



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

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

**April 6, 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  
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**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**”.

## GENERAL BACKGROUND

2. Canwest Global Communications Corp. (“**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 paid 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 Canwest entities that own and operate Canwest’s free-to-air television broadcast business and certain subscription-based specialty television channels in Canada, including Canwest Media Inc. (collectively, the “**CMI Entities**”), applied for and obtained protection under the CCAA in a separate proceeding on October 6, 2009.
5. The Initial Order provides for a stay of proceedings until February 5, 2010 (the “**Stay Period**”). By Order dated February 2, 2010 (the “**February 2 Order**”), the Stay Period was extended until, and including, April 14, 2010. Copies of the

Initial Order (without schedules) and the February 2 Order are attached as **Appendices “A” and “B”**, respectively.

6. Since the date of the Initial Order, the LP Entities have carried on their businesses in the ordinary course.
7. 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 Court-approved bid as a result of and in accordance with the terms of the SISP (as defined below)) 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**”).
8. The Support Transaction contemplates that the LP Entities’ Financial Advisor will conduct a sale and investor solicitation process (the “**SISP**”) under the supervision of the Monitor and in accordance with the SISP procedures attached to the Initial Order, as amended by the February 2 Order (the “**SISP Procedures**”) in an effort to attract a Superior Offer (as defined in the SISP Procedures) to the one contained in the Support Transaction.

9. The Support Transaction is to be implemented pursuant to a plan of compromise or arrangement between the LP Senior Secured Lenders (as defined in the Pre-filing Report of the Proposed Monitor dated January 7, 2010 (the “**Pre-filing Report**”)), the Limited Partnership, and CPI (the “**Senior Lenders’ Plan**”). On January 27, 2010, an excess of the majority in number and two-thirds in value of the LP Senior Secured Lenders holding Accepted Senior Voting Claims present and voting at the Senior Lenders’ Meeting (as these terms are defined in the Initial Order) voted in favour to approve the Senior Lenders’ Plan. 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.
10. In accordance with the SISP Procedures and following a review of the received non-binding indications of interest, the Monitor determined that there is a reasonable prospect of obtaining a Superior Cash Offer (as defined in the SISP Procedures), made a recommendation to the Special Committee (as defined in the Initial Order) that the SISP continue for a further seven weeks in accordance with the SISP Procedures (“**Phase 2**”) (which recommendation was accepted by the Special Committee) and Phase 2 of the SISP has commenced.
11. Further background information regarding the LP Entities and the CCAA Proceedings is provided in, among other things, the Pre-filing Report and in the affidavit of Thomas Strike sworn January 7, 2010 (the “**Strike Affidavit**”), 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>.

## **PURPOSE OF THIS REPORT**

12. The purpose of this Sixth Report of the Monitor (the "**Sixth Report**") is to inform this Honourable Court of the following:

- (a) status of the CCAA Proceedings, including updates on employee related issues;
- (b) status of the SISP;
- (c) the LP Entities' motion for an Order approving a procedure for the submission, evaluation and adjudication of claims against the LP Entities;
- (d) the LP Entities' motion for an Order authorizing the LP Entities to make a payment in the approximate amount of \$995,000 to London Life Insurance Company in connection with certain pre-filing amounts owing under the Edmonton Journal Lease (as defined below);
- (e) payments by the LP Entities of pre-filing amounts owed to certain suppliers;
- (f) the LP Entities' receipts and disbursements for the period from January 24, 2010 to March 28, 2010;
- (g) the revised and extended cash flow forecast for the period from March 29, 2010 to July 4, 2010;

- (h) the LP Entities' request for an extension of the Stay Period (as defined below) until June 30, 2010;
  - (i) summary of the Monitor's activities since the commencement of the CCAA Proceedings;
  - (j) the Monitor's and its legal counsel's professional fees; and
  - (k) the Monitor's conclusions and recommendations.
13. This report should be read in conjunction with the affidavit of Doug E.J. Lamb sworn April 6, 2010 (the "**Lamb Affidavit**") as certain information contained in the Lamb Affidavit has not been included herein in order to avoid unnecessary duplication. A copy of the Lamb Affidavit will be available shortly on the Monitor's website for the CCAA Proceedings.

#### **TERMS OF REFERENCE**

14. 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.



15. 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**

### *Activities of the LP Entities*

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

### *Customers & Suppliers*

17. Senior management continues to communicate with customers to provide information and respond to questions about the implications of the CCAA Proceeding.
18. 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*

19. There have been no significant changes in the number of full-time equivalent ("FTE") employees employed by the LP Entities since the date of the Initial

- Order. The LP Entities continue to employ approximately 5,300 FTE unionized and non-unionized employees in Canada.
20. Approximately 42% 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 Sixth Report, five new collective bargaining agreements have been negotiated and ratified by the relevant bargaining units. Six additional collective bargaining agreements are currently expired and one collective bargaining agreement is set to expire on September 1, 2010. The LP Entities have commenced or will, in the coming months, be commencing negotiations with the relevant unions with respect to the expired and expiring collective bargaining agreements.
21. On February 22, 2010, the Communications, Energy and Paperworkers Union of Canada (the "CEP"), obtained an Order (a) authorizing it to continue to represent its current members and authorizing it to represent its former members, including pensioners, retirees, deferred vested participants, and surviving spouses and dependents, and (b) authorizing the law firm of CaleyWray Labour/Employment Lawyers ("CaleyWray") to act as counsel. Employees who do not wish to be represented by the CEP and CaleyWray had to notify the Monitor, the LP Entities, and CaleyWray in writing within 30 days of receiving notice of the February 22, 2010 Order. No such notices have been received.
22. On March 5, 2010, this Court appointed certain representatives and the law firms of Nelligan O'Brien Payne LLP and Shibley Righton LLP as representative

counsel for current and former salaried (non-union) employees of the LP Entities. Employees who do not wish to be represented by the representatives and representative counsel must complete and deliver an opt-out form (appended to the Order dated March 5, 2010) to the Monitor by April 16, 2010.

23. By Order dated March 26, 2010 (a copy of which is posted on the Monitor's website for these proceedings), the LP Entities obtained approval to make retention payments to certain employees (in accordance with the provisions of the March 26, 2010 Order) and to modify existing retention payments for certain employees.

*"College Printers" Printing Facilities*

24. On October 29, 2009, the LP Entities announced the closing of a commercial printing operation serving the Lower Mainland market in British Columbia at which the LP Entities print, *inter alia*, the British Columbia version of the *Globe and Mail* under a printing contract scheduled to expire in September 2010.
25. Following termination of the contract to print the British Columbia version of the *Globe and Mail* in 2009 to be effective September 30, 2010, the LP Entities decided to shut down the printing facility effective September 30, 2010. Approximately 115 FTE members of the CEP organized under three separate collective bargaining agreements (all of which had previously expired) and eight non-unionized management employees will be affected by the shut down.

