

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF  
HOLLINGER CANADIAN PUBLISHING HOLDINGS CO.

Applicant

SECOND REPORT OF THE MONITOR  
DATED APRIL 14, 2010

INTRODUCTION

1. On December 10, 2009 Hollinger Canadian Publishing Holdings Co. (“**HCPH**” or the “**Applicant**”) filed for and obtained protection under the *Companies' Creditors Arrangement Act* (“**CCAA**”). Pursuant to the Order of this Honourable Court dated December 10, 2009 (the “**Initial Order**”), Ernst & Young Inc. (“**EYI**”) was appointed as the Monitor of the Applicant (the “**Monitor**”) in the CCAA proceeding. The Initial Order also appointed Mr. Dennis Byrd as the Chief Restructuring Officer (the “**CRO**”) of the Applicant and appointed the law firm of Koskie Minsky LLP as representative counsel (the “**Representative Counsel**”) to act on behalf of all plan members in respect of issues arising from HCPH’s CCAA proceedings that affect the post-employment and post-retirement benefits, other than registered pension plan benefits, of plan members. The Initial Order provided for a stay of proceedings through to January 8, 2010. The stay of proceedings was subsequently extended to April 15, 2010 (the “**Stay Period**”) pursuant to an Order of this Honourable Court dated January 6, 2010.

PURPOSE

2. The purpose of this Second Report of the Monitor (the “**Second Report**”) is to report to this Honourable Court with respect to:

- i) the status of the “Opt-Out” notices received by the Monitor;
- ii) the Applicant’s motion for an Order:
  - a. permitting the Applicant to make certain payments to certain members of registered and unfunded pension plans;
  - b. authorizing the Applicant to conduct a survey to update its information with respect to its former employees and retirees (the “**Retiree Audit Survey Process**”);
  - c. authorizing and directing the Applicant to not file an updated cost certificate and to not commence any employer contributions in respect of one of the registered pension plans;
  - d. authorizing the Applicant to conduct a claims process (the “**Claims Procedure**”) to identify claims other than pension and benefit claims;
  - e. directing the Royal Bank of Canada (“**RBC**”) and the Bank of Montreal (“**BMO**”) to release certain monies to HCPH, currently held in dormant bank accounts at each of these banks for the benefit of the Applicant, under a predecessor name; and
  - f. directing the Applicant to not take any action with respect to an appeal before the Alberta Court of Appeal in certain litigation related to 783783 Alberta Ltd. Carrying on business as Vue Weekly (“**Vue Weekly**”);
- iii) actual receipts and disbursements of the Applicant from December 29, 2009 to April 4, 2010 as well as the Applicant’s revised cash flow projection from April 4, 2010 to August 22, 2010; and
- iv) the motion by the Applicant to extend the Stay Period to August 16, 2010.

### **TERMS OF REFERENCE**

- 3. In preparing this Second Report, EYI has been provided with and in making the comments herein relied upon, unaudited financial information, the Applicant’s books and records, financial information prepared by the Applicant, and discussions with

management of the Applicant. EYI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, EYI expresses no opinion or other form of assurance in respect of such information contained in this Second Report. Some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants (“CICA”) Handbook, has not been performed. Future oriented financial information referred to in this report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

4. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.
5. Capitalized terms not defined in this Second Report are defined in the Initial Order or previous reports of the Monitor.

## **BACKGROUND**

6. HCPH is a wholly owned direct and indirect subsidiary of Sun-Times Media Group Inc. (“STMG”). STMG is currently in Chapter 11 proceedings and on October 26, 2009, substantially all of STMG’s U.S. assets were sold. Following this sale, STMG has begun the process of liquidation in accordance with U.S. bankruptcy law procedures.
7. Several years ago, HCPH sold its various newspaper businesses and, for some period of time, it has had no ongoing business activity. The ongoing operation of HCPH consists primarily of the administration of two unfunded retirement plans and certain other post-employment benefits plans (the “OPEBs”) and six registered pension plans (the “**Pension Plans**”) for in excess of 3,000 former employees.

