

FP NEWSPAPERS INCOME FUND

ANNUAL INFORMATION FORM

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009**

March 23, 2010

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GLOSSARY OF TERMS

In this Annual Information Form, unless the context otherwise requires:

“ABC” means the Audit Bureau of Circulations, an independent, not-for-profit organization headquartered in Schaumburg, Illinois which audits and confirms circulation reports of publications including the Winnipeg Free Press and Brandon Sun;

“Business” means the newspaper businesses carried on by FPLP;

“CCAB” means Canadian Circulation Audit Board: an organization which certifies reported circulation figures similar to the function ABC performs for FPLP;

“Canstar” means Canstar Community News, a division of FPLP;

“Class A Units” means the Class A limited partnership units of FPLP;

“Class B Units” means the Class B limited partnership units of FPLP;

“Declaration of Trust” means the deed of settlement dated May 15, 2002 pursuant to which the Fund was established;

“Exchange Agreement” means the exchange agreement among the General Partners, FPGP, FP Trust, FPLP and the Fund dated May 28, 2002;

“EBITDA” means earnings before interest, income taxes, depreciation and amortization;

“Flyer Advantage” a division of FPLP which delivers advertising material twice per week to households in the Winnipeg market;

“FP Funding Co” means FP Funding Corporation, a corporation incorporated under the laws of Canada and controlled indirectly by Ronald Stern and Robert Silver;

“FP Trust” means FPCN Holdings Trust, an unincorporated limited purpose trust established under the laws of Ontario;

“FP Trust Administration Agreement” means the administration agreement among FPGP and FP Trust dated May 28, 2002 in respect of FP Trust;

“FP Trust Declaration of Trust” means the deed of settlement dated May 15, 2002 pursuant to which FP Trust was established;

“FP Trust Note Indenture” means the note indenture dated May 28, 2002 pursuant to which FP Trust will issue the FP Trust Notes and may issue the Series 2 Notes;

“FP Trust Note Trustee” means the trustee under the FP Trust Note Indenture from time to time;

“FP Trust Notes” means the subordinated term notes issued by FP Trust from time to time in accordance with the FP Trust Note Indenture;

“FP Trust Trustees” means the trustees of FP Trust from time to time;

“FP Trust Units” means the Units of FP Trust, each of which represents an equal undivided beneficial interest in the distributions and the net assets of FP Trust;

“FPCN Funding” means FPCN Media Funding Inc., a corporation incorporated under the laws of Canada and controlled indirectly by Ronald Stern;

“FPCN Media” means FPCN Media Management Inc., a corporation incorporated under the laws of Canada and wholly owned by FPGP;

“FPGP” means FPCN General Partner Inc., a corporation incorporated under the laws of Canada, in its capacity as managing general partner of FPLP;

“FPLP” means FP Canadian Newspapers Limited Partnership, a limited partnership established under the laws of British Columbia;

“Fund” means FP Newspapers Income Fund, an unincorporated open-ended limited purpose trust established under the laws of Ontario;

“General Partners” means, collectively, Canstar Publications Ltd. and R.I.S. Media Ltd., in their capacities as general partners of FPLP;

“Manitoba Newspapers Operation” and **“Operation”** means the Winnipeg Free Press and Brandon Sun newspaper businesses carried on by FPLP since November 29, 2001, and by Thomson before that time;

“NADbank” means the Newspaper Audience Databank, a not-for-profit organization headquartered in Toronto, Ontario which conducts a Canada-wide annual research study of newspaper readership, retail data and consumer behaviour for advertisers, advertising agencies and daily newspapers;

“Partnership Agreement” means the amended and restated partnership agreement dated for reference May 3, 2005 among FPGP, as managing general partner, and the General Partners, as general partners, and FP Trust and FPCN Funding, as the limited partners, pursuant to which FPLP is governed;

“Series 2 Notes” means the subordinated term notes that may be issued by FP Trust from time to time in accordance with the FP Trust Note Indenture;

“Shareholders Agreement” means the shareholders agreement dated May 28, 2002 among FPGP, FPCN Media and the Fund pursuant to which FPGP is governed, referred to under “Structure of FPLP – Shareholders Agreement”;

“Tax Act” means the *Income Tax Act* (Canada), as amended;

“Thomson” means The Thomson Corporation;

“Trustees” means the trustees of the Fund from time to time;

“Unitholders” means the holders of Units from time to time; and

“Units” means the units of the Fund, each of which represents an equal undivided beneficial interest in the distributions and the net assets of the Fund.

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders. All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form may constitute “forward-looking” statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include, but are not limited to, statements reflecting current expectations of management regarding future events, costs and operating performance. Generally, but not always, forward-looking statements will be indicated by words such as “may”, “will”, “intend”, “anticipate”, “expect”, “believe”, “plan” or similar terminology.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and may not necessarily be accurate indications of whether such results will be achieved. A number of factors may cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the current significant general economic uncertainty and credit and financial market volatility, FPLP’s ability to effectively manage growth and maintain its profitability, FPLP’s ability to operate in a highly competitive industry, FPLP’s ability to compete with other forms of media, FPLP’s ability to attract advertisers, FPLP’s reliance upon key personnel, FPLP’s relatively high fixed costs, FPLP’s dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, costs related to capital expenditures, cyclical and seasonal variations in FPLP’s revenues, the cost of newsprint, the potential for labour disruptions, the risk of equipment failure, and the effect of Canadian tax laws. Additional information about these and other factors is discussed under “Risk Factors”.

Management’s assumptions about the performance of the Canadian and Manitoba economies in 2010 and their effect on FPLP’s business are material factors considered when setting strategic priorities and objectives, and in determining financial targets. Key assumptions include the assumptions that the Canadian and Manitoba economies will grow slowly in 2010 and that inflation and interest rates will remain relatively low. Although management of FPLP believes its assumptions to be reasonable, such assumptions may prove not to be correct, and the actual results, performance or achievements of the Fund or FPLP may be materially different from any future results, performance or achievements expected by management or expressed or implied in any forward-looking statements.

Forward-looking statements are made as of the date of this Annual Information Form and, except as required by law, the Fund and FPLP assume no obligation to update or revise them to reflect new events or circumstances.

CORPORATE STRUCTURE

Name, Creation and Structure of the Fund

FP Newspapers Income Fund (the “Fund”) is an unincorporated, open-ended, limited-purpose trust established under the laws of Ontario pursuant to a Declaration of Trust dated May 15, 2002. The head office and principal business office of the Fund is located at Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

The Fund was established to acquire and own indirect interests in newspapers and other media businesses. It commenced operations on May 28, 2002, when it completed its initial public offering and acquired, indirectly, an interest in FP Canadian Newspapers Limited Partnership (“FPLP”), which owns and publishes the Winnipeg Free Press and Brandon Sun newspapers.

FPLP is a limited partnership established under the laws of British Columbia. The Fund’s wholly-owned subsidiary, FPCN Holdings Trust (“FP Trust”), an unincorporated, limited-purpose trust established under the laws of Ontario, is the sole limited partner of FPLP. Through FP Trust, the Fund owns securities entitling it to 49% of the distributable cash of FPLP in each fiscal year.

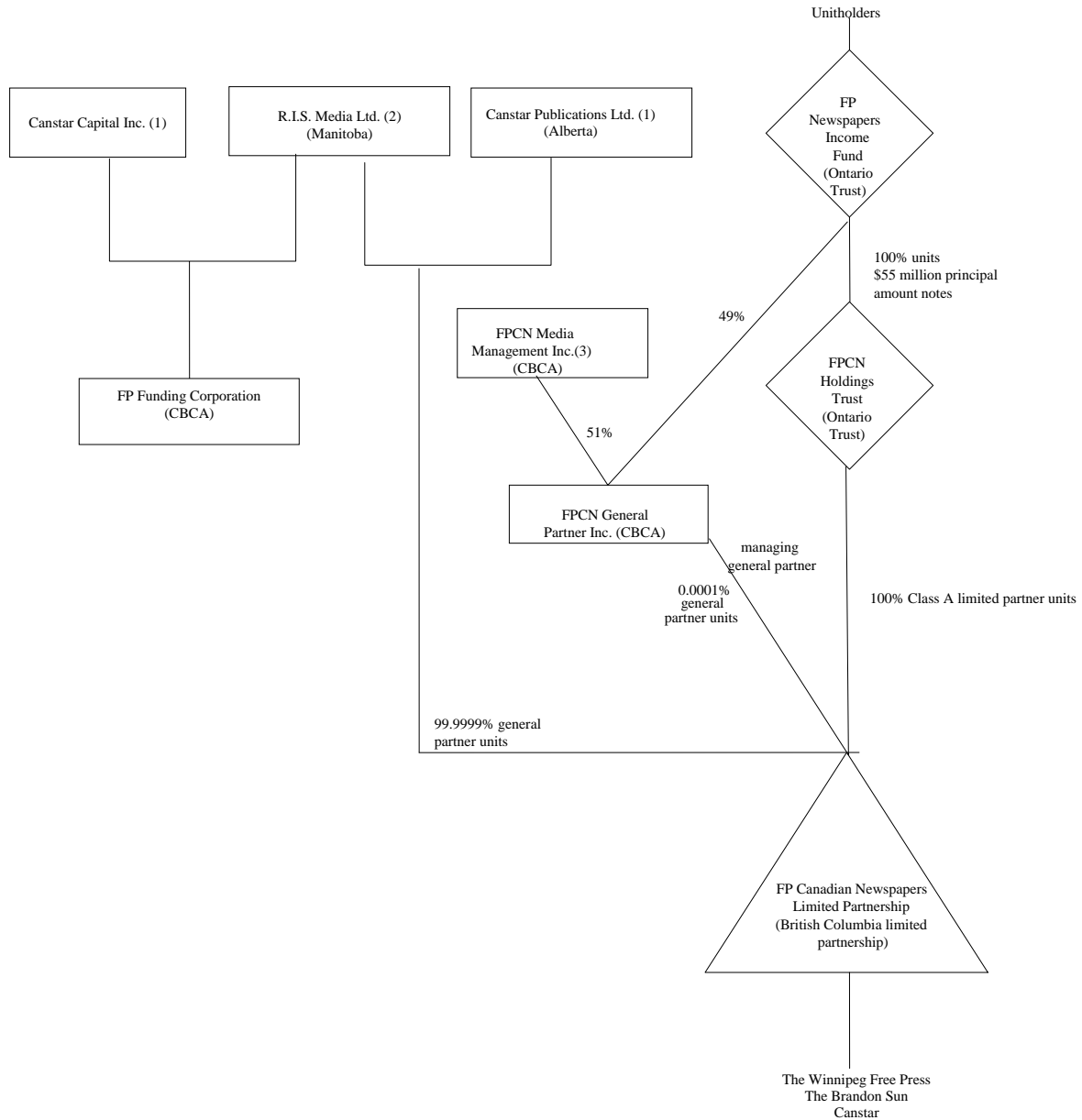
FPCN General Partner Inc. (“FPGP”) is the managing general partner of FPLP and the administrator of the Fund. The other general partners of FPLP are Canstar Publications Ltd. and R.I.S. Media Ltd., corporations controlled by Ronald Stern and Robert Silver, respectively. Together, the general partners own securities in FPLP entitling them to 51% of its distributable cash in each fiscal year.

FPGP is controlled by FPCN Media Management Inc., a corporation controlled indirectly by Ronald Stern. The Fund owns 49% of the common shares of FPGP. The affairs of FPGP are governed by a shareholders agreement among FPGP, FPCN Media and the Fund.

FP Funding Corporation is indirectly controlled by Ronald Stern and Robert Silver. It was established to enter into a credit support agreement relating to the long-term credit facility entered into by FPLP in December 2009 (See “Structure of FPLP – Long-Term Credit Facility”).

Intercorporate Relationships

The following chart illustrates the relationship of the Fund to its principal related entities and indicates their respective jurisdictions of incorporation or organization.

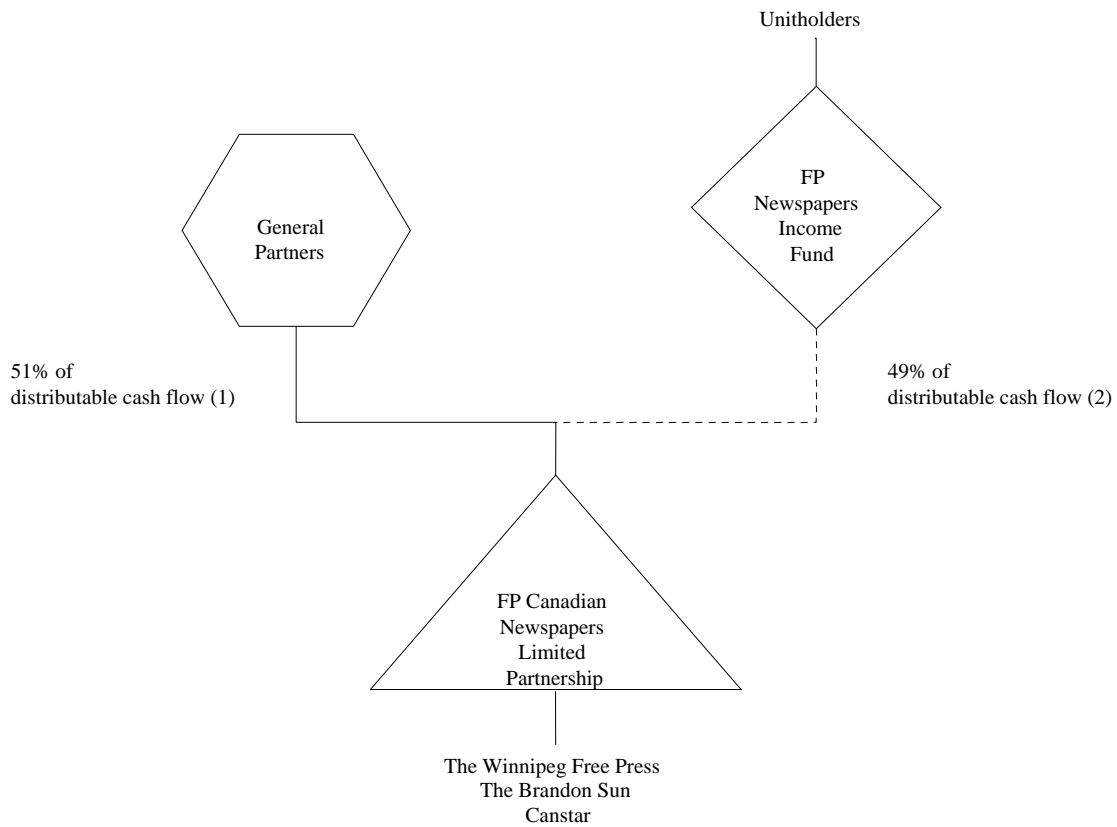


(1) Canstar Publications Ltd. and Canstar Capital Inc. are controlled indirectly by Ronald Stern.

(2) R.I.S. Media Ltd. is controlled indirectly by Robert Silver.

(3) FPCN Media Management Ltd. is controlled indirectly by Ronald Stern.

The following chart illustrates on a simplified basis the respective interests of the Fund and the General Partners in the distributable cash flow of FPLP generated by the Winnipeg Free Press, the Brandon Sun and the Canstar businesses.



(1) The General Partners are corporations controlled indirectly by Ronald Stern and Robert Silver, respectively.

(2) The Fund's interest in FPLP is held indirectly through FP Trust.

GENERAL DEVELOPMENT OF THE BUSINESS

General

The Fund commenced operations on May 28, 2002, when it completed its initial public offering, selling 6,573,897 Units at \$10 per Unit. On June 27, 2002, the Fund sold a further 328,695 Units at \$10 per Unit. The total proceeds of \$69,025,920 were used to purchase securities of FPLP entitling the Fund to 49% of the distributable cash of FPLP. The Fund's investment in Class A limited partnership units is held through the Fund's wholly-owned subsidiary, FP Trust.

FPLP acquired the business and assets, and assumed certain liabilities, of the Winnipeg Free Press and Brandon Sun newspapers from The Thomson Corporation effective November 29, 2001.

In July 2004, FPLP acquired substantially all of the assets and assumed specified liabilities of a weekly newspaper publishing business and an advertising distribution business previously operated by Transcontinental Media, the publishing arm of Transcontinental Inc., for cash consideration of \$7,198,000. Concurrent with the acquisition, FPLP entered into an agreement with its subsidiary Canstar, under which Canstar operated the acquired business.

In July 2005, Canstar acquired Rosebud Publications Ltd., which publishes two specialty newspapers in the Winnipeg market. In 2008, Rosebud Publications Ltd. was amalgamated into Canstar. In 2009, Canstar was wound up into FPLP.

DESCRIPTION OF THE BUSINESS

Industry Overview

The Canadian newspaper industry includes approximately 100 paid-circulation daily newspapers and numerous non-daily paid and free-distribution publications. The industry is characterized by major chains, which operate the vast majority of Canadian newspapers. Newspaper revenue in the Canadian industry is earned primarily from a combination of advertising and circulation and in 2008 is estimated at \$3.5 billion (source: Canadian Newspapers Association).

Advertising

The Canadian daily newspaper industry accounted for a large portion of the Canadian advertising market in 2008, with a combined share of advertising revenues of approximately 17%, compared to 23% for television. This compares to 18% of the combined advertising revenues in Canada for daily newspapers in 2007. (Source: Television Bureau of Canada).

The advertising market for daily newspapers can be segmented into three categories: national, local and classified. National advertisers include large businesses with a coast-to-coast presence who allocate their advertising dollars based on promotional programs that are administered from a central head office and designed for the entire Canadian market. Local advertisers are generally smaller in size with decisions and campaigns specifically tailored for the local market. Classified advertising is the most basic form of newspaper advertising, characterized by a large number of small advertisers (often individuals) with short-term requirements. Local advertising represents the largest and most stable segment of newspaper advertising. The relationship between national, local and classified advertising for the Canadian daily newspaper industry in 2008 was 23%, 44% and 33%, respectively (Source: Television Bureau of Canada).

