

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF CANWEST GLOBAL  
COMMUNICATIONS CORP., AND THE OTHER  
APPLICANTS LISTED ON SCHEDULE "A"

APPLICANTS

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**SUPPLEMENTARY MOTION RECORD OF THE APPLICANTS**  
(Authorizing the Calling of a Meeting of Affected Creditors)

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June 14, 2010

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# INDEX

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**INDEX**

| <b><u>Tab</u></b> | <b><u>Document</u></b>                            | <b><u>Page</u></b> |
|-------------------|---|--------------------|
| 1.                | Affidavit of Thomas C. Strike sworn June 14, 2010 | 1-15               |
| 2.                | Affidavit of Peter Buzzi sworn June 14, 2010      | 16-22              |

# Tab 1

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Applicants

**REPLY AFFIDAVIT OF THOMAS C. STRIKE  
(Sworn June 14, 2010)**

I, Thomas C. Strike, of the City of Winnipeg, in the Province of Manitoba,  
MAKE OATH AND SAY:

1. This Affidavit is further to my initial affidavit sworn June 7, 2010 (the "**June 7<sup>th</sup> Affidavit**") and is in reply to the affidavit of Leonard Asper, sworn June 10, 2010 (the "**Asper Affidavit**"), the affidavit of Glenn M. Bowman, sworn June 10, 2010 (the "**Bowman Affidavit**") and the affidavit of James E. Kofman, sworn June 10, 2010 (the "**Kofman Affidavit**"), all of which were filed on behalf of an *ad hoc* group of existing shareholders of Canwest Global (the "**Shareholders**"). Unless otherwise defined herein, capitalized terms will have the meaning set forth in the June 7<sup>th</sup> Affidavit.

2. The Shareholders oppose the CMI Entities' motion seeking an Order, *inter alia*, approving the definitive documents that were entered into in respect of the Amended Shaw Transaction. The Shareholders have two principal complaints. First, the Shareholders complain that the CMI Entities did not conduct an auction for 100% of the equity of a restructured Canwest Global and that therefore it is impossible to know whether the Amended Shaw Transaction is the best transaction available for the CMI Entities' stakeholders. Second, the Shareholders complain that the Amended Shaw Transaction is unfair to the existing shareholders

of Canwest Global because, unlike the Original Recapitalization Transaction and the Original Shaw Transaction, it does not include a shareholder recovery.

3. The Shareholders' position is misguided. Not only does it ignore the commercial realities that the CMI Entities faced when they entered this CCAA proceeding, but it is premised on the CMI Entities having rights that, in reality, they do not have. The CMI Entities are insolvent. This fact cannot be ignored. The CMI Entities cannot propose a plan of arrangement or compromise that is based upon a transaction that is not supported by the Ad Hoc Committee, as such a plan would be doomed to fail. Moreover, the CMI Entities have never had, and still do not have, the unfettered ability to sell 100% of the equity of a restructured Canwest Global (irrespective of whether that equity includes the entire Specialty TV Portfolio held by CW Investments).

4. The Amended Shaw Transaction is in the best interests of the CMI Entities and its stakeholders. By entering into the Amended Shaw Transaction, the CMI Entities have achieved a going concern outcome that fully and finally deals with Goldman Sachs, the Shareholders Agreement and the defaulted 8% Senior Subordinated Notes. It also protects a substantial number of jobs of their employees and the pensions and retirement benefits of their employees and pensioners.

***THE CMI ENTITIES COULD NOT, AND CANNOT, RUN AN AUCTION FOR 100% OF THE EQUITY OF A RESTRUCTURED CANWEST GLOBAL***

5. The Shareholders' principal complaint is that the CMI Entities ought to have conducted an auction for 100% of the equity of restructured Canwest Global. Doing so, they allege, would have "resulted in significant benefits to stakeholders that never could have been attained through the 20% equity solicitation". Whether such an auction would be for 100% of all the media assets that are wholly-owned or partially-owned by Canwest Global and its subsidiaries (*i.e.*, including 100% voting and equity interests in CW Investments) or only that portion of CW Investments that is actually owned by CMI (*i.e.*, approximately 66% and 35% voting and equity interests), the CMI Entities were at all times (including today) prevented from unilaterally taking such a course of action.