## **STATUS OF THE “OPT-OUT NOTICES” RECEIVED BY THE MONITOR**

8. As required by the Initial Order, on December 18, 2009, the Monitor sent the notice

attached as Schedule “A” to the Initial Order (the “**Plan Member Notice**”) to all known members of the OPEBs and the Pension Plans (the “**Plan Members**”). The Plan Member Notice included information with respect to the toll-free number and the website address of the Monitor and the Representative Counsel.

9. As required pursuant to the Initial Order, the Plan Member Notice included an “Opt-Out Notice” (the “**Opt-Out Notice**”). The Opt-Out Notice was required to be signed and returned to the Monitor and the Representative Counsel by January 18, 2010 by any individual Plan Member who does not wish to be represented by the Representative Counsel.
10. As at January 18, 2010, the Monitor has received 18 signed Opt-Out Notices from Plan Members, of which 10 Opt-Out Notices were subsequently rescinded. As at the date of this Second Report, no Opt-Out Notices have been received by the Monitor after January 18, 2010.
11. As described in the First Report of the Monitor dated January 5, 2010 (the “**First Report**”) the Monitor established a toll-free telephone number to enable creditors and Plan Members in Canada and the U.S. to contact the Monitor to obtain additional information concerning the CCAA proceedings. In addition, the Monitor has also posted all public documents related to the CCAA proceedings on its website at [www.ey.com/ca/hcph](http://www.ey.com/ca/hcph).
12. To date, the Monitor has received approximately 370 calls on its toll free telephone number. These calls were primarily from Plan Members and related to questions with respect to the Plan Member Notice and the status of future payments pursuant to the OPEBs and Pension Plans as a result of the CCAA proceedings.

#### **PAYMENTS TO CERTAIN MEMBERS OF REGISTERED AND UNFUNDED PENSION PLANS**

13. As described in the First Report, the Initial Order required the Applicant together with any person or entities performing administrative or payment functions in respect of the OPEBs and the Pension Plans to continue to make such payments to the Plan Members as

prescribed by the terms of the Pension Plans and OPEBs (the “**Pension and Benefits Payments and Contributions**”). The Monitor is not aware of any interruption to such Pension and Benefits Payments and Contributions.

14. A number of situations have been identified since the commencement of the CCAA proceedings, whereby the Applicant requires the direction of this Honourable Court with respect to proposed payments from the Pension Plans to the beneficiaries of the Pension Plans. In particular, HCPH requests this Honourable Court to authorize the following:

- i) the return of contributions (including interest earned) made historically by certain former employees to the Pension Plans who are non-vested members of the registered pension plans of HCPH and who are entitled to the return of such payments pursuant to the terms of the respective pension plan and in accordance with provincial pension legislation. HCPH anticipates such payments to be relatively small and in the range of approximately \$2,000 to \$3,000;
- ii) retroactive payments by the Pension Plans in respect of missed pension payments to members of the Pension Plans and by HCPH with respect to members of unfunded pension plans who are entitled to such payments but were missed primarily due to inaccurate or outdated employee information or documents not returned by employees in a timely manner. HCPH anticipates such catch up payments to be in the range of approximately \$750 to \$30,000. The Monitor understands that there does not appear to be a clear requirement in pension legislation with respect to interest entitlements on such missed pension payments; therefore, subject to the direction of this Honourable Court, HCPH has determined that interest will not be paid on these missed payments as it could prejudice the remaining members of the Pension Plans. HCPH has commenced payments to such members since the date of the Initial Order; and
- iii) payment of the present value of pension benefits (“**Commuted Value**”) of a member’s pension in respect of Plan Members who are entitled to a Commuted Value payment where the amount of the Plan Members’ benefit does not exceed the statutory threshold permitted for such commutation of benefits (“**Small**

**Pensions Amounts**”) pursuant to the terms of the applicable pension plan and provincial pension legislation. HCPH intends to restrict payments of commuted values only to members with Small Pension Amounts. The request for the authorization for the payment of such Small Pension Amounts is primarily to assist HCPH with administrative efficiencies and reduce administrative costs related to paying monthly pension payments to Plan Members with Small Pension Amounts.

15. The Monitor is of the view that the proposed payments by the Pension Plans described in items i) and iii) above will assist HCPH in reducing its administrative issues and costs with respect to smaller value payments from the Pension Plans. The proposed payment in item ii) above relates primarily to catch up payments to Plan Members who are eligible to receive such payments and continue to receive these payments as of the date of the Initial Order and would continue to maintain the “status quo” as set out in the Initial Order.

