APPENDIX "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM	)	FRIDAY, THE 8TH
	)	
JUSTICE PEPALL	)	DAY OF JANUARY, 2010

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.

INITIAL ORDER

THIS APPLICATION, made by Canwest Publishing Inc./Publications Canwest Inc. ("**CPI**"), Canwest Books Inc. ("**CBI**") and Canwest (Canada) Inc. ("**CCI**"), (together, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Thomas C. Strike sworn January , 2009 and the Exhibits thereto (the "**Strike Affidavit**") and the Report of the Proposed Monitor, FTI Consulting Canada Inc. ("**FTI Consulting**" or the "**Monitor**") (the "**Monitor's Pre-Filing Report**"), and on being advised that CIBC Mellon Trust Company and other secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants and Canwest Limited Partnership/Canwest Societe en Commandite (the "**Limited Partnership**"), the Special Committee, being an existing committee comprised only of independent directors of the Board of Directors of Canwest Global Communications Corp. (the "**Special Committee**"), FTI Consulting, The Bank of Nova Scotia in its capacity as Administrative Agent (the "**Agent**") for the senior lenders to the Limited Partnership (collectively, the "**Senior Lenders**"), and the ad hoc committee of holders of 9.25% senior

subordinated notes issued by the Limited Partnership (the "**Ad Hoc Committee**") and the directors and officers of the Applicants and on reading the consent of FTI Consulting to act as the Monitor,

PART I – CCAA RELIEF

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies. Although not an Applicant, the Limited Partnership (together with the Applicants, the "**LP Entities**") shall enjoy the benefits of the protections and authorizations provided by this Order.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants have the authority to file the Senior Lenders CCAA Plan (as defined below) with this Court and that, subject to further Order of this Court, one or more of the Applicants, individually or collectively, with the consent of the Monitor and the LP CRA (as defined below), shall have the authority to file and may file with this Court other plans of compromise or arrangement (hereinafter referred to as an "**LP Plan**") between, *inter alia*, one or more of the LP Entities and one or more classes of their applicable secured and/or unsecured creditors.

POSSESSION OF PROPERTY AND OPERATIONS OF THE LP ENTITIES

4. THIS COURT ORDERS that the LP Entities shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively the "**LP Property**"). Subject to this and further Order of this Court, the LP Entities shall each continue to carry on business in the ordinary course in a manner consistent with the preservation of their

respective businesses (collectively the "**LP Business**") and LP Property. The LP Entities shall each be authorized and empowered to continue to retain and employ the consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order, with the prior approval of the Monitor in consultation with the LP CRA and subject to the provisions on the payment of the Assistants set forth in paragraph 9 hereof. The LP Entities shall each be further authorized and empowered to continue to retain and employ the employees currently employed by them, with liberty to employ such further employees as they deem reasonably necessary or desirable in the ordinary course of business.

5. Mr. Dennis Skulsky, the President of CPI (the "**President of CPI**") shall

(a) report directly and solely to the Special Committee;

(b) shall keep the Monitor and the LP CRA advised on a timely basis of developments in the operations and financial performance of the LP Entities and shall meet with the Monitor, the LP CRA and the financial advisor to counsel for the Agent (the "**McMillan Financial Advisor**" and collectively with counsel to the Agent and the other advisors to the Agent, the "**Agent's Advisors**") at least once per week, unless otherwise agreed by the McMillan Financial Advisor, to provide an update on operations and financial performance of the LP Entities; and

(c) advise the Monitor, the LP CRA and the McMillan Financial Advisor forthwith if the Special Committee disagrees with and precludes the President of CPI from proceeding with any recommended financial or operational initiative which the President of CPI believes is in the best interests of the LP Entities, in which case the Monitor will apply to the court for advice and direction, if the Monitor and the LP CRA are unable to assist the parties in coming to agreement.

6. The LP Entities shall provide the Agent's Advisors with any non-privileged information reasonably requested.

7. THIS COURT ORDERS that the LP Entities shall be entitled to continue to utilize the centralized cash management system currently in place as described in the Strike Affidavit or

replace it with another substantially similar centralized cash management system satisfactory to the LP DIP Lenders (as defined below) and the Agent (the "**LP Cash Management System**"). Any present or future bank providing the LP Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken thereunder, or as to the use or application by the LP Entities of funds transferred, paid, collected or otherwise dealt with in the LP Cash Management System, shall be entitled to provide the LP Cash Management System without any liability in respect thereof to any individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") other than the LP Entities, pursuant to the terms of the documentation applicable to the LP Cash Management System, and shall be, in its capacity as provider of the LP Cash Management System, an unaffected creditor in any plan of compromise or arrangement filed by the LP Entities under the CCAA, any proposal filed by the LP Entities under the *Bankruptcy and Insolvency Act of Canada* (the "**BIA**") or any other restructuring with regard to any claims or expenses it may suffer or incur in connection with the provision of the LP Cash Management System. All security interests over the LP Property granted by the LP Entities to The Bank of Nova Scotia to secure obligations under the LP Cash Management System (the "**Cash Management Existing Security**") up to $7.5 million shall rank *pari passu* with the LP DIP Lenders' Charge (as defined below), in accordance with the terms of the Commitment Letter and the LP DIP Definitive Documents (as each term is hereinafter defined) and pursuant to paragraphs 54 and 56 hereof.

8. THIS COURT ORDERS that the LP Entities and the CMI Entities (as defined in the Strike Affidavit) shall continue to provide and pay for the shared services, as described in the Agreement on Shared Services and Employees (the "**New Shared Services Agreement**") dated as of October 26, 2009 attached as Exhibit "S" to the Strike Affidavit (collectively, the "**Shared Services**"), to each other and their other affiliated and related entities, in accordance with the New Shared Services Agreement. Notwithstanding any other provision in this Order, neither the LP Entities nor the CMI Entities shall modify, cease providing or terminate the provision of or payment for the Shared Services or any other provision of the New Shared Services Agreement except with the consent of the parties thereto, the Agent, acting in consultation with the Steering Committee, the LP CRA and the Monitor or further Order of this Court.

9. THIS COURT ORDERS that, subject to availability under the LP DIP Facility (as defined below), subject to the LP DIP Definitive Documents and the LP Support Agreement (all as hereinafter defined), and subject to the cash flow forecasts delivered in accordance with the LP DIP Definitive Documents and the LP Support Agreement (the "**Approved Cash Flow**"), the LP Entities shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order, to the extent that such expenses are incurred or payable by the LP Entities:

(a) all outstanding and future wages, salaries, employee and pension benefits (other than in respect of the Southam Executive Retirement Agreements or the CanWest MediaWorks Limited Partnership (now the Limited Partnership) Retirement Compensation Arrangement Plan), vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) without limiting the generality of paragraph 9(a), all current service, special and similar pension and/or retirement benefit payments (other than in respect of the Southam Executive Retirement Agreements or the CanWest MediaWorks Limited Partnership (now the Limited Partnership) Retirement Compensation Arrangement Plan), commissions and other incentive payments, payments to employees under collective bargaining agreements not otherwise covered by paragraph 9(a) and employee and director expenses and reimbursements, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, but in the case of director legal expenses, only in accordance with paragraph 37 hereof;

(c) compensation to employees in respect of any payments made to employees prior to the date of this Order by way of the issuance of cheques or electronic transfers that are subsequently dishonoured due to the commencement of these proceedings, unless such payments are not permitted by this Order;

(d) with the prior consent of the Monitor, all outstanding and future amounts owing to or in respect of individuals working as independent contractors or freelancers in connection with the LP Business;

(e) with the prior consent of the Monitor in consultation with the LP CRA, the reasonable fees and disbursements of any Assistants retained or employed by the LP Entities in respect of these proceedings, at their standard rates and charges, including any payments made to Assistants prior to the date of this Order by way of the issuance of cheques or electronic transfers that are subsequently dishonoured due to the commencement of these proceedings;

(f) any and all sums due and owing to Amex Bank of Canada ("**American Express**"), including, without limitation, amounts due and owing by the LP Entities to American Express in respect of the Corporate Card Program and Central Billed Accounts Program as described in the Strike Affidavit;

(g) amounts collected in respect of various sales representation agreements under which the LP Entities sell as commissioned agent printed and/or online advertising on behalf of third-party clients; and

(h) amounts owing for goods and services actually supplied to the LP Entities, or to obtain the release of goods contracted for prior to the date of this Order with the prior consent of the Monitor if, in the opinion of the LP CRA, in consultation with the LP Entities, the supplier is critical to the LP Business and ongoing operations of any of the LP Entities.

For greater certainty, unless otherwise ordered, the LP Entities shall not make (a) any payments to, or in satisfaction of any liabilities or obligations of the CMI Entities, save and except for payments in respect of the New Shared Services Agreement; or (b) any payments on account of change of control or other golden parachute arrangements, severance or termination pay, payment in lieu of notice of termination, claims for wrongful dismissal or other similar obligations.

10. THIS COURT ORDERS that, subject to availability under the LP DIP Facility, and subject to the LP DIP Definitive Documents and the LP Support Agreement, and subject to the Approved Cash Flow, the LP Entities shall be entitled but not required to pay all reasonable expenses incurred by them in carrying on the LP Business in the ordinary course from and after

the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the LP Property or the LP Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and

(b) payment, including the posting of letters of credit, for goods or services actually supplied or to be supplied to the LP Entities following the date of this Order.

For greater certainty, the LP Entities shall not make any payments to, or in satisfaction of any liabilities or obligations of the CMI Entities, save and except for payments in respect of the New Shared Services Agreement.

11. THIS COURT ORDERS that the LP Entities shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from the LP Entities' employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the LP Entities in connection with the sale of goods and services by the LP Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business, workers' compensation, employer's health tax or other taxes, assessments or levies of any nature or kind which are entitled at law to

be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the LP Business by the LP Entities.

12. THIS COURT ORDERS that, subject to availability under the LP DIP Facility, subject to the LP DIP Definitive Documents and the LP Support Agreement, and subject to the Approved Cash Flow, the LP Entities shall be entitled but not required to make available to National Post Inc. (formerly known as 4513401 Canada Inc.) secured revolving loans pursuant to the terms of the NP Intercompany Loan Agreement as defined and described in greater detail in the Strike Affidavit.

13. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with paragraph 18(c) of this Order, the LP Entities shall pay all amounts constituting rent or payable as rent under their respective real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the applicable LP Entity and the relevant landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, monthly on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any arrears relating to the period commencing from and including the date of this Order shall also be paid. Upon delivery of a notice of disclaimer or resiliation under section 32 of the CCAA, the relevant LP Entity shall pay all Rent owing by the applicable LP Entity to the applicable landlord in respect of such lease due for the notice period stipulated in section 32 of the CCAA, to the extent that Rent for such period has not already been paid.

14. THIS COURT ORDERS that, except as otherwise specifically permitted herein, the LP Entities are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by any one of the LP Entities to any of their creditors as of this date, including interest payable in respect of indebtedness owing by CPI to the Limited Partnership, which interest otherwise payable to the Limited Partnership shall cease to accrue as of the date hereof; (b) to grant no security interests, trusts, liens, charges or encumbrances upon or in respect of any of the LP Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the LP Business.

LP SUPPORT AGREEMENT

15. THIS COURT ORDERS that the LP Support Agreement made as of January 8, 2010 between the LP Entities and the Agent (the "**LP Support Agreement**") is hereby approved and the LP Entities are hereby authorized and directed to pay and perform all of their indebtedness, liabilities and obligations under and pursuant to the LP Support Agreement. Without limiting the generality of the foregoing, as set forth in the LP Support Agreement, the LP Entities are authorized and directed to (i) make payments of interest on principal outstanding from time to time under the Senior Credit Agreement and the Hedging Agreements (as those terms are defined in the Senior Lenders CCAA Plan) (ii) pay all Recoverable Expenses (as defined in the LP Support Agreement); and (iii) make payments to the Agent of certain fees as contemplated in section 5.1 (i) of the LP Support Agreement.

