

# APPENDIX "C"

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

THE HONOURABLE MADAM ) *Tuesday* THE 2  
 )  
JUSTICE PEPALL ) DAY OF FEBRUARY, 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.

**STAY EXTENSION ORDER AND ORDER AMENDING THE INITIAL ORDER AND  
THE PROCEDURES FOR THE SALE AND INVESTOR SOLICITATION PROCESS**

THESE MOTIONS, made by the Applicants for an extension of the Stay Period and other relief, and by the Ad Hoc Committee of 9.25% Senior Subordinated Noteholders (the "**Ad Hoc Committee**") for amendments to the Sale and Investor Solicitation Process and other relief, were heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Thomas C. Strike sworn January 27, 2010 and the Exhibits thereto, the affidavit of Ted S. Lodge sworn January 27, 2010 and the Exhibits thereto, the affidavit of Mark Hootnick sworn January 27, 2010 and the Exhibits thereto and the report of FTI Consulting Canada Inc. (the "**Report**") in its capacity as the monitor appointed in these proceedings (the "**Monitor**"), and on hearing the submissions of counsel for the Applicants and Canwest Limited Partnership / Canwest Societe en Commandite (the "**Limited Partnership**"), the Monitor, 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, no one appearing for anyone else on the service list although served as appears from the Affidavit of Service, filed and on being advised of the consent of the Ad Hoc Committee to (i) the relief set out in paragraph 4 of this Order, and (ii) the form of Schedule "A" hereto,

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

2. THIS COURT ORDERS that the Stay Period as defined in Paragraph 21 of the Order of this Honourable Court made in these proceedings on January 8, 2010 (the "Initial Order") be and is hereby extended to and including April 14, 2010.

3. THIS COURT ORDERS that paragraph 12 of the Initial Order be and is amended so that it reads as follows:

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, as same may be amended from time to time with the consent of the Agent, acting in consultation with the Steering Committee, the LP CRA and the Monitor.

4. THIS COURT ORDERS that Schedule "A" to the Initial Order as issued and entered on January 8, 2010 is removed and replaced with the amended version of the Procedures for the Sale and Investor Solicitation Process that is attached as Schedule "A" to this Order.

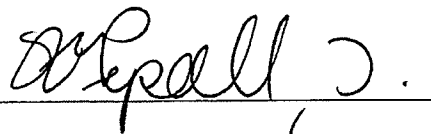
5. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

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

FEB 02 2010

PER / PAR: 

Joanne Nicoara  
Registrar, Superior Court of Justice





## Schedule "A"

### Procedures for the Sale and Investor Solicitation Process

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

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

### Defined Terms

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

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

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

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

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

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

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

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

### **Solicitation Process**

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

### **Sale and Investment Opportunity**

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

### **"As Is, Where Is"**

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

### **Free Of Any And All Claims And Interests**

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

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

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

### **Phase 1 - Initial Timing**

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

### **Publication Notice**

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

### **Participation Requirements**

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

- (a) prior to the distribution of any confidential information by the Financial Advisor to a Potential Bidder (including the Confidential Information Memorandum), an executed confidentiality agreement in form and substance satisfactory to the Monitor, the Financial Advisor, the LP CRA and the LP Entities, which shall inure to the benefit of any purchaser of the LP Property or any investor in the LP Business. At the request of a Potential Bidder, the Confidential Information Memorandum shall also be provided to a proposed lender of such Potential Bidder that: (i) is reasonably acceptable to the

Financial Advisor; and (ii) executes a confidentiality agreement in form and substance satisfactory to the Monitor, the Financial Advisor, the LP CRA and the LP Entities; and

(b) on or prior to the Phase I Bid Deadline, as defined below, specific indication of the anticipated sources of capital for the Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Monitor, the Financial Advisor, the LP CRA and the Agent and each of their respective legal and financial advisors, to make, in their reasonable business or professional judgment, a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the transaction.

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

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

#### **Due Diligence**

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

#### **Phase 1**

##### **Seeking Non-Binding Indications of Interest by Qualified Bidders**

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



**Non-Binding Indications of Interest by Qualified Bidders**

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

(a) An indication of whether the Qualified Bidder is offering to (i) acquire all or substantially all of the LP Property (a “**Sale Proposal**”) or (ii) make an investment in the LP Entities (an “**Investment Proposal**”);

(b) In the case of a Sale Proposal: it shall identify (i) the purchase price range (including liabilities to be assumed by the Qualified Bidder); (ii) any of the LP Property expected to be excluded or any additional assets desired to be included; (iii) the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, preliminary evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and any related contingencies, as applicable); (iv) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals; (v) additional due diligence required or desired to be conducted during Phase 2 (defined below), if any; (vi) any conditions to closing that the Qualified Bidder may wish to impose; (vii) any other terms or conditions of the Sale Proposal which the Qualified Bidder believes are material to the transaction; and (viii) whether, if the proposed transaction is completed, the newspapers operated by the LP Business and the National Post will continue to be “Canadian issues” of “Canadian newspapers” as defined in the *Income Tax Act* (Canada); and

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

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

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

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

#### **Assessment of Qualified Non-Binding Indications of Interest**

##### *I - Advance to Phase 2*

Within the one week period following the Phase 1 Bid Deadline, or by such other later date as may be agreed by the Monitor, in consultation with the Financial Advisor and the LP CRA, and the Agent, the Monitor will, in consultation with the Financial Advisor, the LP CRA and the Agent, assess the Qualified Non-Binding Indications of Interest received during Phase 1, if any, and will determine whether there is a reasonable prospect of obtaining either (a) one or more Superior Cash Offers; or (b) one or more Superior Alternative Offers (if prior to closing approved by CCAA Senior Lender Approval) that could generate value for the general unsecured creditors of the LP Entities. If the Monitor determines that there is such a reasonable prospect, the Monitor will recommend to the Special Committee that the SISP continue for a further seven weeks in accordance with these SISP Procedures (“**Phase 2**”). If the Special Committee accepts such recommendation, the SISP will immediately thereafter continue to Phase 2. If the Special Committee does not accept such recommendation, the Monitor will report to the Court that the Special Committee does not accept such recommendation, and will seek advice and directions from the Court with respect to the SISP.

If the SISP does not proceed to Phase 2 under the prior paragraph, the Monitor will forthwith advise the Agent and thereafter consult with the Agent, the LP CRA and the Financial Advisor to assess whether there is a reasonable prospect of a Qualified Non-Binding Indication of Interest resulting in a Superior Alternative Offer (a “**Potential Superior Alternative Offer**”).

If the Monitor determines that there is a Potential Superior Alternative Offer, the Monitor will forthwith so advise the Agent. If CCAA Senior Lender Approval has been obtained for the Senior Lenders CCAA Plan, and if the Agent, acting in consultation with the Steering Committee, considers it highly unlikely that the Potential Superior Alternative Offer would receive CCAA Senior Lender Approval, it may elect, by notice to the Monitor, for a delay of two weeks to consult with relevant Senior Lenders. If within those two weeks, the Agent provides satisfactory written confirmation to the Monitor that Senior Lenders holding more than 33.3% of the Senior Secured Claims do not support pursuing the Potential Superior Alternative Offer, it shall be deemed that there is no reasonable prospect of the Potential Superior Alternative Offer resulting in a Superior Alternative Offer. If the Agent does not so notify the Monitor within such period, the SISP will proceed to Phase 2.

## *II. Terminate SISP*

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

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

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

## **Phase 2**

### **Seeking Qualified Bids by Qualified Bidders**

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

During Phase 2, each Qualified Bidder that is not eliminated from the SISP in accordance with these SISP Procedures and, at the request of such a Qualified Bidder, a proposed lender of such Qualified Bidder that: (i) is reasonably acceptable to the Financial Advisor; and (ii) executes a confidentiality agreement in form and substance satisfactory to the Monitor, the Financial Advisor, the LP CRA and the LP Entities, shall have such due diligence access to materials and information relating to the LP Property and the LP Business as the Financial Advisor, in its reasonable business judgment, in consultation with Monitor, deems appropriate, having regard to the advance to Phase 2 and the requirements of a Qualified Purchase Bid (defined below) and a Qualified Investment Bid (defined below), including, as appropriate, meetings with senior management of the LP Entities and facility tours.