Seasonality

Canadian newspaper publishing operating results tend to follow a distinct and recurring seasonal pattern with higher advertising revenue in the spring and in the fall. Accordingly, the second and fourth quarters are typically the strongest revenue quarters of the year, with fourth quarter revenue being the strongest. The first quarter is typically the weakest revenue quarter.

Readership

The market share of newspaper readers is measured in two ways: by copies of the newspaper that are sold and by readership, being the total number of readers that are estimated to read a newspaper, whether purchased or not, on any given day. NADbank's estimate of adult weekday newspaper readership in Canada was 48% in 2008, 50% in 2007, and 54% in 2006. According to the most recent statistics compiled by the Canadian Newspaper Association (from ABC and CCAB audit statements), the number of average daily newspaper copies sold was 4.3 million in 2008. Sales of daily newspapers across all markets have been slowly declining for a number of years.

Costs

Newspaper publishing is both capital and labour-intensive and, as a result, newspapers have relatively high fixed-cost structures. This enables newspaper publishers to increase their operating margins substantially by leveraging advertising revenue growth during periods of economic expansion. Conversely, during periods of economic contraction, operating margins tend to decrease as advertising revenue declines.

Labour costs represent the largest cost for newspaper publishers. The second largest cost for newspaper publishers is the cost of newsprint, which is a key factor in determining the profitability of the newspaper industry. Newsprint is a commodity product the price of which fluctuates based on global supply and demand factors.

Industry Consolidation

Over the past decade, the newspaper industry in Canada has experienced significant changes in ownership. The following events have contributed to the industry consolidation:

- October 1998 – Southam Publications launched the National Post, a nationally distributed daily to compete directly with The Globe and Mail.
- January 1999 – Hollinger Inc. ("Hollinger") completed the acquisition of Southam Inc.
- March 1999 – Quebecor Inc. ("Quebecor") completed the acquisition of Sun Media Corporation.
- February 2000 – Thomson announced that it was selling most of its remaining approximately 130 newspapers in the United States and Canada, including the Winnipeg Free Press and the Brandon Sun.
- September 2000 – BCE Inc., Thomson and The Woodbridge Company (the Thomson family's private holding company) announced the creation of Bell Globemedia Inc. ("Bell Globemedia"), a multi-media company combining the assets of The Globe and Mail, CTV and Sympatico.ca, an Internet portal.

- November 2000 – CanWest Global Communications Corp. (“CanWest”) purchased substantially all of Hollinger’s newspaper assets including Southam Publications and a 50% interest in the National Post. CanWest subsequently acquired the remaining 50% of the National Post.
- July 2001 – Osprey Media Group Inc. (“Osprey”) purchased 16 Ontario dailies from Hollinger.
- July 2002 – Transcontinental Inc. (“Transcontinental”) bought all 10 of CanWest’s Atlantic region newspapers and two dailies in Saskatchewan.
- January 2003 – Osprey purchased four Ontario dailies from CanWest.
- November 2003 – Quebecor/Sun Media purchased two daily newspapers in Ontario.
- February 2005 – Woodbridge, Teachers’ Pension Plan and Torstar Corporation purchased BCE Inc.’s share of Bell Globemedia.
- January 2006 – Glacier Ventures International Inc. (“Glacier”) purchased all 10 dailies owned by Hollinger Canadian Limited Partnership.
- September 2006 – Horizon Operations Ltd. created Alta Newspaper Group Limited Partnership, and transferred ownership of two dailies to the group. Glacier placed one daily into the group for a 50% stake.
- August 2007 – Quebecor Inc., owner of the Sun Media chain, purchased Osprey Media Income Fund, which owned 54 newspapers in Ontario.

As a result of this consolidation in the Canadian newspaper industry, ownership of newspapers in large and mid-sized markets is now concentrated among CanWest (which at the date hereof is in bankruptcy protection), Quebecor, Torstar Corporation, Transcontinental, and CTVGlobemedia. The Winnipeg Free Press is currently the largest circulation daily newspaper in Canada that is not owned by one of the five largest newspaper ownership groups. However, because newspaper publishing is primarily a local medium, independent operators are not materially disadvantaged by the relatively high level of ownership concentration among Canadian large-market daily newspapers.

Electronic Media

The Internet and commercial online information services have become an important source for news and information, as well as for classified, directory and other forms of advertising. As such, electronic media represents both a threat and a substantial opportunity for newspaper companies. Newspapers, in their printed form, have survived the advent of radio and television broadcasting based in part on their ability to adapt, as well as on inherent advantages such as portability and ease of browsing. In addition, because their news-gathering and sales and marketing infrastructures are core strengths, newspaper-based companies are well positioned to offer their services through non-print delivery systems. Printed newspapers have also been able to develop and promote new information products and services online by leveraging their databases, strong brand names, mass appeal, proprietary content, knowledge of the consumer and strong advertising relationships. Internet advertising revenues are the fastest growing areas in the advertising market and represented 11% of total advertising revenues in 2008, up from 9% in 2007. (Source: Television Bureau of Canada)

Barriers to Entry

As a mature industry, the Canadian newspaper industry is characterized as having high barriers to entry. Most Canadian markets have established stable newspaper operations, making it difficult for new entrants to launch and sustain competing paid newspaper products. In addition, entrenched newspapers have developed substantial economies of scale by leveraging news-gathering and editorial operations and distribution systems in the markets that they serve, creating additional barriers to entry.

Overview

FPLP carries on newspaper and related businesses in Winnipeg and Brandon, Manitoba. A small distribution business in Thunder Bay was sold in 2009. In Winnipeg, FPLP operates the Winnipeg Free Press, a major metropolitan daily newspaper serving the City of Winnipeg, its surrounding suburbs and the rest of the Province of Manitoba. FPLP also operates the Brandon Sun, a daily newspaper serving the City of Brandon and surrounding regions. The Winnipeg Free Press and the Brandon Sun cooperate and share news-gathering resources, wherever possible.

Both the Winnipeg Free Press and the Brandon Sun enjoy a history that is closely tied to the communities that they serve. The Winnipeg Free Press, founded in 1872, is the oldest newspaper in Western Canada. The Brandon Sun was founded in 1882, the same year the City of Brandon received its charter. The Winnipeg Free Press was purchased by Thomson in 1980. The Brandon Sun was purchased by Thomson in 1987.

Canstar publishes six weekly community newspapers with total circulation of approximately 183,000 in the greater Winnipeg area. These free-distribution publications focus on community news coverage and provide targeted readership for advertisers. In addition, Canstar also publishes a weekly entertainment newspaper serving Winnipeg, with a circulation of approximately 17,000 copies, and a bi-weekly newspaper aimed at age-50-plus readers in the Winnipeg area, with a circulation of approximately 11,000 copies.

Revenue

FPLP derives revenue from advertising, circulation (i.e., the sale of the publications), commercial printing and promotions and services.

The consolidated revenues of FPLP over the past two years by category are shown in the following table:

Type of Revenue	Years ended December 31			
	2009	%	2008*	%
	\$ Thousands		\$ Thousands	
Advertising	76,692	67.4%	84,115	69.5%
Circulation	29,570	26.0%	27,674	22.9%
Commercial printing	4,837	4.2%	6,097	5.0%
Promotions and services	2,764	2.4%	3,226	2.6%
Total revenue	<u>113,863</u>	<u>100.0%</u>	<u>121,112</u>	<u>100.0%</u>

* 2008 revenues were impacted by the loss of 16 publishing days at the Winnipeg Free Press and three weeks of publications at the Canstar Community News Division due to a work stoppage by unionized workers. Collective agreements are now in place which expire on June 30, 2013 for Winnipeg unionized workers and on December 31, 2013 for workers at the Brandon Sun.

Winnipeg Free Press

Market Overview

The Winnipeg Free Press delivers a high-quality daily newspaper to a primary market in the Winnipeg metropolitan area with a population of approximately 733,000 (source: Statistics Canada), consisting of approximately 282,000 households. (Source: Statistics Canada) In 2009, retail sales decreased 0.9% in Manitoba and 3.0% in Canada (Source: Statistics Canada).

Products

FPLP's flagship product in the Winnipeg market is the Winnipeg Free Press, by far the largest newspaper in the Winnipeg market based on both readership and share of advertising. The Free Press broadsheet format paper is published Monday to Saturday for both home delivery and single copy purchases throughout much of the Province of Manitoba. A tabloid size newspaper, *On7*, is published on Sundays starting November 1, 2009 for single copy purchases in the Winnipeg and surrounding area. FPLP also operates a separate insert and direct flyer distribution business in Winnipeg called Flyer Advantage. Over the past several years, insert and direct flyer business has become an important source of revenue as advertisers have sought additional and alternative methods of reaching consumers. In 2009, flyer delivery to non Free Press home delivered subscribers was reduced from three days a week to two.

The Winnipeg Free Press's web site is located at www.winnipegfreepress.com. The site is the hub for a wide variety of online activity starting with breaking news and ranging from the paper's Autos and Homes classifieds to a specialty blog on crime. Our obituary site, www.passagesmb.com, also attracts a large audience, averaging 10,000 visitors daily.

The editorial department is organized to create a continuous content-gathering operation that produces the most comprehensive, up-to-the-minute news report available from any Winnipeg media outlet. The site now offers many enhanced features, including video produced by Free Press journalists and such services as news alerts sent directly to email accounts and mobile devices. It provides live streaming coverage of major events and makes extensive use of social media such as Twitter and Facebook to gather and relay information. Readers are invited to contribute content such as news photos, they can provide comments on all stories, and they can participate in daily online polls. Editor Margo Goodhand sends out an email news bulletin each afternoon that highlights news breaking on the web and tells subscribers what they can expect in tomorrow's print edition.

The main web site, www.winnipegfreepress.com, was relaunched in January 2010 and subsequently saw a further jump in traffic. The site operates on a content management system powered by Clickability. The paper has continued the development of online classifieds with a model that provides free personal and commercial listings for autos, homes and other items and generates revenue through such features as enhanced positioning, display ads, vendor-specific pages and reverse publishing into print classifieds in daily and community newspapers. The newspaper is planning to introduce self-serve advertising for businesses in 2010, allowing firms such as real estate agents to go online to build and place their ads into both digital and print properties. Work continues on integrating the content of community newspapers on to the main web site so that users can get up-to-date hyperlocal information about where they live.

The web site is free of charge, though management is reviewing models for an expansion of paid online content. Traffic grew by 48 per cent, based on page views, in 2009. The web site currently attracts about 100,000 visits and 370,000 page views on average every day. In 2009 the newspaper started offering historical archives on a subscription basis, allowing users access to all content published in the Free Press throughout its history. The web site is used heavily by Winnipeggers travelling outside the province,

and by many around the world whose origins are in the city. The Free Press also provides via the Internet a pdf version of the printed edition for a reduced subscription price.

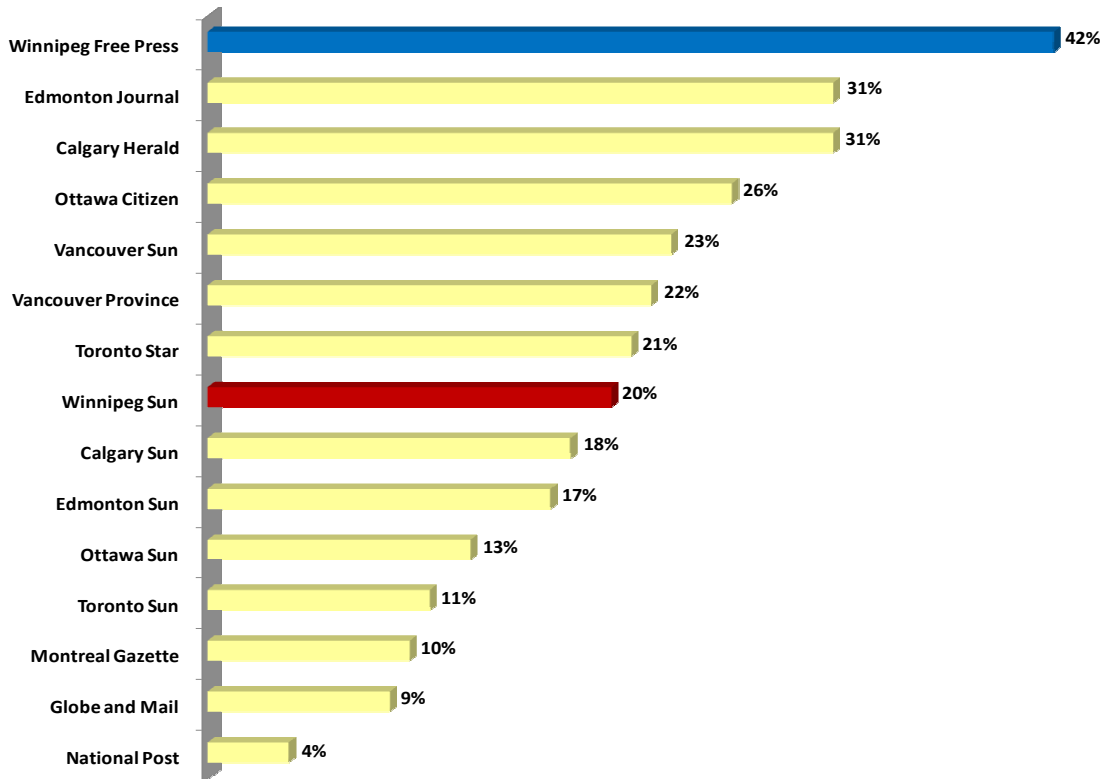
The Free Press offers an online autos site that is popular among Manitoba vehicle dealers and consumers alike. A homes site is also now operating. These verticals are in addition to existing online revenue sources. During 2004 the Winnipeg Free Press launched a partnership with Workopolis, offering advertisers and the public an online employment website co-branded as the Winnipeg Free Press and Workopolis Manitoba. The obituary site, www.passages.mb.com, offers readers opportunities to sign books of condolence, to add personal comments about their life with the deceased, and to make a donation in the person's name.

The Free Press is also reaching new audiences with niche publications such as First Nations Voice, a widely-distributed monthly newspaper of aboriginal content. In 2009, the paper began a partnership with the Winnipeg Regional Health Authority to jointly publish Wave, a magazine aimed at informing and educating Winnipeg residents on health-related issues.

Circulation and Readership

The Winnipeg Free Press has an average Monday through Friday circulation of approximately 119,000, according to ABC, for the six months ended September 30, 2009, and a Saturday circulation of approximately 163,000 copies and readership of approximately 288,000, according to the 2008 NADbank survey. The Winnipeg Free Press reaches approximately 42% of all Winnipeg adults on weekdays. The Winnipeg Free Press's readership level (readers as a percentage of total adults) is the highest among Canada's 16 leading daily newspapers, as reported by NADbank, and is very attractive to local and national advertisers. The Winnipeg Free Press's leading market position, readership levels and readership demographics have resulted in strong subscription and advertising revenues.

Weekday Readership of Daily Newspapers in Major Canadian Cities



(1) Source: 2008 NADbank survey.

(2) Figures for The Globe and Mail and the National Post are for Toronto census metropolitan area only.

Advertisers

The Winnipeg Free Press's advertising base, while heavily weighted to local advertising, includes a number of different advertisers. No single advertiser accounts for more than 1.7% of total revenue. Key advertisers include car manufacturers and dealers, department and grocery stores and specialty retailers. National advertising sales representation is both direct and through participation in a national advertising consortium of 11 regional metropolitan dailies across Canada.

Employees

As at December 31, 2009 the Winnipeg Free Press had 449 full-time equivalent employees, including 368 unionized full-time equivalent employees and 81 non-unionized full-time equivalent employees. The largest single department at the Winnipeg Free Press is the editorial department, which has 98 full-time equivalent employees. The reduction of total employees during 2009 was the result of a number of changes implemented to reduce costs to offset some of the impact of significantly reduced advertising revenues resulting from the 2009 general economic slowdown. In order to increase flexibility, the newspaper also makes use of contractors' services, in particular, by purchasing freelance articles and sub-contracting the majority of the newspaper's distribution.

The part-time city carrier force (approximately 530 individuals, who are independent contractors) and unionized workers in all areas are members of the Communication, Energy and Paperworkers Union

(CEP). Senior supervisors and senior management with hiring powers are not required to be union members.

In October of 2008, unionized employees of the Winnipeg Free Press and Canstar and city carriers of the Winnipeg Free Press who are members of the CEP went on strike. As a result of that work stoppage, the Winnipeg Free Press missed 16 days of publishing and Canstar Community News Limited missed publishing over three weeks. In October 2002, unionized employees and city carriers of the Winnipeg Free Press went on strike and the newspaper missed nine days of publishing. In the past 20 years there have been only two other work stoppages, one in 1991, which lasted seven hours, and one in 2001, when the city carriers went on strike for two days.

Contracts with the CEP for the Winnipeg Free Press and Canstar employees and Winnipeg Free Press city carriers are in force until June 30, 2013.

Editorial Policy

The Winnipeg Free Press strives to be the news leader online and in print for local matters affecting Winnipeg and Manitoba. A core digital editorial department provides news, information and opinion as it happens at winniepegfreepress.com and develops more comprehensive content for daily publication in the Winnipeg Free Press for Monday to Saturday and in On7 on Sundays. The content produced is a rich blend of text, photography, video, blogs and interactive features. The combination distinguishes the Winnipeg Free Press from all other news media outlets in Manitoba and has attracted a steadily growing audience.

The newspaper's editorial page policy has traditionally been fiscally conservative and socially liberal. The newspaper strives to be a leading commentator and forum for debate for news and information in Western Canada. The Winnipeg Free Press is a regional paper with a voice on national issues, leveraging its standing amongst opinion leaders in its marketplace to improve readership and, as a result, advertising. The Winnipeg Free Press actively solicits opinion from national and local writers for its editorial and opinion pages and has set itself the task of being the main source for debate about local issues in Winnipeg.

