

TAB 2

Court File No.

**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"

APPLICANTS

**AFFIDAVIT OF JOHN E. MAGUIRE
(Sworn October 5, 2009)**

I, John E. Maguire, of the City of Winnipeg, in the Province of Manitoba, the Chief Financial Officer of the Applicant, Canwest Global Communications Corp. ("**Canwest Global**"), MAKE OATH AND SAY:

INTRODUCTION

1. This Affidavit is made in support of an Application by Canwest Global and the other Applicants listed on Schedule "A" hereto (together, the "**Applicants**") for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). While the partnerships listed on Schedule "B" hereto (the "**Partnerships**") are not Applicants in this proceeding, the Applicants seek to have a stay of proceedings and other benefits of an Initial Order under the CCAA extended to the Partnerships as they carry on operations integral to the business of the Applicants.

2. I am the Chief Financial Officer of Canwest Global and its principal operating subsidiary Canwest Media Inc. ("**CMI**"). I am also a director of CMI and an officer of certain of the Applicants listed on Schedule "A", including CMI and Canwest Television GP Inc. ("**Canwest Television GP**"). As such, I have personal knowledge of the matters deposed to herein. Where I have relied upon other sources for information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I have also consulted

with other members of Canwest Global's senior management team and, where necessary, members of the senior management teams of Canwest Global's subsidiaries.

3. Canwest Global is a leading Canadian media company with interests in (i) free-to-air television stations and subscription-based specialty television channels and (ii) newspaper publishing and digital media operations. With respect to its television operations, Canwest Global, principally through its subsidiary Canwest Television Limited Partnership ("**CTLP**"), owns and operates the *Global Television Network* (as defined below), which is comprised of 12 free-to-air television stations and covers approximately 98% of Canada's English-language television market. Canwest Global, through its subsidiaries, also owns and operates a portfolio of leading subscription-based national specialty television channels, including 17 leading specialty television channels which are held jointly with Goldman Sachs Capital Partners ("**Goldman Sachs**") and which include *Food Network Canada*, *HGTV Canada*, *Slice* and *History Television*.

4. With respect to its newspaper publishing operations, Canwest Global, principally through its subsidiary Canwest Limited Partnership (the "**Limited Partnership**"), is the largest publisher of daily English-language newspapers in Canada which have an estimated average daily circulation of approximately 1.0 million copies and an estimated average weekly readership of approximately 4.1 million people. Canwest Global, through the Limited Partnership, also publishes a number of community newspapers and other publications and has extensive online and digital media operations. In addition, Canwest Global, through its indirect ownership interest in The National Post Company/La Publication National Post (the "**National Post Company**"), publishes the *National Post* national newspaper and related online operations.

5. Until recently, Canwest Global, indirectly through its subsidiary CanWest MediaWorks Ireland Holdings ("**CMIH**"), was also the majority and controlling shareholder of Ten Network Holdings Limited ("**Ten Holdings**"), which is the owner and operator of various businesses in Australia, including *Ten Television Network*, a free-to-air television network, and Eye Corp Pty. Limited, a multi-national out-of-home advertising business. As described in greater detail below, CMIH recently sold its interest in Ten Holdings.

6. The entities seeking relief in this CCAA proceeding do not comprise the entire Canwest Global enterprise. Relief is sought only on behalf of Canwest Global, CMI, CTLP, the National Post Company and certain of their respective subsidiaries (all of whom are guarantors

under CMI's 8% Senior Subordinated Notes (as defined below) and are parties to the Support Agreement (as defined below)). The businesses operated by the Applicants and Partnerships seeking CCAA protection (collectively, the "**CMI Entities**") include (i) Canwest's free-to-air television broadcast business (*i.e.*, the *Global Television Network* stations); (ii) certain subscription-based specialty television channels that are wholly owned and operated by CTLP (defined below as the "**CMI Owned Specialty Channels**"); and (iii) the *National Post*.

