No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons except in compliance with the registration requirements of the United States Securities Act of 1933, as amended, and applicable state securities laws, or under exemptions from those laws. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering May 16, 2002

FP NEWSPAPERS INCOME FUND

$65,738,970

6,573,897 Units

This offering is an initial public offering (the "Offering") of 6,573,897 units (the "Units") of FP Newspapers Income Fund (the "Fund"). The Fund is an unincorporated open-ended limited purpose trust established on May 15, 2002 under the laws of Ontario. The Fund has been established to acquire and own indirect interests in newspapers and other media (radio, television, magazines and internet) businesses, initially through the indirect acquisition of an interest in FP Canadian Newspapers Limited Partnership ("FPLP"). FPLP owns and publishes the Winnipeg Free Press and the Brandon Sun newspapers, which it acquired in November 2001 from The Thomson Corporation. See "Funding and Related Transactions", "The Business — Acquisition from Thomson" and "Use of Proceeds".

The Fund will make monthly distributions of its available cash. The first cash distribution to unitholders is expected to be made on or before July 31, 2002 for the period from the closing of the Offering to June 30, 2002 and is estimated to be $0.127 per Unit. See "Description of the Fund — Cash Distributions".

There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Units. Listing is subject to the fund fulfilling all of the requirements of the TSX on or before July 29, 2002, including the distribution of the Units to a minimum number of public unitholders.

An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. Cash distributions to unitholders will be indirectly based on the business operated by FPLP and will be dependent upon the ability of FPLP to maintain and increase its advertising base, readership and circulation and to sustain margins, all of which are susceptible to a number of risks. See "Risk Factors".

Price $10.00 per Unit

	Price to the Public(1)	Underwriters' Fee(2)	Net Proceeds to the Fund(3)
Per Unit	$10.00	$0.60	$10.00
Total(4)	$65,738,970	$2,744,338	$65,738,970

(1) The offering price of the Units was determined by negotiation between the Fund, the General Partners and the Underwriters.

(2) Up to 2,000,000 Units (representing approximately 30.4% of the total number of Units being offered) may be purchased by the General Partners and their affiliates on the same terms as set out in this prospectus. No Underwriters' fee will be paid in connection with such purchases. The total "Underwriters' Fee" assumes the purchase of all 2,000,000 Units by the General Partners and their affiliates. If no Units were to be purchased by the General Partners and their affiliates, the total "Underwriters' Fee" would be $3,944,338. See "Plan of Distribution".

(3) The Underwriters' fee, together with the expenses of the Offering estimated to be $1,400,000, will be reimbursed by FPLP from the proceeds FPLP will receive indirectly from the Fund. See "Plan of Distribution" and "Use of Proceeds".

(4) The Fund has granted the Underwriters an over-allotment option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to a total of 328,695 additional Units on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Fund" will be $69,025,920, $2,941,555 and $69,025,920, respectively. This prospectus qualifies the distribution of the over-allotment option and the issuance and subsequent transfer of the Units issuable upon exercise of that option. See "Plan of Distribution".

The underwriters of the Offering are TD Securities Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc. and Wellington West Capital Inc. (collectively, the "Underwriters"). **In connection with the Offering, under applicable Canadian securities laws, the Fund may be considered a "connected issuer" of TD Securities Inc., BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc., which are affiliates of Canadian chartered banks that are lenders under an existing credit facility of FPLP.** The Fund intends to use the proceeds of the Offering to acquire an indirect interest in FPLP. FPLP, in turn, intends to use a portion of such proceeds to repay a portion of the term indebtedness of FPLP under the existing credit facility. See "Relationship Between the Fund and Certain of the Underwriters" and "Use of Proceeds".

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Underwriters by Goodmans LLP. Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book entry only certificate representing the Units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the date of the closing of the Offering which is expected to occur on or about May 28, 2002, or any later date as the Fund and the Underwriters may agree, but in any event not later than June 13, 2002. A purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased.


Winnipeg Free Press
OLYMPICS
Gold!
THE TABLOID
Black black heart of gold
Comics Plus
DILBERT
MEDICAL MECCA
The Free Press
NEWS • SPORTS • ENTERTAINMENT
winnipegfreepress.com
TVplus
Canada now
HOMES
BRANDON SUN
Brandon SHOPPER
Everyday Low Prices
On Tax Time Essentials!
"Puffy Munchies"
TVplus
holds key hotel vote tonight
HEARTS
BRANDON SUN
Winnipeg Free Press
BRANDON SUN

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ELIGIBILITY FOR INVESTMENT

Subject to compliance with the prudent investor standards and the general provisions and restrictions of the statutes referred to below (and, where applicable, the regulations made under those statutes) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, standards, procedures or goals, and in certain cases, subject to the filing of such policies, standards, procedures or goals, the purchase of the Units offered hereunder would not, if the date hereof was the date of Closing, be precluded as investments under the following statutes:

Insurance Companies Act (Canada);
Pension Benefits Standards Act, 1985 (Canada);
Trust and Loan Companies Act (Canada);
Cooperative Credit Associations Act (Canada);
Loan and Trust Corporations Act (Alberta);
Insurance Act (Alberta);
Employment Pension Plans Act (Alberta);
Alberta Heritage Savings Trust Fund Act (Alberta);
Pension Benefits Standards Act (British Columbia);
Financial Institutions Act (British Columbia);
The Insurance Act (Manitoba);
The Trustee Act (Manitoba);
The Pension Benefits Act (Manitoba);
Pension Benefits Act (Nova Scotia);
Trustee Act (Nova Scotia);
Pension Benefits Act (Ontario);
The Trustee Act (Ontario);
Loan and Trust Corporations Act (Ontario);
An Act respecting insurance (Quebec) (in respect of insurers other than guarantee fund corporations);
An Act respecting trust companies and savings companies (Quebec) (for a trust company investing its own funds and deposits it receives and a savings company investing its own funds);
Supplemental Pension Plans Act (Quebec); and
The Pension Benefits Act, 1992 (Saskatchewan).

In the opinion of McCarthy Tétrault LLP, counsel for the Fund, and Goodmans LLP, counsel for the Underwriters, provided the Fund is a mutual fund trust under the Tax Act, (i) the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, and (ii) based in part on a certificate of the Fund as to factual matters, the Units, if issued on the date hereof, would not constitute "foreign property" for registered pension plans and other persons subject to tax under Part XI of the Tax Act. Registered education savings plans are not subject to the foreign property rules.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are "forward looking statements" which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, FP Trust or FPLP to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this prospectus. These forward-looking statements involve a number of significant risks and uncertainties.

EBITDA

References to EBITDA are to earnings before interest, income taxes, depreciation and amortization. EBITDA is shown on the financial statements of the Manitoba Newspapers Operation and FPLP as Operating profit before depreciation and amortization. EBITDA is not a recognized measure under GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, working capital needs and capital expenditures. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows. FPLP's method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers.

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms used in this prospectus and not defined shall have the meanings provided for in the "Glossary of Terms".

PROSPECTUS SUMMARY

FP Newspapers Income Fund

The Fund is an unincorporated open-ended limited purpose trust established on May 15, 2002 under the laws of Ontario. The Fund has been established to acquire and own interests in the Winnipeg Free Press and the Brandon Sun newspapers by the acquisition, indirectly through FP Trust, of Class A Units and FPLP Notes of FPLP, which owns and publishes the Winnipeg Free Press and the Brandon Sun. In November 2001, FPLP acquired the Winnipeg Free Press and the Brandon Sun from Thomson. The activities of the Fund may include the indirect ownership of interests in other newspapers and media (radio, television, magazines and internet) businesses. See "Description of the Fund" and "The Business — Business Strategy". At Closing, the Fund will own all of the FP Trust Units and FP Trust Notes.

FPCN Holdings Trust

FP Trust is an unincorporated trust established on May 15, 2002 under the laws of Ontario. FP Trust will at Closing be wholly-owned by the Fund. The activities of FP Trust will include the indirect ownership of interests in newspapers and other media (radio, television, magazines and internet) businesses, including the initial acquisition of Class A Units and FPLP Notes. FP Trust may indirectly acquire interests in other newspapers and media (radio, television, magazines and internet) businesses in the future. See "Description of FP Trust".

FPLP General Partners

FPGP, a corporation incorporated under the laws of Canada, will be the managing general partner of FPLP. FPGP will be controlled by FPCN Media, a corporation all of the voting shares of which are owned indirectly by entities controlled by Ronald N. Stern and Robert Silver, respectively. On Closing, the Fund will acquire 49% of the common shares of FPGP.

Canstar, a corporation incorporated under the laws of Alberta, and RIS, a corporation incorporated under the laws of Manitoba, will be general partners of FPLP. Canstar and RIS are indirectly controlled by Ronald N. Stern and Robert Silver, respectively. The General Partners will be actively engaged in the Business. See "Funding and Related Transactions".

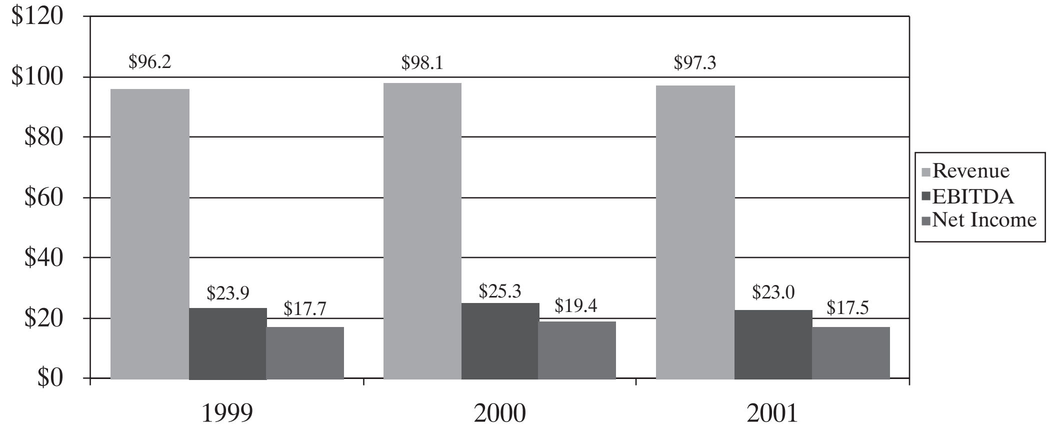
FP Canadian Newspapers Limited Partnership

FPLP is a limited partnership established under the laws of British Columbia. FPLP carries on newspaper and related businesses in Winnipeg and Brandon, Manitoba and may carry on other newspaper and other media (radio, television, magazines and internet) businesses in the future. In addition to FPGP as the managing general partner, the other general partners of FPLP will be Canstar and RIS. On Closing, FP Trust will be the sole limited partner of FPLP. FPLP will hold the Fund's interest in the Winnipeg Free Press and the Brandon Sun and may be used to acquire interests in other newspapers and media (radio, television, magazines and internet) businesses in the future. See "Description of FPLP" and "The Business — Business Strategy".

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, whenever possible.

The following illustrates combined revenue, EBITDA, and net income of the Manitoba Newspapers Operation for the past three years:

Manitoba Newspapers Operation(1)
(in millions of dollars for the 12 month periods ending December 31)



(1) Revenue, EBITDA and net income for the Manitoba Newspapers Operation are derived from the audited financial statements prepared by FPLP, included elsewhere in this prospectus, which combine the assets, liabilities and results of operations of the Winnipeg Free Press, the Brandon Sun and related businesses. Prior to November 29, 2001, the Manitoba Newspapers Operation operated as a division of Thomson. On November 29, 2001, the Manitoba Newspapers Operation was acquired by FPLP. The audited financial statements have been prepared from the historical financial records of the Manitoba Newspapers Operation and reflect the business as carried on by this unincorporated division. The results exclude any nominal allocation of expenses related to certain administrative services provided by Thomson. The audited financial statements may not necessarily be indicative of the results that would have been attained if the Manitoba Newspapers Operation had been operated as a separate legal entity or through a limited partnership during the periods presented. See "Funding and Related Transactions", "Selected Financial Information and Management's Discussion and Analysis — Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook", "The Business — Acquisition by FPLP from Thomson" and "EBITDA".

Business Strategy

FPLP's strategy for achieving growth in the Business is based on achieving improvements in the cash flow of its newspapers, principally through a combination of strong local management, revenue enhancement, cost management and, where appropriate, acquisition opportunities that may become available to FPLP from time to time. The approach of FPLP to improving profitability involves enhancing product quality, including the amount and type of editorial content available in its newspapers, increasing advertising sales and measures to reduce costs and improve efficiency. FPLP believes that opportunities exist to continue to improve the margins of both the Winnipeg Free Press and the Brandon Sun. See "The Business — Business Strategy".

Winnipeg Free Press

FPLP's flagship product, the Winnipeg Free Press, delivers a high quality daily newspaper to a primary market in the Winnipeg census metropolitan area with a population of approximately 670,000, consisting of approximately 265,000 households. It is the largest newspaper in the Winnipeg market based both on readership and share of advertising. FPLP also operates a distribution business in Winnipeg called Flyer Advantage. In 1991, the Winnipeg Free Press moved into its present facilities, a 300,000 square foot complex built at an original cost of approximately $132 million, including three state of the art printing presses and other equipment.

The Winnipeg Free Press has an average seven day circulation of approximately 126,000 and a Saturday readership of approximately 350,000. The Winnipeg Free Press reaches approximately 47% of all Winnipeg adults on weekdays (the highest share of the local market among large market dailies in Canada) compared with approximately 28% for the Winnipeg Sun and approximately 5% and 4% for The Globe and Mail and National Post, respectively, in Winnipeg. The Winnipeg Free Press' leading market position, readership levels and readership demographics have resulted in strong subscription and advertising revenue. Management believes that, based on internal estimates, it has a leading share of the overall media advertising market in Winnipeg.

Brandon Sun

In Brandon, FPLP operates the Brandon Sun, a community-based daily newspaper with an average daily circulation of approximately 15,000, a Saturday circulation of approximately 20,000 and a Sunday circulation of approximately 14,000. The Brandon Sun also produces three free weekly extended market coverage products, with a combined weekly circulation of approximately 71,000. The Brandon Sun's advertising from local sources is highly diversified since it is currently the only local provider of print advertising vehicles on a daily basis. Management believes that, based on internal estimates, it has a leading share of the overall media advertising market in Brandon.

The Brandon Sun has a substantial commercial print business with a ten-year contract running until February 1, 2010 to print The Globe and Mail for distribution in Northern Ontario, Manitoba and Saskatchewan. A $3.7 million printing press upgrade was recently completed to accommodate The Globe and Mail's printing requirements for colour and paper-size. The Brandon Sun has capacity for additional commercial print work which management is actively seeking.

Summary of Distributable Cash Flows of FPLP

Earnings of the Manitoba Newspapers Operation before interest, income taxes, depreciation and amortization for the twelve months ended March 31, 2002 are derived from the unaudited combined statement of operations included elsewhere in this prospectus and are calculated to be $23,575,000.

Management believes that, upon completion of the transactions described under "Funding and Related Transactions", and as a result of the acquisition of the Manitoba Newspapers Operation by FPLP (see "The Business — Acquisition by FPLP from Thomson") and the creation of the Fund, FPLP will incur additional administrative, operating and insurance costs, interest expenses and sustaining capital expenditures that are not fully reflected in the pro forma statement of operations and distributable cash of FPLP contained in the Notes to the Pro Forma Financial Information of the Fund. Management has taken decisions and amended contractual relationships that will reduce operating and administration costs previously incurred under the prior ownership. Although management does not have firm commitments for all of those expenses and, accordingly, the complete financial effect of those additional expenses and expenditures net of cost reductions are not objectively determinable, management has estimated that:

- additional annual administrative, operating and insurance costs net of cost reductions would total approximately $121,000;
- estimated annual net interest expense would total approximately $3,030,000, representing interest on FPLP's $59.6 million credit facility, assuming $59.6 million had been drawn down on April 1, 2001 net of interest income earned on cash and cash equivalents assumed to be approximately $1.4 million; and
- estimated annual sustaining capital expenditures would total approximately $1 million.

Based on the foregoing, management believes that distributable cash before interest payable on the FPLP Notes for the twelve months ended March 31, 2002 would have been approximately $19.4 million and that distributable cash of the Fund for the twelve months ended March 31, 2002 would have been its proportionate share (calculated before the exercise, if any, of the Over-Allotment Option) less estimated administration expenses, being approximately $8.9 million.

The Offering

Securities to be Distributed:	6,573,897 Units of the Fund.
Amount:	$65,738,970 (before the exercise, if any, of the Over-Allotment Option).
Offering Price:	$10.00 per Unit, payable on the Closing.
Unit Attributes:	Each Unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each Unit is transferable, entitles the holder to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of holders of Units. See "Description of the Fund".
Use of Proceeds:	The proceeds of $65,738,970 from the issuance of the Units will be used by the Fund to subscribe for FP Trust Units and FP Trust Notes. FP Trust will in turn use such proceeds to subscribe for 6,573,897 Class A Units of FPLP and FPLP Notes in the aggregate principal amount of $65,670,000. FPLP will in turn use the proceeds, net of the expenses of the Offering estimated to be $4,144,338, to repay (i) a portion of the term indebtedness incurred by FPLP under the Credit Facility, and (ii) a portion of the General Partners' capital in FPLP, which funded the acquisition by FPLP of the Winnipeg Free Press and the Brandon Sun from Thomson. FPLP will be obligated to reimburse the Fund for the expenses of the Offering. See "The Business — Acquisition by FPLP from Thomson", "Funding and Related Transactions" and "Use of Proceeds".
General Partners' Continuing Interest:	The General Partners will, after Closing, be entitled to 53.33% of the distributable cash (calculated before deduction of interest payable on the FPLP Notes) of FPLP in each fiscal year (calculated before the exercise, if any, of the Over-Allotment Option) represented by 7,513,016 general partner units having an aggregate designated capital of $75,130,160. Under the terms of the Exchange Agreement, the General Partners will be entitled to acquire Units in exchange for their general partner units of FPLP on the basis of one Unit for each general partner unit having a designated capital of $10. In addition, up to 2,000,000 Units may be purchased by the General Partners and their affiliates on the same terms as set out in this prospectus. See "Description of FPLP — General Partners' Continuing Interest — Exchange Agreement", "Principal Unitholders" and "Plan of Distribution".
Distribution Policy of the Fund:	The Fund intends to make monthly distributions to Unitholders of its distributable cash after: • administrative expenses and other obligations of the Fund; • amounts which may be paid or payable by the Fund in connection with any cash redemptions of Units; • any interest expense incurred by the Fund; and • reasonable reserves established by the Trustees (to the extent not already accounted for). The initial cash distribution for the period from the Closing to June 30, 2002 is expected to be paid on or before July 31, 2002 and is estimated to be approximately $0.127 per Unit (assuming that the Closing occurs on May 28, 2002), substantially all of which will be considered income of the Unitholders for Canadian tax purposes. Thereafter, it is anticipated that distributable cash will be payable monthly to the Unitholders. See "Description of the

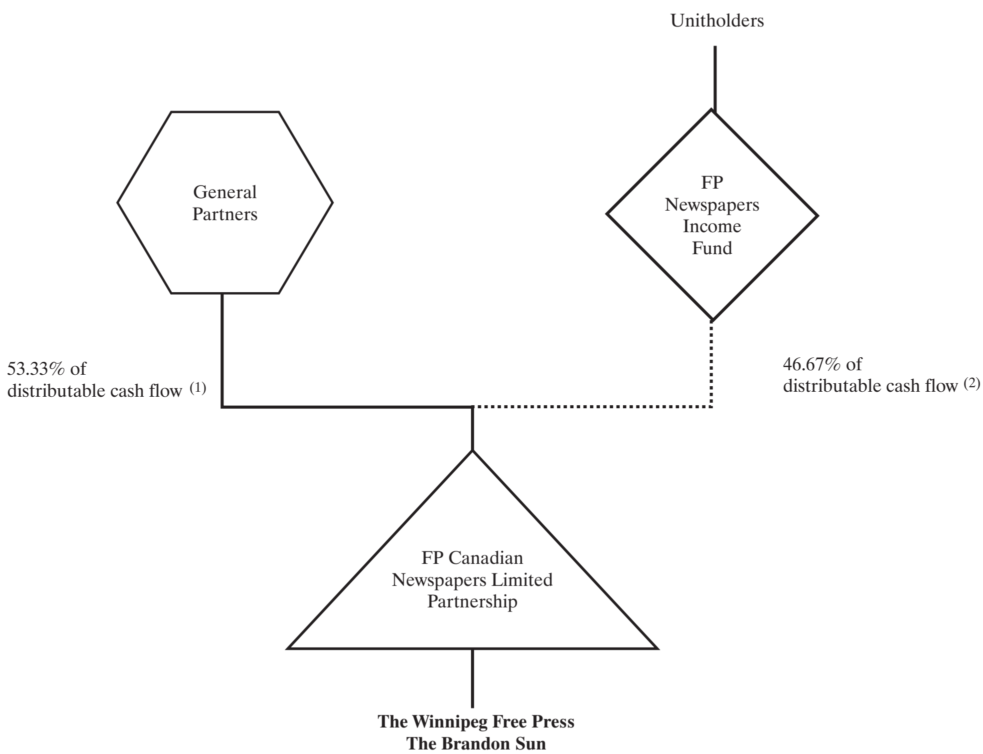
Fund — Cash Distributions" and "Certain Canadian Federal Income Tax Considerations".

Distribution Policy of FP Trust:	The FP Trust Trustees will adopt a policy to distribute all of the distributable cash of FP Trust, subject to applicable law, by way of monthly distributions on the FP Trust Units or other distributions on its securities, after: • administrative expenses and other obligations of FP Trust; • any interest expense incurred by FP Trust on the FP Trust Notes, the Series 2 Notes and other debt securities of FP Trust; • principal repayments in respect of the FP Trust Notes or any other debt securities of FP Trust considered advisable by the FP Trust Trustees, and any capital contributions required to be made in respect of the Class A Units; and • reasonable reserves established by the FP Trust Trustees. See "Description of FP Trust".
Distribution Policy of FPLP:	The Partnership Agreement will provide that from and after Closing FPLP will distribute by way of monthly distributions on its partnership units or other distributions on its securities its distributable cash other than the proceeds arising from the exercise of the Over-Allotment Option, if any for any period, after paying or providing in respect of such period for: • debt service obligations, if any; • interest (including interest accrued or payable under the Credit Facility and on the FPLP Notes); • sustaining expenditures (capital and contract payments) and other expense obligations; • principal repayments in respect of the FPLP Notes in accordance with the provisions thereof or as considered advisable by the board of directors of FPGP; • reimbursement of the Fund for expenses of the Offering; and • such reserves as may be considered necessary or desirable by FPGP, having regard to current and anticipated cash requirements of FPLP including for capital expenditures and operating expenses, payments in respect of any debt obligations or other commitments and obligations and reserves to ensure compliance with agreements to which FPLP is subject, including the Credit Facility, and to ensure monthly distributions in any fiscal year do not exceed the available cash for that fiscal year. Capital expenditures and other expenditures may be financed by FPLP (to the extent permitted under the terms of the Credit Facility), by additional issuances of FPLP partnership units, from additional borrowings or from the working capital and/or the cash flow of the Business. FPLP will attempt to manage its available cash to make approximately equivalent monthly distributions within each fiscal year. See "Description of FPLP" and "Principal Agreements — Credit Facility".
Risk Factors:	Investment in the Units is subject to a number of risk factors. Cash distributions to Unitholders depend upon the ability of the FP Trust to pay its interest obligations under the FP Trust Notes and to pay distributions on the FP Trust Units. The income of FP Trust, in turn, will be derived from distributions made by FPLP on the Class A Units and interest paid on the FPLP Notes held by FP Trust. The income and distributable cash of FPLP, in

	turn, will be derived from its operation of the Business which is susceptible to a number of risks. These risks, and other risks associated with an investment in the Units, include those related to cash distributions not being guaranteed and fluctuating with the performance of the Business; reliance on FPGP and General Partners and potential conflicts of interest; responsibility of FPGP; nature of the Units and absence of a prior public market; the issue of additional Units by the Fund diluting existing Unitholders' interests; income tax matters including Canadian newspaper status; compliance with investment eligibility and foreign property restrictions; distribution of securities on redemption or termination of the Fund; limitations respecting the FPGP indemnity; possible loss of limited liability status for Unitholders; cyclicality of revenue; the ability of FPLP to maintain "brand equity" and to protect its intellectual property; employee relations; newsprint costs; reliance on key personnel; competition; capital investment; the impact of litigation in respect of the operations of FPLP; leverage and restrictive covenants; possible acquisitions; reliance on contracts; insurance limits; and environmental matters. See "Risk Factors".
Trustees, Corporate Governance and Conflicts:	The Fund will initially have three trustees, and a majority of the trustees proposed for election will be unrelated to the General Partners (as such term is ascribed to a director in the guidelines on effective corporate governance of the TSX). FPGP will be controlled by FPCN Media, a corporation all of the voting shares of which are owned indirectly by entities controlled by Ronald N. Stern and Robert Silver, respectively, and will initially have seven directors, of which the majority will be nominated by FPCN Media. The constating documents and the operational agreements of the Fund and FPGP will contain mechanisms dealing with conflicts of interest. See "Description of the Fund — Trustees".
Tax Considerations:	Each Unitholder is required to include in computing income for tax purposes for a particular taxation year, the Unitholder's *pro rata* share of the Fund's income for tax purposes that was paid or is payable in that year by the Fund to the Unitholder. Prospective purchasers should consult their tax advisors regarding the tax implications of an investment in the Units. See "Certain Canadian Federal Income Tax Considerations".
Funding and Related Transactions:	In conjunction with the Closing, the Fund will subscribe for 1,313,897 FP Trust Units and FP Trust Notes having an aggregate principal amount of $52,600,000. FP Trust will, in turn, use the proceeds of the FP Trust Units and FP Trust Notes issued to the Fund to subscribe for 6,573,897 Class A Units representing an agreed contribution of capital of $10 per Class A Unit and FPLP Notes having an aggregate principal amount of $65,670,000. FP Trust will be obligated to contribute capital in respect of the Class A Units issued on Closing as to $68,970 on Closing, $1,000,000 on or before each of December 31, 2002 and 2003, $2,000,000 on or before each of December 31, 2004 and 2005, $3,000,000 on or before December 31, 2006 and $1,000,000 on or before December 31, 2007 and as to the balance on May 28, 2012. The Fund will also subscribe for common shares of FPGP representing, post-subscription, 49% of its then outstanding common shares. FPLP will, in turn, use the proceeds of the Class A Units and FPLP Notes, net of the expenses of the Offering, to repay a portion of the term indebtedness incurred by FPLP under the Credit Facility so that the outstanding balance will be equal to $59.6 million. FPLP will also pay, in aggregate, $21,194,632 to the General Partners as a return of capital on their general partner units of FPLP.

Immediately following the Closing, the Fund will hold all the FP Trust Units and all of the issued and outstanding FP Trust Notes, entitling the Fund to all of the distributable cash of FP Trust in each year. The Fund will also hold 49% of the issued and outstanding common shares of FPGP. FP Trust will hold all of the issued and outstanding Class A Units of FPLP and $65,670,000 aggregate principal amount of FPLP Notes, entitling FP Trust to receive 46.67% of the distributable cash (calculated before deduction of interest payable on the FPLP Notes) of FPLP in each fiscal year (calculated before the exercise, if any, of the Over-Allotment Option). The General Partners will hold general partner units of FPLP representing designated capital of $75,130,160 (calculated before the exercise, if any, of the Over-Allotment Option) and entitling the General Partners to 53.33% of the distributable cash (calculated before deduction of interest payable on the FPLP Notes) of FPLP in each fiscal year (calculated before the exercise, if any, of the Over-Allotment Option). FPCN Media will hold 51% of the issued and outstanding common shares of FPGP. FPGP will hold 10 general partner units of FPLP and be the managing general partner of FPLP. The following chart illustrates on a simplified basis the relationship of the Fund and the General Partners in FPLP and the Winnipeg Free Press and the Brandon Sun businesses.

DISTRIBUTABLE CASH FLOW OF FPLP



(1) The General Partners' interest in distributable cash flow (calculated before deduction of interest payable on the FPLP Notes) of FPLP is calculated before the exercise, if any, of the Over-Allotment Option. The General Partners are corporations controlled indirectly by Ronald N. Stern and Robert Silver, respectively.