RESTRUCTURING

16. THIS COURT ORDERS that the Sale and Investor Solicitation Process, on the terms set out in Schedule "A" hereto (the "**SISP**"), is hereby authorized and approved and the LP Entities are hereby directed and authorized to proceed with the SISP.

17. THIS COURT ORDERS that in connection with the SISP and pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, the LP Entities shall disclose personal information of identifiable individuals to prospective bidders under the SISP and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete a sale of the LP Property, or investment in the LP Business (each, a "**Transaction**"). Each prospective bidder to whom such personal information is disclosed shall sign an agreement to maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall return all such information to the LP Entities, or in the alternative destroy all such information. The Successful Bidder (as defined in the SISP) shall be entitled to continue to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the LP Entities, and shall return all other personal information to the LP Entities, or ensure that all other personal information is destroyed.

18. THIS COURT ORDERS that the LP Entities shall, subject to such requirements as are imposed by the CCAA, subject to the LP DIP Facility, the LP DIP Definitive Documents and the LP Support Agreement and subject to the consent of the Monitor, acting with the assistance of and in consultation with the LP CRA or further Order of this Court, have the right to:

(a) to the extent not inconsistent with the SISP, to dispose of redundant or non-material assets, and to sell assets or operations not exceeding $1 million in any one transaction or $5 million in the aggregate, so long as the proceeds of all such sales are applied to reduce the principal amount owed to the Senior Lenders under the Senior Credit Agreement (as defined below);

(b) terminate the employment of such of their employees or temporarily lay off such of their employees as the relevant LP Entity deems appropriate in the ordinary course of business;

(c) in accordance with paragraphs 19 and 20, vacate, abandon or quit the whole but not part of any leased premises and/or disclaim or resiliate any real property lease and any ancillary agreements relating to any leased premises, in accordance with section 32 of the CCAA; and

(d) disclaim or resiliate, in whole or in part, such of their arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the LP Entities deem appropriate, except the New Shared Services Agreement, the LP Support Agreement, the NP Intercompany Loan Agreement or any other agreements or documents entered into in connection with this Order, in accordance with section 32 of the CCAA and to deal with any claims arising from such disclaimer or resiliation in an LP Plan, if any,

all of the foregoing to permit the LP Entities to proceed with an orderly restructuring of the LP Business. For greater certainty, the LP Entities shall not shut down any of their daily newspapers without further prior Order of the Court.

19. THIS COURT ORDERS that LP Entities shall provide each of the relevant landlords with notice of the relevant LP Entity's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be

entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the LP Entity's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant LP Entity, or by further Order of this Court upon application by the relevant LP Entity on at least two (2) days notice to such landlord and any such secured creditors. If an LP Entity disclaims or resiliates the lease governing such leased premises in accordance with paragraph 18(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the LP Entity's claim to the fixtures in dispute.

20. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered by an LP Entity in respect of a leased premises, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the relevant landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant LP Entity and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the LP Entity in respect of such lease or leased premises and such landlord shall be entitled to notify the LP Entity of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE LP ENTITIES OR THE LP PROPERTY

21. THIS COURT ORDERS that until and including February 5, 2010, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the LP Entities, the Monitor or the LP CRA or affecting the LP Business or the LP Property, except with the written consent of the applicable LP Entity, the Monitor and the LP CRA (in respect of proceedings affecting the LP Entities, the LP Property or the LP Business), or with leave of this

Court, and any and all Proceedings currently under way against or in respect of the LP Entities, the Monitor or the LP CRA or affecting the LP Business or the LP Property are hereby stayed and suspended pending further Order of this Court. In the case of the LP CRA, no Proceeding shall be commenced against the LP CRA or its directors and officers without prior leave of this Court on seven (7) days notice to CRS Inc.

NO EXERCISE OF RIGHTS OR REMEDIES

22. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any Person against or in respect of the LP Entities, the Monitor and/or the LP CRA, or affecting the LP Business or the LP Property, are hereby stayed and suspended except with the written consent of the applicable LP Entity, the Monitor and the LP CRA (in respect of the rights and remedies affecting the LP Entities, the LP Property or the LP Business), the LP CRA (in respect of the rights and remedies affecting the LP CRA), or leave of this Court, provided that nothing in this Order shall (i) empower the LP Entities to carry on any business which the LP Entities are not lawfully entitled to carry on, (ii) exempt the LP Entities from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

23. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the LP Entities, except with the written consent of the relevant LP Entity, the LP CRA and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

24. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with an LP Entity or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, computer software, communication and other data services, banking and cash management services, payroll services, insurance, transportation services, utility or other services to the LP Business or an LP Entity, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the

supply of such goods or services as may be required by the LP Entities, and that the LP Entities shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the LP Entities in accordance with normal payment practices of the LP Entities or such other practices as may be agreed upon by the supplier or service provider and the applicable LP Entity, with the consent of the LP CRA and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

25. THIS COURT ORDERS that, notwithstanding anything else contained herein, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the LP Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

26. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers (or their respective estates) of the LP Entities with respect to any claim against such directors or officers that arose prior to, on or after the date hereof and that relates to any obligations of the LP Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the LP Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the LP Entities or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

27. THIS COURT ORDERS that the Applicants shall indemnify their directors and officers from all claims, costs, charges and expenses relating to the failure of any of the LP Entities, after the date hereof, to make payments in respect of the LP Entities of the nature referred to in paragraphs 9(a), 11(a), 11(b) and 11(c) of this Order, which they sustain or incur by reason of or

in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct. For greater certainty, the indemnity provided by this paragraph 27 shall not indemnify such directors or officers of the Applicants from any costs, claims, charges, expenses or liabilities reasonably attributable to the CMI Entities.

28. THIS COURT ORDERS that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the " **LP Directors' Charge**") on the LP Property, which charge shall not exceed an aggregate amount of $35 million, as security for the indemnity provided in paragraph 27 of this Order. The LP Directors' Charge shall have the priority set out in paragraphs 54 and 56 herein.

29. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the LP Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the LP Directors' Charge to the extent they do not have or are unable to obtain coverage under a directors' and officers' insurance policy or to the extent that such coverage is insufficient to pay amounts indemnified pursuant to paragraph 27 of this Order.

APPOINTMENT OF MONITOR

30. THIS COURT ORDERS that FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor of the LP Entities, an officer of this Court, to monitor the LP Property and the LP Entities' conduct of the LP Business with the powers and obligations set out in the CCAA and as set forth herein and that the LP Entities and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the LP Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the LP Entities' receipts and disbursements;

(b) report to this Court and consult with the Agent's Advisors at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the LP Entities, the LP Property, the LP Business, and such other matters as may be relevant to the proceedings herein and with respect to any payments made pursuant to paragraph 9(h) herein;

(c) assist the LP Entities, in their dissemination, to the McMillan Financial Advisor, the Agent and the LP DIP Agent (as defined below) and its counsel of financial and other information as agreed to between the LP Entities and the Agent or the LP Entities and the LP DIP Lenders (as defined below) which may be used in these proceedings;

(d) advise the LP Entities in their preparation of the LP Entities' cash flow statements and reporting required by the LP DIP Lenders or the Agent, which information shall be reviewed with the Monitor and delivered to the McMillan Financial Advisor, the LP DIP Agent and the Agent in compliance with the LP DIP Definitive Documents and the LP Support Agreement, or as otherwise agreed to by the LP DIP Agent or the Agent;

(e) assist the LP CRA in the performance of its duties set out in the LP CRA Agreement (as defined below);

(f) advise the LP Entities in their development and implementation of the LP Plan, if any, and any amendments to any such LP Plan;

(g) assist the LP Entities with the holding and administering of creditors' or shareholders' meetings for voting on any LP Plan, as applicable;

(h) have full and complete access to the LP Property, including the premises, books, records, data (including data in electronic form), other financial documents of the LP Entities, and management, employees and advisors of the LP Entities, to the extent that is necessary to adequately assess the LP Entities' business and financial affairs or to perform its duties arising under this Order;

(i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(j) monitor and, if necessary, report to the Court on any matters pertaining to the New Shared Services Agreement; and

(k) perform such other duties as are required by this Order or by this Court from time to time.

32. THIS COURT ORDERS that in addition to its prescribed rights and obligations under the CCAA and the powers granted hereunder, the Monitor shall supervise the SISP and supervise the Financial Advisor (as hereinafter defined) in connection therewith and that the Monitor is hereby empowered, authorized and directed to take such actions and fulfill such roles as are contemplated in the SISP, including:

(a) working with the Financial Advisor and the LP CRA to develop a list of potential bidders to be contacted;

(b) working with the Financial Advisor, the LP CRA and counsel for the LP Entities, who at all times are to be instructed by the LP CRA, (together the "**SISP Advisors**") on the negotiation of confidentiality agreements;

(c) working with the SISP Advisors in the preparation and distribution of a confidential information memorandum;

(d) working with the SISP Advisors in the establishment of and supervision of access to an electronic data room;

(e) providing the Agent and the Agent's Advisors with timely and regular updates and information as to the progress of the SISP, 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 (as defined in the SISP) or Qualifying Bids (as defined in the SISP) until after the conduct of the vote on the Senior Lenders CCAA Plan;

(f) in accordance with the terms of the SISP, supervising the conduct of Phase 1, and to the extent applicable Phase 2, of the SISP and exercising the duties, powers and authorities to be exercised by the Monitor under the terms of the SISP;

(g) presenting such further and other recommendations to the Special Committee as contemplated in the SISP or as may be considered advisable by the Monitor or the LP CRA, it being understood that subject to further Order of this Court, the authorities and obligations of the Special Committee in the SISP and in the operations of the LP Entities to the extent there are any such obligations, and in the restructuring of the LP Entities generally, shall only be to deal with matters brought to it either by the President of CPI as contemplated by paragraph 5 of this Order or by the Monitor as contemplated by this paragraph in the Order; and

(h) otherwise working with the SISP Advisors on any steps and actions considered necessary or desirable in carrying out the SISP.

33. THIS COURT ORDERS that the Monitor shall not take possession of the LP Property and shall take no part whatsoever in the management or supervision of the management of the LP Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the LP Business or LP Property, or any part thereof.

34. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the LP Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be

in Possession of any of the LP Property within the meaning of any Environmental Legislation, unless it is actually in Possession.

35. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant and the LP DIP Lenders with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor provided that with respect to any Person acting, directly or indirectly, as or on behalf of a bidder or potential bidder involved in the SISP, the Monitor is not required to provide any such information unless the Monitor is satisfied that appropriate internal confidentiality screens are in place. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the LP Entities may agree.

36. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

37. THIS COURT ORDERS that, subject to the provisions of this paragraph, the Monitor, counsel to the Monitor, counsel to the LP Entities, counsel and financial advisor to the Special Committee, counsel to the directors and officers of the Applicants, the LP CRA, counsel to the LP CRA and the Financial Advisor, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, or as agreed under contracts, as long as such contracts, which shall include any contracts to obtain fairness opinions, are approved by this Court, whether incurred prior to or subsequent to the date of this Order, by the LP Entities, to the extent that such fees and disbursements relate to services provided to the LP Entities. From the date of this Order, the fees and disbursements paid by the LP Entities to:

(a) counsel to the Special Committee shall be limited to those incurred in respect of advice given in connection with the authorities and obligations of the Special Committee as set forth in paragraph 32(g) herein; and

(b) counsel to the directors and officers of the Applicants shall not exceed $75,000 in total.

