Court File No.: 09-8503-00CL

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

TWELFTH REPORT OF THE MONITOR DATED JUNE 7, 2012

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 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 proceedings. 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**") for all members and beneficiaries of the OPEBs (defined below) in respect of issues affecting such members and/or beneficiaries in the HCPH CCAA proceedings. By order dated July 27, 2010, Representative Counsel was also appointed as counsel for members and beneficiaries of the Pension Plans (defined below) for or in respect of any issues affecting such members and/or beneficiaries in respect of the Pension Plans in the HCPH CCAA proceedings.

2. The Initial Order provided for a stay of proceedings through to January 8, 2010 (the "**Stay Period**"). The Stay Period has been extended to July 31, 2012 pursuant to further Orders of this Court.

PURPOSE

3. The purpose of this Twelfth Report of the Monitor (the "**Twelfth Report**") is to report to this Court with respect to:

(a) the state of HCPH's business and affairs;

(b) the status of the claims with respect to the OPEBs (defined below), the claims with respect to the Pension Plans (defined below) and other general unsecured claims;

(c) providing an overview of the plan of arrangement prepared by HCPH, substantially in the form attached as Appendix 'A' to this Twelfth Report (the "**CCAA Plan**");

(d) the Applicant's motion for an Order (the "**Creditors' Meeting Order**"):

i. authorizing the Applicant to not file further annual valuation reports with the pension regulators with respect to any of the Pension Plans (defined below);

ii. authorizing the Applicant to file the CCAA Plan with the Court;

iii. authorizing and establishing the procedure for HCPH to call and conduct meetings of its creditors (the "**Creditors' Meetings**") to consider and vote on the CCAA Plan, as may be amended pursuant to its terms;

iv. approving the form of materials to be distributed to creditors in respect of the Creditors' Meetings;

v. setting the date for the hearing of the Applicant's motion seeking an order sanctioning the CCAA Plan;

vi. authorizing that the individual allocation of any surplus assets (if any) remaining on the wind up of the HCPH Retirement Plan (defined below) for any Plan Member who previously received an overpayment in error of benefits payable under the HCPH Retirement Plan, which has not been repaid, shall be reduced by the amount of such overpayment up to the full amount of such individual surplus allocation;

vii. authorizing that any Plan Member who previously received an overpayment in error of benefits payable under the HCPH Retirement Plan which has not been repaid will be released, subject to certain exceptions, of any claims in respect of such overpayment by HCPH, any of its agents or any successor administrator of the HCPH Retirement Plan; and

viii. approving this Twelfth Report and the conduct and activities of the Monitor as set forth herein;

(e) providing an illustrative estimated recovery analysis for creditors based on the CCAA Plan; and

(f) providing the Monitor's recommendation and the Monitor's view of the reasonableness and fairness of the CCAA Plan.

TERMS OF REFERENCE

4. In preparing this Twelfth Report and in making the comments herein relied upon, EYI has been provided with unaudited financial information, the Applicant's books and records, financial information prepared by the Applicant, and has had discussions with management of the Applicant and the chief restructuring officer. 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 Twelfth Report. Some of the information referred to in this Twelfth 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 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 may vary from the projections, even if the assumptions materialize, and the variations could be significant.

5. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

6. Capitalized terms not defined in this Twelfth Report are defined in the Initial Order, previous reports of the Monitor and the CCAA Plan.

BACKGROUND AND STATE OF BUSINESS AND FINANCIAL AFFAIRS

7. HCPH is a wholly owned direct and indirect subsidiary of Sun-Times Media Group Inc. ("**STMG**"). In March 2009, STMG commenced Chapter 11 proceedings, and on October 26, 2009, substantially all of STMG's U.S. assets were sold. Following this sale, STMG began the process of liquidation in accordance with U.S. bankruptcy law procedures. STMG is currently known as Chicago Newspaper Liquidation Corp. ("**CNLC**").

8. Several years ago, HCPH sold its various newspaper businesses, which included the Pacific Press, Ottawa Citizen, Montreal Gazette, Calgary Herald and Kitchener Waterloo Record. For some period of time, HCPH 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 (collectively with the unfunded retirement plans, the "**OPEBs**") and six registered pension plans (the "**Pension Plans**") for in excess of 3,000 former employees (the OPEB members and the Pension Plan members are collectively referred to as the "**Plan Members**"). Further details with respect to the OPEBs and Pension Plans are described in the Affidavit of Thomas L. Kram dated December 8, 2009 (the "**Kram Affidavit**").

9. On December 10, 2009, HCPH was granted an Initial Order pursuant to the CCAA. Since

that time, and as reported in previous reports of the Monitor, HCPH has worked on determining liabilities (including an extensive Court ordered audit process to compile and verify Plan Members' information) in relation to its more than 3,000 Plan Members and in formulating a restructuring plan in consultation with the Monitor and Representative Counsel for the Plan Members and other creditors.

10. As discussed above, HCPH sold its newspapers and has no ongoing business activity. Accordingly, at this point, HCPH's restructuring is focused on an orderly wind up of its Pension Plans and OPEBs and the completion of these CCAA proceedings. HCPH maintains daily cash statements in which it records its daily cash activity and tracks its performance against its cash forecast. A copy of HCPH's cash forecast for the period from February 27, 2012 to August 5, 2012 is attached as Appendix 'B' to the Eleventh Report of the Monitor dated March 14, 2012 (the "**Eleventh Report**"). HCPH provides its cash report to the Monitor weekly along with a variance analysis of its actual cash position as compared to its forecast cash position. As of May 25, 2012, HCPH had cash of approximately $14.1 million.

UPDATE ON CLAIMS

11. Claims against HCPH include claims with respect to the Pension Plans (the "**Pension Plan Claims**"), claims with respect to the OPEBs (the "**OPEB Claims**") and claims of other general creditors as described below.

The Retiree Audit Survey Process

12. As described in the Sixth Report of the Monitor dated December 31, 2010 (the "**Sixth Report**"), on April 15, 2010, this Court granted an order (the "**April 15, 2010 Order**") establishing a process to enable HCPH to update its records of Plan Members and their entitlements such that its actuary, Mercer (Canada) Ltd. ("**Mercer**"), would have more accurate information to complete its valuation analysis of the liabilities in respect of the OPEBs and Pension Plans (the "**Retiree Audit Survey Process**").

13. As summarized in the Fifth Report of the Monitor dated November 5, 2010 (the "**Fifth Report**"), the Monitor complied with the process set out in the April 15, 2010 Order,

including sending a survey questionnaire (the "**Personal Information Statement**") to 3,271 Plan Members identified on a list provided by HCPH based on information from HCPH's records, posting a notice in the requisite form on the Monitor's website, and publishing notices in the National Post and Globe and Mail newspapers. Further details with respect to the Retiree Audit Survey Process are described in the Fourth Report of the Monitor dated October 13, 2010 (the "**Fourth Report**") and the Fifth Report.

14. The Monitor received over 2,200 responses to the Personal Information Statements sent. Information received through the Retiree Audit Survey Process was verified and provided to HCPH to update its records. The Retiree Audit Survey Process was extensive and conducted in consultation with Representative Counsel. The Retiree Audit Survey Process took several months including calls with retirees and follow up required for supporting information.

15. HCPH updated its records and compiled the information received through the Retiree Audit Survey Process into a master database (the "**Plan Member Information**"). The Plan Member Information was provided to Mercer for its analysis and for its preparation of wind up reports for the Pension Plans (as discussed in more detail below) and the valuation of the OPEB Claims.

Pension Plan Claims

16. Further to the Order of this Honourable Court made on October 14, 2010 (the "**October 14, 2010 Order**"), HCPH, in consultation with Representative Counsel and the Monitor, commenced the process to wind up its six Pension Plans as of December 31, 2010 (the "**Wind Up Date**").

17. The six Pension Plan are:

Ontario Registered Pension Plans

i. Hollinger Canadian Publishing Holdings Co. Retirement Plan – Ontario and Canada Revenue Agency Registration Number 0526967 (the "**HCPH Retirement Plan**");

ii. Sterling Newspaper Company Pension Plan for Employees of Newspapers Formerly Owned By Thomson Newspapers – Ontario and Canada Revenue Agency Registration Number 1024744 (the "**Sterling Thomson Plan**");

iii. Hollinger Canadian Publishing Holdings Co. Pension Plan for the Employees of Newspapers Formerly Owned By Thomson Newspapers – Ontario and Canada Revenue Agency Registration Number 1033786 (the "**Hollinger Thomson Plan**");

iv. Hollinger Canadian Publishing Holdings Co., Windsor Star Employees' Pension Plan – Ontario and Canada Revenue Agency Registration Number 0208355 (the "**Windsor Star Plan**");

British Columbia Registered Pension Plan

v. Hollinger Canadian Publishing Holdings Co. Plan for the Employees of Newspapers Formerly Owned By Sterling Newspapers – British Columbia Registration Number P085060, Canada Revenue Agency Registration Number 399444 (the "**Sterling Newspapers Plan**"); and,

Journal Publishing Company Limited Pension Plan

vi. Journal Publishing Company Limited Pension Plan which relates to former employees in Prince Edward Island (the "**Journal Plan**").

18. Because there is provincial legislation that governs pensions in Ontario and British Columbia but none in Prince Edward Island at the relevant time, the wind up of the Journal Plan has proceeded differently than the wind up process for the other five Pension Plans.

19. As described in the Sixth Report, on December 21, 2010 HCPH, with the assistance of the Monitor, sent notices to Pension Plan Members of all of the Pension Plans, other than the Journal Plan, whose addresses were known to HCPH, advising of the wind up of such Pension Plans (the "**Wind up Notices**") as required under the *Pension Benefits Act* (Ontario) and the *Pension Benefits Standards Act* (British Columbia).

20. As described in the Ninth Report of the Monitor dated July 27, 2011 (the "**Ninth Report**"), on February 11, 2011, HCPH, with the assistance of the Monitor published a notice of the wind up of the Pension Plans, other than the Journal Plan, in the national edition of the Globe and Mail in order to attempt to give notice to those Pension Plan Members whose addresses were not known to HCPH.

