

Court File No. CV-10-8533-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

BETWEEN:

**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 PUBLISHING
INC./PUBLICATIONS CANWEST INC., CANWEST
BOOKS INC., AND CANWEST (CANADA) INC.**

Applicants

**AFFIDAVIT OF MARK HOOTNICK
(sworn January 27, 2010)**

I, MARK HOOTNICK, of the City of New York, in the State of New York,
MAKE OATH AND SAY:

1. I am a Managing Director at Moelis & Company LLC ("Moelis"), financial advisor to the ad hoc committee (the "Committee") of the holders of the 9.25% Senior Subordinated Notes (the "Notes") issued by Canwest Limited Partnership (the "Limited Partnership") under a note indenture dated July 13, 2007 (collectively, the "Noteholders"). The Notes are in default and the Noteholders are owed approximately \$438,000,000.
2. On January 8, 2010, the Court granted the Applicants and the Limited Partnership (together with the Applicants, the "LP Entities") protection from their creditors under the *Companies' Creditors Arrangement Act* (the "CCAA"). The Court

appointed FTI Consulting Inc. to act as the monitor (the "Monitor") in the CCAA proceedings.

3. Moelis is an investment bank that provides financial advisory services to clients in connection with mergers and acquisitions, restructurings and other strategic matters. Moelis' managing directors are veteran dealmakers who have extensive experience in raising capital and conducting complex transactions with respect to, among other things, distressed companies. Moelis operates through offices in North America, Europe and Australia.

4. Recently, Moelis has been involved in a number of large restructurings (representing the debtor or creditors) including Idearc Inc., Aleris International Inc., Tribune Co., Lyondell Chemical Company, TOUSA Inc., General Growth Properties Inc. and Station Casinos Inc.

5. I have been involved in the investment banking industry for approximately 15 years and have, over that time, provided restructuring advice to companies, creditors, shareholders and other interested parties on restructuring transactions. I have advised both debtors and creditors in restructurings such as General Motors Company, ICO Global Communications (Holdings) Ltd., Stolt-Nielsen S.A, Ispat Mexicana, J.G. Wentworth LLC, US Office Products Company, Dayton Superior Corporation, AMF Bowling Inc. and Lear Corporation.

Moelis Retained By Committee

6. In December 2009, the Committee's legal advisor, Davies Ward Phillips & Vineberg LLP ("Davies") selected Moelis to act as its financial advisor in connection

with the Limited Partnership's default on the Senior Secured Credit Agreement and Notes, and the fact that the Limited Partnership is seeking restructuring alternatives. Specifically, Davies advised Moelis that the Committee was considering proposing a restructuring transaction involving the Limited Partnership and Davies wanted Moelis' advices on such a proposal.

7. At the time Moelis was engaged and while Moelis was negotiating its engagement letter, Moelis requested that the LP Entities provide it with access to the LP Entities' data room and management so that it could commence its due diligence in order to advise Davies on the Committee's restructuring proposal. Moelis offered to sign a confidentiality agreement that would limit its ability to disclose confidential information, including to members of the Committee who were not yet willing to receive such information on a confidential basis. The LP Entities provided such a confidentiality agreement several days after I was informed Davies requested it. The substance of the confidentiality agreement was settled on or about December 10, 2009 and Moelis executed it but did not receive an executed counterpart. On December 16, 2009, after the confidentiality agreement was finalized, the LP Entities first insisted on seeing Moelis' engagement letter as a condition for Moelis to have access to any confidential information. At that time, Moelis, Davies and the Committee had not yet executed and delivered the engagement letter. The LP Entities are not party to the engagement letter and are not paying any of Moelis' fees. After receiving a draft of the engagement letter, the Limited Partnership provided Moelis access to the data room on December 22, 2009. Moelis requested to meet

with management of the Limited Partnership but the Limited Partnership did not make management available to Moelis until after the CCAA Filing.

8. By letter agreement dated January 4, 2010, Davies retained Moelis in Davies capacity as counsel to the Committee. Moelis is advising and assisting the Committee with respect to its desire to put forward a competitive restructuring proposal regarding the LP Entities. The Agreements among the LP Entities and the Secured Lenders described below along with the sale process those parties designed make the task of advancing a competitive restructuring proposal extremely difficult.

The Support Agreement

9. In connection with the CCAA filing, the LP Entities and The Bank of Nova Scotia, as administrative agent for a syndicate of the Secured Lenders, negotiated a support agreement dated January 7, 2010 (the "Support Agreement").

10. The Support Agreement requires the LP Entities to:

- (i) accept a debtor-in-possession loan with terms that are more expensive than the Noteholders' proposal and which includes fees and restrictions that may have the effect of discouraging attempts to obtain alternative financing;
- (ii) pay fees that are likely to be substantial to the Secured Lender's advisors and not pay fees to financial advisors to other major stakeholders;

- (iii) pay fees to Secured Lenders who commit to accept the plan of reorganization described in the Support Agreement, which has the effect of benefiting the Secured Lenders over other stakeholders; and
- (iv) accept a sale and investor solicitation process (the "SISP") which is flawed (for the reasons described below) and has the effect of giving the Secured Lenders extensive control over the process and the ability to deter other bidders.