#### **RETIREE AUDIT SURVEY PROCESS**

16. The Applicant has been advised by its actuary Mercer (Canada) Ltd. (“**Mercer**”) that HCPH’s records related to its former employees are outdated with respect to spousal information, former employees currently on a deferred status and the dates of the passing away of Plan Members. It is important that HCPH’s records be updated in order for Mercer to obtain accurate information to complete its valuation analysis of HCPH’s OPEB and Pension Plans. Further to the request from Mercer, HCPH with the assistance of the Monitor and in consultation with Mercer and Representative Counsel has drafted a questionnaire (the “**Personal Information Statement**”) that will be sent to all known OPEB and Pension Plan members subject to the approval of this Honourable Court. A copy of the draft Personal Information Statement is attached as Schedule A to the proposed Stay Extension Order attached to the Applicant’s motion record dated April 9, 2010 (the “**Stay Extension Order**”). The Monitor understands that the draft Personal Information Statement may be slightly revised by Representative Counsel.
17. The Retiree Audit Survey Process proposed by the Applicant contains the following key

elements:

- i) as soon as practicable after the issuance of the Stay Extension Order, HCPH will provide the Monitor with a complete list of Plan Members including all relevant information with respect to such Plan Members based on HCPH's records (the "**Known Plan Members**"). In order to compile the list of Known Plan Members, HCPH will obtain the assistance of Mercer and its other actuaries and service providers (the "**Third Party Service Providers**") who have information on HCPH's Plan Members;
- ii) within five days of receiving the list of Known Plan Members from HCPH, the Monitor shall send to each Known Plan Member a Personal Information Statement containing information obtained from HCPH's records. The Monitor will rely on the list of Known Plan Members provided by the Applicant as Plan Members entitled to receive the Personal Information Statement;
- iii) within five days of receiving the list of Known Plan Members, the Monitor will post a copy of the notice substantially in the form attached as Schedule "B" to the Stay Extension Order (the "**Retiree Survey Process Notice**") on its website and within ten days of receiving the Known Plan Member information, the Monitor will publish the Retiree Survey Process Notice for one business day in the national edition of the Globe and Mail newspaper. The purpose of the Retiree Survey Process Notice is primarily to alert Plan Members and former employees of the commencement of the Retiree Audit Survey Process and provide them with the contact information of the Monitor in order to receive a Personal Information Statement if they have not already received one;
- iv) any Known Plan Member who wishes to dispute any of the information set out in the Personal Information Statement or provide further information requested on the Personal Information Statement has until 5.00pm (Toronto time) on June 18, 2010 (the "**Retiree Audit Bar Date**") to provide such information to the Monitor. If a Known Plan Member does not file the completed Personal Information Statement by the Retiree Audit Bar Date, the Personal Information Statement sent

to the Known Plan Member will be deemed to be correct and may be relied upon by HCPH, the Monitor and Third Party Service Providers for OPEB and Pension Plan valuation purposes and for determining entitlements and potential claims of the Known Plan Members, and such Known Plan Members will be barred from asserting any additional claim or entitlement against HCPH in relation to the OPEBs or Pension Plans;

- v) in addition, any person who does not receive a Personal Information Statement and believes he or she is a Plan Member may obtain a copy of the Personal Information Statement by contacting the Monitor and file the completed Personal Information Statement by the Retiree Audit Bar Date. If such person does not file the completed Personal Information Statement by the Retiree Audit Bar Date and such person is a Plan Member according to the records of HCPH, the records of HCPH will be deemed correct and the person will be barred from asserting any other claim in relation to the OPEBs or Pension Plans; and if such person is not a Plan Member based on the records of HCPH, then such person shall be forever barred from asserting any claim or entitlement against HCPH in relation to the OPEBs or Pension Plans and shall not be entitled to any further notice or to participate as a Plan Member in these CCAA proceedings; and
- vi) HCPH, with the assistance of the Monitor will review all Personal Information Statements returned to the Monitor and verify the information set out therein. HCPH or the Monitor may request additional information and attempt to resolve discrepancies with the Plan Members and may apply to this Honourable Court for resolution of such discrepancies or further directions.

