KOSKIE
MINSKY LLP
BARRISTERS & SOLICITORS

June 18, 2012

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: Our File No.: 09/1867

We are writing to provide you with an update on the status of this matter.

For the past several months, in consultation with the HCPH Client Committee (comprised of Gordon Bullock, John Craig, Fraser Kean, Bill Mann, Ross Morrison and Fred Granville), we have been in negotiations with HCPH and the Monitor (Ernst & Young Inc.) to settle the claims of retirees against HCPH.

As you are aware, HCPH is insolvent, has no active business and has been granted protection from its creditors under the *Companies' Creditors Arrangement Act* ("CCAA") by the Ontario Superior Court of Justice (Commercial List).

We are pleased to report that we have reached an agreement on the main terms of a settlement for the distribution of the assets of HCPH to all of its creditors including the retirees. The terms of the settlement are reflected in a document called a "Plan of Compromise" that specifies how the assets of HCPH will be distributed to its creditors, including retirees and in what priority of distribution. The Monitor has advised us that the retiree group is by far the predominant creditor group of HCPH.

The Plan of Compromise is a proposal that, under the provisions of the CCAA, must be approved by a majority vote of creditors of HCPH before it can be put into effect. Further, even though the Plan of Compromise may be approved by the majority of creditors, the court must also approve the Plan at a court hearing known as a "Sanction Hearing" before the Plan can be implemented.

The terms of the Plan of Compromise are summarized as follows:

a) Registered Pension Plan Deficit Claims

As you are aware from past correspondence, HCPH sponsors six registered pension plans. All the registered pension plans are in the process of being wound up with an effective wind up date as of December 31, 2010. As HCPH is not continuing in business it cannot continue with the administration of the plans.

We are advised by the HCPH actuary of the registered pension plans (Mercer Canada) that four of the HCPH pension plans are expected to have a funding deficit on wind up, while two pension plans will have a small amount of surplus funds. It is not known at this stage whether there will be a deficit in the sixth registered pension plan on its wind up.

During the wind up process, annuities will be purchased using the assets in each pension plan. The annuities will function to continue paying your pension benefits after the pension plans are wound up. This means that instead of receiving your pension payments from the fund of your pension plan, you will instead receive your pension benefit payments from an insurance company under an annuity contract.

Winding up a pension plan that has a funding deficit, however, presents a problem for retirees and other members of such plans because there will be insufficient assets in the fund of the pension plan to purchase an annuity that can pay all the promised benefits in the full amounts. If a pension plan is wound up in such an underfunded state, it will result in a reduction to the amount of monthly pension benefits paid to retirees and other plan members. We wished to prevent a reduction to the monthly pension benefits payable to the members of such plans.

After extensive negotiations with the company and Monitor, it was agreed that under the Plan of Compromise the underfunded HCPH registered pension plans will receive a priority payment from the assets of HCPH in the amount to cover any funding deficits on wind up and therefore make those plans fully funded on wind up. This means that if the Plan of Compromise is approved, and the underfunded plans proceed to wind up, they should have sufficient assets to pay pension benefits to the members of those plans in full amounts without any reduction.

With respect to the two registered pension plans which we understand currently have a relatively small amount of surplus assets, we negotiated with HCPH and the Monitor that any surplus remaining once the plans are wound up will be distributed entirely to the members of those plans. Provided that those plans remain in surplus, and the Plan of Compromise is approved, the pension benefits payable to the members of these plans will continue to be paid in full. However, the amount of surplus remains variable and it is not expected that the amount of surplus assets available for distribution to the members of these plans will be significant.

In our view, the above treatment of the HCPH registered pension plans is an excellent result for all the HCPH pension plan members in these circumstances.

b) Health and Benefit Claims (also known as "OPEB" Claims)

We also negotiated with the company and Monitor that Mercer will calculate the amount of the claims for each retiree in respect of the termination of all other benefits from HCPH other than registered pension plan benefits, (including non-registered supplemental pension plan benefits such as SERA and Divisional Allowance Top Ups) for filing against the company. Once those claims are filed and accepted, the remaining assets of HCPH after the distribution to pay the underfunded pension plans discussed above (subject to an amount of reserves for certain administrative and other expenses) will be applied to pay the retirees' OPEB claims and other unsecured claims.