21. Wind up reports with respect to the Pension Plans other than the Journal Plan were filed by HCPH with the applicable pension regulators in Ontario and British Columbia (the "**Pension Regulators**"), and HCPH has received approvals of its Wind Up Reports (or the distribution of basic benefits) from the Pension Regulators.

22. Since there was no provincial legislation that governed pensions in Prince Edward Island, HCPH discussed the status of the Journal Plan with the CRA. Pursuant to a confirmation from CRA that the Journal Plan is a registered pension plan, HCPH also wound up the Journal Plan at the Wind Up Date. Based on discussions with CRA, HCPH filed a wind up report for the winding up of the Journal Plan with CRA.

23. Based on the wind up reports filed with the Pension Regulators in relation to the Pension Plans other than the Journal Plan and the wind up report for the Journal Plan filed with CRA (collectively, the "**Wind Up Reports**"), two of the Pension Plans are in a surplus position and four of the Pension Plans, including the Journal Plan, are in a deficit position. The amount of surplus or deficit by Pension Plan along with the number of members in each of the Pension Plans is set out in the table below:

Pension Plan Wind-up Summary - Preliminary Estimates of Surplus/(Deficit) Wind-up date: December 31, 2010 ($000's)			
Pension Plans	**Registration #**	**Preliminary Wind-up Surplus/(Deficit)**	**Total Members**
Ontario Registered Pension Plans			
HCPH Retirement Plan	526947	$ 5,450	2,491
Windsor Star Plan	208355	2,342	89
Sterling Thomson Plan	1024744	(52)	34
Hollinger Thomson Plan	1033786	(114)	42
		7,626	2,656
B.C Registered Pension Plan			
Sterling Newspapers Plan	PO85060	(508)	10
Journal Plan	No Registration #	(242)	2
Total Pension Plans		$ 6,876	2,668
Total Plans in Surplus (2 Plans)		$ 7,792	
Total Plans in Deficit (4 Plans)		$ (916)	

24. The above surplus and deficit amounts are based on preliminary estimates as described in the Wind Up Reports and are subject to change until the wind up process is completed. A detailed description of the remaining steps in the wind up process of the Pension Plans is more fully described in Schedule 'B' to the CCAA Plan which is attached as Appendix 'A' to this Twelfth Report.

25. Accordingly, as reflected in the table above, based on the above preliminary estimates of surpluses and deficits with respect to the Pension Plans, as of the date of this Twelfth Report the total deficit for the four Pension Plans in a deficit position is approximately $916,000.

OPEB Claims

26. HCPH's OPEBs include its unfunded retirement plans, which include the Southam Executive Retirement Agreement (the "**SERA**") and the Divisional Allowance Top-Up (the "**DA**"), as well as its post-employment and post-retirement benefit plans, which include retiree medical coverage, dental coverage, life insurance, accidental death and

dismemberment insurance and long-term disability income benefits. A list of HCPH's OPEBs are set out in Schedule 'A' to the CCAA Plan.

27. Pursuant to the Order of this Court of July 28, 2011 (the "**OPEB Claims Procedure Order**"), HCPH's OPEBs were terminated as of August 31, 2011 (the "**OPEB Termination Date**"). On August 3, 2011, the Monitor sent a notice of the OPEB Termination Date (the "**OPEB Termination Date Notice**") to Representative Counsel and each OPEB Plan Member as indicated on the list of OPEB Plan Members provided by HCPH to the Monitor.

28. As described above, HCPH, with the assistance of the Monitor, conducted an extensive Retiree Audit Survey Process to update its records with respect to the Plan Members. The Plan Member Information was provided to Mercer for the calculation of the OPEB Claims. The assumptions used by Mercer in the calculation of the OPEB Claims were reviewed and agreed to by Representative Counsel's actuary.

29. The OPEB Claims Procedure Order required that Mercer provide its valuation of the OPEB Claims (the "**OPEB Claims Report**") to HCPH, Representative Counsel and the Monitor. The OPEB Claims Report is a valuation of the claims of each of the individual OPEB Plan Members or beneficiaries entitled to an OPEB Claim. The OPEB Claims Report will provide details of each OPEB Claim by individual OPEB Plan Member based on certain categories of OPEBs, such as health and dental, life insurance and other benefits. Mercer has conducted its valuation of the OPEB Claims and provided the OPEB Claims Report on June 6, 2012.

30. The Monitor will prepare and send to each holder of an OPEB Claim, at the address provided on HCPH's master database, a notice of the OPEB Claim substantially in the form set out in Schedule 'C' to the OPEB Claims Procedure Order (the "**OPEB Claim Notice**"). The OPEB Claim Notice will attach Mercer's calculation of the individual's OPEB Claim (the "**OPEB Claim Statement**"). The Monitor intends to send such OPEB Claim Notice and OPEB Claim Statement to the OPEB Plan Members together with the Notice to the Non-Pension Affected Claims Class (defined below) as described further in this Twelfth Report.

31. In addition, the Monitor will provide to Representative Counsel a copy of each individual's OPEB Claim Statement at the same time as it is sent to the individual.

32. Any OPEB Plan Member who wishes to dispute the accuracy of the OPEB Claim or other information on the OPEB Claim Statement must provide notice of such dispute (the "**Disputed OPEB Claim**") in writing to Representative Counsel within 20 days of the date the Monitor sends the applicable OPEB Claim Notice and OPEB Claim Statement. OPEB Claims that are not disputed by the OPEB Plan Members within the required time are binding on the OPEB Plan Members and beneficiaries.

33. The following is a summary of OPEB Claims calculated by Mercer as reflected in the OPEB Claims Report, which does not include any tax-related gross up that may be made on such OPEB Claims pursuant to the CCAA Plan:

Summary of OPEB Claims
OPEB Termination Date: August 31, 2011
($000's)

OPEB Plan		**Claim Amount**
Unfunded Pension Plan - SERA	$	12,863
Unfunded Pension Plan - Divisional Allowance		6,606
Retiree - Life Insurance		7,065
Retiree - Health and Dental		8,104
Retiree - British Columbia Medical		1,046
Disabled employee - Life Insurance		134
Disabled employee - Health		3,698
Disabled employee - British Columbia Medical		38
Total OPEB Claims	$	39,554

34. The above estimate of OPEB Claims may change and are subject to the resolution of any dispute by the OPEB Plan Members.

General Claims

35. On April 15, 2010, this Court granted an Order (the "**Claims Procedure Order**") to commence a claims process to identify any creditor claims other than claims in respect of the OPEBs and Pension Plans, or claims secured by charges in the Initial Order or any

further charge ordered by the Court.

36. As described in the Fourth Report, pursuant to the Claims Procedure Order, the Monitor sent a claims package, including a copy of an instruction letter and a proof of claim form (the "**Claims Package**"), to all creditors identified by HCPH. Subsequently, Claims Packages were sent to certain additional persons based on requests made to the Monitor.

37. Further, as required by the Claims Procedure Order, the Monitor posted a copy of the notice to creditors substantially in the form attached as Schedule 'A' to the Claims Procedure Order (the "**Notice to Creditors**") on its website. In addition, the Monitor published the Notice to Creditors in the National Post newspaper on May 17, 2010 and in the national edition of the Globe and Mail newspaper on May 18, 2010.

38. As described in the Ninth Report of the Monitor dated July 27, 2011 (the "**Ninth Report**"), as of June 3, 2011, the Monitor had received 12 claims other than in respect of the OPEBs and Pension Plans totalling approximately $66.5 million (the "**General Claims**"). Approximately $33 million of that amount was duplicative as it related to a contribution and indemnity claim by a claimant in respect of an approximately $33.4 million claim by another claimant. In addition, the Monitor received a claim from 783783 Alberta Ltd. carrying on business as Vue Weekly ("**Vue Weekly**"), which was subsequently withdrawn pursuant to a settlement reached between Vue Weekly and HCPH (the "**Vue Weekly Settlement**"). Details of the Vue Weekly Settlement are described in the Sixth Report.

39. Pursuant to an Order made on June 8, 2011 by this Court (the "**Claims Disallowance Procedure Order**"), the Monitor, in consultation with HCPH, disallowed eight General Claims, totalling approximately $66.4 million, in their entirety. Of these eight General Claims that were disallowed, seven were either resolved or not disputed by the respective claimants. As discussed in the Tenth Report of the Monitor dated November 25, 2011 (the "**Tenth Report**"), the claim of approximately $33.4 million from The Electronic-Rights Defence Committee ("**ERDC**") was settled on terms that included valuing the ERDC claim at $nil. The settlement was subject to the approval of this Court and the Superior Court of Quebec in ERDC's class action proceedings. The settlement was

approved by this Court on November 28, 2011 and by the Superior Court of Quebec on April 3, 2012.

40. One of the eight General Claims that was disallowed, for approximately $38,000, was disputed by the claimant (the "**Disputed General Claim**"). This claim relates to a tax issue in Quebec. The Monitor continues to work with this claimant to resolve this claim.

41. Further to the disallowances described above, the following General Claims totalling approximately $86,000 continue to remain:

   i. four General Claims totalling approximately $48,000 related to trade creditors; and

   ii. one Disputed General Claim of approximately $38,000 as described above.

THE CCAA PLAN

Overview of the CCAA Plan

42. HCPH, in consultation with the Monitor and Representative Counsel has developed the CCAA Plan. As described in the CCAA Plan, the vast majority of HCPH's stakeholders consist of its former employees, with claims under the Pension Plans and OPEBs. Since the commencement of these CCAA proceedings, HCPH's focus has been to facilitate an orderly wind-up of its Pension Plans and termination of its OPEBs and to address its other liabilities.

43. The CCAA Plan is directed at the claims of all of HCPH's creditors, excluding certain unaffected claims (the "**Unaffected Claims**") as described below. The CCAA Plan contemplates two classes of affected creditors (the "**Affected Creditors**"): i) a Pension Plan Claims Class that addresses claims related to the Pension Plans (the "**Pension Plan Claims Class**"), and (ii) a Non-Pension Affected Claims Class that addresses the OPEB Claims and General Claims (the "**Non-Pension Affected Claims Class**"). The treatment proposed in the CCAA Plan for each of these two classes is described further in this Twelfth Report. It is the Monitor's view that such classification of HCPH's Affected Creditors is appropriate given that the nature of the Pension Plan Claims, which are

governed by pension legislation, is distinct from the nature of the claims in the Non-Pension Affected Claims Class and given the unique circumstances of this case, where Pension Plan Claims are being given priority treatment under the CCAA Plan.