6. First, conducting an auction for 100% of the equity of a restructured Canwest Global, in a scenario including the entire ownership interest in the Specialty TV Portfolio and CTLP's other partially-owned specialty television channels, would necessarily have involved the CMI Entities selling their 35% equity interest (and associated voting interest) in CW Investments and somehow compelling Goldman Sachs (now Shaw) to sell its 65% equity interest (and associated voting interest) in CW Investments. The CMI Entities had absolutely no right to compel Goldman Sachs to do so under the terms of the Shareholders Agreement and no right to sell something that they did not own. As a result of the CW Investments Transaction, Shaw has, with the consent of CMI and CW Investments, replaced Goldman Sachs as a party to the Shareholders Agreement. The CMI Entities have no more right to compel Shaw to sell its interest in CW Investments than they had to compel Goldman Sachs to sell its interest in CW Investments. The sale of Goldman Sachs' shares of CW Investments and its interest in the Shareholders Agreement to Shaw, which was the result of the Mediation conducted by Chief Justice Winkler, was not something that the CMI Entities could have done on their own.

7. Second, the Shareholders' complaint ignores the fact that there are other equity ownership interests in the specialty television channels that are held in the Specialty TV Portfolio and certain of the specialty television channels held by CTLP. The CMI Entities were in no position (and are still in no position) to compel the other equity owners to sell their interests in those specialty television channels. Even if they wanted to, the CMI Entities cannot simply sell, through an auction or otherwise, 100% of all the media assets that are wholly-owned or partially-owned by Canwest Global and its subsidiaries.

8. Third, the fact is that the CMI Entities could not sell 100% of a restructured Canwest Global, in a scenario restricted to their 35% equity interest in CW Investments, without the support of the members of the Ad Hoc Committee. The Support Agreement and the Amended Support Agreement both reflected the fact that the members of the Ad Hoc Committee were, at that time, seeking to convert their entire debt into equity interests in a restructured Canwest Global. In addition, the Support Agreement and the Amended Support Agreement precluded asset dispositions without counterparty consent. In other words, the members of the Ad Hoc Committee were, until very recently, looking to have a substantial ownership interest in a restructured Canwest Global. It was only in the context of the Mediation that the members of the Ad Hoc Committee determined that they were no longer seeking an ownership interest in a

restructured Canwest Global. At no time was there support on the part of the members of the Ad Hoc Committee to conduct an auction for 100% of the equity of a restructured Canwest Global. This fact remains true today. The Ad Hoc Committee supports the Amended Shaw Transaction. As contemplated, the Further Amended Support Agreement will see the 8% Senior Subordinated Noteholders receive distributions under the Plan in full satisfaction of the debt owing to them on or before the Outside Date (*i.e.*, September 30, 2010 or such other date as Shaw, Canwest Global and the Ad Hoc Committee may agree in writing or as extended by Shaw for up to three months in certain circumstances). The CMI Entities (and/or the Board) have no ability to pursue the auction that is hypothesized by the Shareholders, which will necessarily take many months to conduct without any certainty of success, without the support of the Ad Hoc Committee and Shaw which would have the attendant consequences discussed below.

9. In any event, and as described in the June 7<sup>th</sup> Affidavit, during the equity investment solicitation process, potential investors were specifically advised by RBC Capital Markets that alternative proposals would be considered and that potential investors could raise significant modifications to the proposed subscription agreement (including a proposed subscription term sheet). If potential investors wished to advance a transaction for greater than 20% of the equity of a restructured Canwest Global, they could have done so under the equity investment solicitation process (which is in fact what happened with the Shaw Transaction approved by this Honourable Court on February 19, 2010).

**THE AMENDED SHAW TRANSACTION WAS THE ONLY  
ALTERNATIVE AVAILABLE IN THE AFTERMATH OF THE MEDIATION**

10. As described in the June 7<sup>th</sup> Affidavit, on April 16, 2010, following the Mediation conducted by Chief Justice Winkler, the CMI Entities were presented with a framework for a resolution to the intractable dispute that existed between the CMI Entities, Goldman Sachs, Shaw and the Ad Hoc Committee. The framework involved:

- (a) a resolution of all of the issues in respect of Goldman Sachs and the Shareholders Agreement and the satisfaction of the conditions in the Shaw Transaction and the Further Amended Support Agreement dealing with the Shareholders Agreement because the terms of the negotiated settlement with Goldman Sachs were time limited;



- (b) the achievement of a comprehensive solution that was satisfactory to the members of the Ad Hoc Committee with whom Canwest Global is obligated by contract and by the Shaw Approval Order to pursue a recapitalization transaction. This Honourable Court has recognized that the members of the Ad Hoc Committee have a “blocking vote” with respect to any restructuring of the CMI Entities; and
- (c) the achievement of a solution satisfactory to Shaw with whom Canwest Global is obligated by contract and the Shaw Approval Order to pursue a recapitalization transaction.