11. The Support Agreement also requires the LP Entities pursue a credit acquisition (the "Credit Acquisition") by an entity, capitalized by the Secured Lenders and the *pari passu* swap counterparties, that will acquire substantially all of the assets of the LP Entities.

The Sale and Investor Solicitation Process

12. I have reviewed the SISP and considered whether the SISP is an appropriate process to achieve the highest likely value for the LP Entities' business and benefit all of the LP Entities' stakeholders. The SISP became available to us when the Applicants filed for protection under the CCAA and the order was granted; neither Moelis nor the Committee had any input in its preparation. In my view, for the reasons set out below, among others, the SISP is not an appropriate process to maximize value for stakeholders and will likely deter competitive bidding for the LP Entities.

(a) Lack of Competition for Credit Acquisition

13. The Credit Acquisition establishes a floor price for the SISP using the principal amount of the Secured Debt (as defined below) to set the minimum value of

the LP Entities. No competitive process established the floor price. A competitive process may have allowed the LP Entities to arrange a stalking horse bid with a higher price. A higher price would also have allowed for distributions to stakeholders other than the Secured Lenders. If bids are submitted in accordance with the SISP then those bids are more than likely to be only marginally above the floor price.

14. The SISP, which the Secured Lenders proposed, will likely have the effect of deterring competitive bids and imposing increased costs on the LP Entities.

(b) Secured Lenders' Veto Rights

15. The SISP gives, in various stages, the Secured Lenders the ability to veto or reject any bid or offer that the LP Entities receive and that does not pay the Secured Lenders, in cash, the full amount owed to them (the "Secured Debt"), minus \$25 million. The veto right has several negative impacts on the ability of the SISP to achieve a maximum price for LP Entities.

16. First, the veto right will allow the Secured Lenders to defeat a proposal that could, in actual value terms, provide the most significant payment for the LP Entities. The vote of Senior Lenders holding only one-third of the Secured Debt could defeat such a proposal. The Secured Lenders could defeat such a proposal without any say from the Limited Partnership, the Court or FTI Consulting Inc., the court-appointed Monitor of the LP Entities. That is the case, notwithstanding that such a proposal could provide a greater benefit to all of the LP Entities' stakeholders, including the Secured Lenders.

17. For example, the Support Agreement gives Secured Lenders holding one-third of the Secured Debt the ability to veto an offer that would provide the Secured Lenders with almost a full payout of the Secured Debt in cash plus debt and securities in a restructured Limited Partnership and provide additional payments or benefits to other stakeholders. Less than a majority of the Secured Lenders could veto this proposal at Phase 1 so that the bid or offer would not be further considered or developed by the offeror or, indeed, by the LP Entities, the Monitor and others. This is the case notwithstanding that the value of the offer might exceed the value of the Secured Debt and might even offer the Secured Lenders a package of securities and cash that many of them would prefer. It is also possible that a proposal would allow those Secured Lenders who wanted a cash repayment to receive it, while allowing Secured Lenders who would prefer non-cash consideration to receive such other consideration; a minority of Secured Lenders could prevent this.

18. The SISF gives a group of the Secured Lenders control over whether any other stakeholder may obtain benefits from the sale of the Limited Partnership's assets or any other investment transaction. Giving such power to a small group of the Secured Lenders does not ensure that the sale process will obtain the maximum benefit for all stakeholders. Instead, such a process merely gives the Secured Lenders the opportunity to obtain what they consider best for themselves.

19. Second, the fact that a group of Secured Lenders are given a veto right over a bid that does not provide full cash payout of the Secured Debt will have a significant negative impact on the entire bidding process. The process favors an all cash bid, over a restructuring transaction that considers all options that are available.

20. Parties that may otherwise be willing to make a significant offer (but not a full cash payout of the Secured Lenders) will be less inclined to spend the time, effort and money that is required to make a proposal if the Secured Lenders can simply prevent the offer from moving forward without consideration of the desire of other stakeholders. Parties are unlikely to make a credible proposal when they are aware that it can be rejected, out of hand, by a party that has already had its bid approved.

(c) Lack of Clarity

21. Based on the SISIP, bidders will only be able to continue to Phase 2 of the process if the bids (i) contemplate a cash amount equal or greater to the Secured Debt or (ii) are structured in a way that might receive approval from the Secured Lenders. Based on the lack of information available regarding the Senior Lenders' proposal, it is impossible for a prospective bidder to know what form of bid the Secured Lenders might approve.

