

TAB 37

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September 23, 2010

WITHOUT PREJUDICEMr. Eriberto Di Paolo
6752 Jean Milot St.
Montreal, QC
H1M 2Y9

Dear Mr. Di Paolo:

Re: Claims Against Canwest Publishing Inc. / Publications Canwest Inc.

Goodmans LLP is counsel to Postmedia Network Canada Corp., which is the parent company of Postmedia Network Inc. (the "Purchaser").

The Purchaser purchased substantially all of the assets of Canwest Publishing Inc. / Publications Canwest Inc., Canwest Books Inc., Canwest (Canada) Inc. and Canwest Limited Partnership / Canwest Societe en Commandite (collectively, the "LP Entities") in an acquisition transaction that was completed on July 13, 2010 (the "Acquisition"). The terms of the Acquisition are governed by an asset purchase agreement dated as of May 10, 2010, as amended (the "APA"). The Acquisition was implemented pursuant to a plan of compromise and arrangement under the *Companies' Creditors Arrangement Act* following approval by the requisite majorities of the LP Entities' creditors and sanction by the Ontario Court of Justice.

We understand that you may take the position that, pursuant to the Acquisition, the Purchaser has assumed and has thereby become liable for the alleged claims against Canwest Publishing Inc. / Publications Canwest Inc. described in the letter from your former counsel, Ali Gholampour, dated May 3, 2010 (the "LP Claims"). The purpose of this letter is to inform you that the LP Claims were not assumed by the Purchaser. To the contrary, the LP Claims are "Excluded Liabilities" that were expressly not assumed by the Purchaser under the APA, and the Purchaser therefore has no liability or obligation whatsoever in respect of the LP Claims.

Section 3.2 of the APA states that "the Purchaser shall not assume and shall have no obligations in respect whatsoever of any of the Excluded Liabilities or any Claims relating thereto." This provision is unambiguous – the Purchaser did not assume any liability or obligation of the LP Entities that falls within the definition of "Excluded Liabilities".

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The APA is also clear that the LP Claims are "Excluded Liabilities". The term "Excluded Liabilities" is defined in the APA as "all Liabilities other than the Assumed Liabilities, and for certainty Excluded Liabilities include all the Liabilities described in Schedule 1.1(62) [the Excluded Liabilities Schedule]". The Excluded Liabilities Schedule lists the following at subsection (k):

- (k) *Litigation.* All Liabilities in respect of any litigation proceedings, lawsuits, court proceedings or proceedings before any Governmental Authority against any of the LP Entities and their predecessors in respect of any matters, events or facts occurring prior to the Acquisition Time ...

The LP Claims clearly fall within the "Litigation" category of the Excluded Liabilities Schedule since they are being asserted against Canwest Publishing Inc. / Publications Canwest Inc. by means of litigation and court proceedings in Québec and they relate to matters, facts and events occurring prior to the Acquisition Time. Accordingly, the LP Claims are "Excluded Liabilities" and, pursuant to the plain words of Section 3.2 of the APA, the LP Claims were not assumed by the Purchaser. Therefore, the Purchaser has no liability or obligation whatsoever in connection with the LP Claims.

Also, we understand that you are not presently represented by legal counsel. Consequently, it is our professional obligation to explain that Goodmans LLP is counsel to Postmedia Network Canada Corp. and its affiliates and acts solely in their interests. Goodmans LLP does not advise you or represent your interests and is not providing you with legal advice. If you have not already done so, we would urge you to consider obtaining independent legal counsel to ensure that your interests are adequately represented.

Please let us know if you have any questions about the matters addressed in this letter.

Yours very truly,

GOODMANS LLP



Celia K. Rhca
CKR/lw

CC: Paul Godfrey (Postmedia Network Canada Corp.)
Paul Bishop (FTI Consulting Inc.)
Daphne MacKenzie (Stikeman Elliott LLP)
Robert J. Chadwick (Goodmans LLP)

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October 21, 2010

WITHOUT PREJUDICE

Mr. Erierto Di Paolo and Ms. Rita Blondin
c/o Mr. Erierto Di Paolo
6752 Jean Milot St.
Montreal, QC
H1M 2Y9

Dear Mr. Di Paolo and Ms. Blondin:

Re: Claims Against Canwest Publishing Inc. / Publications Canwest Inc.

We are in receipt of your letter dated September 27, 2010 and have considered the arguments raised therein. The Purchaser maintains that LP Claims were not assumed by the Purchaser. We have addressed the matters raised in your letter below so that you are aware of the reasons why your letter does not change the Purchaser's conclusion on this matter. All capitalized terms used herein will have the same meanings ascribed to them in our letter to you dated September 23, 2010.

