

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

**FOURTH REPORT OF FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS MONITOR
October 28, 2009**

**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"**

**FOURTH REPORT OF FTI CONSULTING CANADA INC.
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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**".

2. Following the granting of the Initial Order, on October 6, 2009 and October 15, 2009, the Monitor obtained Orders under Chapter 15 of the *U.S. Bankruptcy Code* from the United States Bankruptcy Court (Southern District of New York) temporarily enjoining certain suppliers, including television production studios, distributors and other key suppliers, from taking certain actions against the CMI Entities, including disrupting the delivery of broadcast signals as a result of the commencement of the CCAA Proceedings.
3. The basis of a plan of arrangement for the CMI Entities under the CCAA (the “**Recapitalization Transaction**”) is 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 (the “**Ad Hoc Committee**”) of the CMI Senior Subordinated Noteholders¹. The terms of the proposed Recapitalization Transaction are set out in the Recapitalization Transaction Term Sheet (the “**Term Sheet**”).
4. Further background information regarding the CMI Entities and the CCAA Proceedings is provided in the Pre-filing Report and in the affidavit of John E. Maguire sworn October 5, 2009 (the “**Maguire Affidavit**”), copies of which have been posted on the Monitor’s website for the CCAA Proceedings at <http://cfcanada.fticonsulting.com/cmi>.

¹ Capitalized terms used but not defined herein have the meanings ascribed to them in FTI’s pre-filing report dated October 5, 2009 (the “**Pre-filing Report**”).

PURPOSE OF THIS REPORT

5. The purpose of this Fourth Report is to inform the Court on the CMI Entities' request for an Order approving the Transition and Reorganization Agreement dated October 26, 2009 (the "**CMI/LP Reorganization Agreement**"), which provides a framework for the CMI Entities and the LP Entities (as defined below) to properly restructure their inter-entity arrangements for the benefit of their respective stakeholders. The CMI/LP Reorganization Agreement provides, *inter alia*, for:

- (a) a reorganization, orderly transition and subsequent termination of certain shared services arrangements between the CMI Entities and the LP Entities pursuant to the terms of the Agreement on Shared Services and Employees dated October 26, 2009 (the "**Shared Services Transition Agreement**"); and
- (b) a transition of substantially all of the assets of The National Post Company/La Publication National Post (the "**National Post Company**") and certain intellectual property of Canwest Global (collectively, the "**Assets**") and certain liabilities of the National Post Company to the LP Entities pursuant to the terms of the National Post Transition Agreement dated October 26, 2009 (the "**NP Transition Agreement**").

DIVISIONS OF CANWEST GLOBAL

6. Canwest Global's business operations consist of the following two major divisions:
- (a) television business (the "**Canwest TV Group**"), and
 - (b) newspaper publishing and digital media business (the "**Canwest Publishing Group**").

7. The Canwest TV Group is comprised of the CMI Entities and the CW Media Segment.
8. The Canwest Publishing Group (which is the largest English language publisher of newspapers in Canada with, *inter alia*, 10 major metropolitan daily newspapers, two daily newspapers in Nanaimo and Port Alberni, 22 community newspapers and several on-line portals and networks) consists of, *inter alia*, the Canwest Limited Partnership, Canwest Publishing Inc./Publications Canwest Inc. (“CPI”), Canwest Books Inc. (collectively, the “LP Entities”) and the National Post Company.
9. The debt structure and current financial position of the CMI Entities is described in detail in the Pre-filing Report and the Maguire Affidavit.
10. The LP Entities are also currently in default under their various credit facilities, note indenture or guarantee obligations, and, in particular, under a credit agreement (the “LP Secured Credit Agreement”) dated as of July 10, 2007, as amended, between, *inter alia*, the predecessor of the Canwest Limited Partnership and The Bank of Nova Scotia, as Administrative Agent (in such capacity, the “Administrative Agent”) for a syndicate of lenders (the “LP Secured Lenders”).
11. Following intensive and extended negotiations, on August 31, 2009, the LP Entities and the Administrative Agent agreed on the terms and conditions of a forbearance agreement, as amended (the “Forbearance Agreement”), pursuant to which the Administrative Agent on behalf of the LP Secured Lenders holding more than 50% of advances under the LP Secured Credit Agreement (the “Majority LP Secured Lenders”) agreed to forbear, subject to certain terms and conditions, from taking

steps to proceed with enforcement of their security in order to allow the Canwest Limited Partnership and the LP Secured Lenders an opportunity to negotiate a pre-packaged restructuring or reorganization of the affairs of the LP Entities.

12. The Forbearance Agreement provides, *inter alia*, that arrangements (satisfactory to the Administrative Agent) with the applicable CMI Entities with respect to restructuring or termination of the Shared Services (as defined below) will be reached by October 30, 2009.
13. Under the Forbearance Agreement, the LP Entities are prohibited from entering into the transactions contemplated under the NP Transition Agreement and the Shared Services Transition Agreement without the consent of the Administrative Agent.
14. The Forbearance Agreement expires on, *inter alia*, the LP Entities' failure to comply with their obligations under the Forbearance Agreement.