Mercer spent considerable time and effort calculating each retirees' OPEB claims in consultation with an independent actuary who we retained (The Segal Company) who reviewed Mercer's calculations and certified to us that Mercer's methodology and approach were appropriate.

The Monitor will be sending you (with this letter) a "Notice of OPEB Claim" setting out the amount of your claim for your various terminated OPEB benefits. These claims have been calculated with reference to the benefits you were found to be entitled to from HCPH through the extensive "Personal Information Statement" process over a year ago. You may recall that all the benefits to which each retiree is entitled from HCPH were verified in that process. There should not be any issue in this regard for the purpose of calculating your claim. However, if you notice a clerical error in the Notice, you have 30 days to advise our firm so that we can take any necessary corrective steps. **Accordingly, if you notice any clerical errors, please contact us immediately.**

c) Voting on the Plan of Compromise

As noted above, the Plan of Compromise must be approved by a majority vote of creditors at a Creditors Meeting in order to be put into effect. We negotiated a process with the company and Monitor so that the voting of the pension deficit and retiree OPEB claims is more convenient for the retirees and efficient at the Creditors Meeting. The process to vote was approved by the supervising CCAA judge and is described below.

i) Voting Pension Plan Deficit Claims at the Creditors Meeting

With respect to voting the pension deficit claims, the CCAA judge approved a process whereby our firm will be the "proxy" of HCPH, which is currently the legal administrator of the HCPH pension plans. As HCPH's proxy, our firm will vote the pension plan deficit claims for the underfunded plans on behalf of HCPH in favour of the Plan of Compromise.

You do not need to do anything with respect to voting the pension deficit claims. We will vote these claims on behalf of HCPH in favour of the Plan of Compromise.

ii) Voting OPEB Claims at the Creditors Meeting

After consulting with the Client Committee, we requested that the CCAA judge also approve a voting process for your OPEB claims that we believe is of greater convenience to you and will also streamline the voting process. Mr. Justice Campbell (the CCAA supervising judge) approved a process whereby he authorized our firm to vote all the OPEB claims of retirees (who did not previously opt out of representation by us) in favour of the CCAA Plan of Compromise **unless a retiree indicates in a proxy form sent to the Monitor (enclosed with the materials sent to you by the Monitor) that the retiree wishes to vote *against* the CCAA plan.**

Accordingly, we will vote the retirees' OPEB claims in favour of the CCAA Plan and unless you wish to vote against the Plan, you do not need to do anything. However, if you wish to vote *against* the Plan of Compromise, please complete a proxy form and send it to the Monitor as soon as possible and prior to July 18, 2012 at 5:00 p.m. (EST)

d) The Creditors Meeting on July 20, 2012

In order to vote on the Plan of Compromise, a Creditors Meeting must be held. The Creditors Meeting will be held on July 20, 2012 starting at 10:00 a.m. (EST) at the office of **Ernst & Young, Ernst & Young Tower, 222 Bay Street, 31st Floor, Toronto, Ontario, M5K 1J7**.

We will attend at the Creditors Meeting to vote the pension deficit claims on behalf of HCPH in favour of the Plan of Compromise and also to vote the retirees' OPEB claims in favour of the Plan other than for those retirees who send in a proxy or attend the Creditors Meeting in person to vote against the Plan.

You are free to attend the meeting if you wish. You may also attend this meeting if you wish to vote in person against the Plan.

If you wish to attend the Creditors Meeting, please contact the undersigned so that we can make arrangements for your attendance.

The Plan of Compromise represents a significant milestone in the CCAA proceedings of HCPH. There are a number of further steps to complete in this matter including an Advance Tax Ruling request which we are pursuing in an effort to improve the tax treatment for the distributions payable to you from HCPH in respect of your health and dental claims. We will provide you with an update on the status of the Advance Tax Ruling under separate cover.

We will also report on the timing of distributions and the approximate amount under separate cover.

We realize that there is a substantial amount of material in the package from the Monitor for you to consider. Should you have any questions, please feel free to contact our telephone hotline for HCPH retirees at **1-866-545-9917** or email **hcph@kmlaw.ca**.

Thank you for your patience as we move forward with the Plan of Compromise and putting the remaining steps in place for the cash distributions to the pension plans and retirees.

Yours truly,

KOSKIE MINSKY LLP

Andrew J. Hatnay
AJH:jc
Enclosure

cc: HCPH Client Committee
Anthony Guindon and Andrea McKinnon, *Koskie Minsky LLP*