Section 3.2 of the APA

Your letter suggests that the opening words of Section 3.2 of the APA, "Except as specifically provided in this Agreement," somehow modify the unqualified statement that the Purchaser shall not assume and shall have no obligations whatsoever in respect of the Excluded Liabilities. That is not a correct reading of Section 3.2. That section states as follows:

Except as specifically provided in this Agreement, Purchaser shall not assume and shall not be obliged to pay, perform or discharge any Liabilities of any LP Entity which arise or relate to the Business or otherwise. Without limiting the generality of the foregoing, Purchaser shall not assume and shall have no obligations in respect whatsoever of any of the Excluded Liabilities or any Claims relating thereto.

The words "Except as specifically provided in this Agreement" modify the first sentence of Section 3.2. However, the second sentence is clearly not qualified by those words. To the contrary, the words "Without Limiting the generality of the foregoing" indicate that the second sentence is specific rather than general; that is, it addresses the treatment of the Excluded Liabilities in specific terms rather than leaving them subject to the more general provision outlined in the first sentence.

The second sentence is categorical and unqualified in its declaration that the Purchaser shall not assume and shall have no obligations with respect to the Excluded Liabilities.

As outlined in our letter of September 23, 2010, the LP Claims are Excluded Liabilities; therefore, they were not assumed by the Purchaser.

Section 5.4 of the APA

Your letter suggests that Section 5.4 of the APA renders the Purchaser liable for the LP Claims on the basis that the Purchaser is a successor employer that is responsible for the LP Claims under the relevant collective agreement. That conclusion does not follow from Section 5.4. The LP Claims are asserted pursuant to tripartite agreements among you, The Gazette and Le Syndicat Quebecois de L'Imprimerie et des Communications, Local 145 (the "Tripartite Agreements") that came into effect as a result of a legal lock-out declared in 1996. The Tripartite Agreements came into effect precisely because there was no longer any collective agreement and therefore, they are not themselves collective agreements. Rather, they are separate agreements containing a commercial arbitration clause allowing for their submission to binding arbitration during a legal lock-out. Section 5.4 of the APA does not address liabilities arising from this type of agreement. Therefore, it does not impose any liability on the Purchaser for claims under the Tripartite Agreements.

Similarly, as a matter of labour law, successor employers are not liable for the any debts of the original employer that arise outside of a collective agreement. The Purchaser intends to fulfill its responsibilities as a successor employer under the LP Entities' collective agreements on a go-forward basis to the extent required by applicable law. However, since the LP Claims, if proven, would be debts arising from the Tripartite Agreements rather than liabilities arising from collective agreements, the Purchaser is not liable for them as a successor employer.

Finally, please note that Section 5.1(9) provides that that no party other than the LP Entities and the Purchaser shall have any rights under any provisions of the APA. Accordingly, you do not have the contractual right to rely on Section 5.4 to claim that the Purchaser has become liable for the LP Claims -- only the LP Entities would have that right.

Excluded Liabilities listed on Schedule 1.1(62)(k) of the APA

Your letter asserts that the LP Claims do not fall within the "Litigation" category of Excluded Liabilities because the only aspect of the LP Claims that remains subject to litigation is the quantum of the claims. We respectfully disagree with that proposition. Schedule 1.1(62)(k) states as follows:

Litigation. All Liabilities in respect of any litigation proceedings, lawsuits, court proceedings or proceedings before any Governmental Authority against any of the LP Entities and their predecessors in respect of any matters, events or facts occurring prior to the Acquisition Time ...

By your own admission, the LP Claims remain subject to litigation for purposes of determining the quantum of the claims. This would qualify them as Liabilities relating to "litigation proceedings" or

“court proceedings” within the meaning of Schedule 1.1(62)(k), regardless of what stage of the litigation process they have reached. Moreover, whatever liability may be established, such liability would unequivocally be a Liability arising from a “lawsuit” within the meaning of Schedule 1.1(62)(k). Simply put, the LP Claims cannot be categorized as anything but Litigation liabilities. At the time of the Acquisition, the LP Claims were contingent liabilities that remained subject to further litigation, including for purposes of the court’s quantification of the claims. For these reasons, the LP Claims fall squarely within the “Litigation” Category of Excluded Claims.

