

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

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

**February 19, 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"**

**SUPPLEMENT TO THE TENTH REPORT OF FTI CONSULTING CANADA INC.  
IN ITS CAPACITY AS MONITOR**

**February 19, 2010**

**INTRODUCTION**

1. By Order of this Court dated October 6, 2009 (the "**Initial Order**") (a copy of which is attached hereto as **Appendix "A"**), 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**".

2. This report is supplementary to the Tenth Report of the Monitor dated February 14, 2010 (the “**Tenth Report**”) prepared in connection with the CMI Entities’ motion for an Order approving, *inter alia*, the Subscription Agreement between Canwest Global and Shaw Communications Inc. (“**Shaw**”) dated February 11, 2010 (the “**Shaw Subscription Agreement**”) and should be read in conjunction therewith.
3. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Tenth Report.

#### **PURPOSE OF THIS REPORT**

4. At or about 3:38 a.m. on February 19, 2010 (and following finalization and service of the CMI Entities’ motion materials and the Tenth Report), counsel for The Catalyst Capital Group Inc. (“**Catalyst**”), served on the service list maintained for these proceedings an unsworn copy of the Affidavit of Gabriel De Alba attaching, *inter alia*, a proposal to be the New Investor as defined in the Original Recapitalization Term Sheet (the “**Catalyst Proposal**”). A sworn copy of the Affidavit was served prior to the hearing of the motion.
5. At the Court hearing of the CMI Entities’ motion to approve the Shaw Subscription Agreement, counsel for Catalyst and the GS Parties sought an adjournment to allow the Monitor, the Court and interested parties to review the terms of the Catalyst Proposal with a view to determining whether the terms contained therein are superior to the terms of the Shaw Subscription Agreement.
6. The Shaw Subscription Agreement is conditional upon obtaining Court approval

thereof “by February 19, 2010”. At the hearing of the motion, counsel for Shaw advised the Court that Shaw was not agreeable to extending this deadline.

7. Therefore, the Court requested the Monitor to provide evidence for the record of the Monitor’s position with respect to the Shaw Transaction in light of the Catalyst Proposal.
8. The limited purpose of this supplement to the Tenth Report is to advise the Court whether its conclusion to support the Shaw Transaction contained in the Tenth Report is affected by the submission of the Catalyst Proposal.
9. The Monitor prepared this supplement to the Tenth Report contemporaneously with the hearing of the CMI Entities’ motion. The Monitor was requested to leave the hearing and return with this supplement.
10. In determining whether its conclusion with respect to the Shaw Transaction is affected by the Catalyst Proposal, the Monitor focused its review on the following four areas of the proposed transactions:
  - (a) Implied equity value comparison;
  - (b) Conditionality of the Shaw Subscription Agreement and the Catalyst Proposal;
  - (c) Effect of the opposition of the Ad Hoc Committee to the Catalyst Proposal;and

- (d) Certain issues with respect to the equity solicitation process carried out by RBC, including the absence of a “fiduciary out” provision in the Shaw Subscription Agreement.

*Implied Equity Value Comparison*

- 11. The Shaw Subscription Agreement, including the amount of the proposed equity investment, remains sealed pending disposition of the CMI Entities’ motion. The Shaw Subscription Agreement has a higher implied equity value than the Catalyst Proposal.
- 12. However, the Catalyst Proposal does not require an amendment or disclaimer of the CW Investments Shareholders Agreement, which is a condition of the Shaw Subscription Agreement.
- 13. As stated in paragraph 33 of the Tenth Report, the Monitor has not received a request for its consent to a disclaimer or resiliation of the CW Investments Shareholders Agreement nor has it formed a view as to whether such consent would be granted, if requested. Any calculation of the damages that may be payable by Canwest Global to the GS Parties upon a disclaimer of the CW Investments Shareholders Agreement (if such disclaimer is granted) involves a number of legal and factual assumptions. The Monitor has discussed potential methods of calculating the GS Parties’ possible damages with the CMI Entities, the Ad Hoc Committee and the GS Parties. Despite such discussions and independent extensive review of the legal and factual issues relating to the GS Parties’ potential damages, the Monitor is not in a position at this time to provide an estimate of the quantum of such damages.