The Monitor, counsel to the Monitor, counsel to the LP Entities, counsel and financial advisor to the Special Committee, the LP CRA, counsel to the LP CRA, counsel to the Applicants' directors and officers and the Financial Advisor shall keep separate accounts for services provided in respect of the LP Entities and services provided in respect of the CMI Entities. The LP Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, counsel to the LP Entities, counsel and financial advisor to the Special Committee on a weekly basis, and the accounts of the LP CRA, counsel to the LP CRA, and counsel to the Applicants' directors and officers and the Financial Advisor on a monthly basis, to the extent that such accounts relate to services provided to the LP Entities. The LP Entities shall not be liable for and shall not pay any expenses, fees, disbursements or retainers of the Monitor, counsel to the Monitor, counsel to the CMI Entities, counsel and financial advisor to the Special Committee, counsel to the Applicants' directors and officers or the Financial Advisor, to the extent that such expenses, fees, disbursements or retainers are not attributable to the LP Entities.

38. THIS COURT ORDERS that the Monitor, counsel to the Monitor, and if so ordered by the Court on motion brought by the Monitor, after consultation with the LP CRA, other counsel whose fees and disbursements are secured by the LP Administration Charge (as defined below), shall pass their accounts from time to time, and for this purpose the accounts of such parties are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

39. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the LP Entities, counsel and the financial advisor to the Special Committee, the LP CRA, and counsel to the LP CRA shall be entitled to the benefit of and are hereby granted a charge on the LP Property (the "**LP Administration Charge**"), which charge shall not exceed an aggregate amount of $3 million , as security for their reasonable professional fees and disbursements incurred at their respective standard rates and charges in respect of such services, both before and after the making of this Order in respect of these proceedings. The LP Administration Charge shall have the priority set out in paragraphs 54 and 56 hereof.

40. THIS COURT ORDERS that the RBC Dominion Securities Inc., a member company of RBC Capital Markets (the "**Financial Advisor**") shall be entitled to the benefit of and is hereby

granted a charge on the LP Property (the "**FA Charge**"), which charge shall not exceed an aggregate amount of $10 million, as security for the fees and disbursements, including a success fee (if any) payable to the Financial Advisor pursuant to the engagement letter dated October 1, 2009 between CPI, the Limited Partnership and Financial Advisor (the "**Financial Advisor Agreement**"). The FA Charge shall have the priority set out in paragraphs 54 and 56 hereof.

CHIEF RESTRUCTURING ADVISOR

41. THIS COURT ORDERS that CRS Inc. ("**CRS**") be and is hereby appointed as Chief Restructuring Advisor of the LP Entities in accordance with the terms and conditions of the agreement entered into between Canwest Global Communications Corp. ("**Canwest Global**"), the LP Entities and CRS (CRS and its President, Gary F. Colter, are collectively referred to herein as the "**LP CRA**") dated November 1, 2009 (the "**LP CRA Agreement**"), effective as of the date of this Order.

42. THIS COURT ORDERS that the LP CRA Agreement is hereby approved and given full force and effect and that the LP CRA is hereby authorized to retain counsel as set out in the LP CRA Agreement. The LP CRA Agreement shall not be amended without prior Court approval.

43. THIS COURT ORDERS that the LP Entities are authorized and directed to continue the engagement of the LP CRA on the terms and conditions set out in the LP CRA Agreement.

44. THIS COURT ORDERS that the LP CRA shall not be or be deemed to be a director, officer or employee of any of the LP Entities.

45. THIS COURT ORDERS that the LP CRA and its directors and officers shall incur no liability or obligation as a result of the LP CRA's appointment or the carrying out of the provisions of this Order, or the provision of services pursuant to the LP CRA Agreement, save and except as may result from gross negligence or wilful misconduct on the part of the LP CRA. In particular, the LP CRA and its directors and officers shall incur no liability, whether statutory or otherwise, as a director or officer of the LP Entities.

46. THIS COURT ORDERS that (i) the indemnification obligations of Canwest Global in favour of the LP CRA and its officers and directors set out in the LP CRA Agreement; and (ii)

the payment obligations set out in the LP CRA Agreement shall be entitled to the benefit of and form part of the LP Administration Charge set out herein.

47. THIS COURT ORDERS that any claims of the LP CRA under the LP CRA Agreement shall be treated as unaffected in any plan of compromise or arrangement filed by the LP Entities under the CCAA, any proposal filed by the LP Entities under the BIA or any other restructuring.

DIP FINANCING

48. THIS COURT ORDERS that LP Entities are hereby authorized and empowered to obtain and borrow under a credit facility from The Bank of Nova Scotia as Administrative Agent (the "**LP DIP Agent**") and certain other lenders from time to time party to the LP DIP Definitive Documents (as defined below)(collectively, the "**LP DIP Lenders**") in order to finance the LP Entities' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $25 million unless permitted by further Order of this Court.

49. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the LP Entities, the LP DIP Lenders and LP DIP Agent dated as of January 8, 2010 (the "**Commitment Letter**"), filed.

50. THIS COURT ORDERS that the LP Entities are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**LP DIP Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the LP DIP Lenders pursuant to the terms thereof, and the LP Entities are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the LP DIP Lenders under and pursuant to the Commitment Letter and the LP DIP Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

51. THIS COURT ORDERS that the LP DIP Lenders shall be entitled to the benefit of and are hereby granted a charge (the "**LP DIP Lenders' Charge**") on the LP Property as security for any and all obligations of the LP Entities under the LP DIP Definitive Documents, which charge shall not exceed the aggregate amount advanced on or after the date of this Order under the LP

DIP Definitive Documents. The LP DIP Lenders' Charge shall have the priority set out in paragraphs 54 and 56 hereof.

52. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

(a) the LP DIP Lenders or the LP DIP Agent may take such steps from time to time as they may deem necessary or appropriate to file, register, record or perfect the LP DIP Lenders' Charge or any of the LP DIP Definitive Documents;

(b) upon the occurrence of an event of default under the LP DIP Definitive Documents or the LP DIP Lenders' Charge, the LP DIP Lenders, upon 2 days notice to the LP Entities and the Monitor, may exercise any and all of their rights and remedies against the LP Entities or the LP Property under or pursuant to the Commitment Letter, LP DIP Definitive Documents and the LP DIP Lenders' Charge (except that the right to cease making advances or credit available under the LP DIP Definitive Documents, to set off and/or consolidate any amounts owing by the LP DIP Lenders to the LP Entities against the obligations of the LP Entities to the LP DIP Lenders under the Commitment Letter, the LP DIP Definitive Documents or the LP DIP Lenders' Charge and make demand or accelerate payment thereunder shall be without notice or demand), including, without limitation, to give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the LP Entities and for the appointment of a trustee in bankruptcy of the LP Entities, and upon the occurrence of an event of default under the terms of the LP DIP Definitive Documents, the LP DIP Lenders shall be entitled to seize and retain proceeds from the sale of the LP Property and the cash flow of the LP Entities to repay amounts owing to the LP DIP Lenders in accordance with the LP DIP Definitive Documents and the LP DIP Lenders' Charge, but subject to the priorities as set out in paragraphs 54 and 56 of this Order; and

(c) the foregoing rights and remedies of the LP DIP Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the LP Entities or the LP Property.

53. THIS COURT ORDERS AND DECLARES that the LP DIP Lenders shall be treated as unaffected in any plan of compromise or arrangement filed by the LP Entities under the CCAA, any proposal filed by the LP Entities under the BIA or any restructuring with respect to any advances made under the LP DIP Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

54. THIS COURT ORDERS that the priorities of the LP Directors' Charge, the LP DIP Lenders' Charge, the LP Administration Charge, the FA Charge and the LP MIP Charge (as defined below), shall be as follows:

First – LP Administration Charge

Second – LP DIP Lenders' Charge and the Cash Management Existing Security up to $7.5 million on a *pari passu* basis;

Third – The FA Charge; and

Fourth – the LP Directors' Charge and the LP MIP Charge on a *pari passu* basis.

55. THIS COURT ORDERS that the filing, registration or perfection of the LP Directors' Charge, LP DIP Lenders' Charge, the LP Administration Charge, the FA Charge or the LP MIP Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

56. THIS COURT ORDERS that the LP Directors' Charge, the LP DIP Lenders' Charge, the LP Administration Charge, the FA Charge and the LP MIP Charge shall constitute a charge on the LP Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment, except for any validly perfected purchase money security interest in favour of any secured creditor or for any statutory Encumbrance existing on the date of this order in favour of any Person that is a "secured creditor" as defined in the CCAA in respect of source deductions from wages, employer health

tax, workers compensation, GST/QST, PST payables, vacation pay and banked overtime for employees, and amounts under the Wage Earners' Protection Program that are subject to a super priority claim under the BIA.

57. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the LP Entities shall not grant any Encumbrances over any LP Property that rank in priority to, or *pari passu* with, any of the LP Directors' Charge, the LP DIP Lenders' Charge, the LP Administration Charge, the FA Charge or the LP MIP Charge, unless the LP Entities also obtain the prior written consent of the Monitor, the beneficiaries of the LP Directors' Charge, the LP DIP Lenders' Charge, the LP Administration Charge, the LP MIP Charge or the FA Charge and the Agent, or upon further Order of this Court.

58. THIS COURT ORDERS that the LP Directors' Charge, the LP DIP Lenders' Charge, the LP Administration Charge, the FA Charge, the LP MIP Charge and the LP Support Agreement shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the LP Entities, or any of them, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery or performance of the Commitment Letter, the LP DIP Definitive Documents or the LP Support Agreement shall create or be deemed to constitute a breach by any of the LP Entities of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges

or the execution, delivery or performance of the Commitment Letter or any LP DIP Definitive Documents; and

(c) the LP Support Agreement, the Commitment Letter, the LP DIP Definitive Documents, payments made by the LP Entities pursuant to this Order, and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

59. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the relevant LP Entity's interest in such real property leases.

60. THIS COURT ORDERS that, notwithstanding any other provision of this Order, the terms and conditions with respect to any release and discharge of the Charges (as defined herein) shall be subject to the consent of the applicable Chargee and the Monitor or further Order of the Court.

APPROVAL OF FINANCIAL ADVISOR AGREEMENT

61. THIS COURT ORDERS that the Financial Advisor Agreement in the form attached to the Confidential Supplement to the Monitor's Pre-Filing Report (the "**Confidential Supplement**") is hereby approved and the LP Entities are authorized and directed to make the payments contemplated thereunder in accordance with the terms and conditions of the Financial Advisor Agreement.

MANAGEMENT INCENTIVE PLAN

62. THIS COURT ORDERS that the LP Entities' management incentive plan (the "**LP MIP**"), the National Post Inc. management incentive plan (the "**NP MIP**") and employee special arrangements (the "**Special Arrangements**") in the forms attached to the Confidential Supplement are hereby approved and the LP Entities are authorized and directed to make payments contemplated thereunder in accordance with the terms and conditions of the LP MIP, the NP MIP and the Special Arrangements which shall not be amended without the consent of the Agent, acting in consultation with the Steering Committee and further Order of the Court.

63. THIS COURT ORDERS that the key employees referred to in the LP MIP and the beneficiaries of the Special Arrangements shall be entitled to the benefit of and are hereby granted a charge (the "**LP MIP Charge**") on the LP Property, which charge shall not exceed an aggregate amount of $3 million, to secure amounts owing to such key employees under the LP MIP and amounts owing to the beneficiaries of the Special Arrangements.

SEALING OF CONFIDENTIAL SUPPLEMENT

64. THIS COURT ORDERS that the Confidential Supplement be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

PART II – SENIOR LENDERS CCAA PLAN OF ARRANGEMENT

SENIOR LENDERS CCAA PLAN OF ARRANGEMENT

65. THIS COURT ORDERS that capitalized terms used in Parts II, III, and IV of this Order not otherwise defined herein shall have the meanings given to them in the Senior Lenders CCAA Plan.

