

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

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

**June 17, 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"**

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

**June 17, 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**".

## GENERAL BACKGROUND

2. Canwest 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.
3. 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'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.
4. Canwest Global's other television broadcasting divisions and/or subsidiaries are not Applicants in the CCAA Proceedings. On January 8, 2010, the entities in Canwest's newspaper publishing and digital media business in Canada (other than National Post Inc.) (the "LP Entities") separately applied for and obtained protection under the CCAA.
5. The Initial Order 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 January 22, 2010, March 31, 2010, June 15, 2010, and September 8, 2010, respectively.
6. On November 3, 2009, the Monitor obtained an Order under Chapter 15 of the 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.

7. As described in greater detail below, 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 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% senior subordinated notes issued by CMI due 2012 (the “**8% Notes**”).
8. Further background information regarding the CMI Entities and the CCAA Proceedings is provided in, *inter alia*, the affidavit of John E. Maguire sworn October 5, 2009, FTI’s pre-filing report dated October 5, 2009 (the “**Pre-filing Report**”) and subsequent reports of the Monitor, copies of which have been posted on the Monitor’s website for the CCAA Proceedings at <http://cfcanada.fticonsulting.com/cmi>.

## **TERMS OF REFERENCE**

9. 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.

10. Capitalized terms not defined in this report are used as defined in the Pre-filing Report. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars.

## **PURPOSE OF THIS REPORT**

11. The purpose of this Fifteenth Report of the Monitor (the “**Fifteenth Report**”) is to provide this Honourable Court with the Monitor’s comments in relation to:
- (a) the CMI Entities’ motion for an Order, *inter alia*:
    - (i) accepting the filing of the CMI Entities’ Consolidated Plan of Compromise and Arrangement dated June 16, 2010 (the “**Plan**”);
    - (ii) authorizing the CMI Entities to call, hold and conduct meetings of certain of their affected creditors (the “**Meetings**”) to consider and vote on a resolution to approve the Plan; authorizing the CMI Entities to establish two classes of affected creditors for the purpose of considering and voting on the Plan; and approving the procedures to be followed with respect to the calling and conduct of the Meetings;
    - (iii) setting the date for the hearing of the CMI Entities’ motion seeking sanction of the Plan; and
    - (iv) approving the Shaw Transaction Amending Agreements (as defined below);

- (b) opposition of the Shareholders' Group (as defined below) to the CMI Entities' motion; and
- (c) the Monitor's conclusions and recommendations in respect of the above.

## RESTRUCTURING BACKGROUND

### *Financial Difficulties in 2009 and Involvement of the Ad Hoc Committee*

12. As described in greater detail in, *inter alia*, the Pre-filing Report, pursuant to a note indenture dated as of November 18, 2004, between the predecessor of CMI, certain CMI Entities, as guarantors, and The Bank of New York, as trustee, CMI issued the 8% Notes (due in 2012) in an aggregate principal amount of US\$761,054,211. Among the guarantors is CanWest MediaWorks Ireland Holding ("**Irish Holdco**") which until September 2009 held the majority shares of Ten Network Holdings Limited ("**Ten Network**") and which is not an applicant in the CCAA Proceedings.
13. The CMI Entities (not including the CW Media Segment<sup>1</sup>) 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, note indenture and guarantee obligations. Following CMI's failure to make interest payments with respect to the 8% Notes that were due and payable on March 15, 2009, CMI entered into a series of

---

<sup>1</sup> Canwest Global's specialty television segment ("**CW Media Segment**" or "**CW Media**") is comprised of a portfolio of 17 specialty television channels which were acquired jointly with GS Capital Partners VI Fund L.P., GSCP VI AA One Holding S.ar.l and GS CP VI AA One Parallel Holding S.ar.l (collectively, the "**GS Parties**") from Alliance Atlantis Communications Inc. in August 2007. 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) 4 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*).

extension agreements with the Ad Hoc Committee. Under the extension agreements the members of the Ad Hoc Committee agreed not to demand immediate payment of the amounts outstanding under their 8% Notes notwithstanding CMI's interest payment default.