The Winnipeg Free Press differentiates itself from its local print and electronic media competitors by using its own journalists to cover major events and to follow Winnipeggers around the world. A team of Winnipeg Free Press reporters and photographers covered the Vancouver Winter Olympics, providing unique Winnipeg and Manitoba angles not available in other local media. Free Press reporters always bring unique coverage of the Winnipeg angle to major news and sporting events. The Winnipeg Free Press is the only media outlet in the city to provide complete coverage of local professional sports teams when they travel on the road. The newspaper maintains a writer in Ottawa and bureaus at the Manitoba Legislature, the Winnipeg Law Courts, Winnipeg City Hall and the Winnipeg Public Safety Building.

Since acquiring the Winnipeg Free Press, FPLP has expanded the number of pages devoted to editorial content. The additional coverage of sports and news and a weekly entertainment guide, The Tab, were implemented to increase readership and, in particular, increase the newspaper's attraction to younger readers, an important demographic group. The Sunday On7 tabloid is also aimed at this group.

In recent years, substantial resources have been put into digital development and specialty publications to further build audience. Free Press websites now get 100,000 visits on an average day, with 370,000 page views.

For some of its national and international coverage, in addition to its own journalists, the Winnipeg Free Press relies on coverage from news agencies supplemented by contracted freelancers and by

commissioning of individual pieces. The newspaper gets text, photos and video feeds from the Canadian Press, which supplies news nationally and from other regions as well as providing world coverage from its own journalists and the Associated Press news service. Also, the Winnipeg Free Press uses a number of other news, photography and video services that allow the newspaper to respond quickly to breaking news wherever it happens.

Printing and Production

The Winnipeg Free Press is produced on Monday through Saturday as either a three-section or a four-section broadsheet format paper with regular additional pre-printed sections on Thursdays, Fridays, and Saturdays. Automated inserting equipment is used to insert flyers primarily on Thursdays through Saturdays. These flyers have become an increasingly important part of the Business. In November 2009, the Winnipeg Free Press discontinued printing a Sunday broadsheet format newspaper for home-delivery and single copy customers. A new tabloid format product called Free Press On7 was launched for purchases at newsdealers and box locations in and around the city of Winnipeg.

Circulation

Papers are delivered initially to depots for distribution by an independent contractor adult carrier force with six-day delivery to subscribers within the City of Winnipeg by 6:30 a.m. on weekdays and by 7:30 a.m. on Saturdays.

The Winnipeg Free Press was one of the first Canadian newspapers to implement electronic advertising billing and pre-paid authorizations for circulation revenue collections. The majority of subscribers to the Winnipeg Free Press pre-pay for their subscription, significantly lowering the cost of collection.

Sales and Marketing

The Winnipeg Free Press's large percentage share of readership in the Winnipeg market is its strongest sales and marketing attribute. The sales department makes extensive use of the information contained in the yearly NADbank surveys when making presentations to potential and existing advertisers.

The newspaper uses local market research firms to regularly monitor its advertising market share in order to better serve existing clients and target new clients. To improve customer service, the Winnipeg Free Press has continued to introduce and expand its range of advertising vehicles. A special real estate section appears in every Saturday edition, along with a careers section to better display and promote advertising for the job market. An automotive section featuring picture listings of used cars in the Friday edition has resulted in incremental advertising revenue.

The newspaper also supports its image with regular television, radio, print and outdoor campaigns co-ordinated by the marketing and editorial departments. It regularly supports arts, sports and cultural events by media sponsorships, giving the Winnipeg Free Press exposure both at recreational and artistic venues and in printed material distributed at such events.

Advertisers have been linked to a direct-debit billing system, which has reduced the cost of collection. Electronic communications are also used for proof of advertising appearance.

Competition

Competition for advertising in the Winnipeg media market includes television, radio, outdoor advertising, telephone directories, free community newspapers and various specialty publications. Management believes, based on internal estimates, that it has the leading share of the overall media advertising market

in Winnipeg. The Winnipeg Free Press's major print competition is the Winnipeg Sun, a tabloid newspaper operated by the Sun Media group, which is controlled by Quebecor Inc. While the presentation and branding of the two newspapers is very different, the newspapers compete directly for both readers and advertising revenue. The Winnipeg Free Press also competes, to a lesser extent, with The Globe and Mail.

The Winnipeg Free Press holds a leading share of the Winnipeg readership market in all major demographic segments. According to the 2008 NADbank survey, the Winnipeg Free Press is read by 42% of all Winnipeg adults on weekdays (the highest share among large market dailies) compared with 20% for the Winnipeg Sun and 4% for The Globe and Mail. Moreover, on Saturday, the Winnipeg Free Press is read by approximately 51% of all adults in Winnipeg, compared to approximately 16% for the Winnipeg Sun. The Winnipeg Free Press also has approximately 45% weekday readership and 55% Saturday readership among adults with a post-secondary education, compared to the Winnipeg Sun's approximately 18% weekday and 13% Saturday readership.

Canstar, a division of FPLP, publishes six community free weekly tabloid-format newspapers. The Canstar weekly newspapers are delivered on Thursdays to Winnipeg Free Press home-delivered subscribers by the Winnipeg Free Press carrier contractors and by Flyer Advantage to non-Free Press subscribers. The Winnipeg Free Press inserts advertising flyers into its core product for home-delivery and single-copy customers primarily on Thursday through Saturday. The two delivery forces have the combined ability to deliver advertising materials to up to approximately 245,000 households.

Raw Materials

The Winnipeg Free Press used approximately 18,900 metric tonnes of newsprint in 2007, approximately 17,400 metric tonnes in 2008, and approximately 14,900 metric tonnes in 2009. The 2008 newsprint usage was impacted by the loss of publishing days due to the labour stoppage as discussed above under "Employees". The 2009 newsprint usage was impacted by fewer advertising pages and lower circulation sales. Newsprint is supplied primarily by Alberta Newsprint Company from its Whitecourt, Alberta mill and by Tembec Inc. from its Kapuskasing, Ontario mill.

Facilities

The Winnipeg Free Press moved into its present facilities at 1355 Mountain Avenue, Winnipeg upon completion of construction in 1991. The facility, a 300,000-square foot office and plant complex in an industrial park, is owned by FPLP and was built at an original cost of approximately \$132 million.

Brandon Sun

Market Overview

The City of Brandon and its immediate vicinity have a population of approximately 46,000, consisting of approximately 20,000 households. NADbank figures for 2007 indicate that newspaper readership in the region is approximately 86%, which is higher than the national average of 78%. Forty percent of the Brandon Sun's circulation is outside the City of Brandon.

Products

In Brandon, FPLP operates the Brandon Sun, a community-based daily newspaper with, according to ABC for the six months ended September 30, 2009, an average weekday circulation of approximately 13,700, a Saturday circulation of approximately 16,100 and a Sunday circulation of approximately 22,000 (including approximately 11,000 third party paid newspapers). A weekly free-distribution paper called the

Brandon Sun Community News Edition was introduced in January 2006 and is delivered to approximately 40,000 western Manitoba households on Thursdays.

The Brandon Sun also operates a web site offering local content, classified and career advertising. The site's address is www.brandonsun.com.

Readership

According to the most recent NADbank survey for Brandon, which was conducted in 2007, the Brandon Sun's adult readership in the City of Brandon was approximately 21,400 on weekdays, approximately 20,500 on Saturday, and approximately 16,500 on Sunday. That survey also indicated that the Brandon Sun was read by approximately 84% of residents of Brandon at least once per week and by approximately 60% of residents of Brandon on a daily basis.

Advertisers

The Brandon Sun's advertising from local sources is highly diversified, since it is currently the only local provider of print advertising vehicles on a daily basis. Major advertisers include automobile manufacturers and dealers, and food, department and specialty stores. Large local employers including Maple Leaf Foods Inc. and Brandon Regional Health Authority are significant career advertisers.

Employees

Of the 103 full-time equivalent employees at the Brandon Sun as at December 31, 2009, 89 were members of a union and 14 were non-unionized. Five-year contracts with members of the Communication, Energy and Paperworkers Union are in force until December 31, 2013.

Editorial Policy

The Brandon Sun deploys the largest news-gathering force in southwestern Manitoba. Similar to the Winnipeg Free Press, the Brandon Sun's editorial policy is set at the local level to reflect the views of the community. To ensure community involvement, the Brandon Sun hosts weekly ad hoc meetings, open to members of the public, to discuss local issues and help set the agenda for news coverage and editorial policy.

Printing and Production

The Brandon Sun's Goss community printing press allows for production of newspapers of up to 40 broadsheet pages, including 24 pages in full process colour, in a single pass. The Brandon Sun is also equipped with an automated line of insertion equipment used to insert flyers.

During the fourth quarter of 2009, the Brandon Sun was notified by CTV Globemedia Publishing Inc. ("CTV Globemedia") that it will not renew the Globe and Mail newspaper printing contract for the Manitoba and Saskatchewan markets. CTV Globemedia and the Brandon Sun have agreed that the 10-year contract that expired on February 1, 2010 will be extended on similar terms to September 30, 2010.

After completing a review of options available to mitigate the financial impact of losing this contract, the decision was made to consolidate the Brandon Sun production in FPLP's Winnipeg print plant when the Globe and Mail contract ends. A restructuring charge of \$0.8 million was recorded in the fourth quarter of 2009 relating to employee severance costs resulting from this production change. A non-cash asset impairment charge of \$0.5 million was recorded during the fourth quarter of 2009 as there is presently no assurance of future cash flows relating to the Brandon production equipment after the Brandon printing is

consolidated in Winnipeg. If it is decided there is no business case to continue to use the Brandon production equipment after September 30, 2010, the equipment will be listed for sale.

All non-production functions will continue to operate in Brandon including editorial, advertising, circulation and administration areas. Management is reviewing options relating to the Brandon Sun building located in downtown Brandon, which is owned by FPLP.

Circulation

The Brandon Sun is delivered by a local independent carrier force of approximately 500. In addition, contract drivers and independent agents are used for distribution to the Brandon Sun's extended coverage region, which stretches from the Saskatchewan boundary to Portage la Prairie, Manitoba and from Dauphin, Manitoba to the U.S. border – an area of approximately 64,000 square kilometres.

Sales and Marketing

Like the Winnipeg Free Press, the Brandon Sun's market leadership position underpins its sales and marketing strategy. The Brandon Sun sells its advertising locally through its own local sales force and nationally through Canadian Primedia Sales and Marketing Inc. It attracts advertisers with travel and other specialized sections within the newspapers specifically for advertisers.

The Brandon Sun sponsors local events to gain recognition at community venues and in the literature of sports and cultural organizations. Advertising is purchased on local radio and the newspaper has taken an active and guiding role in the community as part of the consultation process to produce a 20-year economic blueprint for the City of Brandon.

Competition

The Brandon Sun competes for advertisers against one local television station, four local radio stations and outdoor billboards. Management believes, based on internal estimates, that it has the leading share of the overall media advertising market in Brandon. There is currently no major print competitor to the Brandon Sun. A weekly edition newspaper, the Westman Journal, was introduced to the Brandon market in April, 2002. While the paper competes directly with the Brandon Sun for advertisers, management believes that the Westman Journal's share of the overall media market in Brandon is not material.

Raw Materials

Newsprint usage for the Brandon Sun was approximately 2,800 tonnes in 2007, approximately 2,400 tonnes in 2008, and approximately 1,900 tonnes in 2009.

Newsprint for the Brandon Sun is obtained primarily from the Kapuskasing, Ontario mill of Tembec Inc. and the Whitecourt, Alberta mill of Alberta Newsprint Company. Newsprint for printing of The Globe and Mail is obtained from Abitibi Consolidated Inc.

Facilities

The Brandon Sun is produced from a combined editorial, advertising, sales and production facility in a 40,000-square foot building owned by FPLP in the heart of Brandon on Rosser Avenue.

Canstar

Products

In Winnipeg and surrounding region, Canstar publishes six weekly free-distribution community newspapers (The Times, The Herald, The Metro, The Lance, The Sou'wester and the Headliner) with a combined circulation of approximately 183,000. The advertising distribution business offers Winnipeg customers the ability to deliver flyers and marketing materials to approximately 220,000 households and apartments as inserts in the Canstar community newspapers.

In addition, Canstar publishes UPTOWN Magazine, a weekly entertainment newspaper serving Winnipeg, with a circulation of 17,000 copies. The Prime Times, a biweekly newspaper aimed at age-50-plus readers in the Winnipeg area, has a circulation of 11,000 copies.

Canstar also operates web sites offering local content, classified and employment listings and a community calendar. The community newspaper site operates at www.canstarnews.com while UPTOWN has a popular site at www.uptownmag.com, providing strong entertainment content to supplement the print magazine.

Readership

According to a September 2006 Probe Research Inc. market survey, the combined readership of the community papers is 60 per cent of Winnipeg's adult population. Readership of community papers is generally higher than paid daily newspapers and provides advertisers with the highest consumer reach of any mass media.

Advertisers

Advertisers in Canstar community newspapers are primarily local retail businesses, including restaurants, specialty stores and service businesses. Local government is also an important source of advertising revenue.

Employees

There were 26 full-time equivalent employees at Canstar as at December 31, 2009 including 22 unionized employees and 4 non-unionized employees. The current agreement covering the Canstar unionized employees runs through to June 30, 2013.

Editorial Policy

The community newspapers employ a small editorial group, which focuses on local news. The editorial policy is set at the local level to reflect the views of the community.

Printing and Production

Printing of the community newspapers is done by FPLP at the Winnipeg Free Press and the Brandon Sun. Production of editorial and advertising layout for the community newspapers is done in-house at Canstar's offices in Winnipeg.

Circulation

The community newspapers are delivered on Thursdays by the Winnipeg Free Press contract carrier force and Flyer Advantage.

Sales and Marketing

Canstar sells its advertising services through its own local sales force and nationally through a national sales team and third party agencies.

The community newspapers sponsor local events to gain recognition within the markets they serve.

Competition

The community newspapers compete for advertisers against local daily newspapers, local television stations, local radio stations and outdoor billboards.

Facilities

During 2008 the Canstar operation was moved into vacant office space at the Winnipeg Free Press building. Canstar uses an independent contractor for inserting advertising material.

Seasonality

Newspaper publishing is to a certain extent a seasonal business, with a higher proportion of revenues occurring during the second and fourth quarters of the calendar year. During the year ended December 31, 2009 revenue of FPLP in the first, second, third and fourth quarter as a percentage of total revenue, were 24%, 26%, 23% and 27%, respectively.

Canadian Newspaper Status

Under the Tax Act, no deduction is allowed for an outlay or expense for advertising space in an issue of a newspaper for an advertisement directed primarily to a market in Canada unless the issue is a "Canadian issue" of a "Canadian newspaper". It is intended that the Winnipeg Free Press, the Brandon Sun and the other publications of the Business will, at all times, be Canadian issues for the purposes of these provisions.

A newspaper is a "Canadian newspaper" if the exclusive right to produce and publish issues is held by one or more of, among others, (i) Canadian citizens, (ii) partnerships in which interests representing in value at least three-quarters of the total value of the partnership property are beneficially owned by, and three-quarters of the income or loss thereof is included in the income of, Canadian citizens, Canadian corporations (defined in (iii) as follows) or a combination thereof, or (iii) corporations incorporated in Canada of which the chairperson and three-quarters of the directors are Canadian citizens and which is either (a) a public corporation that is listed on a prescribed stock exchange in Canada, provided it is not controlled by citizens or subjects of a country other than Canada, or (b) a corporation with at least three-quarters of the voting shares and shares having a value of at least three-quarters of the fair market value of all of the issued shares of the corporation being beneficially owned by Canadian citizens or by a corporation described in (a).

The documents establishing and governing the Fund and its related entities contain provisions prescribing these Canadian ownership and control requirements in respect of the Fund, FP Trust, FPGP, the General Partners, FPCN Media, FPLP and any entity that controls any of these entities. In connection therewith, FPGP or the General Partners, as the case may be, have the authority or have been delegated the authority by the Fund, FP Trust, FPCN Media, the General Partners and FPLP to:

- (i) refuse to accept any subscription for Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be;
- (ii) refuse to allow any transfer, pledge or other assignment of Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be, to be recorded in their respective registers;
- (iii) suspend the rights of a holder of Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be, to vote at a meeting of the Fund, FP Trust, FPLP, FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities); and
- (iv) sell, repurchase or redeem any Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be, that may be held,

if the consequences of such subscription, transfer, voting or sale, repurchase or redemption would be to deny the deduction of the expense of advertising in any of the newspapers owned by the Business, including, without limitation, the Winnipeg Free Press and Brandon Sun.

Environmental

FPLP's facilities are subject to federal, provincial and municipal laws concerning, among other things, emissions to the air, water and sewer discharges, handling and disposal of wastes, recycling, or otherwise relating to protection of the environment. FPLP has adopted an environmental policy to follow industry best practices, including implementing systems to ensure compliance with applicable environmental protection laws. Ensuring environmental compliance has not and is not expected to give rise to any material adverse financial or operational effects upon the Business, nor any significant capital expenditures.

RISK FACTORS

An investment in the securities of the Fund involves a number of risks. In addition to the other information contained herein, Unitholders should give careful consideration to the following factors:

Risks Related to the Structure of the Fund and the Units

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Performance of the Business

Although the Fund intends to distribute the interest and cash distributions from FP Trust less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by FPLP to make distributions on the Class A Units of FPLP which will enable FP Trust to pay distributions on the FP Trust Units to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins, capital expenditures, interest and principal payments on borrowings and future tax legislation.

Reliance on FPGP and General Partners

FPLP is dependent on FPGP and the General Partners in respect of the administration and management of FPLP. FPGP currently has no employees other than certain senior officers, one of which performs services for FPGP and other entities related to the General Partners. The General Partners, other than FPGP, manage other businesses in addition to those of FPLP, which in some instances and to some extent could in the future be competitive with FPLP.