(2) The Fund's interest in distributable cash flow (calculated before deduction of interest payable on the FPLP Notes) of FPLP is calculated before the exercise, if any, of the Over-Allotment Option. The Fund's interest in FPLP is held indirectly through FP Trust.

See "Structure — The Fund", "Funding and Related Transactions", "Use of Proceeds", "Description of FP Trust" and "Description of FPLP".

GLOSSARY OF TERMS

In this prospectus, unless the context otherwise requires:

"ABC" means the Audit Bureau of Circulations, an independent, not-for-profit organization headquartered in Schaumburg, Illinois which audits and confirms circulation reports of publications;

"Administration Agreement" means the administration agreement among FPGP and the Fund to be entered into as of the date of Closing in respect of the Fund, as the same may be amended, supplemented or restated from time to time;

"affiliate" in respect of any person means any person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with such person and, for the purpose of this definition, "control" when used with respect to any person means the power to direct or to cause the direction of the management or policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise;

"Asset Purchase Agreement" means the asset purchase agreement among Thomson, Thomson Canada Limited and W.A.G. Holdings Inc. dated as of November 9, 2001, and assigned by W.A.G. Holdings Inc. to FPLP, pursuant to which FPLP acquired the Operation from Thomson;

"associate" means an associate within the meaning of the *Securities Act* (Ontario), as amended;

"Business" means the Winnipeg Free Press and Brandon Sun newspaper businesses carried on by FPLP;

"business day" means any day that is not a Saturday, Sunday or civic or statutory holiday in Manitoba or Ontario;

"Canstar" means Canstar Publications Ltd., a corporation incorporated under the laws of Alberta and controlled indirectly by Ronald N. Stern;

"CBCA" means the *Canada Business Corporations Act*, as amended;

"CDS" means The Canadian Depository for Securities Limited;

"Class A Units" means the Class A limited partnership units of FPLP;

"Closing" means the closing of the Offering, which is expected to occur on or about May 28, 2002, or any other date as the Fund and the Underwriters may agree, but in any event not later than June 13, 2002;

"Credit Agreement" means the credit agreement among FPLP and certain Canadian chartered banks, including the Canadian chartered bank affiliates of TD Securities Inc., BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc., dated November 29, 2001, to be amended as of the date of Closing and as the same may be further amended, supplemented or restated from time to time;

"Credit Facility" has the meaning ascribed thereto under "Principal Agreements — Credit Facility";

"Declaration of Trust" means the deed of settlement dated May 15, 2002 pursuant to which the Fund was established, as the same may be amended, supplemented or restated from time to time;

"Exchange Agreement" means the exchange agreement among the General Partners, FPGP, FPLP, FP Trust and the Fund to be entered into as of the date of Closing referred to under "Description of FPLP — General Partners' Continuing Interest — Exchange Agreement", as the same may be amended, supplemented or restated from time to time;

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

"402" means 4029526 Canada Inc., a corporation incorporated under the laws of Canada and controlled indirectly by Ronald N. Stern;

"FP Trust" means FPCN Holdings Trust, an unincorporated trust established under the laws of Ontario;

"FP Trust Administration Agreement" means the administration agreement among FPGP and FP Trust to be entered into as of the date of Closing in respect of FP Trust, as the same may be amended, supplemented or restated from time to time;

"FP Trust Declaration of Trust" means the deed of settlement dated May 15, 2002 pursuant to which FP Trust was established, as the same may be amended, supplemented or restated from time to time;

"FP Trust Note Indenture" means the note indenture to be dated as of the date of Closing pursuant to which FP Trust will issue the FP Trust Notes and may issue the Series 2 Notes, as the same may be amended, supplemented or restated from time to time;

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

"FP Trust Notes" means the subordinated term notes other than the Series 2 Notes issued by FP Trust from time to time in accordance with the FP Trust Note Indenture;

"FP Trust Trustees" means the trustees of FP Trust from time to time;

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

"FPCN Media" means FPCN Media Management Inc., a corporation incorporated under the laws of Canada, all of the voting shares of which are owned indirectly by entities controlled by Ronald N. Stern and Robert Silver, respectively;

"FPGP" means FPCN General Partner Inc. (formerly Canstar Media Management 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;

"FPLP Note Indenture" means the note indenture to be dated as of the date of Closing pursuant to which FPLP will issue the FPLP Notes, as the same may be amended, supplemented or restated from time to time;

"FPLP Note Maturity Date" has the meaning ascribed thereto under "Description of FPLP — Subordinated Notes — Payment upon Maturity";

"FPLP Note Trustee" means the trustee under the FPLP Note Indenture from time to time;

"FPLP Notes" means the subordinated term notes issued by FPLP from time to time in accordance with the FPLP Note Indenture;

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

"GAAP" means Canadian generally accepted accounting principles;

"General Partners" means, collectively, Canstar and RIS, in their capacities as general partners of FPLP and their respective successors and assigns;

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

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

"Offering" means the initial public offering of the Units of the Fund pursuant to this prospectus;

"Over-Allotment Option" means the grant to the Underwriters of an option exercisable for a period of 30 days from the date of Closing, to purchase up to an additional 328,695 Units on the same terms as set out in this prospectus, to cover over-allotments, if any, and for market stabilization purposes;

"Partnership Agreement" means the amended and restated limited partnership agreement between FPGP, as managing general partner, and the General Partners, as general partners, and 402, as the limited partner, to be dated prior to the Closing pursuant to which FPLP is governed, as the same may be further amended, supplemented or restated from time to time;

"RIS" means R.I.S. Media Ltd., a corporation incorporated under the laws of Manitoba and controlled indirectly by Robert Silver;

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

"Shareholders Agreement" means the shareholders agreement among FPGP, FPCN Media and the Fund to be entered into as of the date of Closing pursuant to which FPGP will be governed and referred to under "Description of FPLP — Shareholders Agreement", as the same may be amended, supplemented or restated from time to time;

"Special Resolution" means a resolution passed by more than 66⅔% of the votes cast, either in person or by proxy, at a meeting of unitholders at which a quorum was present called for the purpose of approving such resolution, or approved in writing by holders of more than 66⅔% of votes represented by the units entitled to be voted on such resolution;

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

"Thomson" means The Thomson Corporation;

"Trustees" means the trustees of the Fund from time to time;

"TSX" means The Toronto Stock Exchange;

"U.S. Securities Act" means United States *Securities Act of 1933*, as amended;

"Underwriters" means TD Securities Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc. and Wellington West Capital Inc.;

"Underwriting Agreement" means the underwriting agreement among the Underwriters, the General Partners and the Fund dated May 16, 2002 referred to under "Plan of Distribution";

"Unitholders" means the holders of Units from time to time; and

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

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

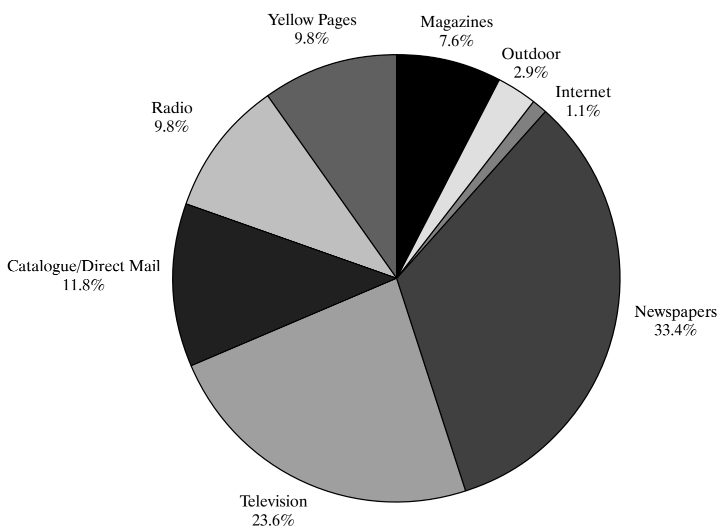
INDUSTRY OVERVIEW

The Canadian newspaper industry includes over 100 paid circulation daily newspapers and numerous non-daily paid and free-distribution publications. The industry is characterized by major chains which operate the vast majority of Canadian newspapers. Newspaper revenue in the Canadian industry is earned primarily from a combination of advertising and subscriptions. In 2001, Canadian daily newspapers earned approximately 79% of their revenue from advertising and approximately 21% of their revenue from subscriptions, according to the Canadian Newspapers Association.

Advertising

The Canadian newspaper industry accounted for the largest portion of the Canadian advertising market in 2000 with a combined share of advertising revenues of approximately 33.4%. During the five-year period from 1996 to 2000, the share of the total Canadian advertising market held by newspapers was approximately 33%.

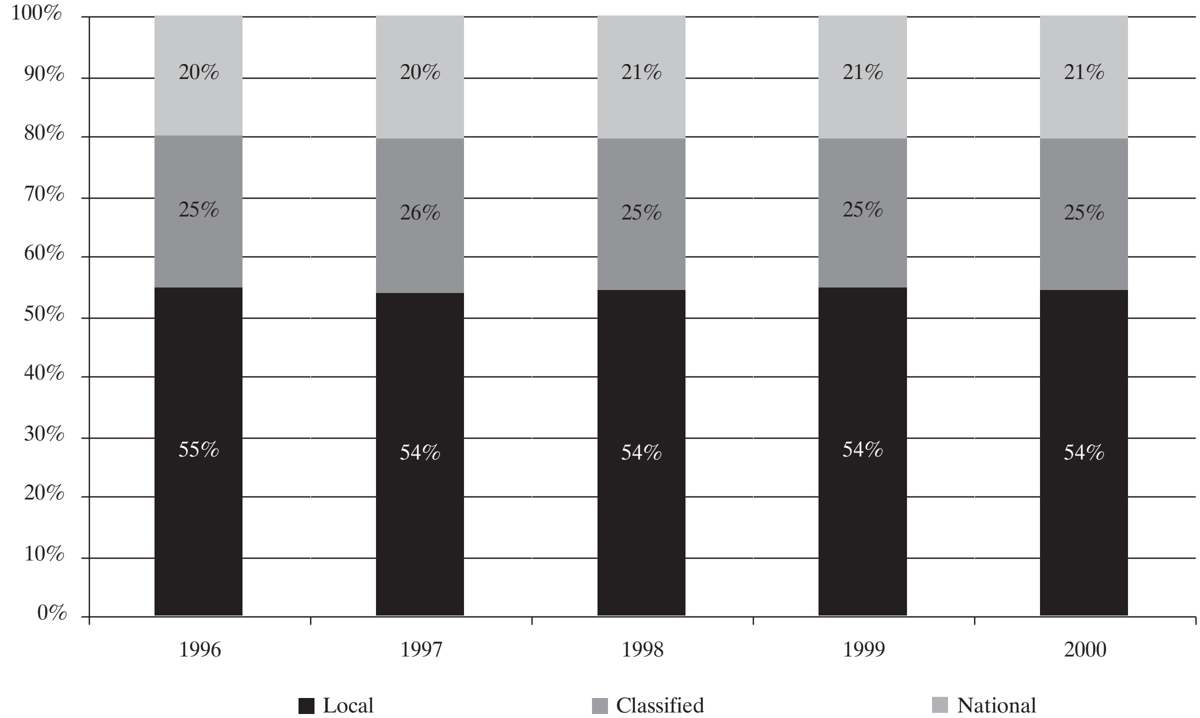
Canadian Advertising Market — Share by Medium[1]
2000



(1) Source: Television Bureau of Canada

The advertising market for 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 following chart highlights the relationship between national, local and classified advertising.

Percentage of Canadian Newspaper Advertising Revenue[1]
1996 to 2000



(1) Source: Television Bureau of Canada

Seasonality

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

Readership

The market share of newspaper readers is measured in two ways: by copies of the newspaper that are sold and by readership, being the total number of readers that are estimated to read a newspaper on any given day, whether purchased or not. NADbank's estimate of adult weekday newspaper readership in Canada was 57% in 2001. Although this figure is lower than the 60% adult weekday readership estimated by NADbank in 2000, a change in the survey methodology, that is believed to have created a downward bias in survey results, limits the comparability of the survey from 2000 to 2001. According to statistics compiled by the Canadian Newspaper Association (from ABC data), the number of average daily newspaper copies sold has remained steady over the past five years at approximately five million.

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 whose price fluctuates based on global supply and demand factors.

Industry Consolidation

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

- October 1998 — Southam Inc. launched the National Post, a nationally distributed daily to compete directly with The Globe and Mail.
- January 1999 — Hollinger Inc. ("Hollinger") completed the acquisition of Southam Inc.
- March 1999 — Quebecor Inc. ("Quebecor") completed the acquisition of Sun Media Corporation.
- February 2000 — Thomson announced that it was selling most of its remaining approximately 130 newspapers in the United States and Canada, including the Winnipeg Free Press and the Brandon Sun.
- September 2000 — BCE Inc., Thomson and The Woodbridge Company (the Thomson family's private holding company) announced the creation of Bell Globemedia Inc. ("Bell Globemedia"), a multi-media company combining the assets of The Globe and Mail, CTV and Sympatico.ca, an Internet portal.
- November 2000 — CanWest Global Communications Corp. ("CanWest Global") purchased substantially all of Hollinger's newspaper assets including Southam Inc. and a 50% interest in the National Post. CanWest subsequently acquired the remaining 50% of the National Post.

As a result of this consolidation in the Canadian newspaper industry, ownership of newspapers in large and mid-sized markets is now concentrated among CanWest Global, Quebecor, Torstar Corporation, and Bell Globemedia. The Winnipeg Free Press is currently the largest circulation daily newspaper in Canada not owned by one of the four largest newspaper ownership groups. However, because newspaper publishing is primarily a local medium, independent operators are not materially disadvantaged by the relatively high level of ownership concentration among Canadian large market daily newspapers.

Electronic Media

The Internet and commercial online information services have become an important source for news and information as well as 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 on line by leveraging their databases, strong brand names, mass appeal, proprietary content, knowledge of the consumer and strong advertising relationships.

Barriers to Entry

The Canadian newspaper industry is characterized as having high barriers to entry. As a mature industry, 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 newsgathering and editorial operations and distribution systems in the markets that they serve, creating additional barriers to entry.

STRUCTURE

The Fund

The Fund is an unincorporated open-ended limited purpose trust established on May 15, 2002 under the laws of Ontario. The initial trustees of the Fund will be G. Stephen Dembroski, Harvey Secter and Ronald N. Stern. The head office and principal business office of the Fund is located at 1355 Mountain Avenue, Winnipeg, Manitoba, R2X 3B6.

The Fund has been established to acquire and own interests in the Winnipeg Free Press and the Brandon Sun newspapers by the acquisition, indirectly through FP Trust, of Class A Units and FPLP Notes of FPLP, which owns the Winnipeg Free Press and the Brandon Sun. In November 2001, FPLP acquired the Winnipeg Free Press and the Brandon Sun from Thomson. The activities of the Fund may include the indirect ownership of interests in other newspapers and media (radio, television, magazines and internet) businesses.

At Closing, the Fund will own all of the FP Trust Units and FP Trust Notes to be issued by FP Trust. The Fund will make monthly distributions of distributable cash to the Unitholders of record on each record date. It is expected that distributions will be paid to Unitholders by the end of the following month, with the first such distribution expected to be made on or before July 31, 2002. See "Description of the Fund".

FPCN Holdings Trust

FP Trust is an unincorporated trust established on May 15, 2002 under the laws of Ontario. The initial trustees of FP Trust will be G. Stephen Dembroski, Harvey Secter and Ronald N. Stern. The head office and principal business office of FP Trust is located at 375 Water Street, Suite 650, Vancouver, British Columbia, V6B 5C6.

The activities of FP Trust will include the indirect ownership of interests in newspapers and other media (radio, television, magazines and internet) businesses, including the initial acquisition of Class A Units and FPLP Notes. FP Trust will at Closing be wholly-owned by the Fund. FP Trust will indirectly hold an interest in the Business through its interest in FPLP and will be entitled to 46.67% of the distributable cash (calculated before deduction of interest payable on the FPLP Notes) of FPLP in each fiscal year (calculated before the exercise, if any, of the Over-Allotment Option). FP Trust may indirectly acquire interests in other newspapers and media (radio, television, magazines and internet) businesses in the future. See "Description of FP Trust".

FP Canadian Newspapers Limited Partnership

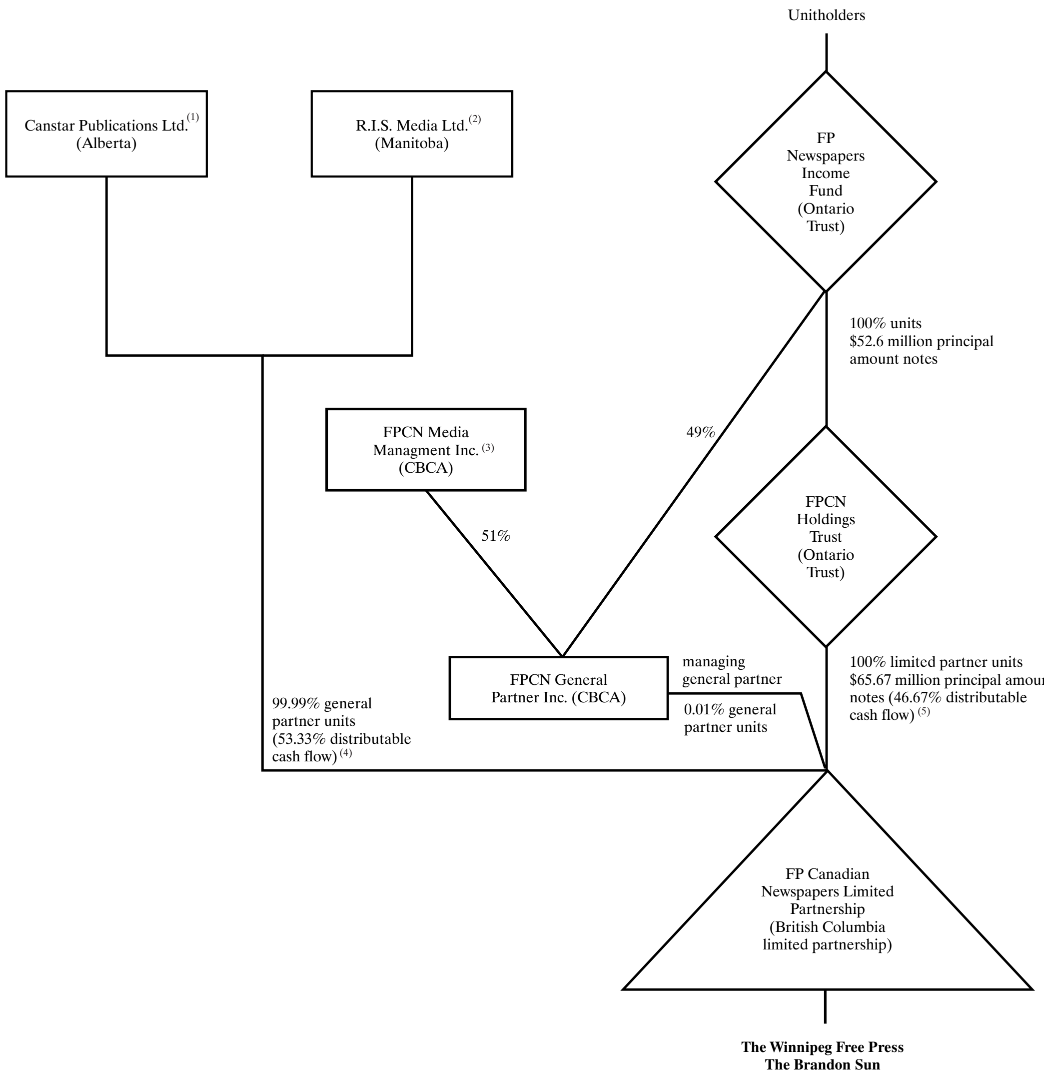
FPLP is a limited partnership established under the laws of British Columbia. The registered office of FPLP is located at 3000 Royal Centre, P.O. Box 11130, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R3 and its principal place of business is located at the principal place of business of FPGP. FPLP carries on newspaper and related businesses in Winnipeg and Brandon, Manitoba and may carry on other newspaper and media (radio, television, magazines and internet) businesses in the future and, in connection with such businesses, FPLP may own, lease, license and operate assets and property and engage in all activities ancillary and incidental thereto.

FPLP is governed by the Partnership Agreement. FP Trust will be admitted as a limited partner of FPLP at Closing upon its subscription for Class A Units of FPLP. At Closing, the limited partner units of FPLP held by 402 will be redeemed and 402 will cease to be a limited partner of FPLP. The General Partners of FPLP will hold 7,513,016 general partner units in FPLP entitling them to 53.33% of the distributable cash (calculated before deduction of interest payable on the FPLP Notes) of FPLP in each fiscal year (calculated before the exercise, if any, of the Over-Allotment Option). FPLP will hold the Fund's indirect interest in the Winnipeg Free Press and the Brandon Sun and may acquire other newspapers and media (radio, television, magazines and internet) businesses in the future. See "Description of FPLP".

FPCN General Partner Inc.

FPGP, a corporation incorporated under the laws of Canada, is the managing general partner of FPLP. The registered office and principal place of business of FPGP is 1355 Mountain Avenue, Winnipeg, Manitoba, R2X 3B6. FPGP changed its name from Canstar Media Management Ltd. on March 22, 2002. FPGP is controlled by FPCN Media, a corporation all of the voting shares of which are owned indirectly by entities controlled by Ronald N. Stern and Robert Silver, respectively. On Closing, the Fund will acquire 49% of the common shares of FPGP and enter into a shareholders agreement with FPCN Media and FPGP pursuant to which FPGP will be governed.

The following chart illustrates the relationship of the Fund (post-Closing) to its principal related entities and indicates their respective jurisdictions of incorporation or organization:



(1) Canstar is controlled indirectly by Ronald N. Stern.

(2) RIS is controlled indirectly by Robert Silver.

(3) FPCN Media is a corporation, all of the voting shares of which are owned indirectly by entities controlled by Ronald N. Stern and Robert Silver, respectively.

(4) The interest of Canstar and RIS in distributable cash flow of FPLP is calculated before interest, if any, on the FPLP Notes and the exercise, if any, of the Over-Allotment Option.

(5) The interest of FP Trust and indirectly the Fund in distributable cash flow of FPLP is calculated before interest, if any, on the FPLP Notes and the exercise, if any, of the Over-Allotment Option.

Overview

FPLP carries on newspaper and related businesses in Winnipeg and Brandon, 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.

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

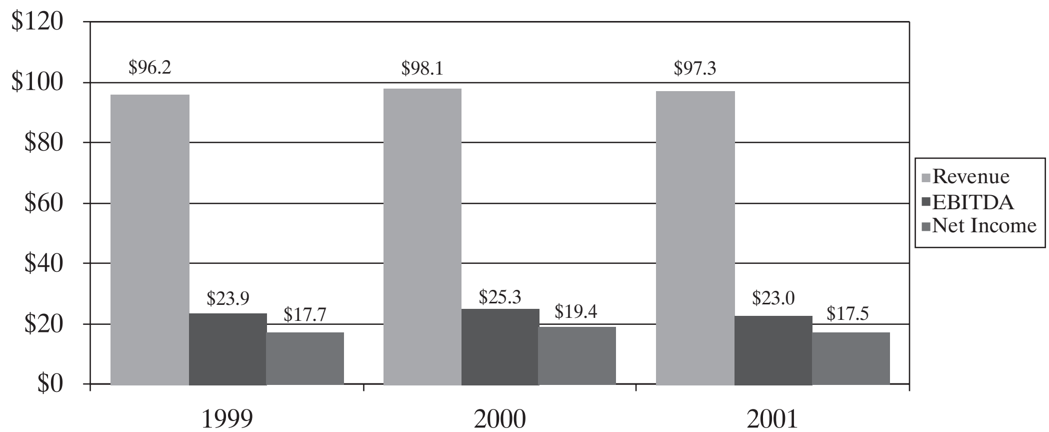
Acquisition by FPLP from Thomson

On November 29, 2001, FPLP acquired both the Winnipeg Free Press and the Brandon Sun from Thomson pursuant to the Asset Purchase Agreement. Under the Asset Purchase Agreement, FPLP assumed certain ordinary course accounts payable and accrued liabilities. FPLP offered to employ substantially all of the employees of the Manitoba Newspapers Operation on equivalent employment terms including the provision of pension benefits substantially similar to those provided by Thomson to employees of the Manitoba Newspapers Operation. Thomson agreed for a period of two years not to engage in newspaper publishing of a print edition newspaper in the market area affected by the Winnipeg Free Press and Brandon Sun. The Asset Purchase Agreement also included customary representations, warranties and indemnities for agreements of this nature.

Financial Highlights — Manitoba Newspapers Operation

The following illustrates combined revenue, EBITDA, and net income of the Manitoba Newspapers Operation for the past three years:

Manitoba Newspapers Operation(1)
(in millions of dollars for the 12 month periods ending December 31)



(1) Revenue, EBITDA and net income for the Manitoba Newspapers Operation are derived from the audited financial statements prepared by FPLP included elsewhere in this prospectus which combine the assets, liabilities and results of operations of the Winnipeg Free Press, the Brandon Sun and related businesses. Prior to November 29, 2001, the Manitoba Newspapers Operation operated as a division of Thomson. On November 29, 2001, the Manitoba Newspapers Operation was acquired by FPLP. The audited financial statements have been prepared from the historical financial records of the Manitoba Newspapers Operation and reflect the business as carried on by this unincorporated division. The results exclude any nominal allocation of expenses related to certain administrative services provided by Thomson. The audited financial statements may not necessarily be indicative of the results that would have been attained if the Manitoba Newspapers Operation had been operated as a separate legal entity or through a limited partnership during the periods presented. See "Funding and Related Transactions", "Selected Financial Information and Management's Discussion and Analysis — Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook", "The Business — Acquisition by FPLP from Thomson" and "EBITDA".

Revenue

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

The revenues of the Manitoba Newspapers Operation over the past three years by category are shown in the following table:

	Years ended December 31					
Type of Revenue	**1999**	**%**	**2000**	**%**	**2001**	**%**
			$ Thousands			
Advertising	$67,585	70.3%	$70,124	71.5%	$69,724	71.7%
Circulation	21,258	22.1%	20,201	20.6%	20,557	21.1%
Commercial printing	5,696	5.9%	6,124	6.2%	5,577	5.7%
Promotions and services	1,654	1.7%	1,645	1.7%	1,481	1.5%
Total Revenue	**$96,193**	**100.0%**	**$98,094**	**100.0%**	**$97,339**	**100.0%**

According to the Canadian Newspaper Association, total advertising revenues of daily newspapers in Canada declined by 3.1% in 2001. Over the same period, the Manitoba Newspapers Operation saw a decline of approximately 0.6%. In addition, the Manitoba Newspapers Operation's circulation revenues increased by 1.8%, compared to a 1.5% decline for the Canadian industry as a whole.

Business Strategy

FPLP's strategy for achieving growth in the Business is based on achieving improvements in the cash flow of its newspapers, principally through a combination of strong local management, revenue enhancement, cost management and, where appropriate, acquisition opportunities that may become available to FPLP from time to time. The approach of FPLP to improving profitability involves enhancing product quality, including the amount and type of editorial content available in its newspapers, increasing advertising sales and measures to reduce costs and improve efficiency. FPLP believes that opportunities exist to continue to improve the margins of both the Winnipeg Free Press and the Brandon Sun.

Strong Local Management

Because newspapers are primarily a local medium, requiring a clear understanding of local issues, FPLP empowers local management to react to changes in the local environment. Accordingly, all key editorial, advertising, circulation and production decisions are made by local management with consultation and review by the General Partners. FPLP places an emphasis on attracting and retaining management who have a thorough awareness and understanding of local issues. See "Management — Operations Senior Management".

Revenue Enhancement

FPLP intends to enhance advertising and circulation revenues by increasing its focus on the quality of the editorial content of its newspapers and by adopting new approaches to circulation. FPLP expects that by increasing the quality of its products, both readership and advertising market share will increase. While content improvements are expected to drive increases in circulation, FPLP intends to further increase circulation revenues through increased advertising and promotion of its products. The Winnipeg Free Press supplements its regular telemarketing programs with "sampling" programs that make the newspaper available to selected key geographic areas, without charge, for specific periods. The Winnipeg Free Press also intends to improve circulation by increasing the number of partnership arrangements with key advertisers and increasing the number of readership contests. Similar actions are being taken for the Brandon Sun, albeit at a reduced level reflecting the smaller market. In addition, FPLP has significant excess press capacity at both its Brandon and Winnipeg facilities allowing it to increase its commercial printing operations in the region.