14. Pursuant to an agreement dated May 20, 2009 (as amended, the "**CMI Note Purchase Agreement**") between CMI, CTLP and certain members of the Ad Hoc Committee, 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).
15. CMI's and CTLP's obligations under the CMI Note Purchase Agreement were guaranteed by the guarantors of the 8% Notes (including Irish Holdco) and Canwest Global (collectively, the "**CMI Secured Notes Guarantors**"). The 12% Secured Notes were secured by first-ranking charges against all of the property of CMI, CTLP and the CMI Secured Notes Guarantors (including Irish Holdco). The 12% Secured Notes, credit facilities owed to CIT Business Credit Canada Inc. (now CIBC Asset-Based Lending Inc.) ("**CIT**") and certain cash management obligations owed to The Bank of Nova Scotia ("**BNS**") shared the benefit of first ranking security on the property of CMI, CTLP, Irish Holdco and the other CMI Secured Note Guarantors, however, the priority of payment out of the proceeds of certain assets has been divided up between these secured creditors pursuant to inter-creditor arrangements.<sup>2</sup>

---

<sup>2</sup> The 12% Secured Notes had priority over the proceeds of the Ten Network shares, BNS has priority over certain cash collateral accounts and CIT has priority over the proceeds of the balance of the assets of CMI, CTLP and the other CMI Secured Notes Guarantors.

16. The proceeds from the issuance of the 12% Secured Notes 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 (the "**2005 CMI Credit Facility**"), which was in default at the time of the CMI Note Purchase Agreement, 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.
17. Following intensive and extended arm's length negotiations, the CMI Entities and the Ad Hoc Committee agreed on the terms and conditions 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**").

*Sale of Ten Shares and the Irish Holdco Notes*

18. As part of the extensively negotiated terms of the Original Recapitalization Transaction, on September 23, 2009, Irish Holdco effected a sale of its majority equity interest in Ten Network Holdings Limited realizing gross proceeds of approximately \$634 million (the "**Ten Proceeds**").
19. Pursuant to the Use of Cash Collateral and Consent Agreement between CMI, Irish Holdco, certain of the 8% Noteholders (the "**Consenting 8% Noteholders**") and other parties dated September 23, 2009 (the "**Cash Collateral and Consent Agreement**"), on completion of the sale transaction on October 1, 2009, notwithstanding their direct claims against Irish Holdco on account of its guarantee of the 8% Notes, the Consenting 8%



Noteholders agreed to allow Irish Holdco to loan the net amount of the Ten Proceeds to CMI as follows:

- (a) \$187.3 million pursuant to a demand senior secured promissory note (the “**Irish Holdco Secured Note**”); and
  - (b) \$430.6 million pursuant to a demand unsecured promissory note (the “**Irish Holdco Unsecured Note**”).
20. Under the terms of the Cash Collateral and Consent Agreement, the Original Recapitalization Term Sheet (as defined below), the Irish Holdco Secured Note, and the Irish Holdco Unsecured Note, CMI was obligated to and did use the funds advanced under the Irish Holdco Secured Note and the Irish Holdco Unsecured Note (collectively, the “**Irish Holdco Notes**”) in the following manner:
- (a) US\$94.9 million to repay all amounts outstanding under the 12% Secured Notes;
  - (b) \$85.0 million 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; and
  - (c) \$430.6 million to reduce CMI’s indebtedness under the 8% Notes which are guaranteed by Irish Holdco.
21. The Cash Collateral and Consent Agreement imposes certain cash flow restrictions, financial reporting requirements, and certain other restrictions on actions that can be taken by Canwest Global, CMI and CTLP (except with the prior consent of the Ad Hoc

Committee), among others. The Cash Collateral and Consent Agreement also provides as follows:

- (a) Irish Holdco will not amend the Irish Holdco Notes; and
  - (b) if the Irish Holdco Secured Note becomes due and payable, and following request, Irish Holdco will assign the Irish Holdco Notes to the Trustee of the 8% Notes or other designee of the Ad Hoc Committee in full satisfaction of Irish Holdco's guarantee of the 8% Notes.
22. 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 Original Recapitalization Transaction*