A Qualified Bidder that is not eliminated from the SISP in accordance with these SISP Procedures and which desires to participate in Phase 2 will deliver written copies of a Qualified Purchase Bid or a Qualified Investment Bid to the Financial Advisor at the address specified in Schedule "1" hereto (including by email or fax transmission) so as to be received by it not later than 5:00 pm (Toronto time) on the date which is seven (7) weeks following the commencement of Phase 2, or such other date or time as may be agreed by the Financial Advisor, in consultation with the Monitor and the LP CRA, and the Agent (the "**Phase 2 Bid Deadline**").

#### **Qualified Purchase Bids**

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

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

(b) it includes a duly authorized and executed purchase agreement, including the purchase price for assets proposed to be acquired expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the bidder with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements);

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

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

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

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

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

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

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

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

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

### **Qualified Investment Bids**

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

(a) it includes a duly authorized and executed term sheet describing the terms and conditions of the proposed transaction, including details regarding the proposed

equity and debt structure of the LP Entities following completion of the proposed transaction (the "**Term Sheet**");

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

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

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

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

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

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

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

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

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

Qualified Investment Bids and Qualified Purchase Bids shall hereinafter be referred to as “**Qualified Bids**” and each a “**Qualified Bid**”.

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

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

#### **No Qualified Bids**

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

#### **Superior Cash Offer is Received**

If the Monitor determines in its reasonable business judgment following consultation with the Financial Advisor and the LP CRA, that one or more of the Qualified Bids is a Superior Cash Offer, the Monitor, in consultation with the Financial Advisor and the LP CRA, shall recommend (the “**Superior Cash Offer Recommendation**”) to the Special Committee that the most favourable Superior Cash Offer be selected and that a definitive agreement be negotiated and settled in respect of that Superior Cash Offer, conditional upon Court approval and conditional on the Superior Cash Offer closing within 60 days after the Phase 2 Bid Deadline, or such longer period as shall be agreed to by the Monitor, in consultation with the Financial Advisor and the LP CRA, and consented to by the Agent, acting in consultation with the Steering Committee.

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

agreement in accordance with the recommendation but subject to the terms and conditions of the Senior Lenders CCAA Plan.

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

**Superior Alternative Offer is Received**

If the Monitor does not receive a Superior Cash Offer but receives a Qualified Bid which the Monitor determines, in consultation with the Financial Advisor, the LP CRA and the Agent, is a Potential Superior Alternative Offer, the Monitor shall so advise the Agent. If CCAA Senior Lender Approval has been obtained for the Senior Lenders CCAA Plan, and if the Agent, acting in consultation with the Steering Committee, considers it highly unlikely that the Potential Superior Alternative Offer would receive CCAA Senior Lender Approval, it may elect, by notice to the Monitor, for a delay of two weeks to consult with relevant Senior Lenders. If within those two weeks, the Agent provides satisfactory written confirmation to the Monitor that Senior Lenders holding more than 33.3% of the Senior Secured Claims do not support pursuing the Potential Superior Alternative Offer, it shall be deemed that there is no reasonable prospect of the Potential Superior Alternative Offer resulting in a Superior Alternative Offer. If the Agent does not so notify the Monitor within such period, the Monitor, in consultation with the Financial Advisor and the LP CRA, shall recommend (the “**Superior Alternative Offer Recommendation**”) to the Special Committee that the Monitor, in consultation with the Financial Advisor and the LP CRA, and the Agent negotiate a definitive agreement in respect of the Potential Superior Alternative Offer, conditional upon Court approval and CCAA Senior Lender Approval and on the Superior Alternative Offer closing within 60 days after the Phase 2 Bid Deadline, or such longer period as shall be agreed to by the Monitor and the Agent acting in consultation with the Steering Committee.

In the event that the Special Committee does not accept the Superior Alternative Offer Recommendation, the Monitor shall so advise the Court and seek its advice and directions with respect to the SISP.

In the event that the Special Committee does accept the Superior Alternative Offer Recommendation, the Monitor, in consultation with the Financial Advisor and the LP CRA, and the Agent shall negotiate a definitive agreement in accordance with such recommendation and thereafter the Monitor, in consultation with the Financial Advisor and the LP CRA, or the Agent shall have the right to seek CCAA Senior Lender Approval of the Potential Superior Alternative Offer.

If within the two week delay referred to above, the Agent provides satisfactory written confirmation to the Monitor that Senior Lenders holding more than 33.3% of the Senior Secured Claims do not support pursuing the Potential Superior Alternative Offer or if CCAA Senior Lender Approval is sought but not obtained, then the LP Entities shall promptly, and if they do not, the Agent may, apply for Court sanction of the Senior Lenders CCAA Plan in accordance with the Initial Order, including completion of the Credit Acquisition, subject to satisfaction of



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

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

### **Approval Motion**

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

### **Deposits**

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

### **Approvals**

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

**No Amendment**

There shall be no amendments to this SISP, including, for greater certainty the process and procedures set out herein, without the consent of the Agent, acting in consultation with the Steering Committee.

**Further Orders**

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

**Schedule "1"**

**Address for Notices and Deliveries**

To the Financial Advisor:

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

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

Email: peter.buzzi@rbccm.com

Facsimile: (416) 842-5360

- and -

Attention: Richard Grudzinski, Managing Director, M&A, Head of Financial  
Restructuring Advisory

Email: richard.grudzinski@rbccm.com

Facsimile: (416) 842-5360

IN THE MATTER OF the *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36,  
AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANWEST  
PUBLISHING INC./PUBLICATIONS CANWEST INC., CANWEST BOOKS INC. AND CANWEST  
(CANADA) INC.

APPLICANTS

*Ontario*  
**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**STAY EXTENSION ORDER AND ORDER  
AMENDING THE PROCEDURES FOR THE SALE  
AND INVESTOR SOLICITATION PROCESS**

**Osler, Hoskin & Harcourt LLP**

1 First Canadian Place

P.O. Box 50

Toronto, ON M5X 1B8

Lyndon A.J. Barnes (LSUC#13350D)

Tel: (416) 862-6679

Alexander Cobb (LSUC#45363F)

Tel: (416) 862-5964

Elizabeth Allen Putnam (LSUC#53194L)

Tel: (416) 862-6835

Fax: (416) 862-6666

Lawyers for the Applicants

F. 1117119

# **APPENDIX “D”**

# STIKEMAN ELLIOTT

Stikeman Elliott LLP Barristers & Solicitors

5300 Commerce Court West, 199 Bay Street, Toronto, Canada M5L 1B9  
Tel: (416) 869-5500 Fax: (416) 947-0866 www.stikeman.com

Direct: (416) 869-5697  
E-mail: dbyers@stikeman.com

May 7, 2010  
File No. 109679.1004

Andrew Kent  
McMillan LLP  
Brookfield Place, 181 Bay Street  
Suite 4400  
Toronto, Ontario M5J 2T3

Jay A. Swartz  
Davies Ward Phillips & Vineberg  
1 First Canadian Place  
44<sup>th</sup> Floor  
Toronto, Ontario M5X 1B1

Dear Sirs:

**Re: Canwest Publishing CCAA**

As you know, the Monitor, the Chief Restructuring Advisor ("CRA"), and the CCAA debtors' Financial Advisor ("RBCCM") would like to have your clients' agreement to a procedure that would allow the bid submitted by the Ad Hoc Committee to be put forward for Court approval while at the same time preserving the ability to close the credit bid presented by the Senior Lenders in the event that the Ad Hoc bid does not close for any reason.

