# FP NEWSPAPERS INC.

## ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED
DECEMBER 30, 2014

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## GLOSSARY OF TERMS

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

**"AAM"** means the Alliance for Audited Media (previously Audit Bureau of Circulations, an independent, not-for-profit organization headquartered in Arlington Heights, Illinois which audits and confirms print circulation and digital audience reports of content providers including the Winnipeg Free Press, the Brandon Sun and The Carillon;

**"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 AAM performs for the newspapers owned by 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;

**"Corporation"** means FP Newspapers Inc.;

**"Derksen Printers"** means the Steinbach publishing and printing business acquired by FPLP on February 28, 2011;

**"Directors"** means the directors of the Corporation from time to time;

**"Exchange Agreement"** means the exchange agreement among the General Partners, FPGP, FPLP and the Corporation dated December 31, 2010;

**"EBITDA"** means earnings before interest, income taxes, depreciation and amortization;

"**Flyer Advantage"** means Flyer Advantage, a division of FPLP which delivers advertising material twice per week to households in the Winnipeg market;

**"FPCN Media"** means FPCN Media Management Inc., a corporation incorporated under the laws of Canada and controlled indirectly by Ronald Stern;

**"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 (the predecessor to the Corporation), an unincorporated open-ended limited purpose trust that was 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;

**"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. NADbank merged with the Print Measurement Bureau in October of 2014 to form a new audience measurement agency that will survey readership of newspapers and magazines in both print and digital formats. The new agency will begin reporting publicly in April 2015 and will incorporate previous research done by NADbank into its initial releases;

**"Partnership Agreement"** means the amended and restated partnership agreement dated for reference May 3, 2005, as amended, among FPGP, as managing general partner, the General Partners, as general partners, and the Corporation, as the limited partner, pursuant to which FPLP is governed;

**"Shareholders Agreement"** means the shareholders agreement dated December 31, 2010 among FPGP, FPCN Media and the Corporation pursuant to which FPGP is governed;

**"Shares"** means the common shares of the Corporation;

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

"**Voting Share**" means the one voting preferred share of the Corporation, which is owned by FPCN Media.

Words importing the singular number 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 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, general economic uncertainty, 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 2015 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 2015 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 Corporation 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 Corporation and FPLP assume no obligation to update or revise them to reflect new events or circumstances.

## CORPORATE STRUCTURE

### Name, Creation and Structure of the Corporation

FP Newspapers Inc. (the "**Corporation**"), which was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on March 17, 2010, is the successor to the business of FP Newspapers Income Fund. The head office and principal business office of the Corporation is located at Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

The Fund was an unincorporated, open-ended, limited-purpose trust established under the laws of Ontario on May 15, 2002 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 through FP Trust, an interest in FP Canadian Newspapers Limited Partnership ("**FPLP**"), a limited partnership established under the laws of British Columbia, which owns and publishes the Winnipeg Free Press, Brandon Sun and several community newspapers.

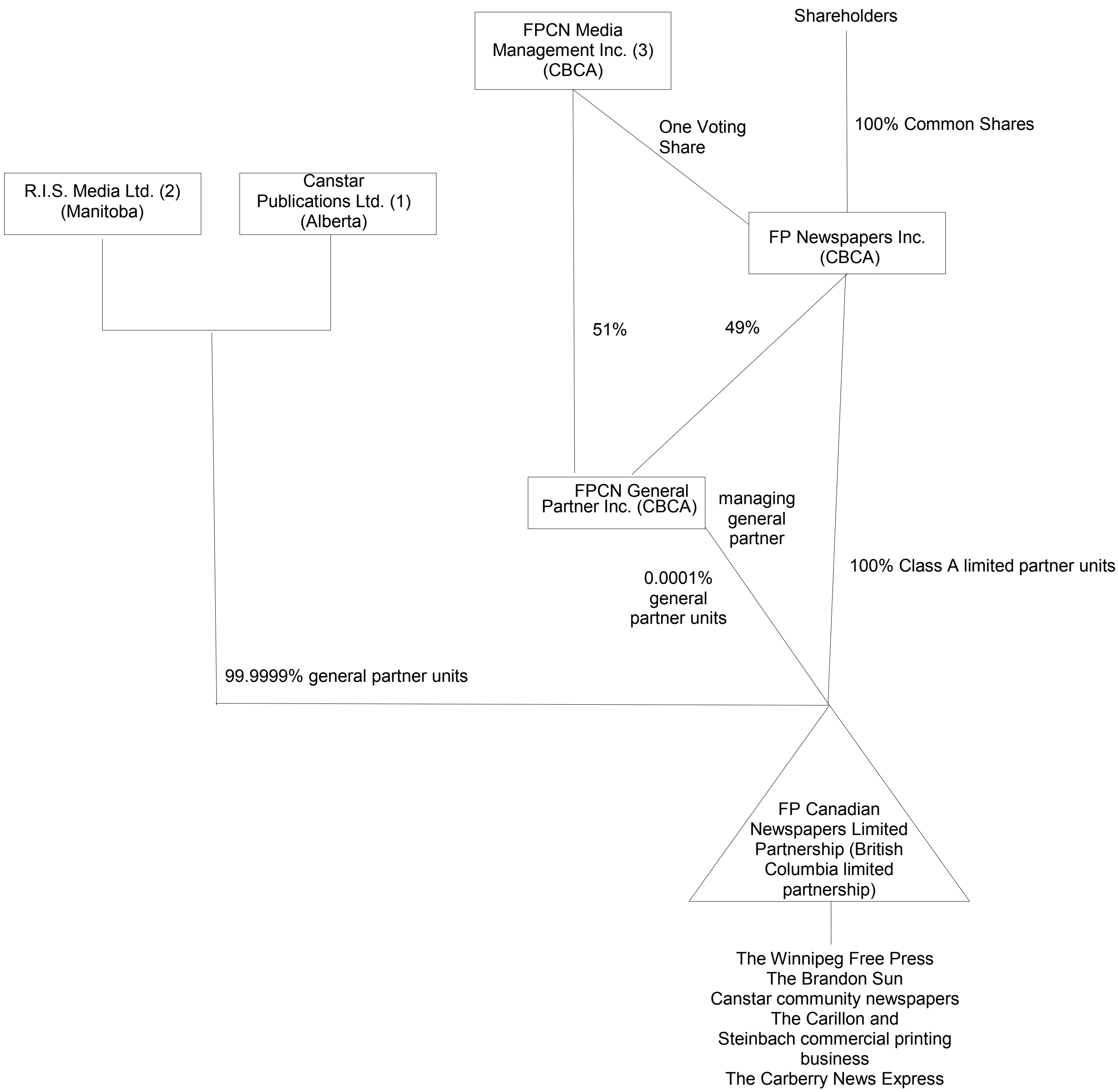
In response to changes in the tax treatment of income trusts, the trustees of the Fund determined that it would be in the best interests of the Fund and its Unitholders to convert the Fund from a trust to a corporation. Effective December 31, 2010, all of the outstanding Units of the Fund were exchanged on a one-for-one basis for common shares of the Corporation ("**Shares**") pursuant to a plan of arrangement. Following the share exchange on December 31, 2010, FP Trust was wound up into the Fund, and the Fund was wound up into the Corporation, with the result that the Corporation now owns directly the securities entitling it to 49% of the distributable cash of FPLP in each fiscal year that were previously owned indirectly by the Fund. Effective January 7, 2011, the Shares began trading on the Toronto Stock Exchange in place of the Units.