22. In order to assess whether a potential bid might receive such approval, a bidder needs to understand what value the Secured Lenders are to receive under their proposal. In order to understand that, a bidder must receive significant information that the Secured Lenders have not made available, including, for example, the debt to equity mix, the terms of the securities that the Secured Lenders will receive, whether those securities will be public or private, how much cash the Secured Lenders will receive, etc. As a result of the lack of the foregoing information, it is impossible for a potential bidder to know what type of consideration the Secured Lenders will receive under their own proposal. The information is necessary for a

proposed bidder to create a bid that would be potentially more valuable to the Secured Lenders.

23. Due to the lack of information being made available, potential bidders are being asked to bid against a proposal that they cannot value. As a result, the bidding process is, to a significant degree, illusory.

(d) Aggressive Timetable

24. The transaction to purchase the LP Entities is complex. The LP Entities operate 35 newspapers across nine metropolitan markets as well as a significant internet network of digital media properties. The LP Entities employ over 4,700 people, own or lease 17 principal facilities and are party to a variety of complex and material contractual arrangements. The businesses generate approximately \$1 billion a year in revenue.

25. It will be difficult and time consuming for a bidder to raise in the range \$1 billion and that difficulty will be compounded by the need to ensure that the business will continue to meet the Canadian ownership requirements of the *Income Tax Act*. That difficulty is further compounded by the fact that the Steering Committee of the Senior Lenders includes all of Canada's major chartered banks who may be unwilling to support competing bidders if they prefer their own bid.

26. For a transaction of this size and complexity, and given the limited access to information that has been provided to potential bidders, the current timetable is insufficient to ensure that the bid process is likely to result in the highest bid possible. Seven weeks is not enough time to allow for an interested party who has had limited

access to information to prepare and deliver a well considered bid, even one that is not binding. Further, the SISP requires a potential bidder to give some evidence of financing at Phase 1 and therefore a potential bidder will also need to have its prospective financial partners conduct due diligence and those financial sources will require that same diligence to be conducted.

Alternative Process

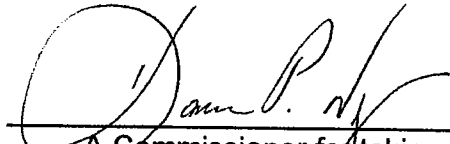
27. In my view, a process that would have a superior chance of creating a competitive and robust bidding process would be one that modifies the existing SISP as follows:

- (i) Extend the periods for Phase 1 and Phase 2 from seven weeks to at least eight weeks, respectively;
- (ii) Allows financing sources to access the Confidential Information Memorandum during Phase 1 upon the execution of a confidentiality agreement and perform customary due diligence during Phase 2;
- (iii) Removes the veto rights that the Agent has in relation to waiving compliance with any of the requirements for a Qualified Bidder, Qualified Investment Bids, Qualified Purchase Bids or changing the sale process; and
- (iv) Removes the Agent's ability to affect the sale process based on its determination of whether the Potential Superior Alternative Offer would receive Secured Lender approval.

28. The amended Sale and Investor Solicitation Process is attached to my Affidavit as Exhibit A.

29. I believe the alternative process described herein addresses the concerns outlined above and therefore is an appropriate process for attempting to obtain the highest possible value for the LP Entities' business, striking a fair balance among the interested parties. It will also allow the Noteholders and other parties a real opportunity to make a competitive bid for the LP Entities' business.

SWORN BEFORE ME at)
the City of New York, in the)
State of New York, this)
27th day of January, 2010)


A Commissioner for taking
Affidavits, etc.


MARK HOOTNICK

KAREN P. NG
Notary Public, State of New York
No. 01NG6070434
Qualified in Queens County
Commission Expires Mar. 4, 2016

This is Exhibit A referred to in the
 affidavit of Mark Hoetnick
 sworn before me, this 27th
 day of January 2010

Schedule "A"

Procedures for the Sale and Investor Solicitation Process

John P. Hoff
 A COMMISSIONER FOR TAKING AFFIDAVITS

On January 8, 2010, Canwest Publishing Inc. / Publications Canwest Inc. ("CPI"), Canwest (Canada) Inc. and Canwest Books Inc. (the "Applicants") obtained an initial order (the "Initial Order") under the *Companies' Creditors Arrangement Act* ("CCAA") from the Ontario Superior Court of Justice (the "Court"). The Initial Order also applies to Canwest Limited Partnership/Canwest Societe en Commandite (the "Limited Partnership", which together with the Applicants make up the "LP Entities"). As part of the Initial Order, the Court: (i) approved the Sale and Investor Solicitation Process (the "SISP") set forth herein to determine whether a Successful Bid (as defined below) can be obtained; and (ii) authorized CPI and the Limited Partnership to file the Senior Lenders CCAA Plan, pursuant to which, if there is no Successful Bid, 7272049 Canada Inc. ("AcquireCo") will acquire certain assets and assume certain liabilities of CPI (the "Credit Acquisition").