SHARED SERVICES

15. Pursuant to a number of inter-company service agreements, the CMI Entities and the LP Entities share certain business services (collectively, the "Shared Services"). For example, Canwest Media Inc. ("CMI") and Canwest Limited Partnership provide each other (in addition to providing certain other Canwest entities) with certain administrative and advisory services and engage in certain cross-promotional activities and inter-company services which are integral to the overall Canwest enterprise.
16. A summary of the Shared Services agreements affected by the CMI/LP

Reorganization Agreement (collectively, the “**Shared Services Agreements**”) (including the nature of the services provided, the service provider and the service recipient) is attached as **Appendix “A”** to this report. Among others, CMI provides Canwest Television Limited Partnership, the CW Media Segment and the Canwest Limited Partnership the following services:

- (a) executive advisory and other services based upon various fee and cost allocation agreements and practices;
- (b) corporate and administrative services related to, inter alia, legal matters, tax compliance, and financial reporting; and
- (c) negotiation and placement of insurance coverage for which insurance premiums are shared.

17. The Canwest Limited Partnership provides the following services to the following entities:

- (a) certain information technology infrastructure and support, on-line and digital media support, receivables and payables management, corporate, accounting and human resources administrative and infrastructure services to CMI, the Canwest Television Limited Partnership, and the CW Media Segment;

- (b) certain information technology infrastructure and support, on-line and digital media support, receivables and payables management, accounting, human resources administrative, financial, accounting, infrastructure, sales, printing and distribution services to the National Post Company; and
 - (c) management, invoicing and collection of advertising and circulation revenues services on behalf of the National Post Company, and the management, invoicing and collection of on-line advertising for the CW Media Segment and the Canwest Television Limited Partnership.
18. Canwest Global, which is one of the CMI Entities, also grants to CMI and the Canwest Limited Partnership a non-exclusive, royalty-free, non-transferable license to use some or all of the Canwest trademarks in Canada and to sublicense the use of the Canwest trademarks to its subsidiaries.
19. FTI reviewed the Shared Services Agreements which, by their terms, generally provide that the service provider (whether CMI, the Canwest Limited Partnership or otherwise) is entitled to reimbursement for all costs and expenses incurred in the provision of the services. Costs and expenses that are shared between the service provider and the service recipient are allocated between the parties on a reasonable basis. FTI is advised that neither the reimbursement of costs and expenses nor the payment of fees is intended to result in any material financial gain or loss to the service provider. Fees charged under the Shared Services Agreements are based on annual budgeted costs, with the service provider bearing the risk of exceeding or benefitting from performing better than budget. Fees are reviewed and revised

annually with no mechanism in the Shared Services Agreements for a retrospective true up of fees to reflect actual versus budgeted costs of the service provider.

20. Under the Initial Order, the CMI Entities and the Canwest Limited Partnership are prohibited from modifying, ceasing to provide or terminating the provision or payment of the Shared Services except with the consent of, *inter alia*, the Monitor and the party receiving such services or further Order of this Honourable Court (except with respect to certain portions of the CMI Entities' business which may be shut down).

THE NATIONAL POST COMPANY

21. The National Post Company is a general partnership with units held by CMI and National Post Holdings Ltd. (a wholly owned subsidiary of CMI).
22. The National Post Company carries on business publishing the *National Post* national newspaper and operating related online publications.
23. The *National Post* is one of only two national daily newspapers and is second in its market position to *The Globe and Mail*. In 2008, the *National Post* had a reported average daily paid circulation of almost 200,000 and an estimated weekly readership of 1.1 million people.
24. The *National Post* was founded in 1998 by Conrad Black and was acquired by Canwest Global from Hollinger Inc. by way of two transactions in 2000 and 2002.

Employees & Related Obligations

25. As at the date of this report, the National Post Company employed approximately 277 employees. Three of its employees provide services exclusively to the LP Entities and the National Post Company is reimbursed by the LP Entities for all associated employment costs. In addition, ten of the LP Entities' employees provide services exclusively to the National Post Company which reimburses the LP Entities for all associated employment costs.
26. The National Post Company maintains a defined benefit pension plan registered under the Ontario *Pension Benefits Act* (the "**NP Pension Plan**"). FTI is advised that the solvency deficiency of the NP Pension Plan effective as of December 31, 2006 was \$1.5 million and the winding up deficiency was \$1.6 million. The annual service contributions for the NP Pension Plan estimated at the last valuation of the NP Pension Plan totaled \$662,000 and annual special payments totaled \$360,000. The last actuarial valuation of the NP Pension Plan was carried out in 2006 and the funding status of the NP Pension Plan may have deteriorated further in the interim due to market factors.

