 Canada Inc.
5. 4501071 Canada Inc.
6. Canwest Finance Inc./Financiere Canwest Inc.
7. Canwest Global Broadcasting Inc./Radiodiffusion Canwest Global Inc.
8. Canwest International Communications Inc.
9. Canwest International Distribution Limited
10. Canwest International Management Inc.
11. Canwest Irish Holdings (Barbados) Inc.
12. Canwest MediaWorks Turkish Holdings (Netherlands) B.V.
13. Canwest MediaWorks (US) Holdings Corp.
14. Canwest Television GP Inc.
15. CGS Debenture Holding (Netherlands) B.V.
16. CGS International Holdings (Netherlands) B.V.
17. CGS NZ Radio Shareholding (Netherlands) B.V.
18. CGS Shareholding (Netherlands) B.V.
19. Fox Sports World Canada Holdco Inc.
20. Global Centre Inc.
21. MBS Productions Inc.
22. Multisound Publishers Ltd.
23. National Post Holdings Ltd.
24. Western Communications Inc.
25. Yellow Card Productions Inc.

## **Schedule "B"**

### **Partnerships**

1. Canwest Television Limited Partnership
2. Fox Sports World Canada Partnership
3. The National Post Company/La Publication National Post

# APPENDIX "A"



Standards of Professional Practice

---

No. 09-7  
PLAN OF COMPROMISE OR ARRANGEMENT

---

*In this Standard, words importing the singular number or the masculine gender only include more persons, parties or things of the same kind than one, and females as well as males and the converse.*

1.00 SCOPE AND PURPOSE

- 1.01 The purpose of this Standard is to provide guidance to a Monitor fulfilling its statutory responsibilities under S.23(1)(d.1) or S.23(1)(i) of the **Companies' Creditors Arrangement Act (CCAA), R.S.C. 1985, c. C-36, as amended**, in respect of a Monitor's Report on a Plan of Compromise or Arrangement.
- 1.02 The Monitor's duties and obligations in respect of a particular **CCAA** proceeding **shall** be governed by the **Act**, the applicable orders issued by the court, and this Standard where applicable. To the extent that this Standard conflicts with any order issued by the court, the Monitor **shall** be governed by the order.

2.00 DEFINITIONS

2.01 In this Standard:

"**May**" means the Standard is simply intended to be helpful and the Monitor has full discretion to follow it or not.

"**Should**" means it is appropriate to do so in most circumstances. Where a Monitor judges it appropriate to do otherwise, the Monitor should consider the advisability of documenting the reasons for its decision.

"**Shall**" means the Standard is mandatory and the Monitor must follow it.

2.02 In this Standard:

"**Act**" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended;

Standards of Professional Practice

---

No. 09-7

PLAN OF COMPROMISE OR ARRANGEMENT

---

“**Association**” means Canadian Association of Insolvency and Restructuring Professionals / Association canadienne des professionnels de l’insolvabilité et de la réorganisation;

“**BIA**” means the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended;

“**CCAA Plan**” or “**Plan of Compromise or Arrangement**” means a plan of compromise or arrangement prepared by or in respect of a Company in accordance with the **Act**;

“**Company**” means a debtor company, as defined in Section 2 of the **Act**, that intends to commence or has commenced, as the case may be, a proceeding under the **Act** or in respect of whom a proceeding under the **Act** has been commenced;

“**Monitor**” in respect of a Company, means the person appointed by the court pursuant to Section 11.7 of the **Act** to monitor the business and financial affairs of the Company;

“**Monitor’s Report**” means the report on the **CCAA Plan** issued by the Monitor in accordance with Section 23(1)(d.1) or 23(1)(i) of the **Act**; and

“**Related Persons**” means persons, one of whom is the Company, who are “related persons” as defined in Section 4(2) of the **BIA**.

### 3.00 ASSISTING THE COMPANY

- 3.01 The Monitor **may** assist the Company in the preparation of the **CCAA Plan** and in negotiating and discussing the terms of the **CCAA Plan** with the Company’s stakeholders.
- 3.02 The Monitor **shall** advise the Company that the development and substance of the **CCAA Plan** is the responsibility of the Company and that the Monitor has a duty to report to the court on the **CCAA Plan**.
- 3.03 The Monitor **should** advise the Company that any information given by the Company to the Monitor may be disclosed to the court and the creditors.
- 3.04 The Monitor **should** ensure that, in its view, the **CCAA Plan** satisfies the express requirements of the **Act**.

Standards of Professional Practice

---

No. 09-7

PLAN OF COMPROMISE OR ARRANGEMENT

---

4.00 MONITOR'S REPORT

4.01 The Monitor's Report **should** include the following:

- a) An appropriate disclaimer / notice to reader, summarizing the scope of the Monitor's review, the documents or information on which it relied, and the possible limitations of such information.
- b) Background information on the Company, including:
  - Identification of the ownership of the Company
  - Overview of the Company's business and recent financial results
  - Material assets and liabilities
  - Causes of financial difficulties
- c) Commentary on operations, including:
  - Current and anticipated future status of operations following implementation of the plan (e.g. whether operations are to be continued or shut down)
  - Significant developments since the filing of the **CCAA** application
  - A summary of the operating results for the operations since the filing of the **CCAA** application
- d) Summary of the material terms and conditions of the **CCAA** Plan, including material conditions precedent to plan implementation, and the timing and quantum of estimated recoveries to each class of creditors
- e) Conduct of the Company during its proceedings under the **Act**, including:
  - Disclosure of the review performed by the Monitor of any potential preferences, fraudulent conveyances or other transactions at undervalue, and any conclusions reached by the Monitor with respect to same. If no work in this respect has been performed or the work is still in progress, the Monitor **should** advise creditors of this fact.

Standards of Professional Practice

---

No. 09-7  
PLAN OF COMPROMISE OR ARRANGEMENT

---

- The Company's breach of, or non-compliance with, any requirement under the **Act** or pursuant to any order issued by the court in the Company's proceedings under the **Act**.
  - Whether, in the Monitor's view, the Company has acted and continues to act in good faith and with due diligence.
- f) Resolution of Claims against the Company, including:
- A summary of all claims made against the Company, including an overview of the results of any claims bar process and any disputed or unresolved claims
  - A review of claims resulting from the Company's disclaimer or resiliation of agreements
  - Identification of all claims involving Related Persons and the nature of the Monitor's review, if any, to ascertain the validity of such claims and the transactions giving rise to such claims
  - Identification of any trust claims and any claims that cannot be compromised in a **CCAA Plan** in accordance with the **Act**
  - Monitor's opinion on the reasonableness of including a provision in the **CCAA Plan** that stipulates that Sections 38, 95 to 101 of the **BIA** do not apply in the Plan of Compromise or Arrangement
  - Results of any legal opinion available to the Monitor on the validity of secured creditors' claims
  - A general discussion of claims against Related Persons, including directors and officers of the Company, that are compromised or otherwise affected pursuant to the **CCAA Plan**
- g) Report on alternate **BIA** proceeding, which identifies:
- The reasons for commencing formal proceedings under the **Act**
  - Whether a bankruptcy under the **BIA** in the alternative to the proceedings under the **Act** would, to the extent determinable, be more beneficial to the Company's

Standards of Professional Practice

---

No. 09-7  
PLAN OF COMPROMISE OR ARRANGEMENT

---

creditors and a comparison of the likely treatment and recovery of the Company's stakeholders to the extent determinable

- h) Monitor's conclusion that the CCAA proceedings were the best course of action. Informing the court if the Monitor is of the view that it would be more beneficial to the Company's creditors if proceedings in respect of the Company were taken under the BIA;
- i) Other material considerations, including:
- The level of support for the CCAA Plan by each class of creditors voting on the CCAA Plan
  - The formation, composition and known activities of a Creditors' Committee, if any
  - Monitor's final recommendations, including the Monitor's opinion on whether, in the circumstances, the plan is advantageous to the Company's creditors, and is fair and reasonable as between the Company's creditors and the Company
  - If the Monitor objects to the CCAA Plan or makes no recommendation, the Monitor **shall** indicate the reasons for same.
- 4.02 The Monitor **should** ensure adequate disclosure of all of its assumptions in preparing the Monitor's Report and in formulating the commentary and conclusions therein.
- 4.03 In the case of a Monitor's Report under S.23(1)(d.1), the Monitor **shall** send by mail, courier, email or other means authorized by court order either the Monitor's Report or Notice of the availability of the Monitor's Report (on its website) to every known creditor with a proven claim and the Superintendent of Bankruptcy, or as otherwise specified by the court, at least seven days before the day on which the meeting of creditors referred to in section 4 or 5 under the CCAA is to be held.
- 4.04 In the case of a Monitor's Report under S.23(1)(i), if nothing material has come to the Monitor's attention that prevents it from filing the Monitor's Report, the Monitor **shall** prepare, sign and file the Monitor's Report prior to the commencement of the hearing of a motion by the court to sanction the CCAA Plan.

Standards of Professional Practice

---

No. 09-7

PLAN OF COMPROMISE OR ARRANGEMENT

---

- 4.05 The Monitor **shall** file the Monitor's Report with the court at least seven days before the day on which the meeting of creditors is to be held (or other such time as may be ordered by the court).

# APPENDIX "B"

**CANWEST GLOBAL COMMUNICATIONS CORP.  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2010 AND 2009  
(UNAUDITED)**



April 13, 2010

**To the Audit Committee of Canwest Global Communications Corp.**

In accordance with our engagement letter dated August 25, 2009, we have reviewed the accompanying interim consolidated balance sheet of **Canwest Global Communications Corp.** (the Company) as at February 28, 2010 and the related interim consolidated statements of earnings (loss), comprehensive earnings (loss), deficit and cash flows for the three and six month periods ended February 28, 2010 and February 28, 2009 (the interim financial statements). These interim consolidated financial statements are the responsibility of the Company's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the interim financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim consolidated financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the Audit Committee of the Canwest Global Communications Corp. to assist it in discharging its regulatory obligation to review these interim consolidated financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

**CANWEST GLOBAL COMMUNICATIONS CORP.**  
**(Under Creditor Protection Proceedings as of October 6, 2009 – Notes 1 and 4)**  
**CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)**

(UNAUDITED)

(In thousands of Canadian dollars except as otherwise noted)

	For the three months ended February 28,		For the six months ended February 28,	
	2010	2009 (Revised notes 19 and 25)	2010	2009 (Revised notes 19 and 25)
Revenue	478,680	493,434	1,049,345	1,127,778
Operating expenses	384,987	434,591	781,319	932,298
Restructuring expenses (reversals) (note 15)	(120)	18,189	1,722	32,695
Broadcast rights write-downs	-	29,620	-	29,620
Settlement of regulatory fees (note 25)	-	-	(29,416)	-
	93,813	11,034	295,720	133,165
Amortization of intangible assets	1,608	1,607	5,116	3,215
Amortization of property and equipment	19,081	21,059	38,045	40,541
Other amortization	77	93	155	188
Operating income (loss)	73,047	(11,725)	252,404	89,221
Interest expense	(48,685)	(66,650)	(101,168)	(136,625)
Accretion of long-term liabilities	(33,091)	(9,829)	(65,843)	(38,062)
Interest income	173	223	1,004	351
Interest rate and foreign currency swap gains (losses)	-	(1,731)	-	40,698
Foreign currency exchange gains (losses) (note 18)	20,604	(15,878)	86,036	(83,379)
Investment gains, losses and write-downs	(43)	(2,353)	670	(3,516)
Impairment loss on property and equipment	-	(10,333)	-	(10,333)
Impairment loss on intangible assets (note 14)	-	(185,108)	(3,142)	(185,108)
Impairment loss on goodwill (note 14)	-	(895,110)	-	(895,110)
	12,005	(1,198,494)	169,961	(1,221,863)
Reorganization items Canwest Media entities (note 6)	(25,713)	(1,599)	(87,734)	(1,599)
Reorganization items Canwest LP entities (note 7)	(30,940)	-	(40,076)	-
	(44,648)	(1,200,093)	42,151	(1,223,462)
Provision for (Recovery of) income taxes (note 16)	(2,023)	150,044	2,243	174,467
Earnings (Loss) before the following	(42,625)	(1,350,137)	39,908	(1,397,929)
Minority interest	(3,647)	(3,644)	(11,599)	(9,586)
Interest in earnings of equity accounted affiliates	194	340	94	555
Realized foreign currency translation adjustments	-	(216)	-	(216)
<b>Net earnings (loss) from continuing operations</b>	(46,078)	(1,353,657)	28,403	(1,407,176)
Gain from sale of discontinued operations (note 19)	-	-	578,059	-
Loss from discontinued operations (note 19)	-	(81,857)	-	(65,282)
<b>Net earnings (loss) from discontinued operations</b>	-	(81,857)	578,059	(65,282)
<b>Net earnings (loss) for the period</b>	(46,078)	(1,435,514)	606,462	(1,472,458)
<b>Earnings (Loss) per share from continuing operations (note 21):</b>				
Basic	(\$0.26)	(\$7.62)	\$0.16	(\$7.92)
Diluted	(\$0.26)	(\$7.62)	\$0.16	(\$7.92)
<b>Earnings (Loss) per share (note 21):</b>				
Basic	(\$0.26)	(\$8.08)	\$3.41	(\$8.29)
Diluted	(\$0.26)	(\$8.08)	\$3.40	(\$8.29)

The notes constitute an integral part of the consolidated financial statements.

**CANWEST GLOBAL COMMUNICATIONS CORP.**  
**(Under Creditor Protection Proceedings as of October 6, 2009 – Notes 1 and 4)**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
(In thousands of Canadian dollars)

	As at February 28, 2010	As at August 31, 2009 (Revised notes 3 and 19)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	245,023	101,130
Restricted cash (note 13)	10,934	16,402
Accounts receivable	368,954	322,591
Inventory	5,360	6,618
Future income taxes	15,113	16,273
Other current assets	21,118	19,221
Assets of discontinued operations (note 19)	-	268,230
	666,502	750,465
Other investments	6,716	6,594
Broadcast rights (note 14)	384,020	362,502
Property and equipment	526,468	557,708
Other assets	37,563	36,518
Intangible assets (note 14)	1,221,547	1,229,447
Goodwill	1,016,430	1,017,975
Assets of discontinued operations (note 19)	-	705,760
	3,859,246	4,666,969
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	196,730	400,066
Income taxes payable	37,904	39,112
Broadcast rights payable	118,548	95,297
Deferred revenue	31,961	34,651
Current portion of long-term debt and obligations under capital leases (note 17)	8,236	2,339,562
Current portion of hedging derivative instruments	23,280	21,803
Liabilities of discontinued operations (note 19)	-	233,305
	416,659	3,163,796
Liabilities subject to compromise Canwest Media entities (note 8)	547,919	-
Liabilities subject to compromise Canwest LP entities (note 9)	1,489,591	-
	788,667	827,410
Long-term debt (note 17)	788,667	827,410
Hedging derivative instruments	36,860	19,788
Obligations under capital leases	2,925	3,872
Other long-term liabilities	160,280	192,833
Future income taxes	141,814	159,827
Puttable interest in subsidiary	706,839	645,216
Minority interest	56,462	58,007
Liabilities of discontinued operations (note 19)	-	694,664
	4,348,016	5,765,413
<b>Going concern (note 1)</b>		
<b>SHAREHOLDERS' DEFICIENCY</b>		
Capital stock	852,375	852,375
Contributed surplus	18,554	17,239
	(1,321,449)	(1,927,911)
Deficit	(1,321,449)	(1,927,911)
Accumulated other comprehensive loss (note 20)	(38,250)	(40,147)
	(1,359,699)	(1,968,058)
	(488,770)	(1,098,444)
	3,859,246	4,666,969

The notes constitute an integral part of the consolidated financial statements.

**CANWEST GLOBAL COMMUNICATIONS CORP.**  
**(Under Creditor Protection Proceedings as of October 6, 2009 – Notes 1 and 4)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)**  
**(UNAUDITED)**

(In thousands of Canadian dollars)

	For the three months ended February 28,		For the six months ended February 28,	
	2010	2009	2010	2009
<b>Net earnings (loss) for the period</b>	(46,078)	(1,435,514)	606,462	(1,472,458)
<b>Other comprehensive income (loss)</b>				
Unrealized foreign currency translation gains (losses) on net assets of self-sustaining foreign operations	-	(441)	469	2,950
Realized foreign currency translation gains (losses) on net assets of self-sustaining foreign operations	-	216	(2,999)	216
Foreign currency translation adjustment (note 20)	-	(225)	(2,530)	3,166
Change in fair value of hedging derivative instruments designated as cash flow hedges net of tax of \$2.1 million and nil for the three and six months ended February 28, 2010, respectively (2009 - \$5.7 and \$10.1 million) (note 20)	6,193	1,099	50	(38,274)
Reclassification of change in fair value of hedging derivative instruments designated as cash flow hedges realized in net loss for the period net of tax of \$1.9 million (note 20)	-	-	4,377	-
	6,193	1,099	4,427	(38,274)
Unrealized gain (loss) on available-for-sale investment net of tax of nil (2009 – nil) (note 20)	-	3,578	-	(7,285)
Reclassification of impairment loss on available for sale investments realized in net loss for the period net of tax of nil (2009 – nil) (note 20)	-	7,285	-	7,285
	-	10,863	-	-
<b>Comprehensive income (loss) for the period</b>	(39,885)	(1,423,777)	608,359	(1,507,566)

**CONSOLIDATED STATEMENTS OF DEFICIT**  
**(UNAUDITED)**

(In thousands of Canadian dollars)

	For the three months ended February 28,		For the six months ended February 28,	
	2010	2009 (Revised note 25)	2010	2009 (Revised note 25)
<b>Deficit – beginning of period</b>	(1,275,371)	(271,499)	(1,927,911)	(234,555)
Net earnings (loss) for the period	(46,078)	(1,435,514)	606,462	(1,472,458)
<b>Deficit – end of period</b>	(1,321,449)	(1,707,013)	(1,321,449)	(1,707,013)

The notes constitute an integral part of the consolidated financial statements.

**CANWEST GLOBAL COMMUNICATIONS CORP.**  
**(Under Creditor Protection Proceedings as of October 6, 2009 – Notes 1 and 4)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

(In thousands of Canadian dollars)

	For the three months ended February 28,		For the six months ended February 28,	
	2010	2009 (Revised notes 19 and 25)	2010	2009 (Revised notes 19 and 25)
<b>CASH GENERATED (UTILIZED) BY:</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss) for the period	(46,078)	(1,435,514)	606,462	(1,472,458)
Reorganization items Canwest Media Entities	25,713	1,599	87,734	1,599
Reorganization items Canwest LP Entities	30,940	-	40,076	-
Net earnings from discontinued operations	-	81,857	(578,059)	65,282
Items not affecting cash				
Amortization	20,766	22,759	43,316	43,944
Net non-cash interest expense	11,439	15,062	13,198	30,407
Accretion of long-term liabilities	33,091	9,829	65,843	38,062
Future income taxes (recovery)	(3,956)	144,344	(13,489)	162,646
Realized foreign currency translation adjustments	-	216	-	216
Interest rate and foreign currency swap gains, net of settlements	-	(3,076)	-	(56,719)
Broadcast rights write-downs	-	29,620	1,737	29,620
Impairment loss on property and equipment, intangible assets, and goodwill	-	1,090,551	3,142	1,090,551
Investment gains, losses and write-downs	43	2,353	(670)	3,516
Pension expense less than employer contributions	(3,941)	(6,728)	(12,640)	(7,022)
Minority interest	3,647	3,644	11,599	9,586
Earnings of equity accounted affiliates	(194)	(340)	(94)	(555)
Foreign exchange (gains) losses	(21,113)	14,727	(85,114)	79,974
Stock based compensation expense	575	163	1,315	1,358
	50,932	(28,934)	184,356	20,007
Changes in non-cash operating accounts	79,678	38,441	(62,801)	(52,317)
Cash flows from operating activities of continuing operations before Reorganization items	130,610	9,507	121,555	(32,310)
Reorganization items Canwest Media Entities (note 6)	(14,737)	(1,599)	(29,883)	(1,599)
Reorganization items Canwest LP Entities (note 7)	(14,539)	-	(21,198)	-
Cash flows from operating activities of discontinued operations (note 19)	-	5,990	-	35,247
Cash flows from operating activities	101,334	13,898	70,474	1,338
<b>INVESTING ACTIVITIES</b>				
Other investments	(2,668)	-	(2,734)	(100)
Restricted cash (note 13)	(4,488)	-	(8,434)	-
Proceeds from sale of discontinued operations	-	-	617,819	-
Proceeds from sales of property and equipment	-	12,966	-	12,983
Purchase of property and equipment	(3,886)	(16,292)	(10,302)	(38,090)
Reorganization items Canwest Media Entities	3,000	-	3,000	-
Investing activities of discontinued operations	-	(6,426)	-	(13,215)
	(8,042)	(9,752)	599,349	(38,422)
<b>FINANCING ACTIVITIES</b>				
Repayment of long-term debt (note 17)	(1,187)	(2,437)	(499,935)	(4,875)
Advances (repayments) of revolving facilities, net of financing costs (note 17)	1,889	25,941	(13,075)	74,902
Swap recouping receipts	-	5,000	-	5,000
Payments of capital leases	(236)	(242)	(1,740)	(1,695)
Payment of distributions to minority interest	(6,580)	(682)	(11,180)	(2,811)
Financing activities from discontinued operations	-	1,417	-	(19,228)
	(6,114)	28,997	(525,930)	51,293
<b>Net change in cash and cash equivalents</b>	<b>87,178</b>	<b>33,143</b>	<b>143,893</b>	<b>14,209</b>
Cash and cash equivalents – beginning of period	157,845	26,381	101,130	45,315
Cash and cash equivalents – end of period	245,023	59,524	245,023	59,524

The notes constitute an integral part of the consolidated financial statements.