26. The LP Entities and the CEP have negotiated new collective bargaining agreements for the period until September 30, 2010. On March 29, 2010, the CEP ratified the last of these three new collective bargaining agreements.

*Repudiation of Contracts*

27. Since the date of the Initial Order, the LP Entities have issued four repudiation notices. The repudiations primarily relate to the payment for office space and/or services that are no longer being used by the LP Entities. 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.

**SISP**

28. As described in greater detail in the Fourth Report of the Monitor dated March 12, 2010 (the “**Fourth Report**”), in accordance with the SISP Procedures and following a review of the non-binding indications of interest, the Monitor determined that there is a reasonable prospect of obtaining a Superior Cash Offer (as defined in the SISP Procedures). Accordingly, on March 12, 2010, the Monitor made a recommendation to the Special Committee that the SISP continue to Phase 2. The Special Committee accepted the Monitor’s recommendation and Phase 2 of the SISP was commenced.
29. In accordance with the SISP Procedures, Qualified Bidders participating in Phase 2 have access to due diligence materials and information relating to the LP Property and LP Business (as these terms are defined in the SISP Procedures).

Qualified Bidders have seven weeks to perform their due diligence and to prepare a Qualified Purchase Bid or a Qualified Investment Bid (as defined in the SISP Procedures). The deadline for delivering a Qualified Purchase Bid or a Qualified Investment Bid is 5:00 pm (Toronto time), Friday, April 30, 2010.

30. With respect to the due diligence process, the Financial Advisor has arranged and assisted with presentations by senior management of the LP Entities to the Qualified Bidders, is coordinating tours to selected facilities of the LP Business, and in general, has managed the due diligence and other requests of the Qualified Bidders and coordinated the responses with LP Entities' senior management.

## **CLAIMS PROCESS**

### *General*

31. Based on the terms of the Non-Binding Indications of Interest received in Phase 1 of the SISP, the LP Entities in consultation with the Monitor, the LP CRA and the Agent, determined that it is possible that realization from the sale of or investment in the LP Entities may exceed the LP Senior Secured Lenders' claim (less a discount of \$25 million).
32. In light of the time lines for the closing of a sale and/or investment transaction, the LP Entities and the Monitor consider it prudent and appropriate to establish a procedure for the submission, evaluation and adjudication of claims against the LP Entities (the "**Claims Procedure**"). Implementation of the Claims Procedure may be required to facilitate the negotiation and closing of any Superior Offer.

33. Pursuant to the terms of the Support Agreement, the LP Administrative Agent may terminate the Support Agreement if, among other things, the Support Transaction is not completed by June 30, 2010. The LP Entities believe that it is critical for them to be in a position to move to close any Superior Offer prior to the expiration of the Support Agreement.
34. The terms and deadlines of the proposed Claims Procedure were formulated in order to allow the LP Entities to move to close any Superior Offer prior to the expiration of the Support Agreement. The LP Entities, the LP CRA and the Monitor have discussed the proposed deadlines and do not believe that they will materially prejudice the LP Entities' stakeholders and/or creditors.
35. The features of the proposed Claims Procedure are summarized in greater detail in the Lamb Affidavit and, therefore, only certain features of the Claims Procedure are referred to herein.

#### *Affected Claims*

36. As described in greater detail in the draft Claims Procedure Order attached to the LP Entities' motion record, the LP Entities are soliciting the following claims:
- i. *Pre-filing Claims* – claims against any of the LP Entities which existed prior to or on the Filing Date<sup>1</sup> (“**Pre-Filing Claims**”); and;

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<sup>1</sup> Capitalized terms not defined in this section have the meanings ascribed to them in the draft Claims Procedure Order.

- ii. *Restructuring Period Claims* – claims against any of the LP Entities, arising out of the restructuring, disclaimer, rescission, termination or breach of any agreement on or after the Filing Date (“**Restructuring Period Claims**”).

37. At this time, the following claims are unaffected for the purposes of the Claims Procedure Order (collectively, the “**Excluded Claims**”):

- i. claims secured by any of the Charges (as defined in the Initial Order);
- ii. all Claims against directors and officers of the LP Entities (including deemed or *de facto* directors and officers);
- iii. Insured Claims;
- iv. Intercompany Claims;
- v. with the exception of SERA/RCA Claims and Termination and Severance Claims, all claims by current or former employees of the LP Entities (including grievances and claims under the pension plans of the LP Entities);
- vi. all Claims by the LP Senior Secured Lenders;
- vii. all Claims of the LP DIP Lenders against the LP Entities pursuant to the LP DIP Definitive Documents (as these terms are defined in the Initial Order); and

viii. any Claim of The Bank of Nova Scotia arising from the provision of cash management services to the LP Entities.

38. Creditors holding any of the Excluded Claims outlined above are not being requested or required to take any steps in connection with their claims at this time.

*Role of the Monitor*

39. The Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA and under the Initial Order, shall assist the LP Entities in connection with the administration of the Claims Procedure, including, without limitation, in:

- i. the determination of Claims of LP Creditors;
- ii. determining and notifying interested parties whether adjudication and resolution steps outlined in the Claims Procedure Order are reasonably required (as described in greater detail below); and
- iii. the referral of a particular Claim to a Claims Officer or the Court, as requested by the LP Entities from time to time.

*No Resolution of Claims Unless Certain Determinations Are Made by the Monitor*

40. Depending on the outcome of Phase 2 of the SISP, the need and rationale for adjudicating and resolving the claims against the LP Entities may cease to exist. Accordingly, the proposed Claims Procedure Order contemplates that there will be no steps taken to resolve the Claims against the LP Entities unless:



- i. Phase 2 is completed and the Monitor, the LP CRA, the LP Entities and the LP Administrative Agent agree that the resolution of the Claims is reasonably required to close a Superior Offer selected pursuant to the SISP;
  - ii. following the closing of the selected Superior Offer (or such earlier date as may be agreed to by the LP Entities, the Monitor and the LP Administrative Agent), the Monitor, the LP CRA, and the LP Entities determine that the resolution of the Claims is reasonably required to facilitate the distribution of any proceeds of such selected Superior Offer to general unsecured creditors of the LP Entities; or
  - iii. directed by further Order of the Court.
41. If a determination is made that resolution of Claims is reasonably required either after the completion of Phase 2 or following the closing of any selected Superior Offer (or any earlier date), the Monitor shall notify the LP Creditors of its determination as soon as practically possible after the making of such determination by posting a notice of such determination on the Monitor's website for these proceedings.