We have not been able to resolve a procedure to accomplish these objectives in our "without prejudice" discussions. As such, the Monitor makes the following with prejudice proposal which it is prepared to recommend to the Court. On agreement of the Ad Hoc Committee, the Agent for the Senior Lenders and the CCAA debtors:

1. We (either Monitor or Canwest) will move on May 17 for approval of the Ad Hoc bid.
2. We will also move for a conditional Sanction order on the Senior Lender credit bid.
3. The Senior Lenders will agree to extend their bid until July 29<sup>th</sup>.
4. The conditional Sanction Order will have a condition precedent that it becomes operative on delivery of a Monitor's certificate.
5. The Monitor will not deliver the certificate if the Ad Hoc bid closes and, subject to 6 below, it will not be delivered prior to July 29<sup>th</sup>.

TORONTO  
MONTREAL  
OTTAWA  
CALGARY  
VANCOUVER  
NEWYORK  
LONDON  
SYDNEY

6. If prior to July 29<sup>th</sup> the Monitor determines in its reasonable business judgement that there is no reasonable chance that the Ad Hoc bid can close it may apply to court on 4 business days notice for authority to deliver the Monitor's certificate in advance of July 29
7. The Monitor can delay delivery of the certificate after July 29<sup>th</sup> if it forms the opinion in its reasonable business judgement, following consultation with RBCCM and the CRA, that the Ad Hoc bid will close within a relatively short period of time.
8. The Credit Bid is not extended beyond July 29<sup>th</sup> unless the Senior Lenders agree to the same;
9. If the Senior Lenders feel the Monitor should be delivering the certificate after July 29<sup>th</sup>, but has not done so, they will have the right to apply to court to have Justice Pepall order the Monitor to do so.
10. The Ad Hoc bid will have priority to Management and Osler time to close that bid pursuant to a protocol to be negotiated - (I understand there is a draft in the works).
11. The Monitor will advise counsel for the Senior Lenders of any request made to it for the approval of the Monitor to a proposed disclaimer or resiliation pursuant to s32 of the CCAA of a material contract.

As well as the Monitor, I understand that the CRA, RBCCM and counsel for the CCAA debtors support this proposal. These are obviously just general terms and we would need to paper and fill in the detail.

In the event this proposal is not acceptable to your clients, the Monitor will make a recommendation to the Canwest special committee and proceed thereafter as deemed appropriate in the circumstances.

Yours truly,



David R. Byers

/jjs

c.c. Paul Bishop, FTI Consulting Canada Inc.

Gary F. Colter, CRA

Richard Grudzinski, RBCCM

Edward Sellers, Osler Hoskin & Harcourt LLP

# APPENDIX "E"



**David Byers**

---

**From:** Swartz, Jay [JSwartz@dwpv.com]  
**Sent:** Sunday, May 09, 2010 7:14 PM  
**To:** David Byers  
**Cc:** 'Paul.Bishop@fticonsulting.com'; 'colter@crsgfc.ca'; 'richard.grudzinski@rbccm.com'; 'esellers@osler.com'; 'rchadwick@goodmans.ca'; Rusaw, Cameron; Renner, Natalie  
**Subject:** Re: Canwest Publishing CCAA- Further Assurances

Thank you for your email. Based on this understanding, on behalf of our client we can confirm our agreement to the terms of your May 7 letter. Thank you for your efforts to resolve these issues.



Jay Swartz

**DAVIES WARD PHILLIPS & VINEBERG LLP**

44th Floor  
1 First Canadian Place  
Toronto, Ontario M5X 1B1  
www.dwpv.com

Tel 416 863 5520  
Fax 416 863 0871  
jswartz@dwpv.com

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*This e-mail may contain confidential information which may be protected by legal privilege. If you are not the intended recipient, please immediately notify us by reply e-mail or by telephone (collect if necessary), delete this e-mail and destroy any copies.*

**From:** David Byers  
**To:** Swartz, Jay  
**Cc:** 'Bishop, Paul' ; colter@crsgfc.ca ;

'richard.grudzinski@rbccm.com' ; 'Sellers, Edward'  
**Sent:** Sun May 09 18:56:06 2010  
**Subject:** Canwest Publishing CCAA- Further Assurances

Jay,

If your client confirms agreement to the terms of my May 7 letter, the Monitor offers the following further assurances which will be disclosed in the Monitor's Seventh Report,

1. You have asked for assurance from the Monitor that the 4 business days notice to be given on delivery of a Monitor's certificate prior to July 29 will also be given for any July 29 or post July 29 certificate delivery. This is agreeable to the Monitor.
2. You have asked for some assurance on what "relatively short period of time" in item 7 of the May 7 letter is intended to mean. The Monitor, in consultation with RBCCM and the CRA, will deal with the facts as they exist on and after July 29 but as at today the Monitor would expect a "relatively short period of time" to be a delay in closing to no more than August 15.
3. You have asked for assurance that your client would be a party to the negotiation of the protocol referred to in item 10 of the May 7 letter. To the extent is it not already clear in the letter, I so confirm.

I look forward to confirmation from your client that it is in agreement with the terms of the May 7 letter with these further assurances. All is of course subject to Special Committee and Court approval of the Ad Hoc Bid.

Regards

David Byers

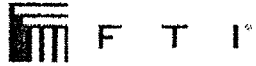
STIKEMAN ELLIOTT LLP Barristers & Solicitors  
5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9  
[www.stikeman.com](http://www.stikeman.com)  
TORONTO MONTREAL OTTAWA CALGARY VANCOUVER NEW YORK LONDON SYDNEY

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This e-mail is confidential and may contain privileged information. If you are not an intended recipient, please delete this e-mail and notify us immediately. Any unauthorized use or disclosure is prohibited.

5/11/2010

# APPENDIX "F"



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

**FIRST REPORT OF FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR OF THE APPLICANTS**

**January 20, 2010**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS  
AMENDED

AND IN THE MATTER OF A PLAN OF  
COMPROMISE OR ARRANGEMENT OF CANWEST  
PUBLISHING INC./ PUBLICATIONS CANWEST  
INC., CANWEST BOOKS INC., AND CANWEST  
(CANADA) INC.

FIRST REPORT OF FTI CONSULTING CANADA INC.,  
in its capacity as Monitor of the Applicants

INDEX

TAB	DOCUMENT
A	CAIRP Standard of Practice No. 09-7, Plan of Compromise or Arrangement
B	Notice of SISP
C	Press release regarding SISP
D	Notice of commencement of CCAA Proceedings

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF CANWEST PUBLISHING INC./  
PUBLICATIONS CANWEST INC., CANWEST BOOKS  
INC., AND CANWEST (CANADA) INC.

FIRST REPORT OF FTI CONSULTING CANADA INC.,  
in its capacity as Monitor of the Applicants

January 20, 2010

**INTRODUCTION**

1. By Order of this Court dated January 8, 2010 (the “**Initial Order**”), Canwest Publishing Inc. / Publications Canwest Inc. (“**CPI**”), Canwest Books Inc. (“**CBI**”), and Canwest (Canada) Inc. (“**CCI**”, and together with CPI and CBI, the “**Applicants**”) obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”). The Initial Order also granted relief in respect of Canwest Limited Partnership / Canwest Societe en Commandite (the “**Limited Partnership**”, and together with the Applicants, the “**LP Entities**”) and appointed FTI Consulting Canada Inc. (“**FTI**”) as monitor (the “**Monitor**”) of the LP Entities. The proceedings commenced by the LP Entities under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

2. Canwest carries on business through a number of subsidiaries. Through its ownership of the LP Entities, Canwest is Canada's largest publisher of English-language daily and non-daily newspapers and owns and operates substantial digital media and online businesses. Canwest also directly or indirectly owns, operates and/or holds substantial interests in free-to-air television stations, subscription-based specialty television channels, and websites in Canada.
3. Relief in the CCAA Proceedings was obtained by the Canwest entities which carry on, *inter alia*, newspaper and online publishing and digital media businesses. Not included in the CCAA Proceedings is National Post Inc., a wholly-owned subsidiary of the LP Entities which acquired the business and certain assets that comprised the *National Post* newspaper from The National Post Company / La Publication National Post in October 2009.
4. The basis of a plan of arrangement for the LP Entities under the CCAA is a pre-arranged support transaction pursuant to which (subject to a successful bid as a result of and in accordance with the terms of the SISP (as defined below) and approval by this Honourable Court) an entity to be initially capitalized as described in the Acquireco Capitalization Term Sheet (as this term is defined in the Senior Lenders' Plan (as defined below)) ("AcquireCo") will acquire substantially all of the assets of the LP Entities, assume the liabilities of the LP Entities (other than certain specified liabilities and subject to AcquireCo's right to exclude certain additional liabilities) and offer employment to all or substantially all of the employees of the LP Entities on terms and conditions consistent with their current employment (the "Support Transaction").