44. The CCAA Plan does not affect the following Unaffected Claims (although the CCAA Plan does contemplate their payment):

i. claims in respect of the fees and disbursements of the Monitor and its counsel, HCPH's counsel and its retained professionals, the CRO and Representative Counsel and its retained professionals (the "**Administration Claims**");

ii. certain government related and priority claims required to be paid under the CCAA (the "**Government and Other Priority Claims**");

iii. any secured claims (to the extent of the secured value of the assets encumbered by such security);

iv. claims that relate to the period after the filing of these CCAA proceedings in relation to, among other things, the supply of goods and services (the **Post-Filing Claims**"); and

v. claims that relate to the period after the CCAA Plan is implemented in relation to, among other things, costs for the wind up of the Pension Plans and administration of the CCAA Plan, rent and other goods and services (the "**Post-Implementation Claims**").

45. The CCAA Plan contemplates that the plan implementation date is the date on which the conditions precedent to implementation of the CCAA Plan have been satisfied and the Monitor has filed a certificate of completion (the "**Plan Implementation Date**").

Proposed Distribution to Creditors

46. HCPH's primary remaining asset is cash that is held by HCPH. As of May 25, 2012, HCPH had cash of approximately $14.1 million. Further, HCPH has recently filed its Harmonized Sales Tax ("**HST**") returns and is anticipating a refund of certain input tax

credits with respect to HST previously paid. In addition, as described in the Eleventh Report, HCPH created a trust in the amount of $10 million and entered into a corresponding trust indenture (the "**Trust**"). The Trust was established for the payment of certain liabilities incurred by ten former directors, officers, consultants and advisors of CNLC (formerly STMG) as a result of six defamation actions commenced against them in the Ontario Superior Court of Justice by Conrad Black (the **"Defamation Actions"**). The beneficiaries of the Trust (the "**Beneficiaries**") entered into a settlement with Black, CNLC and others to settle certain disputes and litigation including the Defamation Actions (the "**Settlement**"). The Settlement contemplates the distribution of the remaining funds in the Trust (the "**Remaining Funds**") to parties involved in the Settlement. Representative Counsel has brought a motion to this Court seeking a declaration that the payment of the Remaining Funds as contemplated by the Settlement is contrary to the terms of the Trust and seeking to have the Remaining Funds paid to HCPH (the "**STMG Trust Litigation**").

47. The CCAA Plan contemplates that all cash and other proceeds held by HCPH at the Plan Implementation Date including any proceeds related to HST refunds or potential proceeds with respect to the STMG Trust Litigation (the "**Available Cash Pool**") will form the pool of funds available for payments and distributions under the CCAA Plan.

48. The CCAA Plan proposes that the Available Cash Pool will be distributed pursuant to the following "waterfall" (the "**Distribution**"):

i. First, to satisfy any Administration Claims that relate to the period prior to the implementation of the CCAA Plan;

ii. Second, to pay any Government and Other Priority Claims. These claims include certain wages and salaries of employees and source deductions;

iii. Third, to pay secured claims. However no secured claims were filed in the claims process;

iv. Fourth, to pay Post-Filing Claims;

v. Fifth, to pay Pension Plan Claims. As described above, as of the date of this Twelfth Report, the deficits in the Pension Plans are estimated to be approximately $916,000. The Monitor notes that this amount is based on preliminary Wind Up Reports provided to the Pension Regulators and CRA and the ultimate amount required to satisfy the Pension Plan Claims will change as HCPH continues the completion of the Wind Up of its Pension Plans;

vi. Sixth, to pay Administration Claims that relate to the post-implementation period;

vii. Seventh, to pay Post-Implementation Claims; and

viii. Eighth, the remaining Available Cash Pool will be distributed to the Non-Pension Affected Claims as described further in this Twelfth Report.

49. The CCAA Plan contemplates that distributions from the Available Cash Pool will be made by a disbursing agent (the "**Disbursing Agent**"). It is contemplated that HCPH will be the Disbursing Agent; however, in the event HCPH does not have any remaining officers or employees available to act as Disbursing Agent after the Plan Implementation Date, the Monitor will serve as the Disbursing Agent, solely as agent and on behalf of HCPH, in connection with all payments under the CCAA Plan. The authority of and protections for EYI and the Monitor in relation to its role as Disbursing Agent, are set out in Section 5.03 and elsewhere in the CCAA Plan.

50. The CCAA Plan provides that any Disputed General Claim or Disputed OPEB Claim (collectively the "**Disputed Claims**") will not be entitled to a distribution under the CCAA Plan until such Disputed Claims are proven claims.

51. The CCAA Plan provides that, in connection with the above payments and distributions, the Disbursing Agent is authorized by the CCAA Plan to hold amounts in reserve from time to time for disputed claims and for the payment of future costs and other prior-ranking claims in the waterfall (the "**Additional Reserves**"). The CCAA Plan further provides that the Disbursing Agent may increase or decrease the Additional Reserves at its discretion as required for purposes of payments and distributions to be made from the Available Cash Pool.

52. The CCAA Plan also contemplates that HCPH may take the steps described in Schedule 'B' to the CCAA Plan with respect to the wind up of the Pension Plans and may cause any surplus in any Pension Plan to be distributed to or for the benefit of the applicable members and beneficiaries of such Pension Plan as at the Wind Up Date. The CCAA Plan provides that HCPH may obtain the assistance of the Monitor in connection with the wind up of the Pension Plans and that HCPH will deliver a direction to the Monitor in the form attached as Schedule 'C' to the CCAA Plan (the "**Direction**"). Any action to be taken by the Monitor shall be as agent of HCPH in the relevant capacity, and only where HCPH is not otherwise capable of taking such action in the event there are no remaining officers or other management. HCPH would remain the sole sponsor and administrator of the Pension Plans throughout. The authority of and protections for EYI and the Monitor are set out in the Direction and the CCAA Plan.

53. The CCAA Plan proposes that no Distribution will be made in respect of claims related to HCPH's affiliates (the "**Inter-Company Claims**") and that such Inter-Company Claims will be released on the Plan Implementation Date. The Monitor notes that HCPH's balance sheet reflects historical payables and receivables with respect to certain of HCPH's affiliates, such that the Monitor requested that notice of this motion be given to such parties, which occurred; however, the Monitor is not aware of any continuing claims by such affiliates and no Inter-Company Claims were received by the Monitor in the claims process.

54. The CCAA Plan proposes that no Distribution will be made to any person in respect of any equity claim or equity interest (as such terms are defined in the CCAA) unless and until all Affected Claims are paid in full.

55. The CCAA Plan contemplates that upon being advised by HCPH that the conditions precedent to the implementation of the CCAA Plan have either been satisfied or waived, the Monitor shall file with the Court a certificate that states that the conditions precedent to the CCAA Plan have either been satisfied or waived (the "**Monitor's Certificate**").

The Pension Plan Claims Class

56. The CCAA Plan proposes that each Pension Plan will be paid the total deficit amounts for such Pension Plan, if any, once determined, from the Available Cash Pool in full and final satisfaction of the respective Pension Plan Claims. As described above, the Pension Plan Claims will be paid prior to any distributions to the Non-Pension Affected Claims Class.

57. The CCAA Plan further proposes that the surplus funds, if any, remaining in a Pension Plan after completion of the payment of or provision for all basic benefits on the wind-up of such Pension Plan (including after payment of all applicable costs and expenses and funding of all annuities in respect thereof) shall be distributed to those individuals who were members and beneficiaries of such Pension Plan as at the wind-up date of December 31, 2010 in accordance with applicable pension law (subject to adjustment in respect of any pension over payments received by such individuals, as noted below in this Twelfth Report).

The Non-Pension Affected Claims Class

58. The CCAA Plan contemplates that each holder of a Non-Pension Affected Claim will be paid its *pro rata* share of the remaining Available Cash Pool based on the Distribution scheme described above, subject to Additional Reserves described above, in full and final satisfaction of the holder's Non-Pension Affected Claim.

59. The CCAA Plan proposes that to the extent the Disbursing Agent determines that Taxes are required to be withheld and remitted to the appropriate governmental authority in respect of any Non-Pension Affected Claim that is an OPEB Claim, such OPEB Claim shall be grossed up by 10% unless otherwise ordered by the Court. The Monitor, in consultation with HCPH and Representative Counsel intends to seek an advance tax ruling from the CRA with respect to the federal income tax treatment of certain medical and dental OPEB Claims.

60. The amount of distribution to the Non-Pension Affected Claims Class will be calculated on a *pro rata* basis, based on the amount remaining in the Available Cash Pool available

to the Non-Pension Affected Claims Class, divided by the total of all Non-Pension Affected Claims. As described above, as of the date of this Twelfth Report, the Non-Pension Affected Claims include General Claims of approximately $86,000 (with the quantum of tax-related claims still to be determined) and OPEB Claims of approximately $39.5 million. An illustrated estimated recovery analysis based on current information is set out further herein.

Timing of Distributions under the CCAA Plan

61. The CCAA Plan provides that no Distribution will be made to the Non-Pension Affected Class until the Pension Plan Claims are fully satisfied. The remaining steps to complete the Wind Up of the Pension Plans could take several months to complete. However, in the meantime, the Monitor will pursue the advance tax ruling with respect to certain of the OPEB Claims as described above.

62. The CCAA Plan contemplates that distributions to the Non-Pension Affected Creditors from the Available Cash Pool will be net of any withholding taxes and will be made from time to time and as soon as practicable following the issuance of the Sanction Order, as determined by the Disbursing Agent in consultation with Representative Counsel. In this regard, the Disbursing Agent will only make Distributions from the Available Cash Pool if the amount available to be distributed makes such Distribution economically practical, as determined by the Disbursing Agent.

63. The CCAA Plan proposes that no Distribution to a holder of a Non-Pension Affected Class Claim will be made for an amount less than $10.

