

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
MANITOBA AND ONTARIO

AND

IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF  
CANWEST COMMUNICATIONS CORP.,  
CANWEST GLOBAL COMMUNICATIONS CORP.,  
HOLLINGER INC. AND SOUTHAM INC.

DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Manitoba and Ontario (the "Jurisdictions") has received an application (the "Application") from CanWest Communications Corp. ("CCC") and CanWest Global Communications Corp. ("CanWest" and collectively with CCC, the "Applicants") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the proposed acquisition by Southam Inc. ("Southam") of non-voting shares of CanWest (the "NVS") and/or subordinate voting shares of CanWest (the "SVS") pursuant to a share purchase agreement dated July 26, 2000 (the "Share Purchase Agreement") is exempt from the provisions in the legislation relating to delivery of an offer and take-over bid circular and any notices of change and variation thereto, minimum deposit periods and withdrawal rights, extensions, taking up and paying for securities tendered to a take-over bid, disclosure, restrictions upon purchases of securities, bid financing, identical consideration, collateral benefits and the filing of consents or reports with and the payment of related fees to the Decision Makers (collectively, the "Take-over Bid Requirements");

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Manitoba Securities Commission (the "Commission") is the principal regulator for the Application;

AND WHEREAS the Applicants have represented to the Decision Makers as follows:

1. CanWest is a company continued under the laws of Canada and is a reporting issuer or the equivalent in each of the provinces and territories of Canada. CanWest's head office is located in Manitoba.

2. CCC is a private company incorporated under the laws of Canada and is not a reporting issuer or the equivalent in any province or territory of Canada. CCC's head office is located in Manitoba.

3. Hollinger Inc. ("Hollinger") is a company amalgamated under the laws of Canada and is a reporting issuer or the equivalent in each province or territory of Canada. Hollinger's head office is located in Ontario.

4. Southam is a corporation governed by the laws of Canada that is a reporting issuer or the equivalent in certain provinces, including Ontario and Manitoba. Southam's head office is located in Ontario.

5. The authorized capital of CanWest consists of an unlimited number of multiple voting shares (the "MVS"), SVS and NVS and an unlimited number of preference shares issuable in series. As of the close of business on July 31, 2000, there were 78,040,908 MVS, 69,295,035 SVS, 2,707,836 NVS and no preference shares outstanding.

6. CanWest is a constrained-share company. At least 66.7% of CanWest's voting shares must be beneficially owned by individuals who are Canadian citizens or corporations controlled in Canada. CanWest's articles of continuance (the "Articles") prohibit the issuance or transfer of SVS to a person who is not a "Canadian holder", as that term is defined in the Articles, and, if a person who is not a Canadian holder somehow becomes a holder of any SVS, such SVS are deemed to have been converted automatically into NVS on a one-for-one basis.

7. The MVS, SVS and NVS (collectively, the "Equity Shares") have the following attributes, among others:

a) Each MVS carries a right to exercise ten votes per MVS at meetings of CanWest shareholders. Each SVS carries a right to exercise one vote per SVS at meetings of CanWest shareholders. The NVS are non-voting.

b) MVS, SVS and NVS share equally in dividends and, upon a winding-up or dissolution of CanWest, in its assets.

c) Holders of MVS may at any time convert all or any of their MVS into SVS on a one-for-one basis, provided that the holder of the MVS is a Canadian holder at the time of conversion. In addition, holders of MVS may at any time convert all or any of their MVS into NVS on a one-for-one basis.

d) The NVS and SVS are interconvertible. Holders of NVS may at any time convert all or any of their NVS into SVS on a one-for-one basis, provided that the holder of the NVS is a Canadian holder at the time of conversion. Holders of SVS may at any time convert all or any of their SVS into NVS on a one-for-one basis.

8. The SVS and the NVS are listed on The Toronto Stock Exchange and the Winnipeg Stock Exchange and the NVS also are listed on the New York Stock Exchange.

9. CCC owns all of the outstanding MVS, owns or exercises control or direction over 3,767,716 representing 5.44% of the SVS outstanding as at July 30, 2000. Accordingly, CCC exercises owns or exercises control over 54.5% of the Equity Shares and 92.3% of the voting rights attaching to all CanWest voting shares.