23. The terms of the proposed Original Recapitalization Transaction are set out in the Recapitalization Transaction Term Sheet (the "**Original Recapitalization Term Sheet**"). The Original Recapitalization Term Sheet is attached to and forms part of a CCAA Support Agreement (the "**Original Support Agreement**") between the CMI Entities and the Consenting 8% Noteholders.
24. The Original Recapitalization Transaction contemplated that the then current debt of the CMI Entities would be converted into equity of a restructured Canwest Global. As part of the Original Recapitalization Transaction, the Ad Hoc Committee agreed to reduce its recovery by 2.3% of the equity of restructured Canwest Global and to allow that 2.3% to be distributed to Canwest Global's existing shareholders (the "**Shareholder Recovery**")

without impacting recovery to other unsecured creditors. At the time, the Monitor questioned why a recovery to the shareholders was contemplated and was advised that, in light of the 8% Noteholders' anticipated continued involvement as equity holders of a restructured Canwest Global, the Ad Hoc Committee was prepared to fund such recovery in order to, *inter alia*:

- (a) provide for a broad public "float" for a restructured Canwest Global that would be necessary to implement the Original Support Agreement given that, at that time, it was contemplated that a restructured Canwest Global would be a public company listed on the TSX; and
  - (b) secure co-operation from and motivate Canwest Global's existing shareholders, particularly the Asper family, which could potentially assist the CMI Entities in obtaining CRTC approval in connection with the implementation of the Original Support Agreement.
25. Pursuant to the Original Recapitalization Transaction, it was proposed that one or more Canadians (as defined in the CRTC Direction<sup>3</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>4</sup>, the GS Parties and CW Investments with respect to the CW Media Segment, as amended and restated (the “**CWI Shareholders Agreement**”) 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).

*Effect of the Veto Position of the Ad Hoc Committee*

27. Due to the blocking vote held by the Ad Hoc Committee, no CCAA plan of compromise or arrangement can be approved by the creditors of the CMI Entities without support of the Ad Hoc Committee. This effective veto position was recognized by this Court in the context of the Original Shaw Approval Motion in the reasons for decision dated March 1, 2010 (the “**March 1 Reasons**”) released in connection therewith.
28. In addition, as stated above, 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 Notes. Events of default under the Use of Cash Collateral and Consent

---

<sup>3</sup> *Direction to the CRTC (Ineligibility of Non-Canadians)*

<sup>4</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.

Agreement include failure by Canwest Global to comply in all material respects with the Further Amended Support Agreement (as defined below), including the requirement that subject to further order of the Court, Canwest Global shall pursue, support and use commercially reasonable efforts to complete the Amended Shaw Transaction in good faith and do all things that are reasonably necessary and appropriate in furtherance of, and to consummate and make effective the Amended Shaw Transaction.

29. An assignment of the Irish Holdco Notes to the Ad Hoc Committee would frustrate the viability of any proposed plan of arrangement which does not have the support of the Ad Hoc Committee and jeopardize the CMI Entities' liquidity and ability to operate on a going concern basis.
30. For all the above reasons, the Monitor believes a CCAA restructuring plan is not viable without the support of the Ad Hoc Committee.

*The Equity Solicitation Process and the Original Shaw Transaction*

31. On or about November 2, 2009, 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.
32. The equity investment solicitation process (described in the affidavit of Thomas C. Strike sworn February 12, 2010 (the "**February Strike Affidavit**") in connection with the Original Shaw Approval Motion (as defined below)) was contemplated by the Original Recapitalization Transaction and described in the materials filed in support of the Initial

Order. The equity investment solicitation process was run by RBC and the Monitor was provided with periodic updates during the process.

33. Following completion of the Canwest equity investment solicitation process conducted by RBC and extensive negotiations with Shaw Communications Inc (“**Shaw**”) (all as described in greater detail in the February Strike Affidavit), the CMI Entities, in consultation with, *inter alia*, RBC, selected Shaw’s bid as the best overall offer received.
34. The Original Shaw Transaction (as defined below) 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**”).
35. 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 existing shareholders of Canwest Global were to receive cash payments to extinguish their interests to be affected pursuant to the Original Shaw Transaction 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. All such cash payments were to be funded from the proceeds paid by Shaw for an additional commitment of equity shares of

Restructured Canwest Global (the “**Additional Commitment**”) (subject to certain rights of the members of the Ad Hoc Committee to participate in the additional equity commitment).