Responsibility of FPGP

FPGP, as the managing general partner of FPLP, must exercise good faith and integrity in administering the assets and affairs of FPLP. However, the Partnership Agreement contains various provisions that have the effect of restricting the fiduciary duties that might otherwise be owed by FPGP to FPLP and the limited partners of FPLP, and waiving or consenting to conduct by FPGP that might otherwise raise issues as to compliance with fiduciary duties. Unlike the strict duty of a trustee who must act solely in the best interests of his beneficiary, the Partnership Agreement permits FPGP to consider the interests of all parties to a conflict of interest, including the interests of FPGP and the shareholders of FPGP and their respective affiliates and associates. The Partnership Agreement also provides that in certain circumstances FPGP will act in its sole discretion, in good faith or pursuant to some other specified standard. As a result, Unitholders should carefully consider that FPGP does not owe to the Unitholders the same duties as a trustee would owe to the beneficiaries of a trust.

Nature of Units

Securities like the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in FPLP or the Business and should not be viewed by investors as partnership units of FPLP. Unitholders do not have the statutory rights normally associated with the ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The Units represent a fractional interest in the Fund. The Fund’s primary assets are FP Trust Units and FP Trust Notes. The future trading price per Unit is expected to be primarily a function of anticipated distributable cash and prevailing interest rate levels.

The Fund May Issue Additional Units Diluting Existing Unitholders’ Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as are established by the Trustees without the approval of any Unitholders. Additional Units will be issued by the Fund for FP Trust Notes and FP Trust Units on the exchange of the partnership units of FPLP.

Change of Control and Credit Facility

FPLP’s credit facility (see “Structure of FPLP – Long-Term Credit Facility”) includes a covenant not to amend the share capital or permit changes to the beneficial ownership of FPGP.

Income Tax Matters including Canadian Newspaper Status

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations applicable to Unitholders would be materially and adversely different in certain respects. Further, there can be no assurance that Canadian federal income tax laws respecting the treatment of deductibility of advertising expenses incurred in relation to “Canadian issues” of “Canadian newspapers” will not be changed. Any such change may adversely affect the holders of the Units.

Interest on the FP Trust Notes accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. Where interest payments on the FP Trust Notes are due but not paid in whole or in part, the Declaration of Trust provides that additional units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those Units into their taxable income, in circumstances when they do not directly receive a cash distribution.

On June 12, 2007 proposed legislation that implements a tax on distributions made by flow-through entities such as income trusts and limited partnerships, was substantively enacted through the passing of Bill C-52 Budget Implementation Act 2007. The new tax is effective January 1, 2011 for the Fund, unless accelerated by the issuance of new equity, in certain circumstances. It is expected the new tax will reduce the amount of distributable cash otherwise available to the Fund for purposes of making distributions to Unitholders. Whether distributions to Unitholders will be reduced from current levels will depend on future events, including the results of operations during 2010 and the distributions to Unitholders during that period, the outlook for operations and expected cash flows for the year 2011 and beyond, the level of undistributed distributable cash on hand at the time the new tax becomes effective, and the distribution policy in effect at that time.

The Fund has studied the expected impact of the new tax in detail in order to determine whether changes to the distribution policy or capital structure of the Fund are desirable. Based on its review, the Fund has concluded that it would be in the best interests of the Fund and Unitholders if the Fund were to convert to a corporate structure at the end of 2010. Accordingly, the Fund intends to propose to Unitholders at its annual meeting in May 2010 a resolution to approve an arrangement transaction pursuant to which all of the Units of the Fund would be exchanged by their holders for shares of a new corporation, which, on completion of the arrangement, would hold all of the outstanding Units. Immediately following the arrangement, the FP Trust and Fund would be wound up, leaving the new corporation holding directly the interest in FPLP that is currently held indirectly by the Fund. Full details of the proposed transaction will be set forth in the information circular to be sent to Unitholders in connection with the annual meeting.

Investment Eligibility and Foreign Property Restrictions

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans or that the Units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

Distribution of Securities on Redemption or Termination of the Fund

Upon redemption of the Units or termination of the Fund, the Trustees may distribute the FP Trust Units, FP Trust Notes and/or Series 2 Notes directly to Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the FP Trust Units, FP Trust Notes and Series 2 Notes. In addition, the FP Trust Units, FP Trust Notes and Series 2 Notes are not freely tradable and are not listed on any stock exchange. FP Trust Units, FP Trust Notes and Series 2 Notes so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

FPGP Indemnity

While FPGP has agreed to indemnify the limited partners of FPLP in certain circumstances, FPGP has no property, other than its 10 general partner units of FPLP and, therefore, may not have assets to honour that indemnification.

Possible Loss of Limited Liability

Limited partners of FPLP may lose their limited liability in certain circumstances. Limited partners of FPLP may lose the protection of limited liability as a result of taking part in the control of or management of the business of FPLP, or as a result of false statements in documents filed under, or other non-compliance with legislation governing limited partnerships in force in the provinces where Units are offered for sale or where FPLP carries on business.

Risks Related to the Business and the Industry

Cyclicalities of Revenue

Advertising and, to a lesser extent, circulation revenues of FPLP, as well as those of the newspaper industry in general, are cyclical and dependent upon general economic conditions. Historically, increases in advertising revenues have corresponded with economic recoveries while decreases, as well as changes in the mix of advertising, have corresponded with general economic downturns and regional and local economic recessions.

Newspaper publishing is both capital and labour-intensive; as a result, newspapers have relatively high fixed-cost structures. During periods of economic contraction, revenues of newspaper publishers may decrease while costs remain fixed, resulting in decreased earnings.

The Ability of FPLP to Maintain "Brand Equity" and to Protect its Intellectual Property

The ability of FPLP to maintain and increase its sales will depend on its ability to maintain "brand equity". If FPLP fails to enforce or maintain any of its intellectual property rights, it may jeopardize its brand equity.

Employee Relations

The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. The current contracts with the Communications Energy and Paperworkers Union expire on June 30, 2013, in respect of the Winnipeg Free Press and Canstar, and on December 31, 2013, in respect of the Brandon Sun. Strikes, lockouts or other labour disruptions could restrict FPLP's ability to service its customers and consequently materially adversely affect its revenues.

Newsprint Costs

Newsprint represents the single largest raw material expense of the Business and is one of the most significant operating costs (the other being employee costs). Newsprint costs vary widely from time to time and, to some extent, are dependent upon the currency exchange rate between the United States and Canada. The impact of price changes in newsprint can therefore be significant to overall earnings. Based on current volumes purchased annually, every 1% change in the price of newsprint has approximately a \$100,000 impact on FPLP's EBITDA and distributable cash.

Reliance on Key Personnel

The success of the Business depends on the abilities, experience and personal efforts of senior management of FPLP, FPGP and the General Partners, including their ability to retain and attract skilled employees. The loss of the services of such key personnel could have a material adverse effect on the business, financial condition or future prospects of FPLP. No such key personnel are bound by non-competition agreements. If any such personnel depart and subsequently compete with FPLP, such competition could have a material adverse effect on FPLP.

Competition

The Winnipeg Free Press and the Brandon Sun compete with other newspapers and media companies. Although the Winnipeg Free Press and the Brandon Sun are dominant in their respective major demographic segments, there can be no assurance that the Winnipeg Free Press and the Brandon Sun will be able to respond to various competitive factors affecting their operations.

In recent years, online services and other new media technologies have begun to compete with newspapers. It is impossible to predict to what extent this competition will grow, and there can be no assurance that FPLP will be able to respond to the competition that this technology may represent in the local markets in which the Business operates.

Capital Investment

The timing and amount of capital expenditures of FPLP will directly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

The Impact of Litigation in Respect of the Operations of FPLP

Alleged failure by FPLP to comply with laws and regulations may lead to the imposition of fines or other penalties, or the denial, revocation or delay of the renewal of permits and licences by governmental authorities. A significant judgment against FPLP or the imposition of a significant fine or penalty could have a material adverse effect on the business, financial condition or future prospects of FPLP.

Leverage and Restrictive Covenants

FPLP has significant debt service obligations under its credit facility (see "Structure of FPLP – Long-Term Credit Facility"). The degree to which FPLP is leveraged could have important consequences to the holders of the Units, including:

- FPLP's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a portion of FPLP's cash flow from operations will be dedicated to the payment of interest and principal on its indebtedness, thereby reducing funds available for future operations;
- FPLP's borrowings can be at variable rates of interest, which would expose FPLP to the risk of increased interest rates; and
- FPLP may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressure.

Certain of FPLP's competitors may operate on a less leveraged basis and therefore could have significantly greater operating and financing flexibility than FPLP. FPLP's ability to make scheduled payments of interest and principal and to refinance its indebtedness in 2012 will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

FPLP's credit facility contains numerous customary restrictive covenants that limit the discretion of FPLP's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of FPLP to incur additional indebtedness, to create liens or other encumbrances, to pay distributions on the partnership units of FPLP or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facility contains a number of financial covenants that require FPLP to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the credit facility were to be accelerated, there can be no assurance that the assets of FPLP would be sufficient to repay in full that indebtedness.

Possible Acquisitions

FPLP may make acquisitions from time to time. Acquisitions, if they occur, may increase both the size of FPLP's operations and the amount of indebtedness to be serviced by FPLP.

Insurance Limits

While FPLP believes that its property and casualty insurance coverage addresses all material insurable risks, provides coverage that is consistent with that which would be maintained by a prudent owner of a similar business and assets and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of FPLP.

Environmental Matters

FPLP's properties are subject to federal, provincial and municipal laws concerning, among other things, emissions to the air, water and sewer discharges, handling and disposal of wastes, recycling, or otherwise relating to protection of the environment. Compliance with these laws has not had, to date, a material effect upon the capital expenditures, net income or competitive position of FPLP. Environmental laws and regulations and their interpretation, however, have changed in recent years and will continue to do so in the future. FPLP's properties, as well as areas surrounding those properties, may have had historic uses (or may have current uses, in the case of surrounding properties) which may affect such properties and require further study or remedial measures. No material studies or remedial measures are currently anticipated or planned by FPLP or required by regulatory authorities with respect to such properties. However, no assurance can be given that all environmental liabilities have been determined, that any prior owner of FPLP's properties did not create a material environmental condition not known to FPLP, or that a material environmental condition does not otherwise exist at any such property.

Decline in Overall Usage of Newspapers and Flyer Delivery

The Fund and FPLP could be materially adversely affected if the usage of newspapers or flyer distribution declines significantly. For example, increased usage of the internet by consumers to find news or flyers could result in a decline in their use of newspapers and flyer distribution. Such declines could impair FPLP's ability to maintain or increase FPLP's advertising prices, cause businesses that purchase advertising in FPLP's newspapers and flyer distribution to reduce or discontinue their purchases, and discourage businesses that do not already purchase advertising in FPLP's newspapers and flyer

distribution from doing so. Any of the factors that may contribute to a decline in usage of FPLP's newspapers and flyer distribution could impair FPLP's revenues and have a material adverse effect on our business.

Availability of Capital

Future capital expenditures and potential acquisitions may require additional financing. The residual effects of the global financial markets crisis and economic slowdown may further constrain our ability to meet our future financing requirements, increase our weighted average cost of capital and cause other cost increases from counterparties also faced with liquidity problems and higher cost of capital. Disruptions and high volatility in the capital markets could reduce the amount of capital available and/or increase the cost of such capital. We currently have a sound financial position and liquidity is provided by cash generated from our operations. Despite such factors, no assurances can be given as to the future availability of capital. If we are unable to obtain such additional financing, when and if required, or to refinance our credit facilities or other debt obligations, or we are only able to obtain such additional financing or refinance these credit facilities or other debt obligations on less favourable and/or more restrictive terms, this could have a material adverse effect on our financial position and on our future growth, and may negatively impact our ability to pay cash distributions.

Other Factors

Other factors beyond the Fund's or FPLP's control that may affect future results are noted in "Caution Regarding Forward-Looking Statements". The Fund and FPLP caution that the preceding discussion of factors that may affect future results is not exhaustive. When relying upon forward-looking statements to make decisions with respect to the Fund, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry and company-specific factors that may adversely affect future results. The Fund and FPLP assume no obligation to update or revise them to reflect new events or circumstances, except as required by law.

DISTRIBUTIONS

Distributions

Distributions made by the Fund for the years ended December 31, 2007, 2008 and 2009 are presented in the table below.

	<i>(in thousands of dollars, except per-Unit amounts)</i>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total distributions declared to Unitholders.....	\$7,869	\$8,645	\$8,904
Total distributions declared to Unitholders per Unit	\$1.140	\$1.253	\$1.290

Distribution Policy of the Fund

The Fund's policy is to make monthly distributions to Unitholders of its distributable cash after:

- administrative expenses and other obligations of the Fund;
- amounts which may be paid or payable by the Fund in connection with any cash redemptions of Units;
- any interest expense incurred by the Fund; and
- reasonable reserves established by the Trustees (to the extent not already accounted for).

A default under the terms of its credit agreements could preclude FPLP from paying distributions with respect to Class A Units, thereby potentially limiting distributions by the Fund.

Distribution Policy of FP Trust

The FP Trust Trustees have adopted a policy to distribute all of the distributable cash of FP Trust, subject to applicable law, by way of monthly distributions on the FP Trust Units or other distributions on its securities, after:

- administrative expenses and other obligations of FP Trust;
- any interest expense incurred by FP Trust on the FP Trust Notes, the Series 2 Notes and other debt securities of FP Trust;
- principal repayments in respect of the FP Trust Notes or any other debt securities of FP Trust considered advisable by the FP Trust Trustees, and any capital contributions required to be made in respect of the Class A Units; and
- reasonable reserves established by the FP Trust Trustees.

Distribution Policy of FPLP

The Partnership Agreement provides that FPLP will distribute by way of monthly distributions on its partnership units or other distributions on its securities its distributable cash for any period, after paying or providing in respect of such period for:

- debt service obligations, if any;
- interest accrued or payable under FPLP's credit facility, including amounts payable to FP Funding Co. under the credit support agreement;
- sustaining expenditures (capital and contract payments) and other expense obligations;
- reimbursement of the Fund for expenses of the Fund's initial public offering; and
- such reserves as may be considered necessary or desirable by FPGP, having regard to current and anticipated cash requirements of FPLP including for capital expenditures and operating expenses, payments in respect of any debt obligations or other commitments and obligations and reserves to ensure compliance with agreements to which FPLP is subject, including the Credit Facility, and to ensure monthly distributions in any fiscal year do not exceed the available cash for that fiscal year.

Capital expenditures and other expenditures may be financed by FPLP (to the extent permitted under the terms of the credit facility) by additional issuances of FPLP partnership units, from additional borrowings or from the working capital and/or the cash flow of the Business. All such sources of funding are subject to economic and market conditions. FPLP attempts to manage its available cash, based on expected operating results, to make approximately equivalent monthly distributions within each fiscal year.

STRUCTURE OF THE FUND

Declaration of Trust

The Fund is an unincorporated, open-ended, limited-purpose trust established under the laws of Ontario pursuant to the Declaration of Trust. It qualifies as a “mutual fund trust” for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which summary is not intended to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions.

Activities of the Fund

The Declaration of Trust provides that the Fund is restricted to:

- investing in such securities as may be approved from time to time by the Trustees, including those issued by FP Trust and FPGP;
- temporarily holding cash in interest bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units and making distributions to Unitholders, as well as maintaining the monies and investments therein from time to time;
- issuing Units or securities convertible into Units (i) for cash or in satisfaction of any non-cash distribution or in order to acquire securities including those issued by FP Trust, (ii) upon the conversion or exchange of securities or debt obligations issued by the Fund or FP Trust or any other person or (iii) in satisfaction of any indebtedness of or borrowing by the Fund;
- obtaining funds to conduct the activities of the Fund including raising funds for further acquisitions;
- issuing debt securities or borrowing funds;
- guaranteeing the obligations of FP Trust, FPGP or any direct or indirect wholly-owned entity of the Fund pursuant to any good faith debt for borrowed money incurred by FP Trust or any such entity, as the case may be, and pledging securities held by the Fund or any such entity, as the case may be, as security for that guarantee;
- issuing rights and Units under any Unitholder rights plan adopted by the Fund;
- repurchasing or redeeming Units or other securities of the Fund, subject to the provisions of the Declaration of Trust and applicable law;
- purchasing securities under any issuer bid made by the Fund; and
- undertaking all other activities or taking any actions, including investing in securities as are approved by the Trustees from time to time, provided that the Fund will not undertake any activity, take any action or make any investment that would result in the Fund not being considered a “mutual fund trust” for purposes of the Tax Act which would result in the Units being “foreign property” for purposes of the Tax Act or would result in the Units being held in a manner that would result in the newspapers owned by FPLP ceasing to qualify as “Canadian newspapers” under the Tax Act.

Units

An unlimited number of Units may be created and issued under the Declaration of Trust. Each Unit is freely transferable and represents an equal undivided beneficial interest in any distributions from the Fund

whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holder to one vote for each Unit held at all meetings of Unitholders. No Unitholder has or is deemed to have any right of ownership in any of the assets of the Fund. Except as set out under “Redemption Right” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Units do not represent a traditional investment and should not be viewed by investors as “shares” in FPLP or the Fund. As holders of Units in the Fund, the Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The price per Unit is a function of anticipated distributable income from FPLP and the ability of FPLP, indirectly, to effect long-term growth in the value of the Fund. The market price of the Units is sensitive to a variety of market conditions including, but not limited to, interest rates, the distributions generated by FPLP and the ability of the FPLP to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Units.

Trustees

The Declaration of Trust provides that Fund will have a minimum of three trustees and a maximum of five trustees, as fixed from time to time by the Trustees. FPCN Media is entitled to nominate no fewer than one-third of the Trustees so long as the General Partners continue to hold, directly or indirectly, 10% of the outstanding partnership units of FPLP.

Trustees will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting. A majority of the Trustees proposed for election will be unrelated to the General Partners (as such term is ascribed to a director in the Toronto Stock Exchange’s guidelines on effective corporate governance). The Declaration of Trust prohibits a non-resident of Canada (as that term is defined in the Tax Act) from acting as a trustee.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees may, in respect of the trust assets, exercise all rights, powers and privileges that could be exercised by a legal and beneficial owner and will supervise the investments and conduct the affairs of the Fund. The Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a holder of FP Trust Units and FP Trust Notes;
- maintaining records and providing reports to Unitholders;
- supervising the activities and managing the affairs of the Fund;
- ensuring the ownership restrictions in the Declaration of Trust are met;
- declaring and effecting payments of distributable cash of the Fund to Unitholders; and
- voting in favour of the Fund’s nominees to serve as Trustees of FP Trust and directors of FPGP.