Cost Management

Management has identified and implemented certain cost reduction measures at both the Winnipeg Free Press and the Brandon Sun, including control of wage and benefit levels through outsourcing, training and technological improvements. To reduce costs on an ongoing basis, FPLP will continue efforts to improve the efficiency and profitability of the newspapers. For example, FPLP will continue to centralize its purchasing, as has been done with newsprint purchasing. Furthermore, as part of their efforts to control and reduce expenses, the Winnipeg Free Press and the Brandon Sun actively manage their newsprint consumption, for example, through adjustments to page count. FPLP will continue to examine further opportunities for cost savings, principally in the areas of production and distribution.

Growth Through Acquisitions

Management believes that opportunities may exist to grow revenue, EBITDA and cash flows of FPLP by acquiring additional newspapers and other media (radio, television, magazines and internet) assets. FPLP will consider newspaper and other media (radio, television, magazines and internet) acquisitions that would provide FPLP with additional revenue opportunities and the ability to expand and achieve any additional economies of scale and possible synergies. Acquisitions determined to be appropriate and beneficial to FPLP and indirectly the Unitholders may be made by FPLP. Acquisition opportunities that are disclosed to and not pursued by FPLP may be completed by affiliates of the General Partners. Further, such affiliates may acquire any business if the sales of such business arising from newspaper and other media (radio, television, magazines and internet) do not exceed 20% of the total sales of such business at the time of such acquisition. See "Description of FPLP — Partnership Agreement — Functions and Powers of FPGP and General Partners" and "Risk Factors — Risks Relating to the Structure of the Fund and the Offering — Reliance on FPGP and General Partners and Potential Conflicts of Interest".

Winnipeg Free Press

Market Overview

The Winnipeg Free Press delivers a high quality daily newspaper to a primary market in the Winnipeg census metropolitan area with a population of approximately 670,000, consisting of approximately 265,000 households. The Conference Board of Canada projects population and household growth in Winnipeg over the 2001-2006 period at approximately 1.4% for the period.

The Manitoba economy (of which 80% of the activity is in Winnipeg and its suburbs) is estimated by the Conference Board of Canada to have grown by approximately 1.8% in 2001 and is forecast to perform similarly in 2002. Manitoba has one of the lowest unemployment rates in Canada at 5.1%. Retail sales growth, a key driver of newspaper advertising revenues, was approximately 4.6% in Manitoba in 2001, better than the national average of approximately 4.4%.

According to NADbank, the Winnipeg market leads all major Canadian markets with respect to overall newspaper readership. Approximately 90% of Winnipeg adults read a newspaper at least one day per week in 2001 compared to approximately 83% for the Canadian market as a whole.

Products

FPLP's flagship product in the Winnipeg market is the Winnipeg Free Press, the largest newspaper in the Winnipeg market based on both readership and share of advertising. In addition, the Winnipeg Free Press publishes The Community Review, a weekly-extended market coverage product that is distributed free of charge targeting advertisers seeking a lower cost means of reaching local consumers. FPLP also operates a separate insert and direct flyer distribution business in Winnipeg called Flyer Advantage. Over the past three years, insert and direct flyer business has become an important part of revenue as advertisers have sought additional and alternative methods of reaching consumers.

The Winnipeg Free Press' web site is located at "*winnipegfreepress.com*". The site offers the newspaper's stories online with information updated daily. In addition, *winnipegfreepress.com* has developed a video web cast for the newspaper's automotive section, archival information and searchable reviews on movies and restaurants.

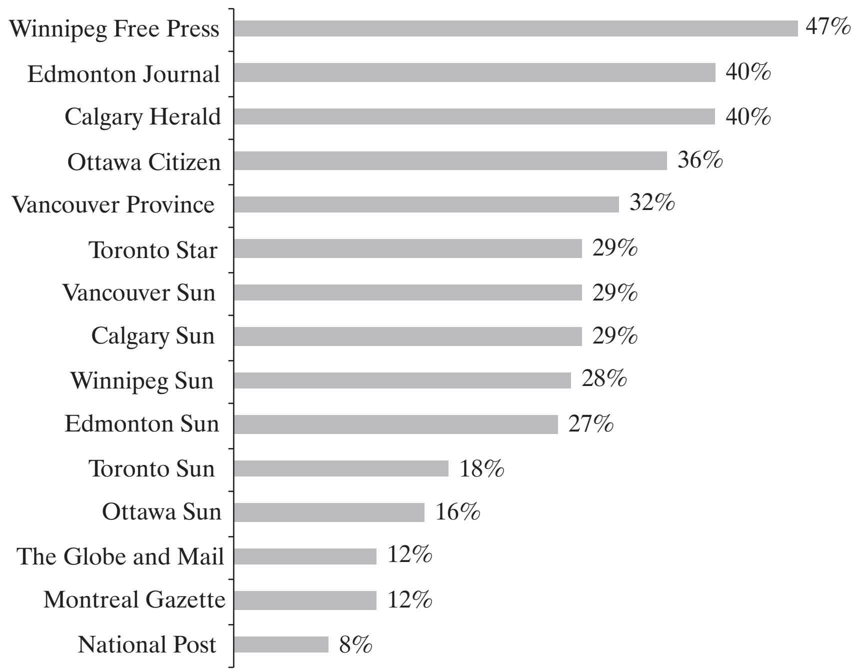
The web site is offered to home delivery subscribers of the Winnipeg Free Press at no additional charge and on line subscriptions are sought from people who desire to be kept informed about Manitoba from outside of the province.

As a means of further supporting its brand, the Winnipeg Free Press has produced three glossy, coffee table books. The first of these books, "Red Sea Rising, The Flood of the Century" was published by the Winnipeg Free Press in 1997 and became a national best seller with over 43,000 copies sold. The newspaper subsequently published books on rural Manitoba and a celebration of Manitoba at the millennium.

Readership

The Winnipeg Free Press is very attractive to local and national advertisers. The Winnipeg Free Press' leading market position, readership levels and readership demographics have resulted in strong subscription and advertising revenues. The Winnipeg Free Press had an average seven day circulation of approximately 126,000, according to ABC for the six months ended September 30, 2001. In addition, the Winnipeg Free Press reached approximately 47% of all Winnipeg adults on weekdays, a readership level (measured as a percentage of total adults) that is the highest of Canada's 15 leading daily newspapers as reported by NADbank.

Weekday Readership of Daily Newspapers in Major Canadian Cities(1)



(1) Source: 2001 NADbank survey. Figures for The Globe and Mail and the National Post are for Toronto census metropolitan area only.

Advertisers

The Winnipeg Free Press' advertising base, while heavily weighted to local advertising, includes a number of different advertisers. No single advertiser accounts for more than 2.5% of total revenue. Key advertisers include car manufacturers and dealers, department stores and specialty stores. National advertising sales representation is both direct and through participation in a national advertising consortium of 14 regional metropolitan dailies across Canada.

Employees

As at December 31, 2001 the Winnipeg Free Press had approximately 478 full-time equivalent employees, including approximately 389 unionized full-time equivalent employees and approximately 89 non-unionized full-time equivalent employees. The largest single department at the Winnipeg Free Press is the editorial department which has approximately 100 full-time equivalent employees. In order to increase flexibility, the newspaper also makes use of contractor services, in particular, by purchasing freelance articles and sub-contracting the majority of the newspaper's distribution.

The carrier force and workers in all areas except the press room are members of the Communication, Energy and Paperworkers Union (CEP). The press room workers are members of the Graphic Communications International Union (CGIU). Management has generally had good relations with its unionized workforce. Senior supervisors and senior management with hiring powers are not required to be union members.

A three year contract with both the CGIU and the CEP expires on September 30, 2002. A one year contract with the carrier delivery force for the Winnipeg Free Press expired on October 31, 2001. Negotiations are currently ongoing to reach a new agreement for the carrier delivery force.

Editorial Policy

With an editorial policy that has traditionally been fiscally conservative and socially liberal, the Winnipeg Free Press 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 important issues in Winnipeg.

The Winnipeg Free Press differentiates itself from its local print and electronic media competitors by using its own writers and reporters to cover major events. In 2002, the newspaper sent three reporters and a photographer to the Winter Olympics in Salt Lake City, Utah and produced a special section on the Winter Olympics every day consisting of six pages or more of coverage. In recent years, reporters have been assigned to stories around the world, including India, Bosnia and the United Kingdom, to cover major events such as the funeral of Princess Diana. The newspaper maintains a writer in Ottawa and bureaus at the Manitoba Legislature, the Winnipeg Law Courts, Winnipeg City Hall and the Winnipeg Public Safety Building.

Since acquiring the Winnipeg Free Press, FPLP has expanded the number of pages devoted to editorial content. The additional coverage of sports, news and a weekly entertainment guide was implemented to increase readership and, in particular, increase the newspaper's attraction to younger readers, an important demographic group.

The Winnipeg Free Press' editorial department is staffed by a number of award winning journalists. The newspaper won a National Newspaper Award for feature writing for its coverage of the 1997 Red River Valley flood. In that year, the newspaper was nominated for two other National Newspaper Awards. Since then it has been nominated for a national award for editorial writing and its columnist Lindor Reynolds has won an international columnist award. Writer Dan Lett has won a national Human Rights award and the paper has been nominated for the prestigious Michener Award five times since 1988 and received the Citation of Merit for 2000. The newspaper's art director, Gordon Preece, won an Award of Excellence for page design in 2001, the second-year he won such an award. In 2002, its business editor, Martin Cash, was nominated for a National Newspaper Award.

For some of its national and international coverage, in addition to its own writers and reporters, the Winnipeg Free Press relies on coverage from news agencies supplemented by contracted freelancers and by commissioning of individual pieces. The newspaper has contracts with the Canadian Press, a co-operative of newspapers across Canada, to supply news nationally and from other regions. It also subscribes to a number of U.S. news and photography services including The New York Times, Knight-Ridder and Cox News Services. These news and photography services allow the newspaper to respond quickly to breaking news wherever it happens. On September 11, 2001, for example, the Winnipeg Free Press produced a special afternoon edition reporting on the tragic events in New York and Washington that took place that morning.

Printing and Production

The Winnipeg Free Press is produced regularly as a four-section paper with regular additional pre-printed sections on Thursdays, Fridays, Saturdays and Sundays. Automated inserting equipment is used to insert flyers in the mail room. These flyers have become a growing part of the Operation since the withdrawal of Canada Post from the flyer business in 1997.

Circulation

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

The Winnipeg Free Press goes to great lengths to satisfy all readers and customers. According to a study conducted by the Newspaper Association of America in 2001, the Winnipeg Free Press' complaint ratio resulting from delivery problems was low at 1.53 per thousand for 2001. Customer service representatives are available outside normal business hours and re-delivery is available until 11:00 p.m. each day.

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

Sales and Marketing

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

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

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

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

Competition

Competition for advertising in the Winnipeg media market includes television, radio, outdoor advertising, Yellow Pages and free community newspapers. Management believes that, based on internal estimates, it has a leading share of the overall media advertising market in Winnipeg.

The Winnipeg Free Press' major print competition is the Winnipeg Sun; a tabloid newspaper operated by the Sun Media group, which is controlled by Quebecor Inc. While the presentation and branding of the two newspapers is very different, the newspapers compete directly for both readers and advertising revenue. The Winnipeg Free Press also competes, to a lesser extent, with the National Post and 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 September 2001 NADbank survey, the Winnipeg Free Press is read by 47% of all Winnipeg adults on weekdays (the highest share among large market dailies) compared with 28% for the Winnipeg Sun and 5% and 4% for The Globe and Mail and National Post, respectively. Moreover, on Saturday, the Winnipeg Free Press is read by approximately 63% of all adults in Winnipeg compared to approximately 19% for the Winnipeg Sun. The Winnipeg Free Press also has approximately a 52% market share among adults with a post-secondary education, more than double the Winnipeg Sun's approximately 26%. In addition, approximately 50% of all managers and professionals read the Winnipeg Free Press compared with approximately 26% for the Winnipeg Sun.

Canadian Publishers, a wholly owned subsidiary of the GTC Transcontinental Group, distributes four community tabloids in Winnipeg and is the Winnipeg Free Press' primary competition in its extended market coverage product. The Community Review, which is distributed free of charge, delivers 210,000 copies weekly compared to the Canadian Publishers publications which reach approximately 170,000 homes. Both Community Review and the GTC Transcontinental Group publications concentrate on small retail businesses serving a neighbourhood market.

The Winnipeg Free Press is also a leading distributor of flyers and inserts in Winnipeg through its daily newspaper and its distribution business, Flyer Advantage. Its principal competitor in the business is the GTC Transcontinental Group.

Raw Materials

The Winnipeg operations of the Manitoba Newspapers Operation used approximately 16,300 metric tonnes of newsprint in 1999, approximately 16,400 metric tonnes in 2000 and approximately 15,400 metric tonnes in 2001. As a percentage of operating expenses, newsprint represented approximately 21.5% in 2001 (the only year of the three in which market price for newsprint was paid by the Manitoba Newspapers Operation). Newsprint is supplied primarily by Tembec Inc. from its Pine Falls, Manitoba mill and by Alberta Newsprint Company from its Whitecourt, Alberta mill. Alberta Newsprint Company is considered a related entity of FPLP. See "Interest of Management and Others in Material Transactions".

Facilities

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

Brandon Sun

Market Overview

The City of Brandon and its immediate vicinity have a population of approximately 40,000, consisting of approximately 16,000 households. Population and household growth in Manitoba is forecast by the Conference Board of Canada to increase approximately 1.5% per annum to 2006. NADbank figures indicate that newspaper readership in the region is approximately 70%, higher than the national average of 60%. Forty percent of the Brandon Sun's circulation is outside the City of Brandon.

Products

In Brandon, FPLP operates the Brandon Sun, a community-based daily newspaper with, according to ABC for the six months ended September 30, 2001, an average daily circulation of approximately 15,000, a Saturday circulation of approximately 20,000 and a Sunday circulation of approximately 14,000. The Brandon Sun began publishing a Sunday edition in 2001 ending its practice of delivering the Winnipeg Free Press to its subscribers on Sundays. In the first year of the new Brandon Sun Sunday publication, Sunday single copy sales more than doubled.

The Brandon Sun also produces three free extended market coverage products: The Brandon Shopper, a 27,500 copy weekly; The Westman Review, a 23,530 copy weekly; and the Real Estate Market Guide, a 20,000 copy weekly, each of which offers a lower cost alternative to advertisers.

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

Strategy

The Brandon Sun's primary strength is its focus on local news and sports. In 1998, the newspaper was nominated for a National Newspaper Award for photography. The newspaper maintains a strong voice in the community by focusing on local issues. The newspaper repeatedly demonstrates its ability to cover breaking stories, produce special sections and provide comprehensive coverage of major issues.

Readership

According to the most recent NADbank survey covering Brandon, which was conducted in 1999, the Brandon Sun's readership in the City of Brandon was approximately 21,000 on weekdays, approximately 24,500 on Saturday and approximately 18,700 on Sunday. The Brandon Sun is read by approximately 89% of residents in Brandon at least once per week and by approximately 66% of residents in Brandon on a daily basis, which leads weekday readership in all Western Canadian markets.

Advertisers

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

Employees

Of the approximately 111 full time equivalent employees at the Brandon Sun as at December 31, 2001, approximately 95 were members of a union and approximately 16 were non-unionized.

In Brandon, a two-year contract with members of the Communication, Energy and Paperworkers Union expires December 31, 2002. A five-year contract with GCIU expires December 31, 2005. Management has generally had good relations with its unionized workforce.

Editorial Policy

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

Printing and Production

The Brandon Sun's community style printing press has capacity that allows for production of newspapers of up to 48 pages, including 24 pages in full process colour, in a single pass. The Brandon Sun is also equipped with an automated line of insertion stations used to insert flyers.

FPLP has entered into an agreement with Bell Globemedia Publishing Inc. whereby the Brandon Sun printing facilities are used to print, on a daily basis, between 15,000 and 20,000 copies of the Northern Ontario, Manitoba and Saskatchewan editions of The Globe and Mail. This 10-year agreement expires in February 2010. A $3.7 million printing press upgrade was recently completed to accommodate The Globe and Mail's printing requirements for colour and paper-size.

The Brandon Sun has capacity for additional commercial print work which management is actively seeking.

Circulation

The Brandon Sun is delivered by a local independent carrier force of approximately 600. In addition, contract drivers and independent agents are used for distribution to the Brandon Sun's extended coverage region which stretches from the Saskatchewan boundary to Portage la Prairie, Manitoba and from Dauphin, Manitoba to the U.S. border — an area of approximately 64,000 square kilometres.

Sales and Marketing

Like the Winnipeg Free Press, the Brandon Sun's market leadership position underpins its sales and marketing strategy. The Brandon Sun sells its advertising locally through its own local sales force and nationally through the same group that represents the Winnipeg Free Press. It attracts advertisers with travel pages or other specialized sections within the newspaper designed specifically for advertisers.

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

Competition

The Brandon Sun competes for advertisers against a local television station, a local radio station and outdoor billboards. Management believes that, based on internal estimates, it has a leading share of the overall media advertising market in Brandon. There is currently no major print competitor to the Brandon Sun. There have been local print competitors to the Brandon Sun in the past. It has been announced that a new weekly newspaper may be introduced to the Brandon market in April 2002. This paper will compete with the Brandon Sun for advertisers, although management does not believe that such competition will materially adversely affect FPLP's share of the overall media market in Brandon.

Raw Materials

Newsprint usage for the Brandon Sun was approximately 3,100 tonnes in 1999, approximately 2,900 tonnes in 2000 and approximately 3,200 tonnes in 2001. Expenditures on newsprint represented approximately 28% of total operating costs for the Brandon Sun in 2001 (the only year of the three in which market price for newsprint was paid by the Manitoba Newspapers Operation).

Newsprint for the Brandon Sun is obtained primarily from the Pine Falls, Manitoba mill of Tembec Inc. and the Whitecourt, Alberta mill of Alberta Newsprint Company. Newsprint for printing of The Globe and Mail is obtained from Abitibi Consolidated Inc. Alberta Newsprint Company is considered a related entity of FPLP. See "Interests of Management and Others in Material Transactions".

Facilities

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

Capital Expenditures

The Winnipeg Free Press in 1991 moved into its present premises at 1355 Mountain Avenue, Winnipeg, a 300,000 square foot office and plant complex in an industrial park built at a cost of approximately $132 million, including three state of the art printing presses and other equipment.

The Manitoba Newspapers Operation made capital investments of approximately $7.4 million over the period from January 1, 1999 to December 31, 2001. Of this total, approximately $6.3 million was strategic capital spending, primarily for Year 2000 systems related upgrades and for a press upgrade project at the Brandon facility. Total sustaining capital expenditures during the three year period were approximately $1.0 million in the aggregate. FPLP expects the future average sustaining capital expenditure requirement will be approximately $1.0 million per year.

	1999	2000	2001
	(in thousands of dollars)		
Strategic			
Editorial Year 2000 system upgrade	$1,095	$ —	$—
Classified Year 2000 system upgrade	682	—	—
Brandon press upgrade	—	3,230	476
Brandon mailroom upgrade	377	—	—
Other Year 2000 hardware and software upgrades	464	—	—
	2,618	3,230	476
Sustaining			
Computer hardware and software	37	252	209
Racks and vending boxes	90	—	187
Mailroom equipment	120	—	12
Other	85	4	46
	332	256	454
Total capital expenditures	$2,950	$3,486	$930

In 1999, an investment of approximately $2.2 million was made to upgrade various hardware and software that was not Year 2000 compliant. Included in this amount was an investment of approximately $1.1 million to acquire a front end editorial system offering a faster platform for editorial news gathering and pagination and much improved access from remote locations. Capital spending in 1999 also included approximately $0.7 million to upgrade hardware and software for the classified front end system, a project which began in 1998. The total investment for the classified system upgrade was approximately $1.1 million. The new classified system was the final component in the evolution to an electronic method of page production. In addition to these hardware and software upgrades, an investment of approximately $0.4 million was made to upgrade the inserting equipment in the Brandon mailroom in 1999.

Capital spending in 2000 and 2001 included a significant upgrade of the printing press in Brandon for approximately $3.7 million. This upgrade was necessary to meet the printing requirements of The Globe and Mail. The upgraded press offers the ability to print up to 48 broadsheet pages with up to 24 full colour pages in one single pass.

In addition to these significant capital projects, investments were made in computer software and hardware, racks and vending boxes and other production equipment during the three years ended December 31, 2001.

Planned capital expenditure in 2002 for the Winnipeg Free Press is approximately $940,000 and for the Brandon Sun is approximately $70,000. Expenditures for the Winnipeg Free Press will include the provision of a totally electronic photographic system, server upgrades, new vending boxes, furniture and minor press upgrades. Expenditures for the Brandon Sun will include digital photography equipment and vending boxes.

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 last three years, average revenue from the Manitoba Newspapers Operation in the first, second, third and fourth quarter as a percentage of total revenue, was 23.8%, 25.8%, 23.8% and 26.5%, respectively.

Canadian Newspaper Status

Under the Tax Act, no deduction is allowed for an outlay or expense for advertising space in an issue of a newspaper for an advertisement directed primarily to a market in Canada unless the issue is a "Canadian issue" of a "Canadian newspaper". It is intended that the Winnipeg Free Press, the Brandon Sun and the other publications of the Business will be, at all times, 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 (which term is defined to include a mutual fund trust provided that a majority of units are not held by citizens or subjects of a country other than Canada, and a trust all the units of which are held by such a mutual fund trust), (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 Declaration of Trust, the FP Trust Declaration of Trust, the Exchange Agreement, the Partnership Agreement and the subscription agreements relating to the Offering (the "Subscription Agreements") will have provisions prescribing these Canadian ownership and control requirements in respect of the Fund, FP Trust, FPGP, the General Partners, FPCN Media, FPLP and any entity that controls any of these entities. In connection therewith, FPGP or the General Partners, as the case may be, have the authority or have been delegated the authority by the Fund, FP Trust, FPCN Media, the General Partners and FPLP to:

(i) refuse to accept any subscription for Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be;

(ii) refuse to allow any transfer, pledge or other assignment of Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be, to be recorded in their respective registers;

(iii) suspend the rights of a holder of Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be, to vote at a meeting of the Fund, FP Trust, FPLP, FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities); and

(iv) sell, repurchase or redeem any Units, FP Trust Units, partnership units of FPLP or shares of FPGP, FPCN Media or the General Partners (or any entity that controls any of these entities), as the case may be, that may be held,

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

Environmental

FPLP's facilities are subject to federal, provincial and municipal laws concerning, among other things, emissions to the air, water and sewer discharges, handling and disposal of wastes, recycling, or otherwise relating to protection of the environment. FPLP has adopted an environmental policy to follow industry best practices, including implementing systems to ensure compliance with applicable environmental protection laws. Ensuring environmental compliance has not and is not expected to give rise to any material adverse financial or operational effects upon the Business.

MANAGEMENT

Senior management of the Business are appointed by FPGP and are described below. All other employees of the Business are employed by FPLP with consultation and review by the General Partners.

Directors and Officers of FPGP

FPGP currently has a board of directors composed of three persons. In accordance with the provisions of the CBCA, the directors are authorized from time to time to fix the number of directors up to a maximum of seven persons currently provided for under the articles of FPGP, without the prior consent of the shareholders. The following table sets out, for each of the directors and executive officers of FPGP, the person's name, municipality of residence, offices with FPGP and principal occupation during the previous five years. The term of office for each of the directors will expire at the time of the next annual meeting of shareholders of FPGP.

Name and Municipality of Residence	Position with FPGP	Principal Occupation for the Previous Five Years
Ronald Norman Stern(1) Vancouver, British Columbia	Chairman of the Board and Director	Chairman of FPLP from November 2001 to present. President of Estrella Group Management Ltd., a management services company, providing services to related companies involved in paper production, real estate, wholesale distribution, pre-press graphics and apparel manufacturing, from September, 1997 to present. President of Alberta Newsprint Company from August 1989 to present.
Robert Irwin Silver(2) Winnipeg, Manitoba	Director	President of Western Glove Works Ltd., an apparel manufacturer, from 1981 to present.
Hans Rudolph Redekop Winnipeg, Manitoba	President and Publisher and Director	President and Publisher of FPLP from November 2001 to present. From July 1999 until November 2001, Group Publisher of Thomson Manitoba, Publisher of the Winnipeg Free Press and Publisher of the Brandon Sun. From May 1994 until July 1999, Publisher of the Winnipeg Free Press.
Kevin Donald Karr North Vancouver, British Columbia	Vice President, Corporate Development and Secretary	Vice President, Finance and Corporate Development of Estrella Group Management Ltd., a management services company, from May 1998 to present. From September 1996 until May 1998, Controller, Canadian Operations of Finning International Inc.
Daniel Myles Koshowski Winnipeg, Manitoba	Chief Financial Officer	Chief Financial Officer of FPLP from November 2001 to present. Director of Finance of the Winnipeg Free Press from January 2000 to November 2001. Controller of the Winnipeg Free Press from February 1995 to January 2000.

(1) Member of the compensation and corporate governance committee.

(2) Member of the audit committee.

Pursuant to the Shareholders Agreement after Closing of the Offering, the board of directors of FPGP will consist of seven individuals. It will be a term of the Shareholders Agreement that FPCN Media will be entitled to nominate four directors of FPGP and the remaining three directors will be nominated by the Fund. See "Description of FPLP — Shareholders Agreement".

From and after Closing, the following persons, whose names, municipality of residence and principal occupations during the past five years appear below, will be elected as additional directors of FPGP:

Name and Municipality of Residence	Position with FPGP	Principal Occupation for the Previous Five Years
G. Stephen Dembroski[(1)] Toronto, Ontario	Director	Managing Director, Investment Banking, TD Securities Inc. from 1997 to May 2002.
Larry Philip Fontaine[(2)] First Nation Community of Sagkeeng, Manitoba	Director	Chief Commissioner, Indian Claims Commission, established by the Government of Canada, August 2001 to present. Consultant from August 2000 to present. National Chief, Assembly of First Nations, July 1997 to July 2000. Grand Chief, Assembly of Manitoba Chiefs, July 1990 to July 1997.
Phil de Montmollin[(2)] Miami, Florida, U.S.A.	Director	President of Currow & de Montmollin, Inc., a newspaper management consulting company, from 1995 to present. Worked for 32 years with the Newspaper Division of Knight Ridder, Inc., including as President of the Miami Herald.
Harvey Secter[(1)] Winnipeg Manitoba	Director	Dean of the Faculty of Law of the University of Manitoba from July 1999 to present. From 1995 to present, President of Resolution Processes Inc., a mediation and arbitration services company.

(1) Member of the audit committee.

(2) Member of the compensation and corporate governance committee.

Committees of the Board of Directors

The board of directors of FPGP intends to establish a compensation and corporate governance committee and an audit committee.

Compensation and Corporate Governance Committee

The compensation and corporate governance committee will review and make recommendations to the board concerning the appointment of officers of FPGP and the hiring, compensation, benefits and termination of senior executive officers and all other significant employees of FPLP. The committee will review annually the President and Publisher's goals and objectives for the upcoming year and provide an appraisal of his or her performance. The committee will also make recommendations concerning the remuneration of the board of directors of FPGP. The committee will administer and make recommendations regarding the operation of the long-term incentive plan of FPLP and any employee bonus plans of FPLP. The committee will also be responsible for developing FPGP's approach to corporate governance issues, advising the board in filling vacancies on the board and periodically reviewing the composition and effectiveness of the board and the contribution of individual directors.

Audit Committee

The purpose of the audit committee is to assist the board in fulfilling its responsibilities of oversight and supervision of:

- the accounting and financial reporting practices and procedures of FPGP;
- the adequacy of internal accounting controls and procedures of FPGP; and
- the quality and integrity of financial statements of FPGP.

In addition, this committee will be responsible for directing the auditors' examination into specific areas.

Remuneration of Directors of FPGP

Initial compensation for directors of FPGP who are not officers or employees, or members of the day-to-day management, of FPGP or FPLP will be $5,000 per director per year and $1,000 per day for each director for attending meetings of the board of directors and committees thereof. FPGP will also reimburse directors for out-of-pocket expenses for attending such meetings.

Management Arrangements

The success of FPLP will be significantly dependant on the leadership, dedication and significant experience of the senior management and of the General Partners in directing and managing the Business.

