

District of: Ontario  
Division No: 09-Toronto  
Court No: 31-1423385  
Estate No: 31-1423385

In the Matter of the Bankruptcy of  
**LEGACY NPC PARTNERSHIP**  
Report of the Trustee on PRELIMINARY ADMINISTRATION  
For the First Meeting of Creditors  
November 16, 2010

**PRELIMINARY COMMENTS**

Legacy NPC Partnership (“Legacy NPC” or “The Partnership”) filed an assignment in bankruptcy with the Official Receiver on October 27, 2010 and FTI Consulting Canada Inc. (“FTI”) was appointed Trustee of the estate of the bankrupt (in such capacity, the “Trustee”) by the Official Receiver on October 28, 2010, subject to confirmation of its appointment by the creditors.

In preparing this Report, we relied on unaudited financial information and information collected during discussions and/or meetings with management of Legacy NPC. We have not carried out an audit or other review of the information, and accordingly express no opinion thereon.

**BACKGROUND**

The Partnership formerly carried on business as the National Post Company/La Publication National Post. Effective October 27, 2010, the National Post Company/La Publication National Post changed its name to Legacy NPC Partnership.

The Partnership is a general partnership created on June 27, 2000 and organized under the *Partnership Act* (Ontario), R.S.O. 1990 Chapter P.5. Its units are held by 4514866 Canada Inc. (formerly, Canwest Media Inc.) (“CMI”) and 4514858 Canada Inc. (formerly National Post Holdings Ltd.), a wholly-owned subsidiary of CMI. A copy of the organizational chart outlining this relationship can be found in Exhibit “A”.

On October 6, 2009, CMI and certain of its subsidiaries listed in Schedules “A” and “B” to the CCAA initial order (collectively, the “CMI Entities”) sought and obtained protection from their creditors pursuant to an initial order (the “Initial Order”) under the *Companies’ Creditors Arrangement Act* (Canada) (the “CCAA”). All documents in their proceedings under the CCAA can be found posted online at the Monitor’s website: <http://cfcanada.fticonsulting.com/cmi/>. Pursuant to the Initial Order, FTI was appointed Monitor of the CMI Entities.

Legacy NPC’s head office and principal place of business was located at 1450 Don Mills Road, Toronto, Ontario, M3B 3R5.

Until October 30, 2009, Legacy NPC carried on business publishing the National Post national newspaper

and operating related online publications. Effective October 30, 2009, the assets of the Partnership were transferred to National Post Inc. (a wholly-owned subsidiary of Canwest Publishing Inc./Publications Canwest Inc.) pursuant to the National Post Transition Agreement. National Post Inc. was subsequently acquired by PostMedia Network Inc. as part of the Court-approved plan of compromise and arrangement of Canwest Publishing Inc. and certain related entities.

The Partnership has no employees and has been inactive since the transfer of assets pursuant to the National Post Transition Agreement.

Legacy NPC has significant unsecured obligations due and insufficient cash to satisfy the obligations. Legacy NPC no longer has the capacity to meet its obligations generally as they become due. In addition, Section 5.6 of the Amended and Restated Plan of Compromise, Arrangement and Reorganization of the CMI Entities (the "Plan") and the Plan Sanction Order dated July 28, 2010 provided that Legacy NPC would make an assignment in bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) ("BIA") on the Plan Implementation Date (as defined in the Plan).

#### **CONFLICT OF INTEREST**

No conflict of interest exists for FTI to act as Trustee of Legacy NPC.

As previously noted, on October 6, 2009, FTI was appointed as Monitor of the CMI Entities. Furthermore, on January 8, 2010, FTI was appointed Monitor of Canwest Publishing Inc./Publications Canwest Inc., Canwest Books Inc., Canwest (Canada) Inc. and Canwest Limited Partnership/Canwest Societe Commandite.

On November 26, 2009, FTI was appointed Trustee in the bankruptcies of Fireworks Entertainment Inc., CEIDI (Canada) I Inc., CEIDI (Canada) II Inc., and Canwest Entertainment Inc.

#### **TAKING POSSESSION AND SAFEGUARDING ASSETS**

Currently, the Trustee has taken possession of all known assets.

#### **CONSERVATORY AND PROTECTIVE MEASURES**

The Trustee has made arrangements for storage of the Partnerships books and records.