Creditors of the National Post Company

27. As described in greater detail in the Pre-filing Report, the National Post Company (as guarantor of certain of CMI's and/or Canwest Global's secured and unsecured indebtedness) is indebted in the following amounts pursuant to the following obligations:

- (a) Irish Holdco Secured Note - \$187.3 million
- (b) CIT Facility - \$10.7 million (in connection with outstanding letters of credit)
- (c) CMI Senior Subordinated Notes - US\$393.2 million
- (d) Irish Holdco Unsecured Note - \$430.6 million

Relationship of the National Post Company with other Canwest Global Divisions

28. Prior to 2005, the newspaper assets of the LP Entities and the *National Post* assets were owned by a single Canwest Global entity. In 2005, the predecessor of the Canwest Limited Partnership was formed to acquire Canwest Global's newspaper publishing and digital media entities and to operate such businesses, as well as certain shared services operations (including information technology, accounting, financial reporting, and benefits administration) as part of a planned income trust spin-off of Canwest Global's newspaper publishing and digital media assets. Based on its poor financial performance at that time, the *National Post* was not included in the newly-formed income trust and was instead separated into a standalone general partnership.
29. The National Post Company and National Post Holdings Ltd. are the only entities in the Canwest Publishing Group that are guarantors of certain secured and unsecured indebtedness of CMI (as described above) and were, for that reason, included in the CCAA Proceedings. With the exception of the commonality of creditors (and being beneficiaries under certain Canwest Global national procurement contracts), the National Post Company and the CMI Entities do not have any common services, licenses, or material synergies.

30. The management and operations of the LP Entities and the National Post Company, although separate legal entities, are intertwined as evidenced by, *inter alia*, the following:

- (a) the headquarters of the Canwest Limited Partnership and the National Post Company are both located at 1450 Don Mills Road in Toronto;
- (b) the National Post Company executives report to the President and CEO of the Canwest Limited Partnership;
- (c) the LP Entities provide various sales, operational, back-office and other support services to the National Post Company including:
 - (i) IT support;
 - (ii) Accounting and finance;
 - (iii) Human Resources;
 - (iv) Digital Media;
 - (v) National and Digital sales representation;
 - (vi) Canwest Editorial Services;
 - (vii) FPInfomart.ca (archival services);
 - (viii) Canwest News Services; and

- (ix) Printing and distribution services in Montreal, Ottawa, Calgary, Edmonton and Vancouver.

31. As a result of the National Post Company's dependence on the intercompany services provided by the LP Entities, it would be unable to operate independently from the LP Entities.
32. Due to the integrated operations of the National Post Company and the LP Entities, the National Post Company absorbs significant fixed costs which would otherwise be carried by the LP Entities. In the fiscal year ending August 31, 2009, such costs totaled approximately \$23 million.
33. As a result, and despite the National Post Company's inability to generate profits as a standalone publication, closure of the National Post Company would negatively impact the financial performance of the LP Entities, as they would continue to bear costs currently being allocated to the National Post Company. Management of the LP Entities estimates that closure of the *National Post* would increase the LP Entities' cost burden by approximately \$14 million in fiscal year ending August 31, 2010.
34. Integration of the National Post Company's business will also allow the LP Entities to continue to benefit from various news gathering, production, distribution and other synergies currently shared with the National Post Company.

Financial Performance & Current Status of the National Post Company

35. The National Post Company has been unprofitable since its inception, recording annual losses as high as approximately \$60 million in 2001. Through various cost

cutting measures and improved distribution, sales and marketing efficiencies, losses have been reduced but the company has still recorded annual net losses ranging from \$9 million to \$12 million in each year since 2005.

36. The National Post Company continues to operate at a loss and is projected to suffer a net loss of \$9.3 million in fiscal year ending August 31, 2009 and a net loss of \$0.9 million in September 2009.
37. The National Post Company's losses for the past 7 years have been fully funded by CMI. As a result, the National Post Company is currently indebted to CMI in the amount of \$139.1 million.
38. The Ad Hoc Committee has advised that they are no longer prepared to support funding the losses of the National Post Company by CMI after October 30, 2009.
39. The LP Entities, in recognition of the financial and strategic benefits that would be afforded to them by transition of the business of the National Post Company to them, agreed to fund 50% the losses suffered by the National Post Company in October 2009 (to a maximum of \$1 million), but only if the CMI/LP Reorganization Agreement is approved by this Court and the transition of the assets and liabilities contemplated by the NP Transition Agreement (the "NP Transition Transaction") closes.
40. In addition, the Recapitalization Transaction is subject to a condition that a definitive agreement in respect of the transfer of the business operated by the National Post Company to the Canwest Limited Partnership be entered into by October 15, 2009,

which deadline was subsequently extended to October 30, 2009, with a closing of the transaction to take place no later than October 30, 2009. The Ad Hoc Committee advised that should the transition of the National Post Company's business fail to take place by the above deadline (and in the absence of funding by the LP Entities), it will no longer support the funding of the National Post Company by CMI. Without ongoing funding, it is anticipated that the National Post Company would be forced to cease operations and commence liquidation proceedings.

PROPOSED INTERCOMPANY REORGANIZATION

41. Both the LP Entities and the CMI Entities experienced deterioration in their respective financial performances in 2008-2009 and have commenced reorganizations of their respective corporate and debt structures. The LP Entities and the CMI Entities determined that an orderly transition from their current intertwined corporate structures to two standalone enterprises will likely be necessary to facilitate and effect their respective restructurings.