Set forth below are the procedures (the "SISP Procedures") to be followed with respect to a sale and investor solicitation process to be undertaken to seek a Successful Bid, and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

Defined Terms

All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Initial Order or in the Senior Lenders CCAA Plan, attached to the Initial Order. In addition, in these SISP Procedures:

"**CCAA Senior Lender Approval**" means a formal vote of the Senior Lenders under the CCAA, pursuant to which super majority approval of the Senior Lenders as required by the CCAA, being 66.7% by Cdn\$ and an absolute majority in number of the Senior Lenders that vote, is obtained;

"**Senior Secured Claims Amount**" means the aggregate amount owing (whether for principal, interest, fees, recoverable costs or otherwise) to the Senior Lenders and the Agent, as at the date upon which the transactions contemplated by the Successful Bid, if any, are completed, under:

- (i) the Senior Credit Agreement;
- (ii) all Hedging Agreements; and
- (iii) the LP Support Agreement,

in each case calculated based on the deemed conversion of claims denominated in US Dollars to Canadian Dollars on the Filing Date;

"**Superior Cash Offer**" means a credible, reasonably certain and financially viable offer that would result in a cash distribution to the Senior Lenders on closing of the transaction contemplated by the offer of the Senior Secured Claims Amount less a discount of Cdn \$25 million calculated as of the date of such closing (the "**Reference Amount**");

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"Superior Alternative Offer" means a credible, reasonably certain and financially viable offer for the purchase of all or substantially all of the LP Property (for greater certainty, including any such offer where the cash component available for distribution to the Senior Lenders upon closing, if any, is less than the Reference Amount) or a reorganization of the LP Plan Entities; and

"Superior Offer" means either a Superior Cash Offer or a Superior Alternative Offer.

Solicitation Process

The SISP Procedures set forth herein describe, among other things, the LP Property available for sale and the opportunity for an investment in the LP Business, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the LP Property and the LP Business, the manner in which bidders and bids become Qualified Bidders (as defined below) and Qualified Bids (as defined below), respectively, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder (as defined below) and the Court's approval thereof (collectively, the **"Solicitation Process"**). The Monitor shall supervise the SISP Procedures and in particular shall supervise the Financial Advisor in connection therewith. The LP Entities are required to assist and support the efforts of the Monitor, the Financial Advisor, and the LP CRA as provided for herein. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have jurisdiction to hear and resolve such dispute.

Sale and Investment Opportunity

A Confidential Information Memorandum describing the opportunity to acquire all or substantially all of the LP Property or invest in the LP Entities will be made available by the Financial Advisor to prospective purchasers or prospective strategic or financial investors that have executed a confidentiality agreement with the LP Entities. One or more Qualified Non-Binding Indications of Interest (as defined below) for less than substantially all of the LP Property will not be precluded from consideration as a Superior Cash Offer or Potential Superior Alternative Offer (as defined below).

"As Is, Where Is"

The sale of the LP Property or investment in the LP Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the LP Entities or any of their agents or estates, except to the extent set forth in the relevant sale or investment agreement with a Successful Bidder.

Free Of Any And All Claims And Interests

In the event of a sale, all of the rights, title and interests of the LP Entities in and to the LP Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the **"Claims and Interests"**) pursuant to section 36(6) of the CCAA, such Claims and Interests to attach to the net proceeds of the sale of such LP Property (without prejudice to any claims or

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causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

An investment in the LP Entities may, at the option of the Successful Bidder, include one or more of the following: a restructuring, recapitalization or other form of reorganization of the business and affairs of the LP Entities as a going concern; a sale of LP Property to a newly formed acquisition entity on terms described in the above paragraph; or a plan of compromise or arrangement pursuant to the CCAA or any applicable corporate legislation which compromises the Claims and Interests as set out therein.

Phase 1 - Initial Timing

For a period of approximately eight weeks following the date of the Initial Order (“Phase 1”), the Financial Advisor (with the assistance of the LP CRA and under the supervision of the Monitor and in accordance with the terms of the Initial Order) will solicit non-binding indications of interest from prospective strategic or financial parties to acquire the LP Property or to invest in the LP Entities (the “Non-Binding Indications of Interest”).

Publication Notice

As soon as reasonably practicable after the granting of the Initial Order approving these SISP Procedures, but in any event no more than three (3) Business Days after the issuance of the Initial Order, the Monitor shall cause a notice of the sale and investor solicitation process contemplated by these SISP Procedures and such other relevant information which the Monitor, in consultation with the Financial Advisor, considers appropriate to be published in the National Post (National Edition). At the same time, the LP Entities shall issue a press release setting out the notice and such other relevant information in form and substance satisfactory to the Monitor, following consultation with the Financial Advisor, with Canada Newswire designating dissemination in Canada and major financial centres in the United States, Europe and Asia Pacific.