#### **PROPOSED PAYMENT TO THE EDMONTON JOURNAL LEASE LANDLORD**

42. As described in greater detail in the Lamb Affidavit, CPI currently leases the Edmonton Journal Building at 10006-101 Street, Edmonton, Alberta (the "Property") pursuant to the terms of a building lease dated as of April 1, 1991 (as

amended, the “**Edmonton Journal Lease**”) between London Life Insurance Company (the “**Landlord**”) and Southam Inc. The Edmonton Journal Lease was assumed by the LP Entities when the Southam Inc. publishing assets were acquired by Canwest in 2000.

43. The Edmonton Journal Lease provides that CPI is required to pay to the Landlord Minimum Rent (as defined in the Edmonton Journal Lease) in un-equal semi-annual installments in arrears on March 31 and September 30 of each year.
44. The most recent rent payment in the amount of \$1,829,076 for the period from October 1, 2009 to March 31, 2010, in arrears, was due on March 31, 2010. Of that amount, \$834,189.05 was attributable to the period from January 8, 2010 to March 31, 2010 and was paid to the Landlord on March 31, 2010 (as permitted by paragraph 13 of the Initial Order). The balance of \$994,936.95 is attributable to the period from October 1, 2009 through January 7, 2010 and is a pre-filing obligation of the LP Entities for the payment of which there is no authorization in the Initial Order.
45. Pursuant to the terms of the Edmonton Journal Lease (a copy of which is attached as Exhibit “D” to the Lamb Affidavit), during the 30 day period immediately following the end of the 35<sup>th</sup> year of the renewal term, CPI may elect to have title to the Property transferred to it upon written notice and payment of, *inter alia*, certain administrative costs in the estimated total amount of \$1,560,000.
46. The Monitor is advised that the value of the Property greatly exceeds the residual payments owing under the Edmonton Journal Lease and that the LP Entities

intend to exercise their option to acquire the Property following expiry of the Edmonton Journal Lease. Accordingly, the LP Entities wish to pay the pre-filing arrears owing under the Edmonton Journal Lease in order to keep it in good standing. The LP Entities believe that paying the pre-filing arrears will help them advance their business and restructuring objectives by ensuring the stability of the Property and the related business which they consider to be a critical part of their operations. In addition, in order to subsequently assign the Edmonton Journal Lease to a purchaser of the LP Entities' assets, all monetary defaults under the Edmonton Journal Lease will have to be remedied in accordance with s. 11.3(4) of the CCAA.

47. The Monitor is advised that the LP CRA supports the LP Entities' request for authorization to make the payment to the Landlord for pre-filing arrears owing under the Edmonton Journal Lease and the LP Administrative Agent consents to the payment.

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

48. 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 the Initial 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".

49. The Monitor reported on the payments made to such “other” critical suppliers since the commencement of the CCAA Proceedings until January 25, 2010 in its Second Report dated January 29, 2010. From January 26, 2010 until March 31, 2010, the LP Entities paid an additional total amount of \$4.4 million to newsprint, ink, press equipment, outside printers, distributors, carriers, freelancers, contractors and other such critical suppliers in respect of goods and services provided prior to the date of the Initial Order bringing the total paid to such “other” critical suppliers since the Filing Date to \$11.7 million. These suppliers are considered critical in the LP CRA’s opinion, in consultation with the LP Entities, and all payments were made with the prior consent of, and following discussions with, the Monitor.

#### **RECEIPTS AND DISBURSEMENTS TO MARCH 28, 2010**

50. The Monitor reported on the LP Entities’ actual net cash flow for the period from January 8, 2010 to January 24, 2010 in its Second Report. The LP Entities’ actual positive net cash flow for the period from January 25, 2010 to March 28, 2010 (the “**Current Period**”) was approximately \$26.5 million. Below is a summary of the actual receipts and disbursements as compared to the forecast filed with the Monitor’s Second Report (the “**January 25 Forecast**”).

	Forecast	Actual	Variance
	\$000s	\$000s	\$000s
<b>Total Receipts</b>	<b>191,510</b>	<b>203,461</b>	<b>11,951</b>
<b>Disbursements</b>			
Payroll & Benefits Disbursements	(73,415)	(74,900)	(1,486)
Operating Disbursements	(86,340)	(71,113)	15,227
Capital Expenditure Disbursements	(6,219)	(1,267)	4,952
Inter Company Disbursements	(7,835)	(7,987)	(152)
Interest	(6,205)	(5,963)	242
<b>Total Disbursements</b>	<b>(180,014)</b>	<b>(161,230)</b>	<b>18,784</b>
<b>Net Operating Cashflows</b>	<b>11,496</b>	<b>42,231</b>	<b>30,735</b>
National Post (Advances)/Repayments	(4,989)	(644)	4,346
<b>Restructuring Costs</b>			
Professional Fees and Other Restructuring Fees	(10,027)	(9,671)	356
Critical Supplier Payment	(4,893)	(4,606)	287
DIP Interest/Fees	(763)	(760)	3
<b>Total - Restructuring costs</b>	<b>(15,682)</b>	<b>(15,036)</b>	<b>646</b>
<b>Total Net Cashflow</b>	<b>(9,176)</b>	<b>26,551</b>	<b>35,727</b>
Opening Unrestricted Cash	54,260	54,260	-
<b>Total Cash Surplus/(Deficiency)</b>	<b>45,084</b>	<b>80,811</b>	<b>35,727</b>

51. Actual net cash flows for the Current Period were approximately \$35.7 million higher than the January 25 Forecast. Explanations for the significant items contributing to the positive variance are as follows:

- i. a positive variance of \$12.0 million in total receipts in the Current Period as a result of:
  - a) a permanent variance of approximately \$6.0 million attributable to actual sales exceeding forecast;
  - b) a permanent variance attributable to the collection of \$4.7 million in operating receipts in the Current Period that were assumed to have been collected prior to January 25, 2010; and

- c) a positive timing variance of \$1.3 million resulting from faster than forecasted collections of sales;
- ii. a negative permanent variance of \$1.5 million in payroll & benefits disbursements due to the following:
    - a) annual early retirement payments that were not included in the January 25 Forecast;
    - b) payroll costs relating to employees of Canwest Media Inc. who were transferred to the LP Entities; and
    - c) higher than forecast sales commissions;
- iii. a positive variance of \$15.2 million in operating disbursements primarily as a result of:
    - a) better than forecast supplier payment terms following the commencement of the CCAA Proceedings;
    - b) decreased spending on newsprint;
    - c) decreased marketing expenses due to increased control over discretionary spending; and
    - d) lower spending on cartage;

- iv. a positive permanent variance of \$5.0 million relating to lower spending on capital expenditures which is not expected to reverse within the Cash Flow Forecast Period; and
- v. a positive variance of \$4.3 million in advances to the National Post Inc. as a result of faster than anticipated repayment of the loan by the National Post Inc. and lower draw downs on the facility by the National Post Inc. resulting from better than forecast results.