66. THIS COURT ORDERS that the plan of compromise or arrangement (hereinafter referred to as the "**Senior Lenders CCAA Plan**") between the LP Entities and the Senior Secured Creditors, substantially in the form attached as Schedule "B" hereto, be and is hereby accepted for filing, and that the LP Entities are authorized to seek approval of the Senior Lenders CCAA Plan in the manner set forth herein.

67. THIS COURT ORDERS that the Agent is hereby authorized to amend, modify and/or supplement the Senior Lenders CCAA Plan at any time and from time to time prior to the Senior Lenders Meeting (as defined below). The Monitor shall disclose and make available all amendments, modifications and supplements to the Senior Lenders CCAA Plan at the Senior Lenders Meeting.

PART III – SENIOR LENDERS CLAIMS PROCESS

68. THIS COURT ORDERS that for the purposes of voting and distribution under the Senior Lenders CCAA Plan, the Principal amount of the Senior Secured Claims shall be determined in the following manner (the "**Senior Lenders Claims Process**"):

(a) Within two (2) Business Days of the date hereof (the "**Filing Date**"), the Agent, on behalf of the Senior Lenders, shall send to the LP Entities (with a copy to the Monitor):

(i) a notice substantially in the form attached as Schedule "C" hereto, setting out based upon its records: (x) the aggregate Principal amount of the Senior Secured Claims owing directly by each of the LP Entities under the Senior Credit Agreement as at the Filing Date (the "**Syndicate Claims**") and (y) each Senior Lender's pro rata share of the Syndicate Claims as at the Filing Date (all of which shall constitute, the "**Notice of Claim - Syndicate Claims and Pro Rata Notice**").

(ii) concurrently with the delivery of the Notice of Claim - Syndicate Claims and Pro Rata Notice to the LP Entities, the Agent shall post a copy of the Notice of Claim - Syndicate Claims and Pro Rata Notice to one of the IntraLinks websites (the "**Senior Lenders Website**") maintained by the Agent for the benefit of the Senior Lenders.

(b) The LP Entities shall within five (5) Business Days of receipt of the Notice of Claim - Syndicate Claims and Pro Rata Notice advise the Monitor (with a copy to the Agent) whether the amounts set out therein are consistent with their books and records. If the LP Entities fail to file a notice of dispute substantially in the form attached as Schedule "D" hereto (a "**Notice of Dispute - Syndicate Claims and Pro Rata Notice**"), within the five (5) day period noted above, then the LP Entities shall be deemed to have confirmed the amounts set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice.

(c) Each of the Senior Lenders holding Syndicate Claims shall within five (5) Business Days of the posting of the Notice of Claim - Syndicate Claims and Pro Rata Notice to the Senior Lenders Website advise the Monitor (with a copy to the Agent) whether such Senior Lender's pro rata share of the Syndicate Claims set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice is accurate. If a Senior Lender fails to file a Notice of Dispute - Syndicate Claims and Pro Rata Notice within the five (5) day period noted above then such Senior Lender shall be deemed to have confirmed

its pro rata share of the Syndicate Claims as set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice is accurate.

(d) If the amount of a Senior Lender's Syndicate Claim is: (i) confirmed by the LP Entities pursuant to paragraph 68(b); and (ii) confirmed by such Senior Lender pursuant to paragraph 68(c), then the amount designated in the Notice of Claim - Syndicate Claims and Pro Rata Notice to be such Senior Lender's pro rata share of the Syndicate Claims shall be deemed to be finally determined ("**Finally Determined**") and accepted as the Proven Principal Claim of such Senior Lender for the purposes of voting and for calculating the entitlement to distribution under the Senior Lenders CCAA Plan in respect of the Syndicate Claims.

(e) Within two (2) Business Days of the Filing Date, the LP Entities shall send to each holder of a Senior Secured Claim under or pursuant to one or more Hedging Agreements (each, a "**Hedging Creditor**") (with a copy to the Monitor and the Agent) a notice, substantially in the form attached as Schedule "E" hereto, setting out the Principal amount of such Hedging Creditor's Senior Secured Claim owing directly by each of the LP Entities and the rate of interest payable on such Principal amount (each, a "**Notice of Claim - Hedging Agreements**").

(f) Each Hedging Creditor shall within five (5) Business Days of receipt of their respective notices confirm to the Monitor whether the amounts and interest rate set out therein are accurate.

(g) If the Principal amount and interest rate set out in a Notice of Claim - Hedging Agreements is confirmed by the specified Hedging Creditor or if such Hedging Creditor does not deliver a notice of dispute substantially in the form attached as Schedule "F" hereto (a "**Notice of Dispute - Hedging Agreements**") within five (5) Business Days of receipt of such Notice of Claim - Hedging Agreements, then the Principal amount set out in such Notice of Claim - Hedging Agreements shall be deemed to be Finally Determined and accepted as the Proven Principal Claim of such Hedging Creditor for the purposes of voting and for calculating the entitlement to distributions under the Senior Lenders CCAA Plan and the interest rate set out in the Notice of Claim - Hedging Agreements shall be deemed to be the proper interest rate

for the purposes of calculating the entitlement to distributions under the Senior Lenders CCAA Plan.

(h) Within five (5) Business Days of receipt (or posting on the Senior Lenders Website) of either the Notice of Claim - Syndicate Claims and Pro Rata Notice or a Notice of Claim - Hedging Agreements, as the case may be, a Senior Lender holding a Syndicate Claim, the LP Entities or a Hedging Creditor (in such circumstances a "**Disputing Claimant**") may deliver a Notice of Dispute - Syndicate Claims and Pro Rata Notice or a Notice of Dispute - Hedging Agreements to the Monitor (with a copy to the Agent in respect of a Notice of Dispute - Syndicate Claims and Pro Rata Notice) as follows:

(i) the LP Entities or a Senior Lender holding a Syndicate Claim may deliver a Notice of Dispute - Syndicate Claims and Pro Rata Notice indicating that they dispute the amount set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice. If a Notice of Dispute - Syndicate Claims and Pro Rata Notice is delivered pursuant to the preceding sentence, then the applicable Senior Lender, the Monitor, the LP Entities and the Agent shall have three (3) Business Days to reach an agreement in writing as to the Principal amount of the Senior Secured Claim that is subject to the Notice of Dispute - Syndicate Claims and Pro Rata Notice, in which case such agreement shall govern and the Principal amount of such Senior Secured Claim as agreed shall be deemed to be Finally Determined and accepted as the Senior Lender's Proven Principal Claim for the purposes of voting and for calculating the entitlement to distributions under the Senior Lenders CCAA Plan in respect of the Syndicate Claims.

(ii) a Hedging Creditor may deliver a Notice of Dispute - Hedging Agreements indicating that it disputes the amount or interest rate set out in its Notice of Claim - Hedging Agreements. If a Notice of Dispute - Hedging Agreements is delivered pursuant to the preceding sentence, then the Monitor, the LP Entities and the Agent and the particular Hedging Creditor shall have three (3) Business Days to reach an agreement in writing as to the Principal amount of, and/or interest rate applicable to the Senior Secured Claim that is subject to the Notice of Dispute - Hedging Agreements, in which case such agreement shall govern and the Principal amount as agreed shall be deemed to be Finally Determined and accepted as the Proven Principal Claim of such Hedging Creditor for the purposes of voting and for calculating the entitlement to distributions under the Senior Lenders CCAA Plan and the interest rate, as agreed, shall be deemed to be the proper interest rate for the purposes of calculating the entitlement to distributions under the Senior Lenders CCAA Plan.

(i) If a Notice of Dispute - Syndicate Claims and Pro Rata Notice or a Notice of Dispute - Hedging Agreements is unable to be resolved in the manner and within the time period set out in paragraph 68(h) above, then the Claim of such Disputing Claimant shall be determined by the Court on a motion for advice and directions brought by the Monitor (the "**Dispute Motion**") on notice to all interested parties. The Monitor and the Disputing Claimant shall each use reasonable efforts to have the Dispute Motion, and any appeals therefrom, disposed of on an expedited basis with a view to having the Claim of the Disputing Claimant Finally Determined on a timely basis.

(j) If the Principal amount of a Senior Secured Claim held by a Senior Lender is the subject of a Notice of Dispute - Syndicate Claims and Pro Rata Notice and is not Finally Determined on or before the second Business Day immediately prior to the day of the Senior Lenders Meeting, then for the purposes of voting, such a Senior Lender shall be deemed to have an accepted Senior Secured Claim for voting purposes (an "**Accepted Voting Claim**") equal to the amount of its pro rata share of the Syndicate Claims set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice.

(k) If the Principal amount of a Senior Secured Claim held by a Hedging Creditor is the subject of a Notice of Dispute - Hedging Agreements and is not Finally Determined on or before the second Business Day immediately prior to the day of the Senior Lenders Meeting, then for the purposes of voting, such a Hedging Creditor shall be deemed to have an Accepted Voting Claim equal to the amount set out in its Notice of Claim - Hedging Agreements.

69. **THIS COURT ORDERS** that any Senior Lender, who asserts that its Senior Secured Claim as at the Filing Date includes a claim or claims for amounts in addition to a claim for Principal (an "**Additional Claim**"), shall notify the Monitor (with a copy to the Agent and the LP Entities), of such Additional Claim and the amount of such Additional Claim within ten (10) Business Days of the Filing Date. If no such notice is received by the Monitor within ten (10) Business Days of the Filing Date, such Senior Lender's Additional Claim shall be and is hereby forever extinguished and barred.

70. **THIS COURT ORDERS** that, for the purposes of calculating Senior Secured Claims for voting and distribution purposes, Senior Secured Claims denominated in US dollars shall be converted into Canadian dollars at the Bank of Canada United States/Canadian Dollar noon exchange rate in effect on the date of the Initial Order.

71. **THIS COURT ORDERS** that the Agent shall post a copy of this Order on the Senior Lenders Website within two (2) Business Days of the making of the Order.

PART IV – SENIOR LENDERS MEETING

THE SENIOR LENDERS MEETING

72. THIS COURT ORDERS that the holding and conduct of a meeting of the Senior Lenders on January 27, 2010 for the purpose of voting on, with or without variation, a resolution to approve the Senior Lenders CCAA Plan (the "**Senior Lenders Meeting**") is hereby authorized.

73. THIS COURT ORDERS that an officer of the Monitor shall preside as the chair of the Senior Lenders Meeting (the "**Chair**") and, subject to this Order and any further order of this Court, shall decide all matters relating to the conduct of the Senior Lenders Meeting.

74. THIS COURT ORDERS that the Chair is authorized to adjourn the Senior Lenders Meeting on one or more occasions to such time(s), date(s) and place(s) as the Chair deems necessary or desirable (without the need to first convene the Senior Lenders Meeting for the purpose of adjournment). Notice of such adjourned date shall be posted on the Monitor's website and there shall be no requirement to provide any other notice.

75. THIS COURT ORDERS that the only persons entitled to attend the Senior Lenders Meeting shall be the LP Entities, the Monitor, the LP CRA, the Agent and the Senior Lenders entitled to vote at the Senior Lenders Meeting (including, for the purposes of attendance, speaking and voting, their respective proxy holders) and their respective legal counsel. Any other person may be admitted to the Senior Lenders Meeting by the Chair or the LP Entities.

76. THIS COURT ORDERS that the only Persons entitled to vote at the Senior Lenders Meeting are Senior Lenders holding Proven Principal Claims or Accepted Voting Claims (collectively "**Accepted Senior Voting Claims**") on the second Business Day immediately prior to the day of the Senior Lenders Meeting.

77. THIS COURT ORDERS that record date (the "**Record Date**") for the purposes of voting on the Senior Lenders CCAA Plan shall be the date hereof.