7. For greater certainty, the following entities and businesses are not included in this CCAA proceeding, nor is a stay of proceedings sought in respect of them: (i) Canwest Global's Canadian subscription-based specialty television channels which are held jointly with Goldman Sachs (acquired from Alliance Atlantis Communications Inc. ("**Alliance Atlantis**") in August 2007) and which are now operated by Canwest Global's indirect subsidiary CW Investments Co. ("**CW Investments**") and its subsidiaries; (ii) Canwest Global's subscription-based specialty television channels which are held in the Canadian Television Segment (as defined below) but not wholly owned by CTLP (*i.e.*, *TVtropolis*, *MysteryTV* and *MenTV*); and (iii) the entities in Canwest's publishing and digital media business in Canada (with the exception of the *National Post*), namely the Limited Partnership, Canwest Publishing Inc./Publications Canwest Inc. ("**CPI**"), Canwest Books Inc. ("**CBI**"), and Canwest (Canada) Inc. ("**CCI**") (collectively, the "**LP Entities**").

8. Hereinafter, where reference is made to the Canwest Global enterprise as a whole, which includes all of the CMI Entities, together with Canwest Global's other subsidiaries which are not Applicants or Partnerships in this CCAA proceeding, the term "**Canwest**" will be used.

9. As of October 1, 2009, Canwest employed the full-time equivalent ("**FTE**") of approximately 7,400 employees around the world. Of that number, approximately 1,700 FTE employees are employed by the CMI Entities, the vast majority of whom work in Canada, with approximately 850 FTE employees working in Ontario.

10. Over the past year, the CMI Entities have experienced significant and sudden declines in their advertising revenues reflecting the weakening economic environment in Canada. The weakening economy has caused many of the CMI Entities' advertising customers to reduce the amounts that they spend on advertising, resulting in decreased demand for advertising and lower advertising rates. The decrease in advertising revenue (which accounts for approximately

77% of Canwest's total Canadian revenues) has had a significantly negative impact on the cash flow positions of the CMI Entities, causing them to be at various times in default of their credit facilities, note indenture and guarantee obligations.

11. In particular, in February 2009, CMI breached, for the first time, certain financial covenants set out in its then current senior secured credit facility. Following the initial default, CMI received a waiver of the borrowing conditions from its then current senior lenders to allow the CMI Entities an opportunity to pursue a possible refinancing or recapitalization transaction. The waiver was extended on six separate occasions over the following three months.

12. On March 15, 2009, CMI failed to make an interest payment in the amount of US\$30.4 million which was due in respect of its US\$761,054,211 aggregate principal amount of 8% senior subordinated notes due 2012 (the "**8% Senior Subordinated Notes**"). Under the terms of the applicable note indenture, CMI had 30 days to "cure" its default and make the required interest payment to the holders of the 8% Senior Subordinated Notes (the "**8% Senior Subordinated Noteholders**"). On April 14, 2009, immediately before the "cure" period was set to expire, CMI entered into the first of a series of extension agreements with an *ad hoc* committee of the 8% Senior Subordinated Noteholders holding approximately 72% of the 8% Senior Subordinated Notes (the "**Ad Hoc Committee**"), wherein the parties agreed that the 8% Senior Subordinated Noteholders who were party to that extension agreement would not demand immediate payment of the principal amount of the outstanding 8% Senior Subordinated Notes during the applicable extension period. Had the waiver agreements and extension agreements not been provided, and had a demand for immediate payment been made by either The Bank of Nova Scotia ("**BNS**"), as Administrative Agent, on behalf of CMI's then current senior lenders, or on behalf of the 8% Senior Subordinated Noteholders, neither CMI nor any of the guarantors under the then current senior secured credit facility or note indenture would have been in a position to repay the amounts owing under the then current senior secured credit facility or the 8% Senior Subordinated Notes.

13. On May 20, 2009, after a series of lengthy negotiations with the Ad Hoc Committee, CMI announced that it had entered into an agreement (as amended, the "**Note Purchase Agreement**") with certain members of the Ad Hoc Committee wherein CMI and its subsidiary CTLP agreed to issue the U.S. dollar equivalent of \$105 million principal amount of

12% senior secured notes (the “**12% Secured Notes**”) to those members of the Ad Hoc Committee (the “**12% Secured Notes Purchasers**”) for an aggregate purchase price of \$100 million. On the same day, CMI announced that it would be entering into an agreement with CIT Business Credit Canada Inc. (“**CIT**”) wherein CIT would provide a senior secured revolving asset-based loan (“**ABL**”) facility in an amount up to \$75 million to CMI (the “**CIT Facility**”). Both transactions closed on May 22, 2009. These transactions were entered into to provide CMI with sufficient cash to operate its business in the ordinary course until it could enter into further agreements to effect a consensual recapitalization transaction for the CMI Entities. CMI also used the proceeds from the issue and sale of the 12% Secured Notes and from the CIT Facility to, among other things, repay its then current senior lenders all amounts owing under the then current senior credit facility and to settle certain related swap obligations.