### **CASHFLOW FORECAST**

52. The LP Entities have prepared a revised cash flow forecast for the period of March 29, 2010 to July 4, 2010 (the “**March 29 Forecast**”)<sup>2</sup>. A copy of the March 29 Forecast is attached hereto as **Appendix “C”**.
53. The opening balance in cash on March 29, 2010 was \$80.8 million. Over the forecast period from March 29, 2010 to July 4, 2010 (the “**Cash Flow Forecast Period**”), the LP Entities forecast net cash outflows totaling \$4.5 million, consisting of:
- i. receipts in the total amount of \$292.9 million;
  - ii. disbursements relating to operations in the total amount of \$277.3 million;
  - iii. net advances to National Post Inc. in the total amount of \$3.6 million; and

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<sup>2</sup> The LP Administrative Agent has not consented to some of the items currently included in the March 29 Forecast and the LP Entities are currently in discussions with the LP Administrative Agent with respect to same.

- iv. disbursements relating to restructuring in the total amount of \$16.5 million.
54. It is anticipated that the LP Entities' forecast liquidity requirements during the Cash Flow Forecast Period will continue to be met by the cash generated from operations and no draws on the DIP Facility are forecast during the Cash Flow Forecast Period. The forecast ending balance in cash for the week ending July 4, 2010 is \$76.2 million.

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

55. Pursuant to the Initial Order and the February 2 Order, the Stay Period was granted and extended until, and including, April 14, 2010.
56. Additional time is required for the LP Entities and the Financial Advisor to conduct the SISP in an effort to attract a Superior Offer (as defined in the SISP Procedures). The continuation of the stay of proceedings to June 30, 2010 is necessary to provide the stability needed during that time.

### **MONITOR'S ACTIVITIES**

57. Since its appointment, the Monitor has been involved with numerous aspects of the CCAA Proceedings with a view to fulfilling its statutory and court-ordered duties and obligations, as well as assisting the LP Entities and their stakeholders in addressing restructuring issues. The more significant matters include, but are not limited to, the following:



- i. mailing of notices of the CCAA Proceedings to all known potential creditors except those to which the Applicants owed less than \$5,000 as of the date of the Initial Order and publishing a notice of the Initial Order and the commencement of the CCAA Proceedings in *The Globe & Mail*, the *National Post*, and *La Presse*;
- ii. posting various materials relating to the CCAA Proceedings on its website <http://cfcanada.fticonsulting.com/clp> and continuing to update the website by posting, *inter alia*, the Monitor's reports, motion materials, and Orders granted in the CCAA Proceedings;
- iii. establishing a toll free hotline number 1 888-310-7627 and a dedicated email inbox (CanwestLP@fticonsulting.com) to allow creditors and other interested parties to contact the Monitor to obtain additional information concerning the CCAA Proceedings and responding in a timely manner to over 800 calls and e-mails received by the Monitor as of the date of this report;
- iv. filing with the Superintendent of Bankruptcy certain documents prescribed by section 23 of the CCAA within the prescribed deadlines;
- v. assisting the LP Entities with implementing the claims process for the determination of the LP Senior Secured Lenders' claims in accordance with the Initial Order and reporting with respect to the results thereof;

- vi. holding the LP Senior Secured Lenders' Meeting and reporting on the results of the vote of the LP Senior Secured Lenders with respect to the Secured Lenders' Plan;
- vii. discussions with the LP Entities and providing assistance in dealing with critical suppliers for the continued supply of necessary goods and services;
- viii. assisting the LP Entities in dealing with various employee related issues, including, *inter alia*, with respect to appointment of representatives and representative counsel, structuring and obtaining approval for retention payments for critical employees, and amendments to existing retention arrangements;
- ix. assisting the LP Entities with developing a claims procedure for general claims against the LP Entities;
- x. engaging with and providing regular updates to counsel for the LP Administrative Agent and McMillan Financial Advisor (as defined in the Initial Order);
- xi. assisting with transition of various Shared Services;
- xii. supervising the SISP and the Financial Advisor in connection therewith;
- xiii. reviewing the Non-Binding Indications of Interest (as defined in the SISP Procedures); and

- xiv. making recommendations to the Special Committee that the SISP should continue to Phase 2 and that certain bidders should be eliminated from the SISP.

### **PROFESSIONAL FEES**

58. The Monitor and its counsel have maintained detailed records of their professional costs and time during the course of the CCAA Proceedings (as detailed in the Affidavit of Paul Bishop sworn April 6, 2010 and the Affidavit of Daphne MacKenzie sworn April 6, 2010 (collectively, the “**Fee Affidavits**”). Copies of the Fee Affidavits are attached to this report as **Appendix “D”** and **“E”**).

### **RECOMMENDATION AND CONCLUSIONS**

59. 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.
60. Based on the information presently available, the Monitor believes that creditors will not be materially prejudiced by an extension of the Stay Period to June 30, 2010.
61. 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

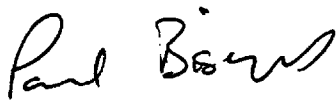
acted, and are continuing to act, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.

62. 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.
63. Accordingly, the Monitor respectfully recommends that the Stay of Proceedings be extended until June 30, 2010.
64. The Claims Procedure has been developed by the LP Entities, with input from the LP Administrative Agent and the Monitor. It is contemplated that the LP Entities will return to this Court to seek further instructions in connection with the Claims Procedure if and to the extent it becomes necessary to do so.
65. Given the overall timeframe of the Support Transaction, the Monitor believes that the LP Entities are proceeding reasonably. Accordingly, the Monitor recommends that this Honourable Court approve the LP Entities' proposed Claims Procedure.
66. For the reasons outlined above, the Monitor also supports the LP Entities' request for authorization to make the payment to the Landlord for pre-filing arrears owing under the Edmonton Journal Lease.
67. The Monitor also respectfully requests that the Court approve its First Report, Second Report, Third Report, Fourth Report, Fifth Report, and the activities described therein, as well as the fees and disbursements of the Monitor and its counsel (as particularized in the Fee Affidavits).