**CANWEST GLOBAL COMMUNICATIONS CORP.**  
**(Under Creditor Protection Proceedings as of October 6, 2009 – Notes 1 and 4)**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2010 AND 2009**  
**(UNAUDITED)**

(In thousands of Canadian dollars except as otherwise noted)

**1. BASIS OF PRESENTATION AND GOING CONCERN**

***Creditor Protection***

On October 6, 2009, Canwest Global Communications Corp. (“Canwest Global” or the “Company”) and certain of its subsidiaries applied for and obtained an order (as amended, the “Canwest Media Initial Order”) from the Ontario Superior Court of Justice (Commercial List) (the “Court”), granting creditor protection under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”). The Canwest Media Initial Order applies to Canwest Global, Canwest Media Inc. (“Canwest Media”), Canwest Television Limited Partnership, The National Post Company and certain non-operating subsidiaries (collectively, the “Canwest Media Applicants”). Canwest (Canada) Inc., Canwest Limited Partnership (“Canwest LP”) and its subsidiaries including Canwest Publishing Inc. and National Post Inc., and CW Investments Co. (“CW Media”) and its subsidiaries including CW Media Holdings Inc., are not included in this filing. The Canwest Media Initial Order provided for a general stay of proceedings in respect of the Canwest Media Applicants for an initial period of 30 days, which was subsequently extended to June 15, 2010 and is subject to further extensions by the Court. The Canwest Media Initial Order may be further amended by the Court throughout the CCAA proceedings (the “Canwest Media CCAA Proceedings”) based on motions from the Canwest Media Applicants, their creditors and other interested parties. On October 6, 2009, certain of the Canwest Media Applicants, through their Court-appointed Monitor, also made a concurrent petition for recognition and ancillary relief under Chapter 15 of the U.S. Bankruptcy Code in the United States Bankruptcy Court (“US Court”). On November 3, 2009, the US Court granted formal recognition of the Canwest Media CCAA proceedings. For additional information, see note 2, “Significant Accounting Policies” and note 4, “Canwest Media Creditor Protection and Amended Recapitalization Agreement.”

On January 8, 2010, Canwest (Canada) Inc., Canwest Publishing Inc. and Canwest Books Inc. (collectively, the “Canwest LP Applicants”) together with Canwest LP (the “Canwest LP Entities”), applied for and obtained an order (as amended, the “Canwest LP Initial Order”) from the Court granting creditor protection under the CCAA. The Canwest LP Initial Order applies to the Canwest LP Entities. National Post Inc. is not included in the filing. For additional information, see note 5, “Canwest LP Creditor Protection and Plan.” The Canwest LP Initial Order provided for a general stay of proceedings against the Canwest LP Applicants for an initial period of 30 days, which was subsequently extended to June 30, 2010 and is subject to further extensions by the Court. The Canwest LP Initial Order may be further amended by the Court throughout the CCAA proceedings based on motions from the Canwest LP Applicants, their creditors and other interested parties. For additional information, see note 2, “Significant Accounting Policies” and note 5, “Canwest LP Creditor Protection and Plan.”

### ***Basis of presentation and going concern issues***

The Company is a Canadian media company with interests in conventional television, specialty television channels, publishing and websites. The Company's operating segments include television and publishing. The television segment includes the operations of Canwest Television Limited Partnership, which operates the Global Television Network and six Canadian specialty television channels. The CW Media television segment includes CW Media, which operates 18 Canadian specialty television channels. The publishing segment includes the operations of Canwest LP which publishes a number of newspapers and magazines, including metropolitan daily newspapers and The National Post, as well as operation of the canada.com web portal and other web-based operations. In September 2009, the Company sold its interest in Ten Network Holdings Limited ("Ten Holdings") and its subsidiaries. The operations that comprised the Australian television and Out-of-home advertising segments have been classified as discontinued operations (see note 19).

The Company's television broadcast revenue includes advertising revenue from a customer base that is comprised primarily of large advertising agencies, which place advertisements with the Company on behalf of their customers. In addition, the Company's specialty television revenue includes subscription revenue which is derived from subscribers of our specialty television channels. Publishing revenue includes advertising, circulation and subscriptions which are derived from a variety of sources. The Company's advertising revenue is seasonal. Revenue and accounts receivable are highest in the first and third quarters, while expenses are relatively constant throughout the year.

### **Going Concern**

During its 2009 fiscal year and the three and six months ended February 28, 2010, the Company's operating results and cash flows were impacted by the effects of the significant and sudden declines in advertising revenue for its operations reflecting the weakened economic environment. The significantly reduced advertising revenue reduced cash flows from operations. These conditions and other factors contributed to the defaults related to certain of the Company's credit facilities, note indentures and derivative financial instruments.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP") which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. While the Company, along with the other Canwest Media Applicants, is under creditor protection, it believes a plan of compromise and arrangement can be developed and implemented which will allow it to continue to operate as a going concern (note 4). There is uncertainty as to whether the reorganization transactions will be structured as a reorganization of the Company. The Subscription Agreement (as defined below) between the Company and Shaw Communications Inc. ("Shaw") contemplates that a restructured and recapitalized Canwest Global will emerge or that alternatively, a new company may be created and the restructuring may include transfers of assets or shares of subsidiaries of Canwest Global and Canwest Media. If the transaction involves a newly created company and transfers of assets or shares of subsidiaries of Canwest Global and Canwest Media, the Company may not be able to continue to use the going concern basis of presentation. Because there is a reasonable possibility that the Company will be reorganized, the Company considers the going concern basis of presentation to be appropriate. There is uncertainty related to the completion and implementation of the plans and the outcome of such plans which raise substantial doubt about whether the Company will continue as a going concern.

There can be no assurance that a financial reorganization will be completed such that the Company will continue as a going concern. If the going concern basis is not appropriate, adjustments to the carrying value of assets and liabilities may be required. Such adjustments could be material.

### ***Canwest Media Entities Events***

In March and September 2009, Canwest Media did not make interest payments totaling in the aggregate US\$60.8 million which were due on its 8% senior subordinated unsecured notes ("8% Notes") and is in default under the terms of the 8% Notes indenture. The guarantors under the Canwest Media debt obligations include Canwest Global, Canwest Media, Canwest Television Limited Partnership, the National Post Company and other wholly owned subsidiaries (collectively, the "Canwest Media Entities") but exclude Canwest (Canada) Inc., Canwest LP and its subsidiaries including Canwest Publishing Inc. and National Post Inc., and CW Media and its subsidiaries including CW Media Holdings Inc.

In May 2009, Canwest Media entered into a new \$75 million senior secured asset based loan facility (the "ABL facility") (note 17) and issued \$105 million (US\$94 million) 12% secured notes (note 17) for cash proceeds of \$100 million to certain holders of its 8% Notes. The proceeds were used to pay, in full, amounts owing under Canwest Media's previous senior secured credit facilities and certain secured hedging derivatives, as well as to finance operations.

On September 22, 2009, the Canwest Media Entities entered into a Use of Cash Collateral and Consent Agreement with an ad hoc committee of holders of 8% Notes representing over 70% of the 8% Notes (the "Ad Hoc Committee"). On October 1, 2009, the Company sold its interest in Ten Holdings for net proceeds of \$618 million (see notes 12 and 19). In accordance with the Use of Cash Collateral and Consent Agreement the proceeds were advanced to Canwest Media by its wholly-owned Irish subsidiary which held the investment in Ten Holdings and were utilized as follows: \$102 million to repay obligations under the 12% secured notes, \$85 million to repay the ABL facility and to provide operating liquidity and \$431 million to reduce its obligations under its 8% Notes indenture.

On October 5, 2009, the Canwest Media Entities entered into a CCAA Support Agreement with the Ad Hoc Committee pursuant to which they are pursuing a proposed recapitalization transaction related to the Canwest Media Entities (note 4). The proposed terms of the recapitalization transaction were set out in a Recapitalization Term Sheet incorporated into the CCAA Support Agreement (together with the CCAA Support Agreement, the "Recapitalization Agreement").

On October 6, 2009, as set out in the terms of the Recapitalization Agreement, the Canwest Media Applicants applied for and obtained creditor protection under the CCAA and the Court approved the conversion of the ABL facility into a debtor-in-possession ("DIP") financing arrangement (notes 4 and 17). On October 14, 2009, the Court approved a claims procedure, which sets out the process for identifying and valuing claims against the Canwest Media Applicants and the directors and officers of the Canwest Media Applicants by the creditors affected by the CCAA filing. The claims procedure was amended on November 30, 2009 by the Court.

On October 30, 2009, the Court granted an order approving the orderly transition and subsequent termination of certain shared services arrangements between the Canwest Media Applicants and other subsidiaries of the Company. The new shared services arrangement provides for the orderly termination of shared services on dates ranging from February 28, 2010 to February 28, 2011 and addresses certain employee-related matters including pensions and revises amounts payable for such services. In addition, substantially all of the assets and certain liabilities of the National Post were transferred from The National Post Company, a subsidiary of Canwest Media, to National Post Inc., a wholly owned subsidiary of Canwest LP for consideration of \$2.5 million.



The terms of the Recapitalization Agreement required that an equity investment in a restructured and recapitalized Canwest Global (“Restructured Canwest”) by one or more Canadian investors be completed on or prior to the completion of a restructuring transaction. An extensive equity investment solicitation process was carried out by a financial advisor retained by the Company to identify potential new investors. On February 11, 2010, the Company entered into, among other agreements, a subscription agreement (the “Subscription Agreement”) with Shaw which became effective on February 19, 2010 upon receipt of an order of the Court (the “Shaw Approval Order”). Under the Subscription Agreement, Shaw agreed to acquire a minimum 20% equity interest and an 80% voting interest in Restructured Canwest upon its successful emergence from CCAA protection. On March 9, 2010, GS Capital Partners VI Fund L.P. and certain of its affiliates (collectively, the “Goldman Sachs Parties”) brought a motion in the Ontario Court of Appeal for leave to appeal the Shaw Approval Order, which has yet to be adjudicated and which has been resisted by the Company. In the event that the motion for leave to appeal is granted, the Goldman Sachs Parties’ appeal would be permitted to proceed.

In connection with the Subscription Agreement the Canwest Media Entities and the Ad Hoc Committee amended the terms of the recapitalization transaction pursuant to an amendment of the Recapitalization Agreement. In addition, Canwest Global, Shaw and the Ad Hoc Committee entered into a related support agreement pursuant to which, among other things, the Ad Hoc Committee members agreed to support the amended terms of the recapitalization transaction including the equity subscription by Shaw. The terms of the Subscription Agreement, the related support agreement and the amended terms of the Recapitalization Agreement are described in more detail in note 4.

The Canwest Media CCAA Proceedings, discussed in note 4, “Canwest Media Creditor Protection and Recapitalization Plan”, provide the Canwest Media Applicants with temporary relief from their creditors by preventing all secured and unsecured creditors from proceeding against the Canwest Media Applicants. The DIP financing arrangement provides funding for operations during the course of the filing. Under the Canwest Media CCAA Proceedings, the Canwest Media Applicants intend to prepare and file a formal plan of compromise and arrangement which will set out, among other things, how the Canwest Media Applicants propose to deal with their creditors affected by the plan (the “Recapitalization Plan”). The Recapitalization Plan will be subject to a vote by the affected creditors and must be approved by a requisite majority of affected creditors and sanctioned by the Court.

Upon the implementation of the Recapitalization Plan there may be a substantial realignment of the non-equity and equity interests. The Company may be required to comprehensively revalue its assets and liabilities based on the reorganization value resulting from the Recapitalization Plan, referred to as “fresh-start” accounting. These financial statements do not give effect to any adjustments that may be required as a result of fresh-start accounting.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

### ***Basis of presentation***

The interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements applicable to a going concern and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim periods presented. However, these interim consolidated financial statements do not include all of the information and disclosures required for annual consolidated financial statements. The accounting policies used in the preparation of these interim consolidated financial statements are the same as those used in the most recent annual consolidated financial statements except for the accounting changes disclosed below and in note 3. The accounting policies for the recognition, de-recognition and measurement of assets and liabilities have not changed as a result of the CCAA filings by the Canwest Media Applicants and Canwest LP Applicants. These interim consolidated financial statements should be read in conjunction with the most recent annual financial statements of the Company. All amounts are expressed in Canadian dollars unless otherwise noted.

### ***Claims during the CCAA proceedings***

All claims that become known during the CCAA proceedings are recognized in accordance with the accounting policies of the Company based on the best estimate of the expected amounts of the allowed claims. If a reasonable estimate of the amount of the claim cannot be made, the amount claimed by the creditor or potential creditor has been disclosed.

The Company accounts for its financial liabilities using the amortized cost method. In light of the CCAA filing pre-filing liabilities that may be impacted by the reorganization process are classified on the consolidated balance sheets as liabilities subject to compromise. For all financial liabilities that are subject to compromise, the Company adjusts the carrying amount to the amount allowed under the claim. Any adjustments arising from differences between the carrying amount of the financial liabilities and the allowed claims are presented as operating expenses if the amount relates to a change in estimate for the cost of goods and services received by the companies under the CCAA; otherwise the change has been presented as Reorganization Items.

### ***Interest expense***

For periods subsequent to the CCAA filing, interest expense on financial liabilities which have been stayed by the Court is recognized only to the extent the amounts will be paid during the CCAA proceedings or it is probable that the amounts will be allowed as a claim in the CCAA proceedings. Interest expense recognized, including interest and fees related to the DIP financing, are presented as interest expense and not as Reorganization Items.

### ***Reorganization items***

Incremental costs directly related to the CCAA proceedings are presented as Reorganization items. These costs include professional fees paid to external parties for legal, financial consulting and appraisal services incurred during the period the Canwest Media Applicants were developing their financial reorganization plans and employee related costs for the retention of employees essential to the operations during the CCAA proceedings. Cash flows related to Reorganization items are disclosed in the Consolidated Statements of Cash Flows.

Gains and losses realized on the disposal of any assets approved during the CCAA proceedings and any provisions for losses related to restructuring, exit or disposal activities (including repudiation of contracts) are presented as Reorganization items. Interest income earned that would not have been earned except for the proceeding is recorded as Reorganization items.

These costs, gains, losses and provisions are recognized and measured in accordance with the respective accounting policies for such items.

### **3. ACCOUNTING CHANGES**

#### ***Goodwill and Intangible Assets***

The Accounting Standards Board (the "AcSB") issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA 3064 expands on the criteria for recognition of intangible assets that can be recognized. CICA 3064 applies to internally generated intangible assets such as research and development activities and rights under licencing agreements. The section also indicates that expenditures not meeting the recognition criteria of intangible assets are expensed as incurred. The Company adopted this new standard effective September 1, 2009 in accordance with the transitional provisions which required application of the standard on a retrospective basis. As a result of adopting this standard, the Company has classified its broadcast rights as intangible assets. As a result of classifying broadcast rights as intangible assets, these assets are classified as non-current assets whereas previously they were classified as current and non-current depending on timing of expected usage of the programs. Amortization of broadcast rights is recorded as operating expenses in the consolidated statement of earnings. As a result of the adoption of this section, total current assets as at August 31, 2009 were reduced by \$154.7 million with a corresponding increase in total non-current assets. In addition, other current assets as at August 31, 2009 were reduced by \$14.7 million for program advances with a corresponding increase in broadcast rights. Under this section broadcast rights are reviewed and tested for impairment in accordance with the impairment provisions for long-lived assets or assets to be disposed of by other than sale and are no longer carried at the lower of cost and net realizable value. In addition, the Company increased broadcast rights payable by \$33.2 million with a corresponding decrease to accounts payable and accrued liabilities.

#### **Proposed Accounting Changes**

##### ***Business Combinations and Non-Controlling Interests***

The AcSB issued CICA Handbook Section 1582, "*Business Combinations*" and entities adopting CICA 1582 will also be required to adopt CICA Handbook Sections 1601, "*Consolidated Financial Statements*", and 1602, "*Non-Controlling Interests*". These sections replace the former CICA Handbook Sections 1581, "*Business Combinations*" and 1600, "*Consolidated Financial Statements*" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 will require additional use of fair value measurements, recognition of additional assets and liabilities and increased disclosure. CICA 1601 and 1602 will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity. These standards will become effective for business combinations for which the acquisition date is on or after September 1, 2011. The Company is currently considering the impacts of the adoption of such standard.

##### **Multiple Deliverable Revenue Arrangements**

In December 2009, the Emerging Issues Committee of the CICA issued EIC 175, "*Multiple Deliverable Revenue Arrangements*". EIC 175 which replaces EIC 142, "*Revenue Arrangements with Multiple Deliverables*" addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing September 1, 2011 with earlier adoption permitted. The Company is assessing the impact of the new standard on its consolidated financial statements.

#### 4. CANWEST MEDIA CREDITOR PROTECTION AND RECAPITALIZATION PLAN

##### ***Recapitalization Agreement and Related Agreements***

On October 5, 2009, the Canwest Media Entities entered into the Recapitalization Agreement with the Ad Hoc Committee pursuant to which they intend to pursue a recapitalization transaction related to the Canwest Media Entities. The Recapitalization Agreement was the result of extensive arm's length discussions between the Company and the Ad Hoc Committee. Under the terms of the Recapitalization Agreement, among other things, the Ad Hoc Committee agreed to vote in favour of the Recapitalization Plan and not to transfer their interests in the 8% Notes except to other members of the Ad Hoc Committee and the Canwest Media Entities agreed to use reasonable efforts to complete the Recapitalization Plan upon the terms set out in the Recapitalization Agreement.

The terms of the Recapitalization Agreement require that an equity investment in Restructured Canwest by one or more Canadian investors be completed on or prior to the completion of a restructuring transaction. On February 11, 2010, the Company entered into the Subscription Agreement with Shaw pursuant to which Shaw agreed to make an equity investment in Restructured Canwest, a support agreement with Shaw and the Ad Hoc Committee (the "Shaw Support Agreement"), and an amendment of the Recapitalization Agreement with the Ad Hoc Committee (the "Amended Recapitalization Agreement"). On February 19, 2010, the Court granted an order sanctioning these agreements, upon which they became effective.

Together, these agreements set out the amended terms and conditions of the proposed recapitalization of the Canwest Media Entities. The support of the proposed recapitalization by the Ad Hoc Committee and by Shaw is subject to the satisfaction of a number of conditions, and the agreements may be terminated under certain circumstances.

Under the Subscription Agreement, Shaw has agreed to purchase \$95 million in voting shares of Restructured Canwest, representing a 20% equity interest and an 80% voting interest upon its emergence from the Canwest Media CCAA Proceedings.

The amended terms of the Recapitalization Plan, as set out in the Amended Recapitalization Agreement, contemplate that the affected creditors of the Canwest Media Applicants whose claims are compromised under the Recapitalization Plan, including the holders of the 8% Notes, will receive either an equity interest in Restructured Canwest or cash payments in amounts equal to the value of the equity interest that they would otherwise have received. Affected creditors (including members of the Ad Hoc Committee) who would otherwise be entitled to receive at least 5% of the equity of Restructured Canwest may elect to receive equity or cash in full satisfaction of their claims. All other affected creditors, including those eligible to receive shares of Restructured Canwest, but which have elected not to receive shares, will receive cash payments to extinguish their claims, in amounts equal to the value of the equity that they would have otherwise received under the Recapitalization Plan. Existing shareholders of Canwest Global will receive cash payments in exchange for their shares equivalent in the aggregate to 2.3% of the implied equity value of Restructured Canwest. Shaw has agreed to fund certain of these cash payments to affected creditors and shareholders in exchange for additional voting shares of Restructured Canwest which would result in Shaw's equity interest increasing above the initial 20%. Members of the Ad Hoc Committee have the right to participate with Shaw in the funding of this additional commitment.