64. The CCAA Plan proposes that if the mailing address for any holder of a Non-Pension Affected Class Claim entitled to a Distribution from the Available Cash Pool cannot be located on the applicable Distribution date, then an amount equal to such creditors' Distribution shall be set aside or otherwise reserved by the Disbursing Agent. If an address for such creditor is located within six months after such Distribution date, the Distribution for such creditor shall be distributed to it by the Disbursing Agent. If the address for such creditor cannot be located within six months after such Distribution date,

the Distribution for such creditor shall be added back to the Available Cash Pool and such creditor shall be deemed to have released its right to such Distribution and have no further right to any replacement or other Distribution in respect thereof.

65. As described above, HCPH with the assistance of the Monitor and Representative Counsel has conducted an extensive Retiree Audit Survey Process to update its records and identify OPEB and Pension Plan entitlements. During this process, efforts were made to obtain current mailing addresses of Plan Members through advertisements with respect to these CCAA proceedings. In addition, HCPH made additional efforts using the assistance of external sources to obtain mailing addresses not previously known to HCPH. The CCAA Plan proposes that any cheque in payment of a Distribution that has not been cashed within six months after the date of the applicable Distribution may thereafter be cancelled by the Disbursing Agent, with HCPH's liability to the payee of such cheque forever discharged and extinguished, and the amount otherwise payable pursuant to such cheque will become available for distribution from the Available Cash Pool.

Effect of the CCAA Plan

66. The CCAA Plan will become effective upon the filing of the Monitor's Certificate.

67. The CCAA Plan includes broad releases of HCPH, the CRO, the Monitor and Representative Counsel, their respective directors, employees and advisers, and certain others, all as set out in section 11.01 of the CCAA Plan (the "**Releases**"). Among other things, the Releases provide a release by every Person (as defined in the CCAA Plan), regardless of whether or not such Person is an Affected Creditor, save and except for Unaffected Creditors solely with respect to their Unaffected Claims, releasing all Released Parties of and from any and all Released Claims (both terms as defined in section 11.01 of the CCAA Plan). However, section 11.01 expressly states that the Release does not release or discharge (i) any Released Party from its obligations, if any, under the CCAA Plan, (ii) any Unaffected Claim against HCPH, or (iii) any claim referred to in section 5.1(2) or 19(2) of the CCAA. It is HCPH's intention to seek confirmation of the Release in the Sanction Order (defined below).

68. Once implemented, the CCAA Plan will constitute:

i. a full, final and absolute settlement of all rights of the holders of all Affected Claims; and

ii. an absolute release and discharge of all indebtedness, liabilities and obligations of HCPH of or in respect of the Affected Claims.

Conditions for the Approval and Sanction of the CCAA Plan

69. If the CCAA Plan is approved by the requisite majority of creditors at each Creditors' Meeting, the CCAA requires that the CCAA Plan be sanctioned by the Court (the "**Sanction Order**"). The hearing date for the Sanction Order will be requested at the June 8 Court appearance in respect of this motion..

CREDITORS' MEETINGS ORDER

70. HCPH, in consultation with the Monitor, has prepared a proposed procedure for the conduct and administration of the Creditors' Meetings, which HCPH is seeking to have approved by this Court.

Filing of Annual Valuation Reports

71. As described above, HCPH seeks to file its CCAA Plan with the Court and the CCAA Plan provides for the funding in full of the Pension Plans in deficit once such deficits have been determined. The Monitor understands that in wind up situations, based on applicable pension legislation in Ontario, annual valuation reports are required to be filed for Pension Plans in a deficit position. However, given that the CCAA Plan provides for such deficits in the Pension Plans to be fully funded, HCPH is seeking this Court's approval to not file any further annual valuation reports in respect of any of the Pension Plans in order to save the costs of obtaining such annual valuation reports. The Monitor understands that HCPH has communicated to the pension regulator in Ontario that it will not file any further annual valuation reports since it has filed its CCAA Plan with the Court and the CCAA Plan contemplates fully funding the Pension Plan deficits.

Notice to Creditors

72. The Creditors' Meeting Order directs the Monitor to:

i. send a copy of the Creditors' Meeting Order to the persons on the service list established in these CCAA proceedings and post an electronic copy of the Creditors' Meeting Order on its website;

ii. send a notice of the meeting in respect of the Pension Claims Class to the Plan Members of each Pension Plan and Representative Counsel, in the form of notice attached as Schedule 'B' to the Creditors' Meeting Order (the "**Notice to the Pension Plans Claims Class**") along with a copy of this Twelfth Report;

iii. send a notice of the meeting in respect of the Non-Pension Affected Claims Class to the Affected Creditors with OPEB Claims and General Claims, in the form of notice attached as Schedule 'C' to the Creditors' Meeting Order (the "**Notice to the Non-Pension Affected Claims Class**"), together with a form of proxy, a copy of which is attached as Schedule 'D' to the Creditors' Meeting Order (the "**Proxy**") and a copy of this Twelfth Report. The Monitor notes that the draft Order circulated to the service list with the Applicant's motion materials also provides for delivery of a notice from the Monitor regarding the filing of its report; however, the Twelfth Report will now be provided with the Notice to the Pension Claims Class and the Notice to the Non-Pension Affected Claims Class, which will also refer to the filing of the Twelfth Report, and the Order sought will reflect these changes;

iv. post a copy of the CCAA Plan and other documents related to the Creditors' Meetings on its website;

v. send a copy of certain documents related to the Creditors' Meetings to any person who requests such materials prior to the date of the Creditors' Meetings; and

vi. publish a notice of the Creditors' Meetings, the form of which is attached as Schedule 'E' to the Creditors' Meeting Order, for a period of two business days in the national edition of the Globe and Mail.

73. This Twelfth Report, which attaches the CCAA Plan, will be provided to each of the Plan Members of Pension Plans and Non-Pension Affected Creditors as set out above. The Creditors' Meeting Order will be delivered to parties on the service list. The service list does not contain the individual Plan Members. However, the Notice to the Pension Plans Claims Class and Notice to the Non-Pension Affected Claims Class each state that Creditors' Meeting Order should be reviewed and that it can be accessed through the Monitor's website, with the website address provided.

Procedure for Creditors' Meeting

74. Pursuant to the Creditors' Meeting Order, HCPH will be authorized, and directed to call, hold and conduct a meeting of the Non-Pension Affected Claims Class and a meeting of the Pension Plan Claims Class to consider and vote on the CCAA Plan. The Creditors' Meetings of the Non-Pension Affected Claims Class and the Pension Plan Claims Class are proposed to be held at the office of the Monitor on the 31st Floor of the Ernst & Tower at 222 Bay Street in Toronto, Ontario on July 20, 2012 starting at 10.00 a.m. Eastern Standard Time and 11.00 a.m. Eastern Standard Time, respectively.

75. A representative of the Monitor will act as the chair of the Creditors' Meetings (the "**Chair**") and decide all matters relating to the rules, procedures and conduct of the Creditors' Meetings in accordance with the terms of the CCAA Plan, the Creditors' Meeting Order and any further Order of this Court. The Chair may adjourn the Creditors' Meetings at the Chair's discretion.

76. The only persons entitled to attend a Creditors' Meeting are the Monitor and its counsel, those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting and their legal counsel and advisors, the Applicant's respective legal counsel and advisors, the Chief Restructuring Officer, and Representative Counsel and its advisors. Any other Person may be admitted to a Creditors' Meeting on invitation of the Chair.

77. The quorum required at each of the Creditors' Meeting shall be: i) for the Pension Plan Claims Class Creditors' Meeting, the presence of the Representative Counsel either in

person or by proxy; and ii) for the Non-Pension Affected Claims Class Creditors' Meeting, the presence in person or by proxy of one Affected Creditor with a Non-Pension Affected Claim. If the requisite quorum is not present at a Creditors' Meeting, or a Creditors' Meeting is postponed by vote of the requisite majority of creditors at a Creditors' Meeting, then the applicable Creditors' Meeting shall be adjourned by the Chair to a date thereafter and to such time and place as may be appointed by the Chair. Neither the Applicant nor the Monitor will be required to deliver any notice of the adjournment of the Creditors' Meeting other than other than announcing the adjournment at the applicable Creditors' Meeting or posting notice at the originally designated time and location of the Creditors' Meeting or adjourned Creditors' Meeting, and on the Monitor's website.

Voting at Creditors' Meeting

78. The only creditors eligible to vote at the Creditors' Meeting are Affected Creditors with Affected Claims. The Creditors' Meeting Order contemplates that the Chair shall direct a vote on a resolution to approve the CCAA Plan and any amendments thereto as HCPH may consider appropriate.

Pension Plans Claims Class Creditors' Meeting

79. HCPH is the administrator of all six Pension Plans. Typically, the administrator of a Pension Plan would be responsible for asserting claims in respect of contributions required to be made to the Pension Plan, including contributions to fund a deficit upon a wind up of the Pension Plan. To avoid the situation where HCPH is voting, albeit as administrator, on its own CCAA Plan in respect of Pension Claims, the Creditor's Meeting Order provides that Representative Counsel be appointed proxy for HCPH, in its capacity as administrator of each of the Pension Plans, with full power of substitution, to attend on behalf of HCPH and to vote the amount of the Pension Plan Claims, in its discretion. Plan Members and beneficiaries of the Pension Plans are not required to issue a proxy to Representative Counsel.

80. No traditional claims procedure was initiated to call for Pension Plan Claims. Instead,

because the CCAA Plan contemplates the payment in full of all deficits, if any, in each of the Pension Plans, HCPH is proposing that the voting in respect of Pension Plan Claims will be done on the following basis:

i. for Pension Plans estimated to be in a deficit position, the wind up deficit as estimated by Mercer in the applicable Wind Up Report, will be, in effect, treated as the proven amount of the Pension Plan Claim for voting purposes; and

ii. for Pension Plans estimated to be in a surplus position, a deemed proven amount of $1.00 will be, in effect, treated as the proven amount of the Pension Plan Claim for voting purposes.

81. Among other reasons that claims in respect of the Pension Plans estimated to be in a surplus position are still treated as Affected Claims in the CCAA Plan and will have a deemed proven amount of $1 for voting purposes, is that the actual deficit or surplus will not be known until after the wind up is complete and the annuities purchased such that it is possible that a Pension Plan currently estimated to be in a surplus position could end up in a deficit position. As a result, it is important to treat such Claims as Affected Claims in the CCAA Plan.