14. It should also be noted that although the Catalyst Proposal is not expressly conditional on amending or disclaiming the CW Investments Shareholders Agreement, such condition remains a condition in favour of the Ad Hoc Committee in the Original Recapitalization Term Sheet. The Ad Hoc Committee has indicated that it is a condition of their approval of any recapitalization plan that the CW Investments Shareholders Agreement is amended or disclaimed. Therefore, it cannot be stated with certainty that a recapitalization plan involving the Catalyst Proposal will not include a claim for damages by GS Parties.

*Conditionality*

15. The Catalyst Proposal is also subject to negotiation and entering into definitive documentation. Catalyst has not presented definitive documentation to the Ad Hoc Committee or Canwest Global related to its equity investment proposal and therefore the Catalyst Proposal is subject to the risk that the Ad Hoc Committee, Canwest Global and Catalyst will not be able to agree upon such definitive documentation.
16. Lastly and as discussed in greater detail below, the Catalyst Proposal is subject to approval pursuant to a plan of arrangement or compromise which must be approved by the majority of the CMI Entities' creditors and the Ad Hoc Committee has informed the Monitor that it will not support any plan that includes the Catalyst Proposal.
17. However, it should also be noted that the GS Parties have stated that the amount of their claim resulting from any disclaimer of the CW Investments Shareholders Agreement will result in them also holding a blocking vote in any vote on the plan of

arrangement proposed by the CMI Entities. The Ad Hoc Committee asserts that it believes that value of the GS Parties' claim will be less than a blocking vote.

*Effect of the Opposition of the Ad Hoc Committee*

18. No plan of compromise or arrangement can be approved by the creditors of the CMI Entities without support of the Ad Hoc Committee because, among other things, it holds a blocking vote.
19. In addition, upon an event of default under the Use of Cash Collateral and Consent Agreement, the Ad Hoc Committee can obtain an assignment of the Irish Holdco Secured Note and the Irish Holdco Unsecured Note (collectively, the “**Irish Holdco Notes**”) in the amounts of \$190 million and \$430 million, respectively, from Irish Holdco (as such terms are defined in the Pre-filing Report). Events of default under the Use of Cash Collateral and Consent Agreement include the following:
  - (a) The entering by Canwest Global into a restructuring agreement involving the CMI Senior Subordinated Notes in which “exclusivity is granted”; and
  - (b) Failure by Canwest Global to comply in all material respects with the Original Support Agreement which is not cured 5 business days after the receipt of written notice of such failure, including the requirement that subject to further order of the Court, Canwest Global shall pursue, support and use commercially reasonable efforts to complete the Original Recapitalization Transaction in good faith and do all things that are reasonably necessary and

appropriate in furtherance of, and to consummate and make effective the Original Recapitalization Transaction.

20. An assignment of the Irish Holdco Notes to the Ad Hoc Committee may also frustrate the viability of any proposed plan of arrangement which does not have the support of the Ad Hoc Committee.

*Issues with the Equity Solicitation Process*

21. At the hearing of the CMI Entities' motion, the GS Parties, Catalyst, and the Court, among other things, expressed concern with the lack of the "fiduciary out" provision in the Shaw Subscription Agreement (as described in greater detail in para. 38 of the Tenth Report).
22. Prior to the finalization and approval by Canwest Global's board of directors of the Shaw Subscription Agreement, the Monitor expressed concern to RBC, counsel for the CMI Entities, and counsel for the Ad Hoc Committee about the removal of the "fiduciary out" provision. Counsel for these parties advised that the Shaw Subscription Agreement was heavily negotiated by sophisticated parties and their advisors at arm's length and despite their best efforts to include the "fiduciary out" provision in the Shaw Subscription Agreement, Shaw refused to do so. The Monitor is advised that RBC, the CMI Entities' board of directors, the Special Committee, and the Ad Hoc Committee evaluated the Shaw Subscription Agreement in its entirety and concluded in the exercise of their respective business judgments that the Shaw Subscription Agreement was the best offer that resulted from the equity solicitation process, despite the lack of the "fiduciary out" provision.