All of which is respectfully submitted this 6<sup>th</sup> day of April, 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

TAB 1

# **APPENDIX "A"**





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

## **PART I – CCAA RELIEF**

### **SERVICE**

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

### **APPLICATION**

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

### **PLAN OF ARRANGEMENT**

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

### **POSSESSION OF PROPERTY AND OPERATIONS OF THE LP ENTITIES**

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

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

5. Mr. Dennis Skulsky, the President of CPI (the "**President of CPI**") shall
  - (a) report directly and solely to the Special Committee;
  - (b) shall keep the Monitor and the LP CRA advised on a timely basis of developments in the operations and financial performance of the LP Entities and shall meet with the Monitor, the LP CRA and the financial advisor to counsel for the Agent (the "**McMillan Financial Advisor**") and collectively with counsel to the Agent and the other advisors to the Agent, the "**Agent's Advisors**") at least once per week, unless otherwise agreed by the McMillan Financial Advisor, to provide an update on operations and financial performance of the LP Entities; and
  - (c) advise the Monitor, the LP CRA and the McMillan Financial Advisor forthwith if the Special Committee disagrees with and precludes the President of CPI from proceeding with any recommended financial or operational initiative which the President of CPI believes is in the best interests of the LP Entities, in which case the Monitor will apply to the court for advice and direction, if the Monitor and the LP CRA are unable to assist the parties in coming to agreement.
6. The LP Entities shall provide the Agent's Advisors with any non-privileged information reasonably requested.
7. **THIS COURT ORDERS** that the LP Entities shall be entitled to continue to utilize the centralized cash management system currently in place as described in the Strike Affidavit or

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

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

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

- (a) all outstanding and future wages, salaries, employee and pension benefits (other than in respect of the Southam Executive Retirement Agreements or the CanWest MediaWorks Limited Partnership (now the Limited Partnership) Retirement Compensation Arrangement Plan), vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) without limiting the generality of paragraph 9(a), all current service, special and similar pension and/or retirement benefit payments (other than in respect of the Southam Executive Retirement Agreements or the CanWest MediaWorks Limited Partnership (now the Limited Partnership) Retirement Compensation Arrangement Plan), commissions and other incentive payments, payments to employees under collective bargaining agreements not otherwise covered by paragraph 9(a) and employee and director expenses and reimbursements, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, but in the case of director legal expenses, only in accordance with paragraph 37 hereof;
- (c) compensation to employees in respect of any payments made to employees prior to the date of this Order by way of the issuance of cheques or electronic transfers that are subsequently dishonoured due to the commencement of these proceedings, unless such payments are not permitted by this Order;
- (d) with the prior consent of the Monitor, all outstanding and future amounts owing to or in respect of individuals working as independent contractors or freelancers in connection with the LP Business;

- (e) with the prior consent of the Monitor in consultation with the LP CRA, the reasonable fees and disbursements of any Assistants retained or employed by the LP Entities in respect of these proceedings, at their standard rates and charges, including any payments made to Assistants prior to the date of this Order by way of the issuance of cheques or electronic transfers that are subsequently dishonoured due to the commencement of these proceedings;
- (f) any and all sums due and owing to Amex Bank of Canada (“**American Express**”), including, without limitation, amounts due and owing by the LP Entities to American Express in respect of the Corporate Card Program and Central Billed Accounts Program as described in the Strike Affidavit;
- (g) amounts collected in respect of various sales representation agreements under which the LP Entities sell as commissioned agent printed and/or online advertising on behalf of third-party clients; and
- (h) amounts owing for goods and services actually supplied to the LP Entities, or to obtain the release of goods contracted for prior to the date of this Order with the prior consent of the Monitor if, in the opinion of the LP CRA, in consultation with the LP Entities, the supplier is critical to the LP Business and ongoing operations of any of the LP Entities.

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

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

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

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the LP Property or the LP Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment, including the posting of letters of credit, for goods or services actually supplied or to be supplied to the LP Entities following the date of this Order.

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

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

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from the LP Entities' employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the LP Entities in connection with the sale of goods and services by the LP Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business, workers' compensation, employer's health tax or other taxes, assessments or levies of any nature or kind which are entitled at law to

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

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

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

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

## **LP SUPPORT AGREEMENT**

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

## **RESTRUCTURING**

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

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



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

- (a) to the extent not inconsistent with the SISF, to dispose of redundant or non-material assets, and to sell assets or operations not exceeding \$1 million in any one transaction or \$5 million in the aggregate, so long as the proceeds of all such sales are applied to reduce the principal amount owed to the Senior Lenders under the Senior Credit Agreement (as defined below);
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as the relevant LP Entity deems appropriate in the ordinary course of business;
- (c) in accordance with paragraphs 19 and 20, vacate, abandon or quit the whole but not part of any leased premises and/or disclaim or resiliate any real property lease and any ancillary agreements relating to any leased premises, in accordance with section 32 of the CCAA; and
- (d) disclaim or resiliate, in whole or in part, such of their arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the LP Entities deem appropriate, except the New Shared Services Agreement, the LP Support Agreement, the NP Intercompany Loan Agreement or any other agreements or documents entered into in connection with this Order, in accordance with section 32 of the CCAA and to deal with any claims arising from such disclaimer or resiliation in an LP Plan, if any,

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

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

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

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

#### **NO PROCEEDINGS AGAINST THE LP ENTITIES OR THE LP PROPERTY**

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

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

### **NO EXERCISE OF RIGHTS OR REMEDIES**

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

### **NO INTERFERENCE WITH RIGHTS**

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

### **CONTINUATION OF SERVICES**

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

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

#### **NON-DEROGATION OF RIGHTS**

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

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

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

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

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

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

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

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

#### **APPOINTMENT OF MONITOR**

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

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

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

- (b) report to this Court and consult with the Agent's Advisors at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the LP Entities, the LP Property, the LP Business, and such other matters as may be relevant to the proceedings herein and with respect to any payments made pursuant to paragraph 9(h) herein;
- (c) assist the LP Entities, in their dissemination, to the McMillan Financial Advisor, the Agent and the LP DIP Agent (as defined below) and its counsel of financial and other information as agreed to between the LP Entities and the Agent or the LP Entities and the LP DIP Lenders (as defined below) which may be used in these proceedings;
- (d) advise the LP Entities in their preparation of the LP Entities' cash flow statements and reporting required by the LP DIP Lenders or the Agent, which information shall be reviewed with the Monitor and delivered to the McMillan Financial Advisor, the LP DIP Agent and the Agent in compliance with the LP DIP Definitive Documents and the LP Support Agreement, or as otherwise agreed to by the LP DIP Agent or the Agent;
- (e) assist the LP CRA in the performance of its duties set out in the LP CRA Agreement (as defined below);
- (f) advise the LP Entities in their development and implementation of the LP Plan, if any, and any amendments to any such LP Plan;
- (g) assist the LP Entities with the holding and administering of creditors' or shareholders' meetings for voting on any LP Plan, as applicable;
- (h) have full and complete access to the LP Property, including the premises, books, records, data (including data in electronic form), other financial documents of the LP Entities, and management, employees and advisors of the LP Entities, to the extent that is necessary to adequately assess the LP Entities' business and financial affairs or to perform its duties arising under this Order;