36. As part 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.
37. On February 19, 2010, the CMI Entities’ motion (the “**Original Shaw Approval Motion**”) in connection with the proposed equity investment by Shaw in restructured Canwest Global (the “**Original Shaw Transaction**”) for an Order approving the following agreements (the “**Shaw Transaction Agreements**”) was heard:
  - (a) the Subscription Agreement between Canwest Global and Shaw dated February 11, 2010 (the “**Shaw Subscription Agreement**”) together with a related term sheet incorporated into the Shaw Subscription Agreement (the “**Shaw Subscription Term Sheet**”);
  - (b) an amendment to the Original Support Agreement (the “**Support Agreement Amendment**”) attaching an amended and restated recapitalization term sheet (the “**Amended Recapitalization Term Sheet**”); and
  - (c) a support agreement between Canwest Global, the Ad Hoc Committee (as defined below) and Shaw (the “**Shaw Support Agreement**”).

38. 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.
39. The GS Parties sought an adjournment of and opposed the motion to approve the Shaw Transaction Agreements citing in support of its position some of the arguments currently being relied on by the Shareholders' Group in opposing the within motion. In particular, the GS Parties argued that the process which generated the Original Shaw Transaction was flawed in that it limited the type of investment that it targeted and was bound to attract.
40. As outlined in the Tenth Report, based on the terms of the Original Recapitalization Transaction, RBC did proceed on the basis that restructured Canwest Global would emerge from the CCAA Proceedings as a public company and circulated a form of subscription agreement consistent with the Original Recapitalization Term Sheet. However (and as was submitted to this Court in the Tenth Report), the Monitor was advised by RBC that it informed potential bidders that they were not obligated to submit bids consistent with the public company structure reflected in the Original Restructuring



Term Sheet and had the flexibility to include in their bid alternative transaction structures (as Shaw in fact did).

41. On February 19, 2010, Justice Pepall refused the adjournment request and granted the Order approving the Shaw Transaction Agreements, from which the GS Parties sought leave to appeal. In the March 1 Reasons, the Court held, among other things, that “*it was recognized that alternative proposals would be considered*” in the course of the equity investment solicitation process and that RBC “*fully canvassed the market*” in the course of same.

#### *Court-directed Mediation and the Settlement*

42. Following approval of the Original Shaw Transaction, the largest remaining obstacle to a successful going concern restructuring of the CMI Entities was the dispute relating to the CWI Shareholders Agreement (and the associated litigation) which had to be dealt with in a manner satisfactory to the CMI Entities, Shaw and the Ad Hoc Committee (which, as stated above, was in a position to block any restructuring proposal that did not contemplate an amendment or disclaimer of the CWI Shareholders Agreement).
43. A consensual resolution with respect to the CWI Shareholders Agreement was (and remains to be) manifestly preferable to the potentially lengthy, expensive and distracting litigation associated with any proposed disclaimer or resiliation of the CWI Shareholders Agreement.
44. Accordingly, the Monitor engaged with counsel for the CMI Entities, certain representatives of the Ad Hoc Committee, the GS Parties, and eventually Shaw, to

encourage them to move forward on discussions with a view to reaching a commercially reasonable and mutually satisfactory agreement with respect to CW Investments.

45. As described in greater detail in the Thirteenth Report, in March 2010, the parties attended at a Court directed mediation conducted by the Chief Justice of Ontario, 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.
46. 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. The consistently stated position of the GS Parties prior to the Mediation was that they wanted their fundamental contractual rights pursuant to the CWI Shareholders Agreement respected.
47. In addition, the CMI Entities, Shaw and the Ad Hoc Committee have 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.
48. The agreed upon amendments to the Shaw Transaction Agreements allocate approximately US\$440 million (plus the amount of any Continued Support Payment (as defined in the Plan), if applicable) of the aggregate subscription price to satisfy the claims

of the 8% Noteholders and an additional \$38 million to satisfy the claims of all affected creditors other than the 8% Noteholders (subject to an increase for restructuring period claims in certain circumstances). Prior to the Mediation, the Ad Hoc Committee had consistently indicated a desire to maintain a continuing equity position in a restructured Canwest Global; however, it was ultimately willing to accept a cash payment rather than equity as part of the overall settlement of the Resolved Matters.