- 18. The Monitor is of the view that the Retiree Audit Survey Process is necessary for HCPH to obtain updated records that will be useful to Mercer to complete its valuation analysis as well as assist HCPH and the Monitor to analyse possible restructuring alternatives.
- 19. The Monitor shall report to this Honourable Court regarding the outcome of the Retiree Audit Survey Process particularly the signed Personal Information Statements returned to the Monitor and the general nature of the discrepancies noted.



## **UPDATED COST CERTIFICATE AND EMPLOYER CONTRIBUTIONS WITH RESPECT TO THE HCPH RETIREMENT PLAN**

20. As described above, Mercer has requested HCPH to update its records with respect to its former employees in order to obtain accurate information for its valuation analysis of the OPEBs and Pension Plans. Accordingly, HCPH is proposing to conduct the Retiree Audit Survey Process as described above. As discussed in the April 9 Byrd Affidavit, at this stage, Mercer does not have the information it needs to prepare an actuarial cost certificate for the main Pension Plan of HCPH (“the **HCPH Retirement Plan**”), which is required to be filed with the Superintendent of Financial Services by March 31, 2010 demonstrating that the HCPH Retirement Plan has sufficient funding excess to pay all or a portion of the normal cost for the year (the “**Cost Certificate**”). The Monitor understands that based on applicable pension legislation, if such Cost Certificate is not filed, this may trigger a requirement that HCPH cease taking contribution holidays and resume current service contributions with respect to the HCPH Retirement Plan. HCPH believes it is likely that the liabilities of the HCPH Retirement Plan may be materially affected by the Retiree Audit Survey Process due to the higher number of Plan Members in the HCPH Retirement Plan who are currently on a deferred status and may have since retired and are eligible to receive pension payments.
21. Historically, the HCPH Retirement Plan has generally been in a surplus position, and HCPH was not required to make employee contributions with respect to this Pension Plan. Since HCPH and Mercer do not have up to date information to prepare a Cost Certificate pending the completion of the Retiree Audit Survey Process described above, HCPH is requesting that this Honourable Court authorize HCPH not to file an updated cost certificate and not to commence making any employer contributions with respect to the HCPH Retirement Plan at this stage. This is consistent with maintaining the “status quo” nature of pension and benefit payments.

### **CLAIMS PROCEDURE**

22. The Claims Procedure proposed by the Applicant is to be administered by the Monitor and the Applicant in consultation with the CRO.

23. The purpose of the Claims Procedure as set out in the motion record of the Applicant dated April 9, 2010 is to identify any creditor claims other than claims in respect of the OPEB and Pension Plans and claims secured by charges in the Initial Order or and any further charge ordered by this Honourable Court (“**Excluded Claim**”).
24. The Claims Procedure proposed by the Applicant contains the following key elements:
- i) HCPH will provide the Monitor with a list of creditors who according to the Applicant’s records may be owed amounts as at December 10, 2010 (the “**Filing Date**”) or a Restructuring Claim (as defined in the draft claims procedure order (the “**Claims Procedure Order**”) attached to the motion record of the Applicant dated April 9, 2010) with the exception of an Excluded Claim (the “**Known Creditors**”);
  - ii) within five days of the receipt of the above information from HCPH, the Monitor shall send a claims package including a copy of an instruction letter and a proof of claim form and other information as determine by the Applicant in consultation with the Monitor (the “**Claims Package**”) to all Known Creditors identified by HCPH. The Monitor shall rely on the list of Known Creditors provided by HCPH as creditors entitled to receive the Claims Package;
  - iii) within five days of receiving the list of Known Creditors, the Monitor will post a copy of the notice substantially in the form attached as Schedule “A” to the Claims Procedure Order (the “**Notice to Creditors**”) on its website and within ten days of receiving the Known Creditors information, the Monitor will publish the Notice to Creditors for one business day in the national edition of the Globe and Mail newspaper;
  - iv) the Monitor shall provide a copy of the Claims Package to any person requesting such materials or any person who believes they have a Restructuring Claim or to any person the Monitor believes could likely have a Restructuring Claim as a result of any action taken by the Applicant or the CRO;
  - v) any creditor asserting a claim, including a Restructuring Claim arising prior to