Based on the Shaw equity subscription, Restructured Canwest has an implied equity value of \$475 million. The implied equity value of Restructured Canwest attributable to affected creditors other than the holders of the 8% Notes is not to exceed 18.5% of the total outstanding equity of Restructured Canwest on its emergence from the CCAA protection.

The terms of the Amended Recapitalization Agreement, the Subscription Agreement and the Shaw Support Agreement contemplate that, upon its emergence from the CCAA protection, Restructured Canwest would be a private company and that all existing equity settled stock based compensation plans would be terminated without compensation. Following successful completion of the recapitalization transaction, Restructured Canwest would be de-listed from the TSX Venture Exchange and would apply to cease to be a reporting issuer under Canadian securities laws. Restructured Canwest would be managed and operated as a stand-alone business with its own board of directors.

The Subscription Agreement contains an exclusivity covenant in favour of Shaw and sets out liquidity mechanisms to provide equity holders with the ability to divest of their equity interests in Restructured Canwest. It also sets out the principal terms of a shareholders' agreement to be entered into by the shareholders of Restructured Canwest upon its emergence from the CCAA protection with respect to capital structure, governance, shareholder rights and other matters. The Subscription Agreement may be terminated in certain circumstances, including by Canwest Global in the event that the Shaw Support Agreement between the Company, Shaw and the members of the Ad Hoc Committee is terminated.

Under the Amended Recapitalization Agreement, the Subscription Agreement and the Shaw Support Agreement, there are a number of conditions which must be satisfied in order for the Recapitalization Plan to be completed, including that, among other things, the resulting equity structure of Restructured Canwest must comply with the Canadian ownership and control requirements of the Canadian Radio-television and Telecommunications Commission (the "CRTC"), the amended and restated shareholders' agreement concerning CW Media must be amended and restated or otherwise addressed in a manner agreed to by the Company, Shaw and the Ad Hoc Committee or disclaimed in accordance with the CCAA, the Company must maintain at least a 35.33% ownership interest in the equity of CW Media, the Company must be able to secure financing, the Company must receive the necessary creditor and Court approval of the Recapitalization Plan to be able to emerge from the Canwest Media CCAA Proceedings, and the Company must use \$85 million of the proceeds from Shaw's equity subscription to reduce amounts due under the 8% Notes. The Amended Recapitalization Agreement and the Subscription Agreement may be terminated by the Company, Shaw or the members of the Ad Hoc Committee, as applicable, upon the occurrence of certain events, including a material adverse change in the financial condition of the Company, regulatory impediments that would make the completion of the Recapitalization Plan unlikely or unsatisfactory to the parties, a default under the terms of the DIP financing or the CW Media debt, absence of the creditor approval of the Recapitalization Plan by April 15, 2010 (unless such date is extended) and non-completion of the transactions set out in the Recapitalization Plan by August 11, 2010. The Canwest Media Applicants are currently in negotiations with the Ad Hoc Committee with respect to the extension of certain of the milestones set out in the Amended Recapitalization Agreement.

The Subscription Agreement, the Amended Recapitalization Agreement and the Shaw Support Agreement contain a number of representations, warranties and covenants of the parties. In certain circumstances, Canwest would be required to pay Shaw a termination fee in the amount of \$5 million and reimburse Shaw for its costs and expenses up to a maximum amount of \$2.5 million. On closing, the Company is required to reimburse Shaw for its costs and expenses up to a maximum amount of \$2.5 million.

The Recapitalization Agreement, the Amended Recapitalization Agreement, the Subscription Agreement and the Shaw Support Agreement have been filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and are available at [www.sedar.com](http://www.sedar.com).

On March 9, 2010, the Goldman Sachs Parties brought a motion in the Ontario Court of Appeal for leave to appeal the Shaw Approval Order, which has yet to be adjudicated and has been resisted by the Company. In the event that the motion for leave to appeal is granted, the Goldman Sachs Parties' appeal would be permitted to proceed.

There is uncertainty related to the completion of the recapitalization transactions as described above as a result of the number and complexity of the conditions that must be satisfied.

### ***Creditor Protection***

As contemplated by the Recapitalization Agreement, on October 6, 2009, the Canwest Media Applicants applied for and obtained an order from the Court providing creditor protection under the CCAA. The Canwest Media Initial Order provided for a general stay of proceedings for an initial period of 30 days, which was subsequently extended to June 15, 2010 and is subject to further extension by the Court. The Canwest Media Initial Order may be further amended by the Court throughout the Canwest Media CCAA Proceedings based on motions from the Canwest Media Applicants, their creditors or other interested parties. On October 6, 2009, certain of the Canwest Media Applicants, through their Court-appointed Monitor, also made a concurrent petition for recognition and ancillary relief under Chapter 15 of the U.S. Bankruptcy Code in the US Court. On November 3, 2009, the US Court granted formal recognition of the Canwest Media CCAA Proceedings.

On October 14, 2009, and amended on November 30, 2009, the Court authorized the Canwest Media Applicants to conduct a claims procedure for the identification, resolution and barring of claims against the Canwest Media Applicants. This procedure together with the current status of the claims are described in note 8.

The stay of proceedings generally precludes parties from taking any action against the Canwest Media Applicants for breach of contractual or other obligations. The purpose of the stay is to provide the Canwest Media Applicants with the opportunity to stabilize operations and business relationships with customers, vendors, employees and creditors and to allow the Company to implement an orderly consensual recapitalization transaction while continuing its day-to-day operations.

Under the terms of the Canwest Media Initial Order, FTI Consulting Canada Inc. was appointed as the monitor (the "Monitor") for the Canwest Media CCAA Proceedings. The Monitor has been reporting and will continue to report to the Court from time to time on the Canwest Media Applicants' financial and operational position and any other matters that may be relevant to the Canwest Media CCAA Proceedings. In addition, the Monitor may advise the Canwest Media Applicants on their development of a restructuring plan and, to the extent required, assist the Canwest Media Applicants with a restructuring.

### ***Business Operations***

During the Canwest Media CCAA Proceedings, the Canwest Media Applicants continue to operate with the assistance of the Monitor and under the supervision of the Court. Pursuant to the Canwest Media Initial Order, and subject to the conditions set out therein and the requirements set out in the CCAA, the Canwest Media Applicants are required to pay all amounts due to governmental entities related to employee deductions, sales taxes, and other taxes and assessments. The Canwest Media Applicants are permitted to pay outstanding and future employee wages, salaries and employee benefits and other employee obligations; pay outstanding amounts for goods and services from suppliers considered critical to the ongoing operations of the Canwest Media Applicants; and pay future expenses and capital expenditures reasonably necessary to carry on the operations of the Canwest Media Applicants. The Canwest Media Initial Order also allows the Canwest Media Applicants, subject to the provisions of the CCAA, to disclaim any arrangement or agreement. Claims may be allowed related to damages of counterparties arising as a result of such disclaimers. These claims will be recognized in accordance with the accounting policies of the Company.

### ***Financial Restructuring/Recapitalization***

The Canwest Media Applicants are undertaking a financial and corporate restructuring and intend to propose a Recapitalization Plan as contemplated by the Amended Recapitalization Agreement which must be approved by the requisite majority of affected creditors and sanctioned by the Court. There can be no assurance that the Recapitalization Plan will be supported by the affected creditors and sanctioned by the Court, or that the Recapitalization Plan will be implemented successfully.

### ***DIP Financing***

On October 6, 2009, the Court approved the conversion of Canwest Media's existing secured revolving credit facility (see note 17) into a DIP financing arrangement in accordance with the terms set out in the credit facility entered into in May 2009. The DIP financing arrangement increased the maximum borrowings available under the facility from \$75 million to \$100 million. The availability under the facility is determined based on the value of the assets which secure the facility measured on a weekly basis. On October 6, 2009, no amounts were drawn on the facility and \$10.9 million of the availability was utilized by letters of credit issued under the facility. The facility matures on the earlier of October 6, 2010 and the date on which the Recapitalization Plan is implemented, but is subject to an earlier maturity date under certain circumstances including certain events of default as defined in the agreement. The facility sets out certain milestones including a requirement to have creditor approval of the Recapitalization Plan by April 15, 2010. The Company is currently in discussion with its DIP lender related to the extension of that milestone. Interest, principal and fees payable under the facility are not affected by the Canwest Media CCAA Proceedings. All cash receipts of the Canwest Media Entities are required to be applied to reduce amounts outstanding under the facility.

### ***Priority of Charges***

The Canwest Media Initial Order created a number of new charges against substantially all of the current and future assets of the Canwest Media Applicants which, subject to the terms of the Canwest Media Initial Order, may rank in priority to certain other security interests, trusts, liens, charges and encumbrances. Certain employee and commodity tax obligations are also subject to a super priority claim under bankruptcy legislation. These charges, in order of priority, include an administration charge to secure amounts owing to certain restructuring advisors, up to maximum of \$15 million; a DIP Charge to the extent of any obligations outstanding under the DIP financing arrangement described above; a directors' charge to secure the indemnity created under the Canwest Media Initial Order in favour of the directors of the Canwest Media Applicants and a key employee retention plan ("KERP") charge, with equal priority, to a maximum of \$20 million and \$5.9 million, respectively, and an investor charge to secure the Company's obligation to pay Shaw the termination fee and to reimburse Shaw's costs and expenses in certain circumstances, up to a maximum of \$7.5 million. The directors' charge and the KERP charge are postponed in right of payment to the extent of the first \$85 million payable under the senior secured promissory note issued to a wholly-owned Irish subsidiary in relation to the receipt of proceeds on the sale of Ten Holdings.

## 5. CANWEST LP CREDITOR PROTECTION AND PLAN

Canwest LP has not been in compliance with the financial covenants of its senior secured credit facilities ("Canwest LP Secured Credit Facilities") since May 31, 2009. From May 2009 to August 2009 Canwest LP did not make interest and principal payments on its senior secured credit facility and the associated hedging derivative instruments or in respect of its senior subordinated unsecured credit facility ("Canwest LP Senior Subordinated Credit Facility") or its senior subordinated unsecured notes ("Canwest LP Senior Subordinated Notes"). These payments were not made in order to preserve cash to fund operations while Canwest LP worked to negotiate a potential recapitalization transaction. As a result of the payment default under the Canwest LP Secured Credit Facilities, the hedging derivative instrument counterparties terminated the hedging arrangements and demanded immediate payment of an aggregate of \$68.9 million (the "Canwest LP Secured Hedge Obligations").

Effective August 31, 2009, the Canwest LP Entities entered into a forbearance agreement with the administrative agent under the Canwest LP Secured Credit Facilities (the "Administrative Agent") under which the lenders agreed to not take any steps with respect to the defaults under the Canwest LP Secured Credit Facilities and to work with management of Canwest LP to develop and implement a consensual pre-packaged restructuring, recapitalization, or reorganization of Canwest LP and its subsidiaries. In accordance with the terms of the forbearance agreement, the lenders cancelled all undrawn amounts under the revolving credit facility. Canwest LP agreed to pay the interest owing and the continuing interest on its Canwest LP Secured Credit Facilities and the interest amounts outstanding under the Canwest LP Secured Hedge Obligations. The forbearance agreement was subject to a number of conditions and required the achievement of certain milestones. The forbearance agreement, as extended, expired on November 9, 2009. Canwest LP continued to pay the interest on the Canwest LP Secured Credit Facilities and the Canwest LP Secured Hedge Obligations. Canwest LP was also in default under the terms of its Canwest LP Senior Subordinated Credit Facility and Canwest LP Senior Subordinated Notes and did not enter into any forbearance arrangements with these unsecured lenders or note holders thereunder.

### ***Canwest LP Support Agreement***

On January 8, 2010, the Canwest LP Entities entered into a support agreement with the Administrative Agent (the "Canwest LP Support Agreement") which was approved by the Court on January 8, 2010. The Administrative Agent acts on behalf of the lenders under the Canwest LP Secured Credit Facilities and the Canwest LP Secured Hedge Obligations (collectively, the "Canwest LP Senior Lenders"). The Canwest LP Support Agreement requires the Canwest LP Entities, among other things, (a) to commence CCAA proceedings; (b) to implement and make effective a plan of compromise and arrangement under the CCAA (the "Canwest LP Senior Lenders CCAA Plan"); (c) to conduct a sale and investor solicitation process ("SISP") with a view to obtaining proposals from prospective purchasers or investors to acquire all or substantially all of the assets of the Canwest LP Entities or to invest in the Canwest LP Entities or their business; (d) if the SISP is not successful, to use their best efforts to implement the agreement for a newly established corporation ("Acquireco") capitalized by the Canwest LP Senior Lenders to acquire the operations and substantially all of the assets of the Canwest LP Entities and to assume certain liabilities of the Canwest LP Entities (the "Credit Acquisition"); and (e) to pay interest on Canwest LP Secured Credit Facilities and Canwest LP Secured Hedge Obligations, expenses of the Administrative Agent and its advisors, certain investment banking fees and consent fees to Canwest LP Senior Lenders committing to the Canwest LP Senior Lenders CCAA Plan.

The Canwest LP Support Agreement may be terminated by the Administrative Agent if there is a breach by the Canwest LP Entities of any of the terms and conditions of the agreement, or if the following milestones are not met: (a) a sanction order has not been obtained in respect of the Credit Acquisition by May 15, 2010; or (b) the Credit Acquisition has not been completed by June 30, 2010. The Canwest LP Support Agreement automatically terminates upon the closing of the Credit Acquisition or the closing of an offer accepted under the SISP.



The Canwest LP Support Agreement provides that the Canwest LP Senior Lenders CCAA Plan may be amended or extended prior to its completion. There is uncertainty related to its completion as a result of the number and complexity of the conditions that must be satisfied.

### ***Creditor Protection***

As contemplated by the Canwest LP Support Agreement, on January 8, 2010, the Canwest LP Applicants commenced CCAA proceedings (the "Canwest LP CCAA Proceedings") by applying for and obtaining the Canwest LP Initial Order. The Canwest LP Initial Order, among other provisions, provides for a general stay of proceedings that has been extended to June 30, 2010 and may be further extended by the Court. The Canwest LP Initial Order can be further amended by the Court throughout the Canwest LP CCAA Proceedings based on motions from the Canwest LP Applicants, their creditors and other interested parties.

On January 8, 2010, the Court appointed FTI Consulting Canada Inc. as the monitor (the "Canwest LP Monitor"). The Canwest LP Monitor will monitor the activities of the Canwest LP Entities, report to the Court from time to time on the Canwest LP Entities' financial and operational position and any other matters that may be relevant to the Canwest LP CCAA Proceedings, advise the Canwest LP Entities on various matters, assist the Chief Restructuring Advisor to the Canwest LP Entities (the "CRA"), and supervise the SISP. CRS Inc. was appointed as the CRA. The CRA is responsible for formulating and implementing the restructuring and/or recapitalization of all or part of the business and/or capital structure of the Canwest LP Entities. The Court also approved the engagement of RBC Dominion Securities Inc. (the "Financial Advisor") to provide investment banking services to the Canwest LP Entities related to the SISP.

Pursuant to the Canwest LP Initial Order, and subject to the conditions set out therein and the requirements set out in the Canwest LP Support Agreement, the Canwest LP Entities are (a) required to provide and pay for the shared services between the Canwest LP Entities and Canwest Media Entities; (b) permitted to pay outstanding and future employee wages, salaries and employee benefits, employee related obligations and employee incurred expenses; (c) permitted to pay outstanding amounts for goods and services from suppliers considered critical to the ongoing operations of the Canwest LP Entities, sales taxes, certain amounts due to governmental bodies and agencies, and amounts due under sales representation agreements; (d) permitted to pay future expenses and capital expenditures reasonably necessary to carry on the operations of the Canwest LP Entities; and (e) permitted to make available to National Post Inc., secured revolving loans to a maximum of \$12.9 million. The Canwest LP Initial Order also allows the Canwest LP Entities, subject to the provisions of the CCAA, to disclaim any arrangement or agreement.

The stay of proceedings provided for in the Canwest LP Initial Order generally precludes parties from taking any action against the Canwest LP Entities for breach of contractual or other obligations. The purpose of the stay is to provide the Canwest LP Entities with the opportunity to stabilize operations and business relationships with customers, vendors, employees and creditors and to allow Canwest LP to implement an orderly restructuring while continuing its day-to-day operations.

On April 12, 2010, the Court authorized the Canwest LP Entities to conduct a claims procedure for the identification, resolution and barring of certain specified claims, other than claims of the Canwest LP Senior Lenders, against the Canwest LP Entities. The claims procedure requires trade creditors and other parties wishing to assert a claim against one or more of the Canwest LP Entities for any indebtedness, liability or obligation arising on or before January 8, 2010, to submit a proof of claim with the Monitor on or before May 7, 2010. Claims arising after January 8, 2010, will be required to provide a proof of claim to the Monitor twenty-one business days after being provided a claim notice form.

### ***Canwest LP Senior Lenders CCAA Plan***

On January 8, 2010, the Court accepted for filing the Canwest LP Senior Lenders CCAA Plan, authorized the Canwest LP Entities to seek approval of the Canwest LP Senior Lenders CCAA Plan (which approval was obtained at the meeting of Canwest LP Senior Lenders held on January 27, 2010), and established the claims process for Canwest LP Senior Lenders.

The Canwest LP Senior Lenders CCAA Plan does not compromise or affect any claims other than the claims of the Canwest LP Senior Lenders. The Canwest LP Senior Lenders CCAA Plan requires repayment in full of all claims related to the Canwest LP DIP Facility (as defined below) on the implementation date of the Canwest LP Senior Lenders CCAA Plan unless consent is received from the lenders under the Canwest LP DIP Facility for such facility to be assumed in the Credit Acquisition or a transaction under the SISF. The Canwest LP Senior Lenders CCAA Plan also addressed the manner in which certain priority claims would be dealt with as further described under the Credit Acquisition and SISF below. Under the Canwest LP Senior Lenders CCAA Plan, the claims for the Canwest LP Secured Credit Facility and the Canwest LP Secured Hedge Obligations are subject to a discount of \$25 million.

Under the Canwest LP Senior Lenders CCAA Plan, Canwest LP Senior Lenders are entitled to (a) receive debt and equity of Acquireco in exchange for their claims less a discount of \$25 million and have unpaid interest either paid on the implementation date or assumed by Acquireco or (b) repayment of their claims less a discount of \$25 million if a transaction is completed under the SISF.

The claims process under the Senior Lenders CCAA Plan was completed on January 22, 2010 and confirmed the amount of Canwest LP Secured Claims in the amount of \$925.4 million as discussed in note 9. The Canwest LP Secured Lenders CCAA Plan was approved by the Canwest LP Senior Lenders in a meeting held on January 27, 2010.

### ***Sales and Investor Solicitation Process***

On January 8, 2010, the Court approved the SISF to determine whether a successful bid could be obtained by the Canwest LP Entities to sell substantially all of their assets or to obtain an investment in the Canwest LP Entities' business. If a successful bid is not obtained, the Credit Acquisition, as described below, would proceed. A successful bid is either (a) a credible, reasonably certain and financially viable offer that would result in a cash distribution to the Canwest LP Senior Lenders in an aggregate amount equal to the amount of their claims less a discount of \$25 million ("Superior Cash Offer") or (b) a credible, reasonably certain and financially viable offer for the purchase of substantially all of the property of the Canwest LP Entities (including an offer where the cash component of the offer is less than the discounted amount of Canwest LP Senior Lenders' claims as determined in (a)) or a reorganization of the Canwest LP Entities ("Superior Alternative Offer"), in each case as approved by a formal vote of the Canwest LP Secured Lenders in which at least 66.7% in value of the secured debt under the Canwest LP Secured Credit Facilities and the Canwest LP Secured Hedge Obligations and at least an absolute majority in number of the Canwest LP Secured Lenders that participate in such vote approve such transaction.

If a Superior Cash Offer or a Superior Alternative Offer (collectively, the "Superior Offer") is received, the Canwest LP Monitor, after consultation with the financial advisor and CRA, will recommend to the Special Committee of the board of directors of Canwest Global (the "Canwest Global Special Committee") the most favourable Superior Offer be selected and that a definitive agreement be negotiated and settled, conditional upon Court approval and conditional on the Superior Offer closing within 60 days after April 30, 2010. If the Canwest Global Special Committee accepts the Superior Offer, the Canwest LP Monitor, in consultation with the financial advisor and the CRA, will negotiate and settle a definitive agreement. If the Canwest Global Special Committee does not wish to proceed with the Superior Offer, the Canwest LP Monitor will seek advice and direction from the Court with respect to the SISF.