42. In furtherance of such transition, the CMI Entities and the LP Entities determined that an orderly disentanglement, transition and subsequent termination of the Shared Services would be mutually beneficial and should be effected. As the businesses of the National Post Company and the LP Entities are integrated and interdependent (as described above), the CMI Entities and the LP Entities have also recognized that the business of the National Post Company ought to be integrated into the corporate structure of the LP Entities.

43. The CMI Entities and the LP Entities have been engaged in negotiations to carry out the transition and subsequent termination of the Shared Services and transition of the business of the National Post Company to the LP Entities since July 2009. However, due to, *inter alia*, the financial difficulties encountered by both the CMI Entities and the LP Entities in 2008-2009 and management's focus on recapitalization efforts, the contemplated intercompany reorganization was not effected prior to the commencement of the CCAA Proceedings.
44. Following lengthy and intensive negotiations between the CMI Entities, the LP Entities, their respective chief restructuring and financial advisors, the Ad Hoc Committee and the Administrative Agent, the LP Entities and certain of the CMI Entities have entered into the CMI/LP Reorganization Agreement which provides for the framework to properly restructure their inter-entity arrangements by effecting a comprehensive reorganization of the Shared Services and a transition of substantially all of the assets of the National Post Company to the LP Entities (collectively, the **"Canwest Intercompany Reorganization"**). The Shared Services Transition Agreement and the NP Transition Agreement are attached as Schedules "A" and "B" to the CMI/LP Reorganization Agreement, respectively. A copy of the CMI/LP Reorganization Agreement (together with Schedules) is attached as Exhibit "A" to the affidavit of John E. Maguire sworn October 27, 2009 (the **"October 27 Maguire Affidavit"**).
45. Both the transition and subsequent termination of the Shared Services and the transition of the Assets and certain liabilities of the National Post Company are integral components of the LP Entities' and the CMI Entities' efforts to reorganize

their respective business affairs. The terms of the Shared Services Transition Agreement were informed by and negotiated, in part, based on the terms of the NP Transition Agreement and *vice versa*.

46. Furthermore, the consummation of the transactions contemplated under each of the Shared Services Transition Agreement and the NP Transition Agreement is a condition to the consummation of the transaction contemplated under the other agreement. Each of the Administrative Agent and the Ad Hoc Committee has been clear that it will only support the CMI/LP Reorganization Agreement as a whole and would not support a consummation of either of the Shared Services Transition Agreement or the NP Transition Agreement without the concurrent consummation of the other agreement.

The Shared Services Transition Agreement

47. The Shared Services Transition Agreement provides for the orderly transition and subsequent termination of the Shared Services Agreements. The terms of the Shared Services Transition Agreement, include, *inter alia*, the following:
- (a) a transition of employees between the CMI Entities and LP Entities and adjustment of amounts currently payable for the Shared Services in accordance with section 2.5 of the Shared Services Transition Agreement from the date of closing of the Shared Services Transition Agreement until the Shared Services Agreements are terminated; and

(b) all Shared Services Agreements will be terminated by certain dates ranging from February 28, 2010 to February 28, 2011.

48. A summary of the proposed amendments to the Shared Services Agreements (including the revised payment terms and termination dates) is attached as **Appendix “B”** to this report.
49. The Shared Services Transition Agreement also sets out procedures for offering employment to the various employees of the LP Entities and the CMI Entities and modifies their obligations under certain pension plans maintained for the benefit of their respective employees.
50. The Shared Services Transition Agreement is conditional on and subject to, *inter alia*, obtaining (a) an Order of this Court approving the Shared Services Transition Agreement, and (b) the written consent of the Administrative Agent.

The NP Transition Agreement

51. The NP Transition Agreement provides for the transition of the business of the National Post Company as a going concern.
52. Pursuant to the NP Transition Agreement, a new wholly-owned subsidiary (the “**LP Nominee**”) of Canwest Publishing Inc./Publications Canwest Inc. (which owns all of the newspaper and online assets held by the LP Entities), will acquire substantially all of the assets of the National Post Company and certain intellectual property of Canwest Global in consideration for the Transfer Price/Transition Cost (as defined in the NP Transition Agreement) which includes: (a) the assumption of certain liabilities

up to a maximum amount of \$6.3 million (plus certain pension and employee benefits liabilities); and (b) payment of the cash component of the Transfer Price/Transition Cost (as described in greater detail in paragraph 53(f) hereof).