11. As the parties proceeded to negotiate the Definitive Documentation based upon the framework developed with Chief Justice Winkler at the Mediation, the CMI Entities and/or the Board were not in any position to pursue an entirely different transaction or process, as has been suggested by the Shareholders. As stated by this Honourable Court over three months ago in the Written Reasons, “the CMI Entities do not have unlimited time to conduct the equity solicitation process”. Had the CMI Entities and/or the Board refused to implement the solution achieved by Chief Justice Winkler at the Mediation in the manner that the Shareholders suggest, the CMI Entities would be back to “square one” in that:

- (a) the CMI Entities would still have been faced with the issues presented by Goldman Sachs and the Shareholders Agreement and the prospect of expensive, time consuming and distracting litigation with Goldman Sachs;
- (b) the condition in the Shaw Transaction with respect to the Shareholders Agreement would have remained unsatisfied, with no prospect of timely resolution, in circumstances where the Shaw Transaction had to be implemented by no later than August 11, 2010. This would have put the entire Shaw Transaction in jeopardy;
- (c) the continued support of the restructuring efforts of the CMI Entities by the members of the Ad Hoc Committee would have been in jeopardy as the terms of the Amended Support Agreement that were in effect at the time required that creditor approval of a plan of compromise or arrangement occur by April 15,

2010. The Ad Hoc Committee could have terminated the Support Agreement and taken steps to cause the forced sale or liquidation of the company through an assignment of the Secured Intercompany Note;

- (d) the CMI Entities, their employees and certain of their suppliers of television content would continue to face operational disruption and uncertainty with respect to whether the businesses operated by the CMI Entities could continue on a going concern basis; and
- (e) the CMI Entities would owe approximately US\$458.4 million including accrued and default interest (as at August 31, 2010) to the 8% Senior Subordinated Noteholders and at least approximately \$110 million to other Affected Creditors (which amount could significantly increase in respect of the unresolved claims as set out in the Monitor's Report through the course of the claims procedure).

12. Put another way, the CMI Entities' choice was between pursuing a consensual going concern, recapitalization transaction in the form of the Amended Shaw Transaction with the support of Shaw and the Ad Hoc Committee, and with the Goldman Sachs issues having been consensually resolved, or pursuing some type of alternative transaction (as suggested by the Shareholders) in a hostile environment involving opposition from the Ad Hoc Committee, Shaw and Goldman Sachs, notwithstanding the fact that the market had already been "fully canvassed" by RBC. In reality, the CMI Entities and the Board had no basis to pursue a remarketing of its "shop worn" assets, with the Goldman Sachs issues being unresolved, and without the support of the Ad Hoc Committee and Shaw. Even if one ignores the Shaw agreements, the CMI Entities would have been in a much worse position than they were when the equity investment solicitation process began in November 2009, as they would have not had any assurances of having enough liquidity to continue as a going concern while their assets were being remarketed. Even if the Ad Hoc Committee was prepared to "stand by" while the CMI Entities pursued a further marketing of their assets, the CMI Entities would effectively be back to "square one", needing to satisfy the two business-critical conditions that have stood in the way of their restructuring for so long, namely (a) locating an Equity Investor that is "Canadian" within the meaning of the Direction; and (b) seeking an amendment and restatement or otherwise addressing the Shareholders Agreement.