78. THIS COURT ORDERS that if, after the Record Date, the holder of a Senior Secured Claim on the Record Date, or any subsequent holder of the whole of a Senior Secured Claim who has been acknowledged by the Monitor as the Senior Lender (as disclosed in either the Notice of Claim - Syndicate Claims and Pro Rata Notice or an applicable Notice of Claim - Hedging Agreements) in respect of such Senior Secured Claim, transfers or assigns the whole of such Senior Secured Claim to another Person, the Agent, the LP Entities and the Monitor shall not be obligated to give notice to or to otherwise deal with a transferee or assignee of a Senior Secured Claim as the Senior Lender for the purposes of such Person's entitlement to vote at the Senior Lenders Meeting.

CLASSIFICATION OF CREDITORS AND VOTING

79. THIS COURT ORDERS that for the purpose of voting on the Senior Lenders CCAA Plan there shall be one class of creditors constituted by the Senior Lenders holding Accepted Senior Voting Claims.

80. THIS COURT ORDERS that the quorum required at the Senior Lenders Meeting shall be one Senior Secured Creditor holding an Accepted Senior Voting Claim present at the Senior Lenders Meeting in person or by proxy. If the requisite quorum is not present at the Senior Lenders Meeting, then the Senior Lenders Meeting shall be adjourned by the Chair to such time, date and place as the Chair deems necessary or desirable.

81. THIS COURT ORDERS that the Chair shall direct a vote with respect to a resolution to approve the Senior Lenders CCAA Plan and containing such other related provisions as the Agent, in consultation with the Monitor, may consider appropriate.

82. THIS COURT ORDERS that if any matter other than those referred to in paragraph 81 arises at the Senior Lenders Meeting and requires a vote, such vote shall be conducted in the manner decided by the Chair, and (i) if the Chair decides to conduct such vote by way of show of hands, the vote shall be decided by a majority of the votes given on a show of hands, and (ii) if the Chair decides to conduct such vote by written ballot, the vote shall be decided by a majority in number of Senior Lenders holding Accepted Senior Voting Claims and representing a two-

thirds majority in value of the Accepted Senior Voting Claims present and voting at the Senior Lenders Meeting (the "**Required Majority**").

83. THIS COURT ORDERS that the Monitor is authorized to accept and rely upon a proxy submitted in the form attached hereto as Schedule "G", or such other form of proxy as is acceptable to the Monitor, and received by the Monitor by 5:00 p.m. (Toronto time) on January 25, 2010 or 2 days prior to any adjournment of the Senior Lenders Meeting.

84. THIS COURT ORDERS that following the vote at the Senior Lenders Meeting, the Monitor shall tally the votes and determine whether the Senior Lenders CCAA Plan has been accepted by the Required Majority and how the result of the votes, for and against the Senior Lenders CCAA Plan, would have been affected if Senior Lenders had been allowed to vote in respect of the portion of any Senior Secured Claim, including, for greater certainty, any Additional Claim, that had not been Finally Determined at the time of the Senior Lenders Meeting (the "**Unresolved Senior Claims**").

85. THIS COURT ORDERS that the result of any vote at the Senior Lenders Meeting shall be binding on all Persons affected by the Senior Lenders CCAA Plan, whether or not any such Person is present at the Senior Lenders Meeting.

NOTICE OF SENIOR LENDERS MEETING

86. THIS COURT ORDERS that on or before January 12, 2010, the Monitor shall deliver the following documents (collectively, the "**Meeting Materials**") to the Agent and the Agent shall forthwith post such documents on the Senior Lenders Website:

(a) A Notice of Senior Lenders Meeting, substantially in the form attached hereto as Schedule "H";

(b) A copy of this Order;

(c) A copy of the Senior Lenders CCAA Plan, as amended; and

(d) A form of proxy for use at the Senior Lenders Meeting, substantially in the form attached hereto as Schedule "G";

87. THIS COURT ORDERS that on or before January 12, 2010, the Monitor shall post the Meeting Materials on the Monitor's website at: [http://cfcanada.fticonsulting.com/clp].

88. THIS COURT ORDERS that service of a copy of the Meeting Materials upon the Senior Lenders in the manner set out in paragraph 86 shall constitute good and sufficient service of the Senior Lenders CCAA Plan and this Order and good and sufficient notice of the Senior Lenders Meeting on all the Senior Lenders who may be entitled to receive notice thereof, or of these proceedings, and no other document or material need be served on any Persons in respect of these proceedings.

SANCTION HEARING AND ORDER

89. THIS COURT ORDERS that the Monitor shall file a report to this Court by no later than February 5, 2010, with respect to the results of the vote, including whether:

(a) the Senior Lenders CCAA Plan was approved by the Required Majority; and

(b) the votes, for and against the Senior Lenders CCAA Plan, that were cast by Senior Lenders holding Unresolved Senior Claims would affect the result of the vote on the Senior Lenders CCAA Plan.

90. THIS COURT ORDERS that if the approval or non-approval of the Senior Lenders CCAA Plan would be altered by the votes in respect of Unresolved Senior Claims, the Monitor shall, in consultation with the LP Entities and the Agent, request the direction of the Court.

91. THIS COURT ORDERS that if the Senior Lenders CCAA Plan has been accepted by the Required Majority, the LP Entities shall bring a motion seeking the Sanction Order (the "**Sanction Hearing**") on a date to be determined by the Monitor in accordance with the SISP and in consultation with the LP CRA and the Agent, or such other date as the Court may set.

92. THIS COURT ORDERS that service of the Meeting Materials and this Order pursuant to paragraphs 86 and 96 hereof shall constitute good and sufficient service of notice of the Sanction Hearing upon all Persons who are entitled to receive such service and no other form of service need be made and no other materials need be served on any Person in respect of the Sanction Hearing.

93. THIS COURT ORDERS that any Person intending to object to the motion seeking the Sanction Order shall serve on counsel to the Monitor, the Agent and the LP Entities and those persons listed on the LP Entities' service list and file with the Court no later than three days before the Sanction Hearing a written notice containing a description of its proposed grounds of contestation.

94. THIS COURT ORDERS that in the event that the Sanction Hearing is adjourned, only those Persons who have filed and served a Notice of Appearance herein are required to be served with notice of the adjourned date.

SERVICE AND NOTICE

95. THIS COURT ORDERS that the LP Entities and the Monitor shall (i) without delay, publish, in each of the National Post, the Globe and Mail and La Presse newspapers, one notice containing the information prescribed under the CCAA, (ii) within five (5) days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the LP Entities of more than $5,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims (other than in respect of Senior Lenders holding Senior Secured Claims, as contemplated by the LP Support Agreement), and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the names and addresses of individual creditors publicly available.

96. THIS COURT ORDERS that the LP Entities and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings and any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the LP Entities' creditors or other interested parties at their respective addresses as last shown on the records of the LP Entities and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

97. THIS COURT ORDERS that the LP Entities, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at http://cfcanada.fticonsulting.com/clp.

GENERAL

98. THIS COURT ORDERS that the LP Entities, the Monitor or the Agent may from time to time apply to this Court for advice and directions in connection with, *inter alia*, the discharge of powers and duties hereunder.

99. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the LP Entities, the LP Business or the LP Property.

100. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the LP Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the LP Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the LP Entities and the Monitor and their respective agents in carrying out the terms of this Order.

101. THIS COURT ORDERS that each of the LP Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

102. THIS COURT ORDERS that any interested party (including the LP Entities, the Monitor and the Agent) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided however that the LP DIP Lenders shall be entitled to rely on this Order as issued for all advances made under the Commitment Letter and the LP DIP Definitive Documents up to and including the date this Order may be varied or amended.

103. THIS COURT ORDERS that, notwithstanding the immediately preceding paragraph, no order shall be made varying, rescinding or otherwise affecting the provisions of this Order with respect to the Commitment Letter or the LP DIP Definitive Documents, unless notice of a motion for such order is served on the Monitor and the LP Entities, the Agent and the LP DIP Lenders returnable no later than February 11, 2010.

104. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JAN 15 2010

PER / PAR: JSN Joanne Nicoara
Registrar, Superior Court of Justice

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

Ontario
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

INITIAL ORDER

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APPENDIX "B"

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 TED S. LODGE
(sworn January 27, 2010)

I, TED S. LODGE, of the Whitemarsh Township, in the Commonwealth of Pennsylvania, MAKE OATH AND SAY:

1. I am a Partner of GoldenTree Asset Management LP ("GoldenTree"). GoldenTree acts as investment manager on behalf of one or more managed funds/accounts which hold certain Notes (as defined below) issued by CanWest MediaWorks Limited Partnership (now, Canwest Limited Partnership) (the "Limited Partnership"). Further, GoldenTree is one of the members of the *ad hoc* committee of noteholders (the "Committee"), which was formed with a view to facilitating the restructuring of the LP Entities (as defined below). As such, I have knowledge of the matters referred to herein. Where I have gained knowledge based on information I have received from others, including through documents filed by Canwest Publishing Inc./Publications Canwest Inc. ("CPI"), Canwest Books Inc. ("CBI") and Canwest

(Canada) Inc. ("CCI") (collectively the "Applicants" and together with the Limited Partnership, the "LP Entities") in connection with their application for relief under the *Companies' Creditors Arrangement Act* (the "CCAA"), I verily believe such information to be true.

2. This is a motion by the Committee for an Order amending the terms of the SISP (as defined below) and an Order approving the Committee DIP (as defined below). It is the view of the Committee that the SISP, as it currently stands, will not bring about a robust and competitive bidding process for the LP Entities' business, but will instead deter such a result. I have been authorized by the members of the Committee to swear this Affidavit in support of this motion that is being brought by all of the members of the Committee.

3. This motion is being brought by the Committee as a result of (i) the lack of information available to the Committee both before and after the CCAA Filing (as defined below), (ii) the fact that the secured lenders of the LP Entities (the "Secured Lenders") have been granted "veto" rights under the SISP, (iii) the aggressive timetable established by the SISP, and (iv) the desire by the Committee to put forth a viable proposal in the SISP (and allow other parties to put forth viable proposals) that will produce the best results for all of the LP Entities' stakeholders and not only the Secured Lenders.

The Committee

4. As set out in more detail below, I am advised that members of the Committee manage funds which are the beneficial holders of in excess of U.S.$300 million principal amount of the U.S.$400 million Notes issued by the Limited Partnership.

The LP Entities

5. The LP Entities own and operate major daily newspapers, community newspapers, online operations and other publications, excluding those of the *National Post*. The *National Post* is operated and published by the LP Entities through their ownership interest in National Post Inc., a subsidiary of CPI.

The Notes

6. Pursuant to an offering memorandum dated July 2, 2007, the Limited Partnership issued U.S.$400 million of 9.25% senior subordinated notes (the "Notes"). The Notes are governed by an indenture dated July 13, 2007 (the "Indenture") between the Limited Partnership, the Bank of New York, BNY Trust Company of Canada, Canwest MediaWorks Inc. (now, CPI) and CBI. The Notes are in default and the Limited Partnership currently owes approximately $438 million principal and $23.6 million of interest under the Notes.

7. CPI and CBI (the "Note Guarantors") guaranteed the payment of principal, premium and interest on each Note and performance of the Limited Partnership under the Indenture.

8. The Notes are general unsecured obligations of the Limited Partnership and the Note Guarantors and are subordinated in right of payment to all existing and future

senior indebtedness, which includes (i) the indebtedness owed to the lenders under a senior secured credit facility (the "Credit Facility") by and among the Limited Partnership, The Bank of Nova Scotia as Administrative Agent (the "Agent"), syndicate of lenders (i.e. Secured Lenders) and CCI, CPI and CBI as guarantors, (ii) obligations with respect to Hedging Obligations (as defined in the Indenture), and (iii) any indebtedness that does not provide that it is to rank *pari passu* with or subordinate to the Notes or the guarantee of the Note Guarantors.