53. The terms of the NP Transition Agreement include, *inter alia*, the following:
- (a) the LP Nominee has agreed to take title to the Assets (which constitute substantially all of the assets of the National Post Company) on an “as is, where is” basis;
 - (b) the LP Nominee will assume certain liabilities of the National Post Company, including certain trade payables and accrued expenses;
 - (c) the following liabilities, among others, are not being assumed by the LP Nominee and will remain as claims in the estate of the National Post Company:
 - (i) breach of contract or license claims, product liability claims and all other litigation claims;
 - (ii) all employment obligations (including severance and termination claims) relating to those employees who do not accept the LP Nominee’s offer of employment;
 - (iii) liabilities of the National Post Company to the other CMI Entities, except for any amounts owing in connection with the Shared Services;and

- (iv) certain pre-filing payables of the National Post Company (defined as the Stayed Payables in the NP Transition Agreement).
- (d) the following assets, among others, are not being transitioned to the LP Nominee pursuant to the NP Transition Agreement and will remain in the estate of the National Post Company:
- (i) the benefit of all insurance policies related to the business of the National Post Company;
 - (ii) all cash and cash equivalents, including certificates of deposit, commercial paper; and
 - (iii) any amounts owing to the National Post Company by the other CMI Entities;
- (e) the LP Nominee is offering employment to all of the National Post Company's employees and will be assuming:
- (i) all wage related employee obligations owing to the employees it hires up to and from the date the NP Transition Transaction closes;
 - (ii) all vacation pay owing (as at the date the NP Transition Transaction closes) to the employees it hires; and
 - (iii) the National Post Company's obligations and liabilities under the NP Pension Plan.

- (f) under the NP Transition Agreement, the LP Nominee must pay a portion of the Transfer Price/Transition Cost to the National Post Company in cash. The cash component is equal to (i) the sum of \$2 million and 50% of the National Post Company's negative net cash flow during the month of October 2009 (to a maximum of \$1 million), less (ii) a reduction equal to the amount, if any, by which the Assumed Liabilities Estimate (as defined in the NP Transition Agreement) exceeds \$6.3 million;
- (g) the NP Transition Agreement is conditional, among other things, on obtaining the consent of the Administrative Agent on behalf of the Majority LP Secured Lenders.

Alternatives to Transitioning the Business of the National Post Company to the LP Entities

- 54. For the reasons outlined below, it does not appear that there are currently any viable alternatives to transitioning the business of the National Post Company to the LP Entities pursuant to the NP Transition Agreement.
- 55. In December 2008, Canwest Global engaged RBC Dominion Securities Inc. ("RBC") to assist it in considering and evaluating recapitalization alternatives. FTI is advised by RBC that in the course of conducting its engagement RBC did not conduct a separate sales process with respect to the National Post Company. However, while it received a number of solicited and unsolicited expressions of interest in various other assets of Canwest Global, it received no expressions of interest from parties seeking to acquire the National Post Company.

56. The Support Agreement, which includes the condition that a definitive agreement in respect of the transfer of the business operated by the National Post Company to Canwest Limited Partnership be completed by October 15, 2009 (which deadline was subsequently amended to October 30, 2009 with a closing of the transaction no later than October 30, 2009), has been in the public domain since the date of the Initial Order (October 6, 2009). The Monitor has not been contacted by any interested party with respect to acquiring the business of the National Post Company.
57. The Ad Hoc Committee has continued to support the National Post Company's short term liquidity needs, but only on the basis and understanding that the NP Transition Transaction is being advanced and will be completed. The Ad Hoc Committee has indicated that it will not continue to support funding the National Post Company in the long or short term past October 30, 2009 and will not finance the National Post Company through any marketing process.
58. The National Post Company is also precluded from borrowing any funds from CIT or any other lender without the consent of the Ad Hoc Committee, which has indicated that such consent would not be granted.
59. The LP Entities have refused to advance any funds to the National Post Company until the terms of the CMI/LP Reorganization Agreement are finalized and the NP Transition Transaction closes.
60. Accordingly, the National Post Company has no sources of funding its ongoing losses.

61. Accordingly, failure to transition the business carried on by the National Post Company by October 30, 2009 to the LP Entities would likely result in the forced cessation of its operations and commencement of liquidation proceedings in respect of the National Post Company.
62. The Monitor has prepared a preliminary liquidation analysis (the “**Liquidation Analysis**”) based on certain information provided by the National Post Company. The Liquidation Analysis is an estimate of the potential recovery from the National Post Company’s assets pursuant to a forced liquidation following a cessation of operations.
63. It is evident from the Liquidation Analysis that if the National Post Company is subject to a forced liquidation after a cessation of operations, the estimated net recovery available to its creditors, before costs of liquidation, would range from a negative amount to an amount not materially higher than the transfer price under the NP Transition Agreement.
64. The CIT Facility Lenders and Irish Holdco are (subject only to Court-ordered charges in the CCAA Proceedings) the senior secured creditors of the National Post Company and there will be no recovery to any of the other of National Post Company’s secured or unsecured creditors under either the NP Transition Transaction or the liquidation scenario.
65. The Monitor notes that the NP Transition Transaction has the following advantages over a liquidation:

- (a) as an integral part of the CMI/LP Reorganization Agreement, it facilitates the reorganization and orderly transition and subsequent termination of the Shared Services arrangements between the CMI Entities and the LP Entities;
- (b) it preserves approximately 277 jobs in an already highly distressed newspaper publishing industry;
- (c) it will help maintain and promote competition in the national daily newspaper market for the benefit of Canadian consumers; and
- (d) the LP Nominee will assume substantially all of the National Post Company's trade payables (including those owing to various suppliers) and various employment costs associated with the transferred employees.