#### **STATEMENT OF AFFAIRS**

The Statement of Affairs ("SoA") was prepared with the assistance of the Trustee in compliance with the provisions of the BIA on October 27, 2010 (being the date the assignment in bankruptcy was filed with the Official Receiver). The following is a summary of the assets and liabilities of Legacy NPC as reflected in the SoA and the Revised Statement of Affairs based on updated information:

	Original Statement of Affairs	Revised Statement of Affairs
<b>Assets</b>		
Cash	\$ 1,253,922	\$ 1,253,919
Securities	\$ 21,250	\$ 21,250
<b>Total Assets</b>	<b>\$ 1,275,172</b>	<b>\$ 1,275,169</b>
<b>Liabilities</b>		
Unsecured Creditors	\$ 142,129,378	\$ 139,199,158
<b>Total Liabilities</b>	<b>\$ 142,129,378</b>	<b>\$ 139,199,158</b>
Deficiency	\$ (140,854,205)	\$ (137,923,989)

### **Cash**

Legacy NPC held a bank account with the Bank of Nova Scotia (“BNS”). Upon appointment, the Trustee notified the financial institution of the bankruptcy and directed BNS that all Legacy NPC accounts be frozen. The balance of \$1.254 million was transferred to a trust account set up by the Trustee.

### **Securities**

Legacy NPC holds 3,456 Canadian Equipment Rental Fund Limited Partnership and 770 Gaz Metro Limited Partnership units. The estimated proceeds in the amount of \$21,250 are based on recent market values per the Partnership’s most recent BNS statements. The Trustee is looking into next steps in order to realize on the securities.

### **Unsecured Creditors**

More than 99% of Legacy NPC’s liabilities are due to related parties (Canwest Media Inc. and Canwest Global Communications Corp.) The Trustee has been advised by former management that substantially all of the indebtedness to the related parties relates to CMI’s funding of operating losses incurred by The National Post in the years preceding the CMI Entities’ CCAA Proceedings. The Trustee will review the Partnership records with respect to this matter.

Pursuant to Section 5.6 (c) of the Plan Sanction Order, the claims procedure implemented as part of the CMI Entities’ CCAA proceedings will apply to determine all unsecured claims against the Partnership. Section 5.6(c) of the Plan Sanction Order provides as follows:

*The Claims Procedure Order, the CMI Claims Bar Date, and the Restructuring Claims Bar Date shall continue to apply in respect of the determination of Claims against National Post Holdings, National Post and the National Post Consolidated Bankruptcy Estate, if any, for voting purposes and distributions in such estates and only Ordinary Creditors having Proven Distribution Claims against National Post Holdings, National Post and the National Post Consolidated Bankruptcy Estate, if any, shall*

*be entitled to receive distributions from National Post Holdings, National Post or the National Post Consolidated Bankruptcy Estate.*

#### **LEGAL PROCEEDINGS**

According to information available to the Trustee, no legal proceedings against the estate were commenced since the date of bankruptcy.

To date, the Trustee has not initiated any legal actions.

#### **TRANSFERS UNDERVALUE AND PREFERENCES**

The trustee has secured the books and records of Legacy NPC for the purpose of identifying Transfers Under Value and Preferences. The Trustee will report to and seek instructions from the estate inspector(s) regarding its findings once this review is completed.

In accordance with section 5.5(b) of the Plan, Legacy NPC repaid CMI from the National Post Transaction proceeds all advances or loans made to them from CMI from after the commencement of the CMI Entities' CCAA proceedings. The Trustee is advised by management that such payment was authorized by the Initial Order and was in accordance with the provisions of the CCAA.

#### **THIRD PARTY DEPOSITS/GUARANTEES**

The Monitor does not have any third party deposits/guarantees.

#### **ANTICIPATED REALIZATION AND DISTRIBUTION PROCESS**

Based on the estimated realizable value of the assets of Legacy NPC, the Trustee is of the view that the unsecured creditors with proven claims will receive a pro-rata distribution of the available assets.

Within the coming weeks, the Trustee intends to bring a motion in the bankruptcy Court to consolidate the estates of Legacy NPC Partnership and 4514858 Canada Inc.

We will be available at the meeting of creditors should creditors have any questions regarding this report or other related matters.