FPCN General Partner Inc. ("**FPGP**") is the managing general partner of FPLP. 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. ("**FPCN Media**"), a corporation controlled indirectly by Ronald Stern. The Corporation owns 49% of the common shares of FPGP. The affairs of FPGP are governed by a shareholders agreement among FPGP, FPCN Media and the Corporation.

**Intercorporate Relationships**

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




(1) Canstar Publications Ltd. is controlled indirectly by Ronald Stern.
(2) R.I.S. Media Ltd. is controlled indirectly by Robert Silver.
(3) FPCN Media Management Inc. is controlled indirectly by Ronald Stern.

## GENERAL DEVELOPMENT OF THE BUSINESS

### General

The Fund commenced operations on May 28, 2002, when it completed its initial public offering and acquired securities of FPLP entitling it to 49% of the distributable cash of FPLP. Effective December 31, 2010, all of the outstanding Units of the Fund were exchanged on a one-for-one basis for Shares of the Corporation, and the Corporation succeeded to the business and assets of the Fund.

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 $7.2 million. 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 for cash consideration of $0.4 million. In 2008, Rosebud Publications Ltd. was amalgamated into Canstar.

In February 2011, FPLP acquired substantially all of the assets and assumed specified liabilities of a commercial printing and publishing business located in Steinbach, Manitoba from Derksen Printers Ltd. for cash consideration of $3.5 million.

In October 2012, FPLP acquired the Carberry News Express, a weekly community newspaper for cash consideration of $0.2 million.

## DESCRIPTION OF THE BUSINESS

### Industry Overview

The Canadian newspaper industry includes approximately 94 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. Daily and community newspaper revenue in the Canadian industry is earned primarily from a combination of print and digital advertising, circulation, delivery services and other smaller categories. The most recent figures available indicate that newspaper industry total revenues in 2012 were $4.7 billion, of which approximately 66% was generated from advertising, 19% from circulation, 9% from delivery services and 6% from all other sources. 2012 total revenues were 4.5% lower than 2010 reported levels. (Source: Statistics Canada).

*Advertising*

The Canadian newspaper industry accounted for a large portion of the Canadian advertising market in 2013, with a combined share of advertising revenues of approximately 20%, compared to 24% for television. Newspapers' share of the combined advertising revenues in Canada in 2012 was 23%. (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 breakdown among national, local, classified, flyer delivery and online advertising for the Canadian daily newspaper industry in 2013 was 35%, 31%, 13%, 9% and 12% 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 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 46% in 2011, 43% in 2012 and 40% in 2013. According to the most recent statistics compiled by Newspapers Canada (from AAM and CCAB audit statements), the daily average print and digital circulation for paid and free newspapers was 5.7 million in 2013 compared to 6.0 million in 2012. 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 17 years, the newspaper industry in Canada has experienced significant changes in composition and 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. acquired Southam Inc.
- March 1999 – Quebecor Inc. acquired 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., 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 Inc.'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 Inc.
- 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 Inc./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 Inc.
- 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.
- July 2010 – Postmedia Network Canada Corp., through its subsidiary Postmedia Network Inc., ("**Postmedia**") acquired substantially all of the financial and operating assets previously owned by CanWest, making it Canada's largest publisher of paid English-language daily newspapers.
- December 2011 – Glacier Media Inc. through its affiliate acquired the Victoria Times Colonist, together with the community newspapers in British Columbia and related digital media assets previously owned by Postmedia.
- October 2013 – Black Press and Glacier Newspaper Group swapped ownership of six publications in British Columbia communities where they held competing properties. Glacier also moved to consolidate papers in some other communities, including Kamloops, where it announced the closure of the Kamloops Daily News early in 2014.
- October 2014 - Postmedia Network Canada Corp. entered into an agreement with Quebecor Media Inc. to purchase Sun Media Corporation's 175 English language newspapers, specialty publications and digital properties, including the Sun chain of daily newspapers.

As a result of this consolidation in the Canadian newspaper industry, ownership of newspapers in large and mid-sized markets is now concentrated among Postmedia Network Canada Corp., Quebecor Inc., Torstar Corporation, Transcontinental, Glacier Newspaper Group, and CTVGlobemedia. The Winnipeg Free Press is currently the largest circulation daily newspaper in Canada that is not owned by one of the large 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 24% of total advertising revenues in 2013, up from 20% in 2012. (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 of the Business**

FPLP carries on newspaper and related businesses in Winnipeg, Brandon, Steinbach and Carberry, Manitoba. 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. In February 2011, FPLP acquired the Steinbach commercial printing and publishing business previously owned by Derksen Printers Ltd. The Steinbach business publishes the weekly paid newspaper "The Carillon", which has circulation of approximately 8,000 copies. In October 2012, FPLP acquired the Carberry News Express, a weekly newspaper with circulation of approximately 1,000 copies.

Each of the Winnipeg Free Press, the Brandon Sun, The Carillon and the Carberry News Express enjoys a history that is closely tied to the communities that it serves. 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 Carillon was started by the Derksen family and was first published in 1946. The Carberry News Express was first published in 1886.

In addition, Canstar publishes six weekly community newspapers with total circulation of approximately 195,000 in the greater Winnipeg area. These free-distribution publications focus on community news coverage and provide targeted readership for advertisers.

**Revenue**

FPLP derives revenue from print and digital advertising, circulation (i.e., the sale of the publications), commercial printing and other sources.

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

| Source of Revenue | Years ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | ($000s) | % | ($000s) | % |
| Print Advertising | 63,524 | 64.1% | 70,341 | 66.2% |
| Print Circulation | 25,334 | 25.6% | 25,980 | 24.4% |
| Commercial printing | 5,268 | 5.3% | 4,951 | 4.7% |
| Digital | 3,850 | 3.9% | 3,447 | 3.2% |
| Other | 1,063 | 1.1% | 1,553 | 1.5% |
| Total revenue | 99,039 | 100.0% | 106,272 | 100.0% |

**Winnipeg Free Press**

The Winnipeg Free Press delivers a high-quality daily newspaper to a primary market in the Winnipeg metropolitan area with a population of approximately 715,000 (Source: Statistics Canada), consisting of approximately 291,000 households (Source: Statistics Canada). In 2014, retail sales increased an estimated 4.1% in Manitoba and 4.0% in Canada (Source: Statistics Canada).