If a Superior Cash Offer is accepted, each of the Canwest LP Senior Lenders will receive its pro rata share of the claims for the Canwest LP Secured Credit Facilities and the Canwest LP Secured Hedge Obligations less a discount of \$25 million in aggregate. Certain unaffected claims including the Canwest LP DIP Facility, certain employee benefit claims, cash management obligations and any secured claims ranking in priority will be paid. If a Superior Alternative Offer is accepted, the Canwest LP Senior Lenders CCAA Plan will be terminated unless otherwise provided in such Superior Alternative Offer.

On March 5, 2010, the initial phase of the SISP was completed with potential bidders submitting non-binding indications of interest. In accordance with the SISP procedures, and following a review of the non-binding indications of interest, the Canwest LP Monitor determined that there was a reasonable prospect of obtaining a Superior Offer and on March 12, 2010, made a recommendation to the Canwest Global Special Committee that the SISP continue for a further seven weeks ("Phase 2"). The Canwest Global Special Committee accepted the Canwest LP Monitor's recommendation, and Phase 2 of the SISP commenced on March 12, 2010. During Phase 2, qualified bidders will be able to conduct due diligence and, in accordance with the SISP procedures, may deliver final, binding proposals to the financial advisor on or before April 30, 2010, following which a determination as to whether a Superior Offer has been proposed will be made in accordance with the terms of the SISP.

#### ***Acquisition and Assumption Agreement***

If a Superior Offer is not obtained through the SISP, then, under the terms of the Canwest LP Senior Secured Plan, the Canwest LP Entities are required to use all commercially reasonable efforts to complete the Credit Acquisition. In connection with the Credit Acquisition, the Canwest LP Senior Lenders would assign their claims under the Canwest LP Secured Credit Facilities and Canwest LP Secured Hedge Obligations to Acquireco for a pro rata share of debt and equity to be issued by Acquireco. Acquireco would enforce its security on the assets of the Canwest LP Entities and acquire substantially all of the assets of the Canwest LP Entities, including the shares of National Post Inc., and assume certain liabilities and claims of the Canwest LP Entities, unpaid fees due to the Administrative Agent and unpaid interest due to the Canwest LP Senior Lenders.

Following the completion of the Credit Acquisition, Acquireco will continue to hold an unsecured claim against the Canwest LP Entities equal to the \$25.0 million discount amount described under the SISP. The Credit Acquisition, if approved, does not provide for any recovery for any equity holders of any of the Canwest LP Entities. Prior to the transfer of the assets to Acquireco, the Canwest LP Entities, Acquireco and the Canwest LP Monitor will agree upon (or the Court will determine) the amount of cash to be reserved to pay certain priority charges, post-filing accounts payable, certain employment related obligations of the Canwest LP Entities, certain claims of government entities and the fees and costs of any trustee in bankruptcy of the Canwest LP Entities.

#### ***DIP Financing***

On January 8, 2010, certain of the Canwest LP Senior Lenders agreed to extend to the Canwest LP Entities a senior secured debtor-in-possession revolving credit facility (the "Canwest LP DIP Facility") in the maximum amount of \$25 million, including a letter of credit sub-facility of up to \$5 million. On January 8, 2010, the Court approved the Canwest LP DIP Facility and authorized the Canwest LP Entities to execute definitive agreements related to the Canwest LP DIP Facility. The definitive agreements were executed on February 5, 2010.

The Canwest LP DIP Facility is secured by substantially all of the current and future assets of the Canwest LP Entities, subject only to a priority as listed in the priority of charges created in the Canwest LP Initial Order. The Canwest LP DIP Facility is guaranteed by the Canwest LP Entities. Under the Canwest LP DIP Facility, the availability of funds is determined by a borrowing base based on accounts receivable of the Canwest LP Entities and the fair value of eligible real property less certain reserves. Canwest LP has not drawn on the Canwest LP DIP Facility, and had the full Canwest LP DIP Facility available to draw on based on the borrowing base calculations as at February 28, 2010.

The Canwest LP DIP Credit Agreement places certain restrictions on the use of the financing and contains certain financial and reporting covenants.

The DIP Facility matures, subject to acceleration under certain circumstances, on the earliest of; (i) July 31, 2010; (ii) the date of a plan of arrangement under CCAA has been implemented by the Canwest LP Entities; or (iii) the date on which the Canwest LP Initial Order expires without being extended or on which the Canwest LP CCAA Proceedings are dismissed or converted into bankruptcy proceedings. In addition, the Canwest LP DIP Facility is to be repaid with the net cash proceeds of assets sales by the Canwest LP Entities. The Canwest LP DIP Facility will not be affected by any plan of compromise or arrangement filed by the Canwest LP Entities under the CCAA or any other restructuring.

#### ***Priority of Charges***

The Canwest LP Initial Order created a number of new charges against substantially all of the current and future assets of the Canwest LP Entities which in accordance with the Canwest LP Initial Order may rank in priority to certain other security interests, trusts, liens, charges and encumbrances. These charges, in order of priority, include (i) an administration charge to secure amounts owing to the Canwest LP Monitor and certain restructuring and financial advisors, up to a maximum of \$3.0 million; (ii) a DIP charge to the extent of any obligations outstanding under the Canwest LP DIP Facility and the existing security interest granted by the Canwest LP Entities to secure obligations under the Canwest LP Entities' centralized cash management system up to \$7.5 million, ranked on pari passu basis; (iii) a charge to secure fees payable to the financial advisor engaged to conduct the SISP, up to a maximum of \$10.0 million; and (iv) a directors' charge to secure the indemnity created under the Canwest LP Initial Order in favour of the directors and officers of the Canwest LP Entities and a management incentive plan ("Canwest LP MIP") charge, each with equal priority, to a maximum of \$35.0 million and \$3.0 million, respectively (the MIP charge was subsequently increased to \$4.3 million on March 26, 2010).

## **6. REORGANIZATION ITEMS CANWEST MEDIA APPLICANTS**

These reorganization items represent revenues, expenses, gains and losses, and provisions for losses that are directly related to the Canwest Media CCAA Proceedings. Reorganization items that have been included in net earnings (loss) for the three and six months ended February 28, 2010 are as follows:

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Professional fees	10,356	1,599	25,502	1,599
Contract repudiation	-	-	46,276	-
Provisions for contingencies	12,460	-	17,838	-
Other expenses	2,808	-	6,610	-
Foreign exchange gains	(1,324)	-	(9,905)	-
Losses on asset disposals	1,413	-	1,413	-
	25,713	1,599	87,734	1,599

Professional fees are related to developing the Recapitalization Plan and ongoing monitoring and activities related to the Canwest Media CCAA Proceedings.

Contract repudiation includes management's estimate of allowed claims related to provisions for contracts that have been disclaimed.

During the three and six months ended February 28, 2010, the Company recorded a provision for \$14 million for certain contingencies representing the Company's estimate of the probable settlement amount in respect of certain litigation claims. The provision has been recorded in Reorganization items in the statement of earnings (loss), and is included in liabilities subject to compromise.

Other expenses include amounts accrued under the Canwest Media KERP and other costs related to the Canwest Media CCAA Proceedings. The cost of the Canwest Media KERP is shared by Canwest LP.

Foreign exchange gains result from changes in currency translation rates on liabilities subject to compromise.

## 7. REORGANIZATION ITEMS CANWEST LP ENTITIES

These reorganization items represent revenues, expenses, gains and losses, and provisions for losses that are directly related to the CCAA Proceedings of the Canwest LP entities. Reorganization items that have been included in net earnings (loss) for the three and six months ended February 28, 2010 are as follows:

	For the three months ended	For the six months ended
	February 28, 2010	
Professional fees	12,633	19,292
Other expenses	2,106	4,583
Foreign exchange losses	16,201	16,201
	30,940	40,076

Professional fees include amounts paid to advisors relating to the Canwest LP CCAA Proceedings and the ongoing recapitalization process.

Other expenses include amounts accrued under the Canwest Media KERP and Canwest LP MIP.

Foreign exchange losses result from changes in currency translation rates on liabilities subject to compromise.

## **8. LIABILITIES SUBJECT TO COMPROMISE - CANWEST MEDIA APPLICANTS**

These liabilities subject to compromise are liabilities incurred prior to the CCAA filing date that may be dealt with as affected claims under a Recapitalization Plan in the Canwest Media CCAA Proceedings, contingent liabilities incurred prior to the CCAA filing that are likely to be accepted as claims in the Canwest Media CCAA Proceedings as well as claims arising on or after the CCAA filing date relating to repudiated or disclaimed leases, contracts, and other arrangements. Generally actions to enforce or cause payment of pre-filing liabilities are stayed by the court order.

The liabilities subject to compromise are based on amounts expected to be allowed for known claims or potential claims to be resolved through the Canwest Media CCAA Proceedings. The liabilities subject to compromise do not include amounts for contracts repudiated or disclaimed subsequent to February 28, 2010, as such amounts are recognized under generally accepted accounting principles when the contracts are repudiated or disclaimed, or amounts related to claims for employee benefits which represent actuarial gains or losses which are recognized in accordance with accounting policies for employee benefit plans. It is reasonably possible that the amount of liabilities subject to compromise will change in the near term due to negotiated settlements, actions of the Courts, further developments with respect to disputed claims, repudiation of contracts, other restructuring plans or other events. Such adjustments may be material.

### **Claims Procedure**

On October 14, 2009, and as amended on November 30, 2009, the Court authorized the Canwest Media Applicants to conduct a claims procedure for the identification, resolution and barring of claims against the Canwest Media Applicants. The claims procedure contemplated that known creditors and including employees who received claims packages from the Canwest Media Applicants were required to submit disputes or revisions by November 19, 2009 (the "Claims Bar Date") or December 17, 2009 (the "Extended Claims Bar Date") depending on when their claims package was issued. Unknown creditors were required to submit a proof of claim on or before the Claims Bar Date. The Court approved claims procedure provides that claims denominated in a foreign currency are to be translated into Canadian dollars using a ten day average exchange rate for the period preceding the filing of a plan or compromise or arrangement and that interest and penalties that would otherwise accrue during the post filing period would not be allowed. The claims procedure order of the Court sets out certain processes to be followed by the Canwest Media Applicants in disclaiming or resiliating any contracts or agreements and in the resolution of disputed claims.

As part of the Canwest Media CCAA claims process, claims totaling \$1.0 billion were filed against Canwest Media by certain senior and subordinate lenders to Canwest LP related to debt owing by Canwest LP to the senior and subordinate lenders. The claim alleges that Canwest Media took part in the control of the business of Canwest LP and is therefore liable for the indebtedness of Canwest LP as a general partner of it. The Company believes that the allegations in the Proof of Claim filed by certain senior and subordinate lenders of Canwest LP are substantially without merit and not likely to have a material adverse effect on its business, financial condition or results of operation. The outcome of this claim is not currently determinable.

As of February 28, 2010, a total of 1,765 claims ("Total Claims") have been received and either have been accepted, resolved or are pending resolution. The Total Claims filed amount to \$17.9 billion including intercompany claims of \$0.7 billion ("Intercompany Claims").

The Canwest Media Applicants have identified that certain creditors have filed identical claims against two or more of the Canwest Media Applicants ("Duplicate Claims") when the claimant believes that multiple Canwest Media Applicants are jointly and severally liable for a single obligation or one or more of the Canwest Media Applicants have guaranteed another applicant's indebtedness. The estimated amount of Duplicate Claims is \$14.7 billion.

The Total Claims filed less Duplicate Claims and Intercompany Claims amount to \$2.4 billion. Of this amount, the Company has recorded \$0.5 billion as liabilities subject to compromise on the consolidated balance sheet as at February 28, 2010. The difference between the recorded liabilities subject to compromise and the amount of Total Claims filed less Duplicate Claims and Intercompany Claims amounts to \$1.9 billion, and consists of \$1.0 billion related to the Canwest LP senior and subordinated lender claim, \$0.8 billion related to legal claims for which the Company recorded a provision of \$14 million during the three and six months ended February 28, 2010 (note 6), and \$0.1 billion of other differences. The Canwest Media Applicants continue to investigate these other differences. Additional claims may be recognized by the Canwest Media Applicants as a result of this process and such additional claims may be material. The Recapitalization Plan, if approved, will determine how each class of affected claims will be settled, including payment terms, if applicable.

Liabilities subject to compromise do not include: (i) any liabilities of the Canwest LP Entities, the National Post Inc., or other entities not subject to the Canwest Media CCAA Proceedings; (ii) liabilities incurred after the date of the CCAA filing by the Canwest Media Applicants, except for liabilities related to repudiated or disclaimed contracts or restructuring provisions incurred after the CCAA filing and (iii) liabilities that the Canwest Media Applicants expect to pay either before or on emergence from the Canwest Media CCAA Proceedings.

The liabilities subject to compromise as at February 28, 2010 are as follows:

	<b>2010</b>
Trade payables and accrued liabilities	94,082
Restructuring liabilities	4,500
Long-term debt and accrued interest	449,337
	<b>547,919</b>

Intercompany assets and liabilities (note 10) are eliminated in the preparation of the consolidated financial statements. Certain intercompany liabilities may be subject to compromise and the related intercompany assets may be impaired. These amounts may be material. The status of these assets and liabilities will be determined in the Recapitalization Plan and is not currently known.

## 9. LIABILITIES SUBJECT TO COMPROMISE - CANWEST LP ENTITIES

These liabilities subject to compromise are liabilities that have been stayed under the Canwest LP CCAA Proceedings that may be compromised under the Canwest LP CCAA Proceedings. The liabilities subject to compromise are recognized at management's best estimate of the amount expected to be allowed under a claims process, but these amounts may change, and such changes may be material. It is also possible that items not currently classified as liabilities subject to compromise in these interim consolidated financial statements will be added or reclassified to this category of liabilities at a later date. It is also possible that items currently classified as liabilities subject to compromise will be reclassified out of this category should they be proven to be fully secured. Further, under the Canwest LP CCAA Proceedings, certain contracts may be disclaimed and claims may be recognized for such contracts. Any adjustments to this category may prove to be material and, depending on their nature, may be recorded as Reorganization Items.

The liabilities subject to compromise as at February 28, 2010 are as follows:

	2010
Trade payables and accrued liabilities <sup>(1)</sup>	59,844
Senior secured credit facilities and related hedging obligation <sup>(2)</sup>	933,747
Senior subordinated unsecured notes <sup>(1)</sup>	421,000
Senior subordinated unsecured credit facility <sup>(1)</sup>	75,000
	1,489,591

<sup>(1)</sup> These liabilities are not affected by the Senior Lenders CCAA Plan. On April 12, 2010 the Court approved a claims process for certain of the unsecured creditors of the Canwest LP Entities see note 5.

<sup>(2)</sup> As described in note 5, under the Canwest LP Senior Lenders CCAA Plan, the claims under the Canwest LP Secured Credit Facility and Canwest LP Hedging Obligations have been determined to be \$925.4 million. The provisions of the SISF and the Credit Acquisition, provide that the Canwest LP Secured Lenders would receive proceeds of \$900.4 million plus, in the case of the Credit Acquisition only, an unsecured claim against the Canwest LP Entities of \$25 million. Because the Canwest LP Secured Claims are not expected to be fully satisfied due to the \$25 million discount, these obligations have been presented as liabilities subject to compromise. The Secured Claim of \$925.4 million differs from the recorded amount of \$933.8 million due to foreign exchange fluctuations on the US denominated debt from January 8, 2010 to February 28, 2010.



## 10. CONDENSED COMBINED FINANCIAL INFORMATION CANWEST MEDIA ENTITIES

Presented below is the Condensed Combined Financial Information of the Canwest Media Applicants as at and for the three and six months ending February 28, 2010, including the amount of intercompany receivables and payables between the Canwest Media Applicants and other entities included in the unaudited consolidated financial statements. The intercompany balances have been reflected net of any allowance for non-collectability.

### CONDENSED COMBINED STATEMENT OF EARNINGS

	For the three months ended	For the six months ended
	<b>February 28, 2010</b>	
Revenue	114,853	284,967
Operating expenses	114,351	250,230
Restructuring expense (reversal)	(557)	(743)
Settlement of regulatory fees	-	(21,871)
	1,059	57,351
Amortization of property and equipment	6,927	14,089
Other amortization	25	50
Operating income (loss)	(5,893)	43,212
Interest expense, net	214	(8,637)
Foreign exchange gains (losses)	(2,331)	13,789
Investment gains, losses and write-downs	1,777	3,808
Reorganization items	(25,713)	(87,734)
	(31,946)	(35,562)
Provision for (recovery of) income taxes	7,864	(3,256)
Loss before the following	(39,810)	(32,306)
Interest in loss of equity accounted affiliates	(112)	(284)
<b>Net loss for the period</b>	<b>(39,922)</b>	<b>(32,590)</b>

### CONDENSED COMBINED BALANCE SHEET

As at February 28, 2010

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	115,355
Restricted cash	10,934
Accounts receivable	117,991
Income taxes recoverable	1,260
Other current assets	3,475
	249,015
Other investments	1,318,808
Broadcast rights	103,754
Property and equipment	154,341
Other assets	23,857
	1,849,775
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	41,216
Broadcast rights payable	86,994
Deferred revenue	113
	128,323
Other long-term liabilities	24,859
Future income taxes	16,770
Amounts due to related parties	684,645
Liabilities subject to compromise	547,919
	1,402,516
<b>SHAREHOLDERS' EQUITY</b>	447,259
	1,849,775

**CONDENSED COMBINED STATEMENT OF CASH FLOWS**

	For the three months ended February 28, 2010	For the six months ended February 28, 2010
<b>CASH GENERATED (UTILIZED) BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(39,922)	(32,590)
Reorganization items	25,713	87,734
Items not affecting cash		
Amortization	6,952	14,139
Net non-cash interest expense	-	1,301
Future income tax recovery	(856)	(3,173)
Broadcast rights write-downs	-	1,737
Investment gains, losses and write-downs	43	(668)
Pension expense less than employer contributions	(950)	(2,143)
Losses of equity accounted affiliates	112	284
Foreign exchange gains	-	(16,844)
Stock based compensation expense	347	916
	(8,561)	50,693
Changes in non-cash operating accounts	59,940	(20,645)
Reorganization items	(14,737)	(29,883)
Cash flows from operating activities	36,642	165
<b>INVESTING ACTIVITIES</b>		
Other investments	(668)	211
Reorganization items	3,000	3,000
Restricted cash	(4,488)	(8,434)
Advances from related parties	-	617,819
Purchase of property and equipment	(1,484)	(4,106)
	(3,640)	608,490
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	-	(497,560)
Repayments of revolving facilities, net of financing costs	-	(14,964)
	-	(512,524)
<b>Net change in cash and cash equivalents</b>	<b>33,002</b>	<b>96,131</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>82,353</b>	<b>19,224</b>
<b>Cash and cash equivalents – end of period</b>	<b>115,355</b>	<b>115,355</b>

## 11. CONDENSED COMBINED FINANCIAL INFORMATION CANWEST LP ENTITIES

Presented below are the Condensed Combined Financial Information of the Canwest LP Entities as at and for the three and six months ending February 28, 2010.

### CONDENSED COMBINED STATEMENT OF EARNINGS

	For the three months ended	For the six months ended
	<b>February 28, 2010</b>	
Revenue	236,073	500,751
Operating expenses	193,783	390,115
Restructuring expenses (reversal)	(80)	2,465
	42,370	108,171
Amortization of intangibles	1,608	3,216
Amortization of property and equipment	9,815	19,160
Other amortization	47	95
Operating income	30,900	85,700
Interest expense	(29,629)	(50,537)
Foreign exchange gains	19,030	53,859
Investment gains	-	2
Reorganization items	(30,630)	(39,766)
	(10,329)	49,258
Recovery of income taxes	(15,338)	(6,480)
<b>Net earnings for the period</b>	<b>5,009</b>	<b>55,738</b>

### CONDENSED COMBINED BALANCE SHEET

As at February 28, 2010

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	85,282
Accounts receivable	125,153
Inventory	5,360
Income taxes recoverable	4,756
Other current assets	13,757
	234,308
Property and equipment	354,294
Other assets	8,791
Goodwill and intangible assets	891,268
	1,488,661
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	93,675
Deferred revenue	29,208
Obligations under capital leases	3,345
	126,228
Other long-term liabilities	58,428
Obligations under capital leases	1,969
Future income taxes	64,776
Amounts due to related parties	939
Liabilities subject to compromise	1,489,591
	1,741,931
<b>SHAREHOLDERS' DEFICIENCY</b>	<b>(253,270)</b>
	1,488,661

**CONDENSED COMBINED STATEMENT OF CASH FLOWS**

	For the three months ended February 28, 2010	For the six months ended February 28, 2010
<b>CASH GENERATED (UTILIZED) BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings for the period	5,009	55,738
Reorganization items	30,630	39,766
Items not affecting cash		
Amortization	11,470	22,471
Net non-cash interest expense	14,885	15,462
Future income tax recovery	(4,039)	(6,480)
Investment gains	-	(2)
Pension expense less than employer contributions	(2,991)	(10,497)
Foreign exchange gains	(20,085)	(53,892)
Changes in non-cash operating accounts	34,879	62,566
Reorganization items	26,559	6,307
Cash flows from operating activities	(14,539)	(21,198)
	46,899	47,675
<b>INVESTING ACTIVITIES</b>		
Other investments	-	2
Purchase of property and equipment	(1,990)	(5,355)
	(1,990)	(5,353)
<b>FINANCING ACTIVITIES</b>		
Repayments of revolving facilities, net of financing costs	1,889	1,889
Payments of capital leases	(1,519)	(1,519)
	370	370
Net change in cash and cash equivalents	45,279	42,692
Cash and cash equivalents – beginning of period	40,003	42,590
Cash and cash equivalents – end of period	85,282	85,282

## 12. DIVESTITURES

On October 1, 2009, the Company sold its controlling interest in Ten Holdings, consisting of the Company's Australian television and Out-of-home operating segments (note 19). The Company recorded a disposition of goodwill, intangible assets, other assets, long-term debt, and other liabilities of \$124.5 million, \$233.0 million, \$616.5 million, \$366.4 million, and \$561.6 million, respectively.