Participation Requirements

Unless otherwise ordered by the Court or as otherwise determined by the Monitor (in consultation with the Financial Advisor, the LP CRA and the Agent), in order to participate in the Solicitation Process, each person (a “Potential Bidder”) must deliver to the Financial Advisor at the address specified in Schedule “1” hereto (including by email or fax transmission):

- (a) prior to the distribution of any confidential information by the Financial Advisor to a Potential Bidder (including the Confidential Information Memorandum), an executed confidentiality agreement in form and substance satisfactory to the Monitor, the Financial Advisor, the LP CRA and the LP Entities, which shall inure to the benefit of any purchaser of the LP Property or any investor in the LP Business. At the request of a Potential Bidder, the Confidential Information Memorandum shall also be provided to any party proposing to provide financing to a Potential Bidder if such party executes a similar confidentiality agreement; and

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(b) on or prior to the Phase 1 Bid Deadline, as defined below, specific indication of the anticipated sources of capital for the Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Monitor, the Financial Advisor, the LP CRA and the Agent and each of their respective legal and financial advisors, to make, in their reasonable business or professional judgment, a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the transaction. For greater certainty, a Potential Bidder shall not be required to provide binding financing commitments on or prior to the Phase 1 Bid Deadline.

A Potential Bidder that has executed a confidentiality agreement, as described above, and delivers the documents described above, whose financial information and credit quality support or enhancement demonstrate to the satisfaction of the Monitor, in its reasonable business judgment, the financial capability of the Potential Bidder to consummate a transaction, and that the Monitor determines, in its reasonable business judgment, after consultation with the Financial Advisor, the LP CRA and the Agent is likely (based on availability of financing, experience and other considerations) to be able to consummate a Sale Proposal (as defined below) or an Investment Proposal (as defined below) will be deemed a "Qualified Bidder".

The determination as to whether a Potential Bidder is a Qualified Bidder will be made as promptly as practicable after a Potential Bidder delivers all of the materials required above. If it is determined that a Potential Bidder is a Qualified Bidder, the Financial Advisor will promptly notify the Potential Bidder that it is a Qualified Bidder.

Due Diligence

The Financial Advisor shall provide any person seeking to become a Qualified Bidder and any person who is proposing to provide financing to such person that has executed a confidentiality agreement with a copy of the Confidential Information Memorandum. The Monitor, the Financial Advisor, the LP CRA and the LP Entities make no representation or warranty as to the information contained in the Confidential Information Memorandum or the information to be provided through the due diligence process in Phase 2 or otherwise, except, in the case of the LP Entities, to the extent otherwise contemplated under any definitive sale or investment agreement with a Successful Bidder executed and delivered by the LP Entities.

Phase 1

Seeking Non-Binding Indications of Interest by Qualified Bidders

A Qualified Bidder that desires to participate in Phase 1 shall deliver written copies of a non-binding indication of interest to the Financial Advisor, at the address specified in Schedule "1" hereto (including by email or fax transmission), so as to be received by it not later than March 5, 2010 at 5:00 PM (Toronto time), or such other date or time as may be agreed by the Monitor, in consultation with the Financial Advisor and the LP CRA, and the Agent (the "Phase 1 Bid Deadline").

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Non-Binding Indications of Interest by Qualified Bidders

A non-binding indication of interest submitted will be considered a Qualified Non-Binding Indication of Interest only if the bid is submitted on or before the Phase 1 Bid Deadline by a Qualified Bidder (pursuant to the criteria indicated above) and contains the following information (a “Qualified Non-Binding Indication of Interest”):

- (a) An indication of whether the Qualified Bidder is offering to (i) acquire all or substantially all of the LP Property (a “Sale Proposal”) or (ii) make an investment in the LP Entities (an “Investment Proposal”);
- (b) In the case of a Sale Proposal: it shall identify (i) the purchase price range (including liabilities to be assumed by the Qualified Bidder); (ii) any of the LP Property expected to be excluded or any additional assets desired to be included; (iii) the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, preliminary evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and any related contingencies, as applicable); (iv) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals; (v) additional due diligence required or desired to be conducted during Phase 2 (defined below), if any; (vi) any conditions to closing that the Qualified Bidder may wish to impose; (vii) any other terms or conditions of the Sale Proposal which the Qualified Bidder believes are material to the transaction; and (viii) whether, if the proposed transaction is completed, the newspapers operated by the LP Business and the National Post will continue to be “Canadian issues” of “Canadian newspapers” as defined in the *Income Tax Act* (Canada); and
- (c) In the case of an Investment Proposal, it shall identify: (i) the direct or indirect investment target, whether the Limited Partnership or CPI or both; (ii) the aggregate amount of the equity and debt investment (including, the sources of such capital, preliminary evidence of the availability of such capital and the steps necessary and associated timing to obtain the capital and any related contingencies, as applicable) to be made in the LP Business; (iii) the underlying assumptions regarding the pro forma capital structure (including, the anticipated debt levels, debt service fees, interest and amortization); (iv) equity, if any, to be allocated to the Senior Secured Claims or to any other secured or unsecured creditors of the LP Entities; (v) the structure and financing of the transaction (including, but not limited to, whether and what portion of the Senior Secured Claims Amount is proposed to be paid on closing and all requisite financial assurance); (vi) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction, the anticipated time frame and any anticipated impediments for obtaining such approvals; (vii) additional due diligence required or desired to be conducted during Phase 2, if any; (viii) any conditions to closing that the Qualified Bidder may wish to impose; (ix) any other terms or conditions of the Investment Proposal which the Qualified Bidder believes are material to the transaction; and (x) whether, if the proposed transaction is completed, the newspapers operated by the LP Business and the National Post will continue to be “Canadian issues” of “Canadian newspapers” as defined in the *Income Tax Act* (Canada).