May 15, 2010 is required to do so by delivering a proof of claim to the Monitor by 5.00pm (Toronto time) on June 18, 2010 (the “**Claims Bar Date**”). Any creditor asserting a Restructuring Claim arising after May 15, 2010 will be required to do so by a date determined by a future order of this Honourable Court (the “**Restructuring Claims Bar Date**”);

- vi) the claims of any creditor who does not deliver a proof of claim to the Monitor by the Claims Bar Date or the Restructuring Claims Bar Date as applicable shall be forever extinguished and barred;
- vii) as HCPH does not anticipate receiving a large number of claims, a relatively streamlined process is proposed to deal with the revision and disallowance and appeals of claims. As such, if the Applicant or the Monitor dispute the amount of a claim filed by a creditor, the Applicant and the Monitor may request additional evidence from the creditor to attempt to resolve the claim, establish a procedure for the resolution of such claim or apply to this Honourable Court for either a determination of such claim or further direction of this Honourable Court with respect to such claim; and
- viii) no claim will be accepted unless notice of acceptance of such claim is delivered to the applicable creditor in writing by the Monitor and the Applicant or ordered by this Honourable Court.

25. The Monitor is of the view that the Applicant’s decision to proceed with the Claims Procedure is appropriate and allows the Applicant to quantify and determine claims against HCPH. The proposed process and form of notice provided for in the Claims Procedure is reasonable and provides adequate time to creditors to file a claim. It is anticipated that, given the likely small number of claims, that the timeline and process proposed in the Claims Procedure should allow for an appropriate review of the claims submitted to the Monitor by the Claims Bar Date.

26. The Monitor shall consult with the CRO and report to this Honourable Court regarding the outcome of the Claims Procedure including a summary of the number and value of

the proofs of claim received, the claims resolved, the claims accepted and the process to determine claims that are not resolved.

### **RELEASE OF CERTAIN MONIES HELD BY RBC AND BMO**

27. As discussed in the April 9 Byrd Affidavit, HCPH has tried to obtain its funds currently held in dormant accounts with RBC and BMO. Further to discussions with RBC and BMO, HCPH is requesting this Honourable Court to direct RBC and BMO to distribute all funds currently held in such dormant bank accounts to HCPH and that RBC and BMO be fully released from any claims that could arise as a result of such distribution.

### **VUE WEEKLY LITIGATION**

28. As discussed in the April 9 Byrd Affidavit, HCPH is named as a defendant in litigation commenced Alberta in 2005 by Vue Weekly (the “**Vue Litigation**”). The details of the Vue Litigation are further described in the April 9 Byrd Affidavit. The parties in the Vue Litigation have been advised of HCPH’s CCAA proceedings and the effect of the stay of proceedings on the Vue Litigation. HCPH is of the view that continuing to participate in the Vue Litigation is not a prudent use of HCPH’s funds and is requesting that this Honourable Court authorize HCPH not to continue to participate in the Vue Litigation.

### **ACTUAL CASH RECEIPTS AND DISBURSEMENTS**

29. A summary of the actual receipts and disbursements of the Applicant as compared to the projection set out in the First Report is attached as Appendix “A” to this Second Report.
30. The Applicant’s actual consolidated net cash outflow for the period from December 28, 2009 to April 4, 2010 was \$2.6 million. The actual net cash outflow was lower than projected by approximately \$490,000 primarily as a result of timing differences and lower than anticipated restructuring costs partly offset by higher than anticipated post employment and post retirement benefits.

### **UPDATED CASH FLOW PROJECTION**

31. HCPH, with the assistance of the Monitor, had prepared a cash flow projection for the

period from April 5, 2010 to August 22, 2010, (the “**Cash Flow Forecast**”) a copy of which is attached as Appendix “B” to this Second Report. The Cash Flow Forecast has been prepared by management of HCPH, using probable and hypothetical assumptions set out in notes 1 to 12 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the projection period in Canadian dollars.

32. The Applicant is projecting a net cash outflow of approximately \$3.3 million during the projection period.
33. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity to operate during the proposed Stay Period.
34. Based on the Monitor’s review of the Cash Flow Forecast, the assumptions developed by management are suitably supported and provide a reasonable basis for the Cash Flow Forecast. Further, the Cash Flow Forecast reflects these assumptions and is consistent with the plans of HCPH.