13. The CMI Entities are insolvent debtors subject to proceedings under the CCAA. This fact cannot be ignored. Prior to obtaining protection from their creditors, the CMI Entities had missed two interest payments and owed approximately US\$393 million in principal and approximately US\$30.4 million in interest in respect of the defaulted 8% Senior Subordinated Notes. To allow the CMI Entities to continue to operate within a CCAA proceeding, the 8% Senior Subordinated Noteholders provided liquidity under the Cash Collateral and Consent Agreement. Had an event of default under that agreement occurred, the Ad Hoc Committee could have sought to obtain an assignment of the Secured Intercompany Note (in the amount of over \$187 million), thereby imperilling the restructuring efforts of the CMI Entities. This situation has not changed since the date of the Initial Order. As this Honourable Court stated in the Written Reasons, “..., no Plan can be approved by the creditors of the CMI Entities without the support of the Ad Hoc Committee which holds a blocking vote”. The CMI Entities cannot propose a plan of arrangement or compromise that is based upon a transaction that is not supported by the Ad Hoc Committee, as such a plan would be doomed to fail.

14. As set out in the June 7<sup>th</sup> Affidavit, despite the fact that Shaw and the Ad Hoc Committee had reached a tentative agreement on the framework for the Amended Shaw Transaction on April 16, 2010, the Definitive Documentation between the parties was not signed until May 3, 2010. The CMI Entities and the CMI CRA continued to advocate for a shareholder recovery during the period prior to the Definitive Documentation being signed. Based on the structure arising from the Mediation, the 8% Senior Subordinated Noteholders were not prepared to allocate a shareholder recovery from their fixed cash settlement amount. Shaw was not prepared to pay any additional amount of total consideration, except for aggregate amounts provided for in the Amended Shaw Transaction. In addition, the Monitor was not prepared to support a Plan that would see the recovery of Affected Creditors (other than the 8% Senior Subordinated Noteholders) diluted by the movement of the 2.3% Shareholder Recovery from the recovery that is to be paid to the 8% Senior Subordinated Noteholders to the recovery that is to be paid to the other Affected Creditors. If the CMI Entities had proceeded as advocated by the Shareholders, the CMI Entities would have been faced with the prospect of rejecting a going concern outcome and starting their restructuring process over again in the hope of achieving a transaction that would see all Affected Creditors paid in full with some additional value being allocated to the existing shareholders of Canwest Global, in a situation where the CMI Entities could be not be assured of having access to ongoing liquidity to fund their operations. In the

CMI Entities' view, rejecting the outcome of the Mediation as advocated by the Shareholders would have imperilled this restructuring and the television businesses of the CMI Entities, thereby putting at risk the CMI Entities' ability to continue as going concerns, the jobs of their employees and the pensions of their employees and pensioners.

15. It is for these reasons that any suggestion made by the Shareholders that this Honourable Court should sanction some type of remarketing for any or all of the assets of the CMI Entities must be rejected.

### **EBITDA IS OVERSTATED IN THE BOWMAN REPORT**

16. The Bowman Affidavit calculates the fair market value of the "Media Assets" of Canwest Global as being in the approximate range of \$2.36 billion to \$2.58 billion. This calculation includes the corresponding EBITDA of 100% of all the media assets that are wholly-owned or partially-owned by Canwest Global and its subsidiaries (*i.e.*, including 100% voting and equity interests in CW Investments and 100% equity interests of non-wholly-owned specialty television channels). In calculating the "fair market value" range, Mr. Bowman assumes, based on EBITDA information provided by the Shareholders, that (i) maintainable EBITDA for Canwest Global's conventional television stations is approximately \$30 million; (ii) maintainable EBITDA for Canwest Global's specialty television channels is \$195 million; and (iii) the appropriate EBITDA multiplier using a market capitalization approach is in the range of 10.5x to 11.5x.

17. For the reasons expressed above, the valuation exercise that Mr. Bowman has undertaken is entirely hypothetical. The CMI Entities have never had, and still do not have, the unfettered ability to sell 100% of the "media assets" of Canwest Global.

18. In any event, based on my extensive knowledge of the CMI Entities' financial affairs, the EBITDA assumption that forms the basis of Mr. Bowman's "fair market value" calculation is overstated.

