KOSKIE
MINSKY LLP
BARRISTERS & SOLICITORS

June 30, 2011

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")
Re: Notice of Upcoming Changes to HCPH Benefits
Our File No.: 09/1867

We are writing further to our correspondence of February 17, 2011 to update you on the status of HCPH's CCAA proceedings and our negotiations with HCPH to settle your pension and health benefits coverage provided by HCPH as HCPH winds down.

Please review this letter carefully, as it contains important information about the changes you will experience and what you can expect in the coming months.

The information contained in this letter is based on the current intention of HCPH to formulate a restructuring plan (the "CCAA Plan") while it is under CCAA protection. Generally, the HCPH CCAA Plan currently being prepared is expected to see the distribution of all company assets to its creditors including retirees.

The HCPH CCAA Plan will be subject to the approval of the majority of HCPH creditors at a vote to be held at an upcoming creditors meeting. If the Plan is approved by the creditors at the creditors meeting, the company will then bring a motion before the Court for approval of the CCAA Plan by the Court. If the Court approves the Plan, it can then be implemented.

A. HCPH Registered Pension Plans

As described in our correspondence to you dated February 17, 2011, (as well as in the pension plan Wind-Up Notices sent by HCPH in December, 2010), the Ontario Superior Court of Justice (Commercial List) approved the winding up of HCPH's registered pension plans with a wind up date as of December 31, 2010. HCPH sponsors five registered pension plans:

1. Hollinger Canadian Publishing Holdings Co. Retirement Plan (formerly the Southam Pension Plan) (this plan is registered in Ontario);

2. Hollinger Canadian Publishing Holdings Co., Windsor Star Employees' Pension Plan (this plan is registered in Ontario);

3. Hollinger Canadian Publishing Holdings Co. Pension Plan for the Employees of Newspapers formerly owned by Thomson Newspapers (this plan is registered in Ontario);

4. Sterling Newspaper Company Pension Plan for Employees of Newspapers formerly owned by Thomson Newspapers (this plan is registered in Ontario); and

5. Hollinger Canadian Publishing Holdings Co. Plan for Employees of Newspapers formerly owned by Sterling Newspapers (this plan is registered in British Columbia).

As explained in our February 17, 2011 correspondence, the wind up process for a registered pension plan is primarily regulated by provincial laws. HCPH's actuary (Mercer) has prepared wind up reports for each of the above registered pension plans, which HCPH has filed with the Ontario Superintendent of Financial Services and, for the Sterling Plan, the British Columbia Superintendent of Pensions. Those regulators are currently reviewing the wind-up reports.

The wind-up reports for the HCPH Plan and the Windsor Star Plan (pension plans #1 and #2 above) indicate that there are surplus assets in those plans. This means that there are expected to be more than sufficient assets in those pension plans to pay all the required pension benefits to the Plans' members. We will provide separate correspondence to the members of those plans with the proposed treatment of the surplus assets on wind up in due course.

On the other hand, the wind-up reports for the Thomson Newspapers, Sterling and former Sterling plans (pension plans #3, #4 and #5 above) indicate that these plans each have a deficit. This means that there are insufficient funds in these plans to pay the full level of pension benefits to all members on their wind up.

We have discussed the problem of the wind-up deficits in the three above-noted plans at length with the company and Monitor. We are pleased to report that we expect that the CCAA Plan will stipulate that the HCPH pension plans with a wind up deficit will receive a priority recovery of the entire wind up deficit amount from HCPH ahead of the claims of other creditors (subject to any statutory priorities). This means that these plans are expected to be fully funded on wind up and that the members of these plans will not experience any reduction to their monthly registered pension benefits if the HCPH CCAA Plan is approved by creditors and the Court.

As part of the wind up process there will be administrative changes to the delivery of your registered pension benefits. As HCPH will no longer be administering the pension plans after completion of the wind-ups, an annuity will be purchased for each pensioner from an insurance company from each respective pension plan's assets. The annuity will operate to replace the monthly pension benefits currently paid from the pension fund.

You will receive documentation explaining the next steps for the wind up process in due course. In the meantime, payment of your monthly registered pension benefits should continue uninterrupted and unchanged.

B. Health, Dental and Life Insurance Benefits – Unsecured Claims

Health, dental and/or life insurance coverage currently provided by HCPH through Manulife or another insurance company will stop effective as of **August 31, 2011**. All health and dental expenses that you incur up to that date must be submitted for reimbursement to Manulife or other applicable insurance carrier by **Friday, September 30, 2011**.

Please be aware that any expenses that you submit after that date **will not be processed** for reimbursement.

As the HCPH health, dental and life insurance benefit plans are primarily unfunded arrangements, the claim for the loss to you of these benefits is an unsecured claim against the company. The treatment of these claims is discussed below in the section entitled "Payment of Unsecured Claims".