Long Term Incentive Plan

The directors, officers and key senior management of FPLP and its affiliates (including the Trustees) will be eligible to participate in FPLP's Long Term Incentive Plan (the "LTIP"). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance FPLP's ability to attract, retain and motivate key personnel, and reward directors, officers and key senior management for significant performance and associated per Unit cash flow growth of the Fund. Pursuant to the LTIP, FPLP will set aside a pool of funds based upon the amount by which FPLP's distributable cash exceeds certain threshold amounts. A trustee will then purchase Units in the market with such pool of funds and will hold such Units until such time as ownership vests to each participant. The LTIP will be administered by the Compensation and Corporate Governance Committee. The board of directors of FPLP or the Compensation and Corporate Governance Committee will have the power to, among other things: (i) determine those individuals who will participate in the LTIP; and (ii) determine the level of participation of each participant.

The LTIP is expected to provide for aggregate incentive payments based on the following thresholds assuming that FPLP distributions allow the Fund to distribute in excess of $1.35 per Unit per annum:

Amount of excess distributable cash of FPLP over $19,424,000 per annum	Proportion of excess distributions available for incentive payments
Up to $800,000	10%
$800,000 to $2,000,000	15%
Over $2,000,000	20%

In the case of the LTIP, these amounts will be used to purchase Units in the market that will be held subject to the vesting and other terms of the LTIP.

These figures are subject to adjustment by the Compensation and Corporate Governance Committee from time to time. However, in no event will the maximum proportion of excess distributable cash that will be available for incentive payments exceed 20%.

Insurance Coverage for the Fund and Related Entities, and Indemnification

FPGP will seek to obtain a policy of insurance for its directors and officers. The aggregate annual limit of liability applicable to all insured directors and officers under the policy is expected to be between $10 to

$15 million inclusive of defence costs. Under the policy, FPGP anticipates reimbursement coverage to the extent that it has indemnified the directors and officers in excess of a deductible of $250,000 for each loss. The policy of insurance will also apply to the trustees of the Fund and of FP Trust and will provide reimbursement coverage to the Fund and to FP Trust, respectively, in excess of a deductible of $250,000, to the extent that the applicable trustees shall be entitled to indemnification by the Fund pursuant to the Declaration of Trust or the FP Trust Declaration of Trust, as the case may be. The aggregate limit of liability will be shared among FPGP, the Fund, FP Trust and their respective directors, officers and trustees such that the limit of liability will not be exclusive to FPGP, the Fund, FP Trust or their respective directors, officers and trustees. The by-laws of FPGP also provide for the indemnification of FPGP's directors and officers from and against liabilities and costs in respect of any action or suit against them in connection with the execution of their duties of office subject to the limitations contained in the CBCA. The Declaration of Trust and the FP Trust Declaration of Trust also provide for the indemnification of their respective trustees from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties as trustees, subject to certain customary limitations.

Senior Management of the Business

The following individuals are employed as the senior management of the Business:

Harry Brown, Director of Circulation Sales and Marketing of the Winnipeg Free Press, joined the Winnipeg Free Press in 1996 from the Chronicle Journal in Thunder Bay where he began his newspaper career in 1983. He was educated at Keil School Dunbarton, Aberdeen College of Commerce and graduated with H.N.D. (Higher National Diploma) in Accountancy in 1978.

William Chester, General Manager of the Brandon Sun, has been with the Brandon Sun for 25 years. He started in 1976 as an advertising sales representative and was promoted to Classified Sales Manager in 1984, Advertising Sales Manager in 1987, Production Manager in 1990 and General Manager in 2000. Mr. Chester reports to the President and Publisher of FPLP and is responsible for general operations of the Brandon Sun with a specific focus on production. As well, he is responsible for The Globe and Mail and commercial printing activities at the Brandon facility.

Donald Dufort, Director of Human Resources of FPLP, joined the Winnipeg Free Press in 1999. The remainder of his 23 years in the human resources field has been outside of the newspaper industry, primarily in the food and agri-business where he held various senior human resources positions. Mr. Dufort holds a B.A. and a B. Comm. (Hons.) from the University of Manitoba.

Laurie Finley, Director Marketing & Advertising Sales of the Winnipeg Free Press, has been with the Winnipeg Free Press since June 1993. During his career with the Winnipeg Free Press, he has held the positions of Special Products Manager, Retail Advertising Sales Manager and Director of Advertising. Currently, as Director of Marketing and Advertising Sales, Mr. Finley is responsible for all external marketing sponsorship and promotion for the Winnipeg Free Press. Prior to joining the newspaper, Mr. Finley spent 12 years with the Xerox Corporation in sales management roles, followed by four years as General Manager of a commercial printing company.

Colleen Gabrielle, Business Manager of the Brandon Sun, joined the Brandon Sun as Business Manager in July 2001. Previously she was Assistant Controller at Midwest Food Products Inc. in Carberry, Manitoba for two years. Ms Gabrielle qualified as a Certified General Accountant in 1995.

Nicholas Hirst, Editor of the Winnipeg Free Press, was appointed Editor of the Winnipeg Free Press in November 1996. Before joining the Winnipeg Free Press, Mr. Hirst was Editor of TV Guide (Canada), the largest paid circulation magazine in Canada. Mr. Hirst started his career in journalism for newspapers in Yorkshire, England. He joined the Times of London in 1977 as a financial writer, became the newspaper's energy correspondent and then Washington correspondent.

Glenn Johnson, Editor and Director of Readership Development of the Brandon Sun, joined the newspaper in July 2000. His duties include leading the editorial department as well as circulation sales, marketing and distribution. Prior to moving to Brandon, Mr. Johnson was Assistant City Editor at the Winnipeg Free Press.

Daniel Koshowski, Chief Financial Officer of FPLP, joined the Winnipeg Free Press in 1995 as Controller and was appointed Director of Finance in January 2000 and Chief Financial Officer in November 2001. Prior to joining the Winnipeg Free Press, Mr. Koshowski spent nine years with KPMG LLP. Mr. Koshowski is a Chartered Accountant and has a B. Comm. (Hon.) from the University of Manitoba.

Hans Rudolph Redekop, President and Publisher of FPLP, is the publisher of the Winnipeg Free Press as well as the Brandon Sun. Mr. Redekop has been in the newspaper industry for 23 years. He became publisher of the Winnipeg Free Press in 1994 and publisher of the Brandon Sun in 1999. Mr. Redekop graduated with a B.A. from the University of Manitoba in 1967 and worked for Price Waterhouse & Co., qualifying as a Chartered Accountant in 1971.

Glenn Williams, Director of Operations & Technology of the Winnipeg Free Press, joined the Winnipeg Free Press in 1994 and is responsible for the management of pre-press, press, mailroom, transportation, technical maintenance, building & fleet maintenance and technology. During his career with the Winnipeg Free Press, he has held various financial positions including Director of Finance. He holds a Chartered Accountant designation and B. Comm (Hons.) degree from the University of Manitoba.

Trustees of the Fund

The Declaration of Trust establishes a board of trustees comprising not more than five and not less than three members. Trustees shall be reappointed as may be determined by a majority of the votes cast at an annual meeting of Unitholders. The trustees of the Fund will initially be G. Stephen Dembroski, Harvey Secter and Ronald N. Stern. Initial compensation for trustees of the Fund who are not officers or employees, or members of the day-to-day management, of FPGP or FPLP will be $5,000 per year per trustee and $1,000 per day for each trustee attending meetings of the trustees, except where the trustee who is a director of FPGP attends a meeting of the board of directors of FPGP or a committee thereof on the same day. The Fund will also reimburse trustees for out-of-pocket expenses for attending such meetings, and trustees will participate in the insurance and indemnification arrangements described above. See "Description of the Fund — Trustees".

Governance

In lieu of a committee, the Trustees will be directly responsible for developing the Fund's approach to governance issues, filling vacancies among the trustees and periodically reviewing the composition and effectiveness of the trustees and the contribution of individual trustees.

The Trustees will also be responsible for adopting and periodically reviewing and updating the Fund's written corporate disclosure policy. This policy will, among other things:

- articulate the legal obligations of the Fund, its affiliates and their respective trustees, directors, officers and employees with respect to confidential corporate information;
- identify spokespersons of the Fund who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- provide guidelines on the disclosure of forward-looking information;
- require advance review by senior representatives of any disclosure of financial information to ensure the information is not material, and ensure that selective disclosure of material information is not permitted, and that when it occurs, a news release is issued immediately; and
- establish "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes during which the Fund, its affiliates and their respective trustees, directors, officers and employees may not purchase or sell Units of the Fund.

Audit Review

In lieu of an audit committee, the Trustees will directly fulfil their responsibilities of oversight and supervision of:

- the accounting and financial reporting practices and procedures of the Fund;
- the adequacy of internal accounting controls and procedures of the Fund; and
- the quality and integrity of financial statements of the Fund.

In addition, the Trustees will be responsible for directing the auditors' examination into specific areas.

Trustees of FP Trust

The trustees of FP Trust will initially be G. Stephen Dembroski, Harvey Secter and Ronald N. Stern. Initial compensation for trustees of FP Trust who are not officers or employees, or members of the day-to-day management, of FPGP or FPLP will be $5,000 per trustee per year and $1,000 per day for each trustee for attending meetings of the trustees, except where a trustee who is director of FPGP attends a meeting of the board of directors of FPGP or a committee thereof on the same day, in each case, for each trustee who is not a trustee of the Fund and a director of FPGP. FP Trust will also reimburse trustees of FP Trust for out-of-pocket expenses for attending trustee meetings, and trustees will participate in the insurance and indemnification arrangements described above. See "Description of FP Trust — Trustees".

Governance

In lieu of a governance committee, the FP Trust Trustees will be directly responsible for developing FP Trust's approach to governance issues, filling vacancies among the FP Trust Trustees and periodically reviewing the composition and effectiveness of the FP Trust Trustees and the contribution of individual FP Trust Trustees.

Audit Review

In lieu of an audit committee, the FP Trust Trustees will directly fulfil their responsibilities of oversight and supervision of:

- the accounting and financial reporting practices and procedures;
- the adequacy of internal accounting controls and procedures; and
- the quality and integrity of financial statements.

In addition, the FP Trust Trustees will be responsible for directing the auditors' examination into specific areas.

FUNDING AND RELATED TRANSACTIONS

On Closing, the Fund will complete its investment in FPLP and FPGP as follows:

- The Fund will use the proceeds of the Offering to subscribe for 1,313,897 FP Trust Units and FP Trust Notes having an aggregate principal amount of $52,600,000.
- The Fund will also subscribe for 49 common shares of FPGP and enter into the Shareholders Agreement with FPCN Media with respect to FPGP.
- FP Trust will use the proceeds of the FP Trust Units and FP Trust Notes issued to the Fund to subscribe for 6,573,897 Class A Units of FPLP and FPLP Notes having an aggregate principal amount of $65,670,000. The Class A Units will represent an agreed contribution of capital of $10 per Class A Unit for an aggregate contribution of capital in respect of the 6,573,897 Class A Units issued on Closing of $65,738,970, payable as to $68,970 on the Closing, $1,000,000 on or before each of December 31, 2002 and 2003, $2,000,000 on or before each of December 31, 2004 and 2005, $3,000,000 on or before December 31, 2006 and $1,000,000 on or before December 31, 2007 and as to the balance on May 28,

2012. FPGP may determine that FPLP requires all or part of such agreed capital contribution prior to such dates for the proper conduct of the Business and may call for payment of all or part of such agreed capital contribution at such time and from time to time prior to the dates specified for payment as FPGP considers necessary or advisable.

- The limited partner units of FPLP currently held by 402 will be redeemed and 402 will cease to be a partner of FPLP.

Immediately prior to Closing, a special distribution of accumulated net income of FPLP for the period commencing on formation of FPLP and ending immediately prior to the issue of the FPLP Notes and Class A Units to FP Trust, determined before cumulative depreciation and amortization, and currently estimated at $8.9 million, will be made to Canstar and RIS, the General Partners, subject to adjustment post-closing, after the final determination of the amount of the special distribution.

In the event the Over-Allotment Option is exercised, the net proceeds thereof will be paid to the General Partners as a further return of the General Partners capital in FPLP which was used by FPLP for the acquisition of the Winnipeg Free Press and the Brandon Sun.

The Fund and FP Trust will enter into the Exchange Agreement with FPGP and the General Partners pursuant to which the General Partners will be entitled to acquire Units in exchange for their general partner units of FPLP on the basis of one Unit for each general partner unit having a designated capital of $10. The exchange procedure will be initiated by the General Partner wishing to exchange any general partner units delivering to FPGP as the escrow agent under the Exchange Agreement a unit certificate in respect of the general partner units of FPLP to be exchanged, duly endorsed in blank for transfer by the General Partner tendering the certificate. FPGP will give notice of the proposed exchange to FP Trust which will acquire Units from the Fund in consideration for FP Trust Units and FP Trust Notes in the number required to complete the exchange. FP Trust will transfer to FPGP as the escrow agent the requisite number of Units. FPGP will effect the exchange procedure by causing to be issued in the name of FP Trust a unit certificate for that number of Class A Units to be issued on the exchange, entering FP Trust in the register of limited partners of FPLP in respect of such additional Class A Units, causing the general partner units so tendered for exchange to be cancelled and transferring to the tendering General Partner that number of Units to be received on the exchange.

Immediately following the Closing of the Offering, the Fund will hold all of the FP Trust Units and all of the issued and outstanding FP Trust Notes in the aggregate principal amount of $52,600,000, entitling the Fund to all of the distributable cash of FP Trust in each year. The Fund will also hold 49% of the issued and outstanding common shares of FPGP. FP Trust will hold all of the issued and outstanding Class A Units of FPLP upon which an aggregate initial cash contribution of $68,970 shall have been paid and FPLP Notes in the aggregate principal amount of $65,670,000. Interest on the FPLP Notes and distributable cash to be distributed in respect of the Class A Units will entitle FP Trust to 46.67% of the distributable cash (calculated before deduction of interest payable on the FPLP Notes) of FPLP in each year (calculated before the exercise, if any, of the Over-Allotment Option). The General Partners will hold 7,513,016 general partner units of FPLP (calculated before the exercise, if any, of the Over-Allotment Option) entitling the General Partners to 53.33% of the distributable cash (calculated before deduction of interest payable on the FPLP Notes) of FPLP in each fiscal year (calculated before the exercise, if any, of the Over-Allotment Option). FPCN Media will hold 51% of the issued and outstanding common shares of FPGP. FPGP will hold 10 general partner units of FPLP and will be the managing general partner of FPLP.

USE OF PROCEEDS

The proceeds of $65,738,970 from the issuance of the Units will be used by the Fund to subscribe for 1,313,897 FP Trust Units and FP Trust Notes having an aggregate principal amount of $52,600,000. FP Trust will in turn use such proceeds to subscribe for 6,573,897 Class A Units of FPLP for an aggregate initial contribution to capital of $68,970 and for FPLP Notes having an aggregate principal amount of $65,670,000. FPLP will in turn use the proceeds, net of the expenses of the Offering estimated to be $4,144,338, to repay a portion of the term indebtedness incurred by FPLP under the Credit Facility so that the outstanding balance thereof will be equal to $59.6 million and to pay $21,194,632 as a partial return of the General Partners' capital in FPLP which was used for the acquisition by FPLP of the Winnipeg Free Press and the Brandon Sun from Thomson. FPLP will be obligated to reimburse the Fund for the expenses of the Offering.

PRINCIPAL AGREEMENTS

Collective Bargaining Agreements

FPLP has entered into various collective bargaining agreements with its employees at the Winnipeg Free Press and Brandon Sun. The following is a summary of the various collective bargaining agreements:

- Media Union of Manitoba, Local 191 of the Communications, Energy and Paperworkers Union of Canada, in effect until December 31, 2002, governing employees of the Brandon Sun employed in the accounting, advertising, circulation, and mailroom departments, as well as employees performing editorial and photographic functions;
- Graphic Communications International Union, Local 900M, in effect until December 31, 2005, governing press room employees of the Brandon Sun performing press related duties;
- Brandon Typographical Union, TNG Canada CWA, Local 30700, in effect until June 30, 2003, governing composing room employees of the Brandon Sun, including compositors, admakers and creative services technicians;
- Media Union of Manitoba, Local 191 of the Communications, Energy and Paperworkers Union of Canada, in effect until September 30, 2002, governing employees of the Winnipeg Free Press employed in the advertising, building and fleet maintenance, circulation, creative services, editorial and mailroom departments;
- Media Union of Manitoba, Local 191 of the Communications, Energy and Paperworkers Union of Canada, expired on October 31, 2001 and currently being renegotiated, governing newspapers carriers of the Winnipeg Free Press; and
- Graphic Communications International Union, Local 900M, in effect until September 30, 2002, governing press room employees of the Winnipeg Free Press performing press related duties, including maintenance of the equipment in the production process.

Credit Facility

The Credit Agreement will be amended prior to the Closing to provide FPLP with a credit facility (the "Credit Facility") consisting of:

- a $59.6 million term loan facility repayable in 3 years (reduced from $100 million); and
- a $10 million revolving facility for ongoing working capital requirements which will be undrawn at the Closing.

The Credit Facility constitutes senior indebtedness of FPLP secured by a first charge over substantially all of the assets of FPLP and is subject to customary terms, conditions, covenants and other provisions, including restrictions on incurring additional indebtedness. The lenders under the Credit Facility as amended will not have any recourse to the assets of the partners of FPLP (including, without limitation, their interests in FPLP) as security for payment of the Credit Facility. In addition, pursuant to a subordination agreement, payment of the FPLP Notes and interest thereon will be subordinated to the prior payment of the Credit Facility but subject to compliance with the applicable provisions of the Credit Facility, payments to be made out of distributable cash of FPLP may be made on the FPLP Notes (determined in accordance with the terms of the Credit Facility) and the lenders will be granted the right following default to require FP Trust to make the outstanding contributions of capital on the Class A Units by requiring prepayment and set-off of the FPLP Notes.

FPLP intends to implement a hedging program to mitigate interest rate exposure under the Credit Facility.

SUMMARY OF DISTRIBUTABLE CASH FLOWS OF FPLP

Management believes that, upon completion of the transactions described under "Funding and Related Transactions", and as a result of the acquisition of the Manitoba Newspapers Operation by FPLP (see "The Business — Acquisition by FPLP from Thomson") and the creation of the Fund, FPLP will incur additional administrative, operating and insurance costs, interest expenses and sustaining capital expenditures that are not fully reflected in the pro forma statement of operations and distributable cash of FPLP contained in the Notes to the Pro Forma Financial Information of the Fund. Management has taken decisions and amended contract relationships that will reduce operating and administration costs previously incurred under prior ownership. Although management does not have firm commitments for all of those expenses and, accordingly, the complete financial effect of all of those additional expenses and expenditures net of cost reductions are not objectively determinable, management has estimated that:

- additional annual administrative, operating and insurance costs net of cost reductions would total approximately $121,000;
- estimated annual net interest expense would total approximately $3,030,000, representing interest on FPLP's $59.6 million credit facility, assuming $59.6 million had been drawn down on April 1, 2001 net of interest income earned on cash and cash equivalents assumed to be approximately $1.4 million; and
- estimated annual sustaining capital expenditures would total approximately $1 million.

Based on the foregoing, management believes that the distributable cash before interest payable on FPLP Notes for the twelve months ended March 31, 2002 would have been approximately $19.4 million and that the distributable cash of the Fund for the twelve months ended March 31, 2002 would have been its proportionate share (calculated before the exercise, if any, of the Over Allotment Option) less estimated administration expenses, being approximately $8.9 million.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Combined Financial Information of the Manitoba Newspapers Operation

The following table sets out financial information of the Manitoba Newspapers Operation that is derived from, and should be read in conjunction with, the historical financial statements and notes thereto that are included elsewhere in this prospectus.

	Twelve months ended March 31, 2002	Three months ended March 31		Years ended December 31		
		2002	2001	2001	2000	1999
	(unaudited)	(unaudited)				
	(in thousands of dollars)					
Statement of earnings data:						
Revenue	$ 97,921	$ 23,610	$ 23,028	$97,339	$98,094	$96,193
Operating expenses before depreciation and amortization	(74,346)	(18,471)	(18,507)	(74,382)	(72,746)	(72,325)
Operating profit before depreciation and amortization	23,575	5,139	4,521	22,957	25,348	23,868
as a percentage of revenue	24.1%	21.8%	19.6%	23.6%	25.8%	24.8%
Depreciation of property, plant and equipment	(4,985)	(1,049)	(1,334)	(5,270)	(5,710)	(5,956)
Amortization of goodwill and intangible assets	(259)	(90)	(57)	(226)	(226)	(226)
Operating income	18,331	4,000	3,130	17,461	19,412	17,686
Interest on term credit facility	(1,217)	(1,217)	—	—	—	—
Amortization of finance costs	(145)	(145)	—	—	—	—
Interest income	8	8	—	—	—	—
Net income for the period	$ 16,977	$ 2,646	$ 3,130	$17,461	$19,412	$17,686
Cash flow data:						
Strategic capital expenditures	$ 543	$ 169	$ 102	$ 476	$ 3,230	$ 2,618
Sustaining capital expenditures	441	54	67	454	256	332
Total capital expenditures	$ 984	$ 223	$ 169	$ 930	$ 3,486	$ 2,950

Selected Financial Information of FPLP

The following table sets out financial information of FPLP that is derived from, and should be read in conjunction with, the audited financial statements and notes thereto that are included elsewhere in this prospectus.

	Three months ended March 31		Years ended December 31		
	2002	2001	2001	2000	1999
	(unaudited)				
	(in thousands of dollars)				
Income statement data(1):					
Revenue	$ 23,610	$ 9	$ 9,278	$ 3	—
Net income	2,646	9	$ 2,361	$ 3	—
Balance sheet data(1):					
Total assets	$169,377		$168,135	$153	—
Total long term liabilities	96,250		—	—	—

(1) FPLP acquired substantially all of the assets and assumed certain liabilities of the Manitoba Newspapers Operation effective November 29, 2001. The acquisition was accounted for as a purchase and, accordingly, the financial statements include the results of the acquired operations since the acquisition date.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Fund

The Fund will be entirely dependent on the operations and financial condition of FP Trust. In turn, FP Trust will be entirely dependent on the operations and financial condition of FPLP. In turn, FPLP's earnings and cash flows are dependent upon the results of operations of the Manitoba Newspapers Operation and will be affected by certain risks associated with its business and other risks described in this prospectus. See "Risk Factors".

FP Canadian Newspapers Limited Partnership

FPLP acquired the business and assets, and assumed certain liabilities, of the Winnipeg Free Press and Brandon Sun newspapers effective November 29, 2001. Prior to the acquisition, FPLP's sole business transaction consisted of a U.S. $100,000 investment in a participating loan, secured by certain feature film motion picture assets. Subsequent to the acquisition, FPLP's business operations comprise the production and distribution of newspapers and related publications.

Manitoba Newspapers Operation

The Manitoba Newspapers Operation operated as an unincorporated division of Thomson until immediately prior to November 29, 2001, when the business was acquired by FPLP. The following discussion and analysis focuses on the results of the Manitoba Newspapers Operation for the relevant periods.

Operating Results of Manitoba Newspapers Operation

Three months ended March 31, 2002 compared to three months ended March 31, 2001

Revenue for the first quarter of 2002 was $23.6 million, an increase of $0.6 million or 2.5% over the first quarter of 2001 in which revenue was $23.0 million. This increase was primarily as a result of a $0.5 million, or 4.3% increase in local advertising revenue. The most significant area of increase in local advertising revenue related to an increase in the volume of colour advertising. Promotions and services revenue increased by $0.2 million to $0.5 million, or 85.8% in the first quarter of 2002, primarily due to an increase in the internet services consulting business.

Operating expenses were unchanged at $18.5 million in the three months ended March 31 in both 2002 and 2001. Employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased $0.4 million, or 4.1%, primarily as a result of expenses accruing on the new pension plans established by FPLP on November 29, 2001. The cost of newsprint decreased by $0.6 million to $3.4 million, or 15.6%, primarily due to a 22.5% decrease in newsprint prices, partially offset by an increase in usage. By comparison, the average price of newsprint for the full year ended December 31, 2001 was 24.5% higher than during the first quarter of 2002.

Operating income before depreciation and amortization in the first quarter of 2002 was $5.1 million compared to $4.5 million in the first quarter of 2001, representing a 13.7% increase.

Depreciation expense decreased in the first quarter of 2002 to $1.0 million from $1.3 million in the first quarter of 2001, primarily because of the change in the cost base of fixed assets as a result of the acquisition of the business and assets by FPLP effective November 29, 2001.

Operating income in the first quarter of 2002 was $4.0 million compared to $3.1 million in the first quarter of 2001, representing a 27.8% increase.

Interest on the term credit facility, which was put in place on January 4, 2002, was $1.2 million for the three months ended March 31, 2002.

Net income in the first quarter of 2002 was $2.7 million compared to $3.1 million in the first quarter of 2001, a decrease of 15.3%, reflecting the net effect of improved results before interest and financing costs, offset by the interest and financing costs incurred under the new term credit facility.

Year ended December 31, 2001 compared to year ended December 31, 2000

Revenue for fiscal 2001 was $97.3 million, a decrease of $0.8 million or 0.8% over fiscal 2000 revenue of $98.1 million. This decrease was primarily as a result of a $1.1 million, or 15.3% decline in national advertising revenue. The most significant area of decline in national advertising revenue related to a reduction in the volume of career advertising. Classified and local advertising rose $0.7 million, or 1.1%, while circulation revenue increased $0.4 million, or 1.8% to $20.6 million. Commercial printing revenue fell $0.5 million, or 8.9%, to $5.6 million as some customers shifted to other printers using a different printing process, not offered by the Manitoba Newspapers Operation.

Operating expenses before depreciation and amortization increased $1.6 million, to $74.4 million in fiscal 2001 from $72.7 million in fiscal 2000, an increase of 2.2%. Employee remuneration, including non-pension benefits costs and payroll taxes, increased $0.9 million, or 2.7%. The majority of the compensation expense is governed by collective agreements between Thomson and unions representing employees, which were assumed by FPLP as a consequence of the acquisition on November 29, 2001. Newspaper delivery costs increased $0.6 million, or 7.8%, primarily due to the November 1, 2001 rate increase contained in the carriers' collective agreement. The cost of newsprint and printing supplies increased by $0.7 million to $18.8 million, or 3.6%, primarily due to an 8.7% increase in newsprint prices, which was partially offset by a decrease in usage. During 2000, the price of newsprint was charged at a standard fixed price by the corporate office of Thomson. FPLP estimates that had the Manitoba Newspapers Operation paid the market price for newsprint in 2000, costs would have increased by approximately $0.6 million.

Operating profit before depreciation and amortization in fiscal 2001 was $23.0 million compared to $25.3 million in fiscal 2000, representing a 9.4% decrease.

Depreciation expense decreased in fiscal 2001 to $5.3 million from $5.7 million in fiscal 2000 as a result of certain assets still being used in the operations becoming fully depreciated during the year.

Net income for fiscal 2001 was $17.5 million compared to $19.4 million in fiscal 2000, a decrease of 10.1%.

Year ended December 31, 2000 compared to year ended December 31, 1999

Revenue for fiscal 2000 increased to $98.1 million from $96.2 million in fiscal 1999, an increase of $1.9 million or 2%. This increase primarily relates to increased revenue from advertising, partially offset by a decline in circulation revenue. Revenue from classified advertising increased $1.2 million, or 9.6%, primarily resulting from increased volume of automotive picture listings. Revenue from national advertising increased $1.4 million, or 24.3%, primarily due to strong volumes in career advertising. Circulation revenue decreased $1.1 million, or 5.0%, primarily due to a decrease in subscriptions and a change in sales mix between home delivery and single copy sales. Commercial printing revenue increased $0.4 million, or 7.5%, primarily due to higher volumes of printing of The Globe and Mail, printed at the Brandon facility.

Operating expenses before depreciation and amortization increased $0.4 million to $72.7 million in fiscal 2000 from $72.3 million in fiscal 1999 as a result of increased spending on production supplies, delivery costs and marketing expenses, which was partially offset by reductions in general and administrative costs. The cost of ink, newsprint and supplies increased $0.3 million, or 1.5%, primarily due to an increase in the consumption of colour inks. In both years, the price of newsprint was charged at a standard fixed price by the corporate office of Thomson Canada Limited. FPLP estimates that had the Manitoba Newspapers Operation paid the market price for newsprint, costs would have increased by approximately $0.6 million in 2000, and decreased by approximately $1.1 million in 1999, resulting in a year-on-year net increase in the cost of ink, newsprint and supplies of approximately $2.0 million, or 11.8%, primarily the result of a 12.8% increase in the market price of newsprint. Delivery costs increased $0.4 million, or 5.4% mainly due to the October 1999 increase in rates contained in the carrier's collective agreement. Marketing expenses increased $0.4 million, or 25.7%, as a result of increased public relations spending, including a cash sponsorship of the 1999 AT&T Seniors PGA Golf Tournament held in Winnipeg.