49. 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).
50. As stated in its Thirteenth Report, the Monitor views the settlement of the Resolved Matters as a very positive development in the CMI Entities' restructuring process.

#### **SHAW TRANSACTION AMENDING AGREEMENTS**

51. The terms and conditions of the Original Shaw Transaction as amended as a result of the Mediation (the "**Amended Shaw Transaction**") are contained in the following documents (the "**Shaw Transaction Amending Agreements**"):
  - (a) the Amended Shaw Subscription Agreement, together with the Amended Subscription Term Sheet;
  - (b) the Further Amended Support Agreement; and
  - (c) the Amended Shaw Support Agreement;

as these terms are defined in the affidavit of Thomas C. Strike sworn June 7, 2010 in connection with the within motion (the “**June 7 Strike Affidavit**”).

52. The key features of the Amended Shaw Transaction reflect the terms of the settlement which resulted from the Mediation described above. The terms and conditions of the Shaw Transaction Amending Agreements are summarized in greater detail in the June 7 Strike Affidavit and, therefore, only certain features of the Shaw Transaction Amending Agreements are referred to herein.
53. Under the Amended Shaw Subscription Agreement, Shaw will pay US\$440 million (plus the amount of any Continued Support Payment, if applicable) in cash to satisfy all of the claims of the 8% Noteholders and \$38 million towards satisfaction of the claims of the CMI Entities’ other affected creditors 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**”).
54. The parties are currently negotiating the terms of 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).
55. The Shaw Transaction Amending Agreements do not provide for any recovery to the existing shareholders of Canwest Global.

## SHAREHOLDERS GROUP'S OPPOSITION

56. On or about April 26, 2010, the Monitor was contacted by certain representatives of an *ad hoc* group of existing shareholders of Canwest Global (the "**Shareholders' Group**") in connection with the Settlement. At the Shareholders' Group request, the Monitor and its counsel met and corresponded with some of the Shareholders Group, including Leonard Asper, and its advisors. By letter dated May 21, 2010 (a copy of which is attached as Exhibit "R" to the Asper Affidavit (as defined below)), counsel for the Shareholders' Group outlined the Shareholders' Group's concerns with the Amended Shaw Transaction and advised that it would be opposing any motion to approve the Amended Shaw Transaction.
57. The Monitor has reviewed the following materials filed by the Shareholders' Group and the CMI Entities in connection with this motion:

*Filed by the CMI Entities*

- (a) the June 7 Strike Affidavit;
- (b) affidavit of Peter Buzzi sworn June 14, 2010 (the "**Buzzi Affidavit**");
- (c) reply affidavit of Thomas C. Strike sworn June 14, 2010 (the "**Reply Strike Affidavit**");

*Filed by the Shareholders' Group*

- (d) affidavit of Leonard Asper sworn June 10, 2010 (the "**Asper Affidavit**");

- (e) affidavit of Glenn Bowman sworn June 10, 2010 (and the report prepared by Mr. Bowman attached as an exhibit to his affidavit) (the “**Bowman Affidavit**”);
  - (f) affidavit of James Kofman sworn June 10, 2010 (and the report prepared by Mr. Kofman attached as an exhibit to his affidavit) (the “**Kofman Affidavit**”); and
  - (g) responding affidavit of Leonard Asper sworn June 15, 2010 (the “**Reply Asper Affidavit**”).
58. In addition, a representative of the Monitor attended at the cross-examinations of Thomas Strike, Peter Buzzi and Glenn Bowman held on June 15, 2010.
59. Based on review of, *inter alia*, the Asper Affidavit, it appears that the Shareholders’ Group objects to CMI Entities moving forward with a CCAA plan based on the Shaw Transaction Amending Agreements and takes issue with the following aspects of the Amended Shaw Transaction:
- (a) the process which ultimately resulted in the Amended Shaw Transaction;
  - (b) the purchase price to be paid by Shaw; and
  - (c) the absence of the Shareholder Recovery.
60. For the reasons described in greater detail below, the Monitor does not agree with the position of the Shareholders’ Group and supports the CMI Entities’ motion to put forward a CCAA plan to its creditors based on the Shaw Transaction Amending Agreements.