23. Moreover, the Monitor is advised by RBC that the form of subscription agreement containing the “fiduciary out” provision was provided only to the four Phase 2 Participants in the equity solicitation process.
24. The GS Parties and Catalyst also made submissions to the Court that Catalyst and perhaps other parties refused to participate in the equity solicitation process due to the requirement to be bound by the non-disclosure agreement, which prohibited any communications with GS Parties.
25. While drafting this supplement to the Tenth Report, the Monitor received a letter from Quebecor Media Inc., wherein it stated that it declined to execute the non-disclosure agreement and participate in the equity solicitation process due to the prohibition on communications with the GS Parties. Quebecor Media Inc. also states that should “the Court re-order the current solicitation process and allow third party bidding in a transparent Court supervised process, Quebecor Media is prepared to consider an alternative proposal in a timely manner” [emphasis added]. A copy of the letter dated February 19, 2010 is attached to this report as **Appendix “A”**.
26. Counsel to the Monitor has advised that the form of the confidentiality agreement requested to be executed by potential bidders in this equity solicitation process is customary for an equity solicitation process.
27. The Monitor also relies strongly on the representation of Richard Grudzinski in paragraph 11 of his Affidavit sworn February 19, 2010 that “the potential market for Canadian equity investors to invest in Restructured Canwest Global to satisfy the condition dealing with the New Investors (as defined in the Restructuring Term

Sheet) has been fully canvassed and that the Shaw Transaction represents the best transaction available to Canwest Global in the circumstances”.

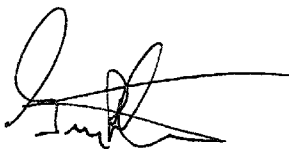
## CONCLUSIONS

28. For the reasons outlined above, the Monitor’s conclusion to support the Shaw Subscription Agreement remains unaffected by the submission of the Catalyst Proposal.

All of which is respectfully submitted this 19<sup>th</sup> of February, 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



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”**

February 19, 2010

**BY EMAIL WITH ORIGINAL TO FOLLOW**

FTI CONSULTING CANADA INC.  
Court-appointed Monitor  
TD Canada Trust Tower  
161 Bay Street, 27<sup>th</sup> Floor  
Toronto, Ontario  
M5J 2S1

Attention: Mr. Paul Bishop (paul.bishop@fticonsulting.com)  
Mr. Greg Watson (greg.watson@fticonsulting.com)  
Mr. Jeffrey Rosenberg (jeffrey.rosenberg@fticonsulting.com)

Dear Sirs:

**Re: 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**

We have followed very closely the sequence of events of the last days in relation to the Plan of Compromise or Arrangement of Canwest Global Communications Corp. ("Canwest") and others that is debated this day in Ontario Superior Court of Justice (Commercial List).

Although Quebecor Media Inc. ("Quebecor Media") had discussions with RBC Capital Markets ("RBC") in connection with the equity solicitation process for the recapitalisation of Canwest, the undersigned declined to execute the proposed Non-Disclosure Agreement by RBC as it would have precluded Quebecor Media from having discussions notably with Goldman Sachs and related entities which we viewed as a key stakeholder. Despite this inextricable situation, the senior management of Quebecor Media, with the comprehensive understanding of its Board of Directors, has devoted significant efforts in the past weeks with its financial and legal advisors to structure a consensual transaction with a predictable timing and lower execution risk.

Should the Court re-order the current solicitation process and allow third party bidding in a transparent Court supervised process, Quebecor Media is prepared to consider an alternative proposal in a timely manner.

Yours truly,

  
**QUEBECOR MEDIA INC.**

By: \_\_\_\_\_  
Pierre-Karl Péladeau  
President & Chief Executive Officer

- c.c. Stikeman Elliott LLP (Lawyers for the Court-appointed Monitor)
- Mr. David R. Byers (dbyers@stikeman.com)
  - Mrs. Daphne MacKenzie (dmackenzie@stikeman.com)
  - Mrs. Ashley J. Taylor (ataylor@stikeman.com)
  - Mrs. Maria Konyukhova (mkonyukhova@stikeman.com)
  - Mrs. Jennifer Imrie (jimrie@stikeman.com)

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**

**SUPPLEMENT TO THE TENTH REPORT OF FTI  
CONSULTING CANADA INC., IN ITS CAPACITY  
AS MONITOR**

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