The net proceeds received from the sale of Ten Holdings were advanced to Canwest Media in the form of a \$187.3 million senior secured promissory note secured by all property, assets and undertakings of Canwest Media and certain guarantors, and a \$430.6 million unsecured promissory note, in each case by a wholly owned subsidiary (which is not a Canwest Media Applicant) that previously held the shares in Ten Holdings. Advances under the senior secured promissory note were used to repay outstanding principal and interest of the 12% secured notes, repay all outstanding advances and interest on the secured revolving credit facility, and to provide additional operating liquidity. Advances under the unsecured promissory note were deposited with The Bank of New York Mellon, as trustee (the "Trustee") for the 8% Notes, in a cash collateral account for the benefit of the holders of the 8% Notes pursuant to a cash deposit agreement (the "Cash Deposit Agreement") between Canwest Media and the Trustee. Pursuant to the instructions of a majority of the holders of the senior subordinated unsecured notes, amounts outstanding under such notes were accelerated on September 30, 2009, and the funds held by the Trustee pursuant to the Cash Deposit Agreement were applied by the Trustee to a reduction of such outstanding amounts. Following the application of such funds and pursuant to further instructions from a majority of the holders of the senior subordinated unsecured notes, the senior subordinated unsecured notes were reinstated with an aggregate outstanding principal amount of US\$393.2 million.

During 2009, the Company completed a review of five television stations that make up the E! Network which was included in the Canadian television segment. As a result of this review, in August 2009, the Company sold certain of the net assets of two of the E! Network television stations, CHCH-TV in Hamilton and CJNT-TV in Montreal and recorded a disposition of assets of \$3.5 million and liabilities of \$1.2 million. On September 4, 2009, the Company completed the sale of CHEK-TV in Victoria and recorded a disposition of liabilities of \$0.2 million and recorded a gain of \$0.7 million on the sale of this station. Of the remaining stations, CHBC-TV in Kelowna was rebranded as a Global Television Network affiliate and CHCA-TV in Red Deer was closed effective August 31, 2009. The Company has determined that the E! Network did not meet the criteria for classification as a discontinued operation. The loss from the operations of the E! Network for the three and six months ended February 28, 2009 is summarized as follows:

	For the three months ended	For the six months ended
	February 28, 2009	
Revenue	18,300	43,734
Operating expenses	28,356	63,658
Restructuring expenses (reversal)	(357)	3,925
Broadcast rights write-downs	29,620	29,620
	(39,319)	(53,469)
Amortization of property and equipment	712	1,399
Operating loss	(40,031)	(54,868)
Financing expense	(4)	(6)
Impairment loss on property and equipment	(10,377)	(10,377)
Net loss	(50,412)	(65,251)

In May 2009, the Company sold its Turkey radio segment (note 19). The Company recorded a disposition of broadcast licences, other assets, and liabilities of \$13.3 million, \$14.6 million, and \$1.0 million, respectively.

In March 2009, the Company sold The New Republic which was included in the Publishing segment (note 19). The Company recorded a disposition of assets of \$0.6 million and liabilities of \$2.7 million.

### 13. RESTRICTED CASH

In May 2009, Canwest Media deposited cash of \$2.5 million to secure its banking and cash management services with the provider of those services. In November 2009, Canwest LP deposited funds into a trust for the purposes of satisfying its obligation to Canwest Media for the Canwest Media KERP, the amount remaining as at February 28, 2010 was \$2.9 million. In October 2009, Canwest Media transferred the assets and liabilities of the National Post Company, a general partnership, to National Post Inc., a subsidiary of Canwest LP, for cash consideration of \$2.5 million. In December 2009, Canwest Television Limited Partnership sold the land and building of CHCA-TV in Red Deer for proceeds of \$3.0 million. Pursuant to the terms of the Approval and Vesting Orders granted by the Court in respect of each such transaction, the net sale proceeds from each transaction remain subject to the charges, mortgages, liens, claims, liabilities, restrictions, security interests, trusts, deemed trusts and other encumbrances (collectively, the "Claims") that attached to the respective assets disposed of by the Canwest Media Applicants, with the same priority as such Claims had with respect to the disposed assets immediately prior to their sale. The Claims include the claims of CIBC Mellon Trust Company, as collateral agent under the DIP financing arrangement, as well as the various charges provided for in the Canwest Media Initial Order. As at February 28, 2010, the total restricted cash was \$10.9 million.

### 14. GOODWILL AND INTANGIBLE ASSETS

#### Broadcast Rights

The Company's broadcast rights consist of the following:

	Canadian Television	CW Media Television	Total
Net book value as at August 31, 2008	121,255	229,208	350,463
Additions for the year	367,811	152,459	520,270
Amortization for the year	(348,114)	(121,937)	(470,051)
Impairment	(38,180)	-	(38,180)
Net book value as at August 31, 2009	102,772	259,730	362,502
Additions for the period	157,156	57,866	215,022
Amortization for the period	(137,294)	(54,473)	(191,767)
Impairment	(1,737)	-	(1,737)
Net book value as at February 28, 2010	120,897	263,123	384,020

#### Goodwill and Intangibles

During the six months ended February 28, 2010, the CW Media television segment acquired broadcast licences for \$0.3 million and recorded an impairment loss of \$3.1 million on brands as a result of the rebranding of a specialty television channel.

During the three and six months ended February 28, 2009, the Company recorded goodwill impairment charges in its Publishing segment of \$895.1 million. In addition, the Company recorded impairment charges of \$99.1 million for mastheads in its Publishing segment and \$86.0 million for broadcast licences in its Canadian television segment.

## 15. RESTRUCTURING EXPENSES

The Company is centralizing certain functions including developing four state of the art broadcast centres to support the production needs of its local television stations and enable the transition to high definition. This initiative was conducted in three phases over the period from September 2007 to December 2009 and resulted in a net reduction in its workforce of 277 jobs. The total cost associated with this initiative was \$12.1 million of which a reversal of nil and \$0.2 million was recorded during the three and six months ended February 28, 2010, respectively.

During 2009, the Company initiated certain cost containment initiatives in its Canadian television segment, including the restructuring of its news operations at the E! Network. These initiatives resulted in a workforce reduction of 149 positions. The total cost associated with this initiative was \$7.8 million of which a reversal of nil and \$0.5 million was recorded during the three and six months ended February 28, 2010, respectively.

During 2009, the Company initiated certain cost containment initiatives in its Publishing segment, which are expected to result in a workforce reduction of 632 positions. These current initiatives are expected to be complete by August 31, 2010 with total costs estimated in the range of \$30 to \$32 million. During the three and six months ended February 28, 2010, the Company accrued nil and \$2.5 million, respectively, related to these initiatives.

During 2009, the Company completed certain cost containment initiatives in its CW Media television segment, with a workforce reduction of 30 positions and total employee termination costs of \$0.9 million.

The restructuring liability, which consists of termination benefits, is summarized by operating segment as follows:

	Publishing	Canadian television	CW Media television	Other	Total
Balance – August 31, 2008	2,376	6,088	939	-	9,403
Accrued during the year	28,805	10,662	852	737	41,056
Payments made during the year	(21,758)	(11,324)	(1,736)	-	(34,818)
Balance – August 31, 2009	9,423	5,426	55	737	15,641
Accrued (reversed) during the period	2,465	(743)	-	-	1,722
Payments made during the period	(2,539)	(477)	(55)	(110)	(3,181)
Balance – February 28, 2010	9,349	4,206	-	627	14,182

## 16. INCOME TAXES

The Company's provision for income taxes reflects an effective income tax rate which differs from the combined Canadian statutory rate as follows:

	For the three months ended February 28,		For the six months ended February 28,	
	2010	2009 (Revised notes 19 and 25)	2010	2009 (Revised notes 19 and 25)
Income taxes at combined Canadian statutory rate of 30.02% (2009 – 31.08 %)	(13,386)	(372,990)	12,654	(380,252)
Non-taxable portion of capital (gains) losses	(2,069)	3,274	(11,837)	14,152
Increase (decrease) in valuation allowance on future tax assets	8,689	197,110	(15,245)	207,606
Effect of foreign income tax rates differing from Canadian income tax rates	57	214	35	313
Change in expected future tax rates	1,354	3,830	13,105	3,750
Non-deductible accretion expense	9,204	2,340	18,499	10,398
Non-deductible expenses	2,869	1,054	5,449	1,750
Partnership net earnings allocated to minority interests	(236)	(518)	(919)	(1,107)
Effect of intangible impairment	-	312,430	-	312,430
Effect of uncertain tax positions	(7,267)	3,298	(18,990)	4,350
Other	(1,238)	2	(508)	1,077
Provision for (recovery of) income taxes	(2,023)	150,044	2,243	174,467

The recognition and measurement of the current and future tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations in a number of jurisdictions and in the assessment of the recoverability of future tax assets. Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such differences, which could be significant, will impact the income tax provision in the period in which the determination is made.



## 17. LONG-TERM DEBT

	Maturity (fiscal year)	Principal Outstanding February 28, 2010 (millions)	As at February 28, 2010	As at August 31, 2009
<b>Canwest Media Inc.:</b>				
Secured revolving credit facility <sup>(1)</sup>	2011	-	-	12,756
Secured notes (net of debt issuance costs of nil (August 31, 2009 - \$3 million)) <sup>(2)</sup>	2010	-	-	99,924
Senior subordinated notes (net of debt issuance costs of nil (August 31, 2009 - \$1 million)) <sup>(3)</sup>	2012	US\$393	413,840	838,507
<b>Canwest LP:</b>				
Senior secured credit facilities – Canwest LP DIP facility <sup>(4)</sup>	2010	-	-	-
Senior secured credit facilities - revolver	2012	\$118	117,889	116,000
Senior secured credit facilities - credit C (net of debt issuance costs of nil (August 31, 2009 - \$2 million))	2012	\$265	265,000	262,692
Senior secured credit facilities - credit D (net of debt issuance costs of nil (August 31, 2009 - \$4 million))	2014	US\$458	482,089	497,311
Senior subordinated unsecured credit facility (net of debt issuance costs of nil (August 31, 2009 - \$1 million))	2015	\$75	75,000	74,235
Senior subordinated unsecured notes (net of debt issuance costs of nil (August 31, 2009 - \$8 million))	2015	US\$400	421,000	429,856
<b>CW Media Holdings Inc.:</b>				
Senior secured revolving credit facility	2013	-	-	-
Senior secured credit facility (net of debt issuance costs of \$9 million (August 31, 2009 - \$11 million))	2015	US\$436	449,900	469,760
Senior unsecured notes including accrued interest (net of debt issuance costs of \$7 million (August 31, 2009 - \$8 million)) <sup>(5)</sup>	2015	US\$338	343,465	362,538
			2,568,183	3,163,579
Less long-term debt subject to compromise Canwest Media entities (note 8)			(413,840)	-
Less long-term debt subject to compromise Canwest LP entities (note 9)			(1,360,978)	-
			793,365	3,163,579
Less portion due within one year			(4,698)	(2,336,169)
Long-term portion			788,667	827,410

The terms and conditions of the long-term debt are the same as disclosed in the August 31, 2009 audited consolidated financial statements, except as disclosed below.

- (1) In October 2009, on commencement of Canwest Media CCAA Proceedings the Canwest Media revolving \$75 million secured credit facility was converted to a DIP loan facility and the maximum availability was increased to \$100 million. The facility bears interest at the greater of prime rate and 2.25% plus an applicable margin. The capacity available under the facility is calculated based upon the value of certain assets that secure the facility including accounts receivable and property and equipment, capped at \$100 million. As at February 28, 2010, there was an additional \$63 million available under the facility net of letters of credit of \$11 million. The facility is secured by all current and future assets of Canwest Media and its wholly owned Canadian television operations but excludes the restricted cash securing its banking and cash management services (see note 13). The facility is guaranteed by Canwest Global, Canwest Media and substantially all of the wholly owned subsidiaries of Canwest Media, excluding Canwest LP and its subsidiaries. All receipts of the Canwest Media Entities are applied against amounts outstanding under the revolving facility daily. This facility is not subject to compromise.
- (2) On October 1, 2009, Canwest Media repaid its US\$94 million secured notes for \$101 million. The notes carried interest at 12% and were secured by a first charge against the shares held in Ten Holdings and a second charge on all assets that secure the secured revolving credit facility of Canwest Media as described in (1). The notes were guaranteed by the Company, Canwest Media and substantially all of the wholly owned subsidiaries of Canwest Media excluding Canwest LP and its subsidiaries.
- (3) On October 1, 2009, Canwest Media repaid \$396 million (US\$368 million) senior subordinated notes and accrued interest of \$34 million (US\$32 million). Canwest Media is in default under the terms of the 8% Notes indenture as a result of not making interest payments that were due in September 2009. Canwest Media and the Ad Hoc Committee agreed to a forbearance agreement and a series of extensions under which the 8% Note holders would not exercise their rights to demand payment thereby allowing sufficient time for a recapitalization of the Company. On October 5, 2009, the Company entered into the Recapitalization Agreement with the Ad Hoc Committee setting out the principal terms of the proposed recapitalization of the Company, which terms were subsequently amended pursuant to the Amended Recapitalization Agreement. The Amended Recapitalization Agreement sets out a number of conditions and milestones and expires in August 2010 or earlier if certain conditions are not met. The 8% Notes are subject to compromise and have been classified as liabilities subject to compromise. The Company ceased accruing interest on these notes effective on the date of the Canwest Media CCAA Proceedings. The interest which would have accrued from October 6, 2009 to February 28, 2010 was \$14.4 million (US\$13.7 million).
- (4) Canwest LP entered into a \$25 million senior secured debtor-in-possession credit facility of which nil was drawn at February 28, 2010. The facility is secured by substantially all of the current and future assets of the Canwest LP Entities and matures subject to acceleration under certain circumstances on the earliest of (i) July 31, 2010; (ii) the date on which a plan of arrangement under the CCAA has been implemented by the Canwest LP Entities; or (iii) the date on which the Canwest LP Initial Order expires without being extended or on which the Canwest LP CCAA Proceedings are dismissed or converted into bankruptcy proceedings.
- (5) The senior unsecured notes have a variable prepayment option at a premium of 106.75 in 2011 which declines on a straight line basis to par in 2013. The prepayment option represents an embedded derivative that is to be accounted for separately at fair value. As at February 28, 2010, the estimated fair value of the prepayment option is \$5.1 million (August 31, 2009 – nil). During the three months and six months ended February 28, 2010 the Company recorded a recovery of \$3.7 million and \$5.1 million, respectively (2009 – nil) in interest expense in the statement of earnings (loss) related to the prepayment option.

## **18. FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS RISK MANAGEMENT**

The financial instruments and financial instruments risk management are the same as disclosed in the August 31, 2009 audited consolidated financial statements, except as disclosed below.

### Foreign exchange risk

The Company has exposure on US dollar denominated debt of US\$1,589.5 million. As at February 28, 2010, if the Canadian dollar had weakened or strengthened by 1% against the US dollar with all other variables held constant, after tax net earnings (loss) for the year would have been \$13.5 million higher or lower, respectively, as a result of foreign exchange gains (losses) on translation of US dollar denominated debt.

### Interest rate risk

The Company's interest rate risk arises from borrowings issued at variable rates which expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Refer to Notes 1, 4 and 5 above for the impacts on the Company's interest rate risk since August 31, 2009 as a result of the CCAA proceedings.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities and other contractual obligations. Refer to Notes 1, 4 and 5 above for the impacts on the Company's liquidity risk since August 31, 2009 as a result of the CCAA proceedings.

At February 28, 2010, the Company had cash on hand of \$245 million including \$87 million of Canwest LP cash, \$39 million at CW Media and \$119 million of Canwest Media cash.

## **19. DISCONTINUED OPERATIONS**

In November 2009, the Company abandoned its non-operating, former film and entertainment subsidiary, Canwest Entertainment Inc., which was previously reported in discontinued operations, and placed it into bankruptcy proceedings. As of the date of the bankruptcy filing, the Company ceased to have control or significant influence over the subsidiary as the ability to determine strategic, operating, investing and financing policies was transferred to the trustee appointed in the bankruptcy proceeding. Accordingly, the Company ceased consolidation of the subsidiary. The Company recorded a disposition of assets and liabilities of \$1 million and \$9 million, respectively and gains from discontinued operations of \$8 million. The Company had outstanding intercompany loans receivable from Canwest Entertainment Inc. and its subsidiaries in the amount of \$421 million. The Company does not expect to receive payments related to these loans which had been previously provided for.

In October 2009, the Company sold its controlling interest in Ten Holdings (note 12). The Company recorded a gain of \$570 million on the sale of these shares, including a gain on realization of foreign currency translation adjustments of \$3 million. The results of these operations were classified as a discontinued operation in the consolidated statements of earnings (loss), the net cash flows were classified as operating, investing and financing activities from discontinued operations in the consolidated statements of cash flows and the assets and liabilities were classified on the consolidated balance sheets as assets and liabilities of discontinued operations. Prior to the classification as a discontinued operation, the results of Ten Holdings were reported within the Australian television and Out-of-home operating segments. The classification of Ten Holdings as a discontinued operation increased earnings from continuing operations by \$38 million and \$21 million for the three and six months ended February 28, 2009, respectively. Cash flows from operating activities of continuing operations decreased by \$14 million and \$41 million for the three and six months ended February 28, 2009.

In May 2009, the Company sold its Turkish radio stations. The Company had previously concluded that the expectations for these assets were not consistent with the Company's long-term growth strategy. The Company recorded a loss of \$12 million on the sale of these stations. The results of this operation were classified as a discontinued operation in the consolidated statements of earnings (loss), the net cash flows were classified as operating, investing and financing activities from discontinued operations in the consolidated statements of cash flows and the assets and liabilities were classified on the consolidated balance sheets as assets and liabilities of discontinued operations. Prior to the classification as a discontinued operation, the results of the Turkish radio stations were reported within the Turkey radio segment. The classification of the Turkey radio stations as a discontinued operation increased earnings from continuing operations by \$42 million and \$41 million for the three and six months ended February 28, 2009, respectively. Cash flows from operating activities of continuing operations decreased by \$1 million and \$4 million for the three and six months ended February 28, 2009, respectively.

In February 2009, the Company sold *The New Republic*. The Company had previously concluded that the expectations for this asset were not consistent with the Company's long-term growth strategy. The Company recorded a gain of \$3 million on the sale of this asset. The results of this operation were classified as a discontinued operation in the consolidated statements of earnings (loss), the net cash flows were classified as operating, investing and financing activities from discontinued operations in the consolidated statements of cash flows and the assets and liabilities were classified on the consolidated balance sheets as assets and liabilities of discontinued operations. Prior to the classification as a discontinued operation, the results of *The New Republic* were reported within the Publishing segment. The classification of *The New Republic* as a discontinued operation increased earnings from continuing operations by \$3 million for both the three and six months ended February 28, 2009. Cash flows from operating activities of continuing operations increased by \$1 million for both the three and six months ended February 28, 2009.