9. The Notes bear interest at the rate of 9.25% per year payable on February 1 and August 1 each year and are due in August 2015. Under the terms of the Indenture, an event of default occurs if, among other things, (i) there is default for 30 days in payment of any interest due on the Notes, (ii) the Limited Partnership or Note Guarantors fail to pay interest or premium in an aggregate amount of U.S.$25 million with respect to any indebtedness of the Limited Partnership, which default is not waived or cured within 60 days after written notice is provided or the acceleration of the indebtedness aggregating U.S.$25 million which is not rescinded or annulled within 30 days after written notice is provided, or (iii) when the Limited Partnership commences voluntary insolvency proceedings.

Events of Default Committed by the LP Entities

10. Commencing May 2009, the Limited Partnership failed to make payments under, and was in breach of, certain financial covenants contained in the Credit Facility. The Limited Partnership failed to make principal, interest and fee payments due on May 29, 2009, June 21, 2009, June 22, 2009, July 21, 2009, July 22, 2009 and August 21, 2009,

in breach of the Credit Facility. The outstanding interest and fee amounts were eventually paid in accordance with the Forbearance Agreement (as discussed below).

11. The failure of the Limited Partnership to make payments under the Credit Facility triggered default in the Limited Partnership's related foreign currency and interest rate swaps and the Limited Partnership also failed to satisfy the demand for immediate repayment of its obligations owing to the swap counterparties under these instruments.

12. On June 21, 2009, the Limited Partnership failed to make an interest payment which was due under a senior subordinated credit agreement (the "Subordinated Credit Agreement") dated as of July 10, 2007 between the Limited Partnership, the Agent, a syndicate of lenders and CCI, CPI and CBI as guarantors. The defaults under the Credit Facility were also events of default under the Subordinated Credit Agreement.

13. On August 3, 2009, Canwest Global Communications Corp. ("Canwest Global") announced that the Limited Partnership would not make the August 1 payment of interest of approximately U.S.$18.5 million due to holders of the Notes (collectively, the "Noteholders") pursuant to the terms of the Indenture. The failure to make this interest payment caused an event of default under the Indenture. The failure of the Limited Partnership to satisfy the demand for repayment of its obligations in respect of their foreign currency and interest rate swaps constituted an event of default under the Indenture.

14. On August 31, 2009, the LP Entities entered into a forbearance agreement (the "Forbearance Agreement") with the Agent, pursuant to which the Agent agreed to forbear from taking steps with respect to the events of default committed by the LP

Entities under the Credit Facility. The Forbearance Agreement, as amended, expired according to its terms on November 9, 2009.

The Formation of the Committee

15. In early May 2009, GoldenTree and another party which is no longer a holder of the Notes began to organize an *ad hoc* committee of Noteholders and retained Davies Ward Phillips & Vineberg LLP ("Davies") as counsel for the Committee. The Committee is comprised of U.S. and Canadian retail and institutional investors. The Committee, in its current state, was not formed until October 2009.

16. The Committee currently comprises parties that hold or manage in excess of U.S.$300 million of the Notes and includes a number of substantial financial institutions with significant cash resources; our holdings represent in excess of 75% of the Notes and a considerable portion of the unsecured debt of the LP Entities. Certain members of the Committee are also holders of material amounts of debt under the Credit Facility.

17. The Committee was formed so as to ensure that the holders of the Notes would be in a position to put forth a united voice and would have a significant say in the LP Entities' restructuring efforts. As stated, the Committee is comprised of a number of large financial institutions that collectively hold a significant amount of the Limited Partnership's debt. The Committee members, with their advisors, have the expertise and the incentive to make significant commitments regarding the LP Entities' business that will be beneficial to all of its stakeholders. As a result, the Committee wanted to begin discussions with the LP Entities as soon as possible as it was essential that the

LP Entities not take any important steps regarding a restructuring without the Committee's involvement.

18. Simply, the members of the Committee wanted to be very involved in the LP Entities' restructuring efforts and wanted to make a proposal for the restructuring that would be in the best interest of all the stakeholders of the Limited Partnership. In that regard, it was important that the Committee have sophisticated restructuring counsel and the assistance of a financial advisor to assist in that process.

(a) Davies

19. Davies approached the LP Entities to request funding for its fees as well as fees for a financial advisor to the Committee. Davies was told on several occasions that while the LP Entities recognized that the restructuring process would be assisted if the Noteholders were organized and had proper advice, they were not prepared to fund such costs. We were advised that while the LP Entities supported our legal fees being paid, the Secured Lenders refused to allow such payment.

20. Ultimately, the LP Entities agreed that it would fund up to $250,000 of Davies' fees and provided Davies with $75,000 to be held in trust on account of such fees. This was reflected in an engagement letter dated August 24, 2009. Notwithstanding this agreement, the Initial Order (as defined below) prevented the LP Entities from continuing to pay Davies' fees notwithstanding that the $250,000 amount had not been reached. I understand that this matter is the subject of continuing discussion. As discussed below, notwithstanding repeated requests, the LP Entities have continued to refuse to pay amounts for a financial advisor to the Committee.

21. The LP Entities required Davies to execute a non-disclosure agreement (the "NDA") before they were prepared to provide Davies with certain information pertaining to the LP Entities. On August 24, 2009, Davies provided the LP Entities with an executed NDA, which is attached as **Exhibit "A"** to my Affidavit and were thereafter granted access to an online data room.

22. The NDA prohibits Davies from communicating confidential information to the Committee unless they also execute non-disclosure agreements. Due to the fact that the Committee is comprised largely of fund managers who may wish to trade the Notes, many of the members of the Committee have currently chosen to remain unrestricted and have refrained from executing non-disclosure agreements. Many members of the Committee will become restricted so as to become involved in the restructuring process once it becomes clear that the process will be meaningful and that they can have real involvement and input.

(b) The Decision to Engage a Financial Advisor

23. The business of the LP Entities is very large and complex. The LP Entities own, operate and publish ten major daily newspapers, 22 non-daily newspapers and certain community newspapers. The Limited Partnership also owns and operates over 80 websites.

24. Moreover, until recently, the business of the LP Entities was integrated with the media side of the Canwest business, including that of Canwest Global and Canwest Media Inc. ("CMI"), the parent corporations of the LP Entities.

25. Furthermore, the LP Entities were party to numerous shared service agreements where certain administrative, advisory and other business services were shared between the various corporate entities on both the publishing and media side. While I understand that the LP Entities have made arrangements to restructure and terminate the shared service agreements, these arrangements were not approved until late October 2009 and certain agreements remain in place making it difficult to assess the expenses and revenues of the publishing side of the business.

26. While Davies was given access to certain financial information, it does not have the capability to analyze this information in a critical manner which would permit it to provide the Committee with a restructuring plan for the LP Entities.

27. As referred to above, the Committee therefore felt that it was necessary to engage a financial advisor with a view to developing a restructuring proposal for, among others, the following reasons: (i) a financial advisor would sign a non-disclosure agreement and therefore be granted access to confidential financial information that was not available to the Committee; (ii) a financial advisor would have significant financial experience and expertise, which would help it asses the value of the LP Entities; and (iii) a financial advisor would have pre-existing industry expertise and therefore would be able to quickly and efficiently develop an understanding of the business operated by the LP Entities.

28. I understand that Alvarez and Marsal Canada ULC ("A&M") was appointed as financial advisor to McMillan LLP ("McMillan"), counsel for the Agent and the Secured Lenders pursuant to an engagement letter dated June 26, 2009 and RBC Dominion

Securities Inc. ("RBC") currently acts as financial advisor to the LP Entities pursuant to an agreement entered into on or about October 1, 2009. Prior to October 1, 2009, RBC provided services to the LP Entities pursuant to a letter agreement dated December 10, 2008. In addition, I understand that FTI Consulting Inc., the court-appointed monitor of the LP Entities (the "Monitor"), has been involved in the Limited Partnership's restructuring process since January 29, 2009. All these amounts are being paid by the LP Entities.

(c) Selecting a Financial Advisor

29. From the time we first engaged counsel, both the Committee and Davies have been asking the LP Entities to fund a financial advisor to assist the Committee. While their advisors acknowledge that it would be constructive for our Committee to have such advice, they continually refused to provide any funding for this purpose.

30. The terms of the Forbearance Agreement prohibit the LP Entities from funding a financial advisor for the benefit of the Committee, without the consent of the Agent. Conversely, section 26 of the Forbearance Agreement requires the Limited Partnership to pay all costs, charges and expenses of the Agent, including the fees of A&M, associated with the Forbearance Agreement and any other matter or thing related to the indebtedness of the Limited Partnership to the Secured Lenders under the Credit Facility.

31. Ultimately, our Committee concluded that it would retain an advisor and, if the LP Entities refused funding, it would pay the financial advisor in order to facilitate the development of a viable restructuring proposal for the benefit of all stakeholders.

32. On October 27, 2009, four financial institutions made presentations to the Committee about their possible retention as the Committee's financial advisor. By majority vote, the Committee agreed to retain Houlihan Lokey as its financial advisor. Houlihan Lokey was viewed as being the preferred choice because it is the financial advisor for the special committee of the holders of the 8% senior subordinated notes due 2012 (the "CMI 8% Notes") in the restructuring of CMI and is very familiar with the corporate and financial structure of the LP Entities, the LP Entities' business relationships with the other CMI entities and the advisors to the LP Entities. Because of the foregoing, the Committee believed that the retention of Houlihan Lokey would significantly reduce the time required to prepare a restructuring proposal and significantly reduce the cost of the retention of a financial advisor.

33. Despite its stated recognition that the retention of a financial advisor by the Committee would be constructive to the restructuring process, the steering committee of the Secured Lenders (the "Steering Committee") would not allow the LP Entities to fund Houlihan Lokey. The Committee was led to believe, however, that the Steering Committee might be amenable to funding a financial advisor other than Houlihan Lokey. Furthermore, the Committee was discouraged from hiring Houlihan Lokey by the Steering Committee and the Limited Partnership on the basis that hiring Houlihan Lokey would make negotiations with the Secured Lenders more difficult. By refusing to fund and discouraging the retention of Houlihan Lokey, the Secured Lenders increased the time that it would take the Committee to prepare a restructuring proposal and increased the cost of putting such a proposal forward.

34. Therefore, on November 10, 2009, the Committee interviewed four additional candidates for financial advisor and ultimately proposed Moelis & Company LLP ("Moelis") to the Limited Partnership.

35. I am advised that on November 17, 2009, Jay Swartz of Davies spoke with Andrew Kent of McMillan who had indicated that the Agent and Steering Committee might be willing to permit funding of Moelis, subject to certain conditions, including the condition that the Committee would be required to support, or at the least not oppose, an investor solicitation/sale process proposed by the Secured Lenders. Remarkably, the Committee was being asked to not oppose a process that was not disclosed to or discussed with Davies or the Committee.

36. Due to the fact that the Committee was not privy to the investor solicitation process, it was not in a position to agree to the funding conditions imposed by the Steering Committee.

37. On November 18, 2009, Davies wrote a letter to Derek Burney, the chair of the special committee of directors of Canwest Global (the "Special Committee"), detailing the difficulties the Committee was experiencing in obtaining the consent of the Steering Committee to funding our financial advisor. The letter further confirmed the Committee's desire and ability to fund a restructuring of the LP Entities and of the Committee's view that a filing would be inappropriate until a consensual restructuring was attempted. Attached as **Exhibits "B"** and **"C"** to my Affidavit is a copy of Davies' November 18, 2009 letter and Osler, Hoskin & Harcourt LLP's ("Osler"), counsel for the LP Entities, letter in response dated November 23, 2009.

38. On or about December 1, 2009, the Committee determined that in the interest of progressing a restructuring plan, it would fund Moelis' fees without the assistance of the Limited Partnership and began to work towards finalizing the terms of an engagement letter with Moelis (the "Engagement Letter").