*Process Leading to the Amended Shaw Transaction*

61. The Shareholders' Group alleges that there were several problems with the equity investment solicitation process leading up to the Amended Shaw Transaction, including the requirement for participants to have executed non-disclosure agreements, allegedly only marketing an opportunity to be a minority shareholder, and the absence of a "fiduciary out" in the Shaw Transaction Agreements.
62. As described in greater detail in the June 7 Strike Affidavit, similar arguments were made and rejected by this Court at the Original Shaw Approval Motion.
63. The Shareholders' Group further alleges that the equity investment solicitation process leading to the Amended Shaw Transaction is flawed because the CMI Entities failed to market 100% of the equity of a restructured Canwest Global.
64. The Monitor believes this argument is ill conceived as the CMI Entities were never in a position to market 100% of restructured Canwest Global in the manner proposed by the Shareholders' Group. Such a sale would have required the CMI Entities to compel the GS Parties (either contractually or otherwise) to include their interest in CW Investments (which Shaw proceeded to purchase in an arm's length out-of-court transaction<sup>5</sup>) in the marketing process. The Monitor is not aware of any contractual right that would have

---

<sup>5</sup> As described in the June 7 Affidavit, 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 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 Shareholders Agreement.

entitled the CMI Entities to so compel the GS Parties and the Shareholders' Group has not provided any guidance on how such an auction could be compelled.

65. As stated by Mr. Asper in the Reply Asper Affidavit, under the CWI Shareholders Agreement and CMI's call rights contained therein, CMI does have the ability to eventually purchase 100% of the GS Parties' (now Shaw's) interest in CW Investments. However, under the terms of the CWI Shareholders Agreement:

- (a) this call right is not exercisable until March 31, 2011;
- (b) the price at which CMI (or any purchaser of CMI's interests under the CWI Shareholders Agreement) would be able to exercise its call rights in 2011 is to be calculated using a multiple of 12 times EBITDA less the consolidated net indebtedness of CW Investments and its subsidiaries at that time. A multiple of 12 times EBITDA is higher than the upper end of the EBITDA multiple range selected by Mr. Bowman; and
- (c) the price paid upon exercise of the call would be based on the EBITDA as of March 2011 creating an unknown cost of the call to CMI (or any purchaser of CMI's interests under the CWI Shareholders Agreement) if it is ultimately exercised.

66. Accordingly, it may not be appropriate to equate the call rights contained in the CWI Shareholders Agreement with 100% control of CW Investments in the manner described in the affidavits filed by the Shareholders' Group.



67. As a result of the above, the Monitor agrees with the CMI Entities that the only alternatives to pursuing the settlement achieved through the Mediation are to reject the settlement and attempt to either (a) re-start the equity solicitation process on the same basis it had already been successfully carried out, or (b) search for another solution to the dispute relating to the CWI Shareholders Agreement.
68. As noted above, a full equity investment solicitation process with respect to the assets that the CMI Entities were entitled to market and sell (i.e. exclusive of the GS Parties' (or subsequently Shaw's) interest in CW Investments) was already conducted and successfully concluded in February 2010.
69. There is no reason to believe that re-starting the same process following the Mediation would result in a better (or even equally desirable) outcome. In addition, the CMI Entities' ability to re-start the process is constrained as a result of the terms of the Amended Shaw Transaction and the Further Amended Support Agreement and any such process would inevitably be conducted in a hostile creditor environment. The Monitor also believes that restarting the process now may lead to operational difficulties, including issues with CMI Entities' large studio suppliers, likely to result from continued uncertainty as to the outcome of the CMI Entities' CCAA Proceedings.
70. Recommencing the search for another solution to the dispute relating to the CWI Shareholders Agreement was and is similarly impractical. As described above, extensive negotiations had preceded the Mediation and resulted in an impasse which proved incapable of being broken other than through Court-directed Mediation conducted by the Chief Justice of Ontario. There is no reason to believe that further negotiations or

mediation would produce as desirable a solution as the settlement reached at the Mediation, in particular given that Shaw (rather than the GS Parties) is now the counterparty to negotiate with regarding any modifications to the CWI Shareholders Agreement.

71. As a result, the Monitor's view is that neither of these alternatives (in particular, in the face of a resolution that presents a clear path to a successful restructuring) is advisable, prudent or viable and remains supportive of putting forward a CCAA plan to the CMI Entities' creditors based on the Amended Shaw Transaction.