The earnings from discontinued operations excluding the gain on sale of discontinued operations are summarized as follows:

For the three months ended February 28, 2009			
	Ten Holdings	Other	Total
Revenue	143,561	2,940	146,501
Loss from discontinued operations before tax	(67,654)	(55,342)	(122,996)
Income tax recovery	(1,033)	(11,064)	(12,097)
Minority interest	(29,042)	-	(29,042)
Loss from discontinued operations	(37,579)	(44,278)	(81,857)
Loss from discontinued operations per share:			
Basic			(\$0.46)
Diluted			(\$0.46)

For the six months ended February 28, 2009			
	Ten Holdings	Other	Total
Revenue	384,939	7,309	392,248
Loss from discontinued operations before tax	(25,262)	(55,187)	(80,449)
Income tax expense (recovery)	11,912	(10,871)	1,041
Minority interest	(16,208)	-	(16,208)
Loss from discontinued operations	(20,966)	(44,316)	(65,282)
Loss from discontinued operations per share:			
Basic			(\$0.37)
Diluted			(\$0.37)

The carrying value of net assets related to discontinued operations are as follows:

	February 28, 2010	August 31, 2009
Current assets	-	268,230
Goodwill	-	124,456
Non-current assets	-	581,304
Current liabilities	-	(233,305)
Long-term debt	-	(366,372)
Other long-term liabilities	-	(328,292)
Net assets	-	46,021

## 20. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Foreign currency translation adjustment	Hedging derivative instruments designated as cash flow hedges	Total
Balance – August 31, 2009	2,530	(42,677)	(40,147)
Other comprehensive income (loss)	(2,530)	4,427	1,897
Balance – February 28, 2010	-	(38,250)	(38,250)

The unrealized loss on foreign currency interest rate swaps that is expected to be realized and recognized in interest expense over the next twelve months is approximately \$17.5 million, net of tax of \$5.8 million.

During the three and six months ended February 28, 2010, \$1.3 million and \$18.6 million foreign exchange losses, respectively (2009 – gains of \$51.4 million and \$307.1 million, respectively) were reclassified to net earnings (loss) from accumulated other comprehensive loss, representing foreign exchange losses on the notional amounts of the cash flow hedging derivatives. These amounts were offset by foreign exchange gains recognized on the related U.S. dollar denominated long-term debt. During the three months and six months ended February 28, 2010 and 2009, there were no amounts recorded in net earnings (loss) which represented hedge ineffectiveness associated with cash flow hedging instruments.

During the three and six months ended February 28, 2010, the Company reclassified \$6.0 million and \$11.6 million, respectively (2009 – \$8.8 million and \$13.2 million, respectively) from accumulated other comprehensive loss to net earnings (loss). This amount has been recorded as a charge to interest expense and represents the effect of the hedging derivative instruments on the Company's interest expense.

During the three and six months ended February 28, 2010, due to the sale of Ten Holdings (note 19), the Company eliminated \$6.3 million gains from accumulated other comprehensive loss as a result of eliminating the related Ten Holdings' derivatives and reclassified \$3.0 million gain from accumulated other comprehensive loss related to deferred foreign currency adjustments.

During the three and six months ended February 28, 2009, the Company recorded an unrealized gain of \$3.6 million and unrealized loss of \$7.3 million on an available-for-sale investment, respectively. The Company concluded that the net unrealized loss was other than temporary based on the sale of the investment in March 2009, and accordingly reclassified \$7.3 million to net earnings (loss).

## 21. EARNINGS PER SHARE

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted earnings per share from continuing operations. No reconciling items in the computation of net loss from continuing operations exist:

	For the three months ended February 28,		For the six months ended February 28,	
	2010	2009	2010	2009
Basic weighted average shares outstanding during the period	177,646,539	177,646,539	177,646,539	177,646,539
Dilutive effect of restricted share units	-	-	547,700	-
Diluted weighted average shares outstanding during the period	177,646,539	177,646,539	178,194,239	177,646,539
Options outstanding that would have been anti-dilutive	4,819,233	5,491,327	4,271,533	5,491,327

## 22. OTHER LONG-TERM INCENTIVE PLANS

The Company has long-term incentive plans for eligible Canadian television and CW Media employees. Under the Broadcast Share Appreciation Rights Plan ("Broadcast SAR Plan") and the Broadcast RSU Plan, a notional share value is computed based on a formula which is not representative of the fair value of the respective business.

### ***Broadcast SAR Plan***

Eligible participants receive grants of Broadcast SARs which entitle them to participate in the growth in the notional share value of the broadcast operations. Regular share appreciation rights ("Regular SARs") vest at a rate of 25% per year. Performance threshold share appreciation rights ("Performance Threshold SARs") vest at a rate of 25% per year if certain EBITDA growth rates, as set by the Board, have been met. At the grant date the recipients can opt to have the SARs settled at each vesting date or at the end of the four year term.

In November 2009, the Company issued 66,300 regular SARs and 17,600 Performance Threshold SARs. At the time of issuance, the notional share value was \$15.01. In November 2008, the Company issued 66,900 regular SARs and 17,600 Performance Threshold SARs. At the time of issuance, the notional share value was \$12.76.

Operating expenses related to the Broadcast SAR plan was a recovery of \$0.4 million for the six months ended February 28, 2010 (2009 – a nominal expense).

### ***Broadcast RSU Plan***

Eligible participants receive grants of Broadcast RSUs which are settled at the end of a three year term provided that specified performance goals or other factors as determined by the Board have been met. The vested RSUs are settled through a cash payment equal to the notional share value at the end of the most recently completed quarter prior to the settlement date times the number of RSUs held.

In November 2009, the Company issued 36,200 Broadcast RSUs. At the time of issuance the notional share value was \$15.01. In November 2008, the Company issued 37,200 Broadcast RSUs. At the time of issuance the notional share value was \$12.76.

Operating expenses related to the Broadcast RSU plan was \$0.6 million for the six months ended February 28, 2010 (2009 – a nominal expense).

## 23. RELATED PARTY TRANSACTIONS

A company affiliated with the Company's controlling shareholders owns Canwest Place in Winnipeg, Manitoba, a building in which the Company is a tenant. During the three and six months ended February 28, 2010, rent paid to this company amounted to \$0.3 million and \$0.6 million, respectively (2009 - \$0.2 million and \$0.5 million, respectively) and is included in operating expenses. The annual obligations under these operating leases of \$0.7 million and \$0.4 million continue until August 2010 and May 2018, respectively.

All related party transactions have been recorded at the exchange amounts, which are representative of market rates.

## 24. PENSION, POST RETIREMENT AND POST EMPLOYMENT BENEFITS

The Company has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, post retirement and post employment benefits to its employees. Its defined benefit pension plans are based on years of service and final average salary.

Information regarding the components of net periodic benefit cost for the Company's defined benefit plans is presented below:

	Pension benefits		Post retirement/employment benefits	
	For the three months ended February 28,		For the three months ended February 28,	
	2010	2009	2010	2009
Current service cost	3,578	4,398	1,133	589
Accrued interest on benefits	7,550	7,963	1,153	879
Expected return on plan assets	(6,831)	(7,251)	-	-
Amortization of transitional obligation (asset)	(65)	110	75	76
Amortization of past service costs	43	354	169	170
Amortization of net actuarial loss (gain)	1,035	431	(88)	(176)
Settlement loss	989	-	-	-
Changes in valuation allowance	(1)	(8)	-	-
Total pension and post retirement/employment benefit expense	6,298	5,997	2,442	1,538

	Pension benefits		Post retirement/employment benefits	
	For the six months ended February 28,		For the six months ended February 28,	
	2010	2009	2010	2009
Current service cost	7,156	8,797	2,266	1,179
Accrued interest on benefits	15,100	15,927	2,306	1,757
Expected return on plan assets	(13,662)	(14,501)	-	-
Amortization of transitional obligation (asset)	(130)	220	150	152
Amortization of past service costs	86	709	338	339
Amortization of net actuarial loss (gain)	2,070	861	(176)	(351)
Settlement loss	1,506	-	-	-
Changes in valuation allowance	(2)	(17)	-	-
Total pension and post retirement/employment benefit expense	12,124	11,996	4,884	3,076



## 25. SEGMENT INFORMATION

The Company operates primarily within the Canadian publishing and television advertising industries. Segment information has been retroactively revised to reflect the Company's current reportable segment structure due to the sale of Australia television and out-of-home segments, the Turkey radio segment and *The New Republic*.

Each segment operates as a strategic business unit with separate management. Segment performance is measured primarily upon the basis of segment operating profit. The Company accounts for intersegment revenue as if the revenue was to third parties.

Segment information and a reconciliation from segment operating profit to earnings (loss) before income taxes are presented below:

	Revenue <sup>(1) (2)</sup> For the three months ended February 28,		Segment operating profit For the three months ended February 28,		Revenue <sup>(1) (2)</sup> For the six months ended February 28,		Segment operating profit For the six months ended February 28,	
	2010	2009 (Revised note 19)	2010	2009 (Revised note 19)	2010	2009 (Revised note 19)	2010	2009 (Revised note 19)
<b>Operating Segments</b>								
Publishing	254,418	257,729	41,358	32,432	540,835	592,704	111,154	106,284
Television								
Canada <sup>(4)</sup>	125,946	148,795	6,648	2,240	296,942	342,694	51,753	27,946
CW Media	98,928	87,459	49,846	31,830	213,026	193,558	114,181	76,113
Total television	224,874	236,254	56,494	34,070	509,968	536,252	165,934	104,059
Intersegment revenue	(612)	(549)	-	-	(1,458)	(1,178)	-	-
Corporate and other	-	-	(4,159)	(7,659)	-	-	(7,325)	(14,863)
Restructuring expenses	478,680	493,434	93,693	58,843	1,049,345	1,127,778	269,763	195,480
Broadcast rights write-downs	-	-	120	(18,189)	-	-	(1,722)	(32,695)
Settlement of regulatory fees <sup>(5)</sup>	-	-	-	(29,620)	-	-	(1,737)	(29,620)
	478,680	493,434	93,813	11,034	1,049,345	1,127,778	295,720	133,165
Amortization of intangible assets			1,608	1,607			5,116	3,215
Amortization of property and equipment			19,081	21,059			38,045	40,541
Other amortization			77	93			155	188
Operating income (loss)			73,047	(11,725)			252,404	89,221
Interest expense			(48,685)	(66,650)			(101,168)	(136,625)
Accretion of long-term liabilities			(33,091)	(9,829)			(65,843)	(38,062)
Interest income			173	223			1,004	351
Interest rate and foreign currency swap gains (losses)			-	(1,731)			-	40,698
Foreign exchange gains (losses)			20,604	(15,878)			86,036	(83,379)
Investment gains, losses and write-downs			(43)	(2,353)			670	(3,516)
Impairment loss on property and equipment			-	(10,333)			-	(10,333)
Impairment loss on intangible assets			-	(185,108)			(3,142)	(185,108)
Impairment loss on goodwill			-	(895,110)			-	(895,110)
			12,005	(1,198,494)			169,961	(1,221,863)
Reorganization items Canwest Media entities			(25,713)	(1,599)			(87,734)	(1,599)
Reorganization items Canwest LP entities			(30,940)	-			(40,076)	-
Earnings (loss) before income taxes and other items			(44,648)	(1,200,093)			42,151	(1,223,462)

(1) Represents revenue from third parties. In addition, the following segments recorded intersegment revenue: Publishing - \$0.4 million and \$0.9 million for the three and six months ended February 28, 2010, respectively (2009 - \$0.3 million and \$0.8 million, respectively) Canadian television - \$0.1 million and \$0.3 million for the three and six months ended February 28, 2010, respectively (2009 - nil and nil, respectively), and CW Media television - \$0.1 million and \$0.3 million for the three and six months ended February 28, 2010, respectively (2009 - \$0.3 million and \$0.4 million, respectively).

(2) Revenue consists of advertising revenue of \$363 million and \$816 million for the three and six months ended February 28, 2010, respectively (2009 - \$373 million and \$896 million, respectively) and subscriber revenue of \$116 million and \$234 million for the three and six months ended February 28, 2010, respectively (2009 - \$114 million and \$232 million, respectively).

- (3) On October 7, 2009, the Government of Canada and the Canadian Association of Broadcasters reached a settlement regarding the legal dispute over the validity of the Part II Licence fees payable annually to the CRTC by television and radio broadcasters. As a result of the settlement, during the six months ended February 28, 2010 the Company reversed into earnings unpaid Part II Licence fees of \$23.0 million and \$6.4 million related to the Canadian television and CW Media television segment, respectively, which were accrued as at August 31, 2009.
- (4) Revenue for fiscal 2009 has been restated to reverse accruals related to retransmission fees as the amounts were not determinable. The effect of this restatement for the three months ended February 28, 2009 was to increase segment revenue and segment operating profit by \$2.5 million and to increase the provision for future income taxes by \$1.6 million resulting in a \$0.8 million decrease in net loss for the Company. The effect of this restatement for the six months ended February 28, 2009 was to decrease segment revenue and segment operating profit by \$3.5 million resulting in a \$3.5 million increase in net loss for the Company. The adjustment decreased the loss per share by less than \$0.01 and increased the loss per share by \$0.02 for the three and six months ended February 28, 2009, respectively.

# APPENDIX "C"

**Estimated Recovery Analysis**

All in CAD unless otherwise stated <sup>(a)</sup>

July 8, 2010

<b>Plan Entities that are not CTLP Plan Entities <sup>(b)</sup></b>				
	<b>High <sup>(e)</sup></b>		<b>Low <sup>(f)</sup></b>	
1/3 of the Ordinary Creditors Pool (less Convenience Class Claims <sup>(c)</sup> )	\$	12,674,888.62	\$	12,658,501.58
Total Affected Claims Against Plan Entities that are not CTLP Plan Entities <sup>(d)</sup> (less Convenience Claims <sup>(c)</sup> )	\$	90,434,300.78	\$	118,093,222.25
<b>Estimated Recovery Per Creditor</b>	\$	<b>0.14</b>	\$	<b>0.11</b>

<b>CTLP Plan Entities <sup>(g)</sup></b>				
	<b>High <sup>(h)</sup></b>		<b>Low <sup>(f)</sup></b>	
2/3 of the Ordinary Creditors Pool (less Convenience Class Claims <sup>(c)</sup> )	\$	24,652,307.44	\$	24,651,535.85
Total Affected Claims Against CTLP Plan Entities <sup>(d)</sup> (less Convenience Class Claims <sup>(c)</sup> )	\$	71,030,596.99	\$	73,301,256.68
<b>Estimated Recovery Per Creditor</b>	\$	<b>0.35</b>	\$	<b>0.34</b>

**Notes:**

(a) USD claims converted to CAD based on the on an F/X rate of 1.02764 based on the average Bank of Canada noon rate for the 10 Business Days preceding June 23, 2010.

(b) Includes Canwest Global Communications Corp, CMI, 4501063 Canada, MBS Productions, Yellow Card and Global Centre.

(c) For the purposes of this analysis, Convenience Class Claims include only Affected Claims equal to or less than \$5,000. Final recoveries may vary depending on

(d) Assumes the value of all "marker" claims to be \$0.

(e) "High" scenario assumes all Unresolved Claims will be finally determined for distribution purposes at the values currently estimated by the Plan Entities that are not CTLP Plan Entities.

(f) "Low" scenario assumes all Unresolved Claims will be finally determined for distribution purposes at the values currently estimated by the creditors.

(g) Includes CTLP, Canwest Television GP Inc, Canwest Broadcasting, Fox Sports World Canada Holdco, and Fox Sports World Canada Partnership.

(h) Assumes all Unresolved Claims will be finally determined for distribution purposes at the values currently estimated by the CTLP Plan Entities.

# APPENDIX "D"

**PLAN EMERGENCE AGREEMENT**

**THIS AGREEMENT** made as of June 25, 2010

**BETWEEN:**

**Canwest Global Communications Corp. (“Canwest”)**

- and -

**Canwest Media Inc. (“CMI”)**

- and -

**Canwest Television GP Inc. for and on behalf of Canwest Television Limited Partnership (“CTLP”)**

- and -

**Shaw Communications Inc. (“Shaw”)**

- and -

**7509014 Canada Inc. (“New Canwest”)**

- and -

**7316712 Canada Inc.**, a corporation governed by the laws of Canada  
**(“7316712 Canada”)**

- and -

**FTI Consulting Canada Inc.**, in its capacity as Monitor of the CMI Entities and not in its personal or corporate capacity (the **“Monitor”**)

**RECITALS:**

- A. Canwest, CMI, Canwest Television Limited Partnership (“CTLP”), by its general partner Canwest Television GP Inc., certain other Canwest Subsidiaries, and certain holders of 8% senior subordinated notes due 2012 issued by CMI (collectively, the **“Consenting Noteholders”**), are parties to a support agreement dated October 5, 2009, as amended by an amendment agreement dated January 29, 2010, an amendment agreement dated February 11, 2010, an amendment agreement no. 3 dated April 15, 2010 and an amendment agreement no. 4 dated as of May 3, 2010 (the **“Noteholder Support Agreement”**) regarding the principal aspects of a recapitalization of the CMI Entities (the **“Recapitalization Transaction”**).
- B. Pursuant to the Noteholder Support Agreement and in furtherance of the Recapitalization Transaction, Canwest and certain of its subsidiaries, including CMI, (collectively, the

- “**CMI Entities**”) filed for and received protection from their creditors under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made October 6, 2009.
- C. Shaw and Canwest are parties to a subscription agreement dated February 11, 2010, as amended May 3, 2010 (the “**Subscription Agreement**”) pursuant to which, subject to the terms and conditions thereof and the amended and restated term sheet attached as Schedule “A” thereto (the “**Amended and Restated Term Sheet**”), Shaw or its designated wholly-owned direct or indirect subsidiary has agreed to subscribe for, and Canwest, as restructured, or a newly incorporated company holding all of the properties and assets of Canwest, except for excluded assets and properties as may be agreed to by Canwest and Shaw, each acting reasonably (such restructured or newly incorporated company is referred to herein as “**Restructured Canwest**”), has agreed to issue shares of Restructured Canwest (collectively, the “**Subscription Transaction**”).
- D. The Amended and Restated Term Sheet contemplates that the Subscription Transaction may be effected under a Share Transaction (as defined therein), whereby Shaw and/or 7316712 Canada (collectively, and jointly and severally, the “**Plan Sponsor**”) will purchase all of the shares of New Canwest, a newly incorporated wholly-owned subsidiary of Canwest, and all of CMI’s equity and voting shares in CW Investments, all to be effected under a plan of compromise and arrangement under the CCAA (the “**Plan**”).
- E. Shaw, Canwest and the Consenting Noteholders are parties to a support agreement dated February 11, 2010, as amended May 3, 2010 (the “**Shaw Support Agreement**”), pursuant to which the Consenting Noteholders have agreed to support the Subscription Transaction subject to the terms and conditions contained therein and in the Noteholder Support Agreement.
- F. On June 23, 2010, the Applicants filed the Plan with the Court and are seeking approval of same by creditors and the Court in accordance with the CCAA.
- G. Pursuant to section 11 of the Amended and Restated Term Sheet, it is a condition of completion of the Subscription Transaction that Canwest, CMI and Shaw shall have entered into the Plan Emergence Agreement (as defined in section 11 of the Amended and Restated Term Sheet) on or prior to the date that is 23 days prior to the Meetings.
- H. Pursuant to section 6.3 of the Plan, it is a condition precedent to the implementation of the Plan that Canwest, CMI, the Plan Sponsor and the Monitor shall have entered into the Plan Emergence Agreement.
- I. In connection with the Plan and the transactions contemplated therein, Canwest, CMI, CTLP, New Canwest, the Plan Sponsor and the Monitor (collectively, the “**Parties**”) now wish to enter into this Agreement, which shall constitute the Plan Emergence Agreement as contemplated by the Amended and Restated Term Sheet and the Plan.

**THEREFORE**, in consideration of the mutual covenants and agreements of the Parties, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows:

## **ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION**

### **1.1 Definitions**

All capitalized terms that are used and not defined in this Agreement (including in the Recitals) have the meanings given to them in the Plan. In addition, whenever used in this Agreement, the term “**Agreement**” means this Agreement, including the Recitals and all Schedules to this Agreement and any permitted amendments or restatements of this Agreement, and references to “**Article**”, “**Section**” or “**Schedule**” mean the specified Article, Section or Schedule of this Agreement.

### **1.2 Certain Rules of Interpretation**

In this Agreement:

- (a) **Consent** – Whenever a provision of this Agreement requires an approval or consent and the approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.
- (b) **Governing Law** – This Agreement is a contract made under and shall be governed by and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario. Each Party submits to the jurisdiction of the courts of the Province of Ontario in any action or proceeding arising out of or relating to this Agreement.
- (c) **Headings** – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (d) **Including** – Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.
- (e) **No Strict Construction** – The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (f) **Number and Gender** – Unless the context otherwise requires, words importing the singular include the plural and *vice versa* and words importing gender include all genders.
- (g) **Severability** – If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, the provision shall, as to that jurisdiction, be ineffective only to the extent of the restriction, prohibition or unenforceability without invalidating the remaining



provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction, or without affecting its application to other Parties or circumstances.