10. On July 30, 2000, CanWest entered into an agreement with Hollinger, Southam, Hollinger Canadian Newspapers, Limited Partnership and HCN Publications Company (collectively, the "Vendors") providing for the acquisition by CanWest of certain assets (the "Assets") of the Vendors (the "Acquisition"). The terms of the Acquisition are set out in an agreement (the "Asset Purchase Agreement") dated July 30, 2000 among CanWest and the Vendors. The aggregate purchase price for the Assets is approximately \$3.5 billion (the "Purchase Price") and will be satisfied through a cash payment by CanWest of \$2.515 billion and the issuance by CanWest of approximately \$700 principal amount of subordinated debentures, 24.3 million NVS at an issue price of \$25 per NVS and 2.7 million newly created class 1 preference shares (the "Class 1 Preference Shares") at an issue price of \$3.75 per Class 1 Preference Share.

11. Pursuant to the Share Purchase Agreement, Southam agreed to acquire up to an aggregate of 2.7 million SVS and NVS from CCC and/or entities affiliated to it and from certain charities registered under the *Income Tax Act* (Canada) to be designated by CCC (the "Charities") to whom CCC will donate certain of CCC's SVS (the "Share Purchase"). Southam's obligations pursuant to the Share Purchase Agreement are analogous to the granting of an option, subject to certain conditions, to CCC permitting CCC to: (i) sell up to an aggregate of 2.7 million SVS or NVS (or a combination thereof not exceeding 2.7 million shares) for consideration equal to \$25 in cash per share (the "Option"); and (ii) assign all or any part of its rights under the Option to any of its affiliates and/or certain charities to be designated by CCC.

12. CCC will donate SVS and/or NVS to certain charities and an aggregate of five charities will be entitled to cause Southam to purchase an aggregate of not less than 1,380,731 SVS and/or NVS. CCC intends to exercise its rights under the Option in respect of an aggregate of no more than 1,319,269 SVS or NVS and intends that substantially all of the funds realized from the disposition of SVS and/or NVS directly by CCC pursuant to the Share Purchase Agreement be devoted, directly or indirectly, to charitable purposes.

13. The Class 1 Preference Shares to be issued as part of the Acquisition will have the following principal attributes:

- a) Each Class 1 Preference Share will carry the right to 19 votes per share.
- b) The Class 1 Preference Shares voting as a series will be entitled to elect: (i) two members of CanWest's board of directors so long as there are more than 1,350,000 Class 1 Preference Shares outstanding; or (ii) one member of CanWest's board of directors so long as there are more than 900,000 Class 1 Preference Shares outstanding.
- c) Each Class 1 Preference Share will be convertible at any time at the holder's option into: (i) NVS at a rate of 0.15 NVS for each Class 1 Preference Share; or

(ii) SVS at a rate of 0.15 SVS for each Class 1 Preference Share, provided that the holder furnishes proof at the time of conversion that such holder is a Canadian holder.

d) The Class 1 Preference Shares will not be entitled to receive dividends or distributions, other than stock dividends (entitling the holder to receive NVS in proportion to the number of NVS or SVS it would receive if its Class 1 Preference Shares were converted to NVS or SVS), nor will the Class 1 Preference Shares share in the proceeds upon dissolution and winding-up of CanWest.

14. If, for some reason, Southam is unable to acquire all 2.7 million NVS and/or SVS, as contemplated by the Share Purchase Agreement, CanWest has agreed to adjust the consideration to be paid by it for the Assets in order to issue such number of NVS as would make up the difference between the number NVS and/or SVS to be acquired from CCC and the Charities and 2.7 million shares, with a concomitant reduction in the cash portion of the Purchase Price payable by CanWest for the Assets.

15. On September 1, 2000, CanWest's board of directors declared stock dividends payable on September 29, 2000 to shareholders of record of MVS, SVS and NVS on September 15, 2000. An aggregate of no more than 1,861,211 shares are issuable pursuant to such stock dividends, the allocation of which among MVS, SVS and NVS is to be determined based on elections provided by such shareholders.

16. The Asset Purchase Agreement and Share Purchase Agreement (collectively, the "Agreements") provide that the transactions contemplated by the Agreements shall close no earlier than October 2, 2000.

