

December 21, 2015

Andrew J. Hatnay
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Via Regular Mail

Dear Sir/Madam:

**Re: Hollinger Canadian Publishing Holdings Co. ("HCPH")
Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA")
Our File No. 09/1867**

We are writing further to our letter to all retirees of March 4, 2015 to report on the status of this matter.

- 1) We are pleased to report that HCPH will be paying a third and final distribution to all eligible creditors of HCPH, which are predominantly retirees with OPEB claims. The distribution is expected to be released before the end of December, 2015. As you are aware, the second distribution was paid by HCPH in March/April 2015. Since that time, the company has been working to finalize corporate tax and other administrative matters that needed to be addressed prior to being able to determine the amount of remaining funds available for a final distribution. We have been in touch with the company on a regular basis to address the remaining issues so that the final distribution could proceed. The final distribution is expected to be approximately 2.6 cents on the dollar of claim amounts that have been "grossed-up" (i.e., increased) to take into account the impact of income tax. The third distribution will bring the total distribution paid by HCPH to creditors in its CCAA proceeding to approximately 21-22 cents on the dollar (comprised of the 7 cents/dollar distribution in June 2014; the 12-13 cents/dollar distribution in March 2015, and the third and final 2.6 cent/dollar distribution in December 2015).

Pursuant to the January 30, 2015 court order which approved the company proceeding with a final distribution, due to the administrative costs to HCPH associated with the preparation of any distribution, eligible retirees will only receive a cheque if an OPEB claim generates a cheque of \$10 or more to the retiree.

Tax slips will be mailed to you by HCPH under separate cover and are expected in early 2016.

- 2) As we previously reported in our other letters, we were also successful obtaining the continuation of full payment of pension benefits to all HCPH pension plan members and their beneficiaries without any reduction. We believe that the payment of the total distribution of 21-22 cents/dollar with respect to OPEB claims results in a favourable outcome overall for all retirees in HCPH's insolvency proceedings.
- 3) As we reported in our letter to all retirees dated December 22, 2014, we were successful in obtaining an Advance Tax Ruling from Canada Revenue Agency ("CRA") on December 9, 2014 which held that distributions paid by HCPH in respect of retirees' health benefit claims are not taxable. As a result, retirees with a health benefit claim can recover the tax withheld by HCPH in respect of the distribution based on their health benefit claim. Affected retirees should include a copy of the Advance Tax Ruling with their income tax returns for tax year 2015 to claim back the tax withheld by HCPH from the distribution cheque.

A copy of the Advance Tax Ruling was provided to you as an enclosure to our letter dated December 22, 2014. In addition, we sent a letter on March 26, 2015 with further instructions explaining how to file your tax return to ensure that the Advance Tax Ruling will be correctly applied by CRA for your tax return. If you require another copy of our March 26, 2015 letter and the Advance Tax Ruling, they can be downloaded from our firm website for HCPH retirees at the following addresses:

- a) March 26, 2015 Letter:
http://kmlaw.ca/wp-content/uploads/2015/07/HCPH_letter_26mar15.pdf
- b) Advance Tax Ruling:
<http://kmlaw.ca/wp-content/uploads/2010/05/Advanced-Income-Tax-Ruling-English.pdf>

If you do not have internet access, please call us at 1-866-545-9917 and we can mail you copies.

Please ensure that you keep a copy of the cheque stub from HCPH in December, 2015 and the one you received from HCPH with respect to your March/April 2015 distribution in order to be able to complete your income tax return, as we explained in our March 26, 2015 Letter. If you do not have your March 2015 cheque stub, please contact us and we will arrange for a replacement to be sent to you.

If you have any questions with respect to the above or any other issue relating to the HCPH CCAA proceeding, please contact our toll-free hotline at 1-866-545-9917 or email us at hcp@kmlaw.ca.

We expect to send a final letter to all retirees once the CCAA proceeding is terminated.

We trust the above is satisfactory. We wish you the best for the holiday season and for 2016.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay

AJH/vdl

cc. HCPH Client Committee (John Craig, Bill Mann, Gordon Bullock, Fraser Kean, Ross Morrison and Fred Granville)
Barbara Walancik, *Koskie Minsky LLP*
Natercia McLellan, *Koskie Minsky LLP*