The Declaration of Trust provides that the Trustees will act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each trustee will be entitled to indemnification from the Fund in respect of the exercise

of the trustee's powers and the discharge of the trustee's duties provided that the trustee acted honestly and in good faith with a view to the best interests of all the Unitholders.

The Declaration of Trust provides that the Trustees will be entitled to indemnification from the Fund in respect of the performance of their duties under the Declaration of Trust in the absence of their gross or wilful fault or fraudulent acts.

Except as expressly prohibited by law, the Trustees may grant or delegate certain of the authority of the Trustees to effect the actual administration of the duties of the Trustees under the Declaration of Trust. The Trustees may grant broad discretion to a third party to administer and manage the day-to-day operations of the Fund, and to make executive decisions which conform to the general policies and general principles set forth in the Declaration of Trust or otherwise established by the Trustees from time to time, including pursuant to the Administration Agreement.

Administration Agreement

The Trustees may delegate the execution of many of their powers to FPGP, as the administrator of the Fund, pursuant to the terms of the Declaration of Trust and to such other persons as they may deem necessary or desirable. Under the Administration Agreement, FPGP provides certain administrative and support services to the Fund, including those necessary to: (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Declaration of Trust, including relevant information with respect to income taxes; (iv) call and hold meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of distributions to Unitholders; (vi) attend to all administrative and other matters arising in connection with any redemptions of Units; and (vii) ensure compliance with the Fund's limitations on non-resident ownership. The Administration Agreement has an initial 15-year term and will automatically renew thereafter for five-year terms unless terminated in accordance with its terms. All reasonable out-of-pocket direct and indirect costs and expenses incurred by FPGP in connection with the provision of these services are for the account of the Fund.

Cash Distributions

The amount of cash to be distributed monthly per Unit to the Unitholders is equal to a *pro rata* share of interest and principal repayments on the FP Trust Notes, distributions on or in respect of the FP Trust Units owned by the Fund and all other amounts, if any, from any other investments from time to time held by the Fund received in such period, less amounts which are paid, payable, incurred or provided for in such period in connection with:

- administrative expenses and other obligations of the Fund;
- amounts which may be paid or payable by the Fund in connection with any cash redemptions of Units;
- any interest expense incurred by the Fund during such period; and
- reasonable reserves established by the Trustees in such period (to the extent not already accounted for).

Under the terms of the FP Trust Notes, interest is accrued at 2.0% per annum and is calculated and paid monthly by the last business day of the following month. The Fund may make such additional distributions in excess of the monthly distributions during the year as the Trustees may determine.

Any income of the Fund which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Those additional Units will be issued under applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Trustees make monthly distributions to Unitholders of record on the last business day of each month, paid by the end of the following month.

Holders of Units who are non-residents of Canada are required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional Units.

Redemption Right

Units are redeemable at any time on demand by the holders thereof on the terms set out in the Declaration of Trust. It is anticipated that the redemption right will not be the primary mechanism for holders of Units to dispose of their Units.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders must be called and held annually. The Declaration of Trust provides that the Unitholders will be entitled to pass resolutions that will bind the Fund only with respect to:

- the election or removal of Trustees (except for filling casual vacancies);
- the election or removal of nominees of the Fund to serve as Trustees of FP Trust and directors of FPGP (except filling casual vacancies);
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees of their respective responsibilities and duties in respect of the Fund;
- the approval of amendments to the Declaration of Trust (except as described under "Amendments to the Declaration of Trust");
- the termination or dissolution of the Fund prior to the end of its term;
- the sale of all or substantially all of the assets of the Fund; and
- the exercise of certain voting rights attached to the securities of FP Trust and FPGP held by the Fund and the Class A Units held by FP Trust (see "Exercise of Certain Voting Rights Attached to Securities of FP Trust, FPGP and FPLP").

A resolution electing or removing nominees of the Fund to serve as FP Trust Trustees and directors of FPGP and a resolution electing or removing the Trustees or the auditors of the Fund must be passed by a

simple majority of the votes cast by Unitholders. The balance of the foregoing matters must be passed by a Special Resolution.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Limitation on Foreign Ownership

In order for the Fund to maintain its status as a “mutual fund trust” under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Further, to ensure the newspapers published by FPLP qualify as “Canadian newspapers” under the Tax Act, a majority of the Units of the Fund must not be held by citizens or subjects of a country other than Canada. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada, citizens or subjects of a country other than Canada, be the beneficial owners of a majority of the Units. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident, citizens or subjects. If the Trustees become aware that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents of Canada or citizens or subjects of a country other than Canada or that such a situation is imminent, the transfer agent and registrar will make a public announcement and will not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident of Canada or citizen or subject of a country other than Canada. If, notwithstanding the foregoing, FPGP, in its capacity as administrator of the Fund, determines that a majority of the Units are held by non-residents of Canada or citizens or subjects of a country other than Canada, the Trustees may send a notice to such holders of Units, chosen in inverse order to the order of acquisition or registration or in any manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion of their Units within a specified period of not less than 60 days. If the Unitholders receiving the notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents of Canada or citizens or subjects of a country other than Canada within that period, the Trustees may, on behalf of those Unitholders, sell those Units and, in the interim, will suspend the voting and distribution rights attached to those Units. Upon that sale, the affected holders will cease to be holders of the Units and their rights will be limited to receiving the net proceeds of the sale upon surrender of the certificates representing such Units. For further limitations on foreign ownership, See “Narrative Description of the Business – Canadian Newspaper Status”.

Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by a Special Resolution. The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustees or over the Fund;
- deemed necessary or advisable to ensure that the Fund has not been established nor maintained primarily for the benefit of non-residents or to ensure that Units in the Fund are not held in a

manner that would result in the newspapers owned by FPLP ceasing to qualify as “Canadian newspapers” under the Tax Act;

- which, in the opinion of the Trustees, are necessary or desirable as a result of changes in Canadian taxation laws;
- which, in the opinion of counsel to the Trustees, provide additional protection for or benefit to the Unitholders;
- to correct any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders; and
- correcting errors or inconsistencies between the Declaration of Trust and the Material Contracts (as such term is defined in the Declaration of Trust) which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders.

Term of the Fund

The Fund will be established for a term to continue until no property of the Fund is held by the Trustees. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may by Special Resolution require the Trustees to commence to wind up the affairs of the Fund.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units, including Units to be acquired under the Exchange Agreement (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror), are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the terms on which the offeror acquired Units from Unitholders who accepted the take-over bid.

Exercise of Certain Voting Rights Attached to Securities of FP Trust, FPGP and FPLP

The Declaration of Trust provides that the Fund will not vote the common shares of FPGP or the FP Trust Units or FP Trust Notes held by the Fund, nor will it permit FP Trust to vote its Class A Units to authorize, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of FP Trust or FPLP, except in conjunction with an internal reorganization or pledges in connection with permitted guarantees;
- any amalgamation, arrangement or other merger of FP Trust, FPGP or FPLP with any other entity, except in conjunction with an internal reorganization;
- any material amendment to the FP Trust Note Indenture other than in contemplation of a further issuance of FP Trust Notes; or
- any material amendment to the FP Trust Declaration of Trust to change the terms of the FP Trust Units, any material amendment to the articles of FPGP to change the authorized share capital of FPGP or any material amendment to the limited partnership agreement of FPLP to change the

terms of any partnership units, in any case in a manner which may be prejudicial in any material respect to the Fund,

without the authorization of the Unitholders by Special Resolution.

STRUCTURE OF FP TRUST

FP Trust Declaration of Trust

FP Trust is an unincorporated, limited-purpose trust established under the laws of Ontario pursuant to the FP Trust Declaration of Trust. The following is a summary of the material attributes and characteristics of the FP Trust Units and certain provisions of the FP Trust Declaration of Trust, which summary is not intended to be complete. Reference is made to the FP Trust Declaration of Trust for a complete description of the FP Trust Units and the full text of its provisions.

Activities of FP Trust

The FP Trust Declaration of Trust provides that FP Trust is restricted to:

- investing in such securities as may be approved from time to time by the FP Trust Trustees, including those issued by FPLP or any other entity owning interests in newspapers, and other publishing, printing, media and entertainment businesses;
- subscribing for Class A Units in FPLP and agreeing to make capital contributions in respect of such units in accordance with the partnership agreement and certificate of limited partnership for FPLP;
- temporarily holding cash in interest bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of FP Trust and making distributions to holders of FP Trust Units and FP Trust Notes;
- issuing units or securities convertible into FP Trust Units for cash or in satisfaction of any non-cash distribution or in order to acquire securities, including those issued by FPLP;
- acquiring Class A Units of FPLP under the Exchange Agreement in consideration for Units as contemplated therein;
- issuing debt securities or borrowing funds;
- purchasing securities under any issuer bid made by FP Trust; and
- undertaking all other activities or taking any actions, including investing in securities approved by the FP Trust Trustees from time to time provided that FP Trust will not undertake any activity, take any action or make any investment that would result in the newspapers owned by FPLP ceasing to qualify as "Canadian newspapers" under the Tax Act.

FP Trust Units

An unlimited number of FP Trust Units may be created and issued under the FP Trust Declaration of Trust. Each FP Trust Unit is transferable and represents an equal undivided beneficial interest in any distributions from FP Trust whether of net income, net realized capital gains or other amounts, and in the net assets of FP Trust in the event of termination or winding-up of FP Trust. All FP Trust Units are of the

same class with equal rights and privileges. The FP Trust Units are not subject to future calls or assessments, and entitle the holder to one vote for each FP Trust Unit held at all meetings of unitholders.

Trustees

The FP Declaration of Trust provides that FP Trust will have a minimum of three trustees and a maximum of five trustees, as fixed from time to time by the FP Trust Trustees. According to the FP Trust Declaration of Trust, FP Trust Trustees will be elected at each annual meeting of holders of FP Trust Units to hold office for a term expiring at the close of the next annual meeting. A majority of the Trustees of FP Trust proposed for election will be unrelated to the General Partners (as such term is ascribed to a director in the Toronto Stock Exchange's guidelines on effective corporate governance). FPCN Media will be entitled to nominate no fewer than one-third of the FP Trust Trustees, so long as the General Partners continue to hold, directly or indirectly, 10% of the outstanding partnership units of FPLP.

The FP Trust Declaration of Trust provides that, subject to its terms and conditions, the FP Trust Trustees may, in respect of the trust assets, exercise all rights, powers and privileges that could be exercised by a legal and beneficial owner and will supervise the investments and conduct the affairs of FP Trust. The FP Trust Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing FP Trust as a partner of FPLP;
- maintaining records and providing reports to holders of FP Trust Units;
- supervising the activities and managing the affairs of FP Trust; and
- effecting payments of distributable cash from FP Trust to holders of FP Trust Units and FP Trust Notes.

The FP Trust Declaration of Trust provides that the FP Trust Trustees will act honestly and in good faith with a view to the best interests of FP Trust and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The FP Trust Declaration of Trust provides that each FP Trustee will be entitled to indemnification from FP Trust in respect of the exercise of the trustee's powers and the discharge of the trustee's duties, provided that the FP Trustee acted honestly and in good faith with a view to the best interests of all the holders of FP Trust Units.

The FP Trust Trustees may delegate the execution of many of their powers to FPGP, as administrator of FP Trust pursuant to the terms of the FP Declaration of Trust. Under the FP Trust Administration Agreement, FPGP provides certain administrative and support services to FP Trust on terms and conditions substantially similar to the Administration Agreement for the Fund. See "Description of the Fund – Administration Agreement".

Cash Distributions

The amount of cash to be distributed monthly per FP Trust Unit to the holders of FP Trust Units is equal to a *pro rata* share of distributions on or in respect of the Class A Units of FPLP owned by FP Trust and all other amounts, if any, from any other investments from time to time held by FP Trust, received in such period, less amounts which are paid, payable, incurred or provided for in such period in connection with:

- administrative expenses and other obligations of FP Trust;

- any interest expense incurred by FP Trust on the FP Trust Notes, the Series 2 Notes or other debt securities of FP Trust during such period;
- principal repayments in respect of the FP Trust Notes or any other debt securities of FP Trust considered advisable by the FPGP, in its capacity as administrator of FP Trust and any capital contributions required to be made in respect of the Class A Units; and
- reasonable reserves established by FPGP, in its capacity as administrator of FP Trust, in such period.

Distributions in respect of the Class A Units of FPLP are paid monthly by the end of the month following the month for which distributable cash of FPLP is determined. FP Trust may make additional distributions in excess of the monthly distributions during the year, as FPGP, in its capacity as Administrator of FP Trust, may determine.

Any income of FP Trust which is unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be distributed to unitholders in the form of additional FP Trust Units.

FP Trust Notes

The following is a summary of the material attributes and characteristics of the FP Trust Notes which will be issued by FP Trust under the FP Trust Note Indenture to be entered into between FP Trust and the FP Trust Note Trustee. This summary is qualified in its entirety by reference to the provisions of the FP Trust Note Indenture, which contains a complete statement of those attributes and characteristics.

An unlimited number of FP Trust Notes may be issued under the FP Trust Note Indenture. The FP Trust Notes are payable 10 years after issuance, subject to extension for an additional 10-year term with the consent of FPGP, in its capacity as administrator of FP Trust. The FP Trust Notes bear interest at the rate of 2.0% per annum, payable monthly by the end of the following month for which interest has accrued.

Payment upon Maturity

On maturity, FP Trust will repay the indebtedness represented by the FP Trust Notes by paying to the FP Trust Note Trustee, on behalf of the holders, in lawful money of Canada an amount equal to the principal amount of the outstanding FP Trust Notes, together with accrued and unpaid interest thereon.

Redemption

From time to time FPGP, in its capacity as administrator of FP Trust, will review the status of FP Trust's assets and the economic conditions relating to the Business and the industry within which it operates. If this review, in the opinion of FPGP, in its capacity as administrator of FP Trust, indicates that it is unlikely that the indebtedness of FP Trust evidenced by the FP Trust Notes could be refinanced on financially equivalent terms and conditions upon maturity of the FP Trust Notes, then FP Trust may, commence principal repayments on the FP Trust Notes so that in the opinion of FPGP, in its capacity as administrator of FP Trust, the FP Trust Notes will be fully repaid upon maturity. In that event, the available cash of FP Trust will be utilized to the extent required to fund those repayments in lieu of distributions on its units. Except as set out above, the FP Trust Notes will not be redeemable at the option of FP Trust or by the holders of the FP Trust Notes prior to maturity.

Ranking

The FP Trust Notes are unsecured debt obligations of FP Trust and are subordinate in right of payment to all senior indebtedness of FP Trust, defined as all indebtedness, liabilities and obligations of FP Trust which, by the terms of the instrument creating or evidencing the same, are expressed to rank in right of payment in priority to the indebtedness evidenced by the FP Trust Note Indenture. The FP Trust Note Indenture provides that upon any distribution of the assets of FP Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to FP Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the FP Trust Notes and Series 2 Notes are entitled to receive any payment.

Default

The FP Trust Note Indenture provides that any of the following will constitute an event of default:

- default in payment of the principal of the FP Trust Notes when the principal becomes due;
- the failure to pay the interest obligations of the FP Trust Notes when those interest obligations become due, for a period of 30 days, unless FP Trust has given written notice to the FP Trust Note Trustee that FPLP is unable to make distributions in respect of the Class A Units of FPLP in amounts sufficient to permit FP Trust to pay interest on the FP Trust Notes in full, and elects under the FP Trust Note Indenture to accrue and defer interest on the FP Trust Notes, provided that FP Trust may not elect to accrue and defer interest on the FP Trust Notes to the extent FP Trust has distributable cash;
- acceleration of any senior indebtedness of FP Trust exceeding \$2,500,000;
- certain events of winding up, liquidation, bankruptcy, insolvency or receivership;
- the taking of possession by an encumbrancer of all or substantially all of the property of FP Trust;
- FPLP ceasing to carry on the Business in the ordinary course, unless the Business is carried on by an affiliated entity or successor of FPLP as a result of an internal reorganization; or
- default in the observance or performance of any other covenant or condition of the FP Trust Note Indenture and the continuance of that default for a period of 60 days after notice in writing has been given by the FP Trust Note Trustee to the FP Trust, which notice specifies the default and requires FP Trust to remedy the default.

The FP Trust Note Indenture also provides that the FP Trust Note Trustee will not take any action with respect to an event of default without the prior consent of the Fund so long as the Fund holds, directly or indirectly, at least 25% of the total principal amount of the outstanding FP Trust Notes. Certain other provisions under the FP Trust Note Indenture require the prior consent or authorization of the Fund so long as the Fund holds, directly or indirectly, at least 25% of the total principal amount of the outstanding FP Trust Notes.

Series 2 Notes

The Series 2 Notes will be issued by FP Trust under the FP Trust Note Indenture and a complete statement of the attributes and characteristics of the Series 2 Notes is contained therein. Subject to the foregoing, the terms and conditions applicable to the Series 2 Notes will be substantially similar, *mutatis mutandis*, to the FP Trust Notes, except that (i) the term, including any extension of the term of the Series

2 Notes will be identical to the term of the FP Trust Notes; (ii) the Series 2 Notes will bear interest at a commercial rate to be determined by the FP Trust Trustees at the date of issue thereof; and (iii) the Series 2 Notes will rank *pari passu* with the FP Trust Notes as unsecured, subordinate obligations of FP Trust.