### **STAY EXTENSION**

35. The current stay of proceedings under the Initial Order expires on April 15, 2010. The Applicant is seeking an extension of the stay period to August 16, 2010 in order to permit HCPH the time to conduct the Retiree Audit Survey Process, the Claims Process, continue to share information with Representative Counsel, obtain updated information from Mercer with respect to the valuation of the OPEB and Pension Plans and to begin the process of analyzing long term alternatives with respect to addressing its liabilities.
36. It is the Monitor’s view that the Applicant has acted in accordance with the Initial Order and is also satisfied that the Applicant is acting in good faith and with due diligence.

### **RECOMMENDATIONS**

37. The Monitor supports the relief sought by the Applicant and recommends that the following orders be made, if this Honourable Court sees fit:

- i) an order permitting the Pension Plans to make certain payments to certain Plan Members and HCPH to certain members of HCPH's unfunded pension plans;
- ii) an order authorizing the Applicant to conduct a Retiree Audit Survey Process;
- iii) an order authorizing and directing the Applicant to not file an updated cost certificate and to not commence any employer contributions in respect of one of the registered pension plans;
- iv) an order authorizing the Applicant to conduct the Claims Process;
- v) an order directing RBC and BMO to release certain monies to HCPH, currently held in dormant bank accounts at each of these banks for the benefit of the Applicant, under a predecessor name;
- vi) an order directing the Applicant to not take any action with respect to an appeal before the Alberta Court of Appeal in certain litigation related to Vue Weekly;
- vii) an order extending the Stay Period to August 16, 2010; and
- viii) an order approving this Second Report and the conduct and activities of the Monitor as reported on herein.

All of which is respectfully submitted this 14<sup>th</sup> day of April, 2010.

**ERNST & YOUNG INC.**  
**in its capacity as Court Appointed Monitor of**  
**Hollinger Canadian Publishing Holdings Co.**

Per:



Alex Morrison  
Senior Vice President

Simone Carvalho  
Vice President

# **APPENDIX A**

**Hollinger Canadian Publishing Holding Co**  
**Cumulative Consolidated Receipts and Disbursements**  
**For the Period December 28, 2009 to April 4, 2010**

	<b>Actual</b>	<b>Projection</b>	<b>Variance</b>	<b>Note</b>
<b>OPENING BANK BALANCE (In \$CDN )</b>	<b>24,730</b>	<b>24,730</b>	<b>-</b>	
<b>RECEIPTS</b>				
MAV II ABCP Note Payments Received	15	-	15	
Interest Income	107	17	91	1
<b>Total Receipts</b>	<b>121</b>	<b>17</b>	<b>105</b>	
<b>DISBURSEMENTS</b>				
Payroll	(82)	(79)	(2)	
Consultants	(8)	(192)	184	2
Registered Pension Plan Contributions	(169)	(218)	49	
Unfunded Pension Plan Payments	(664)	(666)	2	
Post Employment and Post Retirement Benefits	(803)	(667)	(135)	3
General & Administrative Costs	(80)	(50)	(30)	
Restructuring Costs	(872)	(1,189)	317	4
<b>Total Disbursements</b>	<b>(2,677)</b>	<b>(3,061)</b>	<b>384</b>	
<b>NET CASH INFLOW/(OUTFLOW)</b>	<b>(2,556)</b>	<b>(3,044)</b>	<b>490</b>	
<b>CLOSING BANK BALANCE</b>	<b>22,175</b>	<b>21,686</b>	<b>489</b>	
Restricted Cash	10,986	11,297	(311)	5



**Hollinger Canadian Publishing Holding Co. (“Applicant”)  
Combined Actual Receipts and Disbursements  
For the Period December 28, 2009 to April 4, 2010  
Variance Analysis**

The actual receipts and disbursements are denominated in Canadian dollars. U.S. dollars are converted to Canadian dollars at the month end exchange rate as published by the Bank of Canada. In the projection, U.S. dollars are converted to Canadian dollars at the exchange rate of US\$1.00=CDN\$1.07.