5. The Support Transaction contemplates that the LP Entities' financial advisor will conduct a sale and investor solicitation process under the supervision of the Monitor (the "**SISP**") in an effort to attract an alternative offer to the one contained in the Support Transaction.
6. The Support Transaction is to be approved by the LP Senior Secured Lenders (as defined below) pursuant to a plan of compromise or arrangement between the Limited Partnership, CPI and the LP Senior Secured Lenders (the "**Secured Lenders' Plan**").
7. The Initial Order provides, *inter alia*, that a formal vote of the LP Senior Secured Lenders under section 5 of the CCAA on the Senior Lenders' Plan will be held on January 27, 2010 (the "**LP Senior Secured Lenders' Meeting**") and provides procedures for the:
  - a) quantification of the LP Senior Secured Lenders' claims for the purposes of voting on the Senior Lenders' Plan and subsequent distribution (the "**Claims Process**"); and
  - b) conduct of the LP Senior Lenders' Meeting and voting on the Senior Lenders' Plan.
8. Further background information regarding the LP Entities and the CCAA Proceedings is provided in the Pre-filing Report of the Proposed Monitor dated January 7, 2010 (the "**Pre-filing Report**") and in the affidavit of Thomas Strike sworn January 7, 2010, copies of which (together with other relevant materials, including a copy of the Initial Order) have been posted on the Monitor's website for the CCAA Proceeding at <http://cfcanada.fticonsulting.com/clp>.

## PURPOSE OF THIS REPORT

9. This First Report is prepared in accordance with section 23(1)(d.1) of the CCAA which requires the Monitor to:

*(d.1) file a report with the court on the state of the company's business and financial affairs — containing the monitor's opinion as to the reasonableness of a decision, if any, to include in a compromise or arrangement a provision that sections 38 and 95 to 101 of the Bankruptcy and Insolvency Act do not apply in respect of the compromise or arrangement and containing the prescribed information, if any — at least seven days before the day on which the meeting of creditors referred to in section 4 or 5 is to be held;*

10. In preparing this report, the Monitor was guided, *inter alia*, by the Canadian Association of Insolvency and Restructuring Professionals' ("CAIRP") Standard of Practice No. 09-7, Plan of Compromise or Arrangement approved, ratified and confirmed by CAIRP members on August 21, 2009 (the "Guidelines"). A copy of the Guidelines is attached hereto as **Appendix "A"**.

## TERMS OF REFERENCE

11. In preparing this report, FTI has relied upon unaudited financial information of the LP Entities, the LP Entities' books and records, certain financial information prepared by, and discussions with, the LP Entities' management. FTI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and accordingly expresses no opinion or other form of assurance on the information contained in this report.



12. This report should be read in conjunction with the Pre-filing Report as certain information contained in the Pre-filing Report has not been included herein in order to avoid unnecessary duplication. Capitalised terms not defined in this report shall have the meanings assigned to them in the Pre-filing Report. A copy of the Pre-filing Report is available on the Monitor's website for the CCAA Proceedings.
13. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars.

#### **BACKGROUND INFORMATION ABOUT THE LP ENTITIES**

14. Background information about the LP Entities, their businesses, corporate and reporting structure, debt structure and financial position, declines in advertising revenues and the resulting defaults under the LP Credit Facilities and insolvency are described in detail in the Pre-filing Report and are not repeated in this report.

#### **STATUS OF THE CCAA PROCEEDINGS**

15. On January 8, 2010, the LP Entities obtained protection from their creditors under the CCAA. The Initial Order provides for a stay of proceedings until February 5, 2010.
16. Since the date of the Initial Order, the LP Entities have carried on their businesses in the ordinary course.
17. Pursuant to the Initial Order, on January 12, 2010, the Monitor published a notice of the SISP and other relevant information with respect thereto in the *National Post* and the LP Entities issued a press release regarding same with Canada Newswire. Copies of the

notices published by the Monitor and issued by the LP Entities are attached hereto as **Appendices “B” and “C”**, respectively.

18. On January 12, 2010, the Monitor also delivered to the LP Administrative Agent copies of the Notice of the Senior Lenders’ Meeting and other Meeting Materials (as defined in the Initial Order). The Monitor is advised by counsel for the LP Administrative Agent that on January 12, 2010, in accordance with the Initial Order, the LP Administrative Agent posted a copy of the Meeting Materials on two of the IntraLinks websites maintained by the LP Administrative Agent for the benefit of the LP Secured Lenders (the “Website”).
19. On January 13, 2010, the Monitor also completed its mailing of a notice of the CCAA Proceedings. This mailing was sent to all known potential creditors except those to which the LP Entities owed less than \$5,000 as of the date of the Initial Order.
20. The Monitor also published a notice of the Initial Order and the commencement of the CCAA Proceedings in *The Globe & Mail*, the *National Post*, and *La Presse* on January 15, 2010. A copy of the notice published in the *National Post* is attached as **Appendix “D”** to this report.
21. The Monitor has made various materials relating to the CCAA Proceedings available on its website <http://cfcanada.fticonsulting.com/clp>, including, *inter alia*, the Pre-filing Report, the LP Entities’ Application materials, the Initial Order, a list of the LP Entities’ creditors as at January 8, 2010 (except the LP Senior Secured Creditors and creditors who are individuals), and the service list. The Monitor will continue to update the website by

posting, *inter alia*, the Monitor's reports, motion materials, and Orders granted in the CCAA Proceedings.

22. The Monitor has also established a toll free hotline number (1-888-310-7627) to allow creditors and other interested parties to contact the Monitor to obtain additional information concerning the CCAA Proceedings. As of the date of this report, the Monitor has received over 120 calls and e-mails. The Monitor continues to respond to these enquiries in a timely manner.
23. In accordance with section 23 of the CCAA, the Monitor filed the following documents with the Superintendent of Bankruptcy within the prescribed deadlines:
  - i. Form 1 - Information Pertaining to Initial Order;
  - ii. Copies of initial application and the Initial Order; and
  - iii. Form 2 - Debtor Company Information Summary (Commencement of Proceedings).
24. As at the date of this report, the Monitor has not performed a review of any potential preferences, fraudulent conveyances or other transactions at undervalue.
25. The Monitor is not aware of any non-compliance by the LP Entities with requirements under the CCAA or pursuant to any Order issued by this Court in the CCAA Proceedings. In the Monitor's view, the LP Entities have acted and continue to act in good faith and with due diligence.