82. Based on current estimates of Pension Plan Claims as described above, the following are the estimated Pension Plan Claims for voting purposes:

Pension Plan Claims
($000's)

Pension Plan		**Claim**
Sterling Thomson Plan	$	52
Hollinger Thomson Plan		114
Sterling Newspapers Plan		508
Journal Plan		242
HCPH Retirement Plan		0
Windsor Star Plan		0
Total Pension Plan Claim	**$**	**916**

Note: Claims of the HCPH Retirement Plan and the Windsor Star Plan are for $1.00.

Non-Pension Affected Claims Class Creditors' Meeting

83. The Creditors' Meeting Order provides that only Affected Creditors holding Non-Pension Affected Claims or their proxies are entitled to vote at the Non-Pension Affected Claims Class Creditors' Meeting.

84. For the Non-Pension Affected Claims Class:

   i. Affected Creditors having a General Claim will have a voting claim equal to the value of such Affected Creditors' proven claim;

   ii. Affected Creditors holding OPEB Claims will have a voting claim equal to the value of the OPEB Claim as indicated in such Affected Creditors' OPEB Claim Statement; and

   iii. Affected Creditors holding disputed claims will have a voting claim equal to the Monitor's accepted value, if any, of such Claim.

85. The Creditors' Meeting Order provides that the vote on the resolution to approve the CCAA Plan will be decided by:

   i. in respect of the Pension Plan Claims Class, approval of the CCAA Plan by Representative Counsel representing the Pension Plan Claims; and

   ii. in respect of the Non-Pension Affected Claims Class, approval of the CCAA Plan by a majority in number of the Affected Creditors of such class holding Voting Claims representing a two-thirds majority in value of such class that is present and voting at the Creditors' Meeting in person or by proxy.

   Items (i) and (ii) above, together, are referred to as the "**Required Majorities**".

86. The Creditors' Meeting Order provides that Affected Creditors with disputed claims will have their voting intentions with respect to the disputed claims recorded by the Monitor and reported to this Court. If approval or non-approval of the CCAA Plan by any of the Affected Creditors Classes will be determined by the votes cast in respect of disputed

claims, the Applicant and the Monitor, on notice to the service list, will request this Court's directions and, if necessary, appropriate deferral of the Sanction Hearing (as defined below) and any other applicable dates.

87. The Creditors' Meetings Order provides that following the vote at each Creditors' Meeting, the Monitor will tally the votes and determine whether the CCAA Plan has been accepted by the Required Majorities.

88. The Creditors' Meetings Order provides that the result of any vote at the Creditors' Meetings will be binding on all Affected Creditors, whether or not, in each case, the Affected Creditor is present at the Creditors' Meeting or voted on the resolution to approve the CCAA Plan.

Overpayments made from the HCPH Retirement Plan

89. The Monitor understands that seven Plan Members in the HCPH Retirement Plan received overpayments in error of benefits payable under the HCPH Retirement Plan totalling approximately $883,000. Typically, such overpayments are recovered from the Plan Members who received such overpayments. However, further to negotiations with the Representative Counsel for the Plan Members, HCPH, in consultation with the Monitor agreed that it would not pursue such Plan Members to return the overpayments and is seeking this Court's approval that any member who previously received in error an overpayment of benefits payable under the HCPH Retirement Plan, which has not been repaid, shall be reduced by the amount of such overpayment up to the full amount of such individual surplus allocation. The Monitor understands that the pension regulator in Ontario has been advised of the treatment of such overpayments.

ILLUSTRATIVE ESTIMATED RECOVERY ANALYSIS

90. The Monitor has prepared an illustrative estimate of recovery for Affected Creditors.

91. HCPH's primary remaining asset is cash that is held by HCPH. As of May 25, 2012, HCPH had cash of approximately $14.1 million. This amount is the primary source from which distributions will be made under the CCAA Plan. As described earlier, HCPH is

also anticipating a refund of certain input tax credits with respect to HST previously paid. In addition, HCPH may receive proceeds with respect to the STMG Trust Litigation. However, due to the uncertainty of the HST refunds and the STMG Trust Litigation, such amounts are not considered in the illustrative estimated recovery analysis prepared by the Monitor.

92. Based on current estimates of the Administration Claims, Government and Other Priority Claims, Secured Claims, Post-Filing Claims, and Post-Implementation Claims, the illustrative estimate of recovery assumes these Unaffected Claims will be paid in full (as noted earlier, the Monitor is not aware of any Secured Claims).

93. With respect to the Pension Plan Claims, the CCAA Plan provides for payment of the deficits in each of the Pension Plans prior to any distribution to the Non-Pension Affected Claims Class, resulting in the Pension Plans being fully funded on Wind Up. Based on the Wind Up Reports prepared by Mercer and approved by the respective Pension Regulators or submitted to CRA, the deficits are currently estimated to total $916,000 for four of the Pension Plans as described earlier in this Twelfth Report.

94. Based on the illustrative estimate of recovery analysis, HCPH expects that the Pension Plan deficits will be funded in full.

95. Approximately 68% of the holders of OPEB Claims are also Plan Members of Pension Plans.

96. With respect to the Non-Pension Affected Claims Class, the illustrative estimated recovery analysis reflects that members of the Non-Pension Affected Claims Class are currently projected to receive a distribution in the range of approximately 20% to 24% of their respective proven claims. The Monitor cautions, however, that this is an illustrative estimate only as at the date of this Twelfth Report and actual recoveries will be dependent on the final actual deficits identified in the Pension Plan Claims Class after the wind up process with respect to the Pension Plans is complete, and the resolution of disputed claims and other reserves as described in the CCAA Plan.

97. If the CCAA Plan is not approved, and the remaining assets of HCPH were liquidated

and distributed to creditors pursuant to bankruptcy proceedings under the *Bankruptcy and Insolvency Act*, then the Pension Plan Claims will likely be treated as unsecured claims on a *pari passu* basis as the Non-Pension Affected Claims, which would result in a reduction in the recoveries for members and beneficiaries of the Pension Plans in a deficit position. The illustrative estimated recovery analysis prepared by the Monitor reflects that, in the event of a bankruptcy, the Non-Pension Affected Claims Class would likely receive a slightly higher recovery (approximately 2%) on their claims, primarily because the Pension Plan deficits would not be paid in priority to the OPEB Claims and the General Claims. There would be a corresponding reduction in the recoveries relating to the Pension Plans in a deficit position, which is estimated in the illustrative bankruptcy scenario to result in a deficit of approximately $700,000 for Pension Plans in deficit.

RECOMMENDATIONS

98. The Monitor believes that the proposed terms of the Creditors' Meeting Order, including the notification and voting procedures, are reasonable.

99. The Monitor is of the view that the CCAA Plan is fair and reasonable. Among other things, the CCAA Plan is the product of and reflects the extensive discussions and negotiations with Representative Counsel with respect to the preferences of the retirees and the treatment of Pension Plan Claims and Non-Pension Affected Claims. As described earlier, the vast majority of HCPH's stakeholders are its former employees with pension and other benefits and almost all of these persons are represented by Representative Counsel. The Monitor believes that the CCAA Plan will facilitate an orderly wind up of the Pension Plans and OPEB Plans.

100. The Monitor supports the relief sought by the Applicant and recommends that the Order be made, if this Court sees fit:

   i. authorizing the Applicant to not file further annual valuation reports with the pension regulators with respect to any of the Pension Plans ;

   ii. authorizing the Applicant to file the CCAA Plan;

   iii. authorizing and establishing the procedure for HCPH to call and conduct

Creditors' Meetings to consider and vote on the CCAA Plan;

iv. approving the form of materials to be distributed to creditors in respect of the Creditors' Meetings;

v. setting the date for the hearing of the Applicant's motion seeking an order sanctioning the CCAA Plan;

ix. authorizing that the individual allocation of any surplus assets (if any) remaining on the wind up of the HCPH Retirement Plan (defined below) for any Plan Member who previously received in error an overpayment of benefits payable under the HCPH Retirement Plan, which has not been repaid, shall be reduced by the amount of such overpayment up to the full amount of such individual surplus allocation;

vi. authorizing that any Plan Member who previously received an overpayment in error of benefits payable under the HCPH Retirement Plan which has not been repaid will be released, subject to certain exceptions, of any claims in respect of such overpayment by HCPH, any of its agents or any successor administrator of the HCPH Retirement Plan; and

vii. approving this Twelfth Report and the conduct and activities of the Monitor as set forth herein and the conduct and activities of the CRO as described in the affidavit of Dennis Byrd sworn May 24, 2012.

All of which is respectfully submitted this 7th day of June, 2012.

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

Court File No.: CV-09-8503-00CL

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 IN THE MATTER OF HOLLINGER CANADIAN PUBLISHING HOLDINGS CO.

PLAN OF COMPROMISE AND ARRANGEMENT OF HOLLINGER CANADIAN PUBLISHING HOLDINGS CO.

MAY 24, 2012

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PLAN OF COMPROMISE AND ARRANGEMENT OF HOLLINGER CANADIAN PUBLISHING HOLDINGS CO. PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT ACT* (CANADA)

INTRODUCTION[1]

HCPH is the corporate entity holding what remains of the former Southam newspaper chain, the majority of the assets of which were sold in 2002, with the remaining newspaper assets sold in 2006. As such, for several years prior to the CCAA Proceeding, HCPH has not conducted any business activity or operations other than its continued administration of the Pension Plans and OPEB Plans not transferred as part of the aforementioned sales, relating to more than 3,000 former employees, the vast majority of whom are elderly pensioners.

HCPH's CCAA Proceeding has involved a very unique set of facts and circumstances, in that, since the commencement of the CCAA Proceeding it has been recognized that the overwhelming majority of HCPH's stakeholders consist of its former employees and their respective entitlements under the Pension Plans and OPEB Plans. Since the commencement of the CCAA Proceeding, HCPH's focus has to been to facilitate an orderly wind-up of the Pension Plans and termination of the OPEB Plans and to address its liabilities in respect thereof together with its other liabilities and obligations.