66. The National Post Company's senior secured creditors, namely the CIT Facility Lenders and Irish Holdco, and the Ad Hoc Committee support the NP Transition Transaction as part of the Canwest Intercompany Reorganization.

IMPACT OF CCAA AMENDMENTS ON THE PROPOSED REORGANIZATION

67. Until recently, the CCAA did not expressly address dispositions or sales of assets. On September 18, 2009, certain amendments to the CCAA were proclaimed into force, including Section 36 of the CCAA which sets out the criteria for the sale and/or disposition of assets in the context of CCAA proceedings and is reproduced in full in **Schedule "C"** hereto.

68. The Monitor has reviewed Section 36 of the CCAA and, after consultation with its counsel, has formed the view that Section 36 does not apply to the Canwest Intercompany Reorganization for the following reasons:

- (a) the purpose of Section 36 is to prevent restructuring debtors from disposing of valuable assets outside of the ordinary course of business to the detriment of their creditors;
- (b) the National Post Company has failed to generate any profits since its inception and has operated at a loss since;
- (c) the transition of some of the assets and liabilities of the National Post Company is only one aspect of a larger reorganization of the relationship between the LP Entities and the CMI Entities contemplated under the CMI/LP Reorganization Agreement;
- (d) the business of the National Post Company was always intended to operate functionally as a part of the LP Entities;
- (e) the business and operations of the National Post Company are not aligned with that of the CMI Entities, yet are intertwined with the operations of the LP Entities;
- (f) the CMI Entities' secured creditors support the Canwest Intercompany Reorganization as a whole, but not in part, and both the Ad Hoc Committee and the Administrative Agent have indicated that they will only consent to these transactions on the grounds that the NP Transition Agreement and the

Shared Services Transition Agreement will be implemented contemporaneously pursuant to the CMI/LP Reorganization Agreement; and

- (g) there is no ability to proceed with either the NP Transition Agreement or the Shared Services Agreement alone.

RECOMMENDATIONS AND CONCLUSIONS

- 69. The LP Entities and the CMI Entities agree that it is in their mutual best interests to transition and subsequently terminate the Shared Services Agreements. As the businesses of the National Post Company and the LP Entities are integrated and interdependent (as described above), the CMI Entities and the LP Entities also agree that the business of the National Post Company ought to be integrated into the corporate structure of the LP Entities.
- 70. Disposition of the National Post Company will improve the CMI Entities' cash flows and financial results.
- 71. Irish Holdco, the CIT Facility Lenders and the Ad Hoc Committee support the proposed reorganization of the LP Entities' and the CMI Entities' relationship in accordance with the terms of the CMI/LP Reorganization Agreement.
- 72. Pursuant to the terms of the Recapitalization Transaction, failure to transition the business carried on by the National Post Company by October 30, 2009 constitutes a default under the Term Sheet and Support Agreement and relieves the Consenting Noteholders from any obligations to support the Recapitalization Transaction.

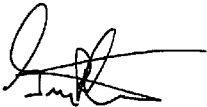
73. Completion of the Canwest Intercompany Reorganization appears to be in the best interest of a broad constituency of stakeholders of the CMI Entities, the National Post Company, including its employees, suppliers and customers, and the LP Entities.
74. Accordingly, the Monitor respectfully recommends that this Honourable Court grant an Order approving the CMI/LP Reorganization Agreement, including the Shared Services Transition Agreement and the NP Transition Agreement, and vesting title in and to the Assets in the LP Nominee.

All of which is respectfully submitted this 28th of October, 2009.

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

Schedule "C"

Restriction on disposition of business assets

36 (1) A debtor company in respect of which an order has been made under this Act may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by a court. Despite any requirement for shareholder approval, including one under federal or provincial law, the court may authorize the sale or disposition even if shareholder approval was not obtained.

Notice to creditors

(2) A company that applies to the court for an authorization is to give notice of the application to the secured creditors who are likely to be affected by the proposed sale or disposition.

Factors to be considered

(3) In deciding whether to grant the authorization, the court is to consider, among other things,

- (a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;**
- (b) whether the monitor approved the process leading to the proposed sale or disposition;**
- (c) whether the monitor filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;**
- (d) the extent to which the creditors were consulted;**
- (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and**
- (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.**

Additional factors — related persons

(4) If the proposed sale or disposition is to a person who is related to the company, the court may, after considering the factors referred to in subsection (3), grant the authorization only if it is satisfied that

- (a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the company; and**
- (b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition.**

Related persons

(5) For the purpose of subsection (4), a person who is related to the company includes

- (a) a director or officer of the company;**
- (b) a person who has or has had, directly or indirectly, control in fact of the company; and**
- (c) a person who is related to a person described in paragraph (a) or (b).**

Assets may be disposed of free and clear

(6) The court may authorize a sale or disposition free and clear of any security, charge or other restriction and, if it does, it shall also order that other assets of the company or the proceeds of the sale or disposition be subject to a security, charge or other restriction in favour of the creditor whose security, charge or other restriction is to be affected by the order.