*Allegation that the Amended Shaw Transaction does not Represent Fair Market Value*

72. The Shareholders' Group also appears to be alleging that the Amended Shaw Transaction does not represent the fair market value of the "Media Assets" being acquired by Shaw. This allegation, and the analysis that supports it, is inherently flawed in the view of the Monitor as it relies on the same incorrect assumption described above, namely that the assets that are being valued include assets that are owned by parties other than the CMI Entities (i.e. previously, the GS Parties and, now, Shaw) and could not be sold without third party consents which consents were not (and are not) forthcoming.
73. The Bowman Affidavit arrives at an approximate range of \$2.36 billion to \$2.58 billion as the total value of the "Media Assets" which includes the majority interest in CW Investments previously owned by the GS Parties and currently owned by Shaw. It is RBC's view, as expressed in the Buzzi Affidavit, that this is not an appropriate premise for valuing the market value of the CMI Entities' assets.

74. In addition, in his Reply Strike Affidavit, Mr. Strike swore that the CMI Entities' estimate of its proportionate EBITDA for fiscal year 2010 is approximately \$195.5 million. Mr. Strike also stated in his Reply Strike Affidavit and in his cross-examination that he believes that both (i) the EBITDA figure of \$225 million applied to Canwest Global's conventional and specialty television business to arrive at the approximate range for the total value of the "Media Assets" in the Bowman Report, and (ii) the \$250 million EBITDA estimated by Mr. Asper in the Reply Asper Affidavit are overstated for, *inter alia*, the following reasons:

- (a) they ignore that certain specialty television channels are not wholly-owned by the CMI Entities and are not adjusted downward to account for such minority interests;
- (b) they do not include certain ongoing corporate costs which are estimated by the CMI Entities to be \$7 million; and
- (c) they do not reflect the fact that a larger portion of annual programming amortization costs occurred in the first six months of fiscal year 2009 than the first six months of fiscal year 2010. This pattern is expected to reverse in the latter six months of fiscal year 2010. This makes it difficult to equate results in the second half of fiscal year 2009 with what can be expected to occur in the second half of fiscal year 2010.

75. As stated in the Buzzi Affidavit, Mr. Buzzi agrees with Mr. Strike's conclusion with respect to excluding minority interests in calculating EBITDA.

76. The Monitor concurs with Mr. Strike's statements regarding the need to include ongoing corporate costs (and the propriety of the CMI Entities' estimate thereof at \$7 million) in the calculation of EBITDA and the effects of amortization of programming costs in fiscal year 2010 on same.
77. The Monitor agrees with the view of Mr. Strike that the EBITDA estimate used by the Shareholders' Group is overstated and agrees that the proportionate EBITDA expressed by Mr. Strike in his Reply Strike Affidavit is reasonable.

*Lack of Shareholder Recovery in the Amended Shaw Transaction*

78. As noted above, both the Original Recapitalization Transaction and the Original Shaw Transaction contemplated recovery for Canwest Global's existing shareholders.
79. It is important to note that the Shareholder Recovery was to have been funded out of the recovery that was otherwise allocable to the 8% Noteholders such that the Shareholder Recovery would not dilute the recovery for other affected creditors. The Shareholder Recovery for Canwest Global's existing shareholders from 8% Noteholders share was also at all times subject to successfully completing the Original Recapitalization Transaction (and thereafter the Original Shaw Transaction), obtaining approval by the required majority of affected creditors and obtaining approval of this Honourable Court.
80. In contrast to both the Original Recapitalization Transaction and the Original Shaw Recapitalization Transaction, as a result of the settlement arrived at through the Mediation, the 8% Noteholders will receive only cash and will not have an equity position or any involvement in a restructured Canwest Global. In these changed

circumstances, the Ad Hoc Committee is not prepared to reduce its cash recovery to provide recovery for the existing shareholders.

81. The Monitor is advised that Shaw is also not prepared to fund any recovery for existing shareholders as part the Amended Shaw Transaction for essentially the same reasons as the Monitor (described below).