*Products*

FPLP's flagship product 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. On Sunday, the Winnipeg Free Press is published only for single-copy purchases in Winnipeg and surrounding area. The Free Press also publishes Uptown, a special section on arts and entertainment around Winnipeg, which is distributed as part of the Thursday newspaper, and as a single-copy, free publication available on racks around the city. FPLP also operates a separate insert and direct flyer distribution business in Winnipeg called Flyer Advantage. Insert and direct flyer business continues to be an important source of revenue as advertisers seek additional and alternative methods of reaching consumers.

The Winnipeg Free Press is an occasional publisher of books of significance to the Manitoba market. In 2014, the paper published City Beautiful, a look at Winnipeg’s rich architectural history and present-day building boom. The hardcover edition hit shelves in December and in three weeks became the best-selling non-fiction book in Manitoba in 2014.

The Winnipeg Free Press provides a number of digital portals and publications. The main 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, passages.winnipegfreepress.com, was upgraded in 2011 and continues to attract a large audience. The digital operation includes a video service and a number of applications for mobile devices, including a Winnipeg Free Press app and a specialized app for hockey news. The website offers digital flyers through its Flyertown service.

In 2015, the Winnipeg Free Press introduced a new concept for digital content in Canadian newspapers – micropayments for articles. Many publications have restricted unlimited access to their digital content to paying subscribers. The Free Press has developed an alternative aimed at capturing the entire audience for its content, as opposed to the minority who are frequent users. Individual articles can be read for 27 cents each. Frequent visitors to the site are prompted to subscribe to unlimited access for a flat monthly fee. Unlimited digital access is included with all six-day print subscriptions. Micropayments were introduced in conjunction with a number of upgrades to digital products and subscriber offers. Additional staff provide more in-depth coverage of specialty areas such as business. The main website has been retooled to respond to individual use patterns and preferences, so each user will experience a different, personalized site on each visit. The electronic replica edition of the printed newspaper has been upgraded. As well, monthly digital subscribers get the printed Saturday edition of the Winnipeg Free Press delivered to their homes.

The Winnipeg Free Press is the official newspaper sponsor of the Winnipeg Jets of the National Hockey League and leverages this relationship in sales and marketing efforts, including the sale of player medallions, special reader contests and books on the team.

The editorial department is organized to create a continuous content-gathering operation that produces the most comprehensive, up-to-the-minute news reports available from any Winnipeg media outlet. The web 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 Paul Samyn sends out an email news bulletin each afternoon that highlights news breaking on the web and tells subscribers what they can expect in the next day’s print edition.

Reader engagement is also fostered through the Winnipeg Free Press News Café, a restaurant in the historic Exchange District of Winnipeg where readers can interact with working journalists. It is part of continuing outreach efforts by the Winnipeg Free Press, which include sponsorships of numerous community events, activities and charities.

The main web site, www.winnipegfreepress.com, offers 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 paper also offers historical archives on a subscription basis, allowing users access to all content published in the Free Press throughout its 143-year history. The web site is used heavily by Winnipeggers travelling outside the province, and by many around the world whose origins are in the province. The newspaper also offers an iPad version of its content and a mobile version of its major content in addition to a breaking-news iPhone and iPad app and a Winnipeg Jets app.

The Free Press offers an online Autos site, popular among Manitoba vehicle dealers and consumers alike, and a Homes site. These offerings are in addition to existing online revenue sources. In 2004 the Winnipeg Free Press launched a partnership with Workopolis, offering advertisers and the public an online employment web site co-branded as the Winnipeg Free Press and Workopolis Manitoba. The obituary site, passages.winnipegfreepress.com, offers readers opportunities to sign books of condolence, to add personal comments about their life with the deceased, and to send flowers and donations. It also contains resources such as information on how to write a eulogy. The site was upgraded in 2011 to offer more advertising opportunities and other revenue-generating services.

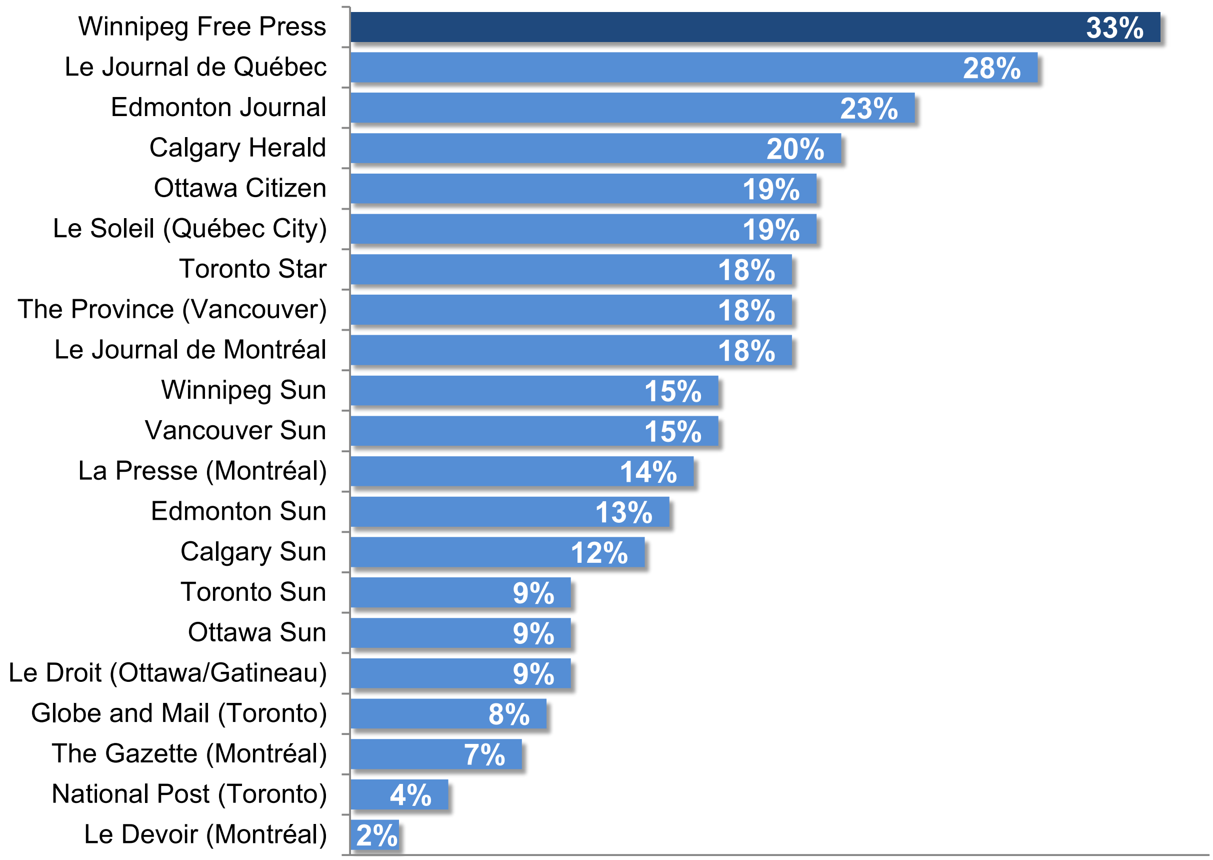
The Winnipeg Free Press has leveraged its digital expertise to expand services offered to advertisers and other customers. The Digital Bureau now designs and builds digital sites, guides clients in the use of social media and performs a number of other services. In 2014, the Free Press signed a partnership with Denver-based AdTaxi Networks to offer a wide variety of digital options to customers, from social media campaigns to search and email marketing.