Operating profit before depreciation and amortization in fiscal 2000 was $25.3 million compared to $23.9 million in fiscal 1999, representing a 6.2% increase. This improvement was the result of the net effect of the $1.9 million increase in revenue, partially offset by the $0.4 million increase in operating expenses.

Depreciation decreased in fiscal 2000 to $5.7 million from $6.0 million in fiscal 1999 as a result of certain assets still being used in the operations becoming fully depreciated during the year.

Net income for fiscal 2000 was $19.4 million compared to $17.7 million in fiscal 1999, an increase of 9.6%.

Liquidity and Capital Resources

Business Acquisitions

In 2001 FPLP purchased the Winnipeg Free Press and Brandon Sun newspapers and related businesses for approximately $150.3 million, financed by partner capital contributions of $155 million.

Cash Flow From Operations

During the year ended December 31, 2001, the Operation generated cash flow from operating activities of $25.8 million, including $2.8 million from a decrease in net non-cash working capital items. Significant items included a $1.3 million decline in accounts receivable and a $1.3 million increase in accounts payable and accrued liabilities. During the year ended December 31, 2000, cash flow from operations was $25.7 million, including $0.4 million provided by a decrease in net non-cash working capital items. Cash flow from operations for the year ended December 31, 1999 was $22.1 million, after using cash to fund an increase of $1.8 million in net non-cash working capital balances, primarily a $1.1 million decrease in accounts payable and accrued liabilities.

Capital and Other Asset Expenditures

Expenditures in 2001 of $0.9 million included primarily the completion of a press upgrade project in Brandon which was started in 2000.

In 2000, the Operation expanded capacity of the Brandon press to meet increased commercial printing customer demand, at a cost of approximately $3.2 million. Total capital expenditures in fiscal 2000 were $3.5 million.

Total capital expenditures in fiscal 1999 were $3.0 million. During this period, the Operation incurred capital expenditures relating to a hardware and software upgrade of the editorial and classified advertising "front end" systems in Winnipeg. These upgrades were required to make the systems Year 2000 compliant, and also provided productivity improvements. Other major initiatives included the purchase of a new inserting machine for the mailroom in Brandon, to improve efficiency and productivity. See "The Business — Capital Expenditures".

Risk and Uncertainties

See "Risk Factors" for a discussion of the risks affecting the business.

Outlook

Prior to November 29, 2001, the Manitoba Newspapers Operation operated as a division of Thomson and the historical results do not include the cost related to certain administrative services performed by Thomson. The acquisition of the Manitoba Newspapers Operation by FPLP and the creation of the Fund will result in incremental expenses net of cost reductions, estimated to be approximately $121,000 annually. Administrative, pension and insurance expenses are expected to increase, partially offset by expected lower distribution, operations and premises expenses.

For 2002, FPLP's cash flow requirements, including planned capital expenditures of approximately $1 million, are expected to be funded from cash flow from operating activities. FPLP believes its expected cash flows, cash on hand and unused available credit facilities, following completion of the Offering, will be sufficient to fund cash requirements for at least the next 12 months. See "Credit Facility".

Future strategic initiatives may be financed with borrowings, the additional issuance of Units, from working capital or from the cash flow of the Business.

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is an unincorporated open-ended limited purpose trust established on May 15, 2002 under the laws of Ontario pursuant to the Declaration of Trust. It is intended that the Fund will qualify as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which summary is not intended to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions. See "Material Contracts".

Activities of the Fund

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

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

As at the date of this prospectus, the Fund does not intend to hold securities of entities other than FP Trust and FPGP or securities in connection with its short-term cash management.

Units

An unlimited number of Units may be created and issued under the Declaration of Trust. Each Unit will be freely transferable and represent an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding up of the Fund. All Units are of the same class with equal rights and privileges. The Units issued in connection with the Offering will not be subject to future calls or assessments, and entitle the holder to one vote for each Unit held at all meetings of Unitholders. No Unitholder has or is deemed to have any right of ownership in any of the assets of the Fund. Except as set out under "Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. Furthermore, the Fund is not a trust company and is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at those times, to those persons, for that consideration and on the terms and conditions that the Trustees determine including pursuant to any unitholder rights plan or any incentive or other compensation plan established by the Fund. The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax is required to be withheld in respect of the Unitholder's share of the distribution). In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units.

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

Trustees

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

The initial Trustees (who are also directors of FPGP) are G. Stephen Dembroski, Harvey Secter and Ronald N. Stern. See "Management" for the principal occupations of the Trustees. Trustees will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting or until their successors are elected or appointed. A majority of the Trustees proposed for election will be unrelated to the General Partners (as such term is ascribed to a director in the guidelines on effective corporate governance by the TSX). The Declaration of Trust prohibits a non-resident of Canada (as that term is defined in the Tax Act) from acting as a trustee.

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

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

The Trustees will have the right to approve the adoption of a Unitholder rights plan if the Trustees determine in good faith that the action is appropriate. The Unitholder rights plan will be effective as at the date of adoption. The plan will terminate six months from the date of its adoption unless ratified and confirmed by the Unitholders in accordance with the Declaration of Trust.

Initial compensation for Trustees who are not officers or employees, or members of the day-to-day management, of FPGP or FPLP will be $5,000 per year per trustee and $1,000 per day per trustee for attending meetings of the Trustees, except where a trustee who is a director of FPGP attends a meeting of the board of directors of FPGP or a committee thereof on the same day. The Fund will also reimburse the Trustees for out-of-pocket expenses for attending such meetings.

Any one or more of the Trustees may resign upon written notice to the Fund and may be removed by a resolution passed by a majority of the Unitholders and the vacancy created by the removal at a meeting or any prior resignation will be filled at the same meeting, failing which it may be filled by the remaining Trustees. The term of office of a Trustee will terminate and a vacancy will occur, in the event that the Trustee is declared bankrupt or insolvent or no longer satisfies other similar requirements provided for in the Declaration of Trust, or if the Trustee at any time ceases to be resident in Canada.

The Declaration of Trust provides that the Trustees shall not be liable to the Fund or to any Unitholder (i) for any loss or damages relating to any matter regarding the Fund, including any loss or diminution in the value of the Fund or the Fund property; or (ii) for any loss, damage or expense caused to the Fund through the insufficiency or deficiency of any security in or upon which any of the money of or belonging to the Fund shall be paid out or invested; or (iii) for any loss or damage arising from the bankruptcy, insolvency or tortuous or similar act of any person, firm or corporation with whom or which any money, securities or property of the Fund are lodged or deposited; or (iv) for any loss occasioned by error in judgment or oversight on the part of the Trustee; or (v) for any other loss, damage or misfortune which may happen in the execution by the Trustee of his or her duties hereunder, except to the extent any of the foregoing arises out of a Trustee's gross or willful fault or the Trustee's fraudulent acts. A Trustee may rely and act upon any statement, report or opinion prepared by or advice received from FPGP, auditors, lawyers or other professional advisors of the Fund and shall not be responsible or held liable for any loss or damage resulting from so relying or acting. The Trustees shall at all times be indemnified and saved harmless out of the property of the Fund from and against all liabilities, damages, losses, debts, claims, actions, suits and proceedings whatsoever, incurred, brought or commenced against any Trustee for or in respect of any act or omission with respect to the duties of any Trustee under the Declaration of Trust or in relation to the affairs of the Fund, unless any of the foregoing arises out of a Trustee's gross or willful fault or fraudulent acts.

A majority of the Trustees then holding office may fill a vacancy in the Trustees, except a vacancy resulting from a failure of the Unitholders to elect the required number of Trustees. If the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are not Trustees then in office, any Unitholder may call the meeting. The Trustees may, between annual meetings of Unitholders, increase the number of Trustees and appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Declaration of Trust provides that the Trustees will act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Trustees who are parties to, or may have a material interest in, contracts or proposed transactions with the Fund must disclose the nature and extent of such interest and may not, in certain circumstances, vote on the approval of such contract or transaction.

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

Administration Agreement

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

Cash Distributions

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

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

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

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

The Trustees intend to make monthly distributions to Unitholders of record on the last business day of each month, paid by the end of the following month. The initial cash distribution for the period from the Closing to June 30, 2002 is estimated to be $0.127 per Unit (assuming that the Closing occurs on May 28, 2002), substantially all of which will be considered income of the Unitholder for Canadian tax purposes, and is expected to be paid on or before July 31, 2002. See "Certain Canadian Federal Income Tax Considerations".

Holders of Units who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

Repurchase of Units

The Fund may, from time to time, purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees together with any certificates representing the Units to be redeemed and written instructions as to the number of Units to be redeemed (the "Redemption Date"). As the Units will be issued in book entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption will be surrendered and the holder will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the weighted average price per Unit at which the Units have traded on the principal exchange on which Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 days during which Units traded on such exchange or market immediately prior to the date on which the Units were tendered for redemption; and (ii) an amount equal to (a) the closing price of the Units on the principal stock exchange on which Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was a trade on the date on which the Units were tendered for redemption and the stock exchange or market provides a closing price; (b) an amount equal to the average of the highest and lowest prices of Units on the principal exchange on which Units are listed (or, if the Units are not listed on any exchange, on the principal market on which the Units are quoted for trading) if there was trading on the date on which the Units were tendered for redemption and the exchange or other market provides only the highest and lowest trading prices of Units traded on a particular day; or (c) the average of the last bid and ask prices on the principal exchange on which Units are listed (or, if the Units are not listed on any exchange, on the principal market on which the Units are quoted for trading) if there was no trading on the date on which the Units were tendered for redemption.

The total redemption price payable by the Fund in respect of all Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations:

- the total amount payable by the Fund in respect of all Units tendered for redemption in the same calendar month will not exceed $50,000, provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;
- at the time the Units are tendered for redemption, the outstanding Units are listed for trading on a stock exchange or traded or quoted on another market that the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and
- the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the redemption price for each Unit tendered for redemption will be the fair market value thereof as determined by FPGP, in its capacity as administrator, and, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie*. In such circumstances, FP Trust Units and FP Trust Notes having a value equal to the redemption price will be redeemed by FP Trust in consideration of the issuance to the Fund of Series 2 Notes. The Series 2 Notes will be distributed in satisfaction of the redemption price. The aggregate principal amount of the Series 2 Notes distributed will be equal to the redemption price payable by the Fund. The Series 2 Notes will rank *pari passu* with the FP Trust Notes and will be distributed in satisfaction of the redemption price. No fractional Series 2 Notes in integral multiples of less than $100 will be distributed and, where the number of securities of FP Trust to be received by a Unitholder includes a fraction or a multiple of less than $100, that number will be rounded to the next lowest whole number or integral multiple of $100. The Fund will be entitled to all interest paid or accrued and unpaid on the FP Trust Notes and the distributions paid on the FP Trust Units on or before the date of redemption. Where the Fund makes a distribution *in specie* of Series 2 Notes on the redemption of Units of a Unitholder, the Fund currently intends to allocate to that Unitholder any capital gain realized by the Fund as a result of the redemption of FP Trust Units and FP Trust Notes in consideration of the Series 2 Notes distributed to the Unitholder. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Securities of FP Trust which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in securities of FP Trust, and they may be subject to resale restrictions under applicable securities laws, including an indefinite "hold period". Securities of FP Trust so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time. See "Certain Canadian Federal Income Tax Considerations".

Meetings of Unitholders

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

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

A resolution electing or removing nominees of the Fund to serve as FP Trust Trustees and directors of FPGP and a resolution electing or removing the Trustees or the auditors of the Fund must be passed by a simple majority of the votes cast by Unitholders. The balance of the foregoing matters must be passed by a Special Resolution.

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

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy-holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in total at least 10% of the votes attached to all outstanding Units will constitute a quorum for the transaction of business at all meetings.

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

Limitation on Foreign Ownership

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

Amendments to Declaration of Trust

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

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustees or over the Fund;
- deemed necessary or advisable to ensure that the Fund has not been established nor maintained primarily for the benefit of non-residents or to ensure that Units in the Fund are not held in a manner that would result in the newspapers owned by FPLP ceasing to qualify as “Canadian newspapers” under the Tax Act;
- which, in the opinion of the Trustees, are necessary or desirable as a result of changes in Canadian taxation laws;
- which, in the opinion of the Trustees, provide additional protection for or benefit to the Unitholders;
- to correct any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders; and
- correcting errors or inconsistencies in the Declaration of Trust and between the Declaration of Trust and the Material Contracts (as such term is defined in the Declaration of Trust) which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders.

Term of the Fund

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

The Declaration of Trust provides that, upon being required to commence to wind up the affairs of the Fund, the Trustees will give notice to the Unitholders, which notice will designate the time or times at which Unitholders may surrender their Units for cancellation and the date on which the register of Units will be closed. After the date the register is closed, the Trustees will proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for that purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders, sell and convert into money the FP Trust Units and FP Trust Notes and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining proceeds from the sale of the FP Trust Units and FP Trust Notes and other assets of the Fund among the Unitholders in accordance with their *pro rata* interests. If the Trustees are unable to sell all or any of the FP Trust Units and FP Trust Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining FP Trust Units and FP Trust Notes or other assets in specie directly to the Unitholders in accordance with their *pro rata* interests subject to obtaining all required regulatory approvals and provided such distribution does not result in the newspapers owned by FPLP ceasing to qualify as "Canadian newspapers" under the Tax Act.

Take-over Bids

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

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

The Declaration of Trust provides that the Fund will not vote the common shares of FPGP or the FP Trust Units or FP Trust Notes held by the Fund to authorize, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of FP Trust or FPLP, except in conjunction with an internal reorganization or pledges in connection with permitted guarantees;
- any amalgamation, arrangement or other merger of FP Trust, FPGP or FPLP with any other entity, except in conjunction with an internal reorganization;
- any material amendment to the FP Trust Note Indenture other than in contemplation of a further issuance of FP Trust Notes or Series 2 Notes;
- any material amendment to the FPLP Note Indenture other than in contemplation of a further issuance of FPLP Notes; or
- any material amendment to the FP Trust Declaration of Trust to change the terms of the FP Trust Units, any material amendment to the articles of FPGP to change the authorized share capital of FPGP or any material amendment to the Partnership Agreement to change the terms of any partnership units, in any case in a manner which may be prejudicial in any material respect to the Unitholders,

without the authorization of the Unitholders by Special Resolution.

Information and Reports

The Fund intends to file and/or furnish to Unitholders, as required, the audited annual and unaudited interim financial statements of FPLP together with any press releases and material change reports that would be released or filed by FPLP if it were a reporting issuer under the *Securities Act* (Ontario). In addition, the directors and officers of FPGP, and certain senior managers of FPLP, will file insider trading reports as if they were insiders of the Fund. The Fund will also furnish Unitholders with such other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of the meeting) all such information as is required by applicable law to be provided to such holders.

Each of FP Trust and FPLP will undertake to provide the Fund with a report of any material change that occurs in the affairs of FP Trust or FPLP in form and content that it would file with the applicable regulatory authorities as if it were a reporting issuer and all financial statements that it would be required to file with the applicable regulatory authorities as if it were a reporting issuer under applicable securities laws. All of those reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required by the Fund in order to comply with its obligations under applicable securities laws.

Book-Entry Only System

Registration of interests in and transfers of the Units will be made only through a book-entry only system administered by CDS. On the Closing, the Trustees will deliver to CDS one or more certificates representing the total number of Units subscribed for under this Offering. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service. All rights of Unitholders must be exercised through, and all payments or other property to which the Unitholder is entitled will be made or delivered by, CDS or the CDS participant through which the Unitholder holds the Units. Upon a purchase of any Units, the Unitholder will receive only a confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased. References in this prospectus to a Unitholder mean, unless the context otherwise requires, the owner of the beneficial interest in those Units.

The ability of a beneficial owner of Units to pledge those Units or otherwise take action with respect to the Unitholder's interest in those Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system, in which case certificates for the Units in fully registered form would be issued to beneficial owners of those Units or their nominees.

CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of the Fund both before and after giving effect to this Offering.

Designation	Authorized	As at May 16, 2002, before giving effect to the Offering	As at May 16, 2002, after giving effect to the Offering(3)
Units(1)(2)	Unlimited	$ 10 (1 Unit)	$65,738,970 (6,573,897 units)

(1) The Fund was initially settled on May 15, 2002 with $10.

(2) Sufficient Units will be reserved for issuance to satisfy the Fund's obligations to issue Units pursuant to the Exchange Agreement. See "Description of FPLP — General Partners' Continuing Interest — Exchange Agreement".

(3) The Offering is before giving effect to Units issued pursuant to the Over-Allotment option, if any.

DESCRIPTION OF FP TRUST

FP Trust Declaration of Trust

FP Trust is an unincorporated trust established on May 15, 2002 under the laws of Ontario pursuant to the FP Trust Declaration of Trust. The following is a summary of the material attributes and characteristics of the FP Trust Units and certain provisions of the FP Trust Declaration of Trust, which summary is not intended to be complete. Reference is made to the FP Trust Declaration of Trust for a complete description of the FP Trust Units and the full text of its provisions. See "Material Contracts".

Activities of FP Trust

The FP Trust Declaration of Trust will provide that the activities of FP Trust will include:

- investing in such securities as may be approved from time to time by the FP Trust Trustees, including those issued by FPLP or any other entity owning interests in newspapers or other media (radio, television, magazines and internet) businesses;
- subscribing for Class A Units in FPLP and agreeing to make capital contributions in respect of such units in accordance with the Partnership Agreement and certificate of limited partnership for FPLP;

- temporarily holding cash in interest bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of FP Trust and making distributions to holders of FP Trust Units, FP Trust Notes and Series 2 Notes, if any;
- issuing units or securities convertible into FP Trust Units for cash or in satisfaction of any non-cash distribution or in order to acquire securities, including those issued by FPLP;
- acquiring Class A Units of FPLP under the Exchange Agreement in consideration for Units as contemplated therein;
- issuing debt securities or borrowing funds;
- purchasing securities under any issuer bid made by FP Trust; and
- undertaking all other activities or taking any actions, including investing in securities, approved by the FP Trust Trustees from time to time provided that FP Trust will not undertake any activity, take any action or make any investment that would result in the newspapers owned by FPLP ceasing to qualify as "Canadian newspapers" under the Tax Act.

As at the date of this prospectus, FP Trust does not intend to hold securities of entities other than FPLP or securities acquired in connection with its short-term cash management.

FP Trust Units

An unlimited number of FP Trust Units may be created and issued under the FP Trust Declaration of Trust. Each FP Trust Unit is transferable and represents an equal undivided beneficial interest in any distributions from FP Trust whether of net income, net realized capital gains or other amounts, and in the net assets of FP Trust in the event of termination or winding-up of FP Trust. All FP Trust Units are of the same class with equal rights and privileges. The FP Trust Units are not subject to future calls or assessments, and entitle the holder to one vote for each FP Trust Unit held at all meetings of Unitholders.

Issuance of FP Trust Units

The FP Trust Declaration of Trust provides that the FP Trust Units or rights to acquire FP Trust Units may be issued at those times, to those persons, for that consideration and on the terms and conditions that the FP Trust Trustees determine. FP Trust Units may be issued in satisfaction of any non-cash distribution of FP Trust to holders of FP Trust Units on a *pro rata* basis. The FP Trust Declaration of Trust also provides that, unless the FP Trust Trustees determine otherwise, immediately after any *pro rata* distribution of FP Trust Units to all holders of FP Trust Units in satisfaction of any non-cash distribution, the number of outstanding FP Trust Units will be consolidated so that each holder will hold after the consolidation the same number of FP Trust Units as the holder held before the non-cash distribution except where tax is required to be withheld in respect of the Unitholder's share of the distribution. In this case, each certificate representing a number of FP Trust Units prior to the non-cash distribution is deemed to represent the same number of FP Trust Units after the non-cash distribution and the consolidation.

Trustees

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

The initial trustees of FP Trust (who are also Trustees of the Fund and directors of FPGP) will be G. Stephen Dembroski, Harvey Secter and Ronald N. Stern. See "Management" for the principal occupations of the FP Trust Trustees.

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

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

Any one or more of the FP Trust Trustees may resign upon written notice to FP Trust and may be removed by a resolution passed by the holders of a majority of FP Trust Units and the vacancy created by such removal must be filled by such holders, failing which it may be filled by the remaining FP Trust Trustees. The term of office of a FP Trust Trustee will terminate and a vacancy will occur in the event the FP Trust Trustee is declared bankrupt or insolvent or no longer satisfies other similar requirements provided for in the FP Declaration of Trust, or if the FP Trust Trustee at any time ceases to be resident in Canada.

Initial compensation for FP Trust Trustees who are not officers or employees, or members of the day-to-day management, of FPGP or FPLP will be $5,000 per year per trustee and $1,000 per day for each trustee for attending meetings of the FP Trust Trustees, except where the trustee who is a director of FPGP attends a meeting of the board of directors of FPGP or a committee thereof on the same day, in each case, for each trustee who is not a trustee of the Fund. FP Trust will also reimburse FP Trust Trustees for out-of-pocket expenses for attending trustee meetings.

A majority of the FP Trust Trustees then holding office may fill a vacancy in the FP Trust Trustees, except a vacancy resulting from a failure of the holders of the FP Trust Units to elect the required number of FP Trust Trustees. If the vacancy has arisen from a failure of the holders of the FP Trust Units to elect the required number of FP Trust Trustees, the FP Trust Trustees will promptly call a special meeting of the holders of the FP Trust Units to fill the vacancy. If the FP Trust Trustees fail to call that meeting or if there are not Trustees then in office, any holder of FP Trust Units may call the meeting. The FP Trust Trustees may, between annual meetings of holders of FP Trust Units, increase the number of FP Trust Trustees and appoint one or more additional trustees to serve until the next annual meeting of holders of FP Trust Units, but the number of additional trustees will not at any time exceed one-third of the number of FP Trust Trustees who held office at the expiration of the immediately preceding annual meeting of holders of FP Trust Units.

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

The FP Trust Trustees will delegate the execution of many of their powers (including those described herein as being exercised by the FP Trust Trustees) to FPGP, as administrator of FP Trust, pursuant to the terms of the FP Declaration of Trust. Under the FP Trust Administration Agreement, FPGP will in addition provide certain administrative and support services to FP Trust on terms and conditions substantially similar to the Administration Agreement for the Fund. See "Description of the Fund — Administration Agreement".

Cash Distributions

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

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

Under the terms of the FPLP Notes, interest is accrued at 11.5% per annum and is to be paid monthly by the end of the following month while the FPLP Notes are outstanding until the earlier of the repayment of the FPLP Notes or the maturity date thereof. Distributions in respect of the Class A Units of FPLP are to be paid monthly by the end of the month following the month for which distributable cash of FPLP is determined. FP Trust may make additional distributions in excess of the monthly distributions during the year, as the FP Trust Trustees may determine.

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

FP Trust Notes

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

An unlimited number of FP Trust Notes may be issued under the FP Trust Note Indenture. The FP Trust Notes will be payable upon the earlier of demand for a period of 60 days following Closing and 10 years after Closing, subject to extension for an additional ten year term with the consent of FPGP, in its capacity as administrator of the FP Trust Trustees. FP Trust Notes will be payable upon demand for 60 days following Closing while held by the Fund, but will cease to be payable upon demand in the event of any assignment of the FP Trust Notes by the Fund. The FP Trust Notes will bear interest at the rate of 2.0% per annum, payable monthly by the end of the following month for which interest has accrued. The first interest payment will be payable on or before July 31, 2002. The principal on the FP Trust Notes will be payable in lawful money of Canada at an office of the FP Trust Note Trustee specified in the FP Trust Note Indenture. The FP Trust Notes are issuable only as fully registered notes in minimum denominations of $100 and for amounts above that minimum only in integral multiples of $10.

Payment upon Maturity

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

Redemption

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

Ranking

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

Default

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

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

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

Series 2 Notes

The Series 2 Notes may be issued by FP Trust under the FP Trust Note Indenture and the attributes and characteristics of the Series 2 Notes will be set forth therein. Subject to the foregoing, the terms and conditions applicable to the Series 2 Notes will be substantially similar, *mutatis mutandis*, to the FP Trust Notes, except that (i) the term, including any extension of the term of the Series 2 Notes, will be identical to the term of the FP Trust Notes, except that the Series 2 Notes, if any, issued immediately after Closing will not be payable upon demand for any period; (ii) the Series 2 Notes will bear interest at a commercial rate to be determined by the FP Trust Trustees at the date of issue thereof, taking into account the yield and price of the Units; and (iii) the Series 2 Notes will rank *pari passu* with the FP Trust Notes as unsecured, subordinate obligations of FP Trust.

Amendments to FP Trust Declaration of Trust

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

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

Term of FP Trust

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

The FP Trust Declaration of Trust provides that, upon being required to commence to wind up the affairs of FP Trust, the FP Trust Trustees will give notice to the holders of FP Trust Units, which notice will designate the time or times at which holders of FP Trust Units may surrender their FP Trust Units for cancellation and the date at which the register will be closed. After the date the register is closed, the FP Trust Trustees will proceed to wind up the affairs of FP Trust as soon as may be reasonably practicable and for that purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the holders of FP Trust Units, sell and convert into money the Class A Units of FPLP and the FPLP Notes, if any, and all other assets then comprising the assets of the FP Trust in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate FP Trust. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of FP Trust and providing for indemnity against any other outstanding liabilities and obligations, the FP Trust Trustees will distribute the remaining part of the proceeds of the sale of the Class A Units of FPLP and FPLP Notes, if any, and other assets of FP Trust among the holders of FP Trust Units in accordance with their *pro rata* interests. If the FP Trust Trustees are unable to sell all of the Class A Units of FPLP and FPLP Notes (if any) or other assets which comprise the assets of FP Trust by the date set for termination, the FP Trust Trustees may continue the FP Trust until such assets are liquidated, subject to obtaining all required regulatory approvals.

DESCRIPTION OF FPLP

General

FPLP is a limited partnership under the laws of British Columbia. FPLP carries on newspaper and related businesses in Winnipeg and Brandon, Manitoba and may carry on other newspaper and media (radio, television, magazines and internet) businesses in the future and, in connection with such businesses, FPLP may own, lease licence and operate assets and property and engage in all activities ancillary and incidental thereto. FPLP is governed by the Partnership Agreement.

Partners

Immediately after the Closing, the members of FPLP will be FPGP as the managing general partner holding 10 general partner units, the General Partners as general partners holding in aggregate 7,513,026 general partner units and FP Trust as the sole limited partner holding 6,573,897 Class A Units.

Partnership Agreement

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

Capitalization

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

FPLP has authorized an unlimited number of Class A Units of which 6,573,897 will be issued to FP Trust upon the Closing. A cash contribution of $10 will be required to be made in respect of each Class A Unit issued to FP Trust, and such contribution will be required to be made in respect of the 6,573,897 Class A Units issued on Closing as to $68,970 on Closing, $1,000,000 on or before each of December 31, 2002 and 2003, $2,000,000 on or before each of December 31, 2004 and 2005, $3,000,000 on or before December 31, 2006, $1,000,000 on or before December 31, 2007 and as to the balance on May 28, 2012, subject to extension in the event the term of the FPLP Notes is extended. FPGP may determine that FPLP requires all or part of such agreed capital contribution prior to any such date for the proper conduct of the Business and may call for payment of all or part of such agreed capital contribution at such time and from time to time prior to the dates specified for payment as FPGP considers necessary or advisable. FP Trust will not be entitled to pay the contributions in respect of its Class A Units other than at the times specified in the Certificate of limited partnership applicable to FPLP, subject to FPGP making an earlier call therefor in the circumstances described above or the lenders under the Credit Facility after default requiring the pre-payment and set-off of the FPLP Notes against the agreed capital contribution. FP Trust will contribute an aggregate amount of $68,970 upon the Closing in respect of its 6,573,897 Class A Units and is required to make additional aggregate contributions of $65,670,000 in respect of such Class A Units. The amount of the capital paid up from time to time will be the designated capital in respect of the Class A Units. Limited partners are liable for the liabilities, debts and obligations of the limited partnership 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.

Upon the Closing, FPLP will pay $21,194,632 to the General Partners, as a partial reduction of capital of the general partner units of FPLP. The General Partners will hold 7,513,016 general partner units representing $75,130,160 of aggregate designated capital after such reduction. The General Partners have an unlimited liability for the obligations of the partnership.