82. The Monitor was not and is not prepared to support a plan that would see the recovery of the affected creditors (other than the 8% Noteholders) diluted by the movement of the Shareholder Recovery from the recovery that is to be paid to the 8% Noteholders to the recovery that is to be paid to the other affected creditors for, *inter alia*, the following reasons:

- (a) not all of the affected creditors will have their claims satisfied in full;
- (b) there is no benefit to the estate as a whole to be derived from providing any recovery to existing shareholders of Canwest Global; and
- (c) the CCAA amendments which came into force on September 19, 2009 make it questionable, without caselaw interpreting the same, as to whether providing a recovery to equity holders is proper where unsecured creditors are not paid in full.

## PLAN

83. The terms of the Plan (a copy of which is attached as Exhibit “B” to the Affidavit of Thomas C. Strike sworn June 16, 2010 in connection with this motion (the “**Strike Plan Affidavit**”)) are based on the terms of the Amended Shaw Transaction described above.

84. The Monitor provided input with respect to the development of the Plan and will be delivering a further report with respect to the Plan in advance of the Meetings. Therefore, only a cursory review of the Plan is provided herein.

85. The Plan is proposed to include the following elements:

- (a) There will be two classes of creditors – the 8% Noteholder Class and the Ordinary Creditor Class;
- (b) The Ordinary Creditor Class will include all creditors (other than the 8% Noteholders) with claims (other than Unaffected Claims as defined in the Plan) against the “**CMI Plan Entities**” which include Canwest Global, CMI, 4501063 Canada Inc., MBS Productions Inc., Yellow Card Productions Inc., and Global Centre Inc., and 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**”.
- (c) Creditors of CMI Entities that are not Plan Entities (other than the 8% Noteholders) will not be entitled to vote at the Meetings or receive any distributions under the Plan.
- (d) 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 fees and costs of the Monitor). 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 fees and costs of the Monitor).

- (e) The Plan provides for “**Convenience Class Creditors**” which will be made up of creditors of the Plan Entities with claims less than or equal to \$5,000 and 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.
- (f) The Plan provides for releases in favour of all of the Plan Entities and the directors and officers of all of the CMI Entities and other Canwest Global’s other subsidiaries (other than the LP Entities and CW Investments and their subsidiaries).

## **MEETINGS & PROCEDURES FOR THE MEETINGS**

- 86. The CMI Entities are seeking an Order authorizing them to call and conduct the Meetings on July 19, 2010 for the purpose of voting on a resolution to approve the Plan.
- 87. The proposed terms relating to the Meetings are described in greater detail in the Strike Plan Affidavit and include, *inter alia*, the following:
  - (a) there will be two classes of creditors – the 8% Noteholder Class and the Ordinary Creditor Class;

- (b) Convenience Class Creditors will be deemed to vote in favour of the Plan;
  - (c) the Monitor will tally the votes and the Plan will be deemed to be accepted by the required majority (the “**Required Majority**”) if it is approved by affected creditors of the Plan Entities present in person or represented by proxy or other voting instrument at the Meetings holding claims totaling 66<sup>2</sup>/<sub>3</sub>% in value and a majority in number of each class of creditors; and
  - (d) any vote will be binding on all affected creditors of the Plan Entities whether or not such affected creditor is present at the Meetings.
88. The proposed Meeting Order also sets out the notice procedures for the calling and any adjournment of the Meetings.
89. The Monitor reviewed and was consulted with respect to the proposed terms of the 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 the proposed terms are fair and reasonable.

## **RECOMMENDATION AND CONCLUSIONS**

90. For the reasons outlined above, the Monitor does not view pursuing any alternatives to the settlement achieved as a result of the Mediation advisable, prudent or viable. The Monitor does not agree with the position of the Shareholder’s Group and supports the CMI Entities’ motion to put forward a CCAA plan to its creditors based on the Shaw Transaction Amending Agreements.

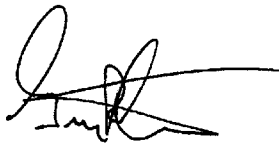


91. The Monitor also supports the procedures for the conduct of and voting at the Meetings and notice procedures with respect to same proposed by the CMI Entities.
92. As stated above, the Monitor will be delivering a further report with respect to the Plan and its recommendations in connection with same in advance of the Meetings.

All of which is respectfully submitted this 17<sup>th</sup> of June, 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

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**

**FIFTEENTH 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