## SENIOR LENDERS' PLAN

26. The material terms and conditions of the Senior Lenders' Plan are detailed extensively in the Pre-filing Report and are, therefore, described only in general terms herein.
27. Subject to a successful bid as a result of and in accordance with the terms of the SISP and subject to the approval of the LP Secured Lenders and the Hedging Secured Creditors (collectively, the "LP Senior Secured Lenders") and obtaining approval of this Honourable Court of the Senior Lenders' Plan, the LP Senior Secured Lenders will, in accordance with the terms of the Senior Lenders' Plan, exchange their outstanding secured claims against the LP Entities under the LP Credit Agreement and the Swap Obligations<sup>1</sup> (and for greater certainty, excluding the Cash Management Obligations) for their *pro rata* shares of the debt and equity to be issued by AcquireCo.
28. The Senior Lenders' Plan provides, *inter alia*, that the Senior Lenders' Plan will only compromise the LP Secured Claims and will not affect or compromise any other claims against any of the LP Entities (the "Unaffected Claims").
29. No holders of the Unaffected Claims will be entitled to vote on or receive any distributions in respect of their claims. Certain Unaffected Claims (including, *inter alia*, the DIP Facility, certain employee and pension related claims, Cash Management

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<sup>1</sup> As described in greater detail in the Pre-filing Report, the Monitor obtained opinions with respect to the validity and perfection of the personal property security held by the Collateral Agent granted by the LP Entities over their respective property and assets for the benefit of, *inter alia*, the LP Senior Secured Lenders under the laws of Ontario, Alberta, British Columbia, Quebec, Manitoba and Saskatchewan, which opinions state that (subject to the assumptions and qualifications contained therein, including those relating to statutory and possessory liens and claims that have priority by operation of law), such personal property security is valid and enforceable and ranks in priority to other claims with respect to the personal property secured, subject to certain registrations of secured parties made under the provincial personal property security acts prior to the registration by the Collateral Agent. The LP Entities have advised FTI that all such prior registrations are with respect to equipment leases. Similarly, the real property report obtained by the Monitor states that the registrations in favour of the Collateral Agent against the LP Entities' real property located in Ontario, Alberta, British Columbia and Quebec are the only mortgages registered on title to the real properties.

Obligations and any secured claims ranking in priority to the LP Secured Claims) will be paid by the LP Entities, assumed by AcquireCo or paid in full by the Monitor from the Cash Reserve.

30. The Monitor has not identified any claims involving Related Persons (as defined in the Guidelines), trust claims or any claims that cannot be compromised in the Senior Lenders' Plan in accordance with the CCAA (that are not contemplated as being assumed by AcquireCo or an alternative purchaser identified during the SISP).
31. It is intended that following implementation of the Senior Lenders' Plan, AcquireCo (or an alternative purchaser identified during the SISP) will continue to operate the LP Entities' businesses in the ordinary course.
32. The Senior Lenders' Plan does not provide that Sections 38, 95 to 101 of the *Bankruptcy and Insolvency Act* (Canada) ("BIA") do not apply to it.

#### CLAIMS PROCESS

33. As stated above, the Initial Order approved, *inter alia*, the Claims Process.
34. In accordance with the terms of the Initial Order, on January 12, 2010, the LP Administrative Agent delivered to the LP Entities (with a copy to the Monitor) a notice setting out the aggregate amount owing by each of the LP Entities under the LP Credit Agreement as at the filing date and each LP Secured Lender's pro rata share of same based on the records of the LP Administrative Agent. The Monitor is advised by counsel for the LP Administrative Agent that on January 12, 2010, the LP Administrative Agent also posted a copy of the Secured Lender Claim Notice on the Website.

35. Also on January 12, 2010, the LP Entities delivered to each Hedging Secured Creditor (with a copy to the Monitor and the LP Administrative Agent) a notice setting out the termination amounts owing by each of the LP Entities to each of the Hedging Secured Creditors and the rate of interest payable on such amounts.
  
36. Under the Claims Process, within five business days of receipt or posting on the Website of the Secured Lender Claim Notice or the Hedging Creditor Claim Notice (as applicable), the LP Entities, the LP Secured Lenders and the Hedging Secured Creditors must advise whether the amounts set out in the Secured Lender Claim Notices or the Hedging Creditor Claim Notices are incorrect by delivering a notice of dispute to the Monitor, failing which, they shall be deemed to have confirmed the amounts set out therein for the purposes of voting and for calculating the entitlement to distribution under the Senior Lenders' Plan. As at the date of this report, the Monitor has not received any notices of dispute.
  
37. The draft Initial Order also provides that any LP Senior Lender which asserts that its LP Senior Secured Claim includes a claim or claims in addition to the claim for principal or termination amounts (as the case may be), must notify the Monitor (with a copy to the LP Administrative Agent and the LP Entities) of any such additional claims and the amounts thereof by January 22, 2010, failing which, such claims will be forever extinguished and barred. As at the date of this report, the Monitor has not received any notices of any additional claims.

**REPORT ON ALTERNATE BIA PROCEEDING & WHETHER CCAA PROCEEDING  
WAS THE BEST COURSE OF ACTION**

38. As described in greater detail in the Pre-filing Report, starting in the second half of 2008, the LP Entities began to experience declines in advertising revenues which had a negative impact on their cash flows, resulting in the LP Entities breaching certain covenants, missing certain principal and interest payments, and defaulting under their various credit facilities and related guarantee obligations in May 2009. As a result of these events of default, amounts under the LP Entities' various credit facilities became immediately due and payable.
39. Following extensive negotiations, on August 31, 2009, the LP Entities and the LP Administrative Agent (with the consent of the Majority Lenders) agreed on the terms and conditions of the Forbearance Agreement, pursuant to which the LP Administrative Agent agreed to forbear, subject to certain terms and conditions, from taking steps to proceed with enforcement of the Existing Security held in support of the loans under the LP Senior Secured Credit Facilities in order to allow the LP Entities and the LP Secured Lenders an opportunity to negotiate a consensual restructuring, recapitalization or reorganization of the affairs of the LP Entities.
40. The Forbearance Agreement expressly contemplated that the LP Entities and the LP Secured Lenders would negotiate the terms of a pre-packaged restructuring or recapitalization to be implemented under CCAA protection.
41. Following expiry of the forbearance period in November 2009, the LP Secured Lenders were in a position to exercise their rights to direct the Collateral Agent to enforce the

Existing Security and, by letter dated December 7, 2009, the LP Administrative Agent advised that it was empowered by the LP Secured Lenders to act (in consultation with the Steering Committee of the LP Secured Lenders) to enforce the rights of the LP Secured Creditors including by “the pursuit of alternative non-consensual courses of action through legal action.”

42. The LP Entities required a stay of proceedings under the CCAA in order to allow them to implement the Support Transaction and allow their financial advisor (under the supervision of the Monitor) to conduct the SISF in order to restructure and reorganize their businesses and preserve their enterprise values.
43. The LP Entities believe that the stability provided by the CCAA stay of proceedings and the Support Transaction will enable them to organize their affairs in the near-to-medium term, maintain employment for as many as possible of their approximately 5,250 FTE employees in Canada and engage with their respective stakeholders in the hopes of achieving a long-term solution to their current financial issues, including restructuring debt and balance sheets in order to preserve enterprise value.
44. The Monitor also notes that approval of the Senior Lenders’ Plan offers the following advantages at this time:
  - i. it provides stability for the LP Entities’ businesses for the duration of the SISF while the market is being tested for potential alternative purchasers of the LP Entities’ businesses;
  - ii. it provides for a going concern sale to AcquireCo or another bidder identified



during and in accordance with the SISP; and

iii. the going concern sale to AcquireCo or another bidder is anticipated to preserve jobs for approximately 5,250 FTE employees in an already highly distressed newspaper publishing industry and presents various economic and social benefits to the Canadian community at large.

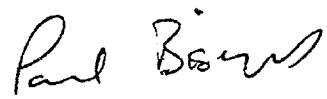
45. In the Monitor's view, a bankruptcy under the BIA in the alternative to the proceedings under the CCAA would not be more beneficial to the LP Entities' creditors. The Monitor is also of the view that the CCAA Proceedings were the best course of action and that it would not be more beneficial to the LP Entities' creditors if proceedings in respect of the LP Entities were taken under the BIA.