Against this backdrop, the CCAA Plan is to effect a compromise and arrangement of all Affected Claims against the Applicant, with the Pension Plan Claims given preferred treatment in the unique circumstances of this case, in a manner that provides equitable treatment among the Affected Creditors and allows for the orderly allocation and distribution of HCPH's assets to the Affected Creditors. HCPH proposed the appointment of the independent Representative Counsel at the commencement of the CCAA Proceeding and has worked cooperatively with such counsel during the course of the CCAA Proceeding, including in connection with the formulation of this CCAA Plan.

The CCAA Plan addresses two Affected Creditors Classes: (i) a Pension Plan Claims Class, and (ii) a Non-Pension Affected Claims Class. Holders of Pension Plan Claims shall constitute the Pension Plan Claims Class, and shall receive the treatment described in Section 4.01(a) hereof. All other holders of Affected Claims against HCPH (*i.e.*, all holders of Affected Claims other than Pension Plan Claims), shall constitute the Non-Pension Affected Claims Class, and shall receive the treatment described in Section 4.01(b) hereof.

The CCAA Plan is presented to the Affected Creditors with the expectation that the implementation of the CCAA Plan and the structured and orderly wind-up of the Pension Plans and the OPEB Plans in the context of the CCAA Proceeding is of greater benefit to the members and beneficiaries thereof and all Persons with claims against HCPH than an abrupt termination thereof.

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[1] Capitalized terms used in this Introduction but not otherwise defined shall have the meanings ascribed to such terms in Section 1.01 of the CCAA Plan.

ARTICLE I
DEFINITIONS AND INTERPRETATION

1.01 Definitions

Unless the context otherwise requires, the following capitalized terms shall have the following meanings when used herein:

"**Additional Reserves**" shall have the meaning ascribed to such term in Section 5.02 hereof;

"**Administration Claim**" means any Claim in respect of the fees and disbursements of the Monitor and its counsel, HCPH's counsel, advisors and other retained professionals (including actuaries), the CRO, and the Representative Counsel and its retained professionals (including its actuarial advisor), in each case relating to its duties and responsibilities in the CCAA Proceeding, the administration of the CCAA Plan, the Pension Plan Wind-ups, realization of any Remaining Assets, the administration of HCPH or any related matter;

"**Affected Claim**" means (i) any OPEB Claim in existence on August 31, 2011; (ii) any Pension Plan Claim in existence on December 31, 2010; and (iii) any other Claim in existence on the Filing Date that is not an Unaffected Claim;

"**Affected Creditor**" means any Person holding an Affected Claim and includes the transferee or assignee of a transferred or assigned Affected Claim who is recognized as an Affected Creditor by HCPH and the Monitor in accordance with the Claims Procedure Orders;

"**Affected Creditors Classes**" means the following two classes of Affected Creditors established in accordance with the Creditors' Meeting Order and this CCAA Plan: (i) the Pension Plan Claims Class, and (ii) the Non-Pension Affected Claims Class;

"**Applicable Law**" means in respect of any Person, property, transaction, event or other matter, any law, statute, regulation, code, ordinance, principle of common law, civil law, or equity, municipal by-law, treaty or order, domestic or foreign, applicable to that Person, property, transaction, event or other matter and all applicable requirements, requests, official directives, rules, consents, approvals, authorizations, guidelines, and policies, in each case, having the force of law, of any Governmental Authority having or purporting to have the authority over that Person, property, transaction, event or other matter and regarded by such Governmental Authority as requiring compliance;

"**Available Cash Pool**" means all Cash, Cash equivalents, and accounts of HCPH (excluding, for greater certainty, funds held by HCPH in trust for any other Person) held by or on behalf of HCPH or to which it is entitled from time to time, including all proceeds of realization on Remaining Assets of HCPH and any payments received by HCPH from the STMG Trust, if any, after the Plan Implementation Date pursuant to Section 5.06 hereof.

"**Business Day**" means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;

"**Cash**" means lawful currency of Canada and includes legal tender, cheque, draft or funds available through electronic transfer;

"**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in effect as of the date of the Initial Order;

"**CCAA Plan**" means this Plan of Compromise and Arrangement of HCPH filed pursuant to the CCAA, including the schedules hereto, as may be amended, modified, or supplemented hereinafter and from time to time in accordance with the terms hereof or order of the Court;

"**CCAA Proceeding**" means the proceeding commenced by HCPH pursuant to the Initial Order and the CCAA;

"**Claim**" means any right or claim of any Person against HCPH, in any capacity, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever of HCPH, and any interest accrued thereon or costs payable in respect thereof, whether at law or in equity, including arising by reason of the commission of a tort (intentional or unintentional), any breach of duty (including any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or to a trust, constructive trust or deemed trust (statutory, express, implied, resulting, or otherwise) against any property or assets, any Taxes and together with any security enforcement costs or legal costs associated with any such claim, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, by surety, by warranty, or otherwise, and whether or not such right is executory or anticipatory in nature, including any claim arising from or caused by the termination, disclaimer, resiliation, assignment or repudiation by HCPH of any contract, lease or other agreement, whether written or oral, any claim made or asserted against HCPH through any affiliate, subsidiary, associated or related person, or any right or ability of any Person to advance a claim for an accounting, reconciliation, contribution, indemnity, restitution or otherwise with respect to any matter, grievance, action (including any class action or proceeding before an administrative tribunal), cause or chose in action, whether existing at present or commenced in the future, and includes any other claims of any kind that, if unsecured, would have been claims provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 had HCPH become bankrupt on the Filing Date, including any other claims arising from or caused by, directly or indirectly, the implementation of, or any action taken pursuant to, the Initial Order or the CCAA Proceeding, including any Restructuring Claim;

"**Claims Bar Date**" means 5:00 p.m. (Eastern Standard Time) on June 18, 2010, as established by the General Claims Procedure Order;

"**Claims Disallowance Procedure Order**" means the Court's claims disallowance procedure order issued in the CCAA Proceeding, dated June 8, 2011;

"**Claims Procedure Orders**" means, collectively, the following orders relating to the procedures for Claim filing and/or determination, as such orders may be amended, restated or varied by subsequent order of the Court from time to time:

(i) the General Claims Procedure Order;

(ii) the Restructuring Claims Bar Date Order;

(iii) the Claims Disallowance Procedure Order; and

(iv) the OPEB Claims Procedure Order;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**Creditor**" means any Person having a Claim and includes the transferee or assignee of a Claim or a trustee, liquidator, receiver, receiver and manager, or other Person acting on behalf of such Person;

"**Creditors' Meetings**" means the meetings of each of the Affected Creditors Classes to be held pursuant to the Creditors' Meeting Order for the purpose of considering and voting on the resolution to approve the CCAA Plan and includes any adjournment of such meetings;

"**Creditors' Meeting Order**" means the Court's meeting order, dated **[DATE]**;

"**CRO**" means Mr. Dennis M. Byrd, as the chief restructuring officer of HCPH appointed pursuant to the Initial Order;

"**Directors**" means, collectively, those individuals who are or were previously directors or officers of HCPH and "**Director**" means, individually, any one of them;

"**Disbursing Agent**" means HCPH, to the extent it has any remaining officers or employees available, and otherwise the Monitor solely in its capacity as the Applicant's agent, for purposes of making Distributions from the Available Cash Pool in respect of Affected Claims and making other payments from the Available Cash Pool in respect of Unaffected Claims, in each case as required by and in accordance with Section 5.01 and the other provisions hereof;

"**Disputed Claim**" means any Affected Claim or any portion thereof in respect of which a Proof of Claim has been filed or which has otherwise been asserted in accordance with the applicable Claims Procedure Order(s) but which has not been accepted by HCPH and the Monitor or finally determined for CCAA Plan distribution purposes in accordance with the applicable Claims Procedure Order(s);

"**Disputed Claim Reserve**" means the reserve established in accordance with Section 6.02 hereof on account of Disputed Claims;

"**Distribution**" means any payment made by the Disbursing Agent on account of an Affected Claim pursuant to the terms and provisions of the CCAA Plan;

"**E&Y**" means Ernst & Young Inc.;

"**Filing Date**" means December 10, 2009, the date on which the Initial Order was granted;

"**General Claims Procedure Order**" means the Court's Order, dated April 15, 2010 establishing a procedure for asserting Claims other than OPEB Claims or Pension Plan Claims, as supplemented by the Restructuring Bar Date Order and the Claims Disallowance Procedure Order;

"**Government and Other Priority Claims**" means any Claim required to be paid in accordance with section 6(3), (5) or (6) of the CCAA;

"**Governmental Authority**" means any domestic or foreign government, including any federal, provincial, state, territorial or municipal government, and any government department, body, ministry, agency, tribunal, commission, board, court, bureau or other authority exercising or purporting to exercise executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government;

"**HCPH**" means Hollinger Canadian Publishing Holdings Co.;

"**Initial Order**" means the Initial Order of the Court, dated December 10, 2009, as amended, extended, restated or varied by subsequent order of the Court from time to time;

"**Inter-Company Claim**" means a Claim of any affiliate of HCPH against the Applicant;

"**Mercer**" means Mercer (Canada) Limited, the Applicant's actuary;

"**Monitor**" means Ernst & Young Inc., in its capacity as Court-appointed Monitor, pursuant to the Initial Order;

"**Non-Pension Affected Claim**" means any Affected Claim other than a Pension Plan Claim;

"**Non-Pension Affected Claims Class**" means the class of Affected Creditors holding Non-Pension Affected Claims;

"**OPEB Claim**" means any Claim in respect of or relating to any OPEB Plan;

"**OPEB Claims Procedure Order**" means the Court's OPEB Claims Procedure Order, dated July 28, 2011;

"**OPEB Plans**" means all unfunded retirement plans, agreements and arrangements (including the Southam Executive Retirement Agreements and the Divisional Allowance Top-Up) and all other post-employment benefit plans of HCPH in respect of which HCPH may have an obligation or liability, which relate to, among other things, medical coverage, dental coverage, life insurance, accidental death and dismemberment insurance, and long-term disability income benefits, including any claim, right or entitlement in respect of any long-term disability plan whether insured or uninsured and including the plans listed on Schedule "A" hereto, and which, for greater certainty, shall not include the Pension Plans, and shall not include the Long Term Disability Plan for the Employees of Southam Inc., and any one of the OPEB Plans shall be referred to herein as an "<u>OPEB Plan</u>";

