

August 29, 2013

Andrew J. Hatnay
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PRIVATE AND CONFIDENTIAL

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 of March 14, 2013 and recent telephone and email discussions we have had with many of you since that letter.

In the time period following our letter, we, along with HCPH and the Monitor, had negotiations and meetings with a number of insurance companies to obtain better annuity pricing for the potential purchase of annuities that would continue the payment of pension benefits payable from the HCPH pension plans (other than the Windsor Star Plan, whose wind-up is well underway) once those plans have been wound up.

We are very pleased to report that a favorable arrangement has been negotiated with BMO Insurance. BMO Insurance agreed to provide annuity contracts that will continue the full payment of pension benefits (i.e., without any reduction to pension benefits) for all members of the HCPH pension plans. We, along with HCPH and the Monitor, negotiated an annuity price with BMO Insurance for an amount that can be paid with cash from current HCPH pension plan assets, plus some cash from HCPH, that will leave HCPH with sufficient cash to be able to make a meaningful cash distribution on retirees' OPEB claims.

We recommended to the Client Committee that annuity purchases with BMO Insurance are in the best interest of the plan members and the annuity purchase should proceed. The Client Committee agreed. Accordingly, we, along with HCPH and the Monitor, informed the court on June 19, 2013 that the company has re-started the pension plan wind up process and the court approved. The alternate proposal to deal with the underfunded HCPH pension plans that was described in our letter of March 14, 2013 will therefore not be proceeding.

We believe that this is an excellent result for all retirees of HCPH in the circumstances of HCPH's insolvency, and in particular, an excellent result for retirees who have OPEB claims. Those retirees will now receive a distribution on their OPEB claims.

We are advised that HCPH has contributed the necessary cash to the remaining HCPH pension plans to fund the wind-up deficits in those plans and permit the annuity purchase with BMO Financial to proceed on June 19, 2013. The payment of commuted value transfers and excess contribution refunds to affected pension plan members were made by HCPH in July, 2013. The excess contribution refunds were paid with interest to the beginning of the month in which payment was made in accordance with applicable pension legislation, and are described in the wind up statements provided to the affected members by HCPH.

Effective as of October 1, 2013, BMO Insurance will assume full responsibility for pension benefit payments payable under the HCPH plans (September 30, 2013 in the case of the Sterling Plan, because this plan pays benefits to the members at the end of each month, instead of at the more common the beginning of each month).

The company has advised us that the pension wind-up process for the remaining HCPH pension plans should be largely completed by the end of 2013. The company has also advised that it is having discussions with Canada Revenue Agency with respect to resolving certain corporate tax matters so that HCPH can make a distribution on retirees' OPEB claims. We will update you on the expected timing for the OPEB distributions once those discussions are concluded. We are also investigating obtaining tax relief for retirees in respect of the OPEB distribution.

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

Hotline: 1-866-545-9917

Email: hcph@kmlaw.ca

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 Monitor)*
Deborah McPhail, *Senior Counsel, Financial Services Commissions of Ontario*
HCPH Client Committee (Gordon Bullock, John Craig, Fraser Kean, Bill Mann, Ross Morrison and Fred Granville)
Barbara Walancik and James Harnum, *Koskie Minsky LLP*