19. Mr. Bowman's report relies on an EBITDA figure of \$225 million for the conventional and specialty television assets of Canwest Global. The CMI Entities estimate such EBITDA for fiscal 2010 as approximately \$195.5 million. In making this calculation, the CMI Entities have deducted significant minority interests held by third parties in certain specialty

television channels on the basis that these interests should not be included in an EBITDA calculation and added its proportionate share of EBITDA of certain specialty television channels that should be included in EBITDA for valuation purposes. In particular, the CMI Entities do not have a 100% equity interest in the following specialty television channels:

| <b>Specialty Television Channel</b>           | <b>Held by</b> | <b>Canwest Ownership Interest</b> |
|---|----------------|-----------------------------------|
| <i>TVtropolis</i>                             | CTLP           | 66.7%                             |
| <i>Mystery</i>                                | CTLP           | 50%                               |
| <i>MenTV</i>                                  | CTLP           | 49%                               |
| <i>HGTV Canada</i>                            | CW Investments | 67%                               |
| <i>Food Network Canada</i>                    | CW Investments | 51%                               |
| <i>National Geographic Canada</i>             | CW Investments | 50%                               |
| <i>BBC Canada</i>                             | CW Investments | 50%                               |
| <i>BBC Kids</i>                               | CW Investments | 50%                               |
| <i>DIY</i>                                    | CW Investments | 67%                               |
| <i>One: The Body, Mind and Spirit Channel</i> | CW Investments | 50%                               |
| <i>Dusk</i>                                   | CW Investments | 50%                               |
| <i>Historia</i>                               | CW Investments | 50%                               |
| <i>Series+</i>                                | CW Investments | 50%                               |

20. The CMI Entities have also included corporate costs in calculating their EBITDA. “Corporate costs” are costs that are currently provided at the corporate level that will still be required for the broadcasting business after a sale and therefore will be incurred at the broadcasting level. These include costs for the following functions: legal, finance, treasury, tax, internal audit and executive management. The CMI Entities estimate that corporate costs are in the range of \$7.0 million per year.

21. It is necessary to take into account minority interests and corporate costs in calculating the EBITDA for fiscal 2010 of Canwest Global’s conventional and specialty television assets. When these two factors are taken into account, EBITDA is reduced

significantly. Specifically, by deducting the minority interests in the “specialty television assets” and adding the share of EBITDA of equity accounted channels which are not operated by the CMI Entities, the estimated EBITDA calculation is reduced by approximately \$22.7 million. By including the corporate costs, the estimated EBITDA calculation is reduced by a further \$7.0 million, resulting in net EBITDA of \$195.5 million:

| <b>EBITDA SUMMARY F2010 Estimate</b> |                     |                     |
|--------------------------------------|---------------------|---------------------|
| <b>C\$millions</b>                   | <b>Consolidated</b> | <b>Proportional</b> |
| Conventional                         | 28.6                | 28.6                |
| Specialty                            | 196.6               | 173.9               |
| Subtotal                             | 225.2               | 202.5               |
| Corporate Costs                      | (7.0)               | (7.0)               |
| Net EBITDA                           | 218.2               | 195.5               |

### **OTHER MATTERS RAISED BY THE SHAREHOLDERS**

22. At paragraph 6(d) of the Asper Affidavit, Mr. Asper suggests that the Amended Shaw Transaction is “manifestly unfair to unsecured creditors and shareholders alike”. With respect to the existing shareholders of Canwest Global in particular, Mr. Asper notes that such shareholders “lost the opportunity to recover equity value in the company through an auction” and “the Noteholders and Shaw decided to take away the 2.3% equity value that had been committed to Shareholders since the inception of these proceedings”. For the reasons expressed above, the Amended Shaw Transaction is in the best interests of Affected Creditors and a broad cross-section of the CMI Entities’ stakeholders. There is no evidence that a further marketing process would have resulted in a recovery for shareholders. Moreover, the fact is that any “commitment” to provide for a shareholder recovery in the Original Recapitalization Term Sheet and/or the Shaw Transaction was to come out of the recovery otherwise distributable to the 8% Senior Subordinated Notes and was, at all times, subject to a number of conditions precedent, including the requirement to amend and restate or otherwise address the Shareholders Agreement in a matter satisfactory to the CMI Entities and the Ad Hoc Committee.

23. At paragraphs 72 and 73 of the Asper Affidavit, Mr. Asper criticizes the CMI Entities for not disclosing to the marketplace on April 16, 2010 the fact that the Amended Shaw Transaction did not provide for a shareholder recovery. Mr. Asper seems to disregard the facts set out in the June 7<sup>th</sup> Affidavit. As I clearly stated therein, the Amended Shaw Transaction was not completed until May 3, 2010 when the Definitive Documentation was signed and the Amended Shaw Transaction was disclosed to the market through news releases issued by Shaw and Canwest Global. Moreover, the June 7<sup>th</sup> Affidavit clearly stated that the CMI Entities and the CMI CRA worked diligently to advocate for some form of shareholder recovery in the days and weeks that followed April 16, 2010, however the Amended Shaw Transaction ultimately did not include any value allocated to Canwest Global's existing shareholders.