- (i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (j) monitor and, if necessary, report to the Court on any matters pertaining to the New Shared Services Agreement; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

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

- (a) working with the Financial Advisor and the LP CRA to develop a list of potential bidders to be contacted;
- (b) working with the Financial Advisor, the LP CRA and counsel for the LP Entities, who at all times are to be instructed by the LP CRA, (together the "SISP Advisors") on the negotiation of confidentiality agreements;
- (c) working with the SISP Advisors in the preparation and distribution of a confidential information memorandum;
- (d) working with the SISP Advisors in the establishment of and supervision of access to an electronic data room;
- (e) providing the Agent and the Agent's Advisors with timely and regular updates and information as to the progress of the SISP, subject only to the Monitor reserving its right not to provide information concerning the particulars of any of the Qualified Non-Binding Indications of Interest (as defined in the SISP) or Qualifying Bids (as defined in the SISP) until after the conduct of the vote on the Senior Lenders CCAA Plan;

- (f) in accordance with the terms of the SISP, supervising the conduct of Phase 1, and to the extent applicable Phase 2, of the SISP and exercising the duties, powers and authorities to be exercised by the Monitor under the terms of the SISP;
- (g) presenting such further and other recommendations to the Special Committee as contemplated in the SISP or as may be considered advisable by the Monitor or the LP CRA, it being understood that subject to further Order of this Court, the authorities and obligations of the Special Committee in the SISP and in the operations of the LP Entities to the extent there are any such obligations, and in the restructuring of the LP Entities generally, shall only be to deal with matters brought to it either by the President of CPI as contemplated by paragraph 5 of this Order or by the Monitor as contemplated by this paragraph in the Order; and
- (h) otherwise working with the SISP Advisors on any steps and actions considered necessary or desirable in carrying out the SISP.

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

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



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

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

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

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

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

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

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

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

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

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

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

#### **CHIEF RESTRUCTURING ADVISOR**

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

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

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

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

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

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

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

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

#### **DIP FINANCING**

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

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

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

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

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

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

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

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

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

First – LP Administration Charge

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

Third – The FA Charge; and

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

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

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

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

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

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

- (a) neither the creation of the Charges nor the execution, delivery or performance of the Commitment Letter, the LP DIP Definitive Documents or the LP Support Agreement shall create or be deemed to constitute a breach by any of the LP Entities of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges

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

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

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

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

#### **APPROVAL OF FINANCIAL ADVISOR AGREEMENT**

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

#### **MANAGEMENT INCENTIVE PLAN**

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



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

#### **SEALING OF CONFIDENTIAL SUPPLEMENT**

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

#### **PART II – SENIOR LENDERS CCAA PLAN OF ARRANGEMENT**

##### **SENIOR LENDERS CCAA PLAN OF ARRANGEMENT**

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

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

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

#### **PART III – SENIOR LENDERS CLAIMS PROCESS**

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

- (a) Within two (2) Business Days of the date hereof (the “**Filing Date**”), the Agent, on behalf of the Senior Lenders, shall send to the LP Entities (with a copy to the Monitor):
  - (i) a notice substantially in the form attached as Schedule “C” hereto, setting out based upon its records: (x) the aggregate Principal amount of the Senior Secured Claims owing directly by each of the LP Entities under the Senior Credit Agreement as at the Filing Date (the “**Syndicate Claims**”) and (y) each Senior Lender’s pro rata share of the Syndicate Claims as at the Filing Date (all of which shall constitute, the “**Notice of Claim - Syndicate Claims and Pro Rata Notice**”).
  - (ii) concurrently with the delivery of the Notice of Claim - Syndicate Claims and Pro Rata Notice to the LP Entities, the Agent shall post a copy of the Notice of Claim - Syndicate Claims and Pro Rata Notice to one of the IntraLinks websites (the “**Senior Lenders Website**”) maintained by the Agent for the benefit of the Senior Lenders.
- (b) The LP Entities shall within five (5) Business Days of receipt of the Notice of Claim - Syndicate Claims and Pro Rata Notice advise the Monitor (with a copy to the Agent) whether the amounts set out therein are consistent with their books and records. If the LP Entities fail to file a notice of dispute substantially in the form attached as Schedule “D” hereto (a “**Notice of Dispute - Syndicate Claims and Pro Rata Notice**”), within the five (5) day period noted above, then the LP Entities shall be deemed to have confirmed the amounts set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice.
- (c) Each of the Senior Lenders holding Syndicate Claims shall within five (5) Business Days of the posting of the Notice of Claim - Syndicate Claims and Pro Rata Notice to the Senior Lenders Website advise the Monitor (with a copy to the Agent) whether such Senior Lender’s pro rata share of the Syndicate Claims set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice is accurate. If a Senior Lender fails to file a Notice of Dispute - Syndicate Claims and Pro Rata Notice within the five (5) day period noted above then such Senior Lender shall be deemed to have confirmed

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

- (d) If the amount of a Senior Lender's Syndicate Claim is: (i) confirmed by the LP Entities pursuant to paragraph 68(b); and (ii) confirmed by such Senior Lender pursuant to paragraph 68(c), then the amount designated in the Notice of Claim - Syndicate Claims and Pro Rata Notice to be such Senior Lender's pro rata share of the Syndicate Claims shall be deemed to be finally determined ("**Finally Determined**") and accepted as the Proven Principal Claim of such Senior Lender for the purposes of voting and for calculating the entitlement to distribution under the Senior Lenders CCAA Plan in respect of the Syndicate Claims.
- (e) Within two (2) Business Days of the Filing Date, the LP Entities shall send to each holder of a Senior Secured Claim under or pursuant to one or more Hedging Agreements (each, a "**Hedging Creditor**") (with a copy to the Monitor and the Agent) a notice, substantially in the form attached as Schedule "E" hereto, setting out the Principal amount of such Hedging Creditor's Senior Secured Claim owing directly by each of the LP Entities and the rate of interest payable on such Principal amount (each, a "**Notice of Claim - Hedging Agreements**").
- (f) Each Hedging Creditor shall within five (5) Business Days of receipt of their respective notices confirm to the Monitor whether the amounts and interest rate set out therein are accurate.
- (g) If the Principal amount and interest rate set out in a Notice of Claim - Hedging Agreements is confirmed by the specified Hedging Creditor or if such Hedging Creditor does not deliver a notice of dispute substantially in the form attached as Schedule "F" hereto (a "**Notice of Dispute - Hedging Agreements**") within five (5) Business Days of receipt of such Notice of Claim - Hedging Agreements, then the Principal amount set out in such Notice of Claim - Hedging Agreements shall be deemed to be Finally Determined and accepted as the Proven Principal Claim of such Hedging Creditor for the purposes of voting and for calculating the entitlement to distributions under the Senior Lenders CCAA Plan and the interest rate set out in the Notice of Claim - Hedging Agreements shall be deemed to be the proper interest rate