Restriction — employers

(7) The court may grant the authorization only if the court is satisfied that the company can and will make the payments that would have been required under paragraphs 6(4)(a) and (5)(a) if the court had sanctioned the compromise or arrangement.

APPENDIX 'A'

Appendix A
Summary of Shared Services Agreements

Agreement	Services Provided By	Services Provided To	Description of Services
1. Executive Advisory Services Agreement	CMI Corporate	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ Corporate development ▪ Strategic planning ▪ Capital Allocation ▪ Financing ▪ Risk Management
2. Partnership Services Agreement	CMI Corporate	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ Administrative ▪ Legal ▪ Tax compliance ▪ Investor/public relations ▪ Corporate development ▪ Internal Audit ▪ Cross promotional services. Broadcast advertising in LP newspapers.
3. Broadcast Services Agreement	Canwest Limited Partnership	Canwest Television Limited Partnership	<ul style="list-style-type: none"> ▪ Canwest Business Services ▪ Canwest Information Technology Group ▪ Corporate HR services ▪ Digital (Website development)
4. Canwest Services Agreement	Canwest Limited Partnership	CMI	<ul style="list-style-type: none"> ▪ Canwest Business Services ▪ Canwest Information Technology Group ▪ Corporate HR services ▪ Digital services - Website development
5. Sales Representation and Agency Services	Canwest Limited Partnership	Canwest Television Limited Partnership	<ul style="list-style-type: none"> ▪ Cross promotional services. ▪ Broadcast advertising in LP newspapers.
6. National Post Lease/CTLP Lease	Canwest Limited Partnership	National Post / Canwest Television Limited Partnership	<ul style="list-style-type: none"> ▪ Rent for premises located at 1450 Don Mills Rd., Toronto, ON.
7. Affiliation Services Agreement	Canwest Limited Partnership CMI	Canwest Limited Partnership CMI	<ul style="list-style-type: none"> ▪ Editorial content ▪ Cost sharing initiatives
8. Trademarks License Agreement	Canwest Global Communications Corp.	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ non exclusive, royalty-free license to use some or all of the Canwest trademarks in Canada and to sublicense the use of the Canwest trademarks to the subsidiaries engaged in the publishing business

Appendix A
Summary of Shared Services Agreements

Agreement	Services Provided By	Services Provided To	Description of Services
9. Cooperation and Confidentiality Services	Canwest Limited Partnership	Canwest Global Corp CMI	<ul style="list-style-type: none"> ▪ Financial, tax and other regulatory support services ▪ Financial reporting ▪ Preparation of regulatory and other filings (e.g. tax)
10. Pension Plan Participation Agreements (4 separate agreements)	Canwest Limited Partnership, CMI, and CPI	Canwest Limited Partnership, CMI, and CPI	<ul style="list-style-type: none"> ▪ The Pension Plan Participation Agreements provide for intercompany charges between Canwest entities to align pension related costs of employees of one Canwest entity who participate in the pension plan of another Canwest entity.
11. Insurance Premium Sharing Agreement	CMI	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ Insurance coverage under policies procured by CMI on behalf of all Canwest entities for comprehensive, general liability, property, etc.
12. Employee Secondment and Cost Reimbursement Arrangements	Canwest Limited Partnership, CMI, Canwest Television Limited Partnership, CPI and National Post	Canwest Limited Partnership, CMI, Canwest Television Limited Partnership, CPI and National Post	<ul style="list-style-type: none"> ▪ Undocumented agreements that provide for a system of intercompany charges to align employee costs for employees who provide services to one Canwest entity, but who are employees, and are on the payroll of another Canwest entity.

APPENDIX 'B'

Appendix B

Summary of Shared Services Agreements as Amended by the Shared Services Transition Agreement

Agreement	Services Provided By	Services Provided To	Description of Services	Monthly Charges	Termination Date
1. Executive Advisory Services Agreement	CMI Corporate	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ Corporate development ▪ Strategic planning ▪ Capital Allocation ▪ Financing ▪ Risk Management 	\$250,000 (includes both Executive Advisory and Partnership Services)	February 28, 2010
2. Partnership Services Agreement	CMI Corporate	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ Administrative ▪ Legal ▪ Tax compliance ▪ Investor/public relations ▪ Corporate development ▪ Internal Audit ▪ Cross promotional services. Broadcast advertising in LP newspapers. 	(Fees charged under this agreement are included in the fees charged under the Executive Advisory Services Agreement above)	February 28, 2010
3. Broadcast Services Agreement	Canwest Limited Partnership	Canwest Television Limited Partnership	<ul style="list-style-type: none"> ▪ Canwest Business Services ▪ Canwest Information Technology Group ▪ Corporate HR services ▪ Digital (Website development) 	Business Services: \$257,283 IT: \$544,415 ¹ through Aug. 2010 and \$433,335 ¹ through Feb. 2011 Corp. HR: \$76,962 Digital: \$93,650	Business Services: August 31, 2010 IT: August 31, 2010 and February 28, 2011 ² Corp. HR: February 28, 2010 Digital: August. 31, 2010