The Free Press is also reaching broader audiences with niche publications such as First Nations Voice, a widely-distributed monthly newspaper of aboriginal content.

*Circulation and Readership*

The Winnipeg Free Press has a Monday through Friday total average circulation of approximately 98,000 according to AAM, for the six months ended September 30, 2014, and a Saturday total average circulation of approximately 138,000 copies and total weekly readership of print and online versions of approximately 405,000, according to the 2013 NADbank survey. 65% of Winnipeg adults read a newspaper in print or online every week. The Winnipeg Free Press print and digital versions are read by approximately 53% of all Winnipeg adults on weekdays. This is one of 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, high readership levels and readership demographics have resulted in strong subscription and advertising revenues.

**Weekday Print Readership of Daily Newspapers in Major Canadian Cities[1]**




(1) Source: 2013 NADbank Study (includes major Canadian cities with more than one daily paid newspaper).

(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 1.5% 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, 2014 the Winnipeg Free Press had 376 full-time equivalent employees, 300 of whom are unionized. The largest single department at the Winnipeg Free Press is the editorial department, which had 78 full-time equivalent employees as of December 31, 2014. 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 420 individuals, who are independent contractors) and unionized workers in all areas are members of Unifor.  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 were members of the Communications, Energy and Paperworkers Union went on strike. As a result of that work stoppage, the Winnipeg Free Press missed 16 days of publishing and Canstar 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 25 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 Unifor for the Winnipeg Free Press and Canstar employees and Winnipeg Free Press city carriers were negotiated during 2013 and remain in force until June 30, 2018.

*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 winnipegfreepress.com and develops more comprehensive content for daily publication in the Winnipeg Free Press for Monday to Saturday and in the Sunday edition of the Winnipeg Free Press, which is available only for single-copy sales. 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 and Manitoba. The newspaper also uses its digital properties to foster broader community debate. The paper has been a leader in encouraging respectful online debate among readers and has taken steps to eliminate profane, rude and harmful comments. All commenters must now be registered with winnipegfreepress.com.

The Winnipeg Free Press differentiates itself from its local print and electronic media competitors by using a wholly local approach to covering issues of importance and interest to Winnipeg and Manitoba. While other media increasingly reduce and eliminate local editorial resources and use more content determined, compiled and produced elsewhere, the Free Press maintains complete local control over the editorial process. The paper remains committed to having local journalists in the community providing comprehensive coverage. The newspaper maintains writers at the Manitoba Legislature, the Winnipeg Law Courts, Winnipeg City Hall and the Winnipeg Public Safety Building. As well, the Free Press frequently uses its own journalists to cover major events elsewhere and to follow Winnipeggers around the world, providing unique Winnipeg and Manitoba perspectives not available in other local media. Free Press reporters always bring unique coverage of the Winnipeg angle to major news and sporting events.

In recent years, substantial resources have been put into digital development and specialty publications to further build audience. Free Press web sites and mobile applications now get more than one million page views daily.

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 the 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 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 continue to be an important revenue-generator for the Business. In November 2009, the Winnipeg Free Press discontinued printing a Sunday broadsheet-format newspaper for home-delivery and single-copy customers. A broadsheet-format Sunday edition is printed for purchase at retail locations in 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 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 existing and potential 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 through 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, digital sites 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 competitors are the Winnipeg Sun, a tabloid newspaper operated by the Sun Media group, that is controlled by Quebecor Inc., and Winnipeg Metro, a free weekday newspaper started in April 2011, that is majority-owned by Star Media Group. While the presentation and branding of the Winnipeg Free Press broadsheet-format and the two tabloid-format 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 2013 NADbank survey, the Winnipeg Free Press is read by 53% of all Winnipeg adults over the course of five days compared with 38% for the Winnipeg Sun, 33% for Metro and 10% for The Globe and Mail. Moreover, on Saturday, the Winnipeg Free Press is read by approximately 41% of all adults in Winnipeg, compared to approximately 13% for the Winnipeg Sun. The Winnipeg Free Press also has approximately 41% weekday readership and 51% Saturday readership among adults with a post-secondary education, compared to the Winnipeg Sun's approximately 13% weekday and 7% Sunday readership.

Canstar, a division of FPLP, publishes six community free weekly tabloid-format newspapers. The Canstar weekly newspapers are delivered on Wednesdays 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 approximately 233,000 households.

*Raw Materials*

The Winnipeg Free Press used approximately 13,500 metric tonnes of newsprint in 2012, approximately 12,400 metric tonnes in 2013, and approximately 11,500 metric tonnes in 2014. In 2014, newsprint was 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 and Carberry News-Express**

*Market Overview*

The City of Brandon and its immediate vicinity have a population of approximately 53,200 and approximately 22,000 households (Source: Statistics Canada 2011 Census). NADbank readership numbers released in 2013 (the most recent available data) indicate that newspaper readership in the region is approximately 82% weekly, dominated by the Brandon Sun. Between the 2010 and 2013 NADbank studies the Brandon Sun increased its total audience to a total brand footprint of approximately 34,000 weekly readers, as print readership fell slightly while online readership grew. Forty percent of the Brandon Sun's circulation is outside the City of Brandon reflecting the substantial rural population that Brandon serves as the major hub and service centre of southwestern Manitoba. Major industries reflect the community's roots in agriculture and transportation and include food processing, fertilizer production, exhibitions including the Royal Manitoba Winter Fair, and equipment dealerships. These industries in turn support a range of retailers and service providers.

*Products*

In Brandon, FPLP operates the Brandon Sun, a community-based Monday through Saturday newspaper with an average weekday circulation of approximately 12,200 and a Saturday circulation of approximately 13,000. A weekly free-distribution paper called the Brandon Sun Community News Edition is delivered to approximately 30,000 western Manitoba households on Thursdays, covering local community events and carrying pre-printed flyers.

The Brandon Sun also operates a web site offering local content, classified and career advertising. The site's address is www.brandonsun.com. In 2014, the Brandon Sun introduced an e-Edition offered to subscribers across desktops, laptops, tablets and smart phones via popular apps for iPhones, iPads, Android devices and Kindle Fires.

The e-Edition is also used as the basis for our Newspaper in Education (NIE) edition, offered to participating schools in the Sun's readership area.

During 2013 FPLP integrated the Carberry News-Express, a weekly newspaper with circulation of approximately 800, into its operations after purchasing the paper from a local owner in late 2012. Carberry, located 30 miles east of Brandon, has a population of 1,600. It is centred in a potato-farming district and serves as an agricultural hub. McCain Foods is the major employer.

The News-Express depends on local retailers and service businesses for the bulk of its advertising revenues. The paper enjoys a loyal readership built up over many years of service to the community. The News-Express, which is overseen by the Brandon Sun management team, employs a local General Manager and two employees on-site in Carberry. Both the Winnipeg Free Press and Brandon Sun also sell newspapers in Carberry.