- (h) **Statutory References** – A reference to a statute includes all regulations and rules made pursuant to the statute and, unless otherwise specified, the provisions of any statute, regulation or rule which amends, supplements or supersedes any such statute, regulation or rule.
- (i) **Time** – Time is of the essence in the performance of the Parties’ respective obligations.
- (j) **Currency** – All references to dollar amounts or to the symbol \$ are references to Canadian dollars unless otherwise specified.

### 1.3 Paramountcy

In the event of any conflict or inconsistency between the terms, conditions and provisions of the Plan and of this Agreement, the terms, conditions and provisions of the Plan, together with the Sanction Order, shall govern and shall take precedence and priority.

### 1.4 Schedules

The Schedules listed below form an integral part of this Agreement:

<u>Schedule</u>	<u>Description</u>
Schedule 2.1	Non-Continuing Management Employees Schedule
Schedule 2.2	Non-Continuing Material Agreements Schedule
Schedule 5.1	PIF Schedule

## ARTICLE 2 DISCLAIMER OF AGREEMENTS

### 2.1 Continuing Management Employees

Section 11(ii) of the Amended and Restated Term Sheet referenced in the Amendment Agreement to the Subscription Agreement dated May 3, 2010 between Shaw and Canwest amending the Subscription Agreement dated February 11, 2010, refers to a list of all existing management employees of Canwest and the Canwest Subsidiaries who will not remain as employees of New Canwest or the CTLP Plan Entities following the Effective Time. That list is attached hereto as Schedule 2.1 (the “**Non-Continuing Management Employee Schedule**”).

On or before the Plan Implementation Date, the CMI Entities will terminate the employment of the employees listed on the April 28 Severance Schedule. The termination and severance

obligations, together with accrued and unpaid vacation pay, salary and wages with respect to such employees will be paid in accordance with Section 5.1 hereof.

For greater certainty, any active or inactive employee of any CMI Entity (other than a CTLP Group Entity), including any such employees on maternity leave, paternity leave or disability leave or other such absence will not be employees of New Canwest or the CTLP Plan Entities following the Effective Time.

## **2.2 Non-Continuing Material Agreements**

- (a) Schedule 2.2 (the “**Non-Continuing Material Agreements Schedule**”) sets forth a complete list of all material agreements (the “**Non-Continuing Material Agreements**”) to which any of the Plan Entities is a party or are parties that are to be disclaimed, subject to the consent of the Monitor, within the timeframe set out in the Claims Procedure Order as amended by the Meeting Order.
- (b) The Parties have agreed that the Non-Continuing Material Agreements Schedule shall not be attached to this Agreement, but shall be delivered to the Monitor under separate cover due to the confidential nature of the information contained therein. The Monitor shall hold the Non-Continuing Material Agreements Schedule on a confidential basis until after notice of disclaimer has been given to the applicable counterparty.
- (c) On or before the day that is twenty three (23) days before the date of the Meetings as scheduled in the Meeting Order, Canwest, CMI or the CTLP Group Entities, as applicable, shall notify all counterparties to such Non-Continuing Material Agreements of the proposed disclaimer of such Non-Continuing Material Agreements, in accordance with section 32(1) of the CCAA within the timeframe set out in the Claims Procedure Order as amended by the Meeting Order and at the same time shall deliver to each of such counterparties a CMI Notice of Claim, together with the applicable CMI Claims Package.

## **2.3 Restructuring Period Claims**

Any Claims arising as a result of the disclaimer or renegotiation of the Non-Continuing Material Agreements set out in the Non-Continuing Material Agreements Schedule shall constitute Restructuring Period Claims, unless such Claims constitute Unaffected Claims under paragraphs (e) or (f) of the definition of Unaffected Claims set out in section 1.1 of the Plan.

# **ARTICLE 3 PAYMENTS PRIOR TO PLAN IMPLEMENTATION DATE**

## **3.1 Cash Management**

Effective as of the Plan Implementation Date, the cash management services provided by The Bank of Nova Scotia (“**BNS**”) to Canwest and the Canwest Subsidiaries will be terminated and new arrangements will be entered into by Canwest and/or any Canwest Subsidiary other than the CTLP Group Entities (the “**Remaining Canwest Entities**”) after the Plan Implementation Date

on terms to be agreed prior to the Plan Implementation Date among and satisfactory to the Remaining Canwest Entities and BNS. Prior to the Plan Implementation Date, New Canwest and the CTLP Group Entities shall establish their own cash management system. All potential liabilities under the existing cash management system shall be dealt with in a manner agreeable to the parties and BNS and provided for in the Plan Implementation Fund.

### **3.2 CIT Facility**

On the day that is one (1) Business Day prior to the Plan Implementation Date, all “cash sweeps” under the CIT Facility and the CIT Credit Agreement shall cease to be effective as of the close of business on such date. Claims of CIBC Asset-Based Lending (formerly, CIT Business Credit Canada Inc. (“CIT”) under the CIT Credit Agreement and the CIT Facility shall be provided for in the PIF Schedule (as hereinafter defined) and paid in accordance with this Agreement and the Plan.

### **3.3 CH Plan Settlement Amount**

Prior to remitting the Cash to the Monitor to establish the Plan Implementation Fund as set out in Section 5.1, CTLP shall hold back from cash in its accounts an amount equal to the CH Plan Settlement Amount, on the day that is one (1) Business Day prior to the Plan Implementation Date. The CH Plan Settlement Amount shall be distributed by CTLP pursuant to the Plan on the Plan Implementation Date.

### **3.4 Continuing Payment of Professionals**

In furtherance of the Initial Order and this Agreement, the CMI Entities shall continue to pay up to and including the Plan Implementation Date (a) legal counsel and other advisors to the CMI Entities and other Canwest Subsidiaries, (b) the Monitor and its legal counsel, (c) legal counsel to the Ad Hoc Committee, (d) legal counsel and advisors to the Special Committee, (e) legal counsel to the Directors and Officers, (f) Houlihan Lokey Howard & Zukin Capital Inc. (“**Houlihan Lokey**”), and (g) Stonecrest Capital Inc. in accordance with existing practice and shall endeavour to have all such professionals’ accounts current so that as of the Plan Implementation Date such professionals are current to the date which is five (5) Business Days prior to the Plan Implementation Date.

Following execution of this Agreement and prior to the Plan Implementation Date, the CMI Entities shall request estimates of any outstanding fees and disbursements and the prospective fees and disbursements of such professionals for the period up to and including the Plan Implementation Date. These estimates shall then be incorporated in Section 1 of the PIF Schedule (as hereinafter defined) (a form of which will be attached hereto as Schedule 5.1 on the execution of this Agreement and will be replaced on or before the Plan Implementation Date with the PIF Schedule containing the estimates of any outstanding fees and disbursements and prospective fees and disbursements to the Plan Implementation Date).

## **ARTICLE 4 POST EMERGENCE ACTIVITIES**

### **4.1 Retention of Legal Counsel and Advisors by the Monitor**

Following the Plan Implementation Date, the Monitor may, in its discretion, retain or continue to retain the services of legal counsel and such other advisors as it deems reasonable and may retain the services of any former Employees (excluding any former Employee who New Canwest or any of the CTLP Group Entities or CWI Group Entities have retained through employment or contract) or any other Person on an independent contract basis to assist the Monitor in performing its obligations under this Agreement, the Plan, the Sanction Order and the CCAA.

### **4.2 Resolution of Unaffected Claims**

The Monitor shall determine and pay, on behalf of the CMI Entities, any unpaid Unaffected Claims (other than those claims described in subparagraphs (h), (i), (n) and (o) of the definition of Unaffected Claims under the Plan) outstanding after the Plan Implementation Date pursuant to this Agreement and the Plan.

Notwithstanding the foregoing, the Monitor shall determine and pay, in consultation with counsel to the Directors and Officers on behalf of the CMI Entities, from monies funded to the Monitor and deposited into Account 6 referred to in the PIF Schedule pursuant to Section 5.10 of this Agreement:

- a) any claims against the Directors and Officers (other than those claims described in sub-paragraphs (h) and (i) of the definition of Unaffected Claims under the Plan) that (a) arose after the Filing Date, (b) remain outstanding as at the Plan Implementation Date, and (c) are claims which would be covered by the indemnity provided by paragraph 21 in the Initial Order; and
- b) any claims against or liabilities of Directors and Officers (other than those claims described in sub-paragraphs (h) and (i) of the definition of Unaffected Claims under the Plan) incurred after the Plan Implementation Date if such Directors and Officers remain in office to facilitate the bankruptcy under the BIA, a liquidation, winding-up or dissolution of any Remaining Canwest Entities as provided for in section 4.4 hereof, provided that such claims would have otherwise been covered by the indemnity provided by paragraph 21 in the Initial Order if such indemnity applied.

The claims referred to in sub-paragraphs (a) and (b) above will be referred to collectively as the “**Post-Filing D&O Insured Claims**”.

### **4.3 Resolution of Unresolved Claims**

Following the Plan Implementation Date, the Monitor shall complete the resolution of the Unresolved Claims of Affected Creditors in accordance with the Claims Procedure Order, the Meeting Order and the Plan and complete any remaining distributions to Affected Creditors holding Proven Distribution Claims pursuant to the Plan.

#### **4.4 Bankruptcies and Liquidations**

Following the Plan Implementation Date the Monitor may, in its discretion, assign into bankruptcy under the BIA or effect a liquidation, winding-up or dissolution of any Remaining Canwest Entities.

#### **4.5 Access to Past Employees and Records**

- (a) Following the Plan Implementation Date, New Canwest and CTLP shall make available to the Monitor on a reasonable basis up to five (5) management or other employees of New Canwest or the CTLP Group Entities, to be agreed upon between the Monitor and the Plan Sponsor in a side letter, in order to assist the Monitor in carrying out its duties as set forth in this Agreement, the Plan and the Sanction Order (including, for greater certainty, the determination, resolution, litigation and/or settlement of Unresolved Claims of Affected Creditors and the bankruptcy of any Remaining Canwest Entities) until the discharge of the Monitor.
- (b) Following the Plan Implementation Date, New Canwest and CTLP shall make available to the Monitor on a reasonable basis the books and records of the CTLP Plan Entities and CW Investments in its possession.
- (c) Following the Plan Implementation Date, the Monitor shall make available to New Canwest on a reasonable basis the books and records of the Remaining Canwest Entities in its possession until the discharge of the Monitor.

#### **4.6 Reporting**

Following the Plan Implementation Date, the Monitor shall periodically (and at least once every three months) update Plan Sponsor and counsel to the Directors and Officers on the status of its activities pursuant to this Agreement and the amounts remaining in the Plan Implementation Fund.

#### **4.7 Obligation to Pay Only to the Extent Funds are Available**

Notwithstanding any other provision of this Agreement, and without in any way limiting the protections for the Monitor set forth in Section 4.8 of this Agreement, the Initial Order, the Plan or the CCAA, the Monitor shall have no obligation to make any payment contemplated by this Agreement, and nothing in this Agreement shall be construed as obligating the Monitor to make any such payment, unless and until the Monitor is in receipt of funds adequate to effect any such payment in full in the applicable Account (as defined below) referred to in the PIF Schedule. Funds adequate to pay such amounts will be deposited into the appropriate Accounts referenced in the PIF Schedule in accordance with the provisions of this Agreement.

#### **4.8 Monitor shall have no Personal Liability**

The Monitor shall not incur any liability whatsoever, including in respect of (a) any amount paid, required to be paid or not paid from the Plan Implementation Fund pursuant to this Agreement or the Plan, (b) any costs or expenses incurred in connection with, in relation to or as a result of any payment made, required to be made or not made from the Plan Implementation Fund, or (c) any

deficiency in the Plan Implementation Fund or any specific Account referenced in the PIF Schedule.

#### **4.9 Parties may seek Directions from Court**

Any party to this Agreement and counsel for the Directors and Officers may at any time apply to Court for advice and directions from the Court in respect of any matter arising from or under this Agreement or the discharge of their obligations under this Agreement.

### **ARTICLE 5 PAYMENTS ON OR AFTER THE PLAN IMPLEMENTATION DATE**

#### **5.1 Payment of Closing Costs**

On the Plan Implementation Date, the Monitor shall pay from the Cash, on behalf of the CMI Entities, or, in respect of the items referred to in sub-paragraphs q) and t) below may authorize and cause the CMI Entities to pay, the following costs and obligations in the amounts described below and detailed in Section 1 of Schedule 5.1 (which shall be finalized prior to the Plan Implementation Date and a form of which will be attached as Schedule 5.1 on the execution of this Agreement and until the date such schedule is finalized) (the “**PIF Schedule**”). To the extent that the amount of the Cash on the Plan Implementation Date is less than the aggregate amount required to pay the following obligations in full as set out in the PIF Schedule, then New Canwest and/or CTLP shall fund the difference on or before the Plan Implementation Date (as a payment to the Monitor for the benefit of CMI) necessary so that the following obligations are paid in full as set out in Section 1 of the PIF Schedule:

- a) the relevant government entities in respect of the amounts referred to in sections 6(3), 6(5) and 6(6) of the CCAA;
- b) Osler, Hoskin & Harcourt LLP as primary legal counsel to the CMI Entities in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- c) other legal counsel and professional advisors to the CMI Entities (to be listed in a schedule to be provided to New Canwest and the Plan Sponsor by the CMI Entities prior to Plan Implementation Date) in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- d) PricewaterhouseCoopers Canada LLP in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- e) KPMG LLP in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- f) the Monitor in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;

- g) Stikeman Elliott LLP as legal counsel to the Monitor in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- h) Goodmans LLP as legal counsel to the Ad Hoc Committee in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- i) Ogilvy Renault LLP as legal counsel to the Special Committee in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- j) Lenczner Slaght Royce Smith Griffin LLP as legal counsel to the Directors and Officers in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- k) Cavalluzzo Hayes Shilton McIntyre & Cornish LLP as Retiree Representative Counsel in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- l) Stonecrest Capital Inc. as the Chief Restructuring Advisor in respect of all payments due and unpaid under the Stonecrest Engagement Letter;
- m) Genuity Capital Markets in respect of all payments due and unpaid under the Genuity Engagement Letter;
- n) RBC in respect of all payments due and unpaid under the RBC Engagement Letter;
- o) Houlihan Lokey in respect of all payments due and unpaid under the Houlihan Engagement Letter;
- p) The Bank of New York Mellon, in its capacity as trustee under the Indenture in respect of all fees payable and unpaid to the trustee under the Indenture;
- q) the KERP Participants the amounts payable under the KERPs less any statutory source deductions which shall be remitted to the applicable governmental authority, on behalf of the CMI Entities, by the Monitor. The amounts paid to the KERP Participants under this subsection shall be paid in respect of Claims arising from or under the KERPs and shall not affect in any way any other monetary amounts to which the KERP Participants may be entitled from the KERP Trust or any non-monetary benefits or items to which the KERP Participants may be entitled pursuant to the KERP agreements;
- r) BNS in respect of potential liabilities under the existing cash management system arising from or under the cash management facility for the provision of cash management services to the CMI Entities;

- s) CIT in respect of any amounts or obligations outstanding under the CIT Facility;
- t) the amounts payable to those employees identified on the April 28 Severance Schedule in respect of the termination and severance obligations set forth on the April 28 Severance Schedule together with the accrued and unpaid wages, salary and vacation pay less any statutory source deductions which shall be remitted, on behalf of the CMI Entities, by the Monitor;
- u) the Fireworks Trustee in Bankruptcy in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date;
- v) any accrued and unpaid compensation to the Directors;
- w) Shaw in respect of the expense reimbursement obligation pursuant to Section 9.2 of the Subscription Agreement; and
- x) the Transfer Agent in respect of its fees, costs and disbursements incurred to effect the issuance and subsequent cancellation of the Canwest New Preferred Shares as contemplated by the Plan.

The foregoing payments shall be paid by way of certified cheque, wire transfer or direct deposit. Any certified cheques effecting payment pursuant to sub-sections (q) and (t) hereof shall be sent by registered mail to the last known address for such Persons.

## **5.2 Establishment of the Plan Implementation Fund**

On the Plan Implementation Date, after the payment of the obligations set forth in Section 5.1 as set out in Section 1 of the PIF Schedule, the Plan Entities shall pay to the Monitor from any remaining Cash, the amount necessary to fund the Plan Implementation Fund as set out in the PIF Schedule. To the extent that the remaining Cash is inadequate to fully fund the requirements set forth in the PIF Schedule (including the inclusion of a contingency fund to secure the payment of the fees, disbursements, and costs of the Monitor, and those of its legal and other advisors as provided for in section 4.1 hereof) then New Canwest and/or CTLP shall pay to the Monitor the amount of any difference (as a payment to the Monitor for the benefit of CMI) which shall be deposited by the Monitor in the Plan Implementation Fund. To the extent that as of the Plan Implementation Date the amount of Cash is greater than the amount needed to fully fund the requirements set forth in the PIF Schedule, then the excess amount of remaining Cash after fully funding the Plan Implementation Fund shall be paid to New Canwest.

The Monitor shall deposit the amounts received pursuant to this Section 5.2 into one or more accounts in accordance with the PIF Schedule (the “**Accounts**”) and such amounts together shall constitute the Plan Implementation Fund.



### **5.3 Additional Deposits into the Fund**

The following amounts shall be paid to the Monitor from time to time and shall be deposited into Account 5 referenced in Section 2 of the PIF Schedule:

- (a) the net proceeds of sale realized from the sale of the Winnipeg Condo;
- (b) any and all dividends, distributions or other amounts payable to a Plan Entity (other than the CTLP Plan Entities) from any estate in bankruptcy, liquidation, winding up or dissolution of any Remaining Canwest Entity;
- (c) any amounts in respect of refunds of any Taxes payable to the Plan Entities other than the CTLP Plan Entities, National Post Holdings and National Post;
- (d) any net proceeds of realization from any assets or property of any of the Remaining Canwest Entities other than National Post Holdings and National Post; and
- (e) all Undeliverable Distributions from the Ordinary Creditors Pool or the Convenience Class Pool as contemplated in the Plan.

### **5.4 Plan Emergence Cost Schedule**

Prior to the Plan Implementation Date, the CMI Entities, the Plan Sponsor, New Canwest and the Monitor shall agree to and finalize the PIF Schedule (which shall be finalized prior to the Plan Implementation Date and a form of which will be attached as Schedule 5.1 between the date of the execution of this Agreement and the date such schedule is finalized).

### **5.5 Payment of Post-Filing Claims**

The Monitor shall conduct the process approved in the Sanction Order to solicit, identify and quantify Post-Filing Claims (other than Intercompany Claims) which are not assumed by New Canwest or any of the CTLP Plan Entities pursuant to the Plan. Following the Post-Filing Claims Bar Date (as defined in the Sanction Order) and the determination or resolution of all filed claims, the Monitor shall pay to each Post-Filing Creditor (to be defined in the Sanction Order in a manner acceptable to the parties) holding a Proven Post-Filing Claim (to be defined in the Sanction Order in a manner acceptable to the parties) the amount of its Proven Post-Filing Claim from Account 1 referred to in Section 2 of the PIF Schedule.

To the extent that the amount in Account 1 referred to in Section 2 of the PIF Schedule is inadequate to pay the full amount of all Proven Post-Filing Claims then New Canwest and/or CTLP shall pay to the Monitor for the benefit of CMI the funds necessary to pay such claims in full and such funds shall be deposited into Account 1 referred to in Section [2] of the PIF Schedule. If the payments contemplated in this Section [5.5] do not exhaust the amount held by the Monitor in Account 1 referred to in Section 2 of the PIF Schedule, then the Monitor shall return such excess funds to New Canwest.

## **5.6 Payment of Fees and Expenses of the Replacement Administrator**

After the Plan Implementation Date, the Monitor shall pay by way of certified cheque or wire transfer (in accordance with wire transfer instructions provided in writing by such Person to the Monitor) on behalf of CTLP to the replacement administrator for the CH Plan appointed by the Superintendent of Financial Institutions in respect of its fees and expenses incurred as contemplated in Section 5.3 of the Plan the amount held by the Monitor in Account 2 referenced in Section 2 of the PIF Schedule. For great certainty, the fees and expenses of the replacement administrator shall not include fees and expenses for the provision of services in relation to the administration of the CH Plan or the investment of the assets of the CH Plan where such fees and expenses have, in the normal course, been paid from the assets of the CH Plan, including fees payable to the CH Plan Trustee, the investment manager in respect of CH Plan assets, the actuary for the CH Plan and any pension consultant for pension plan administration services.