Amendments to FP Trust Declaration of Trust

The FP Trust Declaration of Trust may be amended or altered from time to time by Special Resolution of the holders of FP Trust Units. The FP Trust Trustees may, without the approval of the holders of the FP Trust Units, make certain amendments to the FP Trust Declaration of Trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over FP Trust;
- that, in the opinion of the FP Trust Trustees, are necessary or desirable as a result of changes in Canadian taxation laws;
- that, in the opinion of counsel to the FP Trust Trustees, provide additional protection for or benefit to the holders of FP Trust Units;
- to correct any conflicts or inconsistencies in the FP Trust Declaration of Trust or to make minor corrections that, in the opinion of the FP Trust Trustees, are necessary or desirable and not prejudicial to the holders of FP Trust Units;
- deemed necessary or advisable to ensure that FP Trust Units are not held in a manner that would result in any newspaper owned by FPLP ceasing to qualify as a “Canadian newspaper” under the Tax Act; and
- correcting errors or inconsistencies between the FP Trust Declaration of Trust and the Material Contracts (as such term is defined in the FP Trust Declaration of Trust) which are, in the opinion of the FP Trust Trustees, necessary or desirable and not prejudicial to the Unitholders.

Term of FP Trust

FP Trust will be established for a term to continue until no property of FP Trust is held by the FP Trust Trustees. In addition, at any time prior to the expiry of the term of FP Trust, the holders of FP Trust Units may by Special Resolution require the FP Trust Trustees to commence to wind up the affairs of FP Trust.

STRUCTURE OF FPLP

General

FPLP is a limited partnership under the laws of British Columbia. FPLP carries on the business of publishing and printing the Winnipeg Free Press, the Brandon Sun and community and specialty publications operated by Canstar. FPLP is governed by the Partnership Agreement.

Partners

The members of FPLP are FPGP as the managing general partner, holding 10 general partner units, the General Partners as general partners, holding in aggregate 7,184,321 general partner units, and FP Trust as a limited partner, holding 6,902,592 Class A Units.

Partnership Agreement

The following is a summary of the material attributes and characteristics of the partnership units issued under the Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the Partnership Agreement, which contains a complete statement of those attributes and characteristics.

Capitalization

Subject to compliance with the applicable provisions respecting the issue of units of FPLP, FPLP may issue an unlimited number of general partner units and an unlimited number of limited partnership units to any person so long as the holding by such person would not result in any newspaper owned by FPLP ceasing to qualify as a "Canadian newspaper" under the Tax Act. The managing general partner may at the time of issuance designate limited partnership units to be of a separate class and determine the amount of capital required to be contributed in respect of each unit, the time or times at which the contribution is to be paid to the partnership and any preferences, priorities or rights over other partners holding units as to the allocation of income or loss, cash distributions and rights on liquidation, and to amend the certificate of limited partnership to reflect such units.

FPLP has authorized an unlimited number of Class A Units, of which 6,573,897 and 328,695 were issued to FP Trust on May 28, 2002 and June 27, 2002, respectively, at which times FP Trust contributed an aggregate amount of \$72,419 in respect of such Class A Units. FP Trust subsequently contributed all the remaining required capital contributions for Class A Units of \$68,953,501 as follows: \$1,000,000 on December 31, 2002, \$1,000,000 on December 31, 2003, \$2,000,000 on December 31, 2004, \$2,000,000 on December 31, 2005, \$3,450,000 on December 31, 2006, \$1,050,000 on December 31, 2007 and \$58,453,501 on December 31, 2009. As contemplated in the agreements put in place at the time of the Fund's initial public offering, the final capital contribution of \$58,453,501 was called for by FPLP on the basis of FPGP's determination that FPLP required that capital for the proper conduct of its business, in that its payment was a condition of the credit facility entered into by FPLP with HSBC Bank Canada in December 2009. The payment of the final capital contribution was effected by FP Trust setting off against that obligation its right to payment under an equivalent amount of subordinated notes owed to it by FPLP (see "Subordinated Notes").

FPLP has also authorized 10,000 Class B Units, all of which were issued to FPCN Funding on May 4, 2005. FPCN Funding was originally established in order to enter into arrangements for the financing of FPLP by its former lender. With the repayment of the former credit facility in January 2010, FPCN Funding was no longer required; accordingly, FPCN Funding surrendered its 10,000 Class B Units to FPLP effective February 28, 2010 in consideration for the repayment by FPLP of its capital contribution of \$10,000.

Limited partners are liable for the liabilities, debts and obligations of FPLP to the extent of the amounts contributed by them or agreed to be contributed by them to the partnership, and subject to applicable law will otherwise have no liability in respect thereof. The General Partners have an unlimited liability for the obligations of FPLP.

The Partnership Agreement authorizes FPGP, as the managing general partner of FPLP, to issue additional partnership units for any consideration and on any terms and conditions as are established by FPGP and to designate classes of partnership units. Although FPGP in its discretion may utilize a rights offering to issue additional partnership units, holders of Class A Units will not have a pre-emptive right to acquire additional partnership units in proportion to their existing ownership of partnership units.

Distributions

FPLP will distribute to FPGP and to partners listed on the record on the last day of each month (the “distribution period”), distributable cash as set out below. Distributions will be made by the end of each month following a distribution period. In addition, FPLP may make a distribution at any other time, so long as the payment or distribution of distributable cash would not constitute a breach of any agreement to which FPLP is a party or by which it is bound, including the credit facility.

So long as the payment or distribution of distributable cash would not constitute a breach of any agreement to which FPLP is a party or by which it is bound, including FPLP’s credit facility (see “Long-Term Credit Facility”), distributable cash for any period will represent, in general, all of FPLP’s available cash for such period, less amounts which are paid, payable, incurred or provided for in such period in connection with:

- debt service obligations, if any;
- interest accrued or payable under the credit facility;
- sustaining expenditures (capital and contract payments) and other expense obligations; and
- such reserves as may be considered necessary or desirable by FPGP, having regard to current and anticipated cash requirements of FPLP including for capital expenditures and operating expenses, payments in respect of any debt obligations or other commitments and obligations and such reserves as may reasonably be required to ensure compliance with agreements to which FPLP is subject, including the credit facility (see “Long-Term Credit Facility”), which includes a covenant not to pay distributions which exceed distributable cash by more than \$1.0 million in any fiscal year.

FPLP will attempt to manage its available cash to make approximately equivalent monthly distributions within each fiscal year.

Distributions of FPLP’s distributable cash for any period will be made to partners as follows:

- (a) in respect of each distribution period after the issuance of the Class B Units, to the partners holding Class B Units, an amount equal to 10% per annum of the designated capital from time to time of the Class B Units, in priority to any distribution to the partners holding Class A Units or general partner units in respect of such units;
- (b) in respect of any period ending before the capital of \$10 per Class A Unit is paid in full:
 - first, as to an amount equal to 11.5% per annum of the designated capital from time to time of the Class A Units and the general partner units during any prior period and held at the end of such period less amounts in respect thereof previously distributed in respect of such units or in respect to such prior period, to the partners holding such units, *pro rata*;
 - second, as to an amount equal to 11.5% per annum of the designated capital from time to time of the Class A Units and the general partner units during such period and held at the end of such period, to the partners holding such units, *pro rata*; and
 - third, to the partners holding Class A Units and general partner units, any distributable cash for such period in excess of the amounts distributed pursuant to (i) and (ii),

to the partners *pro rata* in proportion to the number of partnership units held at the end of such period; and

- (c) in respect of any period ending after the period in which the capital of \$10 per Class A Unit is paid in full for all Class A Units then outstanding:
 - (i) first, as to an amount equal to 11.5% per annum of the designated capital of the Class A Units and the general partner units from time to time during any period ending before the period in which the capital of \$10 per Class A Unit is paid in full, less all amounts in respect thereof previously distributed in respect of such units in or in respect to such period, to the partners holding such units, *pro rata*;
 - (ii) second, to the partners holding Class A Units and general partner units, any distributable cash for such period in excess of the amounts distributed pursuant to (i) and (ii), to the partners *pro rata* in proportion to the number of partnership units held at the end of such period; and

Allocation of Net Income and Losses

The income, if any, of FPLP for accounting purposes for each fiscal year, and the income, if any, of FPLP as determined pursuant to the Tax Act for a particular fiscal year will be allocated first to the holders of Class B Units to the extent they received distributions in such fiscal year, then to the partners holding other units in proportion to the distributable cash of FPLP distributed to those partners in respect of such fiscal year. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by FPLP to that partner. In any fiscal year in which no cash is distributed to the partners in respect of their units, income will be allocated to partners in proportion to the designated capital from time to time during such fiscal period of their respective partnership units.

The loss, if any, of FPLP for accounting purposes for each fiscal year, and the loss, if any, of FPLP as determined pursuant to the Tax Act for a particular fiscal year will be allocated first to the partners holding Class A Units or general partner units until the aggregate amount allocated to such units equals the designated capital of such units, and then to the holders of Class B Units until the aggregate amount allocated to such units equals the designated capital of such units. The losses for a fiscal year allocated to the holders of Class A Units and general partner units will be allocated to those partners in proportion to the distributable cash of FPLP distributed to those partners in respect of such fiscal year. In any fiscal year in which no cash is distributed to the partners holding Class A Units or general partner units, losses allocated to them will be allocated among them in proportion to the designated capital from time to time during such fiscal period of the respective Class A Units and general partner units.

Functions and Powers of FPGP and the General Partners

FPGP has the authority to manage the business and affairs of FPLP, to make all decisions regarding the business of FPLP and to bind FPLP. FPGP is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of FPLP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in FPGP to manage the business and affairs of FPLP includes all authority necessary or incidental to carry out the objects, purposes and business of FPLP, including without limitation the ability to engage agents to assist FPGP to carry out its management obligations and administrative functions in respect of FPLP and its business. The General Partners as general partners of FPLP will be responsible for, and have authority in, assisting FPGP in the management of the business and affairs of FPLP and will perform such additional specific duties in connection with the Business of

FPLP as shall be delegated to them by FPGP from time to time and pursuant to the Partnership Agreement. The General Partners will provide ongoing and regular consultation and management services to FPLP as to the operation and management of the Business, in addition to the assistance to FPGP.

The Partnership Agreement provides that all material transactions and agreements involving FPLP (other than the agreements entered into in connection with the formation of FPLP) must be approved by FPGP's board of directors, and, where those agreements involve FPGP or its affiliates or associates, they must be approved by a majority of the directors not nominees of an affiliate or an associate of FPGP, and where those agreements involve the creation of debt obligations (in excess of \$1,000,000) under which the General Partners have a liability they must be approved by the General Partners.

Restrictions on Authority of FPGP

The authority of FPGP is limited in certain respects under the Partnership Agreement. FPGP is prohibited, without the prior approval of the other partners given by ordinary resolution, from dissolving FPLP or, without the prior approval of the other partners given by Special Resolution, from selling, exchanging or otherwise disposing of all or substantially all of the assets of FPLP (otherwise than in conjunction with an internal reorganization which has been approved by the General Partners). The General Partners' holding of partnership units would enable them to approve a dissolution.

Reimbursement of General Partner

FPLP will reimburse FPGP and the General Partners for all direct and indirect costs and expenses incurred by FPGP or the General Partners in the performance of their duties under the Partnership Agreement on behalf of FPLP.

Limited Liability

FPLP will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence of FPGP in performing its duties and obligations under the partnership agreement, FPGP has agreed to indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the partnership agreement. However, since FPGP has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of Partnership Units

The Class A and Class B Units ("limited partner units") may not be transferred or assigned to any person and no assignee will be entitled to be admitted to FPLP as a limited partner in respect of any limited partner units pursuant to an assignment thereof, except with the written consent of FPGP and each General Partner (which consent FPGP and the General Partners will be entitled to withhold in their sole discretion) on the terms and conditions of such consent and unless: the right of first refusal in favour of the General Partners or their nominee to purchase has been complied with in respect of such assignment, the assignee has delivered to FPGP an assignment, power of attorney and such other instruments and documents as may be required by FPGP in appropriate form completed and executed in a manner acceptable to FPGP and upon the payment of an administration fee, if any, required by FPGP. A transferee of a limited partner unit will become a limited partner and will be subject to the obligations and entitled to the rights of a limited partner under the Partnership Agreement on the date on which the transfer is recorded, including any obligation to make contributions required to be made in respect of the limited partner units. Unless the prior written consent of the General Partners and FPGP is first obtained, the transfer of a limited partner unit will not release the transferor thereof from any of its obligations under

the Partnership Agreement, including any obligation to make contributions required to be made in respect of such limited partner units. Notwithstanding the foregoing, a limited partner unit may not be transferred or assigned to any person as such assignment or transfer would result in the newspapers owned by FPLP ceasing to be a "Canadian newspaper" for the purpose of the Tax Act.

A general partner unit may be assigned with the consent of FPGP, not to be unreasonably withheld, provided that such assignment does not result in the newspapers owned by FPLP ceasing to be "Canadian newspapers" for purposes of the Tax Act.

Withdrawal or Removal of FPGP

FPGP may resign on not less than 180 days' written notice to the partners provided that FPGP will not resign if the effect would be to dissolve FPLP.

FPGP may not be removed as managing general partner of FPLP unless:

- FPGP has committed a material breach of the Partnership Agreement, which breach has continued for 60 days after notice, and that removal is also approved by Special Resolution of the partners other than the General Partners so long as the General Partners are affiliates of FPCN Media at such time; or
- the shareholders or directors of FPGP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding up of FPGP, or FPGP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner agrees to act as managing general partner under the Partnership Agreement.

Amendments to Partnership Agreement

The Partnership Agreement may only be amended with the consent of the partners given by approval of 66 2/3% of the partnership units voted on the amendment at a duly constituted meeting or a written resolution of partners holding more than 66 2/3% of the partnership units entitled to vote at a duly constituted meeting, except in the circumstances set out below.

- No amendment can be made to the Partnership Agreement altering the ability of the limited partners to remove FPGP involuntarily, changing the liability of any limited partner, allowing any limited partner to exercise control over the business of FPLP, changing the right of a partner to vote at any meeting, or changing FPLP from a limited partnership to a general partnership without the unanimous written consent of the partners.
- No amendment which would adversely affect the rights and obligations of FPGP, as managing general partner, or of the General Partners may be made without their respective consents.
- FPGP may make amendments to the Partnership Agreement without the approval of the limited partners to reflect: (i) a change in the name of FPLP or the location of the principal place of business of FPLP or the registered office of FPLP; (ii) the admission, substitution, withdrawal or removal of limited or general partners in accordance with the Partnership Agreement and to provide for the creation and issuance of additional limited partnership units of any class with such attributes and priorities as FPGP may determine including for the purpose of the Exchange Agreement; (iii) a change that, as determined by FPGP in its sole discretion, is reasonable and necessary or appropriate to qualify or continue the qualification of FPLP as a limited partnership in which the limited partners have limited liability under the applicable laws; (iv) a change that, as

determined by FPGP in its sole discretion, is reasonable, necessary or appropriate to enable FPLP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (v) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Partnership Agreement that may be defective or inconsistent with any other provision contained in the Partnership Agreement or that should be made to make the Partnership Agreement consistent with the disclosure set out in this prospectus; or (vi) a change that, as determined by FPGP in its sole discretion, does not materially adversely affect the limited partners. No such change may be made to the Partnership Agreement without the consent of the General Partners.

Meetings

FPGP may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of not less than 20% of the outstanding partnership units in number (excluding partnership units held by FPGP or its affiliates or associates). Each limited partner is entitled to one vote for each Class A Unit held and each general partner is entitled to one vote in respect of each general partner unit held. Holders of Class B Units are entitled to attend but are not entitled, as such, to vote at meetings of partners. A quorum at a meeting of partners consists of two or more partners present in person or by proxy.

Long-Term Credit Facility

In December 2009, FPLP signed a credit agreement with HSBC Bank Canada ("HSBC") to replace FPLP's \$60 million term facility with The Prudential Insurance Company of America ("Prudential"), which was scheduled to mature on June 5, 2010, with a new three-year loan facility. On January 8, 2010, the security documentation and funding was completed and the proceeds advanced were used to repay in full the Prudential term loan.

The HSBC credit agreement consists of two loan facilities, Facility A in the amount of \$50 million and Facility B in the amount of \$10 million, each with a three-year term expiring on January 31, 2013. Amounts borrowed under both facilities will primarily be in the form of bankers' acceptances at varying interest rates and will mature over periods of 30 to 180 days. The interest rate spread above the bankers' acceptance rate varies based on the leverage ratio, as defined in the agreement, and was 3.25% and 0.375% on Facilities A and B, respectively, at December 31, 2009. An interest rate swap facility is also available under the credit agreement. Facility A includes principal repayments of \$5 million annually (payable monthly) over each of the three years of the agreement. Both facilities are secured by a charge over all the assets of FPLP as well as an initial cash deposit of \$10 million. In January 2010, FPLP made an initial cash deposit of \$5 million into a separate HSBC guarantee account. A second \$5 million guarantee account deposit was made by FP Funding Corporation ("FundingCo"), a company controlled indirectly by Ronald Stern and Robert Silver, who together own 51 percent of FPLP. FPLP and FundingCo have entered into a credit support agreement and a credit support fee agreement outlining the terms of FundingCo's guarantee. Under the terms of the credit support fee agreement, FPLP is required to pay FundingCo at 3.0% per annum over the rate charged by HSBC for Facility A.

As a condition of the HSBC credit agreement, the internal subordinated note structure between FP Trust and FPLP was required to be converted entirely to equity, as contemplated by the agreements established at the time of the Fund's initial public offering. FPLP was required to call for the remaining unpaid Class A Unit capital contribution of \$58.5 million from FP Trust. FP Trust, which held \$58.5 million of subordinated notes issued by FPLP, used its right to payment under those notes, net of \$1.5 million of unamortized deferred financing costs, to set off its obligation to pay the required capital contribution. All cash received by the Fund from FPLP after December 31, 2009 will be by way of distributions on the Class A Units of FPLP held by FP Trust.

FPLP is subject to various covenants under the terms of the credit facility, including a covenant in favour of HSBC not to pay distributions which exceed distributable cash by more than \$1.0 million in any fiscal year, as well as a covenant not to amend the share capital or permit changes to the beneficial ownership of FPGP.