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

- (h) Within five (5) Business Days of receipt (or posting on the Senior Lenders Website) of either the Notice of Claim - Syndicate Claims and Pro Rata Notice or a Notice of Claim - Hedging Agreements, as the case may be, a Senior Lender holding a Syndicate Claim, the LP Entities or a Hedging Creditor (in such circumstances a **“Disputing Claimant”**) may deliver a Notice of Dispute - Syndicate Claims and Pro Rata Notice or a Notice of Dispute - Hedging Agreements to the Monitor (with a copy to the Agent in respect of a Notice of Dispute - Syndicate Claims and Pro Rata Notice) as follows:
- (i) the LP Entities or a Senior Lender holding a Syndicate Claim may deliver a Notice of Dispute - Syndicate Claims and Pro Rata Notice indicating that they dispute the amount set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice. If a Notice of Dispute - Syndicate Claims and Pro Rata Notice is delivered pursuant to the preceding sentence, then the applicable Senior Lender, the Monitor, the LP Entities and the Agent shall have three (3) Business Days to reach an agreement in writing as to the Principal amount of the Senior Secured Claim that is subject to the Notice of Dispute - Syndicate Claims and Pro Rata Notice, in which case such agreement shall govern and the Principal amount of such Senior Secured Claim as agreed shall be deemed to be Finally Determined and accepted as the Senior Lender’s Proven Principal Claim for the purposes of voting and for calculating the entitlement to distributions under the Senior Lenders CCAA Plan in respect of the Syndicate Claims.
  - (ii) a Hedging Creditor may deliver a Notice of Dispute - Hedging Agreements indicating that it disputes the amount or interest rate set out in its Notice of Claim - Hedging Agreements. If a Notice of Dispute - Hedging Agreements is delivered pursuant to the preceding sentence, then the Monitor, the LP Entities and the Agent and the particular Hedging Creditor shall have three (3) Business Days to reach an agreement in writing as to the Principal amount of, and/or interest rate applicable to the Senior Secured Claim that is subject to the Notice of Dispute - Hedging Agreements, in which case such agreement shall govern and the Principal amount as agreed shall be deemed to be Finally Determined and accepted as the Proven Principal Claim of such Hedging Creditor for the purposes of voting and for calculating the entitlement to distributions under the Senior Lenders CCAA Plan and the interest rate, as agreed, shall be deemed to be the proper interest rate for the purposes of calculating the entitlement to distributions under the Senior Lenders CCAA Plan.

- (i) If a Notice of Dispute - Syndicate Claims and Pro Rata Notice or a Notice of Dispute - Hedging Agreements is unable to be resolved in the manner and within the time period set out in paragraph 68(h) above, then the Claim of such Disputing Claimant shall be determined by the Court on a motion for advice and directions brought by the Monitor (the “**Dispute Motion**”) on notice to all interested parties. The Monitor and the Disputing Claimant shall each use reasonable efforts to have the Dispute Motion, and any appeals therefrom, disposed of on an expedited basis with a view to having the Claim of the Disputing Claimant Finally Determined on a timely basis.
- (j) If the Principal amount of a Senior Secured Claim held by a Senior Lender is the subject of a Notice of Dispute - Syndicate Claims and Pro Rata Notice and is not Finally Determined on or before the second Business Day immediately prior to the day of the Senior Lenders Meeting, then for the purposes of voting, such a Senior Lender shall be deemed to have an accepted Senior Secured Claim for voting purposes (an “**Accepted Voting Claim**”) equal to the amount of its pro rata share of the Syndicate Claims set out in the Notice of Claim - Syndicate Claims and Pro Rata Notice.
- (k) If the Principal amount of a Senior Secured Claim held by a Hedging Creditor is the subject of a Notice of Dispute - Hedging Agreements and is not Finally Determined on or before the second Business Day immediately prior to the day of the Senior Lenders Meeting, then for the purposes of voting, such a Hedging Creditor shall be deemed to have an Accepted Voting Claim equal to the amount set out in its Notice of Claim - Hedging Agreements.

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

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

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

#### **PART IV – SENIOR LENDERS MEETING**

##### **THE SENIOR LENDERS MEETING**

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

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

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

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

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

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

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

#### **CLASSIFICATION OF CREDITORS AND VOTING**

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

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

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

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

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

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

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

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

#### **NOTICE OF SENIOR LENDERS MEETING**

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

- (a) A Notice of Senior Lenders Meeting, substantially in the form attached hereto as Schedule “H”;
- (b) A copy of this Order;
- (c) A copy of the Senior Lenders CCAA Plan, as amended; and
- (d) A form of proxy for use at the Senior Lenders Meeting, substantially in the form attached hereto as Schedule “G”;



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

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

### **SANCTION HEARING AND ORDER**

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

- (a) the Senior Lenders CCAA Plan was approved by the Required Majority; and
- (b) the votes, for and against the Senior Lenders CCAA Plan, that were cast by Senior Lenders holding Unresolved Senior Claims would affect the result of the vote on the Senior Lenders CCAA Plan.

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

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

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

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

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

### **SERVICE AND NOTICE**

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

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

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

#### **GENERAL**

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

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

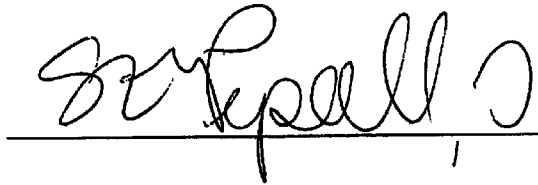
100. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the LP Entities, the Monitor and their respective agents in carrying out the terms of this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

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

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

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

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



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

JAN 15 2010

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

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

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

APPLICANTS

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

Proceeding commenced at Toronto

**INITIAL ORDER**

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1 First Canadian Place  
P.O. Box 50  
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Lawyers for the Applicants

F. 1117119

TAB 2

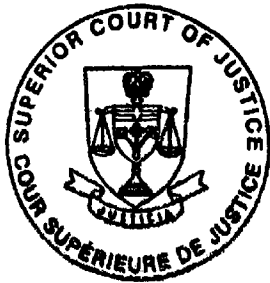
# **APPENDIX "B"**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MADAM )  
JUSTICE PEPALL )

*Tuesday* THE 2  
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

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Tel: (416) 862-6835  
Fax: (416) 862-6666