Appendix B

Summary of Shared Services Agreements as Amended by the Shared Services Transition Agreement

Agreement	Services Provided By	Services Provided To	Description of Services	Monthly Charges	Termination Date
4. Canwest Services Agreement	Canwest Limited Partnership	CMI	<ul style="list-style-type: none"> ▪ Canwest Business Services ▪ Canwest Information Technology Group ▪ Corporate HR services ▪ Digital services - Website development 	(Fees charged under this agreement are included in fees charged under the Broadcast Services Agreement above)	Business Services: August 31, 2010 IT: August 31, 2010 and February 28, 2011 ² Corp. HR: February 28, 2010 Digital: August 31, 2010
5. Sales Representation and Agency Services	Canwest Limited Partnership	Canwest Television Limited Partnership	<ul style="list-style-type: none"> ▪ Cross promotional services. ▪ Broadcast advertising in LP newspapers. 	Not Amended	August 31, 2010
6. National Post Lease/CTLP Lease	Canwest Limited Partnership	National Post / Canwest Television Limited Partnership	<ul style="list-style-type: none"> ▪ Rent for premises located at 1450 Don Mills Rd., Toronto, ON. 	CTLP: \$10,970 National Post: N/A	CTLP: August 31, 2010 National Post: N/A
7. Affiliation Services Agreement	Canwest Limited Partnership CMI	Canwest Limited Partnership CMI	<ul style="list-style-type: none"> ▪ Editorial content ▪ Cost sharing initiatives 	\$16,667	August 31, 2010
8. Trademarks License Agreement	Canwest Global Communications Corp.	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ non exclusive, royalty-free license to use some or all of the Canwest trademarks in Canada and to sublicense the use of the Canwest trademarks to the subsidiaries engaged in the publishing business 	Not Amended	Earlier of (a) the Closing Date, (b) the date Canwest LP Emerges from its CCAA Proceeding (if commenced), (c) August 31, 2010 and (d) such other date as the parties to such agreement may agree

Appendix B

Summary of Shared Services Agreements as Amended by the Shared Services Transition Agreement

Agreement	Services Provided By	Services Provided To	Description of Services	Monthly Charges	Termination Date
9. Cooperation and Confidentiality Services	Canwest Limited Partnership	Canwest Global Corp CMI	<ul style="list-style-type: none"> ▪ Financial, tax and other regulatory support services ▪ Financial reporting ▪ Preparation of regulatory and other filings (e.g. tax) 	\$8,333	Earlier of (a) the Closing Date, (b) the date Canwest LP Emerges from its CCAA Proceeding (if commenced) and (c) August 31, 2010.
10. Pension Plan Participation Agreements (4 separate agreements)	Canwest Limited Partnership, CMI, and CPI	Canwest Limited Partnership, CMI, and CPI	<ul style="list-style-type: none"> ▪ The Pension Plan Participation Agreements provide for intercompany charges between Canwest entities to align pension related costs of employees of one Canwest entity who participate in the pension plan of another Canwest entity. 	Under the Shared Services Transition Agreement, employee contracts will be amended to align employers with pension plan sponsors	Immediate
11. Insurance Premium Sharing Agreement	CMI	Canwest Limited Partnership	<ul style="list-style-type: none"> ▪ Insurance coverage under policies procured by CMI on behalf of all Canwest entities for comprehensive, general liability, property, etc. 	Not Amended	Earlier of the (a) Closing Date, (b) the date Canwest LP Emerges from its CCAA Proceeding (if commenced), (c) the date upon which CMI and Canwest LP cease to be Affiliates, (d) August 31, 2010 and (e) such other date as the parties to such agreement may agree.

Appendix B

Summary of Shared Services Agreements as Amended by the Shared Services Transition Agreement

Agreement	Services Provided By	Services Provided To	Description of Services	Monthly Charges	Termination Date
12. Employee Secondment and Cost Reimbursement Arrangements	Canwest Limited Partnership, CMI, Canwest Television Limited Partnership, CPI and National Post	Canwest Limited Partnership, CMI, Canwest Television Limited Partnership, CPI and National Post	<ul style="list-style-type: none"> ▪ Undocumented agreements that provide for a system of intercompany charges to align employee costs for employees who provide services to one Canwest entity, but who are employees, and are on the payroll of another Canwest entity. 	Under the Shared Services Transition Agreement, employees contracts are to be amended in order to align employees with the entity to which they provide services	Immediate

¹ Includes both cost reimbursements and allocated capital charges.

² The termination date of August 31, 2010 is for IT services August 31, 2010 listed in Schedule B, to the Agreement on Shared Services and Employees dated October 26, 2009. Services listed in Schedule C of the Agreement on Shared Services and Employees and all other IT Services other than those listed in Schedule B will be terminated on February 28, 2011.