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(d) In the case of a Sale Proposal or an Investment Proposal, it shall contain such other information reasonably requested by the Financial Advisor, in consultation with the LP CRA and the Agent.

Unless the Qualified Bidder otherwise indicates in its Sale Proposal or Investment Proposal, as the case may be, it shall be assumed for purposes of assessing the proposal that (i) substantially all of the employees of the LP Entities will become employees of the Qualified Bidder or remain employees of the LP Entities, as the case may be, and the proposed terms and conditions of employment to be offered to those employees will be substantially similar to their existing terms and conditions of employment; and (ii) all pension liabilities and assets related to any employees currently covered under any registered pension or retirement income plan or any post-retirement benefit plan will be assumed or purchased, as applicable, by the Qualified Bidder or will remain liabilities and assets of the LP Entities, as the case may be.

The Monitor, in consultation with the Financial Advisor and the LP CRA, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Non-Binding Indication of Interest. Copies of all Qualified Non-Binding Indications of Interest shall be provided to the Agent on terms that permit the Agent to consult with respect thereto with the Steering Committee and other Senior Lenders on a confidential basis, subject only to the Monitor reserving its right not to provide information concerning the particulars of any of the Qualified Non-Binding Indications of Interest until after the conduct of the vote on the Senior Lenders CCAA Plan.

Assessment of Qualified Non-Binding Indications of Interest

I - Advance to Phase 2

Within the two week period following the Phase 1 Bid Deadline, or by such other later date as may be agreed by the Monitor, in consultation with the Financial Advisor and the LP CRA, and the Agent, the Monitor will, in consultation with the Financial Advisor, the LP CRA and the Agent, assess the Qualified Non-Binding Indications of Interest received during Phase 1, if any, and will determine whether there is a reasonable prospect of obtaining a Superior Cash Offer or a Potential Superior Alternative Offer. If the Monitor determines that there is such a reasonable prospect, the Monitor will recommend to the Special Committee that the SISP continue in accordance with these SISP Procedures ("Phase 2") for a further ten weeks or such other period of time as the Monitor may determine after consultation with the Financial Advisor, the LP CRA and the Agent. If the Special Committee of the board of directors of Canwest Global Communications Corp. (the "**Special Committee**") accepts such recommendation, the SISP will immediately thereafter continue to Phase 2. If the Special Committee does not accept such recommendation, the Monitor will report to the Court that the Special Committee does not accept such recommendation, and will seek advice and directions from the Court with respect to the SISP.

II. Terminate SISP

The Monitor shall recommend to the Special Committee that the SISP be terminated at the end of Phase 1 if:

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1. no Qualified Non-Binding Indication of Interest is received by the Financial Advisor;
or
2. the Monitor determines that there is no reasonable prospect that any Qualified Non-Binding Indication of Interest received will result in a Superior Cash Offer or in a Superior Alternative Offer.

If the Special Committee does not accept the Monitor's recommendation to terminate the SISP at the end of Phase 1, the Monitor shall advise the Court and seek advice and directions of the Court with respect to the SISP. If the SISP is terminated pursuant to the Monitor's recommendation or pursuant to Court Order, the LP Entities shall promptly, and if they do not, the Agent may: (i) apply for Court sanction of the Senior Lenders CCAA Plan in accordance with the Initial Order and (ii) take steps to complete the Credit Acquisition, subject to satisfaction of the conditions precedent under and compliance with the terms and conditions of (a) the Senior Lenders CCAA Plan, (b) the Acquisition and Assumption Agreement between Acquireco and the LP Entities (the "**Credit Acquisition Agreement**"), and (c) the LP Support Agreement made among the LP Entities and the Agent dated January 8, 2010 (the "**LP Support Agreement**"). The Financial Advisor shall also notify each Qualified Bidder that submitted a Qualified Non-Binding Indication of Interest that the SISP has been terminated.

Phase 2

Seeking Qualified Bids by Qualified Bidders

At the outset of Phase 2, the Monitor shall, in its reasonable business judgment, in consultation with the Financial Advisor, the LP CRA and the Agent, recommend to the Special Committee whether any Qualified Bidders should be eliminated from the SISP (the "**Elimination Recommendation**"). If the Special Committee disagrees with the Elimination Recommendation, the Monitor shall advise the Court and seek advice and directions of the Court with respect to the SISP.