*Readership*

According to the most recent NADbank survey for Brandon, which was conducted in 2013, the Brandon Sun's adult readership in the City of Brandon was approximately 21,075, including readers on the website, with a total weekly readership (including both print and website readers) of approximately 34,000.

*Advertisers*

The Brandon Sun's advertising from local sources is highly diversified, since it is currently the only local provider of print-advertising vehicles six days a week. 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 51 full-time equivalent employees at the Brandon Sun as at December 31, 2013, 42 were members of Unifor and 9 were non-unionized. A new five-year contract with members of Unifor was negotiated during 2013 and remains in force until December 31, 2018.

*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. Staff-written content and staff photography are highly local in nature as well. 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*

Since late 2010, the Brandon Sun has been produced in FPLP's Winnipeg print plant. All non-production functions continue to operate in Brandon including editorial, advertising, circulation and administration areas. Management continues to maintain the building at 501 Rosser Avenue in Brandon that has served as the newspaper's home for several decades, and is a prominent downtown office property. The building is owned by FPLP.

*Circulation*

A local independent carrier force of approximately 30 adults delivers the Brandon Sun within city limits. In addition, contract drivers and independent agents are used for distribution to the Brandon Sun's extended coverage region in surrounding rural areas.

*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 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 guiding role in the community as part of a number of civic projects.

*Competition*

The Brandon Sun competes for advertisers against four local radio stations, an online bulletin board (ebrandon) 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.

**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 195,000.

*Readership*

According to the December 2011 Probe Research Inc. market survey, 63% of Winnipeg adults had read a community newspaper in the past four weeks. Thirty-nine percent of the 600 people surveyed said they had read or at least looked at all four editions over the last four weeks. Readers surveyed said the key strength of community newspapers is their ability to cover neighbourhood and city news and news about or related to local schools.

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 16 full-time equivalent employees at Canstar as at December 31, 2014 including 13 unionized employees and 3 non-unionized employees. The current agreement covering the Canstar unionized employees was negotiated during 2013 and remains in force until June 30, 2018.

*Editorial Policy*

The community newspapers employ a small editorial group, and use freelance community journalists to gather local content that is relevant for each publication.

*Printing and Production*

Printing of the community newspapers is done by FPLP at the Winnipeg Free Press facility. 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 Wednesdays by the Winnipeg Free Press's contract carrier force and by Flyer Advantage to non-Winnipeg Free Press subscribers' homes.

*Sales and Marketing*

Canstar sells its advertising services locally through its own 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 the insertion of advertising material.

**Derksen Printers**

On February 28, 2011, FPLP acquired substantially all of the assets of Derksen Printers Ltd., a family-owned business founded in 1936, which operated a commercial printing and newspaper publishing operation in Steinbach, Manitoba. Derksen Printers is the largest custom newspaper and commercial printing plant in rural Manitoba.

*Products & Services*

Derksen Printers generates approximately 69% of its revenue from commercial printing activities, with the remaining 31% from the publication of The Carillon. Commercial printing includes both web and sheet-fed printing jobs and includes Monday through Friday printing of the free Metro Winnipeg newspaper, the contract for which was awarded to Derksen in April 2011, in addition to a large variety of recurring and non-recurring publications in several different languages. The Carillon, a regional weekly paid newspaper serving Steinbach and south-eastern Manitoba, has a weekly average circulation of approximately 7,700 copies. It won nine awards at the 2013 Manitoba Community Newspaper Association Awards including best paper in its circulation class, best front page, best editorial page and best layout and design. The Carillon's late editor, Peter Dyck, was recognized with a final individual writing award in the best agricultural story category. Columnist Wes Keating claimed first place for best historical story and Michael Zwaagstra received a second place award in the best columnist category. At the 2013 Canadian Community Newspaper Awards, The Carillon was awarded five National awards including best in class for its editorial page and second place awards in the editorial writing and outstanding columnist categories. Approximately 65 percent of The Carillon's weekly circulation is to home-delivery subscribers, with the remaining sales made through local retailers. Derksen Printers also publishes a variety of speciality products such as local directories and cookbooks.

In 2013 the Derksen team completed the redesign of its website which is located at www.thecarillon.com. In addition to carrying the most up-to-date southeastern Manitoba news, sports and entertainment coverage, the site includes links to pieces of interest generated by the Winnipeg Free Press writers. The new site, which attracts approximately 22,000 page views per week, will continue to evolve and will allow opportunities for increased digital advertising revenue going forward.

*Market and Customers*

Steinbach, Manitoba's third largest city, is located 65 kilometres southeast of Winnipeg. The population of Steinbach as reported in the 2011 Statistics Canada Census Survey was just over 13,500, which represented a 22.2% increase from the 2006 census. According to census results, Steinbach and the southeast region of Manitoba are the fastest growing city and region in the Province.

The Carillon generates revenue from classified and display advertising in addition to circulation and flyer distribution sources. Special supplement sections are scheduled throughout the year in response to advertiser and reader opportunities. The Carillon is home-delivered by independent carriers on Thursdays in the City of Steinbach and through Canada Post and retail outlets to numerous towns in the southeast area. Many long-standing community journalists provide insight and coverage for a number of the local communities which have dedicated editorial space in the weekly newspaper. Major display advertisers include automobile manufacturers and local dealers, national grocery and pharmacy chains and financial institutions including the Steinbach Credit Union, the largest credit union in Manitoba by asset size. "Derksen Flyer Impact" was started in early 2012, providing the ability for flyer customers to reach over 4,500 households in Steinbach on a weekly basis.

*Employees*

Derksen Printers employs 46 full-time and 13 part-time employees as at December 31, 2013. The Carillon has a dedicated editorial team of 5 employees, and 4 employees dedicated to display advertising sales. The remaining staff in the production and administration areas work on both the Carillon and the commercial printing activities.

*Facilities and Equipment*

Derksen Printers operates out of an approximately 26,500-square foot combined production and office building owned by FPLP, located on Main Street in downtown Steinbach. The present facility comprises three connected buildings which were originally constructed in the late 1960s and mid-1970s. The web printing equipment consists of Goss Community four-colour press towers, two of which were sourced in the used equipment market and added to the press line during 2011. In 2014, ultra-violet ink-setting equipment was added to two of the existing press units, expanding Derksen Printers' web press functionality to allow for printing on high-gloss paper. The sheet-fed operation includes four-colour presses and single-colour presses. The pre-press equipment includes two lines of computer-to-plate equipment, which serves both the web and sheet-fed presses. Post-press equipment includes a stitcher/trimmer along with various cutting and binding/mailing equipment.

**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, 2014, revenue of FPLP in each of the first, second, third and fourth quarters, as a percentage of total revenue, was 24%, 26%, 24% and 26%, respectively.