DATED at the City of Toronto, in the Province of Ontario this 15<sup>th</sup> day of November, 2010.

FTI Consulting Canada Inc.

In its capacity as Trustee of Legacy NPC Partnership and not in its personal capacity

Per:

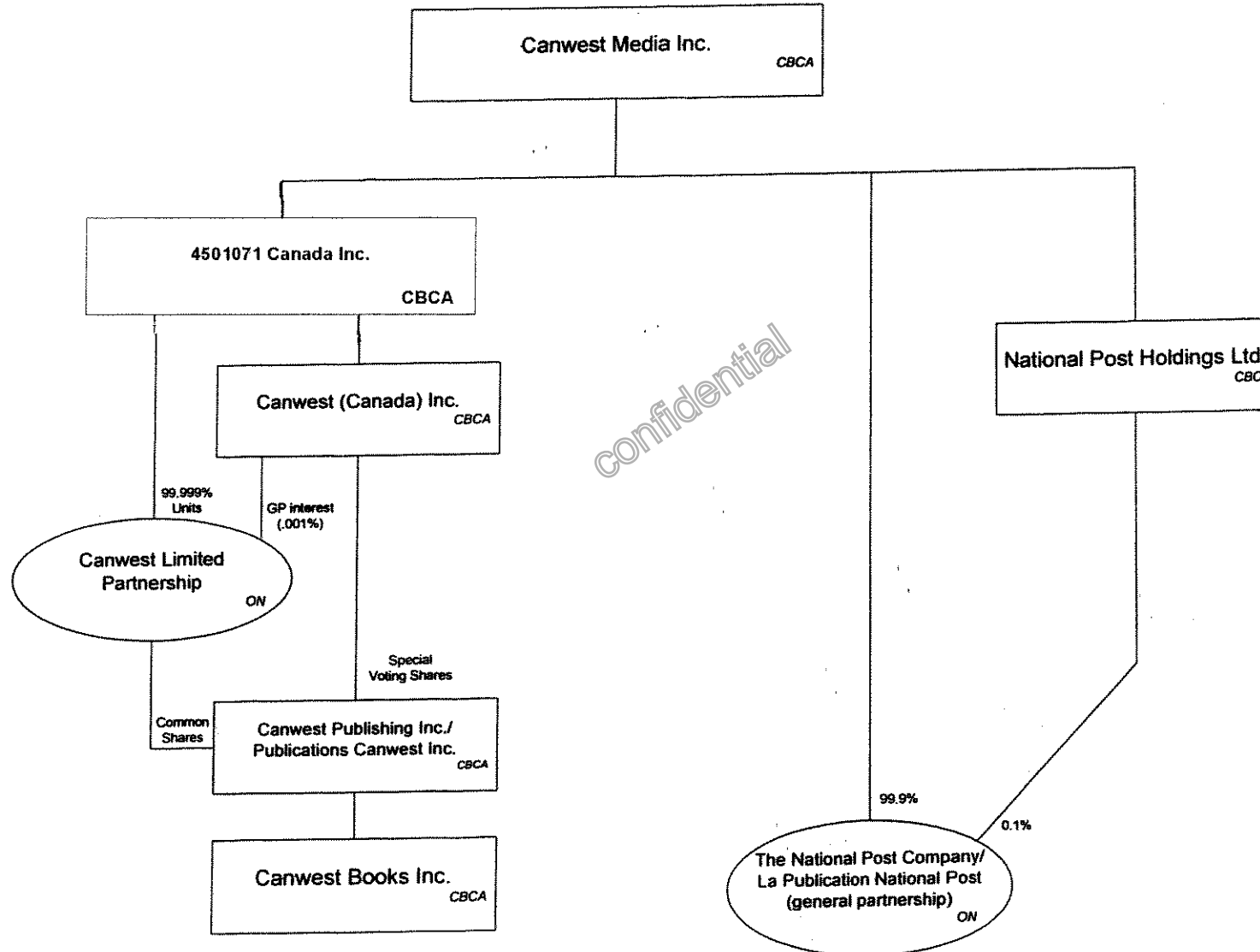
A handwritten signature in blue ink, appearing to read 'Greg Watson', with a long horizontal stroke extending to the right.

Greg Watson  
Senior Managing Director

# Exhibit A

### Canadian Operations

All holdings are 100%, unless otherwise noted



confidential