46. The Monitor will make further recommendations with respect to the Support Transaction and the Senior Lenders' Plan as contemplated by the SISP, once the results of that process become known. The Monitor will also make further recommendations regarding whether the Senior Lenders' Plan is fair and reasonable as between the LP Entities' creditors and the LP Entities.

All of which is respectfully submitted this 20<sup>th</sup> day of January, 2010.

FTI Consulting Canada Inc.,  
in its capacity as the Monitor of Canwest Publishing Inc. / Publications Canwest Inc., Canwest  
Books Inc., Canwest (Canada) Inc., and Canwest Limited Partnership / Canwest Societe en  
Commandite

Per



Paul Bishop  
Senior Managing Director

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS  
AMENDED

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

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.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**Proceeding commenced at Toronto**

**FIRST REPORT OF FTI CONSULTING CANADA  
INC., IN ITS CAPACITY AS MONITOR OF THE  
APPLICANTS**

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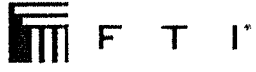
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Lawyers for the Monitor

# APPENDIX "G"



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

**SECOND REPORT OF FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR OF THE APPLICANTS**

**January 29, 2010**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS  
AMENDED

AND IN THE MATTER OF A PLAN OF  
COMPROMISE OR ARRANGEMENT OF CANWEST  
PUBLISHING INC./ PUBLICATIONS CANWEST  
INC., CANWEST BOOKS INC., AND CANWEST  
(CANADA) INC.

SECOND REPORT OF FTI CONSULTING CANADA INC.,  
in its capacity as Monitor of the Applicants

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TAB	DOCUMENT
A.	First Report of the Monitor
B.	Scrutineer's Report on Attendance at the Senior Lenders' Meeting
C.	Scrutineer's Report on Voting Results
D.	Variances in Actual Receipts and Disbursements
E.	Cash Flow Forecast

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS***  
***ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR**  
**ARRANGEMENT OF CANWEST PUBLISHING INC./**  
**PUBLICATIONS CANWEST INC., CANWEST BOOKS**  
**INC., AND CANWEST (CANADA) INC.**

**SECOND REPORT OF FTI CONSULTING CANADA INC.,**  
**in its capacity as Monitor of the Applicants**

**January 29, 2010**

**INTRODUCTION**

1. By Order of this Court dated January 8, 2010 (the “**Initial Order**”), Canwest Publishing Inc. / Publications Canwest Inc. (“**CPI**”), Canwest Books Inc. (“**CBI**”), and Canwest (Canada) Inc. (“**CCI**”, and together with CPI and CBI, the “**Applicants**”) obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”). The Initial Order also granted relief in respect of Canwest Limited Partnership / Canwest Societe en Commandite (the “**Limited Partnership**”, and together with the Applicants, the “**LP Entities**”) and appointed FTI Consulting Canada Inc. (“**FTI**”) as monitor (the “**Monitor**”) of the LP Entities. The proceedings commenced by the LP Entities under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

## PURPOSE OF THIS REPORT

2. The purpose of this second report of the Monitor (the “**Second Report**”) is to inform this Honourable Court of the following:
- (a) status of the CCAA Proceedings;
  - (b) results of the LP Senior Secured Lenders’ (as defined below) claims process;
  - (c) results of the Senior Lenders’ Meeting (as defined below);
  - (d) payments by the LP Entities of pre-filing amounts owed to certain suppliers;
  - (e) the LP Entities’ receipts and disbursements for the period from January 4, 2010 to January 24, 2010;
  - (f) the revised and extended cash flow forecast to April 18, 2010;
  - (g) status of the SISP (as defined below);
  - (h) the LP Entities’ request for an extension of the Stay Period (as defined below) until April 14, 2010;
  - (i) proposed amendment to the Initial Order to permit amendments to the NPI Loan Agreement; and
  - (j) the Monitor’s conclusions and recommendations.



## GENERAL BACKGROUND

3. Canwest carries on business through a number of subsidiaries. Through its ownership of the LP Entities, Canwest is Canada's largest publisher of English-language daily and non-daily newspapers and owns and operates substantial digital media and online businesses. Canwest also directly or indirectly owns, operates and/or holds substantial interests in free-to-air television stations, subscription-based specialty television channels, and websites in Canada.
4. Relief in the CCAA Proceedings was obtained by the Canwest entities which carry on, *inter alia*, newspaper and online publishing and digital media businesses. Not included in the CCAA Proceedings is National Post Inc., a wholly-owned subsidiary of the LP Entities which acquired the business and certain assets that comprised the *National Post* newspaper from The National Post Company / La Publication National Post in October 2009.
5. The basis of a plan of arrangement for the LP Entities under the CCAA is a pre-arranged support transaction pursuant to which (and subject to a successful bid as a result of and in accordance with the terms of the SISP and approval by this Honourable Court) an entity to be initially capitalized as described in the Acquireco Capitalization Term Sheet (as this term is defined in the Senior Lenders' Plan (as defined below)) ("AcquireCo") will acquire substantially all of the assets of the LP Entities, assume the liabilities of the LP Entities (other than certain specified liabilities and subject to AcquireCo's right to exclude certain additional liabilities) and offer employment to all or substantially all of

the employees of the LP Entities on terms and conditions consistent with their current employment (the “**Support Transaction**”).

6. The Support Transaction contemplates that the LP Entities’ Financial Advisor will conduct a sale and investor solicitation process under the supervision of the Monitor (the “**SISP**”) in an effort to attract an alternative offer to the one contained in the Support Transaction.
7. The Support Transaction was to be approved by the LP Senior Secured Lenders (as defined below) pursuant to a plan of compromise or arrangement between the Limited Partnership, CPI and the LP Senior Secured Lenders (the “**Senior Lenders’ Plan**”).
8. Further background information regarding the LP Entities and the CCAA Proceedings is provided in, among other things, the Pre-filing Report of the Proposed Monitor dated January 7, 2010 (the “**Pre-filing Report**”) and in the affidavit of Thomas Strike sworn January 7, 2010, copies of which (together with other relevant materials, including a copy of the Initial Order) have been posted on the Monitor’s website for the CCAA Proceedings at <http://cfcanada.fticonsulting.com/clp>.

## **TERMS OF REFERENCE**

9. In preparing this report, FTI has relied upon unaudited financial information of the LP Entities, the LP Entities’ books and records, certain financial information prepared by, and discussions with, the LP Entities’ management. FTI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and

accordingly expresses no opinion or other form of assurance on the information contained in this report.

10. Capitalised terms not defined in this report shall have the meanings assigned to them in the Pre-filing Report. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars.

#### **STATUS OF THE CCAA PROCEEDINGS**

11. As reported in greater detail in the First Report of the Monitor dated January 20, 2010 (the "**First Report**") (a copy of which is attached hereto as **Appendix "A"**), the Monitor published, mailed and filed with the Superintendent of Bankruptcy various notices of the SISP and the commencement of the CCAA Proceedings in accordance with the requirements of the CCAA and the Initial Order.

#### **Activities of the LP Entities**

12. Since the date of the Initial Order, the LP Entities have carried on their businesses in the ordinary course. LP Entities' senior management team has continued to work with the LP Entities' employees, customers and suppliers to ensure that the stability of operations is maintained.

#### **Customers & Suppliers**

13. Immediately following the commencement of the CCAA Proceedings, the LP Entities' senior management contacted key customers and suppliers to discuss the implications of

the CCAA Proceedings on the LP Entities' business, ongoing requirements, and to seek sales opportunities and ensure the continued supply of goods and services.

14. Senior management continues to communicate with customers to provide information and respond to questions about the implications of the CCAA Proceeding.
15. Senior management continues to deal with suppliers on an ongoing basis as required with respect to, *inter alia*, payment terms for goods and/or services being delivered or provided after the date of the Initial Order.