"**Pension Plans**" means the following six registered pension plans relating to former employees of HCPH:

(a) Hollinger Canadian Publishing Holdings Co. Retirement Plan (FSCO and CRA No. 0526947);

(b) Sterling Newspaper Company Pension Plan for Employees of Newspapers Formerly Owned by Thomson Newspapers (FSCO and CRA No. 1024744);

(c) Hollinger Canadian Publishing Holdings Co. Pension Plan for the Employees of Newspapers Formerly Owned by Thomson Newspapers (FSCO and CRA No. 1033786);

(d) Hollinger Canadian Publishing Holdings Co., Windsor Star Employees' Pension Plan (FSCO and CRA No. 0208355);

(e) Hollinger Canadian Publishing Holdings Co. Plan for Employees of Newspapers Formerly Owned by Sterling Newspapers (B.C. No. P085060-1 and CRA No. 0399444); and

(f) Journal Publishing Company Limited Pension Plan (CRA No. 0267351);

"**Pension Plan Claim**" means any Claim in respect of or relating to any Pension Plan, including in respect of any Pension Plan Deficiency;

"**Pension Plan Claims Class**" means the class of Affected Creditors holding Pension Plan Claims against HCPH;

"**Pension Plan Deficiency**" means any deficiency in any Pension Plan in respect of the Pension Plan Wind-ups, based on the final actual costs of settling all benefits and refunds and payments of related expenses on wind-up, including fees and expenses of any trustees or agents appointed by any Pension Plan administrator and the actual costs of annuity purchases;

"**Pension Plan Wind-ups**" means the Court authorized wind-up of the Pension Plans pursuant to the October 14, 2010 order of the Court, with the wind-up date as of December 31, 2010, substantially in accordance with the Pension Plan Wind-up Steps and the Pension Plan Wind-up Direction;

"**Pension Plan Wind-up Steps**" means the steps substantially set out in Schedule "B" hereto, as may be amended with the agreement of HCPH and the Monitor and the consent of Representative Counsel or by order of the Court.

"**Pension Plan Wind-up Direction**" means a direction and agreement, substantially in the form attached hereto as Schedule "C", to be executed and delivered by HCPH to the Monitor upon approval of the Court, with such amendments thereto as the Monitor and HCPH may agree with the consent of Representative Counsel or as may be approved by the Court.

"**Person**" means any individual, corporation, limited or unlimited liability company, general or limited partnership, income fund, association, trust, pension fund, union, unincorporated organization, joint venture, government or any agency, regulatory body, representative or instrumentality thereof, legal personal representative or litigation guardian, pension plan administrator, pension committee, or any other entity howsoever designated or constituted;

"**Plan Implementation Date**" means the Business Day on which the conditions precedent to implementation of the CCAA Plan have been satisfied, fulfilled, or waived, as applicable, and the Monitor has completed and filed its certificate with the Court in accordance with Section 9.03 hereof;

"**Post-Filing Claim**" means any Claim that arose after the Filing Date and not satisfied as at the Plan Implementation Date, in respect of which HCPH and the Monitor have actual notice as at the Plan Implementation Date, from or in respect of: (a) any executory contract or unexpired lease that has not been terminated or disclaimed by HCPH; (b) the supply of any services, delivery of any goods, or any monies advanced to HCPH on or after the Filing Date; or (c) any amounts to be remitted to a tax authority pursuant to paragraph 8 of the Initial Order during the period from the Filing Date to, but excluding, the Plan Implementation Date; provided that "Post-Filing Claim" shall not include any Restructuring Claim;

"**Post-Implementation Claim**" means any Claim incurred from and after the Plan Implementation Date by or on behalf of HCPH with the approval of the Monitor in relation to the Pension Plan Wind-Ups (other than fees and costs of HCPH's agents or Representative Counsel that constitute wind up administration expenses that are charged to and payable from the funds of the respective Pension Plans) and administration of the CCAA Plan, occupation rent or the supply of services, delivery of goods or monies loaned to HCPH;

"***Pro Rata* Share**" means, in respect of a Person with a Non-Pension Affected Claim, the Proven Amount of such Non-Pension Affected Claim divided by the aggregate Proven Amounts of all Non-Pension Affected Claims, in each case as adjusted to reflect any gross-up of OPEB Claims pursuant to Section 5.09(b);

"**Proof of Claim**" means the form to have been completed and filed by a Creditor setting forth its purported Claim in accordance with the Claims Procedure Orders;

"**Proven Amount**" means:

(a) in respect of a Pension Plan Claim, the amount of such Claim as accepted by HCPH and the Monitor as necessary to fund the Pension Plan Deficiency or as finally determined by an order of the Court; and

(b) in any other case, the amount of a Claim in respect of which a Proof of Claim has been or is deemed to have been filed in a proper and timely manner in accordance with the applicable Claims Procedure Order(s) and which has been accepted by HCPH and the Monitor or finally determined in accordance with the applicable Claims Procedure Order(s) or order of the Court;

"**Released Claims**" shall have the meaning ascribed to such term in Section 11.01 hereof;

"**Released Parties**" shall have the meaning ascribed to such term in Section 11.01 hereof;

"**Remaining Assets**" means all remaining assets of HCPH, if any, other than Available Cash Pool;

"**Representative Counsel**" means Koskie Minsky LLP, in its capacity as the Court-appointed representative counsel for all members and beneficiaries of holders of OPEB Claims and all members and beneficiaries of the Pension Plans, other than those members and beneficiaries who opted out of such representation pursuant to the Initial Order and the order of the Court made on December 10, 2009;

"**Restructuring Claim**" shall have the meaning given to such term in the General Claims Procedure Order;

"**Restructuring Claims Bar Date**" means the bar date for filing a Proof of Claim in respect of a Restructuring Claim pursuant to the Claims Procedure Orders;

"**Restructuring Claims Bar Date Order**" means the Court's order dated July 27, 2010;

"**Sanction Hearing**" means the Court hearing at which the Applicant's motion for the Sanction Order will be heard;

"**Sanction Order**" means an order made by the Court pursuant to the CCAA to, among other things, sanction, authorize and approve the CCAA Plan, as such order may be amended by the Court from time to time;

"**Secured Claims**" means any Claim (excluding any Pension Plan Claim) which is secured by a lien or encumbrance on the property of the Applicant, which lien or encumbrance is valid, perfected and enforceable pursuant to Applicable Law, to the extent of and limited to the value of such property, as of the Plan Implementation Date.

"**Taxes**" means any and all federal, provincial, local or foreign taxes, duties, fees, pending assessments, reassessments and other governmental charges, duties, impositions and liabilities of any kind whatsoever (including any Claims by Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any Province or Territory of Canada, the Canada Revenue Agency and any similar revenue or taxing authority, including any municipality, of any Province or Territory of Canada), including all interest, penalties, fines and additions with respect to such amounts;

"**Unaffected Claim**" shall have the meaning ascribed to such term in Section 2.02 hereof;

"**Unaffected Creditor**" means a Person who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim;

"**Website**" means the website of the Monitor established in connection with the CCAA Proceeding: www.ey.com/ca/hcph; and

1.02 Certain Rules of Interpretation

In the CCAA Plan:

(a) the division of the CCAA Plan into Articles, Sections, subsections and clauses and the use of headings and a table of contents are for convenience of reference only and do not affect the construction or interpretation of the CCAA Plan, nor are the descriptive headings of Articles and Sections intended as complete or accurate descriptions of the contents thereof;

(b) the terms "the CCAA Plan", "hereof", "hereunder", "herein" and similar expressions refer to the CCAA Plan and not to any particular Article, Section, subsection, clause or Schedule of or to the CCAA Plan;

(c) words importing the singular include the plural and vice versa and words importing any gender include all genders;

(d) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation but rather shall mean "includes without limitation", "including without limitation", "includes but is not limited to" and "including but not limited to", as applicable, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;

(e) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;

(f) all references to the CCAA are references to the CCAA as it existed on the date of the Initial Order;

(g) all accounting terms not otherwise defined herein shall have the meanings ascribed to them, from time to time, in accordance with the Canadian generally accepted accounting principles, including those prescribed by the Canadian Institute of Chartered Accountants;

(h) unless otherwise indicated, all references to currency and to "$" are Canadian dollars;

(i) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day; and

(j) unless otherwise specified, the time periods within or following which any act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day.

1.03 Interest

Interest shall not be paid on any Affected Claim after the Filing Date, no Affected Claim shall be entitled to interest accruing after or on the Filing Date and any Claim in respect of such interest shall be released and extinguished upon the Plan Implementation Date.

1.04 Schedules

The following are the Schedules to the CCAA Plan:

(i) Schedule “A”: List of OPEB Plans

(ii) Schedule "B": Pension Plan Wind-Up Steps

(iii) Schedule "C": Pension Plan Wind-Up Direction

1.05 Currency Conversion

All Affected Claims denominated in a currency other than lawful money of Canada are to be converted to the equivalent thereof in lawful money of Canada at the noon rate of exchange as quoted by the Bank of Canada on the Filing Date, or, in the case of OPEB Claims, on August 31, 2011.

ARTICLE II
AFFECTED AND UNAFFECTED CLAIMS

2.01 Affected Claims

The CCAA Plan will become effective on the Plan Implementation Date and shall be binding on and enure to the benefit of the Applicant, the Affected Creditors holding Affected Claims and all other Persons named or referred to in, or subject to, the CCAA Plan, in accordance with its terms but shall not affect Unaffected Creditors, solely with respect to and to the extent of their Unaffected Claims.