**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 Shares involves a number of risks. In addition to the other information contained herein, Shareholders should give careful consideration to the following factors:

### Risks Related to the Structure of the Business

*FPLP's Cash Distributions will Fluctuate with the Performance of the Business*

There can be no assurance regarding the amount of income to be generated by FPLP and distributed to its partners. The actual amount distributed to the partners of FPLP, including the Corporation, 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 for its administration and management. 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.

*The Corporation May Issue Additional Shares Diluting Existing Shareholders' Interests*

The Corporation is authorized to issue an unlimited number of Shares, for the consideration determined by the Directors, without the approval of Shareholders. In addition, pursuant to the Exchange Agreement, up to 7,184,321 additional Shares may be issued by the Corporation for no additional consideration on the exchange of the General Partners' general 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 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 Shares.

*Investment Eligibility and Foreign Property Restrictions*

There can be no assurance that the Shares 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 Shares 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.

*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 applicable legislation governing limited partnerships.

**Risks Related to the Business and the Industry**

*Cyclicality 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.

*Newsprint Costs*

Newsprint represents the single largest raw material expense of the Business and is one of the most significant operating costs (the others being employee costs and delivery 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 $80,000 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 newspapers and commercial printing businesses that FPLP operates compete with other newspapers, printers and media companies. Although FPLP's businesses are dominant in their respective major demographic segments, there can be no assurance that they 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 the partners of FPLP, including the Corporation, and, ultimately, to Shareholders. 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 Shares, 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 when it becomes due in January

2020 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 Corporation 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 dividends.

*Pension Fund Obligations*

FPLP has in place a defined benefit pension plan and multiple defined contribution plans. The defined benefit pension plan was started when the Business was acquired by FPLP in November 2001. The plan text mirrored the predecessor plan.

Provincial pension legislation requires that the funded status of defined benefit pension plans be determined on both a going-concern basis (which assumes the pension plan continues indefinitely) and a solvency basis (which assumes the plan is wound up on the valuation date). Based on FPLP's most recent filed actuarial valuation, as of December 31, 2013, the plan had a funding surplus of $3.5 million on a going-concern basis, and a funding shortfall of $6.3 million on a solvency basis. The next actuarial valuation is required as of December 31, 2014. The actual funded status of the pension plan and FPLP's contribution requirements and accounting expense are dependent on many factors, some of which include regulatory developments, actuarial assumptions and methods used, changes in plan demographics and experience and changes in economic conditions such as the return on fund assets and changes in interest rates used for determining the present value of pension obligations. Changes in the above factors can result in significant changes to the determination of the reported pension expense and the level of required funding to the plan, which can produce volatility in FPLP's reported results and cash generated from operating activities.

*Reliance on Printing Facilities & Information Technology Systems*

FPLP places considerable reliance on the functioning of its two printing operations, particularly the Winnipeg Free Press facility, which produces the Winnipeg Free Press, Canstar Community News and Brandon Sun newspapers and related products. In the event of a shutdown or disruption of one of its facilities, FPLP would attempt to mitigate potential damage by shifting production to the other facility or to a third-party printer. A shutdown or disruption of one of FPLP's facilities could result in FPLP being unable to print some publications, which could have a significant negative impact on FPLP's results.

FPLP relies on various information technology systems and other critical manufacturing systems to help generate its revenues. There are critical risks associated with these systems including but not limited to, unauthorized access, computer viruses, sabotage, power loss, system failures, human error and wear and tear on equipment. FPLP's businesses and revenues could be significantly impacted by a disruption to these critical systems and equipment.

*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 Unifor were re-negotiated during 2013 and expire on June 30, 2018, in respect of the Winnipeg Free Press and Canstar, and on December 31, 2018, 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, profits and distributable cash.

**Other Factors**

Other factors beyond the Corporation's or FPLP's control that may affect future results are noted in "Caution Regarding Forward-Looking Statements". The Corporation 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 Corporation, 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 Corporation and FPLP assume no obligation to update or revise them to reflect new events or circumstances, except as required by law.

## DIVIDENDS

**Dividends**

Dividends paid by the Corporation for the years ended December 30, 2012, 2013 and 2014 are presented in the table below.

| | (in $000s, except per-Share amounts) | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Total dividends declared to Shareholders.................... | $3,658 | $4,142 | $4,142 |
| Total dividends declared to Shareholders per Share.... | $0.530 | $0.600 | $0.600 |

**Dividend Policy of the Corporation**

The Corporation's policy is to pay quarterly dividends to Shareholders of its available cash after:

- administrative expenses and other obligations;
- any interest expense incurred by the Corporation; and
- reasonable reserves established by the Directors (to the extent not already accounted for).

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

**Distribution Policy of FPLP**

The Partnership Agreement provides that FPLP will distribute by way of quarterly 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;
- 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 reserves to ensure compliance with agreements to which FPLP is subject, including its credit facility, and to ensure 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 quarterly distributions within each fiscal year.

## CAPITAL STRUCTURE

### Classes of Shares

The authorized capital of the Corporation consists of an unlimited number of Shares and one Voting Share. As of the date hereof, the Corporation has issued and outstanding 6,902,592 Shares and one Voting Share.

The single Voting Share is held by FPCN Media, a company owned by the General Partners. The holder of the Voting Share has the right to elect one-third of the Directors, but is not entitled to any economic rights as a shareholder of the Corporation. If and when the General Partners cease to own at least 10% of the outstanding partnership units of the Partnership, the Voting Share held by FPCN Media will automatically be redeemed by the Corporation for a redemption price of $1.00 and be cancelled.

Holders of Shares are entitled to one vote per Share at meetings of shareholders of the Corporation (other than meetings of the holders of Voting Shares), to receive dividends if, as and when declared by Directors, and to receive *pro rata* the remaining property and assets of the Corporation upon its liquidation, dissolution or winding-up. Holders of Shares may make use of the various shareholder remedies available pursuant to the CBCA. As long as the Voting Share is outstanding, the right of holders of Shares to elect the Directors is limited by the right of the holder of the Voting Share to elect one-third of the Directors.

### Constraints Related to 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, the Carillon 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 Corporation and its related entities contain provisions prescribing these Canadian ownership and control requirements in respect of the Corporation, FPGP, the General Partners, FPCN Media, FPLP and any entity that controls any of these entities. The Corporation's Articles also contain constraints on share ownership by non-Canadians that are intended to ensure that the Winnipeg Free Press and the Brandon Sun continue to qualify as "Canadian newspapers" under the Tax Act. In particular, the Corporation's Articles provide that the Corporation may:

(i) refuse to accept any subscription for Shares;

(ii) refuse to allow any transfer of Shares to be recorded in its share register; and

(iii) sell, as if it were the owner of, any Shares that may be held,

if the consequences of such subscription, transfer or holding would be to adversely affect the qualification as a "Canadian newspaper" of any of the newspapers owned by FPLP, including, without limitation, the Winnipeg Free Press, the Brandon Sun and the Carillon.

## 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, the Carillon 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 the Corporation 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 general partner units, an unlimited number of Class A Units and 10,000 Class B Units, of which 7,184,331 general partner units, 6,902,592 Class A Units and no Class B Units are presently outstanding.