### **Employees**

16. There have been no significant changes in full-time equivalent ("FTE") employees since the date of the Initial Order. The LP Entities continue to employ approximately 5,300 FTE unionized and non-unionized employees in Canada.
17. Approximately 45% of the LP Entities' employees are unionized under 43 collective bargaining agreements. Since the commencement of the CCAA Proceedings and as of the date of this Second Report, there have been no changes in the status of these collective agreements. Four collective agreements are set to expire in FY2010 and the LP Entities have already started negotiations with two of the unions in advance of expirations.

## Repudiation of Contracts

18. Since the date of the Initial Order, the LP Entities have not issued any repudiation notices. The LP Entities are continuing to evaluate contracts in order to determine which, if any, are to be repudiated pursuant to the provisions of the Initial Order.

## CLAIMS PROCESS

19. The Initial Order provides, *inter alia*, procedures for the quantification of the LP Secured Lenders' and the Hedging Secured Creditors' (collectively, the "LP Senior Secured Lenders") claims for the purposes of voting on the Senior Lenders' Plan and subsequent distribution (the "Claims Process").
20. As described in greater detail in the First Report, on January 12, 2010:
- i. the LP Administrative Agent delivered to the LP Entities (with a copy to the Monitor) a notice setting out the aggregate amount owing by each of the LP Entities under the LP Credit Agreement as at the filing date and each LP Secured Lender's *pro rata* share of same based on the records of the LP Administrative Agent. The LP Administrative Agent also posted a copy of the Secured Lender Claim Notice on two of the IntraLinks websites maintained by the LP Administrative Agent for the benefit of the LP Secured Lenders (the "Website"); and
  - ii. the LP Entities delivered to each Hedging Secured Creditor (with a copy to the Monitor and the LP Administrative Agent) a notice setting out the termination

amounts owing by each of the LP Entities to each of the Hedging Secured Creditors and the rate of interest payable on such amounts.

21. Under the Claims Process, the LP Entities, the LP Secured Lenders and the Hedging Secured Creditors had to advise whether the amounts set out in the Secured Lender Claim Notices or the Hedging Creditor Claim Notices were incorrect by delivering a notice of dispute to the Monitor within five business days of receipt or posting on the Website of the Secured Lender Claim Notice or the Hedging Creditor Claim Notice (as applicable). The Monitor did not receive any notices of dispute and, under the terms of the Initial Order, the LP Entities, the LP Secured Lenders and the Hedging Secured Creditors are deemed to have confirmed the amounts set out in the applicable notices of claim for the purposes of voting and for calculating the entitlement to distribution under the Senior Lenders' Plan.
22. The Initial Order also provides that any LP Senior Secured Lender which asserts that its LP Senior Secured Claim includes a claim or claims in addition to the claim for principal or termination amounts (as the case may be), had to notify the Monitor (with a copy to the LP Administrative Agent and the LP Entities) of any such additional claims and the amounts thereof by January 22, 2010. The Monitor did not receive any notices of any additional claims and, under the terms of the Initial Order, such claims are forever extinguished and barred.

## SENIOR LENDERS' MEETING

### General

23. The Initial Order provides, *inter alia*, that a formal vote of the LP Senior Secured Lenders under section 5 of the CCAA on the Senior Lenders' Plan was to be held on January 27, 2010 (the "**Senior Lenders' Meeting**") and provides procedures for the conduct of the Senior Lenders' Meeting and voting on the Secured Lenders' Plan.
24. The Initial Order also requires the Monitor to report to this Court on the results of the vote, including whether:
- i. the Senior Lenders' Plan was approved by majority in number of LP Senior Secured Lenders holding Accepted Senior Voting Claims (as defined in the Initial Order) 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**"); and
  - ii. the votes, for and against the Senior Lenders' Plan, that were cast by LP Senior Secured Lenders holding Unresolved Senior Claims (as defined in the Initial Order) would affect the result of the vote on the Senior Lenders' Plan.

### Notice of Senior Lenders' Meeting

25. In accordance with the Initial Order, on January 12, 2010, the Monitor delivered to the LP Administrative Agent copies of the Notice of the Senior Lenders' Meeting and other Meeting Materials (as defined in the Initial Order). The Monitor is advised by counsel

for the LP Administrative Agent that on January 12, 2010, in accordance with the Initial Order, the LP Administrative Agent posted a copy of the Meeting Materials on the Website.

26. The Meeting Materials were also made available on the Monitor's website on or about January 12, 2010.
27. The Monitor established a toll free telephone enquiry line (1-888-310-7627) and a dedicated e-mail inbox in order to address enquiries specifically from the LP Senior Secured Lenders in addition to general enquiries. The contact details were also included in the Meeting Materials circulated to the LP Senior Secured Lenders.

#### **Conduct of the Senior Lenders' Meeting**

28. The Senior Lenders' Meeting was held at the offices of Stikeman Elliott LLP, at 5300 Commerce Court West, 199 Bay Street, 53<sup>rd</sup> Floor in Toronto, Ontario on January 27, 2010 starting at 12:30 p.m.
29. In accordance with the Initial Order, Paul Bishop, an officer of FTI, acted as the chair (the "**Chair**") of the Senior Lenders' Meeting. Maria Konyukhova of Stikeman Elliot LLP acted as secretary of the Senior Lenders' Meeting and Jodi Porepa of FTI acted as scrutineer (the "**Scrutineer**").
30. The Chair held 156 proxies from LP Senior Secured Lenders holding Accepted Senior Voting Claims thereby satisfying the requirement that a quorum of the LP Senior Secured Lenders was present either in person or by proxy and, accordingly, the Chair declared



that the Senior Lenders' Meeting was properly constituted. The Scrutineer's report with respect to attendance is attached as **Appendix "B"** to this Report.

**Results of the Voting**

31. A motion to consider a resolution to approve the Senior Lenders' Plan (the "**Resolution**") was proposed at the Senior Lenders' Meeting and a vote was called for by the Chair. The LP Senior Secured Lenders at the Senior Lenders' Meeting voted as a single class as provided in the Senior Lenders' Plan and the Initial Order. A copy of the Resolution was included with the Meeting Materials previously circulated and filed.
32. The Scrutineer tabulated the votes cast in respect of the Senior Lenders' Plan and the Chair reported the results at the Senior Lenders' Meeting. The LP Senior Secured Lenders or their proxy holders voted on the Resolution as follows:

Votes	In Favour of the Plan		Against the Plan		Total Accepted Senior Voting Claims Present and Voting <sup>1</sup>	
	Number	CAD \$000s	Number	CAD \$000s	Number	CAD \$000s
Accepted Senior Voting Claims	153	\$ 726,220	4	\$ 92,718	157	\$ 818,938
Percentage of the total Accepted Senior Voting Claims	97.5%	88.7%	2.5%	11.3%	100.0%	100.0%

<sup>1</sup> The Monitor received 137 proxies by 5 p.m. on January 25, 2010. The Monitor received and accepted 19 additional proxies submitted after 5 p.m. on January 25, 2010, the deadline set for submission of proxies in the Initial Order. The impact of these 19 proxies voted in favour of the Senior Lenders' Plan do not alter the outcome of the vote. One LP Senior Secured Lender voted in person at the Senior Lenders' Meeting.

33. A copy of the Scrutineer's report on the results of the voting is attached as **Appendix "C"**.

34. In summary, 97.5% in number and 88.7% in value of the LP Senior Secured Lenders holding Accepted Senior Voting Claims present and voting at the Senior Lenders' Meeting representing in excess of the majority in number and two-thirds in value voted in favour to approve the Senior Lenders' Plan. Accordingly, the requisite majority required by the Initial Order and section 6 of the CCAA has been obtained.
35. There were no Unresolved Senior Claims at the time of the Senior Lenders' Meeting and therefore the voting results were unaffected by same.
36. Pursuant to the terms of the Senior Lenders' Plan, the LP Entities (or, if they do not, the LP Administrative Agent) shall apply for Court sanction of the Senior Lenders' Plan after the SISP is completed or terminated pursuant to its terms or Court Order. The Monitor will make recommendations with respect to the Senior Lenders' Plan as contemplated by the SISP once the results of that process become known.

