

January 30, 2014

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”)
Our File No. 09/1867**

We are writing further to our letter to all retirees of August 29, 2013 and the discussions we have had with many of you, to report on the status of this matter.

HCPH Pension Plans

HCPH has finalized the purchase of annuities with BMO Insurance with respect to its pension plans. BMO Insurance has taken over the payment of pension benefits payable under the HCPH plans effective as of October 1, 2013 (September 30, 2013 in the case of the Sterling Plan). All retirees who are entitled to benefits from one of the HCPH pension plans should now be receiving pension benefit payments from BMO Insurance.

Distribution with respect to OPEB Claims

The next major step under the HCPH CCAA Plan of Arrangement is the distribution of remaining cash assets in respect of creditors’ claims. As we previously reported, the bulk of creditors’ claims against HCPH are the retirees’ health benefit and supplemental pension benefit claims (the “OPEB” claims). The company had expected to make a distribution on OPEB claims by the end of 2013 in the approximate amount of \$0.10 to \$0.12 on the dollar of claims, but has now advised us that it has been delayed primarily because of final reconciliations that are pending in the HCPH pension plan wind-up process. Until those reconciliations are completed the company cannot determine the precise final amount of cash available to make the OPEB distribution. The company has advised us that the reconciliation process is expected to be completed in April or May of this year following which it will proceed with the distribution.

We have told the Monitor that we are concerned with the delay in the OPEB distribution and that an interim payment for a lesser amount should be made as soon as possible so that affected retirees can receive some cash now followed later by a final distribution. We are having further discussions

with the Monitor and company to expedite an OPEB distribution and will report to you further on the timing.

Please note that the company has informed us that it intends to treat certain OPEB Claims, such as claims in receipt of SERA and Divisional Allowance benefits, as taxable and will deduct statutory withholdings from the distribution payments.

CRA Advance Tax Ruling Request

In December 2013, we filed an Advance Tax Ruling Request with Canada Revenue Agency (“CRA”) requesting that the health benefit claim portion of the OPEB distribution be held non-taxable. If the Ruling is granted, this will mean that retirees eligible for a payment on terminated health benefit claims will not be required to include that payment as taxable income, thus resulting in tax savings. The Ruling Request does not impact the timing of the OPEB distribution. We have had preliminary discussions with CRA about the Ruling Request and at this time CRA is reviewing the Request. We will inform you of CRA’s response as soon as we know.

In the interim, if you have any questions, please contact us on our toll-free hotline at 1-866-545-9917 or email us at hcp@kmlaw.ca.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay
AJH/vdl

cc: HCPH Client Committee (Gordon Bullock, John Craig, Fraser Kean, Bill Mann, Ross Morrison and Fred Granville)
Barbara Walancik, *Koskie Minsky LLP*

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