During Phase 2, each Qualified Bidder that is not eliminated from the SISP in accordance with these SISP Procedures and, at the request of a Qualified Bidder, any party proposing to provide financing to such Qualified Bidder shall have such due diligence access to materials and information relating to the LP Property and the LP Business as the Financial Advisor, in its reasonable business judgment, in consultation with Monitor, deems appropriate, having regard to the advance to Phase 2 and the requirements of a Qualified Purchase Bid (defined below) and a Qualified Investment Bid (defined below), including, as appropriate, meetings with senior management of the LP Entities and facility tours.

A Qualified Bidder that is not eliminated from the SISP in accordance with these SISP Procedures and which desires to participate in Phase 2 will deliver written copies of a Qualified Purchase Bid or a Qualified Investment Bid to the Financial Advisor at the address specified in Schedule "1" hereto (including by email or fax transmission) so as to be received by it not later than 5:00 pm (Toronto time) on the date which is eight weeks following the commencement of Phase 2, or such later date or time as may be agreed by the Financial Advisor, in consultation with the Monitor and the LP CRA, and the Agent (the "**Phase 2 Bid Deadline**").

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Qualified Purchase Bids

A bid submitted to acquire all or substantially all of the LP Property will be considered a Qualified Purchase Bid only if (i) the bid is submitted by a Qualified Bidder who submitted a Qualified Non-Binding Indication of Interest on or before the Phase 1 Bid Deadline, (ii) the Qualified Bidder was not eliminated from the SISP in accordance with these SISP Procedures and (iii) and the bid complies with all of the following (a "Qualified Purchase Bid"):

- (a) it includes a letter stating that the bidder's offer is irrevocable until the earlier of (x) the selection of the Successful Bidder and (y) thirty (30) days following the Phase 2 Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the sale to the Successful Bidder;
- (b) it includes a duly authorized and executed purchase agreement, including the purchase price for assets proposed to be acquired expressed in Canadian dollars (the "Purchase Price"), together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the bidder with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements);
- (c) it includes written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Monitor, in consultation with the Financial Advisor, the LP CRA and the Agent, to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction contemplated by the bid;
- (d) it is not conditioned on (i) the outcome of unperformed due diligence by the bidder and/or (ii) obtaining financing;
- (e) it fully discloses the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of any such participation;
- (f) it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase agreement;
- (g) it includes evidence, in form and substance reasonably satisfactory to the Monitor: (i) of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid and (ii) that, if the proposed transaction is completed, the newspapers operated by the LP Business and the National Post will continue to be "Canadian issues" of "Canadian newspapers" as defined in the *Income Tax Act (Canada)*;

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(h) it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of the Monitor, in trust, in an amount equal to Cdn\$10 million to be held and dealt with in accordance with these SISP Procedures;

(i) it (i) contains full details of the proposed number of employees of the LP Entities who will become employees of the bidder and the proposed terms and conditions of employment to be offered to those employees and (ii) identifies any pension liabilities and assets related to any employees currently covered under any registered pension or retirement income plan who will become employees of the bidder that the bidder intends to assume or purchase;

(j) it contains other information reasonably requested by the Financial Advisor, in consultation with the Monitor, the LP CRA and the Agent; and

(k) it is received by the Phase 2 Bid Deadline.

Qualified Investment Bids

A bid submitted to make an investment in the LP Entities will be considered a Qualified Investment Bid only if (i) the bid is submitted by a Qualified Bidder who submitted a Qualified Non-Binding Indication of Interest on or before the Phase 1 Bid Deadline, (ii) the Qualified Bidder was not eliminated from the SISP in accordance with these SISP Procedures and (iii) the bid complies with all of the following (a "**Qualified Investment Bid**"):

(a) it includes a duly authorized and executed term sheet describing the terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the LP Entities following completion of the proposed transaction (the "**Term Sheet**");

(b) it includes a letter stating that the bidder's offer is irrevocable until the earlier of (x) the selection of the Successful Bidder and (y) thirty (30) days following the Phase 2 Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the investment by the Successful Bidder;

(c) it includes written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Monitor, in consultation with the Financial Advisor, the LP CRA and the Agent, to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transaction contemplated by the bid;

(d) it is not conditioned on (i) the outcome of unperformed due diligence by the bidder and/or (ii) obtaining financing;

(e) it fully discloses the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of any such participation;

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(f) it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the business of the LP Entities or the completeness of any information provided in connection therewith except as expressly stated in the Term Sheet;

(g) it includes evidence, in form and substance reasonably satisfactory to the Monitor, (i) of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid; and (ii) that, if the proposed transaction is completed, the newspapers operated by the LP Business and the National Post will continue to be "Canadian issues" of "Canadian newspapers" as defined in the *Income Tax Act* (Canada);

(h) it is accompanied by a refundable deposit (the "Good Faith Deposit") in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of the Monitor, in trust, in an amount equal to Cdn\$10 million to be held and dealt with in accordance with these SISP Procedures,;

(i) it contains other information reasonably requested by the Monitor, the Financial Advisor, the LP CRA or the Agent; and

(j) it is received by the Phase 2 Bid Deadline.