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 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 quarter (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 quarterly 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, if any, 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:

(i) 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*;

(ii) 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

(iii) 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*; and

(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.

*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, if any, 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, if any, 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 are responsible for, and have authority in, assisting FPGP in the management of the business and affairs of FPLP and perform such additional specific duties in connection with the Business of FPLP as are delegated to them by FPGP from time to time and pursuant to the Partnership Agreement. The General Partners 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 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 who are not nominees of an affiliate or an associate of FPGP, and, where those agreements involve the creation of debt obligations (in excess of $1.0 million) 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 reimburses 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 operates so 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 purposes 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**

The HSBC Bank Canada (“HSBC”) credit agreement, which was amended effective January 8, 2015, consists of one non-revolving term loan maturing on January 31, 2020 in the original amount of $40.0 million. Amounts borrowed under the facility will primarily be in the form of prime rate advances or bankers’ acceptances at varying interest rates and will mature over periods of 30 to 180 days. The interest rate spread above the bankers’ acceptance or prime rate varies based on the leverage ratio, as defined in the agreement, and was 2.00% at March 11, 2015. The term loan facility includes principal repayments of $1.0 million annually on June 1 and a cash sweep to be paid no later than 90 days after the end of each fiscal year with the first cash sweep due on March 31, 2016 for the 2015 financial year. The cash sweep is equal to the lesser of $3.5 million or 25% of FPLP’s annual distributable cash as defined in the agreement. The agreement includes an allowed maximum principal balance of $30.0 million on January 31, 2018 and $20.0 million on January 31, 2020. The facility is secured by a charge over all the assets of FPLP and is subject to various covenants, 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.

**Shareholders Agreement**

The Fund, FPCN Media and FPGP were originally parties to a shareholders agreement dated May 28, 2002 that governed the affairs of FPGP. Effective December 31, 2010, on the conversion of the Fund to the Corporation, that agreement was terminated and replaced by the Shareholders Agreement, the material terms of which are set forth below. This summary is qualified in its entirety by reference to the provisions of the Shareholders Agreement.

*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 Canadian Securities Administrators' guidelines on effective corporate governance). Further, subject to the foregoing and unless the Corporation agrees otherwise, FPCN Media will only be entitled to nominate three directors of FPGP 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 Corporation.

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' holdings represent 20% or more of the outstanding partnership units of FPLP.

*Common Shares*

The articles of FPGP contain standard restrictions which restrict all its shareholders from transferring their common shares of FPGP without the 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 Corporation 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' holdings of partnership units represent 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 Corporation a number of common shares so that, post-transfer, FPCN Media holds 20% of the outstanding common shares of FPGP; or
- the General Partners' holdings of partnership units represent 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 Corporation.

**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 Shares of the Corporation equal to the exchange ratio as at the Exchange Date (generally equal to one, subject to adjustments).

In addition, FPCN Media holds the single authorized and issued Voting Share of the Corporation, entitling it to elect one-third of the Directors.

*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 that granted 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. Effective December 31, 2010, that agreement was terminated and replaced by the Exchange Agreement, which grants the General Partners the right to require the Corporation to exchange their respective general partner units of FPLP for Shares on the same basis. The general partner units of FPLP so acquired by the Corporation will be immediately exchanged by the Corporation for an equal number of Class A Units. The Corporation 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 Shares.

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

*Voting Share*

The single Voting Share of the Corporation is held by FPCN Media. The Voting Shares, as a class, have the right to appoint one-third of the Corporation's Directors, but do not entitle the holder thereof to any economic rights as a shareholder of the Corporation. If and when the General Partners cease to own at least 10% of the outstanding partnership units of the Partnership, the Voting Share held by FPCN Media will automatically be redeemed by the Corporation for a redemption price of $1.00 and be cancelled. As long as the Voting Share is outstanding, the right of holders of Shares to elect the Directors of the Corporation is limited by the right of the holder of the Voting Share to appoint one-third of the Directors.

**MARKET FOR SECURITIES**

The Corporation's shares are listed and posted for trading on the Toronto Stock Exchange under the symbol FP. The Toronto Stock Exchange reported the following price ranges and volumes traded in respect of the Corporation's Shares in each month of the fiscal year ended December 30, 2014:

| Month | High | Low | Volume |
|---|---|---|---|
| January 2014 | 5.64 | 5.20 | 133,845 |
| February 2014 | 5.60 | 5.35 | 79,225 |
| March 2014 | 5.58 | 4.75 | 272,818 |
| April 2014 | 5.20 | 5.00 | 121,703 |
| May 2014 | 5.10 | 4.05 | 394,931 |
| June 2014 | 4.44 | 4.05 | 125,534 |
| July 2014 | 4.48 | 4.17 | 137,031 |
| August 2014 | 4.44 | 4.12 | 115,175 |
| September 2014 | 4.10 | 4.03 | 119,173 |

| Month | High | Low | Volume |
|---|---|---|---|
| October 2014 | 4.18 | 3.70 | 135,103 |
| November 2014 | 4.23 | 3.80 | 103,148 |
| December 2014 | 3.83 | 2.50 | 300,841 |

## DIRECTORS AND OFFICERS OF THE CORPORATION

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

| Name and Municipality of Residence | Position | Director Since | Principal Occupation |
|---|---|---|---|
| RONALD STERN(1)<br>Vancouver, British Columbia | Director, President and Chief Executive Officer | March 18, 2010 | President of Stern Partners Inc., a management services company |
| PHIL DE MONTMOLLIN(2)<br>Holmes Beach, Florida | Director | February 8, 2011 | Retired newspaper executive |
| ROBERT SILVER(2)<br>Winnipeg, Manitoba | Director | June 8, 2011 | President, Western Glove Works Ltd., and Chancellor, University of Winnipeg |
| G. STEPHEN DEMBROSKI(2)<br>Toronto, Ontario | Director | March 18, 2010 | President of Indigenous Inc., a private equity and financial advisory company |
| HARVEY SECTER(2)<br>Winnipeg, Manitoba | Director | March 18, 2010 | Chancellor, University of Manitoba, and President of Resolution Processes Inc., a mediation and arbitration services company |
| DANIEL M. KOSHOWSKI<br>Winnipeg, Manitoba | Chief Financial Officer | N/A | Vice President, Finance and Administration of FPLP |

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 Audit Committee.

### Shareholdings of Directors and Officers

To the knowledge of the Corporation, as at March 11, 2015, the directors and executive officers of the Corporation (with the exception of Mr. Stern) together beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 391,808 Shares, representing 5.7% of the outstanding Shares. As at March 11, 2015, Mr. Stern beneficially owns, directly or indirectly, or exercises control or direction over, 1,689,115 Shares, representing 24.5% of the outstanding Shares. 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 Shares pursuant to the Exchange Agreement.

### Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Directors, except as disclosed herein, no director or executive officer of the Corporation or 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 director or officer was acting in that capacity; or (ii) was subject to an Order that was issued after the 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 Directors, except as disclosed herein, no director or executive officer of the Corporation or FPLP or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is or has been within the 10 years prior to the date hereof, a director or executive officer of any company that, while the 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. Secter is a director and officer of 9167-4853 Quebec Inc., a private company that filed a voluntary assignment in bankruptcy on September 28, 2007. Mr. Silver is a director of SJC Inc., a private company that filed a petition under chapter 11 of the United States Bankruptcy Code on July 22, 2014.

### Penalties or Sanctions

To the knowledge of the Directors, no director or executive officer of the Corporation or FPLP or Shareholder holding a sufficient number or securities of the Corporation to affect materially the control of the Corporation 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 Directors, no director or executive officer of the Corporation or FPLP or Shareholder holding a sufficient number or securities of the Corporation to affect materially the control of the Corporation, 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 Shareholders Agreement and the Partnership Agreement, to the extent applicable, contain “conflict of interest” provisions requiring directors to disclose a material interest in material contracts and potential acquisitions or related transactions in relation to other newspaper and media (radio, television, magazines and internet) businesses.

Alberta Newsprint Company ("**ANC**") supplies up to 100% of the newsprint purchased by FPLP. During the year ended December 31, 2014, ANC supplied approximately 57% 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 Director and Officer of the Corporation 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. 100% 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. In December 2014, the newsprint purchasing policy was amended and for the 2015 financial year, the constraint which required a minimum of two suppliers was removed.

FPLP may occasionally purchase goods and services from, or sell services to, other businesses affiliated with directors and officers of the Corporation 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 Corporation 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 Corporation, 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 Shares is CST 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 Corporation, FPGP and FPLP, other than contracts entered into in the ordinary course of business, that have been entered into by the Corporation, FPGP or FPLP and are still in effect: 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 Corporation's independent auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have issued an auditor's report, dated March 11, 2015, in respect of the Corporation's balance sheets as at December 30, 2014 and December 30, 2013 and the statements of earnings and comprehensive income (loss), statements of changes in equity, and statements of cash flows for the years ended December 30, 2014 and December 30, 2013. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Manitoba.

## AUDIT COMMITTEE INFORMATION

### Charter of the Audit Committee

The terms of reference of the audit committee of the Corporation 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 Secter, Phil de Montmollin and Robert Silver. The board of directors of the Corporation has determined, in accordance with Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, that each member of the audit committee is financially literate and that each of Mr. Dembroski, Mr. Secter and Mr. de Montmollin 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 Secter | Mr. Secter 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. Secter 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. |
| Phil de Montmollin | Mr. de Montmollin is a retired newspaper executive who worked for 37 years for Knight Ridder Newspapers. He held numerous senior management positions during his career, including President of three of their publishing companies: The Lexington Herald Leader Co. (Kentucky), the Fort Wayne Newspapers, Inc. (Indiana) and The Miami Herald Publishing Company (Florida). During his five-year term as President of The Miami Herald, annual revenues were in excess of $400 |

| | |
|---|---|
| | million. He was also, for six years, Vice-President and general partner of Currow and de Montmollin, Inc., a management consulting firm serving dozens of newspapers throughout the United States and Canada. Mr. de Montmollin has been a member of the board of directors of FPGP since 2002. He attended the University of Miami. |
| Robert Silver | Mr. Silver earned a Bachelor of Sciences (Honours) degree from the University of Manitoba in 1970 and went on as President and Co-owner of Western Glove Works to direct the growth of the company into Canada's largest jeans wear distributor. He is also a director and partner of Warehouse One, a chain of 123 retail apparel stores in Canada, and Urban Barn, a chain of 47 furniture stores in Canada. 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. He has been Co-chair of the Manitoba Premier's Economic Advisory Council since 2001 and was appointed Chancellor of the University of Winnipeg in 2009. |

**Reliance on Certain Exemptions**

The board of directors of the Corporation 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 Corporation'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 FP entities, independence for the purposes of MI 52-110 means independence from all of the Corporation, FPGP and FPLP.

None of Stephen Dembroski, Harvey Secter or Phil de Montmollin has any relationship with any of the Corporation, FPGP or FPLP or any affiliated entity of any of them other than his role as a director of FPGP and of the Corporation, and the board has determined that none of them has any direct or indirect relationship with any of the Corporation, 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 Corporation, 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 Corporation, 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 Corporation'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 Corporation 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 Corporation and FPLP.

After reviewing the matter, the board concluded that each of Mr. Dembroski, Mr. Secter and Mr. de Montmollin 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 an affiliated entity of the Corporation that has its securities trading on a marketplace. He does not act as the chair of the Corporation'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 Corporation 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 Corporation and the Shareholders. 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 Corporation and its Shareholders for the Corporation 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 Corporation 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 Corporation by PricewaterhouseCoopers LLP for the years ended December 31, 2014 and 2013:

| Fee Category | Fees Paid | |
|---|---|---|
| | 2014 | 2013 |
| Audit fees | $97,000 | $95,000 |
| Audit-related fees | Nil | Nil |
| Tax fees | Nil | Nil |
| All other fees | Nil | Nil |
| Total | $97,000 | $95,000 |

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, principal holders of the Corporation's securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's Management Proxy Circular dated March 11, 2015 in connection with the Annual General Meeting of the Corporation to be held on May 14, 2015, a copy of which will be filed on SEDAR at www.sedar.com.

Additional financial information is available in the Corporation's audited financial statements and accompanying management's discussion and analysis for the fiscal year ended December 30, 2014, which have been filed on SEDAR at www.sedar.com.

# APPENDIX A

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

The Board of Directors of the Corporation has established an Audit Committee to assist the Board in fulfilling its oversight responsibilities regarding the integrity of the Corporation'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 Corporation 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 Corporation; and

(b) to satisfy all the tests for independence (or available exemptions) under applicable laws and rules binding on the Corporation from time to time, including the applicable rules of any stock exchange on which the Corporation's shares 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 Corporation.

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 Corporation;

(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 Corporation's Annual Information Form;

(e) any management information circular issued by the Corporation; and

(f) any prospectus filed by the Corporation.

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 judgements, 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 Corporation'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 Corporation 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 Corporation 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 Corporation 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 Corporation and its affiliates;

(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 Corporation and its affiliates 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 Corporation has 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 Corporation'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 judgements, assumptions and estimates made by management in preparing financial statements;

(d) the evaluation by management of the adequacy and effectiveness of the Corporation'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 Corporation;

(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 Corporation;

(c) consider reports on the insurance coverage of the Corporation;

(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 Corporation's Annual Information Form or any management information circular;

(c) the Corporation'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

Compensation and Corporate Governance Committee or, if there is no such committee, to the Board.

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 Corporation have been prepared in accordance with generally accepted accounting principles;

(c) ensuring that the financial statements of the Corporation and the other financial information of the Corporation contained in regulatory filings and other public disclosure of the Corporation fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation;

(d) ensuring the adequacy of the internal control over financial reporting structure and the financial risk management systems of the Corporation; 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 Corporation'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 approved by a resolution of the Board effective March 11, 2015.

"*Wendy Daniels*"
Corporate Secretary