Lawyers for the Applicants

F. 1117119

TAB 3

# APPENDIX "C"

**WEEKLY CASH FLOW**
**MARCH 29 FORECAST**

March 29, 2010 to July 4, 2010

CAD 000s	Apr	Apr	Apr	Apr	Apr	May	May	May	May	Jun	Jun	Jun	Jun	Jul	TOTAL
Beginning (Monday)	29-Mar-10	5-Apr-10	12-Apr-10	19-Apr-10	26-Apr-10	3-May-10	10-May-10	17-May-10	24-May-10	31-May-10	7-Jun-10	14-Jun-10	21-Jun-10	28-Jun-10	29-Mar-10
Ending (Sunday)	4-Apr-10	11-Apr-10	18-Apr-10	25-Apr-10	2-May-10	9-May-10	16-May-10	23-May-10	30-May-10	6-Jun-10	13-Jun-10	20-Jun-10	27-Jun-10	4-Jul-10	4-Jul-10
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
<b>Operating Cashflow</b>															
<u>Receipts</u>															
Operating Receipts	21,769	20,463	20,096	19,990	19,991	18,183	19,975	19,814	19,731	20,339	20,146	19,816	19,951	21,111	281,377
Related Party Receipts	2,861	-	-	-	2,884	-	-	-	2,906	-	-	-	-	2,880	11,531
<b>Total Operating Receipts</b>	<b>24,630</b>	<b>20,463</b>	<b>20,096</b>	<b>19,990</b>	<b>22,875</b>	<b>18,183</b>	<b>19,975</b>	<b>19,814</b>	<b>22,637</b>	<b>20,339</b>	<b>20,146</b>	<b>19,816</b>	<b>19,951</b>	<b>23,991</b>	<b>292,908</b>
<u>Disbursements</u>															
Payroll & Benefits	(6,872)	(8,506)	(12,460)	(6,658)	(6,796)	(8,339)	(10,277)	(8,928)	(6,815)	(8,279)	(7,925)	(9,862)	(7,308)	(11,564)	(120,599)
Operating Disbursements	(9,238)	(8,404)	(9,399)	(8,645)	(9,943)	(6,601)	(6,601)	(6,701)	(10,748)	(8,238)	(8,716)	(8,768)	(13,609)	(8,023)	(123,634)
Capital Expenditure Disbursements	(505)	(510)	(590)	(540)	(746)	(690)	(590)	(665)	(480)	(1,080)	(480)	(885)	(540)	(627)	(8,928)
Inter Company Disbursements	(3,396)	-	-	-	(3,273)	-	-	-	(4,605)	-	-	-	-	(3,376)	(14,650)
Interest	(131)	-	-	(2,965)	(131)	-	-	(2,965)	-	(131)	-	-	(3,063)	(131)	(9,517)
<b>Total Disbursements</b>	<b>(20,141)</b>	<b>(17,420)</b>	<b>(22,449)</b>	<b>(18,808)</b>	<b>(20,889)</b>	<b>(16,631)</b>	<b>(17,468)</b>	<b>(19,259)</b>	<b>(22,648)</b>	<b>(17,728)</b>	<b>(17,121)</b>	<b>(19,516)</b>	<b>(24,520)</b>	<b>(23,721)</b>	<b>(277,317)</b>
<b>Net Operating Cashflows</b>	<b>4,489</b>	<b>3,044</b>	<b>(2,353)</b>	<b>1,182</b>	<b>1,987</b>	<b>2,553</b>	<b>2,507</b>	<b>656</b>	<b>(10)</b>	<b>2,610</b>	<b>3,025</b>	<b>301</b>	<b>(4,570)</b>	<b>270</b>	<b>16,690</b>
National Post (Advances)/Repayments	(166)	(511)	(409)	(768)	(302)	(660)	(156)	(687)	2,375	(1,248)	(464)	(470)	(711)	539	(3,637)
<b>Restructuring Costs</b>															
Professional Fees - Restructuring	(1,002)	(845)	(735)	(685)	(690)	(635)	(775)	(695)	(645)	(773)	(645)	(670)	(660)	(3,953)	(13,805)
Critical Supplier Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other restructuring	(426)	(289)	(140)	(10)	(181)	(494)	(140)	(100)	(10)	(205)	(60)	(140)	(10)	(605)	(2,808)
DIP Interest/Fees	(32)	-	-	-	(31)	-	-	-	-	(32)	-	-	-	(28)	(122)
<b>Total - Restructuring costs</b>	<b>(1,460)</b>	<b>(1,133)</b>	<b>(875)</b>	<b>(696)</b>	<b>(1,101)</b>	<b>(1,129)</b>	<b>(915)</b>	<b>(795)</b>	<b>(655)</b>	<b>(1,008)</b>	<b>(705)</b>	<b>(810)</b>	<b>(670)</b>	<b>(4,685)</b>	<b>(16,538)</b>
<b>Total Net Cashflow</b>	<b>2,864</b>	<b>1,400</b>	<b>(3,636)</b>	<b>(280)</b>	<b>584</b>	<b>764</b>	<b>1,436</b>	<b>(927)</b>	<b>1,710</b>	<b>354</b>	<b>1,858</b>	<b>(978)</b>	<b>(5,951)</b>	<b>(3,777)</b>	<b>(4,582)</b>
Opening Unrestricted Cash	80,811	83,675	85,075	81,439	81,158	81,742	82,506	83,942	83,016	84,726	85,080	86,935	85,957	80,006	80,811
<b>Total Cash</b>	<b>83,675</b>	<b>86,075</b>	<b>81,439</b>	<b>81,158</b>	<b>81,742</b>	<b>82,506</b>	<b>83,942</b>	<b>83,016</b>	<b>84,726</b>	<b>85,080</b>	<b>86,935</b>	<b>86,967</b>	<b>80,006</b>	<b>76,230</b>	<b>76,230</b>

**Notes:**

1. The purpose of these cash flow projections is to estimate the liquidity requirements for the LP Entities during the CCAA proceedings.
2. Operating receipts have been forecasted business based on Management's current sales forecast, adjusted to reflect the potential negative impact on revenues as a result of the filing, and historical collection patterns.
3. Historical charges and contractual rates for shared services between the LP Entities and other Canwest Global Communication Corp. subsidiaries were utilized to estimate the projections for intercompany receipts and disbursements.
4. Payroll & benefits and other operating disbursements have been estimated based on historical analysis and Management's current forecasts.
5. Capital expenditure forecasts reflect planned capital projects during the period.
6. Interest payments are calculated based on the anticipated interest rates and principal balances relating to senior secured debt facilities.
7. Estimated restructuring costs are based on projected costs associated with professional fees and employee retention costs relating to the restructuring.