14. Due to the size of the indebtedness owing to the 8% Senior Subordinated Noteholders, the continued forbearance of the members of the Ad Hoc Committee with respect to CMI’s interest payment default and as a result of the additional liquidity provided to the CMI Entities as a result of the Note Purchase Agreement, the Ad Hoc Committee was provided with the opportunity to negotiate with the CMI Entities a creditor-sponsored “pre-packaged” recapitalization transaction for the CMI Entities. The CMI Entities recognized that any consensual recapitalization transaction would necessarily require the support of the members of the Ad Hoc Committee. In that regard, the Note Purchase Agreement and the CIT Facility contained certain milestones for the achievement of an agreement in principle and the execution of definitive documents with respect to a restructuring or recapitalization transaction involving the CMI Entities. The time frames for satisfying these milestones were extended on numerous occasions while the parties negotiated a possible recapitalization transaction.

15. On September 22, 2009, the board of directors of Canwest Global (the “**Board**”) authorized the sale of all of the shares of Ten Holdings owned by CMIH (the “**Ten Shares**”) on the recommendation of a Special Committee of the Board struck to explore strategic alternatives for Canwest (the “**Special Committee**”), and with the consent of CIT, the Ad Hoc Committee and the 12% Secured Notes Purchasers. Canwest pursued a sale of the Ten Shares in order to enhance the ability of the CMI Entities to enter into a consensual recapitalization transaction with the Ad Hoc Committee by: (i) providing additional liquidity to CMI for general corporate purposes and to fund the CMI Entities’ operations pending completion of a recapitalization

transaction; (ii) repaying all outstanding amounts owing under the CIT Facility, excluding outstanding letters of credit in the amount of approximately \$10.7 million; (iii) repaying all of the amounts owing to the 12% Secured Notes Purchasers; and (iv) depositing amounts with the trustee for the 8% Senior Subordinated Notes (the "**Indenture Trustee**") for the purpose of reducing the aggregate principal amount owing under the 8% Senior Subordinated Notes. Pursuant to an underwriting agreement dated September 24, 2009 (the "**Underwriting Agreement**"), the sale of the Ten Shares was effected in a block trade executed on the Australian Stock Exchange on September 25, 2009 and settled on October 1, 2009, realizing gross proceeds of approximately \$634 million (the "**Ten Proceeds**").

16. In light of the sale of the Ten Shares, the CMI Entities and the members of the Ad Hoc Committee (representing approximately 72% of the aggregate principal amount of the outstanding 8% Senior Subordinated Notes) executed a Use of Cash Collateral and Consent Agreement (the "**Cash Collateral and Consent Agreement**") dated September 23, 2009 that set out, among other things, the manner in which the Ten Proceeds would be used by the CMI Entities.

17. In accordance with the terms of the Cash Collateral and Consent Agreement, after satisfying certain transactional costs associated with the sale of the Ten Shares, the Ten Proceeds were loaned by CMIH to CMI in exchange for a secured promissory note (the "**Secured Intercompany Note**") in the amount of \$187,263,126 and an unsecured promissory note (the "**Unsecured Promissory Note**") in the amount of \$430,556,189. The Ten Proceeds advanced to CMI pursuant to the Secured Intercompany Note were applied as follows: (i) US\$94,916,583 to repay in full all amounts outstanding under the 12% Secured Notes; and (ii) \$85,000,000 to fund general liquidity and operating costs of CMI, including repaying the full balance outstanding under the CIT Facility of approximately \$23 million, excluding outstanding letters of credit in the amount of approximately \$10.7 million which are currently cash collateralized. The balance of the net Ten Proceeds, US\$399,625,199, was advanced to CMI pursuant to the Unsecured Promissory Note and was then deposited by CMI with the Indenture Trustee in payment of outstanding interest (other than an interest payment due September 15, 2009) and to reduce the principal outstanding under the 8% Senior Subordinated Notes. Following the distribution of the Ten Proceeds, the outstanding remaining principal amount owing under the 8% Senior Subordinated Notes is US\$393,197,106.