#### **PRE-FILING PAYMENTS TO CERTAIN SUPPLIERS**

37. Pursuant to paragraph 31(b) of the Initial Order, the Monitor is directed to report to this Court with respect to, *inter alia*, any payments made in connection with "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".
38. As at January 25, 2010, the LP Entities had paid a total amount of \$7.3 million to newsprint, ink, press equipment, outside printers, distributors, carriers, freelancers,

contractors and other such critical suppliers. After consultation with the LP Entities, the LP CRA determined that these suppliers were critical to the LP Entities' business and all payments were made with the prior consent of, and following discussions with, the Monitor.

**RECEIPTS AND DISBURSEMENTS TO JANUARY 24, 2010**

39. The LP Entities' actual consolidated net cash outflow for the period from January 4, 2010 to January 24, 2010, (the "Current Period"), together with an explanation of key variances as compared to the Cash Flow Projection (as defined in the Monitor's Prefiling Report) is attached hereto as **Appendix "D"**. Actual net cash flows for the Current Period were approximately \$17.4 million higher than the Cash Flow Projection, summarized as follows:

	Forecast	Actual	Variance
	\$000s	\$000s	\$000s
<b>Total Operating Receipts</b>	<b>70,465</b>	<b>65,717</b>	<b>(4,748)</b>
Disbursements			
Payroll & Benefits Disbursements	(27,160)	(26,375)	785
Operating Disbursements	(24,148)	(6,284)	17,864
Capital Expenditure Disbursements	(1,646)	3	1,650
Inter Company Disbursements	-	-	-
Interest	(3,063)	(3,004)	59
<b>Total Disbursements</b>	<b>(56,018)</b>	<b>(35,660)</b>	<b>20,358</b>
<b>Net Operating Cashflows</b>	<b>14,447</b>	<b>30,057</b>	<b>15,610</b>
National Post (Advances)/Repayments	(1,352)	(410)	942
<b>Restructuring Costs</b>			
Professional Fees and Other Restructuring Fees	(3,828)	(2,623)	1,205
Critical Supplier Payment	(6,000)	(7,107)	(1,107)
DIP Interest/Fees	(1,025)	(313)	712
<b>Total Restructuring costs</b>	<b>(10,853)</b>	<b>(10,042)</b>	<b>811</b>
<b>Total Net Cashflow</b>	<b>2,242</b>	<b>19,605</b>	<b>17,362</b>
Opening Unrestricted Cash	34,655	34,655	-
<b>Total Cash</b>	<b>36,897</b>	<b>54,260</b>	<b>17,362</b>

## CASHFLOW FORECAST

40. The LP Entities have prepared a revised cash flow forecast for the period January 25, 2010 to April 18, 2010 (the “**January 25 Forecast**”). A copy of the January 18 Forecast is attached hereto as **Appendix “E”**.
41. As shown in the Cashflow Forecast, it is estimated that for the period of January 25, 2010 to April 18, 2010 (the “**Cashflow Forecast Period**”), the LP Entities will have total receipts of \$253.2 million, total disbursements relating to operations of \$234.8 million, total net advances to National Post of \$3.3 million, and total disbursements relating to the restructuring of \$18.0 million for net cash flow outflow of \$3.0 million.
42. It is anticipated that the LP Entities’ forecast liquidity requirements during the Cashflow Forecast Period will continue to be met by the cash generated from operations and no drawdown on the DIP Facility is forecast during the Cashflow Forecast Period. As stated above, the LP Entities’ cash balance as at January 24, 2010 was approximately \$54.3 million.

## SISP

43. Following the granting of the Initial Order, the Financial Advisor commenced Phase 1 of the SISP and began soliciting interest from prospective financial or strategic parties to acquire all or substantially all of the assets of the LP Entities and/or invest in the LP Entities.
44. As described in greater detail in the First Report, on January 12, 2010, the Monitor published a notice of the SISP and other relevant information with respect thereto in the

*National Post*, in accordance with the Initial Order. The notice was also published in the following newspapers on the same day: *Gazette, Ottawa Citizen, Windsor Star, Regina Leader Post, Saskatoon Star Phoenix, Edmonton Journal, Calgary Herald, Vancouver Sun, Vancouver Province* and the *Victoria Colonist* and the LP Entities issued a press release regarding same with Canada Newswire.

45. The Financial Advisor has identified and contacted 164 potentially interested parties.
46. Although the SISP was commenced on or about January 13, 2010, a number of parties have already expressed interest in participating in the SISP.
47. The Financial Advisor, with the assistance of the Monitor and the LP Entities, is continuing to work diligently to complete Phase 1 of the SISP.

#### **REQUEST FOR AN EXTENSION OF THE STAY OF PROCEEDINGS**

48. The Initial Order provides for a stay of proceedings until February 5, 2010 (the “**Stay Period**”). Accordingly, the LP Entities are seeking an extension of the Stay Period until, and including, April 14, 2010.
49. Additional time is required for the LP Entities and the Financial Advisor to conduct the SISP in an effort to attract an alternative offer to the one contained in the Support Transaction. The continuation of the stay of proceedings is necessary to provide the stability needed during that time.

## **PROPOSED AMENDMENT TO THE INITIAL ORDER**

50. The LP Entities are also seeking to amend the Initial Order to permit the parties to the NPI Loan Agreement to amend same with the consent of the LP Administrative Agent acting in consultation with the Steering Committee, the Monitor and the LP CRA. The Monitor is advised by the LP Entities that the LP Administrative Agent and the LP CRA support the proposed amendment. The Monitor supports the proposed amendment to the Initial Order.

## **RECOMMENDATION AND CONCLUSIONS**

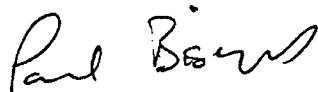
51. It is the Monitor's view based on the LP Entities' Cashflow Forecast that the LP Entities have sufficient available cash resources during the requested Stay Period and that an extension of the Stay Period will permit the Financial Advisor (under the supervision of the Monitor) to conduct the SISP in accordance with its terms.
52. Based on the information presently available, the Monitor believes that creditors will not be materially prejudiced by an extension of the Stay Period to April 14, 2010.
53. The Monitor is not aware of any non-compliance by the LP Entities with requirements under the CCAA or pursuant to any Order issued by this Court in the CCAA Proceedings. The Monitor also believes that the LP Entities have acted, and are continuing to act, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.
54. The Monitor is advised by the LP Entities that the LP Administrative Agent and the LP CRA support the requested extension of the Stay Period.

55. Accordingly, the Monitor respectfully recommends that the Stay of Proceedings be extended until April 14, 2010.

All of which is respectfully submitted this 29<sup>th</sup> day of January, 2010.

FTI Consulting Canada Inc.,  
in its capacity as the Monitor of Canwest Publishing Inc. / Publications Canwest Inc., Canwest Books Inc., Canwest (Canada) Inc., and Canwest Limited Partnership / Canwest Societe en Commandite

Per



Paul Bishop  
Senior Managing Director

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

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

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.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**Proceeding commenced at Toronto**

**SECOND REPORT OF FTI CONSULTING CANADA  
INC., IN ITS CAPACITY AS MONITOR OF THE  
APPLICANTS**

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Lawyers for the Monitor



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36,  
AS AMENDED

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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.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**SEVENTH REPORT OF FTI CONSULTING  
CANADA INC., IN ITS CAPACITY AS MONITOR  
OF THE APPLICANTS**

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