## **5.7 Payment of Fees and Expenses of Counsel to Directors and Officers**

After the Plan Implementation Date, the Monitor shall from time to time pay by way of certified cheque or wire transfer (in accordance with wire transfer instructions provided in writing by such Person to the Monitor) on behalf of the Remaining Canwest Entities from Account 3 referred to in Section 2 of the PIF Schedule the reasonable fees and disbursements of counsel to the Directors and Officers in connection with:

- a) determining the Affected Claims that are Unresolved Claims against the Directors and Officers, consulting with the Monitor with respect thereto and providing advice and reporting to the Directors and Officers with respect thereto;
- b) determining any Post-Filing D&O Insured Claims and addressing any matters of insurance coverage and related issues; and
- c) providing assistance with any issues regarding the Directors and Officers that may arise after the Plan Implementation Date relating to the wind-up, bankruptcies, dissolution or liquidation of the Remaining Canwest Entities and issues regarding indemnification, insurance and other matters in respect of any Directors and Officers who remain in office after the Plan Implementation Date as provide for in section 4.2(b) hereof.

To the extent that the amount held by the Monitor in Account [3] referred to in Section 2 of the PIF Schedule is inadequate to pay the full amount of the reasonable fees and disbursements of counsel to the Directors and Officers pursuant to this Section 5.7 then New Canwest and/or CTLP shall pay to the Monitor for the benefit of CMI the funds necessary to pay such reasonable fees and disbursements and such funds shall be deposited into Account 3 referred to in Section 2 of the PIF Schedule. If the payments contemplated in this Section 5.7 do not exhaust the amount held by the Monitor in Account 3 referred to in Section 2 of the PIF Schedule, then the Monitor shall return such excess funds to New Canwest.

## **5.8 Professionals Associated with Remaining Canwest Entities**

After the Plan Implementation Date, the Monitor shall from time to time pay by way of certified cheque or wire transfer (in accordance with wire transfer instructions provided in writing by such Person to the Monitor) on behalf of the Remaining Canwest Entities from Account 4 referred to

in Section 2 of the PIF Schedule to legal counsel and professional advisors (to be listed in a schedule to be provided to New Canwest and the Plan Sponsor by the CMI Entities prior to Plan Implementation Date) in respect of professional fees and disbursements incurred for services provided in connection with the bankruptcy, liquidation or winding up or dissolution of any Remaining Canwest Entities (other than National Post Holdings and National Post).

To the extent that the amount in Account 4 referred to in Section 2 of the PIF Schedule is inadequate to pay the full amount of the reasonable fees and disbursements of foreign professionals pursuant to this Section 5.8 then New Canwest and/or CTLP shall pay to the Monitor for the benefit of CMI (other than National Post Holdings and National Post) the funds necessary to pay such reasonable fees and disbursements and such funds shall be deposited into Account 4 referred to in Section 2 of the PIF Schedule. If the payments contemplated in this Section 5.8 do not exhaust the amount held by the Monitor in Account 4 referred to in Section 2 of the PIF Schedule, then the Monitor shall return such excess funds to New Canwest.

### **5.9 Payment of Fees and Expenses of the Monitor**

All of the fees and disbursements incurred by the Monitor, its legal counsel and any other advisors retained by the Monitor, in connection with fulfilling the Monitor's duties and obligations under the Plan and this Agreement, including, without limitation, those fees, disbursements, costs and expenses incurred in connection with:

- (a) resolving any Unresolved Claims of the Affected Creditors;
- (b) making distributions under the Plan, including the costs of wire transfers and the issuance of cheques (provided, for greater certainty, that the Monitor shall not fund the actual distributions from the Plan Implementation Fund);
- (c) determining any Unaffected Claims, including Post-Filing Claims, but excluding those claims described in subparagraphs (h), (i) and (o) of the definition of Unaffected Claims in the Plan;
- (d) making distributions under this Agreement; and
- (e) bankrupting and acting as trustee in bankruptcy or liquidating, winding up or dissolving any Remaining Canwest Entities (other than National Post and National Post Holdings), including the bankruptcies of the Fireworks entities and acting as the Fireworks Trustee in Bankruptcy,

shall be paid from the Plan Implementation Fund and the Monitor shall have exclusive access to the funds referenced in Account 5 referred to in Section 2 of the PIF Schedule.

If at any time the Plan Implementation Fund is insufficient to fund the activities of the Monitor pursuant to the Plan or this Agreement, then New Canwest and/or CTLP shall pay additional funds satisfactory to the Monitor for the benefit of CMI and such funds shall be deposited into Account 5 referred to in Section 2 of the PIF Schedule. If the payments contemplated in this Section 5.9 do not exhaust the amount held by the Monitor in Account 5 referred to in Section 2

of the PIF Schedule, then the Monitor shall return such excess funds to New Canwest in accordance with section 5.12 of this Agreement.

### **5.10 Payment of Post-Filing D&O Insured Claims**

The Monitor shall pay any Post-Filing D&O Insured Claims pursuant to section 4.2 of this Agreement from Account 6 referred to in Section 2 of the PIF Schedule. To the extent that the amount in Account 6 referred to in Section 2 of the PIF Schedule is inadequate to pay the full amount of Post-Filing D&O Insured Claims pursuant to this Section 5.10 then New Canwest and/or CTLP shall pay to the Monitor for the benefit of CMI the funds necessary to pay such claims in full and such funds shall be deposited into Account 6 referred to in Section 2 of the PIF Schedule. If the payments contemplated in this Section 5.10 do not exhaust the amount held by the Monitor in Account 6 referred to in Section 2 of the PIF Schedule, then the Monitor shall return such excess funds to New Canwest.

### **5.11 Use of Cash to Plan Implementation Date**

The CMI Entities hereby covenant and agree that, from the date hereof to the Plan Implementation Date, they will only use the Cash and will only effect any draw under the CIT Facility for working capital purposes related to the Business or for the expenditures of the CMI Entities as approved by the Court and/or as may be contemplated by the Weekly Cash Flow Projections (as defined in the CIT Facility). The CMI Entities hereby further covenant and agree to notify the Plan Sponsor in writing of any planned draw to be effected under the CIT Facility between the date hereof and the Plan Implementation Date five (5) Business Days prior to effecting such a draw.

### **5.12 Residual Funds**

Upon completing its duties under the CCAA, the Sanction Order and this Agreement and obtaining an order discharging the Monitor, the Monitor shall (after satisfying all fees and disbursements of the Monitor) remit to New Canwest any residual funds remaining in the Plan Implementation Fund.

### **5.13 Payment of Legal Costs of the *Ad Hoc* Group of Shareholders**

On the Plan Implementation Date, concurrently with acquiring the Canwest New Preferred Shares, and in accordance with the Minutes of Settlement dated June 23, 2010, 7316712 Canada shall pay Bennett Jones LLP in trust for the benefit of the *ad hoc* group of shareholders the documented costs of their advisors in connection with the motion brought by Canwest and certain of its subsidiaries returnable June 22, 2010 seeking, *inter alia*, a Meeting Order.

## **ARTICLE 6 GENERAL**

### **6.1 Notices**

Any notice, consent or approval required or permitted to be given in connection with this Agreement (in this Section referred to as a “**Notice**”) shall be in writing and shall be sufficiently

given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

(a) if to Canwest or CMI, or to both, at:

c/o Osler, Hoskin & Harcourt LLP  
Box 50  
1 First Canadian Place  
Toronto, Ontario M5X 1B8

Attention: Edward Sellers  
Email: esellers@osler.com  
Facsimile: 416-862-6666

With a required copy by email or fax (which shall not be deemed Notice) to:

Osler, Hoskin & Harcourt LLP  
Box 50  
1 First Canadian Place  
Toronto, Ontario M5X 1B8

Attention: Tracy Sandler  
Email: tsandler@osler.com  
Facsimile: 416-862-6666

With a required copy by email or fax (which shall not be deemed Notice) to:

Lenczner Slaght Royce Smith Griffin, LLP  
130 Adelaide Street West, Suite 2600  
Toronto, Ontario M5H 3P5

Attention: Peter Osborne  
Email: posborne@litigate.com  
Facsimile: 416-865-3094

With a required copy by email or fax (which shall not be deemed Notice) to:

Ogilvy Renault LLP  
Suite 3800, Royal Bank Plaza, South Tower,  
200 Bay St.  
PO Box 84  
Toronto, ON M5J 2Z4

Attention: Mario Forte  
Email: mforte@ogilvyrenault.com  
Facsimile: 416-216-4870

(b) if to the Shaw or 7316712 Canada, or to both, at:

c/o Shaw Communications Inc.  
Suite 900, 630-3<sup>rd</sup> Avenue SW  
Calgary, Alberta T2P 4L4

Attention: Steve Wilson/Peter Johnson  
Email: steve.wilson@sjrb.ca / peter.johnson@sjrb.ca  
Facsimile: 403-750-7469 / 403-716-6544

With a required copy by email or fax (which shall not be deemed Notice) to:

Davies Ward Phillips and Vineberg LLP  
Box 63, One First Canadian Place  
Toronto, Ontario M5X 1B1

Attention: Robin Schwill  
Email: rschwill@dwpv.com  
Facsimile: 416-863-0871

(c) if to the Monitor, at:

FTI Consulting Canada Inc.  
TD Canada Trust Tower  
79 Wellington Street West  
Suite 2100  
Toronto, Ontario M5K 1G8

Attention: Greg Watson  
Email: greg.watson@fticonsulting.com  
Facsimile: 416-649-8101

With a required copy by email or fax (which shall not be deemed Notice) to:

Stikeman Elliott LLP  
5300 Commerce Court West  
199 Bay Street  
Toronto, Ontario M5L 1B9

Attention: David Byers  
Email: dbyers@stikeman.com  
Facsimile: 416-947-0866

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. If the Notice is delivered or transmitted after 5:00 p.m. local time or if the day is not a Business Day, then the Notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this Section.

## **6.2 Amendment**

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, is binding unless executed in writing by the Party to be bound.

## **6.3 Termination**

This Agreement shall terminate automatically with respect to all of the Parties in the event that the Shaw Support Agreement is terminated in accordance with its terms.

## **6.4 Assignment**

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and each of their respective successors (including any successor by reason of amalgamation of any Party), permitted assigns, heirs and personal representatives. No Party may assign, delegate or otherwise transfer any of its rights, interests or obligations under this Agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld.

## **6.5 Further Assurances**

The Parties shall, with reasonable diligence, do all things and provide all such reasonable assurances as may be required to give effect to this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Plan Implementation Date.

## **6.6 Execution and Delivery**

This Agreement may be signed in counterparts, each of which, when taken together, shall be deemed an original. Execution of this Agreement is effective if a signature is delivered by facsimile transmission or electronic (*e.g.*, pdf) transmission.

*[Remainder of page intentionally left blank; signature pages follow]*

**IN WITNESS OF WHICH** the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

**CANWEST GLOBAL  
COMMUNICATIONS CORP.**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**CANWEST MEDIA INC.**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**CANWEST TELEVISION GP INC. for and  
on behalf of CANWEST TELEVISION  
LIMITED PARTNERSHIP**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**SHAW COMMUNICATIONS INC.**

By: \_\_\_\_\_

Name: Rhonda Bashnick

Title: Vice President, Finance

By: \_\_\_\_\_

Name: Peter A. Johnson


Title: Vice President, Law






IN WITNESS OF WHICH the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

CANWEST GLOBAL COMMUNICATIONS CORP.

By:   
Name: RICHARD WEISIC  
Title: V.P. & GENERAL COUNSEL


By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CANWEST MEDIA INC.

By:   
Name: RICHARD WEISIC  
Title: V.P. & GENERAL COUNSEL

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CANWEST TELEVISION GP INC. for and on behalf of CANWEST TELEVISION LIMITED PARTNERSHIP

By:   
Name: RICHARD WEISIC  
Title: V.P. & GENERAL COUNSEL

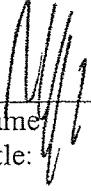
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SHAW COMMUNICATIONS INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**7509014 CANADA INC.**

By:  \_\_\_\_\_  
Name: Richard H. Keipsik  
Title: secretary

By: \_\_\_\_\_  
Name:  
Title:

**7316712 CANADA INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**FTI CONSULTING CANADA INC.,** in its capacity as court-appointed Monitor of the CMI Entities and not in its personal capacity

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**7509014 CANADA INC.**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**7316712 CANADA INC.**



By: Rhonda Bashnick

Name: **Rhonda Bashnick**

Title: **Vice President, Finance**

By: Peter A. Johnson

Name: **Peter A. Johnson**

Title: **Vice President, Law**

**FTI CONSULTING CANADA INC.,** in its capacity as court-appointed Monitor of the CMI Entities and not in its personal capacity

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**7509014 CANADA INC.**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**7316712 CANADA INC.**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**FTI CONSULTING CANADA INC.**, in its capacity as court-appointed Monitor of the CMI Entities and not in its personal capacity

By: \_\_\_\_\_

Name: *Gregory P. Watson*

Title: *Senior Managing Director*

By: \_\_\_\_\_

Name:

Title:

## **SCHEDULE 2.1**

### **Non-Continuing Management Employees**

There are no additional employees in addition to the April 28 Severance Schedule Employees.

**SCHEDULE 2.2**

**Non-Continuing Material Agreements**

Delivered separately.

## SCHEDULE 5.1

### FORM OF PIF SCHEDULE

#### 1. Closing Costs referred to in Section 5.1:

- a) the relevant government entities in respect of the amounts referred to in sections 6(3), 6(5) and 6(6) of the CCAA - \$●
- b) Osler, Hoskin & Harcourt LLP as primary legal counsel to the CMI Entities in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- c) other legal counsel and professional advisors (to be listed in a schedule to be provided to New Canwest and the Plan Sponsor by the CMI Entities prior to Plan Implementation Date) in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- d) PricewaterhouseCoopers Canada LLP in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- e) KPMG LLP in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- f) the Monitor in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- g) Stikeman Elliott LLP as legal counsel to the Monitor in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- h) Goodmans LLP as legal counsel to the Ad Hoc Committee in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- i) Ogilvy Renault LLP as legal counsel to the Special Committee in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- j) Lenczner Slaght Royce Smith Griffin, LLP as legal counsel to the Directors and Officers in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- k) Cavalluzzo Hayes Shilton McIntyre & Cornish LLP as Retiree Representative Counsel in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●

- l) Stonecrest Capital Inc. as the Chief Restructuring Advisor in respect of all payments due and unpaid under the Stonecrest Engagement Letter - \$●
- m) Genuity Capital Markets in respect of all payments due and unpaid under the Genuity Engagement Letter - \$●
- n) RBC in respect of all payments due and unpaid under the RBC Engagement Letter - \$●
- o) Houlihan Lokey in respect of all payments due and unpaid under the Houlihan Engagement Letter - \$●
- p) The Bank of New York Mellon, in its capacity as trustee under the Indenture in respect of all fees payable and unpaid to the trustee under the Indenture - \$●
- q) the KERP Participants the amounts payable under the KERP - \$●
- r) The Bank of Nova Scotia in respect of potential liabilities under the existing cash management system arising from or under the cash management facility for the provision of cash management services to the CMI Entities - \$●
- s) CIT Business Credit Canada Inc. in respect of any amounts or obligations outstanding under the CIT Facility - \$●
- t) the amounts payable to those employees identified on the April 28 Severance Schedule in respect of the termination and severance obligations set forth on the April 28 Severance Schedule together with the accrued and unpaid wages, salary and vacation pay - \$●
- u) the Fireworks Trustee in Bankruptcy in respect of professional fees and disbursements incurred and unpaid for the period to and including the Plan Implementation Date - \$●
- v) the Transfer Agent in respect of its fees, costs and disbursements incurred to effect the issuance and subsequent cancellation of the Canwest New Preferred Shares as contemplated by the Plan - \$●
- w) to the Directors any accrued and unpaid director compensation - \$●
- x) Shaw in respect of the expense reimbursement obligation pursuant to Section 9.2 of the Subscription Agreement - \$●

## **2. Post-Emergence Costs**



- Account 1: Post-Filing Claims referred to in Section 5.5 of this Agreement, including those set out in Appendix “●” - \$●
- Account 2: Replacement Administrator for the CH Plan referred to in Section 5.6 of this Agreement - \$●
- Account 3: Legal counsel to the Directors and Officers referred to in Section 5.7 of this Agreement - \$●
- Account 4: Legal counsel and professional advisors (to be listed in a schedule to be provided to New Canwest and the Plan Sponsor by the CMI Entities prior to Plan Implementation Date) referred to in Section 5.8 of this Agreement - \$●
- Account 5: The Monitor, its legal counsel and any other advisors retained by the Monitor referred to in Section 5.9 of this Agreement - \$●
- Account 6: Post-Filing D&O Insured Claims, if any, referred to in Section 5.10 of this Agreement - \$●

# APPENDIX "E"

**Claims Summary**

All in CAD unless otherwise stated <sup>(a)</sup>

July 8, 2010

**Ordinary Class Creditors**

*Plan Entities that are not CTLP Plan Entities* <sup>(b)</sup>

	Accepted Claims		# of creditors	Settlement Pending <sup>(c)</sup>		# of creditors	Unresolved Claims	
	# of creditors	Accepted Value (\$)		Value as per Creditor (\$)	Tentative Settlement Value (\$)		Value as per Company (\$)	Value as per Creditor (\$)
Marker Claims <sup>(d)</sup>						n/a <sup>(d)</sup>	\$0.00	TBD
Ordinary Creditor Claims	86	\$88,992,187.67				21	\$1,503,563.17	\$29,162,484.64 <sup>(e)</sup>

*CTLP Plan Entities* <sup>(f)</sup>

	Accepted Claims		# of creditors	Settlement Pending <sup>(c)</sup>		# of creditors	Unresolved Claims	
	# of creditors	Accepted Value (\$)		Value as per Creditor (\$)	Tentative Settlement Value (\$)		Value as per Company (\$)	Value as per Creditor (\$)
Marker Claims <sup>(d)</sup>	n/a					n/a <sup>(d)</sup>	\$0.00	TBD
Ordinary Creditor Claims	961	\$70,871,126.34				65 <sup>(g)</sup>	\$865,380.63	\$3,136,040.32

**Notes:**

(a) USD claims converted to CAD based on the on an F/X rate of 1.02764 based on the average Bank of Canada noon rate for the 10 Business Days preceding June 23, 2010.

(b) Includes Canwest Global, CMI, 4501063 Canada Inc., MBS Productions, Yellow Card and Global Centre.

(c) Tentative settlement reached pending finalizing settlement documentation.

(d) Claims by creditors for unknown amounts including one marker claim filed on behalf of all current and former Directors and Officers of the CMI Entities. Total number of all such current and former Directors and Officers is currently unknown.

(e) Includes claims filed against CMI in the amount of CAD\$25M filed by certain senior secured lenders (the "LP Senior Lenders") of Canwest Limited Partnership ("CLP") and certain related entities claiming, among other things, that CMI is liable as a general partner pursuant to section 13(1) of the *Limited Partnerships Act* (Ontario) for all of CLP's indebtedness to the LP Senior Lenders under their respective agreements with CLP and seeking payment of such indebtedness. CMI has disputed allegations that it took part in the control of the business of CLP or became liable as a general partner thereof, or is indebted to the LP Senior Lenders in connection with CLP's indebtedness. CLP and related entities have commenced separate CCAA proceedings on January 8, 2010 which may result in a recovery to the LP Senior Lenders and reduce, inter alia, CLP's indebtedness to the LP Senior Lenders.

(f) Includes CTLP, Canwest Television GP Inc, Canwest Broadcasting, Fox Sports World Canada Holdco, and Fox Sports World Canada Partnership.

(g) Includes claims filed by the Communications, Energy, and Paperworkers Union of Canada on behalf of a currently unknown number of claimants.

**Noteholder Class**

Noteholder Class	# of creditors	Total Accepted Claims
Noteholders	unknown <sup>(h)</sup>	\$438,724,380.79 <sup>(i)</sup>
<b>Total</b>		<b>\$438,724,380.79</b>

(h) Number of Beneficial Noteholders claiming under the CMI Noteholder Trust Indenture is currently not disclosed.

(i) USD claims have been converted to CAD based on an F/X rate of 1.02764 based on the average Bank of Canada noon rate for the 10 days preceding June 23, 2010.

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

Court File No. CV-09-8396-00CL

.AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANWEST  
GLOBAL COMMUNICATIONS CORP. AND THE OTHER APPLICANTS LISTED ON SCHEDULE  
"A"

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

**Proceeding commenced at Toronto**

**SIXTEENTH REPORT OF FTI CONSULTING  
CANADA INC., IN ITS CAPACITY AS MONITOR**

**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 Monitor