The Committee's Efforts to Work with the LP Entities and Obtain Information

39. As referred to above, it was the desire of the Committee to be a significant player in the LP Entities' restructuring. It was the Committee's strong view that with the assistance of the members of the Committee, there would be no need for the LP Entities to file an insolvency proceeding and that a restructuring could effectively and efficiently take place outside of a court supervised process. This would save the LP Entities substantial costs and time and would result in less disruption to their business. From as early as the Summer 2009, the Committee and its counsel made this clear to the LP Entities and their advisors. In that regard, the Committee and its counsel attempted to keep the lines of communication with the LP Entities open and made clear that it wanted to be involved in any important strategic decisions that were being made by the LP Entities. Mr. Swartz had many communications with the LP Entities' advisors to advise of the Committee's goals and its ability to support a restructuring.

40. Indeed, the Committee has on numerous occasions asked to be provided with documents pertaining to any proposed pre-packaged arrangement between the LP Entities and the Secured Lenders. In fact, Davies had been provided with some verbal comfort that if there was to be a CCAA filing, they would be given an opportunity to review draft material. This did not occur.

41. By way of example, the Forbearance Agreement contemplated that the LP Entities and the Agent would have established the principal terms of a pre-packaged arrangement by September 30, 2009 and an investor solicitation process by September 15, 2009. On behalf of the Committee, Mr. Swartz asked the LP Entities' counsel on several occasions to see the terms of any such agreement with the intent that the Committee would be able to participate in such a process. Notwithstanding these requests, the Committee was not provided with any materials until the Filing Date (as defined below). I understand that Mr. Swartz was provided with the SISP on the day before the Filing Date, on a "confidential" basis.

42. I am advised by Mr. Swartz that between the months of October and December 2009, he had numerous conversations with the CRA and Osler wherein he requested the opportunity to review any proposed support transaction with the Secured Lenders. This did not occur.

43. In mid-November, I spoke with Mr. Burney, the Chairman of the Special Committee, and expressed to him that the Noteholders wanted to work with the LP Entities on a constructive basis to achieve an out-of-court restructuring. I explained that the members of the Committee had the wherewithal to fund a restructuring and to take an active role in any such restructuring. I asked Mr. Burney to ensure that, on a go forward basis, the members of the Committee be involved.

44. On November 18, 2009, Mr. Swartz spoke with Mr. Sellers of Osler and again confirmed the Committee's position (as referred to in my conversation with Mr. Burney).

Mr. Swartz also followed up with his November 18, 2009 letter confirming the same (as referred to above in paragraph 37).

45. In order to put forward a restructuring proposal for the consideration of the LP Entities and its advisors, Moelis, as advisor to the Committee, required a significant amount of information from the LP Entities regarding its business. Unfortunately, there was very little information available that would assist the Committee in preparing a proposal.

46. In order to attempt to obtain more information, Moelis took steps to enter into a non-disclosure agreement with the LP Entities. As of December 7, 2009, Moelis was corresponding with the LP Entities on finalizing a non-disclosure agreement (the "Moelis NDA").

47. On December 7, 2009, Mr. Swartz provided Gary Colter, the chief restructuring advisor for the LP Entities (the "CRA"), Osler and the Monitor with a due diligence checklist prepared by Moelis, by email. The intention was that the LP Entities would assemble the information while the Moelis NDA was being settled. Attached as **Exhibit "D"** to my Affidavit is a copy of Mr. Swartz's December 7, 2009 email and the checklist.

48. On December 10, 2009, Moelis signed the Moelis NDA.

49. On December 15, 2009 Mr. Swartz provided the CRA, counsel for the LP Entities and RBC with a further due diligence checklist prepared by Moelis, by email, which email and checklist are attached as **Exhibit "E"** to my Affidavit.

50. Also on December 15, 2009, Moelis reached out to RBC by email for the purpose of setting up a diligence session with the LP Entities, which email is attached as **Exhibit "F"** to my Affidavit. RBC advised they would discuss the request with the LP Entities.

51. Further, on December 15, 2009, Davies wrote a letter to Mr. Burney, copying the CRA, RBC and Osler, advising him that the Committee had retained Moelis with a view to commencing due diligence in order to assist the Committee in developing a restructuring proposal. In the December 15, 2009 letter, Mr. Swartz states:

> There are recent rumours that Canwest LP is about to enter into an agreement with its bank syndicate which is, in effect, a credit bid and the following such agreement, it will then file for protection under the *Companies' Creditors Arrangement Act*. We have not seen a draft agreement nor have we seen any draft documents relating to a filing and expect that if such documents exist, we would be provided with copies well in advance of a filing.

Attached as **Exhibit "G"** is a copy of Davies' December 15, 2009 letter and, as **Exhibit "H"**, Mr. Sellers' response dated December 18, 2009.

52. As of December 16, 2009, Moelis was still unable to commence its due diligence because the LP Entities had not executed the Moelis NDA. Further, for the first time, the LP Entities now also required review of the Engagement Letter before they would give Moelis access to the confidential information contained in the online data room and advised that they wanted to revise the NDA to reflect that Moelis and the Committee were negotiating the terms of the Engagement Letter.

53. On December 18, 2009, Moelis provided the CRA with a copy of the draft Engagement Letter. Attached as **Exhibit "I"** to my Affidavit is a copy of Moelis' email to the CRA attaching the draft Engagement Letter.

54. On December 18, 2009, Mr. Swartz sent the email attached as **Exhibit "J"** to my Affidavit wherein he requested the CRA, Osler, RBC and the Monitor to provide Moelis access to the data room and provide Davies and Moelis with an executed Moelis NDA.

55. On December 21, 2009, Osler advised Mr. Swartz that Moelis would not be granted access to the data room until the Engagement Letter was fully executed.

56. On December 22, 2009, more than two weeks after the initial request, Moelis was finally granted access to the data room.

57. On December 28, 2009, Moelis sent the email to RBC attached as **Exhibit "K"** to my Affidavit wherein they attempted for the second time to arrange a diligence session with the LP Entities. In response, RBC sent the email attached as **Exhibit "L"** to my Affidavit and indicated that a meeting would be set up after the first week of January 2010. Obviously, no such meeting was set up.

The First DIP Proposal of the Committee

58. While the Committee believed that a consensual restructuring plan of the LP Entities could be developed outside of a CCAA proceeding, it appeared that the Secured Lenders might force a filing and the Committee was interested in participating in any restructuring plan that was developed in the context of the CCAA. In that regard, Mr. Sellers asked Mr. Swartz whether the Noteholders would be prepared to fund a DIP loan for the LP Entities in the event a filing was made. The Committee agreed amongst themselves to provide DIP financing to the LP Entities.

59. On December 23, 2009, Mr. Swartz left a message with Osler indicating that the Committee was interested in providing DIP financing and requesting particulars of any special terms that the LP Entities may require. Osler did not provide any specific terms that would be required in the DIP term sheet.

60. On December 30, 2009, I left a voicemail for Mr. Burney and advised that the Committee would like to work with the LP Entities towards implementing a DIP loan that satisfies their liquidity needs and facilitates a restructuring.

61. On December 31, 2009, I provided Mr. Burney with a copy of a draft DIP term sheet, with a copy to the CRA, Osler and RBC. Attached as **Exhibit "M"** is a copy of the draft DIP term sheet together with my email of December 31, 2009.

62. Pursuant to the terms of the proposed DIP financing, the Committee contemplated granting a funding commitment of $50 million at an interest rate of 10% per year. The DIP financing would mature on the first anniversary of the initial drawdown. There were no fees payable other than a discount that would be provided on the Notes evidencing advances under the DIP loan. Further, there was no borrowing base proposed.

63. On January 4, 2010, Leonard Asper wrote to the Agent (the "Asper Letter") in his capacity as CEO of CMI wherein he opined that the holders of the Notes were most likely to come up with a restructuring plan that is more favourable than the plan that was then being proposed by the Secured Lenders and such a plan would likely provide better recovery for the other stakeholders of the LP Entities. The Asper Letter is attached as **Exhibit "N"** to my Affidavit.

64. On January 6, 2010, Mr. Swartz advised the Committee that despite reaching out to both the CRA and Edward Sellers at Osler by both voice mail and email to discuss the DIP term sheet, neither had responded. Instead, on January 6, 2010, Michael Matheson, a partner at Osler, provided the comments on the DIP term sheet that are attached as **Exhibit "O"** to my Affidavit. Attached as **Exhibit "P"** is an email from Mr. Matheson to Mr. Swartz wherein he attaches his comments. Mr. Matheson notes in his email that the mark-up had not been discussed with the Limited Partnership.

65. On January 7, 2009, Mr. Swartz spoke with Mr. Matheson concerning the DIP term sheet and Mr. Matheson indicated he thought the terms proposed were favourable both as to pricing and lack of margin requirements. Mr. Matheson stated that he was unaware of the timing of a filing or the terms of any charges that might be requested which would rank ahead of a DIP facility. At about 9:00 p.m. on January 7, 2010, Mr. Sellers advised Mr. Swartz that the LP Entities would be filing under the CCAA the following morning.

The CCAA Filing

66. On January 8, 2010 (the "Filing Date"), Davies advised that at about 2:00 a.m. they were served by email with the application record of the Applicants in connection with their application for filing for protection under the CCAA (the "CCAA Filing").

67. On the Filing Date, the LP Entities obtained an initial order (the "Initial Order") that, among other things, (i) approved a support agreement (the "Support Agreement") dated as of January 7, 2010 between the LP Entities and the Agent, (ii) authorized and approved a pre-determined sale and investor solicitation process (the "SISP"),

(iii) authorized the LP Entities to file a plan of compromise or arrangement between the LP Entities and the Secured Lenders (the "Plan"), (iv) authorized an acquisition by an entity capitalized by the Secured Lenders and *pari passu* swap counterparties ("Acquireco") of substantially all of the assets of the LP Entities (the "Credit Acquisition"), and (v) approved the entering into by the LP Entities of the Secured Lender DIP (as defined below).

(a) Lack of Notice to the Stakeholders of the LP Entities

68. The Committee received no real notice of the CCAA Filing and had virtually no opportunity to review any of the material related thereto prior to the Court hearing. At the motion for the CCAA Filing, the Committee opposed the relief sought in the Initial Order because, among other things, the Committee did not feel the stakeholders of the LP Entities had been provided with adequate opportunity to review the lengthy materials and respond to the broad relief being requested. The Committee was also of the view that there was no need to approve either the SISP or the Secured Lender DIP on the first day and that the parties should have been given an opportunity to review these critical documents and make proper submissions.

69. The Committee was surprised and concerned by the lack of consultation and inclusion of the Committee in connection with the CCAA Filing because, as referred to above, since August 2009, they had communicated to the LP Entities their desire to work towards developing a restructuring plan with the LP Entities.

70. Considering our repeated requests to engage in discussions respecting the restructuring process and a DIP, the Committee was very disappointed that the LP Entities made the CCAA Filing without first consulting the Committee.

(b) Timing of the CCAA Filing

71. The LP Entities have been operating without the protections of a formal forbearance agreement since November 9, 2009, the date the Forbearance Agreement expired. Since that time, the Secured Lenders have been in a position to take steps to demand payment of amounts owing under the Credit Facility.

72. In addition, as described above, the LP Entities are in default under the Indenture and the Subordinated Credit Agreement. Neither the holders of the Notes nor the lenders under the Subordinated Credit Agreement have taken steps to enforce their rights. The Noteholders have not done so because they believed that a consensual out-of-court restructuring could have been achieved and that it was undesirable to precipitate a filing.

73. The LP Entities' current cash flow projections do not demonstrate that the LP Entities were suffering from an imminent liquidity crisis prior to the Filing Date and therefore required the immediate protections of the CCAA and a DIP facility. In paragraph 191 of the Affidavit of Thomas C. Strike sworn January 7, 2010 (the "Strike Affidavit") filed in support of the CCAA Filing, it is noted "Based upon the LP Entities' current cash flow projections, the LP Entities do not anticipate drawing on the DIP Facility during the early stages of this CCAA Proceeding." The assets of the LP Entities

are not disappearing and there is no need to rush any process to develop a plan for the benefit of all stakeholders.