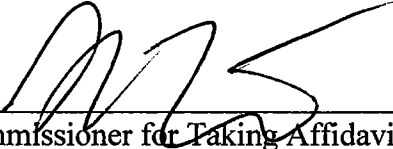
24. It should also be noted that the Court-sanctioned Mediation before Chief Justice Winkler was conducted on a confidential basis and thus the parties involved in the Mediation were not permitted to make any public or other disclosure of the existence of the Mediation prior to the execution of the Definitive Documentation. The Monitor was involved in setting the terms of the confidentiality restrictions that would apply in respect of the Mediation.

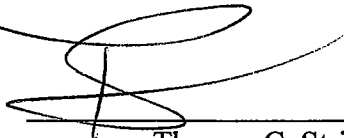
25. Finally, the Kofman Affidavit suggests that the failure of certain marketing materials provided to potential equity investors to state that "control" of Canwest Global was (or could have been) available to interested parties may have had "a significant negative impact on the outcome of the equity solicitation process". However, the facts are that the marketing materials, the Support Agreement and the Original Recapitalization Term Sheet all made it clear that the Equity Investor would need to qualify as a "Canadian" for CRTC purposes. Under the terms of the Original Recapitalization Term Sheet, the Equity Investor(s), as a "Canadian", would be entitled to receive Class A Subordinated Voting Shares of a restructured Canwest Global in consideration for their investment in a restructured Canwest Global. The Class A Subordinated Voting Shares entitled the holders to two-thirds of the votes. Hence, when the CMI Entities conducted the equity investment solicitation process, "control" of a restructured Canwest Global was available. Further, the fact that "control" was in play in the equity investment solicitation process is demonstrated by the terms of the original Shaw Transaction whereby Shaw was to acquire a 20% equity interest and 80% voting interest in a restructured Canwest Global.

**CONCLUSION**

26. The CMI Entities have achieved a going concern transaction in the Amended Shaw Transaction that fully and finally deals with Goldman Sachs, the Shareholders Agreement and the defaulted 8% Senior Subordinated Notes. The Amended Shaw Transaction improves the Shaw Transaction by providing additional amounts to Affected Creditors (other than the 8% Senior Subordinated Noteholders). It does not, however, provide for a shareholder recovery in the circumstances where other Affected Creditors will not be repaid in full. The Shareholders ask this court to reject the Amended Shaw Transaction, thereby rejecting the result of the Mediation conducted by the Chief Justice of Ontario, which would cause the CMI Entities to go back to "square one". It would be imprudent for the CMI Entities to pursue such a risky and uncertain course of action and to abandon the "bird in the hand" that has taken the CMI Entities over a year to achieve.

SWORN BEFORE ME at the City of  
Toronto, in the Province of Ontario, on  
June 14, 2010.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits  
SHAWN IRVING

  
\_\_\_\_\_  
Thomas C. Strike



**Schedule "A"****Applicants**

1. Canwest Global Communications Corp.
2. Canwest Media Inc.
3. MBS Productions Inc.
4. Yellow Card Productions Inc.
5. Canwest Global Broadcasting Inc./Radiodiffusion Canwest Global Inc.
6. Canwest Television GP Inc.
7. Fox Sports World Canada Holdco Inc.
8. Global Centre Inc.
9. Multisound Publishers Ltd.
10. Canwest International Communications Inc.
11. Canwest Irish Holdings (Barbados) Inc.
12. Western Communications Inc.
13. Canwest Finance Inc./Financiere Canwest Inc.
14. National Post Holdings Ltd.
15. Canwest International Management Inc.
16. Canwest International Distribution Limited
17. Canwest MediaWorks Turkish Holdings (Netherlands)
18. CGS International Holdings (Netherlands)
19. CGS Debenture Holding (Netherlands)
20. CGS Shareholding (Netherlands)
21. CGS NZ Radio Shareholding (Netherlands)
22. 4501063 Canada Inc.
23. 4501071 Canada Inc.
24. 30109, LLC
25. CanWest MediaWorks (US) Holdings Corp.