- 1. Interest Income**– The positive variance is primarily due to the receipt of annual interest payments as an income beneficiary of a trust, which was not contemplated in the projection.
- 2. Consultants**- The positive variance is as a result of lower than projected consulting costs incurred and timing differences.
- 3. Post Employment and Post Retirement benefits**- The unfavourable variance is primarily due to a timing difference and is expected to reverse in the future.
- 4. Restructuring Costs** – The positive variance is primarily due to a timing difference and is expected to reverse in the future.
- 5. Restricted Cash** – The unfavourable variance is primarily due to a withdrawal from an indemnity trust related to professional fees for certain defamation actions not related to these CCAA proceedings as further described in the Affidavit of Thomas Kram dated December 8, 2009.

# **APPENDIX B**



**In the Matter of the CCAA of Hollinger Canadian Publishing Holdings Co.  
("HCPH" or the "Applicant")  
Notes to the Unaudited Cash Flow Projection**

**Disclaimer:**

In preparing this cash flow projection (the "Cash Flow Forecast"), the Applicant have relied upon unaudited financial information and the Applicant have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the contributions to the registered pension plans, the unfunded pension plans and the post retirement and post employment benefit plans. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

**Overview:**

The Applicant have prepared the Cash Flow Forecast based primarily on historical payments. Receipts and disbursements are denominated in Canadian dollars.

**Assumptions:**

**1) Opening Balance:**

This is the projected opening cash balance of the Applicant at the commencement of the CCAA proceedings and includes funds held in Canadian dollars and U.S. dollars that were converted into Canadian dollars at U.S.\$ 1 = CDN\$ 1.0158 exchange rate.

**2) ABCP Note Receipts:**

The Cash Flow Forecast assumes that no receipts from the ABCP notes will be received during the projection period.

**3) Interest Income:**

Interest income on available cash is earned at a projected rate of 0.28% and projected to be received bi-weekly.

**4) Payroll:**

Payroll represents projected salaries and benefit costs to three employees and one temporary assistant. In addition, payroll costs include retirement payments to an employee until April 2010 pursuant to an agreement with such employee.

**5) Consultants:**

Consultants represent projected costs to certain legal and other advisors assisting HCPH with non-restructuring issues.

**6) Registered Pension Plan Contributions:**

HCPH has certain registered pension plans for its former employees. Further details of such plans are presented in the affidavit of Thomas L. Kram filed in connection with the application for an initial order pursuant to the Companies' Creditors Arrangement Act (the "Kram Affidavit"). The projected payments included in this Cash Flow Forecast represent funding payments to the pension plans based on the most recent valuation reports received by HCPH from Mercer. The projected payments are calculated based on the minimum employer contributions identified by Mercer for each of the plans.

**7) Unfunded Pension Plan Payments:**

HCPH has two unfunded pension plans that provide retirement and certain death benefits for certain former employees based on individual arrangements with each of the employees included in these plans. Further details of such plans are presented in the Kram Affidavit. The projected payments included in this Cash Flow Forecast are based on historical run rates.

**8) Post Employment and Post Retirement Benefits:**

HCPH has several post employment and post retirement benefit programs for its former employees. Further details of such programs are presented in the Kram Affidavit. The projected payments included in this Cash Flow Forecast are based on historical run rates for each of the benefit plans.

**9) General and Administrative Costs:**

General and Administrative costs represent projected costs for rent for HCPH's Toronto office, utilities, office supplies and storage costs.

**10) Restructuring Costs:**

Restructuring costs include projected costs related to the fees of the Chief Restructuring Officer, HCPH's counsel, the Monitor and its counsel and representative counsel for the post employment and post retirement plan members.

**11) Restricted Cash:**

Represents approximately \$10.98 million of restricted cash held as reserves for certain indemnities and trust payments and is reduced to approximately \$10.74 at the end of this projection period. The restricted cash is reduced on a monthly basis for a withdrawal from an indemnity trust related to professional fees for certain defamation actions not related to these CCAA proceedings as further described in the Affidavit of Thomas Kram dated December 8, 2009.

**12) ABCP Notes:**

Represents the Canadian currency equivalent of book value of the MAV II ABCP Notes of U.S. \$6.8 million held by HCPH.