18. Coincidentally with entering into the Underwriting Agreement for the sale of the Ten Shares and the execution of the Cash Collateral Agreement, the members of the Ad Hoc Committee delivered an offer in respect of a recapitalization transaction to the CMI Entities in the form of a Support Agreement executed by approximately 72% of the 8% Senior Subordinated Noteholders (the “**Support Agreement**”). The Support Agreement had attached to it a Restructuring Term Sheet (the “**Term Sheet**”) which contained the summary terms and conditions of a going concern recapitalization transaction involving the CMI Entities (the “**Recapitalization Transaction**”). Pursuant to the conditions of this offer, the Support Agreement was not capable of being accepted by the CMI Entities until the Ten Proceeds were distributed in accordance with the Cash Collateral and Consent Agreement. On October 5, 2009, after the completion of the distribution of the Ten Proceeds, on the recommendation of the Special Committee, the Board approved (and the boards of the other CMI Entities as applicable also approved) the acceptance of the Support Agreement. The Support Agreement and Term Sheet represent the culmination of many months of arm’s length negotiations between the CMI Entities and the Ad Hoc Committee.

19. The Support Agreement provides that the CMI Entities will pursue a plan of arrangement or compromise on the terms set out in the Term Sheet (the “**Plan**”) in order to implement the Recapitalization Transaction as part of this CCAA proceeding. The Support Agreement also provides that each 8% Senior Subordinated Noteholder that is a signatory thereto (the “**Consenting Noteholders**”) will vote its 8% Senior Subordinated Notes in favour of the Plan at any meeting of creditors. Under the Recapitalization Transaction, it is proposed, *inter alia*, that creditors of the CMI Entities whose claims are compromised under the Plan, including the 8% Senior Subordinated Noteholders, will receive common shares of a restructured Canwest Global (“**Restructured Canwest Global**”). It is proposed that existing shareholders of Canwest Global will receive in aggregate 2.3% of the shares of Restructured Canwest Global.

20. The Support Agreement provides that the CMI Entities will make the within application under the CCAA in order to implement the Recapitalization Transaction. The Consenting Noteholders who executed the Support Agreement and the Cash Collateral and Consent Agreement executed such agreements on the basis that a restructuring of the CMI Entities as proposed would be undertaken pursuant to the CCAA. Without the liquidity provided by the Consenting Noteholders under the Cash Collateral and Consent Agreement, which is

intended to allow the CMI Entities to continue to operate pending completion of a recapitalization and which is only available within a CCAA proceeding, the CMI Entities would be unable to continue as going concerns and are thus insolvent. In addition, CMI did not make, and does not have the necessary liquidity to make, an interest payment in the amount of US\$30.4 million that was due and payable on September 15, 2009 under the 8% Senior Subordinated Notes and therefore cannot satisfy its debts as they become due. None of the other CMI Entities which are guarantors of the 8% Senior Subordinated Notes can make such payment and are thus insolvent. Further, the assets of the CMI Entities are not sufficient to discharge all of their liabilities and the CMI Entities are thus also insolvent on a balance sheet basis.

21. Accordingly, and for the reasons set out herein, the CMI Entities are insolvent and a restructuring of their long-term debt and balance sheets is urgently required and should be pursued in order to preserve their enterprise value.

22. The CMI Entities have reached an agreement on a consensual restructuring transaction with the Ad Hoc Committee. The CMI Entities are seeking a stay of proceedings under the CCAA in order to allow them to proceed to develop the Plan in order to implement the Recapitalization Transaction which, if approved by the creditors and this Honourable Court, would significantly reduce the amount of their indebtedness, allow for a going concern emergence for a substantial number of the businesses operated by the CMI Entities and maintain employment for as many as possible of their approximately 1,700 employees in Canada.

23. As set out below, pursuant to the terms of the CIT Credit Agreement (as defined below) and subject to the conditions therein, the CIT Facility increases from up to \$75 million to up to \$100 million and converts into a debtor-in-possession financing arrangement for the CMI Entities upon a CCAA filing (the "**DIP Facility**"). Based upon the additional liquidity provided by the Ten Proceeds that have been loaned to CMI by CMIH and the CMI Entities' cash flow projections, the CMI Entities do not expect to draw on the DIP Facility during the early stages of this CCAA proceeding. However, should the need arise, the DIP Facility will be available to be accessed to provide additional liquidity to allow the CMI Entities to develop and implement the Plan.

24. The CMI Entities are also seeking this Honourable Court's authorization for the proposed Monitor to apply for recognition of this CCAA proceeding as "Foreign Main