Qualified Investment Bids and Qualified Purchase Bids shall hereinafter be referred to as "Qualified Bids" and each a "Qualified Bid".

The Monitor, in consultation with the Financial Advisor and the LP CRA, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Investment Bids or Qualified Purchase Bids, as the case may be. Copies of all Qualified Bids shall be provided to the Agent on terms that permit the Agent to consult with respect thereto with the Steering Committee and other Senior Lenders on a confidential basis, subject only to the Monitor reserving its right not to provide information concerning the particulars of any of the Qualified Bid until after the conduct of the vote on the Senior Lenders CCAA Plan.

If at any point during Phase 2, the Monitor determines, in consultation with the Financial Advisor, the LP CRA, and the Agent, that a Successful Bid will not be obtained by the Phase 2 Bid Deadline, (i) it will advise the Special Committee, the Financial Advisor, the LP CRA and the Agent of that fact; and (ii) following that advice, the Monitor and the LP Entities shall promptly, and if they do not, the Agent may, apply for Court sanction of the Senior Lenders CCAA Plan in accordance with the Initial Order, including completion of the Credit Acquisition, subject to satisfaction of the conditions precedent under and compliance with the terms and

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conditions of (a) the Senior Lenders CCAA Plan, (b) the Credit Acquisition Agreement and (c) the LP Support Agreement.

No Qualified Bids

If none of the Qualified Bids received by the Financial Advisor constitute Superior Offers, the LP Entities shall promptly, and if they do not, the Agent may, apply for Court sanction of the Senior Lenders CCAA Plan in accordance with the Initial Order, including completion of the Credit Acquisition, subject to satisfaction of the conditions precedent under and compliance with the terms and conditions of (a) the Senior Lenders CCAA Plan, (b) the Credit Acquisition Agreement and (c) the LP Support Agreement.

Superior Offer is Received

If the Monitor determines in its reasonable business judgment following consultation with the Financial Advisor and the LP CRA, that one or more of the Qualified Bids is a Superior Cash Offer or a Superior Alternative Offer, the Monitor, in consultation with the Financial Advisor and the LP CRA, shall recommend (the "**Superior Offer Recommendation**") to the Special Committee that the most favourable Superior Offer be selected and that a definitive agreement be negotiated and settled in respect of that Superior Offer, conditional upon Court approval and conditional on the Superior Offer closing within 60 days after the Phase 2 Bid Deadline, or such longer period as shall be agreed to by the Monitor, in consultation with the Financial Advisor and the LP CRA. In determining which Superior Cash Offer or Superior Alternative Offer is most favourable, the Monitor shall consider which offer is most advantageous to the creditors of the Applicants of all classes or categories.

If the Special Committee accepts the Superior Offer Recommendation, the Monitor, in consultation with the Financial Advisor and the LP CRA, shall negotiate and settle a definitive agreement in accordance with the recommendation.

If the Special Committee does not wish to proceed with the Superior Offer recommended by the Monitor, the Monitor shall advise the Court and seek advice and directions from the Court with respect to the SISP.

Once a definitive agreement has been negotiated and settled in respect of the Superior Offer which has been selected by the Monitor or by Court Order (the "**Selected Superior Offer**") in accordance with the provisions hereof, the Selected Superior Offer shall be the "**Successful Bid**" hereunder and the person(s) who made the Selected Superior Offer shall be the "**Successful Bidder**" hereunder.

Approval Motion

The hearing to authorize some or all of the Applicants to enter into agreements with respect to the Successful Bid (the "**Approval Motion**") will be held on a date to be scheduled by the Court upon application by the Applicants. The Approval Motion may be adjourned or rescheduled by the Monitor with the consent of the Agent, acting in consultation with the Steering Committee, without further notice by an announcement of the adjourned date at the

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Approval Motion. All Qualified Bids (other than the Successful Bid) shall be deemed rejected on and as of the date of approval of the Successful Bid by the Court.

Deposits

All Deposits shall be retained by the Monitor and invested in an interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Motion shall be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within five Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid, all Deposits shall be returned to the bidders within five Business Days of the date upon which the SISF is terminated in accordance with these procedures.

Approvals

For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or are otherwise required at law in order to implement a Successful Bid or the Senior Lenders CCAA Plan.

Further Orders

At any time during the Solicitation Process, the Monitor may, following consultation with the Financial Advisor, the LP CRA and the Agent, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

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Schedule "1"

Address for Notices and Deliveries

To the Financial Advisor:

**RBC Capital Markets
Mergers & Acquisitions
P.O. Box 50, 5th Floor
South Tower, Royal Bank Plaza
Toronto, Ontario
M5J 2W7**

Attention: Peter Buzzi, Managing Director, Co-Head M&A

Email: peter.buzzi@rbccm.com

Facsimile: (416) 842-5360

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 PUBLISHING INC./PUBLICATIONS CANWEST INC., CANWEST BOOKS INC., AND CANWEST (CANADA) INC.

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

AFFIDAVIT OF MARK HOOTNICK

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Noteholders