17. None of the Vendors qualifies as a Canadian holder for the purposes of the Articles of CanWest and, accordingly, any SVS acquired by Southam pursuant to the Share Purchase or by the Vendors pursuant to the Acquisition or otherwise will be converted automatically into NVS. In addition, pursuant to the Asset Purchase Agreement, the Vendors have agreed that, even if any of them should change its status and otherwise be in a position to convert its NVS into SVS, it would not do so except immediately prior to a sale to a third party and, in any event, it would not vote any SVS held.

18. CanWest established an independent committee (the "Independent Committee") to consider those aspects of these transactions, including the Share Purchase Agreement, which involved CCC and to make a recommendation to the Board of Directors of CanWest as to whether the Acquisition was in the best interests of CanWest and to determine the impact of the Share Purchase Agreement on its shareholders.

19. The Independent Committee received legal advice about its legal responsibilities, questioned CanWest's management and legal and financial advisors in respect of the Acquisition and its impact on CanWest and its shareholders and in respect of the Share Purchase Agreement. The Independent Committee also received an opinion from CIBC World Markets that the

consideration to be offered for the acquisition of the Assets was fair from a financial point of view to CanWest.

20. The Independent Committee considered all aspects of the transactions, including the fact that CCC and/or certain charities would be disposing of up to 2.7 million SVS and/or NVS to Southam at \$25 per share pursuant to the Share Purchase Agreement, and the opinion from CIBC World Markets. In particular, the Independent Committee considered the provisions of the Asset Purchase Agreement that provide for an adjustment to the amount of cash and share consideration payable by CanWest to Hollinger depending on whether Southam acquires 2.7 million NVS from CCC and the designated charities. The Independent Committee considered it important that the transfer of SVS and/or NVS to Southam pursuant to the Share Purchase Agreement was less dilutive to CanWest shareholders than if CanWest issued 2.7 million NVS directly to Hollinger.

21. The Independent Committee unanimously recommended approval of the Acquisition to the Board of Directors of CanWest.

22. The issuance of an additional 2.7 million NVS directly by CanWest to Hollinger would reduce the cash portion of the purchase price for the Acquisition by \$67.5 million, representing only a 2% reduction in such amount.

23. Pursuant to the Acquisition, Hollinger will acquire 24.3 million newly-issued NVS and 2.7 million newly-issued Class 1 Preference Shares, which are convertible into an aggregate of 405,000 SVS or NVS. Accordingly, after the Stock Dividend, the Share Purchase and the Acquisition are effected, Hollinger will own or exercise control or direction over approximately 15.3% of the Equity Shares of CanWest and 5.7% of the votes attached to all CanWest voting shares.

24. Southam's agreement to acquire NVS and/or SVS under the Share Purchase Agreement constituted a take-over bid since it involved an offer to acquire in excess of 90% of the NVS outstanding as of July 30, 2000. Southam cannot rely upon the private agreement exemption from the Take-over Bid Requirements because: (i) the value of the consideration to be paid under the Share Purchase Agreement exceeds 115% of the market price, determined in accordance with the Legislation, of the NVS and SVS as of July 30, 2000; and (ii) it may be obliged to acquire SVS and/or SVS from more than five sellers.

25. If, however, the NVS and SVS were treated as a single class (the "Combined Class") for purposes of the Legislation, Southam's agreement to acquire NVS and/or SVS under the Share Purchase Agreement would constitute an offer to acquire:

a) 3.7% of the Combined Class as of July 30, 2000, if the CanWest securities to be acquired by Hollinger pursuant to the Asset Purchase Agreement were not treated as "offeror's securities" for purposes of the Legislation; and

b) 28.33% of the Combined Class as of July 30, 2000, if the CanWest securities to be acquired by Hollinger pursuant to the Asset Purchase Agreement were treated as "offeror's securities" for purposes of the Legislation.

26. The Applicants will issue a news release outlining the details of the Agreements.

AND WHEREAS pursuant to the System, this decision document evidences the decision of each Decision Makers (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the acquisition by Southam of NVS and/or SVS pursuant to the Share Purchase Agreement from CCC and/or the Charities shall not be subject to the Take-over Bid Requirements.

DATED this "18th" day of "October" , 2000.