**Schedule "B"**

**Partnerships**

1. Canwest Television Limited Partnership
2. Fox Sports World Canada Partnership
3. The National Post Company/La Publication National Post

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

Court File No: CV-09-839600CL

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

**REPLY AFFIDAVIT OF THOMAS C. STRIKE**  
Sworn June 14, 2010

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# Tab 2

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF CANWEST GLOBAL  
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APPLICANTS LISTED ON SCHEDULE "A"

Applicants

**AFFIDAVIT OF PETER BUZZI**  
**(Sworn June 14, 2010)**

I, Peter Buzzi, of the City of Toronto, in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am a Managing Director and Co-Head of the Mergers and Acquisitions group of RBC Capital Markets. I have worked at RBC Capital Markets since 1986. During that time, I have advised numerous Canadian and international companies on a broad range of debt and equity financing and merger and acquisition transactions with particular emphasis on public takeovers and mergers, financial restructurings and fairness opinions, valuations and related party transactions. I hold a Bachelor of Science degree in Systems Design Engineering from the University of Waterloo and an MBA from the Harvard Business School.
2. Unless otherwise defined herein, capitalized terms will have the meaning set forth in the affidavit of Thomas C. Strike sworn June 7, 2010.
3. RBC Capital Markets has acted as the financial advisor to the CMI Entities since December 2008. During that time, I was one of two Managing Directors of RBC Capital Markets involved in all aspects of our assignment with the CMI Entities and was one of the primary individuals responsible for the equity investment solicitation that led to the Shaw Transaction, which subsequent to the Mediation, has resulted in the Amended Shaw Transaction.

Over the course of RBC Capital Markets acting as financial advisor to the CMI Entities, I have obtained a detailed understanding of financial matters related to the CMI Entities.

4. The CMI Entities have brought a motion, returnable on June 22, 2010, seeking an Order, *inter alia*, (i) accepting the filing of the Plan based on the Amended Shaw Transaction; and (ii) authorizing the CMI Entities to call and conduct meeting(s) of Affected Creditors to consider and vote on a resolution approving the Plan. As part of that motion, the CMI Entities will also be seeking approval of the Definitive Documentation in respect of the Amended Shaw Transaction.

5. This affidavit is sworn in order to respond to certain matters raised in the Affidavit of Glenn M. Bowman sworn June 10, 2010 (the "**Bowman Affidavit**"), which has been filed on behalf of an ad hoc committee of shareholders of Canwest Global (the "**Shareholders**").

6. The Bowman Affidavit encloses a letter report (the "**Bowman Report**") outlining a calculation of the fair market value of the media assets of Canwest Global, excluding the assets held by Canwest Limited Partnership (the "**Media Assets**"). The Bowman Report calculates the fair market value of the "Media Assets" of Canwest Global as being in the approximate range of \$2.36 billion to \$2.58 billion. This calculation includes the total value of the Specialty TV Portfolio and is not restricted to the 35% equity interest in CW Investments that is actually owned by CMI. In arriving at this range, Mr. Bowman relies on the following assumptions:

- (a) Maintainable EBITDA for Canwest Global's conventional over-the-air television stations of approximately \$30 million;
- (b) Maintainable EBITDA for Canwest Global's specialty television channels of approximately \$195 million; and
- (c) EBITDA multiples in the range of 10.5x to 11.5x.

7. Valuations by their very nature are highly subjective exercises, particularly in times when there is a high degree of economic and market uncertainty, as is currently the case.

***The CMI Entities' calculation of EBITDA correctly deducts Corporate Costs and EBITDA attributable to Minority Interests***

8. Mr. Bowman states that he has used EBITDA information provided by the Shareholders in performing his calculation of the estimated fair market value of the Media Assets.

9. The reply affidavit of Thomas C. Strike sworn June 14, 2010 (the "**Reply Strike Affidavit**") states that the total EBITDA figure applied to Canwest Global's conventional and specialty television business in the Bowman Report of \$225 million is overstated. The Reply Strike Affidavit provides an estimated EBITDA figure for fiscal 2010 (i.e., fiscal year ending August 31, 2010) for the Media Assets of Canwest Global of \$195.5 million on a proportional consolidated basis. This revised EBITDA figure: (i) takes into account estimated ongoing corporate costs which reduces EBITDA for fiscal 2010 by approximately \$7.0 million per annum; and (ii) deducts EBITDA attributable to minority interests for specialty television channels not wholly-owned by the CMI Entities.