Optional Private Health Coverage from Manulife

We are pleased to report that our firm, along with our actuarial advisors (The Segal Company), negotiated arrangements with Manulife for Manulife to offer for purchase alternative health and dental benefit coverage to all HCPH plan members who are losing their group coverage as of August 31, 2011. In addition, for those who meet the Manulife eligibility requirements, a life insurance option will be made available by Manulife.

Manulife will offer options that will allow you to tailor their coverage offerings to your needs. All their options offer value for the cost, and based on our research and the advice from our consultants at Segal, we believe that the Manulife offerings are advantageous when compared with similar coverage possibilities with other vendors. Of particular importance is that the optional coverage is not to be contingent upon medical underwriting during the period commencing from receipt of the package from Manulife to November 1, 2011.

This coverage is optional and is a separate arrangement you can make with Manulife. It is not part of the HCPH CCAA Plan. If you choose to purchase the Manulife optional coverage, you will be required to pay premiums directly to Manulife yourself.

If you have current coverage through HCPH: Manulife will send an information package to each individual in August, 2011 outlining the terms of their optional coverage for purchase, premium costs and enrolment options. Manulife will also set up a toll-free hotline for HCPH retirees which you will be able to use if you have any questions about eligibility or enrolment. The Manulife offer will be open for only 60 days, and you must enrol by **November 1, 2011**.

If you choose to enrol in the Manulife optional coverage **prior** to August 31, 2011, the date HCPH coverage will terminate, you should experience no break in medical coverage. If you enrol between September 1, 2011 and November 1, 2011, you may select a coverage start date of September 1, October 1 or November 1, 2011. Please watch for the package from Manulife which you should receive in August, 2011.

If you do not have current coverage through HCPH: If you do not have current health, dental and/or life insurance coverage from HCPH, you will not be eligible for the optional Manulife coverage outlined above. However, we are advised that Manulife will be offering for purchase alternate coverage in a package to be mailed to these retirees in August, 2011. Please watch for the package from Manulife which you should receive in August, 2011.

All inquiries should be directed to Manulife through their contact information including the toll-free telephone number they have established exclusively for the use of HCPH plan members. The toll-free number will be included in the letter to you from Manulife.

C. Southam Executive Retirement Agreement ("SERA") and Divisional Top-Up Payments – Unsecured Claims

Effective August 31, 2011, HCPH will stop paying supplemental pension benefits from its unregistered pension arrangements such as SERA and the divisional allowance top-ups. Members of these plans will receive their last benefit payment in August 2011.

As these are also unfunded arrangements, the claim for the loss to you of these benefits is an unsecured claim against the company. The treatment of these claims is discussed below.

Payment of Unsecured Claims

HCPH's actuary (Mercer), in consultation with our actuary (Segal Company) will calculate claims for each HCPH retiree whose HCPH health benefits and/or supplemental pension plans will be terminating. These claims will be submitted to the company for payment from the assets of the company pursuant to the HCPH CCAA Plan. It is expected that the retirees' claims in this regard will be paid on a pro rata basis at the same rate as HCPH's other unsecured creditors. Given that there are also claims being advanced by other creditors of HCPH, the distribution rate for unsecured creditors of HCPH is not yet known. We are in regular dialogue with the Company and the Monitor on this aspect and will report more information as soon as it is available.

We are working towards a cash distribution from HCPH to eligible retirees as soon as possible. However, it is expected that there will be a lag period of several months or more between the termination of the health benefits and supplemental pension benefits on August 31, 2011 and the distribution to retirees pursuant to the HCPH CCAA Plan.

D. Employees on Long-Term Disability

Disabled employees who are in receipt of long-term disability ("LTD") benefits from HCPH will receive a separate letter to outline how those benefits will be treated and what can be expected in the future. In the meantime, LTD benefits will continue to be paid without interruption.

Address Changes

It is important that we have your current address. If you have a change of address please write, e-mail or fax our office. Our fax number is 416-204-2897. Our address is 20 Queen Street West, Suite 900, Toronto, Ontario M5H 3R3 (Attention: Communications Department). For security reasons, we cannot take address changes over the telephone.

If you have any questions or concerns, please contact us at the following coordinates:

Email: hcph@kmlaw.ca
Hotline: 1.866.545.9917

Please also visit our firm's website at www.kmlaw.ca where we post updates on the HCPH CCAA proceedings on a periodic basis.

We trust the above is helpful in explaining the process of winding down the HCPH pension and benefit plans. If you have any questions, please do not hesitate to contact us.

Yours truly,

KOSKIE MINSKY LLP

Andrew J. Hatnay
AJH:jc

cc: HCPH Client Committee (Gordon Bullock, John Craig, Fraser Kean, Bill Mann, Ross Morrison and Fred Granville)
Andrea McKinnon, Anthony Guindon and Michelle Landy-Shavim, *Koskie Minsky LLP*