Schedule B to Initial Order

Your letter quotes the definition of “Unaffected Claims” in Section 3.1(g) of the draft Plan of Compromise and Arrangement attached as Schedule “B” to the Order of the Ontario Superior Court of Justice (Commercial List) dated January 8, 2010 (the “Senior Lenders’ Plan”) in support of the proposition that the LP Claims are “Unaffected Claims” that remain unaffected by the restructuring of the LP Entities under the CCAA.

The Senior Lenders’ Plan was never implemented and does not govern the terms of the LP Entities’ restructuring. Rather, the LP Entities were eventually restructured pursuant to a different CCAA Plan of Compromise dated May 20, 2010 that was sponsored by an *ad hoc committee* of the LP Entities’ noteholders (the “AHC Plan”). Since the restructuring of the LP Entities is governed by the AHC Plan, the definition of “Unaffected Claims” in Section 3.1(g) of the Senior Lenders’ Plan does not support your assertion that the LP Claims were unaffected by the LP Entities’ restructuring.

In any event, it is important to note that the issue of whether the LP Claims are “Unaffected Claims” for purposes of the LP Entities’ restructuring is separate and distinct from the issue of whether the LP Claims were assumed by the Purchaser. The Purchaser did not simply assume all Unaffected Claims. To the contrary, pursuant to Section 3.2 of the APA, the Purchaser assumed only those claims and liabilities defined as “Assumed Liabilities” in the APA, and it expressly did not assume the “Excluded Liabilities”. Therefore, even if the LP Claims were proven to be “Unaffected Claims”, the Purchaser would not thereby become liable for them.

The Robertson Class Action Lawsuit

Your letter asserts that a different standard is being applied to the LP Claims than the standard applied to the Heather Robertson class action lawsuit (the “Robertson Claim”). Your letter also questions why the Robertson Claim did not fall under the “Litigation” category of Excluded Claims in Schedule 1.1(62)(k).

The answer to your question is that the Robertson Claim *does* fall within the “Litigation” category of Excluded Claims in Schedule 1.1(62)(k). The Robertson Claim is a “Litigation” liability and is therefore an Excluded Claim under the APA. Consequently, pursuant to Section 3.2 of the APA, the Purchaser did not assume the Robertson Claim and has no obligations whatsoever in respect of the Robertson Claim.

Moreover, contrary to your assertion that a double standard is being applied, the Purchaser is of the view that the LP Claims should be treated in precisely the same manner as the Robertson Claim. Pursuant to a Court Order dated June 16, 2010, the Robertson Claim was settled and allowed as an unsecured claim (i.e. an "Affected Claim") against the LP Entities. The Plaintiffs in the Robertson Claim will therefore receive recoveries as unsecured creditors of the LP Entities pursuant to the terms of the AHC Plan. Similarly, the Purchaser is of the view that the LP Claims should be resolved in the LP Entities' CCAA claims process and, to the extent they are accepted, treated as unsecured claims (i.e. "Affected Claims") under the AHC Plan.

Summary Comments

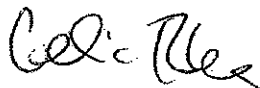
Based on your letter, it seems that you are conflating the liabilities of the LP Entities with the liabilities of the Purchaser. For example, your letter states that "FTI lawyers and Postmedia lawyers brought the [Robertson Claim] before Judge Pepall and it was settled." In fact, Postmedia Network Canada Corp. and the Purchaser were not involved in the settlement or the acceptance of the Robertson Claim and never made any submissions to Justice Pepall concerning the Robertson Claim. The reason for this is that, as a litigation-related Excluded Claim, the Robertson Claim was never intended to be, nor would it ever be, a liability of the Purchaser. Rather, the Robertson Claim is a liability of the LP Entities. The LP Claims are no different. Although you may very well establish legitimate claims against the LP Entities in the CCAA process, the LP Claims would remain as unsecured claims against the LP Entities.

The Purchaser is a newly created company that selected which of the LP Entities' assets and liabilities it would acquire and assume as part of the Acquisition. It specifically chose not to acquire any liabilities that remained the subject of litigation, such as the LP Claims and the Robertson Claim. To memorialize this part of the agreement, the APA included clear, express and unqualified provisions that make it abundantly clear that the Purchaser did not assume litigation-related claims. Therefore, despite the contents of your letter, the Purchaser maintains that it did not assume, and is not liable for, the LP Claims. The Purchaser is prepared to defend its legal rights to the fullest extent necessary in this regard.

Please let us know if you have any questions about the matters addressed in this letter.

Yours very truly,

GOODMANS LLP



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CKR/lw

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