10. When valuing a business, all revenues and costs should be included in the EBITDA calculation. I agree that it is appropriate for the CMI Entities to take into account corporate costs in their EBITDA calculation, as these costs are currently required to operate the Media Assets.

11. EBITDA attributable to minority interests in specialty television channels owned by the CMI Entities should not be included in an EBITDA calculation for the simple reason that the earnings of such minority interests do not accrue to the CMI Entities. Including EBITDA attributable to minority interests in an EBITDA calculation would provide an overstated and inaccurate financial picture of the company in question. I agree that it is appropriate for the CMI Entities to deduct EBITDA attributable to minority interests in arriving at their EBITDA calculation.


***Multiples that assume the CMI Entities were in a position to sell 100% of the Media Assets of Canwest Global should not be used***

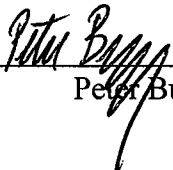
12. The Bowman Report makes it clear that in applying a multiple to arrive at the fair market value of the Media Assets of Canwest Global that a control premium was applied. Paragraph 33 of the Bowman Report states that a prospective purchaser would select a multiple

that is higher than the median and mean of the trading multiples for comparable companies primarily due to (i) the persistence of a control premium in transactions for similar media assets over time and (ii) transaction valuation multiples for large portfolios of media assets.

13. I agree that transaction multiples tend to be higher when a purchaser acquires 100% of an asset than in transactions where a purchaser acquires a minority interest. However, for the reasons set out in the Reply Strike Affidavit, the Bowman Report ignores the fact that the CMI Entities have never been in the position to sell 100% of the Media Assets. The CMI Entities have never owned the 65% equity interest in CW Investments that used to be owned by Goldman Sachs and that is now owned or optioned by Shaw. As such, it is not appropriate for the Bowman Report to use a multiple which assumes that the CMI Entities were in the position to sell 100% of the Media Assets and therefore Bowman should have adjusted his multiple downwards to reflect this fact.

SWORN BEFORE ME at the City of  
Toronto, in the Province of Ontario, on  
June 14, 2010.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits  
*Shawn Irving*

  
\_\_\_\_\_  
Peter Buzzi



**Schedule "A"****Applicants**

1. Canwest Global Communications Corp.
2. Canwest Media Inc.
3. MBS Productions Inc.
4. Yellow Card Productions Inc.
5. Canwest Global Broadcasting Inc./Radiodiffusion Canwest Global Inc.
6. Canwest Television GP Inc.
7. Fox Sports World Canada Holdco Inc.
8. Global Centre Inc.
9. Multisound Publishers Ltd.
10. Canwest International Communications Inc.
11. Canwest Irish Holdings (Barbados) Inc.
12. Western Communications Inc.
13. Canwest Finance Inc./Financiere Canwest Inc.
14. National Post Holdings Ltd.
15. Canwest International Management Inc.
16. Canwest International Distribution Limited
17. Canwest MediaWorks Turkish Holdings (Netherlands)
18. CGS International Holdings (Netherlands)
19. CGS Debenture Holding (Netherlands)
20. CGS Shareholding (Netherlands)
21. CGS NZ Radio Shareholding (Netherlands)
22. 4501063 Canada Inc.
23. 4501071 Canada Inc.
24. 30109, LLC
25. CanWest MediaWorks (US) Holdings Corp.

**Schedule "B"****Partnerships**

1. Canwest Television Limited Partnership
2. Fox Sports World Canada Partnership
3. The National Post Company/La Publication National Post

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

Court File No: CV-09-839600CL

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

**AFFIDAVIT OF PETER BUZZI**  
Sworn June 14, 2010

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Lawyers for the Applicants

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

Court File No: CV-09-8396-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANWEST GLOBAL  
COMMUNICATIONS CORP., AND THE OTHER APPLICANTS LISTED ON SCHEDULE "A"

APPLICANTS

*Ontario*

**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**SUPPLEMENTARY MOTION RECORD  
OF THE APPLICANTS**

(Authorizing the Calling of a Meeting of Affected Creditors)

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