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. FPGP in its discretion may utilize a rights offering to issue additional partnership units, in which case each General Partner will have the right to take up and pay for that number of partnership units so that the percentage of the total outstanding units held by such General Partner will not be reduced although holders of Class A Units will not have a pre-emptive right to acquire additional partnership units in proportion to their existing ownership of partnership units.

Distributions

FPLP will distribute to FPGP and to partners listed on the record on the last day of each month (the "distribution period"), distributable cash as set out below. Distributions will be made from and after Closing by the end of each month following a distribution period. FPLP may, in addition, 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 the Credit Facility, distributable cash for any period will represent, in general, all of FPLP's available cash for any period from and after Closing, other than the proceeds arising from the exercise of the Over-Allotment Option, if any, 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 (including interest accrued or payable under the Credit Facility and on the FPLP Notes);
- sustaining expenditures (capital and contract payments) and other expense obligations;
- principal repayments in respect of the FPLP Notes in accordance with the provisions thereof or as considered advisable by the board of directors of FPGP;
- reimbursement of the Fund for expenses of the Offering; and
- such reserves as may be considered necessary or desirable by FPGP, having regard to current and anticipated cash requirements of FPLP including for capital expenditures and operating expenses, payments in respect of any debt obligations or other commitments and obligations and reserves to ensure compliance with agreements to which FPLP is subject, including the Credit Facility, and to ensure monthly distributions in any fiscal year do not exceed the available cash for that fiscal year.

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

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

(a) in respect of any period to and including 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 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 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

(b) 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 from time to time of the Class A Units and the general partner units during each period up to and including the last day of the period in which the capital of $10 per Class A Units is paid in full and held at the end of such period, less amounts in respect thereof previously distributed in respect of such units, 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), 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 or loss of FPLP for accounting purposes for each fiscal year and the income or loss of FPLP as determined pursuant to the Tax Act for a particular fiscal year will be allocated to the partners in proportion to the distributable cash of FPLP distributed to such 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 or loss will be allocated to partners in proportion to the average designated capital during such fiscal period of their respective partnership units held at the end of such fiscal period.

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 purposes and business of FPLP, including without limitation the ability to engage agents to assist FPGP to carry out its management obligations and administrative functions in respect of FPLP and its business. The General Partners as general partners of FPLP will be responsible for, and have authority in, assisting FPGP in the management of the business and affairs of FPLP and will perform such additional specific duties in connection with the Business of FPLP as shall be delegated to them by FPGP from time to time and pursuant to the Partnership Agreement. The General Partners will provide on-going and regular consultation and management services to FPLP in the operation and management of the Business, in addition to the assistance to FPGP. The Partnership Agreement will, to the extent applicable, contain "conflict of interest" provisions requiring directors to disclose material interests in material contracts and potential acquisitions or related transactions in relation to other newspaper and media (radio, television, magazines and internet) businesses. Acquisitions that are disclosed to and not pursued by FPLP may be completed by affiliates of the General Partners. Further, affiliates of the General Partners may acquire any business if the sales of such business arising from newspaper and other media (radio, television, magazines and internet) do not exceed 20% of the total sales of such business at the time of such acquisition.

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

Restrictions on Authority of FPGP

The authority of FPGP is limited in certain respects under the Partnership Agreement. FPGP is prohibited, without the prior approval of the other partners given by ordinary resolution, from dissolving FPLP or, without the prior approval of the other partners given by Special Resolution, from selling, exchanging or otherwise disposing of all or substantially all of the assets of FPLP (otherwise than in conjunction with an internal reorganization which has been approved by the General Partners). The General Partners' holding of partnership units would enable them to approve a dissolution. FPGP and the Fund are also restricted from incurring or assuming new indebtedness if, immediately after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of FPLP and the Fund would exceed 65% of the gross asset base.

Reimbursement of General Partner

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

Limited Liability

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

Transfer of Partnership Units

The Class A 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 Class A Unit 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 partnership 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 partnership units. Unless the prior written consent of the General Partners and FPGP is first obtained, the transfer of a Class A 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 Class A Units. Notwithstanding the foregoing, a Class A Unit may not be transferred or assigned to any person if such assignment or transfer would result in a newspaper owned by FPLP ceasing to be a "Canadian newspaper" for the purpose of the Tax Act.

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

Withdrawal or Removal of FPGP

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

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

- FPGP has committed a material breach of the Partnership Agreement, which breach has continued for 60 days after notice, and that removal is also approved by Special Resolution of the partners other than the General Partners, provided 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 66⅔% of the partnership units voted on the amendment at a duly constituted meeting or a written resolution of partners holding more than 66⅔% 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 general and limited partner 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 applicable law; (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 limited partnership unit held and each general partner is entitled to one vote in respect of each general partner unit held. A quorum at a meeting of partners consists of two or more partners present in person or by proxy.

Subordinated Notes

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

An unlimited number of FPLP Notes may be issued under the FPLP Note Indenture. The FPLP Notes will mature on the FPLP Note Maturity Date. The FPLP Notes will bear interest at the rate of 11.5% per annum. Under the terms of the FPLP Notes, interest is accrued at 11.5% and is to be paid monthly by the end of each month following the month for which interest has accrued. The first interest payment will be payable on or before July 31, 2002. The principal on the FPLP Notes will be payable in lawful money of Canada at an office of the FPLP Note Trustee specified in the FPLP Note Indenture. The FPLP Notes are issuable only as fully registered notes in minimum denominations of $100 and for amounts above that minimum only in integral multiples of $10. The FPLP Notes will not be assignable, except in connection with an internal reorganization of FP Trust.

Payment upon Maturity

The FPLP Note Maturity Date will be the earlier of (i) 10 years after the Closing (subject to an extension for an additional 10 year term), (ii) the date on which the holder calls for repayment in trust of FPLP Notes in an aggregate principal amount equal to the contribution then due in respect of the Class A Units held by such holder for the sole purpose of using such repayment to pay the required cash contribution then due in respect of any Class A Units held by the holder of the FPLP Notes for which the holder has delivered an irrevocable direction to the FPLP Note Trustee to apply the full repayment of such FPLP Notes to the payment of the amount then due in respect of the Class A Units, and (iii) the date on which the holder of the FPLP Notes is required to make a capital contribution in respect of any Class A Units held by such holder but fails to do so (including on any date FPGP has determined that FPLP requires all or part of the capital agreed to be contributed in respect of the Class A Units then outstanding for the proper conduct of the Business or the lenders under the Credit Facility after default have determined that such contribution should be made by way of prepayment and set-off of the FPLP Notes) and FPGP elects, in its sole discretion, to prepay sufficient FPLP Notes to enable such holder to meet its obligation in respect of its Class A Units. On the FPLP Note Maturity Date, FPLP will repay the indebtedness represented by the FPLP Notes by paying to the FPLP Note Trustee, on behalf of the holders of the FPLP Notes, in lawful money of Canada an amount equal to the principal amount of the outstanding FPLP Notes, together with accrued and unpaid interest. Under the FPLP Note Indenture, the holder of the FPLP Notes will authorize the FPLP Note Trustee irrevocably, by a power of attorney coupled with an interest, to apply any such repayment to satisfy the holder's obligation to make the agreed contributions in respect of its Class A Units. The FPLP Partnership Agreement will provide that FPGP will be entitled to apply any payments to be made to the holder of the Class A Units in respect of any FPLP Notes held by such holder or as distributions in respect of its Class A Units or any other amounts at any time payable by FPLP to such holder to the payment of any contribution required to be made to FPLP by such holder in respect of its Class A Units. Until such payment obligation is satisfied in full, FPLP shall have a lien on the Class A Units and the FPLP Notes held by such holder to secure such obligations of the holder to FPLP.

Redemption

From time to time the board of directors of FPGP will review the status of FPLP's assets and the economic condition relating to the Business and the industry within which it operates. If this review, in the opinion of the board of directors of FPGP, indicates that it is unlikely that the indebtedness of FPLP evidenced by the FPLP Notes could be refinanced on the same terms and conditions upon maturity of the FPLP Notes (subject to any subordination obligation), then FPLP may commence principal repayments on the FPLP Notes so that in the opinion of the board of directors of FPGP, the FPLP Notes will be fully repaid by the FPLP Maturity Date.

Ranking

The FPLP Notes will be unsecured debt obligations of FPLP and will be subordinate (other than regularly scheduled interest so long as FPLP is in compliance with all of its covenants under the Credit Facility or any other agreement to which FPLP is subject or by which it is bound) in right of payment to other unsecured indebtedness or other obligations of any kind of FPLP and to all secured debt of FPLP.

Default

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

- default in payment of the principal of the FPLP Notes when the principal becomes due;
- the failure to pay the interest obligations of the FPLP Notes when those interest obligations become due, for a period of 30 days, unless FPLP has given written notice to the FPLP Note Trustee that FPLP elects under the FPLP Note Indenture to accrue and defer interest on the FPLP Notes, provided that FPLP may elect to accrue and defer interest on the FPLP Notes only to the extent interest accruing on the FPLP Notes exceeds distributable cash of FPLP before the deduction of FPLP Note interest;
- acceleration on any senior indebtedness exceeding $2,500,000;
- certain events of winding up, liquidation, bankruptcy, insolvency or receivership of FPLP;

- the taking of possession by an encumbrancer of all or substantially all of the property of FPLP;
- FPLP ceasing to carry on the Business in the ordinary course unless the Business is carried on by an affiliated entity or successor of FPLP as a result of an internal reorganization; or
- default in the observance or performance of any other covenant or condition of the FPLP Note Indenture and the continuance of that default for a period of 60 days after notice in writing has been given by the FPLP Note Trustee to FPLP, which notice specifies the default and requires FPLP to remedy the default.

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

Shareholders Agreement

On Closing, the Fund, FPCN Media and FPGP will enter into the Shareholders Agreement. The material terms are set forth below. This summary is qualified in its entirety by reference to the full text of the provisions of the Shareholders Agreement.

Directors

The articles of FPGP will fix the size of the board of directors of FPGP at seven directors. It will be a term of the Shareholders Agreement respecting FPGP that FPCN Media will initially be entitled to nominate four directors of FPGP, and the remaining three directors will be 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 guidelines on effective corporate governance of the TSX). Further, subject to the foregoing and unless the Trustees of the Fund agree to the contrary pursuant to the provisions of the Shareholders Agreement, FPCN Media will only be entitled to nominate three directors if its holding of partnership units represents less than 20% but not less than 10% of the outstanding partnership units and no directors if its holding represents less than 10% of the outstanding partnership units, with the remaining directors in each case being nominated by the Fund.

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

Common Shares

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

- the person agrees to be bound by the shareholder 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 shareholder agreement and, upon the sale by the lender to a third party, to ensure that the third party will be bound by the shareholder agreement; and
- ownership of such shares by such person will not result in the newspapers owned by FPLP ceasing to be "Canadian newspapers" for purposes of the Tax Act.

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

- FPCN Media (or its permitted transferee(s)) makes an assignment for the benefit of its creditors generally or files a proposal under the *Bankruptcy and Insolvency Act* (Canada), makes an application under the *Companies' Creditors Arrangements Act* (Canada) or passes a resolution for the winding up or other liquidation of FPCN Media (other than as part of an internal reorganization);

- the shareholders of FPCN Media (or its permitted transferee(s)) pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding up of FPCN Media, or FPCN Media commits certain other voluntary acts of bankruptcy or ceases to be a subsisting entity;
- the General Partners' holding of partnership units represents less than 20% but no less than 10% of the outstanding partnership units, in which case FPCN Media will be required to transfer to the Fund a number of common shares so that, post-transfer, FPCN Media holds 20% of the outstanding common shares of FPGP; or
- the General Partners' holding of partnership units represents less than 10% of the outstanding partnership units, in which case FPCN Media will be required to transfer all its common shares of FPGP to the Fund.

General Partners' Continuing Interest

Following Closing, the General Partners will hold 7,513,016 general partner units, each of which is indirectly exchangeable under the Exchange Agreement for a number of Units of the Fund equal to the exchange ratio as at the Exchange Date (generally equal to one, subject to adjustments). In addition, up to 2,000,000 Units may be purchased by the General Partners and their affiliates on the same terms as set out in this prospectus. See "Principal Unitholders" and "Plan of Distribution".

Exchange Agreement

On Closing, the Fund, FP Trust, FPGP, FPLP and the General Partners will enter into an Exchange Agreement.

The Exchange Agreement will grant 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. The exchange procedure will be initiated by the General Partner wishing to exchange any general partner units delivering to FPGP as the escrow agent under the Exchange Agreement a unit certificate in respect of the general partner units of FPLP to be exchanged, duly endorsed in blank for transfer by the General Partner tendering the certificate. FPGP will give notice of the proposed exchange to FP Trust which will acquire Units from the Fund in consideration for FP Trust Units and FP Trust Notes in the number required to complete the exchange. FP Trust will transfer to FPGP as the escrow agent the requisite number of Units. FPGP will effect the exchange procedure by causing to be issued in the name of FP Trust a unit certificate for that number of Class A Units to be issued on the exchange, entering FP Trust in the register of limited partners of FPLP in respect of such additional Class A Units, causing the general partner units so tendered for exchange to be cancelled and transferring to the tendering General Partner that number of Units of the Fund to be received on the exchange.

The Fund will agree with the General Partners not to issue any Units to all or substantially all of the holders of Units by way of a distribution of Units (other than the issue of Units to holders of Units as distribution in lieu of a cash distribution) or to subdivide or redivide the outstanding Units into a greater number of Units or to combine, reduce or consolidate the outstanding Units into a lesser number of Units without adjusting the number of Units for which general partner units of FPLP may be exchanged upon exercise of the exchange rights in a manner approved by the General Partners, acting reasonably.

If at any time there is any reclassification of the Units outstanding, any change of the Units into other units or securities or any other capital reorganization of the Fund or any consolidation, amalgamation, merger or other form of business combination of the Fund with or into any other entity resulting in a reclassification of the outstanding Units, then the exchange rights of the General Partners will also be adjusted in the manner approved by the Board of Directors of FPGP, acting reasonably, so that the General Partners are entitled to receive, in lieu of the number of Units which they would otherwise have been entitled, the kind and number or amount of securities that they would have been entitled to receive as a result of such event if, on the effective date thereof, they had been registered holders of the number of Units which they would have received had they exercised the exchange rights immediately before the effective date of any such transaction.

The General Partners will agree that neither they nor their affiliates will sell or transfer any of their general partner units of FPLP or Units of the Fund for a period of 12 months following the Closing except (i) to an accredited investor or other exempt purchaser that is unsolicited, (ii) to an affiliate of a General Partner, (iii) to tender to an offeror under a take-over bid or (iv) as part of an internal reorganization.

The Exchange Agreement will also provide that the General Partners and their affiliates will not sell or transfer any of their general partner units of FPLP at a price per unit of more than 115% of the market price of the Units as determined in accordance with Part X of the Regulations made under the *Securities Act* (Ontario) without requiring the purchaser of such units to make a take-over bid for the Units on the same terms, including price, timing, proportion of securities sought to be acquired and conditions. Notwithstanding the foregoing and except as otherwise required by applicable law, such requirement will not apply to a sale or transfer by the General Partners and their affiliates of general partner units of FPLP or a combination of general partner units of FPLP and Units of the Fund that, together with any other such sales or transfers during the 90 days preceding and the 20 Business Days following such sale or transfer, constitutes less than 20% of the total number of general partner units of FPLP and Units of the Fund then outstanding.

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

PRINCIPAL UNITHOLDERS

To the knowledge of the Fund, no person will own beneficially, directly or indirectly, more than 10% of any class or series of voting securities of the Fund, except as set out below:

Name	Number of Units Owned	Number of Securities of any Class of the Fund to be Owned after the Offering(1)(2)	Type of Ownership	Percentage of Each Class Owned After the Offering(3)
General Partners	—	2,000,000	Direct and indirect, beneficial	67.5%

(1) Assuming the purchase of 2,000,000 Units by the General Partners and their affiliates.

(2) After completion of the Offering, the General Partners will also own 7,513,016 general partner units of FPLP which are exchangeable indirectly at any time into 7,513,016 Units (calculated before the exercise, if any, of the Over-Allotment Option).

(3) Assuming completion of the Offering, the purchase of 2,000,000 Units by the General Partners and their affiliates and the indirect exchange of all of the General Partners' general partner units into Units (calculated before the exercise, if any, of the Over-Allotment Option).

PLAN OF DISTRIBUTION

The Fund, the General Partners, and the Underwriters, TD Securities Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc. and Wellington West Capital Inc. have entered into an underwriting agreement dated May 16, 2002. Under that agreement and subject to its terms and conditions, the Fund has agreed to sell and the Underwriters have severally agreed to purchase on the Closing, being May 28, 2002 or any later date as may be agreed upon by the parties but not later than June 13, 2002, all but not less than all of the offered Units at a price of $10.00 per Unit, payable against delivery of a certificate representing the offered Units. There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. Accordingly, the offering price of the Units was determined by negotiation between the Fund, the General Partners and the Underwriters. In consideration for their services in connection with this Offering, the Fund has agreed to pay the Underwriters a fee (to be reimbursed by FPLP) of 6% (except as noted below) of the total gross proceeds of the Offering. Subject to the terms of the Underwriting Agreement, each of the Fund and the General Partners have agreed to indemnify the Underwriters and their respective shareholders, directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial and territorial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all offered Units that they have obliged themselves to purchase if any of the offered Units are purchased under the Underwriting Agreement.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Fund has granted the Underwriters, for a period of 30 days following the date of the final prospectus, an over-allotment option to purchase up to 328,695 Units, to cover over-allotments and for market stabilization purposes, if any, at the public offering price. This prospectus also qualifies the distribution of the Units issuable upon exercise of the over-allotment option and subsequent transfer of the Units issuable upon exercise of that option.

The TSX has conditionally approved the listing of the Units. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before July 29, 2002, including the distribution of the Units to a minimum number of public Unitholders.

The Units have not been and will not be registered under the *United States Securities Act* of 1933, as amended (the "*U.S. Securities Act*") and, subject to certain exemptions, may not be offered or sold in the United States or to or for the account of a U.S. Person. The Underwriters have agreed that they will not offer, sell or deliver the units within the United States or to or for the account of a U.S. Person except pursuant to an exemption from registration under the *U.S. Securities Act*.

In addition, until 40 days after the Closing, an offer or sale of Units within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the *U.S. Securities Act* if that offer or sale is made otherwise than in accordance with available exemptions under the U.S. Securities Act.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Fund has agreed with the Underwriters not to, directly or indirectly, sell or issue, or negotiate or enter into an agreement to sell or issue, any of its securities (or announce publicly its intention to do so) for a period of 180 days following the date of the Closing, without the prior consent of the Underwriters, other than in connection with specific types of transactions. The General Partners have agreed not to sell or negotiate, or enter into an agreement to sell, any of their securities of FPLP, FPGP or the Fund, for a period of 180 days following the date of the Closing, without the prior consent of the Underwriters, other than in connection with specific types of transactions. See also "Relationship Between the Fund and Certain of the Underwriters".

The Underwriters have reserved up to 2,000,000 Units (representing approximately 30.4% of the total number of Units being offered) for sale to the General Partners and their affiliates on the same terms as set out in this prospectus. No fee will be paid to the Underwriters in connection with such purchases. The Underwriters have also reserved up to 203,250 Units (representing approximately 3.1% of the total number of Units being offered) for sale to employees, officers, directors, trustees of, and other persons associated with, the Fund, FP Trust, FPLP and FPGP, who have expressed an interest in purchasing Units in this Offering, on the same terms as set out in this prospectus. The number of Units available for sale to the general public will be reduced to the extent any such reserved Units are purchased.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Fund, and Goodmans LLP, counsel to the Underwriters, the following is, as of the date of this prospectus, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and holds the Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a Unitholder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a specified financial institution or a Unitholder an interest in which is a tax shelter investment (all as defined in the Tax Act).

This summary is based upon the provisions of the Tax Act and the regulations under the Tax Act in force at the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the Canada Customs and Revenue Agency, all specific proposals to amend the Tax Act and the regulations under the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), and certificates of certain of the Underwriters, the Fund and FPGP as to certain factual matters. There can be no assurance that the Proposed Amendments will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this prospectus.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Unitholder's particular circumstances, including the province or provinces or territory or territories in which the Unitholder resides or carries on business. **Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units or any Unitholder. Prospective Unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.**

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund will qualify as a "mutual fund trust" as defined in the Tax Act on completion of the Offering of Units hereunder, and will then continuously qualify as a mutual fund trust at all relevant times. This summary assumes that the Fund will elect to be deemed to be a "mutual fund trust" from the date it is established. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different from those described below.

Qualified Investment

The Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (the "plans"), subject to the specific provisions of any particular plan. If the Fund ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments for those plans.

Series 2 Notes received as a result of a redemption of Units may not be a qualified investment for a plan, and this could give rise to adverse consequences to the plan or the annuitant under the plan. Accordingly, plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Foreign Property

Based in part on a certificate of the Fund as to factual matters and provided the Fund restricts its holdings of foreign property within the limits provided under the Tax Act, Units will not constitute foreign property for registered pension plans or other persons subject to tax under Part XI of the Tax Act. Trusts governed by registered education savings plans are not subject to the foreign property rules. If the Fund ceases to qualify as a mutual fund trust, the Units may become foreign property.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will not be considered to be payable to a Unitholder in a taxation year unless it is paid to the Unitholder in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount.

The Fund will include in its income for each taxation year all income allocated to it in respect of the FP Trust Units and all interest on the FP Trust Notes that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income.

A distribution by the Fund of Series 2 Notes upon a redemption of Units will be treated as a disposition by the Fund of the securities so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds from the disposition of Series 2 Notes will be reduced by any accrued but unpaid interest in respect of those notes, which interest will generally be included in the Fund's income in the year of disposition to the extent it was not included in the Fund's income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

Under the Declaration of Trust, an amount equal to all of the income of the Fund, together with the non-taxable portion of any net capital gain realized by the Fund, but excluding capital gains arising on a distribution in specie of Series 2 Notes on redemption of Units which are designated by the Fund to redeeming Unitholders and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund, will be payable in the year to the holders of the Units by way of cash distributions, subject to the exceptions described below. Income of the Fund which is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising as a result of the redemption of FP Trust Notes and FP Trust Units in consideration of the Series 2 Notes distributed on the redemption of Units. The Declaration of Trust provides that the taxable portion of any capital gain realized by the Fund as a result of that redemption may, at the discretion of the Trustees, be treated as income paid to, and designated as a taxable capital gain of, the redeeming Unitholders. Any amount so designated must be included in the income of the redeeming Unitholders and will be deductible by the Fund. In addition, certain accrued interest on the Series 2 Notes distributed to a redeeming Unitholder will be treated as an amount paid to that Unitholder and will be deductible by the Fund.

Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act. However, Counsel can provide no opinion in this regard.

Taxation of FP Trust

The taxation year of FP Trust is the calendar year. In each taxation year, FP Trust will be subject to tax under Part I of the Tax Act on its income for the year, including interest on the FPLP Notes and its allocated share of the income of FPLP, except to the extent such income is paid or payable or deemed to be paid or payable in such year to its unitholders and is deducted by FP Trust in computing its income for tax purposes.

In computing its income for tax purposes, FP Trust will generally be entitled to deduct its expenses incurred to earn such income, provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the FP Trust Declaration of Trust, all of the income of FP Trust for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by FP Trust in the year, will generally be payable in the year to holders of FP Trust Units. For purposes of the Tax Act, FP Trust generally intends to deduct in computing its income the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined. Counsel has been advised by the Fund that the Fund does not expect FP Trust to be liable for any material amount of tax under Part I of the Tax Act. However, Counsel can provide no opinion in this regard.

Taxation of FPLP

FPLP is not subject to tax under the Tax Act. Each partner of FPLP, including FP Trust, is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of FPLP for its fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of FPLP will be computed for each fiscal year as if FPLP were a separate person resident in Canada. In computing the income or loss of FPLP, deductions will be claimed in respect of its administrative and other expenses and available capital cost allowances. The income or loss of FPLP for a fiscal year will be allocated to the partners of FPLP, including FP Trust, on the basis of their respective share of that income or loss as provided in the Partnership Agreement for FPLP, subject to the detailed rules in the Tax Act in that regard. FP Trust will be deemed to realize a capital gain to the extent the adjusted cost base of its units in FPLP is negative at the end of a taxation year of FPLP.

If FPLP does incur losses for tax purposes, FP Trust will be entitled to deduct in the computation of its income for tax purposes its share of any such losses for any fiscal year to the extent that FP Trust's investment is "at risk" within the meaning of the Tax Act. In general, the amount "at risk" for an investor in a limited partnership for any taxation year will be the adjusted cost base of the investor's partnership interest at the end of the year (such adjusted cost base to be computed excluding any unpaid portion of the purchase price payable by the investor for such partnership interest), plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to FPLP (or a person with whom it does not deal at arm's length) and less the amount of any benefit that a limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including the taxable portion of net realized capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a

Unitholder (other than as proceeds in respect of the redemption of Units), the Unitholder will be required to reduce the adjusted cost base of the Units by that amount, except to the extent that the amount represents the Unitholder's share of the non-taxable portion of the net realized capital gains of the Fund for the year, the taxable portion of which was designated by the Fund in respect of the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil.

The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by Unitholder as capital property immediately before that acquisition.

Dispositions of Units

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Fund as a result of a redemption which has been designated by the Fund to the redeeming Unitholder.

Where Units are redeemed by the distribution of Series 2 Notes to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Series 2 Notes so distributed less any capital gain realized by the Fund as a result of the redemption of those Units (which capital gain will be designated by the Fund to the Unitholder) and any accrued interest on those notes. Where a capital gain realized by the Fund as a result of the distribution of Series 2 Notes on the redemption of Units has been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the taxable portion of the capital gain so designated. Interest accrued in the taxation year of the Fund in which the redemption occurs but which has not been paid at the time of redemption will be treated as an amount of income paid to the Unitholder and therefore will be included in the Unitholder's income in the year the Unit is redeemed. The cost of Series 2 Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of such notes at the time of the distribution less any accrued interest on the note. The Unitholder will thereafter be required to include in income interest on any such note so distributed in accordance with the provisions of the Tax Act. To the extent that the Unitholder is thereafter required to include in income any interest accrued to the date of the acquisition of Series 2 Note by the Unitholder, an offsetting deduction will be available.

The consolidation of Units of the Fund will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's units of the Fund will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units may generally be deducted only from taxable capital gains of the Unitholder in accordance with the provisions of the *Tax Act*.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual that is designated as taxable dividends or as net taxable capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

RISK FACTORS

An investment in the securities offered under this prospectus involves a number of risks. In addition to the other information contained in this prospectus, prospective purchasers should give careful consideration to the following factors:

Risks Related to the Structure of the Fund and the Offering

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

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

Reliance on FPGP and General Partners and Potential Conflicts of Interest

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

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 other than, for greater certainty, in relation to the disclosure obligation that may arise in relation to the acquisition opportunities of FPLP. Unlike the strict duty of a trustee who must act solely in the best interests of his beneficiary, the Partnership Agreement permits FPGP to consider the interests of all parties to a conflict of interest, including the interests of FPGP and the shareholders of FPGP and their respective affiliates and associates. The Partnership Agreement also provides that in certain circumstances FPGP will act in its sole discretion, in good faith or pursuant to some other specified standard. As a result, Unitholders should carefully consider that FPGP does not owe to the Unitholders the same duties as a trustee would owe to the beneficiaries of a trust. See "The Business — Business Strategy — Growth through Acquisitions".

Nature of Units and Absence of a Prior Public Market

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

Prior to the Offering, there has been no public market for the Units. The initial public offering price has been determined by negotiation between the Fund, the General Partners and the Underwriters based on several factors and may bear no relationship to the price at which the Units will trade in the public market subsequent to the Offering. See "Plan of Distribution".

The Fund May Issue Additional Units Diluting Existing Unitholders' Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as are established by the Trustees without the approval of any Unitholders. Additional Units will be issued by the Fund for FP Trust Notes and FP Trust Units on the exchange of the partnership units of FPLP. See "Description of the Fund — Issuance of Units" and "Description of FPLP — General Partners' Continuing Interest — Exchange Agreement".

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Fund's assets. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any cost, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having such limited liability.