Subordinated Notes

On December 31, 2009, the FPLP notes issued to FP Trust were used by FP Trust to set off an equivalent amount owing to FPLP as contributions on the Class A Units (see “Capitalization” and “Long-Term Credit Facility” sections).

Shareholders Agreement

The Fund, FPCN Media and FPGP have entered into the Shareholders Agreement to govern the affairs of FPGP. The material terms are set forth below. This summary is qualified in its entirety by reference to the provisions of the Shareholders Agreement, which contains a complete statement of all the attributes and characteristics.

Directors

The Shareholders Agreement fixes the size of the board of directors of FPGP at seven directors. FPCN Media is entitled to nominate four directors of FPGP, and the remaining three directors are nominated by the Fund. Subject to the foregoing, if the General Partners' holding of partnership units represents less than 33% but is equal to or greater than 20% of the outstanding partnership units, then one of FPCN Media's nominees to the board of FPGP must be unrelated to the General Partners (as such term is ascribed to a director in the Toronto Stock Exchange's guidelines on effective corporate governance). Further, subject to the foregoing and unless the Trustees of the Fund agree to the contrary pursuant to the provisions of the Shareholders Agreement, FPCN Media will only be entitled to nominate three directors if its holding of partnership units represents less than 20% but not less than 10% of the outstanding partnership units and no directors if its holding represents less than 10% of the outstanding partnership units, with the remaining directors in each case being nominated by the Fund.

Under the Shareholders Agreement, FPCN Media is also entitled to appoint the chairman of the board of directors of FPGP for so long as the General Partners' holding represents 20% or more of the outstanding partnership units of FPLP.

Common Shares

The articles of FPGP contain standard restrictions which restrict all shareholders (initially, the Fund and FPCN Media) from transferring their common shares of FPGP without consent of the directors or shareholders. The Shareholders Agreement provides that FPCN Media may transfer or pledge its common shares to any person provided:

- the person agrees to be bound by the Shareholders Agreement; or
- if the person is a lender to which the shares have been pledged, upon exercising its rights to take ownership of the shares, the lender agrees to be bound by the Shareholders Agreement and, upon the sale by the lender to a third party, to ensure that the third party will be bound by the Shareholders Agreement; and

- ownership of such shares by such person will not result in the newspapers owned by FPLP ceasing to be “Canadian newspapers” for purposes of the Tax Act.

FPCN Media will be required to transfer its shares in FPGP to the Fund in the following circumstances:

- FPCN Media (or its permitted transferee(s)) makes an assignment for the benefit of its creditors generally or files a proposal under the *Bankruptcy and Insolvency Act* (Canada), makes an application under the *Companies’ Creditors Arrangement Act* (Canada) or passes a resolution for the winding-up or other liquidation of FPCN Media;
- the shareholders of FPCN Media (or its permitted transferee(s)) pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of FPCN Media, or FPCN Media commits certain other voluntary acts of bankruptcy or ceases to be a subsisting entity;
- the General Partners’ holding of partnership units represents less than 20% but no less than 10% of the outstanding partnership units, in which case FPCN Media will be required to transfer to the Fund a number of common shares so that, post-transfer, FPCN Media holds 20% of the outstanding common shares of FPGP; or
- the General Partners’ holding of partnership units represents less than 10% of the outstanding partnership units, in which case FPCN Media will be required to transfer all its common shares of FPGP to the Fund.

General Partners’ Continuing Interest

The General Partners hold 7,184,321 general partner units, each of which is indirectly exchangeable under the Exchange Agreement for a number of Units of the Fund equal to the exchange ratio as at the Exchange Date (generally equal to one, subject to adjustments).

Exchange Agreement

On the closing of the Fund’s initial public offering, the Fund, FP Trust and the General Partners entered into an Exchange Agreement.

The Exchange Agreement grants the General Partners the right to require FP Trust and the Fund to indirectly exchange their respective general partner units of FPLP for a number of Units of the Fund equal to the exchange ratio as at the exchange date. This exchange will be effected by the Fund issuing the requisite number of Units to FP Trust in consideration for FP Trust Units and FP Trust Notes. The general partner units of FPLP will then be exchanged with FP Trust for Units on the basis of one general partner unit of FPLP for one Unit. The general partner units of FPLP so acquired by the FP Trust may be immediately exchanged by FP Trust for an equal number of Class A Units. FP Trust will not be admitted to FPLP as a general partner in respect of the general partner units, but will be admitted as a limited partner in respect of the Class A Units acquired on the exchange. The exchange ratio is subject to adjustment to account for subdivision, consolidation or reclassification of the Units.

The Exchange Agreement may be assigned by the General Partners in whole or in part.

MARKET FOR SECURITIES

The Fund's Units are listed and posted for trading on the Toronto Stock Exchange under the symbol FP.UN. The Toronto Stock Exchange reported the following price ranges and volumes traded in respect of the Fund's Units in each month of the fiscal year ended December 31, 2009:

Month	High	Low	Volume
January 2009	\$6.25	\$5.12	71,450
February 2009	\$5.88	\$4.50	48,173
March 2009	\$4.74	\$2.75	156,402
April 2009	\$4.17	\$3.00	123,121
May 2009	\$4.49	\$3.56	127,820
June 2009	\$4.99	\$4.05	70,942
July 2009	\$5.44	\$4.14	105,190
August 2009	\$6.25	\$5.07	89,409
September 2009	\$6.49	\$5.79	99,260
October 2009	\$6.99	\$5.70	145,194
November 2009	\$6.99	\$5.00	177,267
December 2009	\$5.48	\$4.50	221,949

DIRECTORS AND OFFICERS

Trustees of the Fund

The following table sets forth the names of and certain additional information regarding the Trustees. Except as noted, each of the Trustees has held his principal occupation for the past five years.

Name and Municipality of Residence	Position with the Fund	Principal Occupation
RONALD STERN Vancouver, British Columbia	Trustee	President of Stern Partners Inc., a management services company ⁽¹⁾
G. STEPHEN DEMBROSKI Toronto, Ontario	Trustee	President of Indigenous Inc., a private equity and financial advisory company
HARVEY SECTER Winnipeg, Manitoba	Trustee	Chancellor, University of Manitoba, and President of Resolution Processes Inc. a mediation and arbitration services company ⁽²⁾

NOTES:

- (1) Mr. Stern is also Chairman of the Fund and FPLP, as well as the chief executive officer of a number of private companies that are affiliates of Stern Partners Inc.
- (2) Mr. Sector was named Chancellor of the University of Manitoba in December 2009 and, until June 30, 2008, was the Dean of the Faculty of Law at the University of Manitoba.

The Board of Trustees does not have any standing committees. In lieu of an audit committee, the Trustees fulfill directly their responsibilities of oversight and supervision of the Fund's accounting and financial reporting practices, the adequacy of internal accounting controls of the Fund, and the quality and integrity of the Fund's financial statements.

Each of the Trustees has served as a Trustee since the Fund was established on May 15, 2002, and will hold office until the next annual meeting of Unitholders, or until his successor is elected or appointed in accordance with the Declaration of Trust.

Unitholdings of Trustees

To the knowledge of the Fund, as at March 9, 2010, the Trustees (with the exception of Mr. Stern) together beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 43,226 Units, representing 0.6% of the outstanding Units of the Fund. As at March 9, 2010, Mr. Stern beneficially owns, directly or indirectly, or exercises control or direction over, 1,672,800 Units representing 24.2% of the outstanding Units of the Fund. In addition, Mr. Stern controls 6,008,966 general partner Units of FPLP held by Canstar Publications Ltd., which may be exchanged for an equal number of Units.

Trustees of FP Trust

Each of Ronald Stern, Stephen Dembroski and Harvey Sector has served as a trustee since FP Trust was created on May 15, 2002, and will hold office until the next annual meeting of holders of units of FP Trust or until his successor is elected or appointed in accordance with the FP Trust Declaration of Trust.

Directors and Officers of FPGP

The following table sets forth the names of and certain additional information regarding the directors and executive officers of FPGP. Except as noted, each of the following persons has held his principal occupation for the past five years.

Name and Municipality of Residence	Position with FPGP	Director Since	Principal Occupation
RONALD STERN ⁽¹⁾⁽²⁾ Vancouver, British Columbia	Director and Chairman of the Board	November 23, 2001	President of Stern Partners Inc., a management services company
ROBERT SILVER ⁽³⁾ Winnipeg, Manitoba	Director	November 30, 2001	President of Western Glove Works Ltd., an apparel manufacturer
PHIL DE MONTMOLLIN ⁽²⁾ Rutherfordton, North Carolina	Director	May 28, 2002	Retired newspaper executive
H. RUDOLPH REDEKOP ⁽³⁾ Winnipeg, Manitoba	Director	November 30, 2001	Retired newspaper executive
G. STEPHEN DEMBROSKI ⁽⁴⁾ Toronto, Ontario	Director	May 28, 2002	President of Indigenous Inc., a private equity and financial advisory company
HARVEY SECTER ^{(2)(4) (5)} Winnipeg, Manitoba	Director	May 28, 2002	Chancellor, University of Manitoba, and President of Resolution Processes Inc. a mediation and arbitration services company
SUSAN LEWIS Winnipeg, Manitoba	Director	October 18, 2004	President of the United Way of Winnipeg
DANIEL M. KOSHOWSKI ⁽⁶⁾ Winnipeg, Manitoba	Vice-President, Finance and Administration	N/A	Vice President, Finance and Administration of FPLP

Name and Municipality of Residence	Position with FPGP	Director Since	Principal Occupation
ROBERT COX ⁽⁷⁾ Winnipeg, Manitoba	Publisher of the Winnipeg Free Press	N/A	Publisher of the Winnipeg Free Press
LAURIE FINLEY ⁽⁸⁾ Winnipeg, Manitoba	Vice-President of Marketing and Advertising Sales, Winnipeg Free Press	N/A	Vice-President of Marketing and Advertising Sales, Winnipeg Free Press
DAVID BROLHORST ⁽⁹⁾ Winnipeg, Manitoba	Vice-President of Operations	N/A	Vice-President of Operations

NOTES:

- (1) Mr. Stern is also the chief executive officer of a number of private companies that are affiliates of Stern Partners Inc.
- (2) Member of the Compensation and Corporate Governance Committee of FPGP.
- (3) Mr. Redekop was appointed President of FPGP in November 2001 and resigned as President of FPGP effective March 6, 2007.
- (4) Member of the Audit Committee of FPGP.
- (5) Mr. Selter was named Chancellor of the University of Manitoba in December 2009 and, until June 30, 2008, was the Dean of the Faculty of Law at the University of Manitoba.
- (6) Since April 2, 2008, Mr. Koshowski, FPGP's Vice President Finance and Administration, has performed the functions of FPGP's Chief Financial Officer.
- (7) Mr. Cox joined FPGP on May 16, 2005 as Editor of the Winnipeg Free Press. He was appointed Publisher of the Winnipeg Free Press on November 15, 2007. Prior to joining FPGP, Mr. Cox was national editor at The Globe and Mail, city editor at the Edmonton Journal, and held various editorial positions at The Canadian Press.
- (8) Mr. Finley was appointed Vice-President of Marketing and Advertising Sales, Winnipeg Free Press, on March 11, 2008, prior to which he was Director of Marketing and Advertising Sales, Winnipeg Free Press. Mr. Finley originally joined the Winnipeg Free Press in June 1993.
- (9) Mr. Brolhorst was hired effective February 1, 2009. He previously held the position of Director of Pressroom Operations and Production at the Kansas City Star.

Unitholdings of Directors and Officers of FPGP

To the knowledge of the Fund, as at March 9, 2010, the directors and executive officers of FPGP (with the exception of Mr. Stern and Mr. Silver) together beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 97,654 Units, representing 1.4% of the outstanding Units of the Fund. As at March 9, 2010, Mr. Stern beneficially owns, directly or indirectly, or exercises control or direction over 1,672,800 Units, representing 24.2% of the outstanding Units of the Fund. In addition, Mr. Stern controls 6,008,966 general partner units of FPLP held by Canstar Publications Ltd., which may be exchanged for an equal number of Units. As at March 9, 2010, Mr. Silver beneficially owns, directly or indirectly, or exercises control or direction over, an aggregate of 327,563 Units representing 4.7% of the outstanding Units of the Fund. In addition, Mr. Silver controls 1,175,355 general partner units of FPLP held by R.I.S. Media Inc., which may be exchanged for an equal number of Units.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Trustees, except as disclosed herein, no Trustee, director or executive officer of the Fund and FPLP is, or was within the 10 years prior to the date hereof, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity: (i) was subject to a cease trade order or similar order or an order that denied that company access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days (an "Order") that was issued while the Trustee, director or officer was acting in that capacity; or (ii) was subject to an Order that was issued after the Trustee, director or officer ceased to act in that capacity and which resulted from an event that occurred while he was acting in that capacity. To the knowledge of the Trustees, except as disclosed herein, no Trustee, director or executive officer of the Fund and FPLP or Unitholder holding a sufficient number of securities of the Fund to affect materially the control of the Fund is or has been within the 10 years prior to the date hereof, a director or executive officer of any company that, while the Trustee, director or executive officer was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. Mr. Stern was, until April 27, 2007, a director and executive officer of St. Marys Paper Limited, which made a voluntary filing under the *Companies' Creditors Arrangement Act* (Canada) on September 25, 2006. Mr. Sector is a director and officer of 9167-4853 Quebec Inc., a private company that filed a voluntary assignment in bankruptcy on September 28, 2007.

Penalties or Sanctions

To the knowledge of the Trustees, no Trustee, director or executive officer of the Fund and FPLP or Unitholder holding a sufficient number of securities of the Fund to affect materially the control of the Fund has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities authority, or has had any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of the Trustees, no Trustee, director or executive officer of the Fund and FPLP or Unitholder holding a sufficient number of securities of the Fund to affect materially the control of the Fund, or a personal holding company of any such person, has, during the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to a bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Conflicts of Interest

FPLP is dependent on FPGP and the General Partners in respect of the administration and management of FPLP. FPGP currently has no employees other than certain senior officers, some of whom perform services for FPGP and other entities related to the General Partners. The General Partners manage and may, in the future, acquire, own, manage and administer other businesses in addition to those of FPLP, which in some instances and to some extent could in the future be competitive with FPLP. The Declaration of Trust, the FP Trust Declaration of Trust, the Shareholders Agreement and the Partnership Agreement, to the extent applicable, contain "conflict of interest" provisions requiring trustees and directors to disclose material interest in material contracts and potential acquisitions or related

transactions in relation to other newspaper and media (radio, television, magazines and internet) businesses.

In addition, Alberta Newsprint Company (“ANC”) supplies up to 80% of the newsprint purchased by FPLP. During the year ended December 31, 2009, ANC supplied approximately 58% of the newsprint purchased by FPLP for its own publications. ANC is an unincorporated joint venture, owned 50% by a limited partnership indirectly controlled by Ronald Stern, who is a Trustee of the Fund and the Chairman of FPGP. Mr. Stern serves as President and Chief Executive Officer of ANC. FPLP purchases newsprint from ANC at prevailing market prices. ANC is not obligated to sell to FPLP, and FPLP is not obligated to buy from ANC. 80% of FPLP’s annual consumption of newsprint would represent approximately 4% of ANC’s annual production. The Audit Committee of FPGP monitors purchases from ANC on a quarterly basis.

FPLP may occasionally purchase goods and services from, or sell services to, other businesses affiliated with Trustees or directors and officers of the Fund and FPLP. All such transactions are at prevailing market prices on standard commercial terms and are disclosed quarterly to the Audit Committee of FPGP.

Legal Proceedings and Regulatory Actions

FPLP is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on FPLP’s financial position, results of operations or cash flows.

INTERESTS OF MANAGEMENT IN MATERIAL TRANSACTIONS

FPGP and the General Partners provide services to the Fund, FP Trust and FPLP for reimbursement of direct and indirect expenses and other costs payable by those entities. For more information regarding the relationship of the General Partners to the Fund, FP Trust, FPGP and FPLP, see “Corporate Structure – Intercorporate Relationships”, “Structure of FPLP” and “Directors and Officers”.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

The following are all of the contracts that may be considered material to the Fund, FP Trust, FPGP and FPLP, other than contracts entered into in the ordinary course of business, that have been entered into by the Fund, FP Trust, FPGP or FPLP and are still in effect:

- the Declaration of Trust referred to under “Structure of the Fund”;
- the FP Trust Declaration of Trust and FP Trust Note Indenture referred to under “Structure of FP Trust”; and
- the Partnership Agreement, Shareholders Agreement and Exchange Agreement referred to under “Structure of FPLP”.

Copies of those agreements have been filed on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

The Fund's consolidated financial statements for the fiscal year ended December 31, 2009 have been audited by Ernst & Young LLP, Chartered Accountants, of Winnipeg, Manitoba. The Fund is not aware of any direct or indirect interests of Ernst & Young LLP, or any of the individuals involved in the preparation of Ernst & Young LLP's independent opinion, in the Fund or any of its affiliates.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The terms of reference of the audit committee of FPGP, which is effectively the audit committee of the Fund, are attached as Appendix A to this Annual Information Form.

Composition of the Audit Committee

The audit committee presently consists of G. Stephen Dembroski (Chairman), Harvey Sector and Robert Silver. Both Mr. Dembroski and Mr. Sector are also Trustees of the Fund.

The board of directors of FPGP has determined, in accordance with Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("MI 52-110"), that each member of the audit committee is financially literate, and that each of Mr. Dembroski and Mr. Sector is independent, but Mr. Silver, by virtue of a deemed material relationship, is not. (See section headed "Reliance on Certain Exemptions" below.)