74. In the Asper Letter, Mr. Asper articulates his dissatisfaction with what were then imminent CCAA proceedings:

> Given that (i) the LP is operating well today, (ii) the LP is current with all suppliers, employees, severed employees and retirees, as well as making full pension payments, (iii) the Subordinated Debtholders [the holders of the Notes] have indicated in writing their willingness to put forth a restructuring proposal, and (iv) there is no reason to believe that a non-court supervised SISP will be any less effective than a CCAA court supervised SISP, I fail to see why there is a need for a court supervised process other than to give the Senior Lenders to the ability to impair other stakeholders while resulting in significant costs and value erosion.

75. As a result, the Committee is of the view that there was no need for the LP Entities to file complex, pre-packaged agreements as processes on the Filing Date, particularly, without notice to, or consultation with, its stakeholders. Further, the Committee believes that there must be adequate time and a fair process in order to ensure that the best plan can be developed.

The Inability of the Committee to Produce a Restructuring Plan

76. The Strike Affidavit states in paragraph 220, that "The Ad Hoc Committee has expressed objections to both the prospect of a filing for creditor protection under the CCAA and the possibility of the Senior Lenders' CCAA Plan. At the same time, to date, the Ad Hoc Committee has not put forward any concrete restructuring proposal to the LP Entities."

77. This comment is misleading. The Committee has been unable to put forward a concrete restructuring proposal for the LP Entities because the Committee has effectively been rebuffed by the LP Entities and the Secured Lenders at every opportunity. As stated, the LP Entities refused to discuss a restructuring proposal or DIP loan with the Committee and the Committee experienced extreme difficulty in obtaining approval for a financial advisor and was given extremely limited access to the confidential information that would allow them to form such a plan.

78. The Committee took active steps to engage a financial advisor. However, the Steering Committee and Limited Partnership refused to fund, and discouraged the retention of, the Committee's first choice of an advisor, Houlihan Lokey, even though retention of Houlihan Lokey would have greatly facilitated the Committee's ability to deliver a restructuring proposal. Moreover, after being encouraged by the Steering Committee and the Limited Partnership to select a different advisor and one month after the Committee began its process of identifying a financial advisor, it was advised that the Steering Committee would only agree to the funding of the Committee's financial advisor if the Committee gave up its rights to oppose the Secured Lenders' sales process.

79. Once the Committee had agreed to fund Moelis at its own expense, Moelis experienced resistance in gaining access to the online data room. In the interim period, Moelis provided the LP Entities with two diligence checklists and indicated a desire to meet with the LP Entities.

80. Within one week of Moelis being granted access to the online data room, the Committee put forth the draft DIP term sheet. The Committee recognized that this term sheet would have to be tailored to meet the needs of the LP Entities but never received meaningful responses from the LP Entities. In response, the Committee only received high level comments on the DIP term sheet from a partner at Osler (who made it clear that he was not speaking on behalf of the Limited Partnership), but no one else.

Concerns with the Relief Granted in the Initial Order

81. As described above, the LP Entities obtained broad relief pursuant to the Initial Order that authorized the implementation of the Support Agreement, the SISP, the Plan and the Credit Acquisition (collectively, the "Pre-Pack Agreements").

82. The Support Agreement contemplates that the LP Entities will take steps to cause the implementation of the Plan, the pursuit of the Credit Acquisition and the implementation of the SISP.

83. The Pre-Pack Agreements have been designed to benefit the Secured Lenders only and do not yield value for the other stakeholders of the LP Entities. The Pre-Pack Agreements make it difficult for parties other than the Secured Lenders to participate in a restructuring of the LP Entities.

84. Furthermore, there is no evidence that the Pre-Pack Agreements were necessary or desirable to encourage alternative restructuring proposals. Indeed, in the Committee's view, they deter parties from putting forward other proposals. As referred to above, the Committee had expressed its interest on numerous occasions to

participate in developing a restructuring plan (without the need of the Pre-Pack Agreements).

(a) The SISP

85. The SISP is purportedly designed to solicit competing offers for the assets or business of the LP Entities. The SISP is fatally flawed if its goal is to create a robust and competitive process with respect to the LP Entities' business. This is so because, among other reasons, a minority of Secured Lenders is given significant veto rights with respect to bids made that do not cash out the debt owed to the Secured Lenders and, due to the lack of information provided, it is impossible to properly evaluate the Secured Lenders' acquisition of the LP Entities' business. Moreover, the integrity of what is purported to be a robust and competitive two-phase process is undermined by the intimate involvement of the Secured Lenders at every step.

86. Notwithstanding the involvement of the Monitor, the CRA, RBC and the Special Committee in the SISP, the Agent, acting on the authority of only one-third of the Secured Lenders, has the ability to reject bids and effectively terminate the SISP in both Phase 1 and Phase 2 of the SISP. Indeed, the SISP may not be amended in any way without the consent of the Agent. Furthermore, the Monitor is required to consult with the Agent at virtually every step of the SISP process.

87. The fact that the Secured Lenders hold a veto in the SISP means that any successful bidder in the SISP will have to produce a bid that yields a result for the Secured Lenders that is perceived by a minority of Secured Lenders as more favourable

than the Credit Acquisition, regardless of how the bid treats the other stakeholders of the LP Entities.

88. The SISP is also flawed because bidders are competing against the Credit Acquisition but potential bidders are not provided with adequate information to assess the Credit Acquisition. For instance, potential bidders will not be provided with information concerning the capital structure of Acquireco. This critical fact is deliberately hidden from prospective bidders and thus it is very difficult for them to have an understanding of how to present a bid with non-cash components which should satisfy the Secured Lenders.

89. The SISP does not encourage bidders to produce competitive offers. Potential bidders are given seven weeks in Phase 1 to produce a non-binding bid and another seven weeks thereafter to produce a final bid that includes an irrevocable commitment for financing. This timeline is unnecessarily aggressive given the complexity of the structure of the business and financial affairs of the LP Entities. Moreover, the confidential information memorandum was not provided to Moelis until January 15, 2010, one week after the commencement of the SISP. This is complicated by the fact that all bids must demonstrate that if the proposed transaction is completed, the operation of any newspapers will comply with certain ownership requirements pertaining to Canadian newspapers imposed by the *Income Tax Act* (Canada). In light of the cash flow projections of the LP Entities and the fact that their assets are not deteriorating in value, there is no need to rush this process. It appears that this timeline was developed to increase the likelihood that the Secured Lenders will control the process and the assets in the face of increasingly positive operational and financial performance and the

corresponding improvement in the valuation of the LP Entities thereby benefiting only the Secured Lenders. The Committee believes that the SISP process is designed to convey to the Secured Lenders all of the value of the LP Entities, even value in excess of the debt secured under the Credit Facility in a rushed process so that the Secured Lenders can later realize for themselves value belonging to the other stakeholders.

(b) The Plan and the Credit Acquisition

90. If the SISP does not produce a successful bid, the LP Entities will seek approval of the Plan and the Credit Acquisition will proceed. In effect, the Secured Lenders will foreclose on the business and assets of the LP Entities.

91. The Plan contemplates a compromise and arrangement of the debt currently held by the Secured Lenders and the *pari passu* swap counterparties. Pursuant to the Credit Acquisition and the Plan, the claims of the Secured Lenders against the Limited Partnership will be deemed to have been transferred to Acquireco in exchange for debt and equity to be issued by Acquireco.

92. The Credit Acquisition is not designed to benefit the stakeholders of the LP Entities other than the Secured Lenders. Instead, the transactions contemplated by the Credit Acquisition deplete all of the assets of the LP Entities in order to satisfy substantially all of the indebtedness of the LP Entities to the Secured Lenders, less $25 million. Claims of the Secured Lenders in the amount of $25 million would continue to be held by Acquireco and constitute an outstanding secured claim against the LP Entities. This structure allows the Secured Lenders to receive payment in satisfaction of

their indebtedness and continue to maintain their position as priority creditors above all of the creditors of the LP Entities, leaving nothing for those creditors.

The DIP

93. In connection with the CCAA Filing, the LP Entities obtained the approval of the Court to enter into a DIP facility with certain of the Secured Lenders on the terms described in the term sheet dated January 7, 2010 (the "Secured Lender DIP") which is attached as **Exhibit "Q"** to my Affidavit.

94. The Committee does not believe the LP Entities obtained a DIP on favourable terms nor does it believe that the LP Entities sought, or were permitted to seek, a more favourable DIP. The Secured Lender DIP is connected to the Secured Lender's entry into of the Pre-Pack Agreements and further entrenches the priority position of the Secured Lenders to the detriment of the other stakeholders of the LP Entities. For example, one of the conditions to the availability of the Secured Lender DIP was the issuance of the Initial Order approving the SISP. The Support Agreement made as of January 8, 2010 between the LP Entities and the Agent prohibits the LP Entities from incurring any indebtedness other than indebtedness under the Secured Lender DIP.

95. The Secured Lender DIP offers a funding commitment in the amount of $25 million at an interest rate for Canadian drawings of The Bank of Nova Scotia's CDN$ prime rate plus 7% (subject to a CDN$ prime rate floor of 2.25%) and for U.S. dollar drawings, The Bank of Nova Scotia's U.S.$ prime rate plus 7% (subject to a U.S.$ prime rate floor of 3.75%). The Secured Lender DIP will terminate on the earlier of July 31, 2010, or the occurrence of certain other events within the CCAA proceeding.

96. The LP Entities may be required to pay numerous fees under the Secured Lender DIP including an upfront fee of $250,000, a break fee of $500,000, a fee with respect to amendments of any documents underlying the Secured Lender DIP and an unused commitment fee. These costs ultimately detract from the value available to other stakeholders and are charged even if the facility is never drawn.

97. The proceeds of the Secured Lender DIP loan may only be used for certain enumerated purposes after any cash balances available to the Limited Partnership in excess of $10 million are fully depleted. One of the permitted uses of the proceeds is the payment of the fees, expenses and costs incurred by the Agent in connection with the Credit Agreement.

98. The Committee would like the Court to approve the terms of a DIP facility (the "Committee DIP") proposed by the certain members of the Committee, as described in the term sheet dated January 26, 2010, which is attached as **Exhibit "R"** to my Affidavit. The terms of the Committee DIP are superior to the Secured Lender DIP. The term sheet was forwarded to Mr. Sellers by Mr. Swartz on January 27, 2010 pursuant to the letter attached as **Exhibit "S"** to my Affidavit.

99. The Committee contemplates granting a funding commitment of $50 million at an interest rate of 9% per year. The DIP loan would mature on the first anniversary of the initial drawdown. Unlike the Secured Lender DIP, the Committee DIP does not restrict the use of proceeds of the DIP loan.

100. Further, the Committee DIP does not contemplate imposing a break fee or an unused commitment fee. Under the Committee DIP, the Limited Partnership would only be required to pay a fee if the maturity date was extended.

Relief Sought

101. In the Committee's view, the Pre-Pack Agreements and the Secured Lender DIP are not in the best interest of the LP Entities' restructuring or its stakeholders. The Pre-Pack Agreements were developed to benefit the Secured Lenders without consideration of the other creditors of the LP Entities. The Committee would like the opportunity to participate in a CCAA proceeding that is a truly competitive process and thereby make a viable proposal for the LP Entities that has a real opportunity to be properly considered. Further, it would like other potential bidders to be in a position to make their best offer for a refinancing or a restructuring of the LP Entities as this will benefit all stakeholders. The current SISP is a substantial deterrent to this objective.

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

TED S. LODGE

A Notary

1-27-10

ANGELA N. D'ELIA
Notary Public, State of New York, Nassau Cty
01DE6169063
My Commission Expires June 18, 2011