The Declaration of Trust provides that the Trustees will make reasonable efforts to include a provision in all written instruments signed by or on behalf of the Fund to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of the Fund to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Fund (to the extent that claims are not satisfied by the Fund) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Unitholders of this nature arising is considered unlikely in view of counsel to the Fund and the fact that the primary activity of the Fund is to hold securities, and the Business will be carried on by FPLP.

The activities of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against the Fund including by obtaining appropriate insurance, where available, for the Business and having written agreements signed by or on behalf of the Fund include a provision that such obligations are not binding upon Unitholders personally.

Income Tax Matters including Canadian Newspaper Status

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under "Certain Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects. Further, there can be no assurance that Canadian federal income tax laws respecting the treatment of deductibility of advertising expenses incurred in relation to "Canadian issues" of "Canadian newspapers" and compliance by the Fund, FP Trust, FPCN Media, the General Partners and FPLP with the provisions of the Declaration of Trust, subscription agreements relating to the Declaration of Trust, FP Trust Declaration of Trust, Exchange Agreement and Partnership Agreement in relation thereto will not be changed or breached, as the case may be, in a manner which adversely affects the holders of the Units.

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

Investment Eligibility and Foreign Property Restrictions

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

Distribution of Securities on Redemption or Termination of the Fund

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

FPGP Indemnity

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

Possible Loss of Limited Liability

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

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, and as a result newspapers have relatively high fixed cost structures. During periods of economic contraction, revenues may decrease while costs of newspaper publishers remain fixed, resulting in decreased earnings.

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

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

Employee Relations

The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. Strikes, lockouts or other labour disruptions could restrict FPLP's ability to service its customers and consequently materially adversely affect its revenues.

Newsprint Costs

Newsprint represents the single largest raw material expense of the Business and is one of the most significant operating costs (the other being employee costs). Newsprint costs vary widely from time to time and, to some extent, are dependent upon the currency exchange rate between the United States and Canada. The impact of price changes in newsprint can therefore be significant to overall earnings. Based on current volumes purchased annually, every $10/tonne change in the price of newsprint has approximately a $166,000 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, and if any such personnel depart and subsequently compete with FPLP, such competition could have a material adverse effect on FPLP.

Competition

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

In recent years, on-line services and other new media technologies have begun to compete with newspapers. Although it is impossible to predict to what extent this competition will grow, FPLP currently believes that it will be able to successfully 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 income available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

The Impact of Litigation in Respect of the Operations of FPLP

Alleged failure by FPLP to comply with laws and regulations may lead to the imposition of fines, penalties, or the denial, revocation or delay of the renewal of permits and licenses 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 will have significant debt service obligations under the Credit Facility. See "Principal Agreements — Credit Facility". The degree to which FPLP is leveraged could have important consequences to the holders of the Units, including:

- FPLP's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a portion of FPLP's cash flow from operations will be dedicated to the payment of interest on its indebtedness, thereby reducing funds available for future operations;
- certain of FPLP's borrowings will be at variable rates of interest, which exposes 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 on, or to refinance, its indebtedness 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.

The Credit Facility contains numerous customary restrictive covenants that limit the discretion of FPLP's management with respect to certain business matters. These covenants will 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 will contain 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 engage in acquisition discussions with other companies and make acquisitions from time to time. Acquisitions, if they occur, may increase the size of FPLP's operations as well as increase the amount of indebtedness that may have to be serviced by FPLP.

Reliance on Contracts

The Winnipeg Free Press and the Brandon Sun are both members of the Canadian Press. The Canadian Press is a cooperative of most major and medium-sized and many smaller newspapers in Canada. It offers both an exchange of news and photographs between its members and maintains a staff covering major national events. The Winnipeg Free Press and the Brandon Sun both rely on the Canadian Press for coverage of national events. The Canadian Press also supplies the Winnipeg Free Press and the Brandon Sun with selected stories from its United States, counterpart, the Associated Press. Management of FPLP is confident that if the cooperative were to cease to exist, it could reproduce the lost coverage through other means, however there is no assurance that such coverage could be replaced on substantially equivalent terms.

Insurance Limits

While FPLP believes that its property and casualty insurance coverage addresses all material insurable risks, provides coverage that is similar to 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 may 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.

PROMOTERS

The General Partners have taken the initiative in organizing the business and affairs of the Fund and accordingly may be considered to be promoters of the Fund within the meaning of applicable securities legislation. For more information regarding the relationship of the General Partners to the Fund, FP Trust, FPGP and FPLP, see "Funding and Related Transactions" and "Principal Unitholders".

LEGAL PROCEEDINGS

There currently are no outstanding material legal proceedings to which the Fund, FP Trust, FPGP, FPLP or the General Partners (in respect of FPLP) is a party, nor is management aware of any such material threatened or contemplated proceedings. FPLP has been indemnified by, and provides assistance to, Thomson in relation to continuing legal proceedings affecting the Manitoba Newspapers Operation at the date of acquisitions thereof by FPLP.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

FPGP and the General Partners will provide services to the Fund, FP Trust and FPLP for reimbursement of direct and indirect expenses and other costs payable by those entities.

Alberta Newsprint Company ("ANC"), which currently supplies up to 50% of the newsprint purchased by FPLP, is considered a related party. ANC is an unincorporated joint venture, owned 50% by a limited partnership indirectly controlled by Ronald N. Stern. 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, nor is FPLP obligated to buy from ANC. 50% of FPLP's annual consumption of newsprint represents approximately 3.3% of ANC's annual production. The Audit Committee of FPGP will monitor purchases from ANC on an ongoing basis.

RELATIONSHIP BETWEEN THE FUND AND CERTAIN OF THE UNDERWRITERS

In connection with the Offering, the Fund may be considered a "connected issuer" to three of the Underwriters, TD Securities Inc., BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc., under applicable securities laws. Canadian chartered bank affiliates of those underwriters are lenders under the Credit Facility provided by them to FPLP, which Credit Facility is secured by substantially all of the assets of FPLP. As at March 1, 2002, a total of $100 million was outstanding under the Credit Facility. The Fund intends to use the proceeds of the Offering to indirectly acquire interests in FPLP. FPLP, in turn, intends to use a portion of such proceeds to repay a portion of the Credit Facility so that the outstanding balance thereof will be equal to $59.6 million. See "Funding and Related Transactions", "Principal Agreements — Credit Facility" and "Use of Proceeds".

The terms, structuring and pricing of the Offering were determined solely by negotiation between the Fund, the General Partners and the Underwriters. None of the lenders under the Credit Facility played any roles in those determinations or decisions. None of the proceeds of the Offering, except for that portion of the proceeds payable to the Underwriters for their fees and expenses and to repay a portion of the Credit Facility as described above, will be applied for the benefit of TD Securities Inc., BMO Nesbitt Burns Inc. or RBC Dominion Securities Inc. or the lenders under the Credit Facility.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, Winnipeg, Canada.

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

MATERIAL CONTRACTS

The following are the only contracts that may be considered material to the Fund, FP Trust, FPGP and FPLP, other than contracts entered into in the ordinary course of business, which have been entered into by the Fund, FP Trust, FPGP or FPLP within the past two years or which are proposed to be entered into by any of them:

- the Declaration of Trust and Administration Agreement referred to under "Description of the Fund";
- the FP Trust Declaration of Trust, FP Trust Note Indenture and FP Trust Administration Agreement referred to under "Description of FP Trust";
- the Partnership Agreement, FPLP Note Indenture, Shareholders Agreement and Exchange Agreement referred to under "Description of FPLP";
- the Credit Agreement referred to under "Principal Agreements"; and
- the Underwriting Agreement referred to under "Plan of Distribution".

Copies of these agreements, following execution where not executed, may be examined at the head office of the Fund during normal business hours during the course of distribution to the public of the Units.

LEGAL MATTERS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations" and certain other legal matters relating to the Units offered by this prospectus will be passed upon at the date of the Closing on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Underwriters by Goodmans LLP.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

INDEX TO FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Trustees of FP Newspapers Income Fund

We have audited the consolidated balance sheet of **FP Newspapers Income Fund** as at May 15, 2002. This balance sheet is the responsibility of the Fund's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion, this consolidated balance sheet presents fairly, in all material respects, the financial position of the Fund as at May 15, 2002 in accordance with Canadian generally accepted accounting principles.

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

Winnipeg, Canada
May 15, 2002
(except for note 2 which is as of May 16, 2002)

FP NEWSPAPERS INCOME FUND

CONSOLIDATED BALANCE SHEET

As at May 15, 2002

Assets	
Cash	$10
Unitholders' Equity	
Unitholders' equity	$10

The accompanying notes are an integral part of this financial statement.

FP NEWSPAPERS INCOME FUND

NOTES TO CONSOLIDATED BALANCE SHEET

May 15, 2002

1. THE FUND

FP Newspapers Income Fund (the "Fund") is a limited purpose trust formed under the laws of the Province of Ontario by a declaration of trust dated May 15, 2002.

2. SUBSEQUENT EVENTS

On May 16, 2002, the Fund filed a prospectus for the sale to the public of 6,573,897 units at a price of $10 per unit, payable on closing for aggregate gross proceeds of $65,738,970.

Concurrent with the closing of the offering, the Fund will use the proceeds from the sale of the units to invest in all of the units and $65,670,000 aggregate principal amount of notes issued by the FPCN Holding Trust ("FP Trust") entitling the Fund to all of the distributable cash of the FP Trust. The FP Trust will in turn acquire all of the Class A limited partnership units and $65,670,000 aggregate principal amount of subordinated notes issued by the FP Canadian Newspapers Limited Partnership ("FPLP") for $65,738,970 entitling the FP Trust to 46.67% (before the issue of units, if any, pursuant to the option described below) of the distributable cash of FPLP before interest on subordinated notes. FPLP will use the net proceeds of $61,595,000 (after reimbursing the Fund for underwriters' fees and other offering costs), to repay a portion of the term indebtedness incurred by FPLP under its term credit facility, and a portion of the original capital in FPLP, which funded FPLP's acquisition of the Winnipeg Free Press and the Brandon Sun from The Thompson Corporation.

In addition, the underwriters of the offering referred to above, will be granted an option to purchase up to an additional 328,695 units of the Fund on the same terms as set out in the prospectus.

On closing of the offering, the Fund, and Canstar Publications Ltd. and R.I.S. Media Ltd., the holders of general partnership units of FPLP, will enter into an exchange agreement. The exchange agreement will grant Canstar Publications Ltd. and R.I.S. Media Ltd. the right to require FP Trust and the Fund to indirectly exchange each of their respective general partnership units in FPLP into units of the Fund on the basis of one unit in the Fund for each general partnership unit in FPLP.

Also on closing, the Fund will purchase 49% of the issued and outstanding common shares of FPCN General Partner Inc. ("FPGP"), the sole managing general partner of FPLP. The Fund will enter into a Shareholders' Agreement with FPCN Media Management Inc. with respect to FPGP.

AUDITORS' REPORT

To the Partners of
FP Canadian Newspapers Limited Partnership

We have audited the combined balance sheets of the **Manitoba Newspapers Operation** (as defined in note 1) as at December 31, 2001 and 2000 and the combined statements of operations and divisional equity and cash flows for each of the years in the three year period ended December 31, 2001. These combined financial statements are the responsibility of the Operation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Operation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
February 22, 2002

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

MANITOBA NEWSPAPERS OPERATION

COMBINED BALANCE SHEETS

As at December 31, 2001 and 2000
(in thousands of dollars)

	2001	2000
ASSETS		
Current assets		
Cash	$ 2,889	$ 23,357
Accounts receivable	11,459	12,805
Inventories	825	1,151
Prepaid expenses	687	266
	15,860	37,579
Property, plant and equipment (note 3)	83,740	88,095
Other assets (note 4)	267	—
Goodwill (note 5)	6,559	6,785
	$106,426	$132,459
LIABILITIES AND DIVISIONAL EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	7,868	6,612
Prepaid subscriptions and deferred revenue	2,858	2,529
	10,726	9,141
Divisional equity	95,700	123,318
	$106,426	$132,459

MANITOBA NEWSPAPERS OPERATION

COMBINED STATEMENTS OF OPERATIONS AND DIVISIONAL EQUITY

For the years ended December 31, 2001, 2000 and 1999
(in thousands of dollars)

	2001	2000	1999
Revenue	$ 97,339	$ 98,094	$ 96,193
Operating expenses, including selling, general and administrative expenses	(74,382)	(72,746)	(72,325)
Operating profit before depreciation and amortization	22,957	25,348	23,868
Depreciation of property, plant and equipment	(5,270)	(5,710)	(5,956)
Amortization of goodwill	(226)	(226)	(226)
Net income for the year	$ 17,461	$ 19,412	$ 17,686
Divisional equity — Beginning of year	123,318	103,726	105,525
Net income for the year	17,461	19,412	17,686
Distribution of cash to corporate office	(45,765)	(7,870)	(34,381)
Disbursements paid by corporate office — net (note 6)	686	8,050	14,896
Divisional equity — End of year	$ 95,700	$123,318	$103,726

MANITOBA NEWSPAPERS OPERATION

COMBINED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2001, 2000 and 1999
(in thousands of dollars)

	2001	2000	1999
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income for the year	$ 17,461	$19,412	$ 17,686
Item not affecting cash			
Depreciation and amortization	5,496	5,936	6,182
	22,957	25,348	23,868
Net change in non-cash working capital items			
Accounts receivable	1,346	(1,661)	(307)
Inventories	326	292	(136)
Prepaid expenses	(421)	35	(143)
Accounts payable and accrued liabilities	1,256	2,032	(1,110)
Prepaid subscriptions and deferred revenue	329	(319)	(91)
	2,836	379	(1,787)
	25,793	25,727	22,081
Investing activities			
Purchases of property, plant and equipment	(930)	(3,486)	(2,950)
Proceeds from asset dispositions	15	295	20
Other assets	(267)	—	—
	(1,182)	(3,191)	(2,930)
Financing activities			
Distribution of cash to corporate office	(45,765)	(7,870)	(34,381)
Disbursements paid by corporate office — net (note 6)	686	8,050	14,896
	(45,079)	180	(19,485)
Increase (decrease) in cash	(20,468)	22,716	(334)
Cash — Beginning of year	23,357	641	975
Cash — End of year	$ 2,889	$23,357	$ 641

MANITOBA NEWSPAPERS OPERATION

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2001 and 2000
(tabular amounts in thousands of dollars)

1. BASIS OF PRESENTATION

These combined financial statements have been prepared by FP Canadian Newspapers Limited Partnership ("FPLP") in connection with the proposed sale of a 46.67% interest in FPLP's distributable cash to FP Newspapers Income Fund. The financial statements combine the assets, liabilities and results of operations of the Winnipeg Free Press, the Brandon Sun and related businesses. Prior to November 29, 2001, the Manitoba Newspapers Operation (the "Operation") operated as a division of The Thomson Corporation. On November 29, 2001, the Operation was acquired by FPLP.

The accompanying financial statements have been prepared by management from the historical financial records of the Operation and reflect the business as carried on by this unincorporated division. The net assets are stated at carrying values based on their historic cost. Divisional equity represents the excess of assets over liabilities of the Operation. The net assets do not reflect the cost base associated with FPLP's acquisition of the Operation on November 29, 2001.

The significant assumptions used by management in the preparation of these combined financial statements are as follows:

a) Income taxes and capital taxes

These combined financial statements do not include the recognition of income taxes and capital taxes of the Operation as these taxes were the responsibility of The Thomson Corporation prior to November 29, 2001, and of the partners of FPLP thereafter.

b) Interest income and expenses

Until November 29, 2001, the Operation participated in The Thomson Corporation's cash management system. As part of this central cash management system, all cash generated from and required to support operations was deposited in and disbursed from the Operation's bank accounts but applied against corporate requirements. As a result, the Operation's results do not reflect interest income from available cash resources.

Also, no interest expense was charged on any account due to corporate office including the divisional equity account.

c) Operating expenses

For all years presented, operating expenses reflected in the combined financial statements include selling, general and administrative expenses, including an allocation of expenses incurred by the corporate office. These allocations, which took into consideration personnel, business volumes or another appropriate basis of allocation, included charges for newsprint, insurance, employee benefits, information management and certain maintenance contracts.

These combined financial statements may not necessarily be indicative of the results that would have been attained if the Operations had been operated as a separate legal entity or through a limited partnership during the periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Advertising revenue is recognized when the advertisements are published. Circulation revenue is recognized based on the date of publication, which is also the delivery date. Subscription revenue is recognized as earned over the term of the subscription.

b) Inventories

Inventories, primarily newsprint and printing supplies, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

c) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation on property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Land improvements	40 years
Buildings	40 years
Machinery and equipment	7 - 25 years
Vehicles, computer hardware and software, furniture and fixtures	3 - 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures for major renewals and betterments are capitalized, while minor replacements, repairs and maintenance which do not extend the useful lives are charged to earnings as incurred. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

d) Goodwill

Goodwill represents the price paid for business acquisitions in excess of the fair market value of net tangible assets and identifiable intangible assets acquired. Amortization is recorded on a straight-line basis over 40 years.

On a regular basis, the Operation reviews the carrying value of goodwill to determine if there has been a permanent impairment in value. The measurement of possible impairment is based primarily on the ability to recover the balances from expected future operating cash flows on an undiscounted basis.

e) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

f) Financial instruments

The Operation's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities.

Credit risk

The Operation's financial assets that are exposed to credit risk consist of cash and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the relatively high volume and low value of transactions and the generally short payment terms.

Fair value

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximates fair value due to their short-term maturities.

g) Pension plans

Prior to November 29, 2001, the Operation participated in a fully funded defined benefit multi-employer pension plan. The Operation's funding policy was to contribute its proportionate share of actuarially determined amounts. The Operation is not obligated to fund pension benefits earned by employees in respect of services provided prior to November 29, 2001. These obligations are of the multi-employer plan sponsored by the previous owner of the Operation.

Effective November 29, 2001, the Operation established new defined benefit and defined contribution pension plans. For the defined benefit plans, the pension expense is determined using the projected benefit method pro rated based on service provided by employees after November 29, 2001. For the defined contribution plans, the pension expense is the Operation's contribution to the plan.

(tabular amounts in thousands of dollars)

3. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are as follows:

	2001		
	Cost	Accumulated depreciation	Net
Land and land improvements	$ 2,209	$ 66	$ 2,143
Buildings	47,446	12,153	35,293
Computer, furniture and fixtures, vehicles	13,047	11,051	1,996
Machinery and equipment	84,497	40,189	44,308
	$147,199	$63,459	$83,740

	2000		
	Cost	Accumulated depreciation	Net
Land and land improvements	$ 2,209	$ 60	$ 2,149
Buildings	47,323	10,965	36,358
Computer, furniture and fixtures, vehicles	12,993	10,119	2,874
Machinery and equipment	84,010	37,296	46,714
	$146,535	$58,440	$88,095

4. OTHER ASSETS

Other assets represent deferred costs related to the recent change in control of the Operation. These costs will form part of the acquisition accounting by FPLP.

5. GOODWILL

	2001	2000
Cost	$ 9,048	$ 9,048
Accumulated amortization	(2,489)	(2,263)
	$ 6,559	$ 6,785

6. DISBURSEMENTS PAID BY CORPORATE OFFICE

The following is a summary of the disbursements charged and receipts credited to the Operation by the corporate office of The Thomson Corporation. The disbursements reflect costs that have been pushed down by the corporate office to the Operation and have been reflected in these combined financial statements.

	2001	2000	1999
Disbursements			
Newsprint	$(85)	$ 7,460	$15,919
Employee benefits	455	(1,857)	972
Insurance	162	194	254
Other operating expenditures	134	83	1,376
Maintenance expenditures	20	466	320
Capital expenditures	—	2,822	—
	686	9,168	18,841
Receipts	—	(1,118)	(3,945)
	$686	$ 8,050	$14,896

(tabular amounts in thousands of dollars)

6. DISBURSEMENTS PAID BY CORPORATE OFFICE (Continued)

Until November 29, 2001, newsprint prices were negotiated by the previous owner. During fiscal 1999 and 2000, the Operation was charged a standard fixed price for newsprint by the corporate office. Management estimates that had it paid the market price for newsprint, net income would have increased by approximately $1.1 million in 1999 and decreased by approximately $0.6 million in 2000.

7. CONTINGENCIES

a) Operating leases

The Operation leases machinery and equipment and vehicles under various third-party non-cancelable operating lease agreements with terms of up to five years. The following is a schedule of minimum lease payments under the operating leases at December 31, 2001:

2002	$ 87
2003	39
2004	31
2005	18
2006	4
Total minimum lease payments	$179

b) Legal matters

The Operation 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 the Operation's financial position, results of operations or cash flows.

8. PENSION PLANS

During fiscal 1999, it was determined that its multi-employer defined benefit pension plan in which the Operation was participating was in a surplus position. As a result, in fiscal 1999 the Operation ceased making the employer's share of contributions. The following amounts were paid and expensed with respect of this pension plan:

December 31, 1999	$350
2000	—
2001	—

Effective November 29, 2001, the Operation established separate defined benefit and defined contribution pension plans. The Operation expensed $67,428 in respect of these plans subsequent to November 29, 2001.

REVIEW ENGAGEMENT REPORT

To the Partners of
FP Canadian Newspapers Limited Partnership

We have reviewed the balance sheet of **FP Canadian Newspapers Limited Partnership** as at March 31, 2002 and the statements of operations, partners' capital and cash flows for the three months ended March 31, 2002 and 2001. Our reviews were made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Partnership.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
April 8, 2002.
(except for note 10 which is as
of May 16, 2002)

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

AUDITORS' REPORT

To the Partners of
FP Canadian Newspapers Limited Partnership

We have audited the balance sheets of **FP Canadian Newspapers Limited Partnership** as at December 31, 2001 and 2000 and the statements of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

Winnipeg, Canada
February 22, 2002
(except for note 10 which is as of May 16, 2002)

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

BALANCE SHEETS

(in thousands of dollars)

	March 31 2002	December 31 2001	December 31 2000
	(unaudited)		
ASSETS			
Current assets			
Cash and cash equivalents	$ 8,060	$ 4,792	$—
Accounts receivable	9,914	11,497	3
Inventories	703	826	—
Prepaid expenses	1,404	714	—
	20,081	17,829	3
Property, plant and equipment (note 4)	71,696	72,443	—
Other assets (note 5)	2,830	3,003	150
Goodwill and intangibles (note 6)	74,770	74,860	—
	$169,377	$168,135	$153
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities			
Accounts payable and accrued liabilities	7,167	8,294	2
Prepaid subscriptions and deferred revenue	2,723	2,858	—
Current portion of long term debt (note 10)	3,750	—	—
	13,640	11,152	2
Long term debt (note 10)	96,250	—	—
	109,890	—	—
Partners' capital	59,487	156,983	151
	$169,377	$168,135	$153

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

(in thousands of dollars)

	For the three month periods ended March 31		For the year ended December 31	
	2002	**2001**	**2001**	**2000**
	(unaudited)	(unaudited)		
Revenue	$ 23,610	$ 9	$ 9,278	$3
Operating expenses, including selling, general and administration expenses	(18,471)	—	(6,504)	—
Operating income before depreciation and amortization	5,139	9	2,774	3
Depreciation of property, plant and equipment	(1,049)	—	(358)	—
				—
Amortization of intangible assets	(90)	—	(30)	
Operating Income	4,000	9	2,386	3
Interest on term credit facility	(1,217)	—	—	—
Amortization of financing costs	(145)	—	(40)	—
Interest income	8	—	15	—
Net income for the period	$ 2,646	$ 9	$ 2,361	$3

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' CAPITAL

(in thousands of dollars)

	General partner units	Limited partner Class A units	Limited partner Class B units	Limited partner Class C units	Total
Partners' capital — January 1, 2000	$—	$ —	$—	$—	$ —
Contributions	34	—	114	—	148
Net income for the year	1	—	2	—	3
Partners' capital — December 31, 2000	35	—	116	—	151
Contributions	—	155,000	—	—	155,000
Distributions	—	(529)	—	—	(529)
Redesignation	(35)	—	—	35	—
Net income for the year	—	2,360	—	1	2,361
Partners' capital — December 31, 2001	$—	$156,831	$116	$ 36	$156,983

	General partner units	Limited partner Class A units	Limited partner Class B units (unaudited)	Limited partner Class C units	Total
Partners' capital — December 31, 2001	$ —	$ 156,831	$ 116	$ 36	$ 156,983
Contributions	10	—	—	—	10
Distributions	—	(100,000)	—	—	(100,000)
Redemption	—	—	(116)	(36)	(152)
Net income for the period	—	2,646	—	—	2,646
Redesignation	59,477	(59,477)	—	—	—
Partners' capital — March 31, 2002	$59,487	$ —	$ —	$—	$ 59,487

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	For the three month periods ended March 31		For the year ended December 31	
	2002	2001	2001	2000
	(unaudited)	(unaudited)		
CASH PROVIDED BY (USED IN)				
Operating activities				
Net income for the period	$ 2,646	$ 9	$ 2,361	$ 3
Item not affecting cash				
Depreciation and amortization	1,284	—	428	—
	3,930	9	2,789	3
Net change in non-cash working capital items				
Accounts receivable	1,583	(9)	(668)	(3)
Inventories	123	—	158	—
Prepaid expenses	(690)	—	(244)	—
Accounts payable and accrued liabilities	(1,206)	—	1,498	2
Prepaid subscriptions and deferred revenue	(135)	—	67	—
	3,605	—	3,600	2
Investing activities				
Acquisition (note 3)	—	—	(150,327)	—
Other investment	162	—	(12)	(150)
Purchases of property, plant and equipment	(223)	—	(59)	—
	(61)	—	(150,398)	(150)
Financing activities				
Contributions by partners	10	—	155,000	148
Distributions to partners	(100,000)	—	(529)	—
Redemption of partnership units	(152)	—	—	—
Deferred financing costs	(134)	—	(2,881)	—
Term credit facility	100,000	—	—	—
	(276)	—	151,590	148
Increase in cash and cash equivalents	3,268	—	4,792	—
Cash and cash equivalents — Beginning of period	4,792	—	—	—
Cash and cash equivalents — End of period	$ 8,060	$—	$ 4,792	$—

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000 and March 31, 2002 and 2001 (unaudited)
(tabular amounts in thousands of dollars)

1. BASIS OF PRESENTATION

FP Canadian Newspapers Limited Partnership ("FPLP") is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. Prior to November 26, 2001, the name of FPLP was Canstar Productions 1999-3 Limited Partnership.

Effective November 29, 2001, FPLP acquired the business and assets of the Winnipeg Free Press and Brandon Sun and related businesses (note 3) in exchange for cash and the assumption of certain liabilities. These financial statements include only the assets, liabilities, revenues and expenses of FPLP and do not include the other assets, liabilities, revenues and expenses, including income taxes, of the partners.

The managing general partner of FPLP is Canstar Media Management Ltd. ("CMM").

2. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Description of business

FPLP produces and distributes newspapers and related publications, including the Winnipeg Free Press and the Brandon Sun.

b) Revenue recognition

Advertising revenue is recognized when the advertisements are published. Circulation revenue is recognized based on the date of publication which is also the delivery date. Subscription revenue is recognized as earned over the term of the subscription.

c) Inventories

Inventories, primarily newsprint and printing supplies, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

d) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation on property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Land improvements	40 years
Buildings	40 years
Machinery and equipment	7 - 25 years
Computer, furniture and fixtures, and vehicles	3 - 10 years

Expenditures for major renewals and betterments are capitalized, while minor replacements, repairs and maintenance which do not extend the useful lives are charged to operations as incurred. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

e) Goodwill and intangibles

Goodwill represents the price paid for business acquisitions in excess of the fair market value of net tangible assets and identifiable intangible assets acquired.

Identifiable intangible assets are recorded at cost and are amortized on a straight-line basis as follows:

Subscriber base	15 years
News archives	10 years

Goodwill is not amortized. Mastheads are considered to have an indefinite life and are therefore not amortized.

On a regular basis, FPLP reviews the carrying value of goodwill and intangible assets to determine if there has been a permanent impairment in value. The measurement of possible impairment is based primarily on the ability to recover the balances from expected future operating cash flows on an undiscounted basis.

2. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Income taxes

FPLP is not a taxable entity, and accordingly, no provision for income taxes is included in the financial statements since all income, deductions, gains, losses and credits are reportable on the tax returns of the partners.

g) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

h) Financial instruments

FPLP's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities.

Credit risk
FPLP's financial assets that are exposed to credit risk consist of cash and cash equivalents and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the relatively high volume and low value of transactions and the generally short payment terms.

