

May 2, 2013

Andrew J. Hatnay
ahatnay@kmlaw.ca

PRIVATE AND CONFIDENTIAL

Via Regular Mail

Dear Sir/Madam:

- Re: Hollinger Canadian Publishing Holdings Co. (“HCPH”)
Proceedings under the *Companies’ Creditors Arrangement Act* (“CCAA”)**
- Re: Deferred vested members and members with frozen pension benefits in an
HCPH pension plan
Our File No. 09/1867**

We are writing with reference to our letter of March 14, 2013 which we sent to all HCPH retirees, deferred vested pension plan members and pension plan members who have “frozen” pension benefit in a pension plan sponsored by HCPH. We collectively refer to all such individuals in our correspondence as “retirees”. However, we are aware that our HCPH client group includes individuals who have not formerly retired and are not receiving pension benefits, yet have an interest in an HCPH pension plan.

You are receiving this letter because you have been identified to us as an individual who has a deferred vested pension benefit or a past frozen benefit in a pension plan sponsored by HCPH.

We have recently received inquiries, particularly from individuals who have frozen pension benefits, asking when the transfer of the commuted value of their frozen benefit from an HCPH pension plan will be completed. We are writing to respond to those inquiries.

In our letter dated March 14, 2013, we explained that a problem arose in December 2012 when HCPH’s actuary (Mercer) received annuity prices from life insurance companies. Mercer reported at that time that the cost it had estimated that would be required to fully fund the deficits in HCPH’s pension plans in order to continue full payment of pension benefits (i.e., without a reduction) had significantly increased from the cost it had initially estimated. The higher cost meant that HCPH did not have enough cash to purchase annuities based on the December 2012 annuity prices to continue the payment of pension benefits at full amounts and furthermore, that there would not be any cash left for HCPH to be able to make a distribution on the OPEB claims of retirees.

Given the change in financial circumstances, on December 12, 2012, HCPH sought directions from the court with respect to the pension plan wind up process, including a request that the

court approve the suspension of the pension plan wind up process (with the exception of the Windsor Star Plan) pending further direction of the court. On the instructions of our client committee, we consented to the issuance of that court order which was issued by the CCAA Judge on December 12, 2012.

We also explained in our letter of March 14, 2013 that we are working on a proposed amendment to the HCPH CCAA Plan of Compromise that would take into account the new financial funding situation reported by Mercer in December 2012. Our objective as Representative Counsel to all HCPH retirees and pension plan members is to secure full payment of your pension benefits, including full payment of your commuted value transfers, as well as to enable a distribution to retirees on their OPEB claims. The proposed amendment seeks to preserve the full payment of all pension benefits and leave some cash available for a distribution on retirees' OPEB claims. We are continuing to work on that proposal with HCPH and the Monitor.

In the interim, we understand that a number of you completed Option Forms electing to transfer the commuted value of your pension out of your HCPH pension plan as part of the pension plan wind up process. As the December 12, 2012 court order suspended the wind up process, the transfer of your commuted value in its full amount is also currently suspended. We understand that this is concerning to you at this time, however, we ask you to note the following:

1. If the transfer requests were to proceed further at this time, we expect that you would not be able to receive the full commuted value of your pension. This is because when the Option Forms were sent to you as part of the wind up process, it was on the basis that there was sufficient cash available in the pension plans and HCPH assets to be able to fully fund the deficits in the pension plans so that pension benefits could continue to be paid in full without reduction, and that all commuted value transfers could be made in their full amounts. However, given the change in financial circumstances reported in December 2012, any commuted value transfers at this time, if they were to proceed, would not be able to be transferred in the full amount of the value of your pension benefit and you would only be able to receive a reduced commuted value.
2. While we continue work on the proposal to amend the CCAA Plan of Compromise that we explained in our March 14, 2013 letter, we are also working with HCPH to obtain the most favorable annuity pricing from insurance companies with the hope that HCPH could purchase annuities that will pay full pension benefits and also be able to make a meaningful cash distribution on retirees' OPEB claims. We are currently in discussions with HCPH on this option. We have had preliminary indications that annuity pricing may be more favorable at this time than the prices that were obtained in December 2012. If better annuity pricing can be confirmed, there is a possibility that annuities could be purchased to pay full pension benefits and leave cash to make a distribution to OPEB claimants. If this option can proceed, we expect that the suspension of the pension wind up process would be lifted and your transfer requests could proceed. The possibility of moving forward with this option will be better known over the next few weeks. We will advise as soon as further information is available.

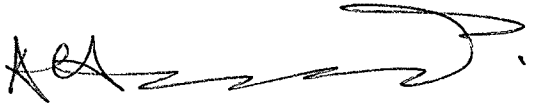
Accordingly, given the current court-ordered suspension of the wind up process pending further order of the Court, commuted value transfers cannot proceed further for the time being.

We understand many of you wish to proceed with the transfer of your benefits, particularly those individuals with frozen past benefits who were unable to transfer those benefits in the past before the HCPH CCAA proceedings. We will continue to work toward a resolution of this situation as soon as possible.

We hope this responds to your inquiries at this time. Should you have further questions, please do not hesitate to contact the undersigned.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay
AJH:jc

cc: Susan Seller and Raj Sahni, *Bennett Jones LLP*
Alex Morrison, *Ernst & Young (the Monitor)*
James Gage, *McCarthy Tetrault LLP (Counsel to Morneau)*
Deborah McPhail, *Senior counsel, Ontario Superintendent of Financial Services*
HCPH Client Committee (Gordon Bullock, John Craig, Fraser Kean, Bill Mann, Ross Morrison and Fred Granville)
Barbara Walancik and Anthony Guindon, *Koskie Minsky LLP*