Relevant Education and Experience

The education and experience of each member of the audit committee that is relevant to the performance of his responsibilities as an audit committee member is described below:

- | | |
|----------------------|---|
| G. Stephen Dembroski | Mr. Dembroski earned a Bachelor of Arts degree in Honours Business Administration from the University of Western Ontario in 1982, and a Masters of Business Administration, also from the University of Western Ontario, in 1989. He was a managing director in investment banking with TD Securities Inc. from 1997 to May 2002, during which time he was actively involved in providing strategic advice to many companies in the Canadian forest products industry. Mr. Dembroski was, until October 2005, a director of another Toronto Stock Exchange-listed issuer, Roman Corporation Limited, and has for the past seven years been a member of the TSX Listings Advisory Committee. Mr. Dembroski is the president of Indigenous Inc., a private equity and financial advisory company. |
| Harvey Sector | Mr. Sector earned a Bachelor of Commerce degree from the University of Manitoba in 1967, and went on, as President and Chief Executive Officer of Ricki's Canada Limited from 1972 to 1988, to direct the growth of a family retail business from a 10-store chain to a multi-division national operation. Subsequently, he earned a Bachelor of Laws degree from the University of Manitoba in 1992, and a Masters of Law from Harvard Law School in 1994. Mr. Sector was the Dean of the Faculty of Law at the University of Manitoba from July 1999 to June 30, 2008. Effective January 1, 2010, he was appointed the Chancellor of the University of Manitoba. He is also the president of Resolution Processes Inc., a mediation and arbitration services company. |

Robert Silver

Mr. Silver earned a Bachelor of Science degree with honours from the University of Manitoba in 1970. He majored in Mathematics and Statistics. Since 1980, he has been the President and a co-owner of Western Glove Works Ltd., a Winnipeg-based private company involved in the manufacture and merchandising of casual apparel. He is also a co-owner and director of Warehouse One (a Winnipeg-based retail clothing chain), and the President and beneficial owner of R.I.S. Media, one of the General Partners of FPLP. Mr. Silver's volunteer positions have included: Co-chair, Winnipeg Library Foundation; Co-chair, Premier's Economic Advisory Council; Chair, Smart Park at the University of Manitoba; member, Business Council of Manitoba; and board member, Canadian Apparel Federation. Mr. Silver has been appointed Chancellor of the University of Winnipeg, effective July 1, 2009. Mr. Silver is broadly familiar with financial statement principles, and with financing and taxation issues. During his 40-year business career, he has been extensively involved in reviewing internal management financial reporting and external audited and unaudited financial statements from various perspectives as an owner/investor, as a member of senior management and as a board member. In addition, Mr. Silver has actively participated in acquisition reviews, restructuring reviews and numerous negotiations with lenders and prospective lenders. Mr. Silver is a director of Paragon Pharmacies Limited, the shares of which are listed on the TSX Venture Exchange.

Reliance on Certain Exemptions

The board of directors of FPGP has expressly considered the independence of the members of the audit committee with reference to the requirements of MI 52-110.

The board has been advised by the Fund's counsel that MI 52-110 requires that subject to certain exceptions, every audit committee member must be independent, as defined, meaning that he or she has no direct or indirect relationship with the issuer that could, in the view of the issuer's board of directors, reasonably be expected to interfere with the exercise of his or her independent judgement, and that notwithstanding that general test, certain individuals will be deemed to have such a relationship. The board was also advised that in the context of the structure of the Fund, independence for the purposes of MI 52-110 means independence from all of the Fund, FPGP and FPLP.

Neither Stephen Dembroski nor Harvey Sector has any relationship with any of the Fund, FPGP or FPLP or any affiliated entity of any of them other than his role as a director of FPGP and a Trustee of the Fund, and the board has determined that neither of them has any direct or indirect relationship with any of the Fund, FPGP or FPLP that could, in its view, reasonably be expected to interfere with the exercise of his independent judgement.

Robert Silver has no management role with any of the Fund, FPGP or FPLP, but is an executive officer and the controlling shareholder of R.I.S. Media Ltd., which is one of the General Partners (but not the managing general partner) of FPLP. While the board has determined that Mr. Silver has no direct or indirect relationship with any of the Fund, FPGP or FPLP that could, in its view, reasonably be expected to interfere with the exercise of his independent judgement, the board has been advised by the Fund's counsel that by virtue of his relationship with R.I.S. Media Ltd., Mr. Silver is deemed by MI 52-110 to have a material relationship with the Fund and FPLP on the basis that he is an affiliated entity of R.I.S. Media Ltd., which is an affiliated entity of FPGP, which is an affiliated entity of the Fund and FPLP.

After reviewing the matter, the board concluded that each of Mr. Dembroski and Mr. Sector is independent as defined in MI 52-110, but Mr. Silver, by virtue of a deemed material relationship, is not.

The board was advised that Section 3.3 of MI 52-110 provides an exemption from the requirement that all members of the audit committee of an issuer be independent in circumstances where:

- (a) a member would be independent but for the deemed material relationship;
- (b) he is not an executive officer, general partner or managing member of a person or company that is an affiliated entity of the issuer and has its securities trading on a marketplace;
- (c) he is not an immediate family member of an executive officer, general partner or managing member of a person or company that is an affiliated entity of the issuer and has its securities trading on a marketplace;
- (d) he does not act as the chair of the issuer's audit committee;
- (e) the issuer's board determines in its reasonable judgment that he is able to exercise the impartial judgment necessary for him to fulfil his responsibilities as an audit committee member and his appointment to the committee is required by the best interests of the issuer and its securityholders; and
- (f) a majority of the issuer's audit committee members are independent;

provided that the issuer discloses in its annual information form as required by MI 52-110 the reliance on that exemption and the rationale for it.

Were it not for the deeming provisions of MI 52-110, Mr. Silver would be considered by the board to be independent. He is not, and is not an immediate family member of, an executive officer, general partner or managing member of the Fund or of a person or company that is an affiliated entity of the Fund and has its securities trading on a marketplace. He does not act as the chair of the Fund's audit committee. The board is of the view that notwithstanding that Mr. Silver is deemed by MI 52-110 to have a material relationship with the Fund that would render him not independent as defined, he is able to exercise the impartial judgement necessary for him to fulfil his responsibilities as an audit committee member, and his appointment to the audit committee is in the best interests of the Fund and the unitholders. A majority of the members of the audit committee are independent as defined in MI 52-110.

On the basis of the foregoing analysis, the board concluded that the exemption in Section 3.3 is available in the circumstances and that it would be in the best interests of the Fund and its unitholders for the Fund to avail of it in order to allow Mr. Silver to continue to serve on the audit committee.

Pre-Approval Policies and Procedures

The audit committee must pre-approve all non-audit services to be provided to FPLP or the Fund by the external auditors. The audit committee may delegate that authority to any member of the committee, provided that a report on any such pre-approval is made to the committee at its next scheduled meeting.

External Auditor Service Fees

The following table sets forth, by category, the fees billed to FPLP and the Fund by Ernst & Young LLP, the Fund's auditors, for the years ended December 31, 2009 and 2008:

<u>Fee Category</u>	<u>Fees Paid</u>	
	<u>2009</u>	<u>2008</u>
Audit fees	\$115,600	\$115,600
Audit-related fees	nil	nil
Tax fees	nil	nil
All other fees	nil	nil
Total	<u>\$115,600</u>	<u>\$115,600</u>

ADDITIONAL INFORMATION

Additional information, including trustees', directors' and officers' remuneration, principal holders of the Fund's securities and interests of insiders in material transactions, where applicable, is contained in the Fund's Management Proxy Circular dated March 23, 2010 in connection with the Annual and Special General Meeting of the Fund to be held on May 5, 2010, a copy of which will be filed on SEDAR at www.sedar.com.

Additional financial information is available in the Fund's audited financial statements and accompanying management's discussion and analysis for the fiscal year ended December 31, 2009, which have been filed on SEDAR at www.sedar.com.

APPENDIX A

FPCN GENERAL PARTNER INC.

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

FPCN General Partner Inc. (the “Company”) is both the managing general partner of FP Canadian Newspapers Limited Partnership (the “Partnership”) and the administrator of FP Newspapers Income Fund (the “Fund”). The Board of Directors of the Company has established an Audit Committee (the “Committee”) to assist the Board in fulfilling its oversight responsibilities regarding the integrity of the Partnership’s and the Fund’s accounting, financial reporting, internal controls and disclosure controls, and legal and regulatory compliance.

1. MEMBERSHIP

- 1.1 The Committee will have a minimum of three members, including the Chair of the Committee. The Board will appoint and remove the members of the Committee by a majority vote. The members will sit on the Committee at the pleasure of the Board.
- 1.2 The Board will appoint the Chair of the Committee from the Committee’s members by a majority vote. The Chair of the Committee will hold such position at the pleasure of the Board.
- 1.3 Each member of the Committee will be a director of the Company who has been determined by the Board:
 - (a) to be independent of management and of any direct or indirect material business or other relationship with the Partnership or the Fund that could interfere with his or her exercise of independent judgment or his or her ability to act in the best interests of the Partnership and the Fund; and
 - (b) to satisfy all the tests for independence (or available exemptions) under applicable laws and rules binding on the Partnership and the Fund from time to time, including the applicable rules of any stock exchange on which the Fund’s units are listed.
- 1.4 All members of the Committee will be financially literate, meaning that each of them will have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that could reasonably be expected to be raised by the financial statements of the Partnership and the Fund.
- 1.5 Notwithstanding section 1.4, a director who is not financially literate may be appointed to the Committee provided that he or she becomes financially literate within a reasonable period of time following his or her appointment.

2. MEETINGS

- 2.1 The Committee will meet at least once each quarter and otherwise as necessary. Any member of the Committee may call meetings of the Committee.
- 2.2 All directors of the Company, including management directors, may attend meetings of the Committee, provided that no director may vote at such meetings or be counted as part of the quorum if he or she is not a member of the Committee.

- 2.3 Notwithstanding section 2.2 above, the Committee will, as part of each regularly scheduled meeting, hold an in-camera session with the external auditors without management or management directors present. The Committee may hold other in-camera sessions with such members of management present as the Committee deems appropriate.
- 2.4 The Corporate Secretary or his or her nominee will act as Secretary to the Committee, and will keep minutes of all meetings of the Committee, including all resolutions passed by the Committee.
- 2.5 The Committee will report to the Board on its meetings and each member of the Board will have access to the minutes of the Committee's meetings.
- 2.6 The Chair of the Committee will ensure that the external auditors receive notice of every meeting of the Committee. The external auditors may request that a meeting of the Committee be called by notifying the Chair of the Committee of such request.
- 2.7 The quorum necessary for the transaction of business at Committee meetings will be a majority of the members of the Committee. A quorum, once established, is maintained even if members of the Committee leave the meeting prior to its conclusion.

3. DUTIES

The Board hereby delegates to the Committee the following duties to be performed by the Committee on behalf of and for the Board:

Financial Reporting

- 3.1 Prior to public disclosure, the Committee will review and recommend to the Board for approval:
 - (a) the annual audited consolidated financial statements and interim unaudited consolidated financial statements of the Partnership and the Fund;
 - (b) the interim and annual management's discussion and analysis of financial condition and results of operations (MD&A);
 - (c) earnings press releases and earnings guidance, if any;
 - (d) the Fund's Annual Information Form;
 - (e) any management information circular issued by the Fund; and
 - (f) any prospectus filed by the Fund.
- 3.2 In its review of the financial statements, the Committee will focus on:
 - (a) the quality and appropriateness of accounting and reporting practices and principles and any changes thereto;
 - (b) major estimates or judgments, including alternative treatments of financial information discussed by management and the external auditors, the results of such discussions and the treatments preferred by the external auditors;
 - (c) material financial risks;

- (d) material transactions;
- (e) material adjustments;
- (f) material compliance with loan agreements;
- (g) material off balance sheet transactions and structures;
- (h) related-party transactions;
- (i) compliance with accounting standards;
- (j) compliance with legal and regulatory requirements; and
- (k) disagreements with management.

3.3 The Committee will satisfy itself that adequate procedures are in place for the review of public disclosure of financial information extracted or derived from the Partnership's or the Fund's financial statements, other than the public disclosure referred to in section 3.1, and will periodically assess the adequacy of those procedures.

External Auditors

3.4 The external auditors will report directly to the Committee. The Committee will:

- (a) recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Partnership and the Fund and the compensation of the external auditors, taking care to ensure that in the opinion of the Committee, the audit fees charged by the external auditors with respect to the audit are appropriate in relation to the work required to support an audit opinion, without regard to fees that are paid or payable or might be paid to the external auditors for other services;
- (b) oversee the work of the external auditors and review and approve the annual audit plan of the external auditors, including the scope of the audit to be performed. The Committee will discuss with the external auditors and management the adequacy and effectiveness of the disclosure controls and internal controls of the Company and elicit recommendations for the improvement of such controls or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis will be given to the adequacy of internal controls to prevent or detect any payments, transactions or procedures that might be deemed illegal or otherwise improper;
- (c) meet regularly with the external auditors without management present and ask the external auditors to report any significant disagreements with management regarding financial reporting, the resolution of such disagreements and any restrictions imposed by management on the scope and extent of the audit examinations conducted by the external auditors;
- (d) pre-approve all audit, audit-related and non-audit services to be provided to the Partnership or the Fund by the external auditors, in accordance with applicable securities laws;

- (e) annually review the qualifications, expertise and resources and the overall performance of the external audit team and, if necessary, recommend to the Board the termination of the external auditors or the rotation of the audit partner in charge of the engagement;
- (f) at least annually, obtain and review a report by the external auditors describing that firm's internal quality-control procedures, any material issues raised by its most recent internal quality control review or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by it and any steps taken to deal with such issues, and all relationships between the external auditors and the Company, the Partnership and the Fund;
- (g) annually assess and confirm the independence of the external auditors and require the external auditors to deliver a report to the Committee regarding its independence, such report to include disclosure regarding all engagements (and fees related thereto) by the Company, the Partnership and the Fund and relationships which may affect the objectivity or independence of the external auditors;
- (h) review post-audit management letters containing recommendations of the external auditors, and management's response to such letters;
- (i) review reports of the external auditors; and
- (j) pre-approve the hiring of employees and former employees of current and former auditors.

Notwithstanding section 3.4(d) above, the Committee may delegate the pre-approval of audit, audit-related and non-audit services to any one member of the Committee, provided that a report on any such pre-approval is made to the Committee at the Committee's first scheduled meeting following the pre-approval.

Whistleblower, Ethics and Internal Controls Complaint Procedures

- 3.5 The Committee will ensure that the Company, the Partnership and the Fund have in place adequate procedures for:
- (a) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Accounting and Financial Management

- 3.6 The Committee will review:
- (a) with management and the external auditors, the Partnership's and the Fund's significant accounting policies and practices, including any changes from preceding years and any proposed changes for future years;
 - (b) with management and the external auditors, emerging accounting issues and their potential impact on financial reporting;

- (c) significant judgments, assumptions and estimates made by management in preparing financial statements;
- (d) the evaluation by management of the adequacy and effectiveness of the Company's disclosure controls and internal controls for financial reporting;
- (e) the evaluation by either the external auditors of management's internal control systems, management's responses to any identified deficiencies or weaknesses, and any special audit steps adopted in light of material deficiencies or weaknesses;
- (f) all alternative treatments of financial information discussed by the external auditors and management, the results of such discussions, and the treatments preferred by the external auditors;
- (g) the effect of off-balance sheet transactions or structures on the financial statements;
- (h) any errors or omissions in, and any required restatement of, the financial statements for preceding years;
- (i) all significant tax issues;
- (j) all material contingent liabilities and related-party transactions;
- (k) management's approach to safeguarding corporate assets and information systems, the adequacy of staffing of key financial functions, and plans for improvements; and
- (l) internal interim and post-implementation reviews of major capital projects.

Legal/Regulatory Matters and Ethics

3.7 The Committee will review:

- (a) with management, the external auditors and legal counsel, any litigation, claim or other contingency, including any tax assessment, that could have a material effect upon the financial position or operating results of the Partnership or the Fund;
- (b) annually, management's relationships with regulators, and the accuracy and timeliness of filings with regulatory authorities; and
- (c) annually, the ethics policy, management's approach to business ethics and corporate conduct and the program used by management to monitor compliance with the policy.

Risk Management

3.8 The Committee will:

- (a) consider any reports presented to it assessing enterprise business risk;
- (b) consider reports on the business continuity/disaster recovery plans for the Partnership and the Company;
- (c) consider reports on the insurance coverage of the Partnership and the Company;

- (d) consider reports on financial risk management, including derivative exposure and policies; and
- (e) review other risk management matters as from time to time the Committee may consider suitable or the Board may specifically direct.

Other

3.9 The Committee will review:

- (a) the expenses of the Chief Executive Officer;
- (b) the proposed disclosure concerning the Committee to be included in the Fund's Annual Information Form or any management information circular;
- (c) the Fund's disclosure policy; and
- (d) at least once annually, the adequacy of these Terms of Reference and the Committee's performance, and report its evaluation and any recommendations for change to the Corporate Governance Committee.

3.10 The Committee will also have such other duties and responsibilities as are delegated to it from time to time by the Board.

4. MATTERS FOR WHICH THE COMMITTEE IS NOT RESPONSIBLE

The Committee is not responsible for those matters which are the responsibility of management or the external auditors including, without limitation:

- (a) planning and conducting the external audit;
- (b) ensuring that the financial statements of the Partnership and the Fund have been prepared in accordance with generally accepted accounting principles;
- (c) ensuring that the financial statements of the Partnership and the Fund and the other financial information of the Partnership and the Fund contained in regulatory filings and other public disclosure of the Partnership and the Fund fairly present in all material respects the financial condition, results of operations and cash flows of the Partnership and the Fund;
- (d) ensuring the adequacy of the internal control over financial reporting structure and the financial risk management systems of the Company; and
- (e) ensuring compliance with applicable laws and regulations.

5. AUTHORITY

The Committee, in fulfilling its mandate, will have the authority to:

- (a) engage and set compensation for independent counsel and other advisers;
- (b) communicate directly with the Chief Financial Officer, the external auditors, and the Company's and the Fund's internal (if any) and external counsel;

- (c) delegate tasks to Committee members or subcommittees of the Committee; and
- (d) access appropriate funding as determined by the Committee to carry out its duties.

These Terms of Reference were adopted by a resolution of the Board effective March 23, 2005.