Fair value
The carrying value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximates fair value due to their short-term maturities.

i) Pension plans

Effective November 29, 2001, FPLP established defined benefit and defined contribution pension plans. For the defined benefit plans, the pension expense is determined using the projected benefit method pro rated based on service. For the defined contribution plans, the pension expense is FPLP's contribution to the plan.

j) Deferred financing costs

Financing costs related to the term credit facility referred to in note 10 will be amortized over the term of the facility.

k) Unaudited financial statements

The consolidated financial statements as at March 31, 2002 and for the three month periods ended March 31, 2002 and 2001 are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results for the interim periods presented. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. The accounting policies used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements. These interim financial statements should be read in conjunction with the most recent annual financial statements of the Company.

3. ACQUISITION

Effective November 29, 2001, FPLP acquired substantially all of the assets and assumed certain liabilities of the Winnipeg Free Press and Brandon Sun newspaper businesses for total consideration of $150,327,000. The acquisition was accounted for as a purchase, and

(tabular amounts in thousands of dollars)

3. ACQUISITION (Continued)

accordingly, the financial statements include the results of the acquired operations since the acquisition date. The acquired assets and assumed liabilities have been recorded at their fair values at the date of acquisition.

Net assets acquired at fair value

Current assets	$ 12,279
Property, plant and equipment	72,742
Intangibles other than goodwill	10,085
	95,106
Less: liabilities assumed	(9,584)
Net assets acquired, at fair value	85,522
Goodwill	64,805
	$150,327
Cash consideration	$150,327

4. PROPERTY, PLANT AND EQUIPMENT

	2001		
	Cost	Accumulated depreciation	Net
Land	$ 1,000	$—	$ 1,000
Buildings	7,800	16	7,784
Machinery and equipment	59,573	251	59,322
Furniture and fixtures	1,524	14	1,510
Computer hardware and software	2,560	71	2,489
Vehicles	344	6	338
	$72,801	$358	$72,443

5. OTHER ASSETS

	2001	2000
Deferred financing costs	$2,841	$ —
Investment — at cost	162	150
	$3,003	$ 150

6. GOODWILL AND INTANGIBLES

	2001		
	Cost	Accumulated amortization	Net
Goodwill	$64,805	$—	$64,805
Mastheads	4,935	—	4,935
Subscriber base	4,600	25	4,575
News archives	550	5	545
	$74,890	$30	$74,860

(tabular amounts in thousands of dollars)

7. ALLOCATION OF NET INCOME AND LOSSES

For the fiscal year ending on December 31, 2001, FPLP's net income or loss was allocated as follows:

- Firstly to the general partner in respect of general partner units and Class C limited partner units, the lesser of .1% of the net income or loss and the general partner's proportionate share of the net income or loss based on the general partner's stated capital balance;
- Next to the Class B limited partners, the lesser of .01% of the net income or loss and the Class B limited partners' proportionate share of the net income or loss based on the Class B limited partners' stated capital balance; and
- Finally, the balance of the net income or loss is allocated to Class A limited partners.

The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by FPLP to that partner.

8. COMMITMENTS AND CONTINGENCIES

a) Operating leases

FPLP leases machinery and equipment and vehicles under various third-party noncancelable operating lease agreements with terms of up to five years.

The following is a schedule of minimum lease payments under the operating leases with initial or remaining noncancelable terms in excess of one year at December 31, 2001:

2002	$ 87
2003	39
2004	31
2005	18
2006	4
Total minimum lease payments	$179

b) Legal matters

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

9. PENSION PLANS

a) Information on FPLP's defined benefit pension plans is as follows:

Plan assets	
Fair value — December 31, 2000	$—
Investment income	—
Employer contributions	57
Employee contributions	76
Administrative expenses	—
Fair value — December 31, 2001	$133
Plan obligations	
Accrued benefit obligation — December 31, 2000	—
Accrued interest on benefits	1
Current service cost	131
Experience loss	—
Accrued benefit obligation — December 31, 2001	$132

(tabular amounts in thousands of dollars)

9. PENSION PLANS (Continued)

FPLP's accrued pension asset is determined as follows:

Plan surplus	$ 1
Unamortized net actuarial loss (gain)	—
Accrued plan asset — December 31, 2001	$ 1

FPLP's defined benefit pension plan expense for 2001 is determined as follows:

Current service cost	$131
Employee contributions	(76)
Accrued interest on benefits	1
Total expense for 2001	$ 56

Significant actuarial assumptions in measuring FPLP's accrued benefit obligations are as follows:

Discount rate	6.5%
Expected long-term rate of return of pension plan assets	6.5%
Rate of compensation increase	4.0%

b) Pension expense for 2001 on FPLP's defined contribution pension plans amounted to $10,489 (2000 — nil).

10. SUBSEQUENT EVENTS

The following significant events occurred after December 31, 2001:

a) On January 4, 2002, FPLP borrowed $100 million from a syndicate of banks under a Reducing Term Facility which matures November 29, 2006. Proceeds of the loan were used to return a portion of limited partners' capital contributions of $100 million. FPLP also arranged for an additional $10 million available under an Operating Facility from a Canadian chartered bank, with an initial term ending November 28, 2002. Amounts borrowed under the credit facilities will primarily be in the form of bankers' acceptances at varying interest rates and would normally mature over periods of 30 to 90 days. Substantially all of the assets of FPLP have been pledged as security for the credit facilities. FPLP is subject to covenants under the terms of the credit facilities, including thresholds for leverage and interest coverage, and is subject to certain restrictions under negative covenants.

Concurrent with the reduction of the Reducing Term Facility referred to in (c) below, the terms of the facility will be amended. The Term Facility will mature in its entirety on the third anniversary of the amended agreement.

b) On March 26, 2002, FPLP was reorganized, as follows:

- The general partner of FPLP (which had changed its name to FPCN General Partner Inc.) became the Managing General Partner of FPLP and subscribed for 10 general partnership units for a total cash subscription price of $10.00;
- An unlimited number of new Class A limited partnership units (the "Class A Units") were authorized and 10 Class A Units were issued to 4029526 Canada Inc., as limited partner, in consideration for a cash subscription of $100;
- All of the existing Class C partnership units held by the general partner and the existing Class B limited partnership units were redeemed for cash equal to capital in the aggregate amount of $158,000 contributed for those units;
- Canstar Publications Ltd. and R.I.S. Media Ltd. subscribed for a total of 10,000 general partnership units for a total cash subscription price of $10,000 and were admitted as general partners of FPLP;
- All of the remaining existing limited partnership units (formerly designated as Class A limited partnership units) and capital balances allocable to such units became general partnership units and capital and were transferred upon dissolution of the holder of such units to Canstar Publications Ltd. and R.I.S. Media Ltd. in proportion to their interests with the holder; and
- Provision was made in the partnership agreement for a special distribution of net income of FPLP for the period commencing on formation of FPLP and ending immediately prior to the issuance of new Class A Units to FPCN Holdings Trust (a trust of which the sole beneficiary is FP Newspapers Income Fund (the "Fund")), determined before cumulative depreciation and amortization and estimated at $8.9 million, to be made to Canstar Publications Ltd. and R.I.S. Media Ltd., as general partners, on the date

(tabular amounts in thousands of dollars)

10. SUBSEQUENT EVENTS (Continued)

referred to in note 10 (c) immediately before the closing of the transactions described in that note, subject to adjustment post-closing, after the final determination of the amount of the special distribution.

c) Pursuant to an Underwriting Agreement executed on May 16, 2002, FPLP intends to issue 6,573,897 Class A Units and $65,670,000 principal amount of subordinated notes to a wholly-owned trust owned by the Fund for aggregate proceeds of $65,738,970. The proceeds will be used as follows:

To reimburse the Fund for costs incurred related to the Fund's issuance of units	$ 4,144
To reduce the Term Facility referred to in note 10(a)	40,400
To return a portion of general partner capital contributions	21,195
	$65,739

The holders of the Class A Units are required to make a contribution of $10 per unit for an aggregate contribution of $65,738,970 in respect to 6,573,897 Class A Units issued. The contribution in respect of the 6,573,897 Class A Units issued, is payable as to $68,970 on closing, $1,000,000 on or before December 31, 2002, $1,000,000 on or before December 31, 2003, $2,000,000 on or before each of December 31, 2004 and 2005, $3,000,000 on or before December 31, 2006 and $1,000,000 on or before December 31, 2007, and as to the balance of $55,670,000 on May 28, 2012.

The subordinated notes are unsecured, pay interest at 11.5% per annum and mature in May 2012, subject to prepayment in whole or in part on the occurrence of certain events. The Class A Units together with the subordinated notes are entitled to receive cash distributions equal to 46.67% of FPLP's distributable cash flow as defined, but determined before deduction of interest on the notes.

Immediately after the issuance of the Class A Units and subordinated notes described above, the 10 Class A Units held by 4029526 Canada Inc., as limited partner, will be redeemed for cash of $100 and the resulting members of FPLP will be FPGP as managing general partner holding 10 general partnership units, Canstar Publications Ltd. and R.I.S. Media Ltd. as general partners holding in aggregate 7,513,016 general partnership units having a designated capital of $75,130,160 and the Fund (through its interest in FPCN Holdings Trust) as sole limited partner holding 6,573,897 Class A Units and having an initial designated capital of $68,970.

COMPILATION REPORT

To the Trustees of the
FP Newspapers Income Fund

We have reviewed, as to compilation only, the accompanying unaudited pro forma consolidated balance sheet of the FP Newspapers Income Fund (the "Fund") as at December 31, 2001 and the unaudited pro forma consolidated statement of operations and distributable cash of the Fund for the year then ended and the twelve months ended March 31, 2002. This pro forma financial information has been prepared for inclusion in the prospectus relating to the distribution of units of the Fund. In our opinion, the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated statements of operations and distributable cash have been properly compiled to give effect to the proposed transaction and the assumptions described in the accompanying notes thereto.

Winnipeg, Canada
May 16, 2002

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

FP NEWSPAPERS INCOME FUND

PRO FORMA CONSOLIDATED BALANCE SHEET

(In thousands of dollars)
As of December 31, 2001
Unaudited — See Compilation Report

	Historical Balance Sheet	Pro forma Adjustments	Pro forma Balance Sheet
ASSETS			
Current			
Cash	$ —	$ —	$ —
Investment in limited partnership units and subordinated notes of FP Canadian Newspapers Limited Partnership	$	$65,739(3)	$65,739
	$	$65,739	$65,739
EQUITY			
Unit holders' capital	$	$65,739(3)	$65,739
	$	$65,739	$65,739

The accompanying notes are an integral part of this pro forma financial information.

FP NEWSPAPERS INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands of dollars, except per unit amounts)

For the year ended December 31, 2001
Unaudited — See Compilation Report

	Historical statement of operations	Pro forma adjustments	Pro forma statement of operations
Income from investment in FPLP			
Interest from subordinated notes	$ —	$7,552[4]	$7,552
Equity earnings from Class A limited partnership units	—	1,301[4]	1,301
		8,853	8,853
Expenses			
Administrative costs		190[4]	190
Net income for the year	—	8,663	8,663
Net income per unit — basic (6,573,897 units)	$ —	$ 1.32	$ 1.32

FP NEWSPAPERS INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF DISTRIBUTABLE CASH
(In thousands of dollars, except per unit amounts)

For the year ended December 31, 2001
Unaudited — See Compilation Report

	Historical statement of operations	Pro forma adjustments	Pro forma statement of operations
Net income for the year	$ —	$8,663	$8,663
Distributable cash	$ —	$8,663	$8,663
Distributable cash per unit — basic (6,573,897 units)			$ 1.32

The accompanying notes are an integral part of this pro forma financial information.

FP NEWSPAPERS INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands of dollars, except per unit amounts)

For the twelve months ended March 31, 2002
Unaudited — See Compilation Report

	Historical statement of operations	Pro forma adjustments	Pro forma statement of operations
Income from investment in FPLP			
Interest from subordinated notes	$ —	$7,552[4]	$7,552
Equity earnings from Class A limited partnership units	—	1,564[4]	1,564
	—	9,116	9,116
Expenses			
Administrative costs	—	190[4]	190
Net income for the period	—	8,926	8,926
Net Income per unit — basic (6,573,897 units)	$ —	$ 1.36	$ 1.36

FP NEWSPAPERS INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF DISTRIBUTABLE CASH
(In thousands of dollars, except per unit amounts)

For the twelve months ended March 31, 2002
Unaudited — See Compilation Report

	Historical statement of operations	Pro forma adjustments	Pro forma statement of operations
Net income for the period	$ —	$8,926	$8,926
Distributable cash	$ —	$8,926	$8,926
Distributable cash per unit — basic (6,573,897 units)			$ 1.36

The accompanying notes are an integral part of this pro forma financial information.

FP NEWSPAPERS INCOME FUND

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(Tabular amounts in thousands of dollars)

For the year ended December 31, 2001 and the twelve months ended March 31, 2002
Unaudited — See Compilation Report

1. BASIS OF PRESENTATION

The accompanying pro forma consolidated balance sheet and pro forma consolidated statements of operations and distributable cash of FP Newspapers Income Fund (the "Fund") have been prepared by the FP Canadian Newspapers Limited Partnership ("FPLP") on behalf of the Fund. The accompanying pro forma financial information gives effect to the acquisition by the Fund of a 46.67% interest in the distributable cash of FPLP.

The accompanying pro forma consolidated balance sheet has been prepared from information derived from the consolidated balance sheet of the Fund as at December 31, 2001 and the adjustments and assumptions outlined below. The pro forma consolidated statements of operations and distributable cash have been prepared from information derived from the consolidated statement of operations of the Fund for the year ended December 31, 2001 and information derived from the Manitoba Newspapers Operation's ("Operation") audited statement of operations for the year ended December 31, 2001 and information derived from the Operation's, unaudited statement of operations for the twelve months ended March 31, 2002 and the pro forma statement of operations of FPLP included in note 5 to this pro forma financial information. The accounting policies used in the preparation of the pro forma financial information are disclosed in FPLP and Operation's audited financial statements, included elsewhere in the Prospectus.

The pro forma financial information is not necessarily indicative of the results that actually would have been achieved if the transactions reflected therein had been completed on the dates indicated or the results that may be obtained in the future.

The pro forma information should be read in conjunction with the description of the transactions in the Prospectus, the financial statements of the Fund, FPLP and the Operation, including the notes to those statements, included elsewhere in the Prospectus.

2. THE FUND

The Fund is an unincorporated open-ended limited purpose trust formed under the laws of the Province of Ontario pursuant to a Declaration of Trust dated May 15, 2002. The Fund has been created to invest, through another newly formed wholly-owned trust, FPCN Holdings Trust, in the Class A limited partnership units and subordinated notes of FPLP. Each unit holder participates pro rata in any distribution from the Fund. Income tax obligations related to the distributions of the Fund are the obligations of the unit holders.

The accompanying pro forma financial information of the Fund have been prepared to reflect the following proposed transactions:

- The Fund will issue 6,573,897 units (the "offering") for gross proceeds of $65,738,970 on closing of the offering. The Fund will be reimbursed by FPLP for expenses of the offering and underwriters' fees amounting to approximately $4,144,000.
- The Fund will subscribe for units and notes in a newly created trust, FPCN Holdings Trust (the "FP Trust").
- FP Trust will acquire all of the Class A limited partnership units and $65,670,000 principal amount of subordinated notes of FPLP for cash of $65,738,970, entitling it to 46.67% of the distributable cash of FPLP.
- The Fund will also subscribe for 49% of the issued and outstanding common shares of FPCN General Partner Inc., the sole managing general partner of FPLP.

Upon completion of the above transactions, the Fund, through its investment in FP Trust, will hold all of the Class A limited partnership units and $65,670,000 principal amount of subordinated notes of FPLP for cash of $65,738,970, entitling it to 46.67% of the distributable cash of FPLP. In addition, the underwriters of the offering referred to above will be granted an option to purchase up to an additional 328,695 units of the Fund (the over-allotment option).

3. PRO FORMA CONSOLIDATED BALANCE SHEET OF THE FUND

The pro forma consolidated balance sheet of the Fund as at December 31, 2001, is based on the consolidated balance sheet of the Fund as at May 15, 2002 and has been prepared as if the following proposed transactions had been completed as of December 31, 2001:

- The issuance by the Fund of 6,573,897 units for gross proceeds of $65,738,970. The Fund will be reimbursed by FPLP for expenses of the offering and underwriters' fees amounting to approximately $4,144,000.
- The purchase of all of the units and notes of FP Trust for $65,738,970.
- The purchase by FP Trust of all of the Class A limited partnership units and $65,670,000 principal amount of subordinated notes of FPLP for $65,738,970.

4. PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS OF THE FUND

The pro forma consolidated statements of operations of the Fund for the year ended December 31, 2001 and the twelve months ended March 31, 2002 are based on the initial consolidated statement of operations of the Fund adjusted for the effect of the transactions referred to in note 3 and have been prepared as if the transactions occurred on January 1, 2001 and April 1, 2001, respectively, as follows:

- The recognition of the Fund's share of distributable cash of $8,853,000 for the year ended December 31, 2001, consisting of $7,552,000 of interest on the subordinated notes and $1,301,000 of allocations on the Class A limited partnership units representing the Fund's share of equity earnings of FPLP.
- The recognition of the Fund's share of distributable cash of $9,116,000 for the twelve months ended March 31, 2002, consisting of $7,552,000 of interest on the subordinated notes and $1,564,000 of allocations on the Class A limited partnership units representing the Fund's share of equity earnings of FPLP.
- The recognition of administrative expenses of $190,000.

5. INVESTMENT IN FPLP

Upon completion of the transactions described in Note 2, the Fund will indirectly own all of the Class A limited partnership units and $65,670,000 principal amount of subordinated notes, together entitling the Fund to 46.67% (before the over-allotment option) of the distributable cash of FPLP.

The accompanying pro forma balance sheet of FPLP has been prepared from information derived from the unaudited balance sheet of FPLP as of March 31, 2002 and the adjustments and assumptions outlined below. The accompanying pro forma statement of operations of FPLP for the year ended December 31, 2001 has been prepared from information derived from the audited statement of operations of the Manitoba Newspapers Operation for the year ended December 31, 2001 and the adjustments and assumptions outlined below. The accompanying pro forma statement of operations of FPLP for the twelve months ended March 31, 2002 has been prepared from information derived from the statement of operations of the Manitoba Newspapers Operation for the twelve months ended March 31, 2002 (which was derived from the audited statement of operations for the year ended December 31, 2001 plus the unaudited statement of operations for the three months ended March 31, 2002 less the unaudited statement of operations for the three months ended March 31, 2001) and the adjustments and assumptions outlined below. FPLP acquired the business, assets and assumed liabilities of the Manitoba Newspapers Operation on November 29, 2001. The Statements of Operations of the Manitoba Newspapers Operation include the divisional results of Operations for the periods before and after November 29, 2001, the date when the Manitoba Newspapers Operations was acquired by FPLP. The results of operations of the Manitoba Newspapers Operation, on a divisional basis, would be identical to those of FPLP on a pro forma basis for the same periods and have therefore been combined for presentation purposes. The accounting policies used in the preparation of the pro forma financial information are disclosed in FPLP and the Operation's audited financial statements, included elsewhere in the Prospectus.

5. INVESTMENT IN FPLP (continued)

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP
UNAUDITED PRO FORMA BALANCE SHEET
(in thousands of dollars)
For the year ended March 31, 2002

	Historical balance sheet of FPLP	Pro forma adjustments		Pro forma balance sheet of FPLP
ASSETS				
Current Assets				
Cash and equivalents	$ 8,060	$ 61,595	5(a)	$ 8,060
		(40,400)	5(b)	
		(21,195)	5(c)	
Accounts receivable	9,914			9,914
Inventories	703			703
Prepaid expenses	1,404			1,404
	20,081	0		20,081
Property, plant and equipment	71,696			71,696
Other assets	2,830	4,144	5(a)	6,974
Goodwill and intangibles	74,770			74,770
	$169,377	$ 4,144		$173,521
LIABILITIES AND PARTNER'S CAPITAL				
Current liabilities				
Accounts payable and accrued liabilities	7,167			7,167
Prepaid subscriptions	2,723			2,723
Current portion of long term debt	3,750	(3,750)	5(b)	—
	13,640	(3,750)		9,890
Long term debt	96,250	(36,650)	5(b)	59,600
Subordinated notes		65,670	5(a)	65,670
	109,890	25,270		135,160
Partner's capital	59,487	69	5(a)	38,361
		(21,195)	5(c)	
	59,487	(21,126)		38,361
	$169,377	$ 4,144		$173,521

5. INVESTMENT IN FPLP (continued)

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
(in thousands of dollars)
For the year ended December 31, 2001

	Historical statement of operations of the Manitoba Newspapers Operation	Pro forma adjustments		Pro forma statement of operations of FPLP
Revenue	$97,339	$		$97,339
Cost of sales, including selling, general and administrative expenses	74,382			74,382
Operating income before the under noted	22,957			22,957
Depreciation of property, plant and equipment	5,270	(5,270)	5(d)	4,303
		4,303	5(e)	
Amortization of intangible assets		362	5(f)	362
Amortization of goodwill	226	(226)	5(d)	
Operating income	17,461	831		18,292
Interest on term credit facility		3,057	5(g)	3,057
Interest on subordinated notes		7,552	5(i)	7,552
Amortization of finance costs		1,361	5(h)	1,361
Net income for the year	$17,461	$(11,139)		$ 6,322

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP
UNAUDITED PRO FORMA STATEMENT OF DISTRIBUTABLE CASH
(in thousands of dollars)
For the year ended December 31, 2001

		Pro forma statement of operations of FPLP
Operating profit before depreciation and amortization		$22,957
Interest on credit facility		(3,057)
Capital expenditures		(930)
Distributable cash of FPLP before interest on subordinated notes		$18,970
Distributable cash of FPLP to Fund	46.67%	$ 8,853

5. INVESTMENT IN FPLP (continued)

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
(in thousands of dollars)
For the twelve months ended March 31, 2002

	Historical statement of operations of the Manitoba Newspapers Operation	Pro forma adjustments		Pro forma statement of operations of FPLP
Revenue	$97,921	$		$97,921
Cost of sales, including selling, general and administrative expenses	74,346			74,346
Operating income before the under noted	23,575			23,575
Depreciation of property, plant and equipment	4,985	(4,985)	5(j)	4,303
		4,303	5(k)	
Amortization of intangible assets	90	272	5(l)	362
Amortization of goodwill	169	(169)	5(j)	
Operating income	18,331	579		18,910
Interest on term credit facility	1,217	1,840	5(m)	3,057
Interest on subordinated notes		7,552	5(o)	7,552
Amortization of finance costs	145	1,216	5(n)	1,361
Interest income	8	—		8
Net income for the period	$16,977	$(10,029)		$ 6,948

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP
UNAUDITED PRO FORMA STATEMENT OF DISTRIBUTABLE CASH
(in thousands of dollars)
For the twelve months ended March 31, 2002

		Pro forma statement of operations of FPLP
Operating profit before depreciation and amortization		$23,575
Interest on credit facility		(3,057)
Capital expenditures		(984)
Distributable cash of FPLP before interest on subordinated notes		$19,534
Distributable cash of FPLP to Fund	46.67%	$ 9,116

5. INVESTMENT IN FPLP (continued)

The pro forma balance sheet of FPLP at March 31, 2002 has been prepared to give effect to the following transactions as if they had been completed on March 31, 2002:

a) The issuance by FPLP of Class A limited partnership units and subordinated notes to the Fund (indirectly through FP Trust), representing a 46.67% interest in the distributable cash of FPLP and the reimbursement of offering costs by FPLP to the Fund of $4,144,000.

b) The use by FPLP of proceeds from the issuance of Class A limited partnership units and subordinated notes to the Fund to reduce the term credit facility by $40.4 million.

c) The use by FPLP of proceeds from the issuance of Class A limited partnership units and subordinated notes to the Fund to return partner's capital contribution of $21,195,000.

The pro forma statement of operations of FPLP for the year ended December 31, 2001, which is based on the statement of operation of the Manitoba Newspapers Operation has been prepared to give effect to the acquisition by FPLP of the Manitoba Newspapers Operation as if it had been completed on January 1, 2001. The statement of operations of the Manitoba Newspapers Operation includes the operating results for the year ended December 31, 2001.

d) The elimination of existing depreciation of property, plant and equipment and amortization of goodwill, which was based on the historical cost of these assets.

e) The inclusion of depreciation related to property, plant and equipment based on the fair value of these assets on November 29, 2001, the date of their acquisition by FPLP.

f) The inclusion of amortization related to intangible assets based on the fair value of these assets on November 29, 2001, the date of their acquisition by FPLP.

g) Inclusion of interest costs related to the term credit facility. The adjustment assumes an annual interest rate of 5.13%.

h) The inclusion of amortization related to financing costs related to the term credit facility finalized by FPLP in January 2002 over three years; and the amortization of the offering costs reimbursed by FPLP to the Fund over ten years.

i) The inclusion of interest related to the subordinated notes at their stated interest rate of 11.5%.

The pro forma statement of operations of FPLP for the twelve months ended March 31, 2002, which is based on the statement of operations of the Manitoba Newspapers Operation has been prepared to give effect to the acquisition by FPLP of the Manitoba Newspapers Operation as if it had been completed on April 1, 2001. The statement of operations of the Manitoba Newspapers

(Tabular amounts in thousands of dollars)

5. INVESTMENT IN FPLP (continued)

Operation includes the operating results for the twelve months ended March 31, 2002. The pro forma statement of operations of FPLP was determined as follows:

	Year ended December 31 2001	Three months ended March 31 2002	Three months ended March 31 2001	Twelve months ended March 31 2002
Statement of operations:				
Revenue	$ 97,339	$ 23,610	$ 23,028	$ 97,921
Operating expenses, including selling, general and administration expenses	(74,382)	(18,471)	(18,507)	(74,346)
Operating income before depreciation and amortization	22,957	5,139	4,521	23,575
Depreciation of property, plant and equipment	(5,270)	(1,049)	(1,334)	(4,985)
Amortization of goodwill and intangible assets	(226)	(90)	(57)	(259)
Operating income	17,461	4,000	3,130	18,331
Interest on term credit facility	—	(1,217)	—	(1,217)
Amortization of finance costs	—	(145)	—	(145)
Interest income	—	8	—	8
Net income for the period	17,461	2,646	3,130	16,977
Capital expenditure information:				
Purchases of property, plant and equipment	930	223	169	984

j) The elimination of existing depreciation of property, plant and equipment and amortization of goodwill, which was based on the historical cost of these assets.

k) The inclusion of depreciation related to property, plant and equipment based on the fair value of these assets on November 29, 2001, the date of their acquisition by FPLP.

l) The inclusion of amortization related to intangible assets based on the fair value of these assets on November 29, 2001, the date of their acquisition by FPLP.

m) Inclusion of interest costs related to the term credit facility. The adjustment assumes an annual interest rate of 5.13%.

n) The inclusion of amortization related to financing costs related to the term credit facility finalized by FPLP in January 2002 over three years; and the amortization of the offering costs reimbursed by FPLP to the Fund over ten years.

o) The inclusion of interest related to the subordinated notes at their stated interest rate of 11.5%.

CERTIFICATE OF THE FUND AND THE PROMOTERS

Date: May 16, 2002

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations under those acts. This prospectus, as required by the *Securities Act* (Quebec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

FP NEWSPAPERS INCOME FUND
by its attorney: FPCN GENERAL PARTNER INC.

(Signed) RONALD N. STERN
Chairman

(Signed) DANIEL M. KOSHOWSKI
Chief Financial Officer

on behalf of the Board of Directors of FPCN General Partner Inc.

(Signed) ROBERT I. SILVER
Director

(Signed) H. RUDOLPH REDEKOP
Director

The Promoters

CANSTAR PUBLICATIONS LTD.

(Signed) RONALD N. STERN
President

R.I.S. MEDIA LTD.

(Signed) ROBERT I. SILVER
President

CERTIFICATE OF THE UNDERWRITERS

Date: May 16, 2002

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations under those acts. To our knowledge, this prospectus, as required by the *Securities Act* (Quebec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

TD Securities Inc.	BMO Nesbitt Burns Inc.	RBC Dominion Securities Inc.
By: (Signed) Denys Calvin	By: (Signed) Jeffrey P. Watchorn	By: (Signed) J. Craig Dudra

CIBC World Markets Inc.

By: (Signed) Benoit Lauzé

National Bank Financial Inc.

By: (Signed) Scot Martin

Wellington West Capital Inc.

By: (Signed) Kevin Hooke