2.02 Unaffected Claims

The CCAA Plan does not compromise or affect the following Claims (collectively, the “**Unaffected Claims**”) against the Applicant:

(a) Administration Claims;

(b) Government and Other Priority Claims;

(c) Secured Claims;

(a) **Pension Plan Claims Class**: The trustee(s) of each Pension Plan will be paid the Proven Amount of the Pension Plan Claims from the Available Cash Pool in accordance with Section 5.01(e) hereof (adjusted as necessary in accordance with the Pension Plan Wind-up Steps and Pension Plan Wind-Up Direction), in full and final satisfaction of the applicable Pension Plan Claims. Any surplus funds, if any, remaining in a Pension Plan after completion of the payment of or provision for all basic benefits on the wind-up of such Pension Plan (including after payment of all applicable costs and expenses and funding of all annuities in respect thereof) shall be distributed to those individuals who were members and beneficiaries of such Pension Plan as at the wind-up date of December 31, 2010 in accordance with applicable pension law.

(b) **Non-Pension Affected Claims Class**: Each holder of a Non-Pension Affected Claim will be paid its *Pro Rata* Share of the remaining Available Cash Pool after payment or reserve for payment of the items set out in Sections 5.01(a) to 5.01(g) in accordance with Section 5.01(h) hereof and the other provisions of this CCAA Plan, in full and final satisfaction of its Non-Pension Affected Claim.

4.02 Inter-Company Claims

No Person shall receive any Distributions pursuant to the CCAA Plan in respect of any Inter-Company Claim and all Inter-Company Claims shall be released upon the Plan Implementation Date.

4.03 Equity Claims and Equity Interests

No Person shall receive any Distributions pursuant to the CCAA Plan in respect of any equity claim or equity interest (each as defined in section 2(1) of the CCAA) unless and until all Affected Claims are paid in full.

ARTICLE V
PROVISIONS GOVERNING AVAILABLE CASH POOL AND DISTRIBUTIONS

5.01 Available Cash Pool

Subject to Sections 5.02 to 5.09 and Article 6, the Available Cash Pool will be distributed by the Disbursing Agent on the following basis and in the following order of priority:

(a) **Administration Claims (Pre-Implementation)**: each holder of an Administration Claim incurred up to the Plan Implementation Date and not paid prior to such date by HCPH (if any) will be paid the full amount of such Administration Claim from the Available Cash Pool, on or as soon as practical after the Plan Implementation Date;

(b) **Government and Other Priority Claims**: each holder of a Government and Other Priority Claim will be paid the full amount of such holder's Government and Other Priority Claim from the Available Cash Pool, on or as soon as practical

(d) Post-Filing Claims; and

(e) Post-Implementation Claims.

ARTICLE III
CLASSIFICATION OF CREDITORS AND PROCEDURAL MATTERS

3.01 Two Classes of Affected Creditors

For the purposes of considering and voting on and receiving any Distribution under the CCAA Plan, there shall be two Affected Creditors Classes:

(i) the Pension Plan Claims Class; and

(ii) the Non-Pension Affected Claims Class.

3.02 No Vote or Distribution in Respect of Unaffected Claims

No holder of an Unaffected Claim shall be entitled to vote on or receive any Distributions under this CCAA Plan in respect of such Unaffected Claim (although the payment of Unaffected Claims in full is contemplated by Section 5.01).

3.03 Claims Bar Date and Restructuring Claims Bar Date

Nothing in the CCAA Plan extends or shall be interpreted as extending or amending the Claims Bar Date or the Restructuring Claims Bar Date, or gives, or shall be interpreted as giving, any rights to any Person in respect of Claims that have been determined, barred, extinguished or released pursuant to the Claims Procedure Orders and/or the Sanction Order.

3.04 Approval by Creditors

In order to be approved by the Affected Creditors, the CCAA Plan must receive an affirmative vote by the majorities required by the CCAA of each of the Affected Creditors Classes at the Creditors' Meetings.

3.05 Meetings of Creditors

The Creditors' Meetings and voting procedures in respect of the CCAA Plan shall be held and conducted in accordance with the Creditors' Meeting Order and any further applicable order of the Court.

ARTICLE IV
TREATMENT OF AFFECTED CREDITORS

4.01 Affected Creditors Classes

The treatment of the Affected Creditors Classes shall be as follows:

after the Plan Implementation Date but in any event within six (6) months after the Sanction Order;

(c) **Secured Claims**: each holder of a Secured Claim will be paid the Proven Amount of such holder's Secured Claim from the Available Cash Pool, on or as soon as practical after the Plan Implementation Date;

(d) **Post-Filing Claims**: each holder of a Post-Filing Claim that remains outstanding on the Plan Implementation Date, if any, will be paid the full amount such holder's Post-Filing Claim (in the amount agreed with the Monitor or as otherwise ordered by the Court) from the Available Cash Pool, on or as soon as practical after the Plan Implementation Date;

(e) **Pension Plan Claims**: the trustee(s) of each Pension Plan will be paid the Proven Amount of the Pension Plan Claim in respect of such Pension Plan from the Available Cash Pool, as soon as practical after the Plan Implementation Date by way of one or more Distributions as determined by the Disbursing Agent in its sole discretion;

(f) **Administration Claims (Post-Implementation)**: each holder of an Administration Claim incurred on or after the Plan Implementation Date will be paid the full amount of such Administration Claim from the Available Cash Pool, at such time or times as agreed with the Monitor;

(g) **Post-Implementation Claims**: each holder of a Post-Implementation Claim will be paid the full amount of such holder's Post-Implementation Claim (in the amount agreed with the Monitor or as otherwise ordered by the Court) from the Available Cash Pool, at such time or times as agreed with the Monitor;

(h) **Non-Pension Affected Claims**: each holder of a Non-Pension Affected Claim will be paid its *Pro Rata* Share of the amount remaining in the Available Cash Pool after the satisfaction in full of the amounts referred to in clauses (a) to (g) of this Section 5.01, which may be paid by way of one or more Distributions to such holder and at such time or times as determined by the Disbursing Agent in accordance with Section 5.04.

5.02 Reserves

(1) In addition to the Disputed Claims Reserve contemplated by Section 6.02, the Disbursing Agent may establish reserves at any time from the Available Cash Pool in respect of potential Administration Claims, Post-Filing Claims, Post-Implementation Claims and any other Claims subject to payment pursuant to Section 5.01 (collectively, the "**Additional Reserves**"), and may at any time increase or decrease such Additional Reserves at its discretion having regard to payments to be made from the Available Cash Pool in accordance with Section 5.01 on account of any such Claims and the Monitor's then current estimate of the potential remaining amount of such Claims and any other factors considered appropriate by the Monitor (including a contingency factor).

(2) If the Disbursing Agent is reasonably satisfied that a particular category of Claims and all prior-ranking categories of Claims as set out in Section 5.01 have been paid in full or sufficient Additional Reserves exist to pay such Claims in full, the Disbursing Agent may in its discretion, but will not be required to, make payments from the Available Cash Pool in accordance with Section 5.01 to holders of Claims in the category with the next highest priority.

5.03 Monitor to Serve as Disbursing Agent

(1) To the extent that HCPH no longer has any officers or employees available to enable it to act as Disbursing Agent, the Monitor shall serve as the Disbursing Agent (subject to the other provisions of this Section 5.03), solely as agent and on behalf of HCPH, in connection with all payments under the CCAA Plan. The Disbursing Agent will only be required to make such Disbursements and other payments to the extent sufficient funds exist in the Available Cash Pool.

(2) In connection with its role as Disbursing Agent:

(a) the Monitor is solely doing so as payment agent for HCPH and neither the Monitor nor E&Y has agreed to become, and neither is assuming any responsibility as a receiver, assignee, curator, liquidator, administrator, receiver-manager, agent of the Creditors or legal representative of HCPH within the meaning of any relevant tax legislation;

(b) the Disbursing Agent will make the disbursements contemplated by the CCAA Plan from the Available Cash Pool that shall remain in the possession of HCPH;

(c) neither the Monitor nor E&Y will have any liability for, and each is hereby released from, any claim in respect of any act or omission in respect of the Monitor as Disbursing Agent;

(d) the Monitor will be provided with and is entitled to have access to all of the books and records of HCPH and to all documents and other information required by it from time to time, whether in the possession of HCPH or a third party, in connection with its role as Disbursing Agent;

(e) the Monitor at any time may resign as or refuse to perform the role of Disbursing Agent;

(f) the Monitor will not exercise discretion or control over such funds and will only make payments contemplated by the CCAA Plan and the Monitor at any time may apply to court for directions with respect to its role as Disbursing Agent or for any other relief;

(g) the Monitor may discuss from time to time all matters relating to its role as Disbursing Agent with Representative Counsel;

(h) the Monitor may at any time engage legal counsel, accountants and other advisers to assist it in connection with its role as Disbursing Agent; and

(i) all fees and disbursements of the Monitor (including, without limitation, the fees and disbursements of legal counsel, accountants and other advisers) will be paid by HCPH and will constitute Administrative Claims for the purposes of the CCAA Plan.

HCPH will provide the Monitor with copies of all documents and all information requested by the Monitor from time to time and otherwise will provide to the Monitor with full access to its books and records.

(3) HCPH hereby indemnifies and holds harmless E&Y (in its capacity as Monitor and in its personal capacity), its affiliates and its and their respective directors, officers, employees, advisors, agents and other representatives (each, an "Indemnified Person") from and against any and all losses, claims, damages and liabilities to which any such Indemnified Person may become subject arising out of or in connection with its role as Disbursing Agent or any claim, litigation, investigation or proceeding relating to any of the foregoing (the "Indemnified Matters"), and to reimburse each Indemnified Person upon demand for any reasonable legal or other out-of-pocket expenses incurred in connection with Indemnified Matters or investigating or defending any of the foregoing. HCPH will not, without the prior written consent of E&Y and the relevant Indemnified Person, effect any settlement of any pending or threatened proceeding against an Indemnified Person in respect of which indemnity could have been sought hereunder by such Indemnified Person unless such settlement (i) includes an unconditional release of such Indemnified Person from all liability or claims that are the subject matter of such proceeding and (ii) does not include any statement as to any admission. All amounts that may be claimed by an Indemnified Person pursuant to this paragraph 5.03(3) will constitute Administration Claims for the purposes of the CCAA Plan.

5.04 Timing of Distributions from the Available Cash Pool

Distributions to Non-Pension Affected Creditors from the Available Cash Pool will be made from time to time and as soon as practicable following the issuance of the Sanction Order, as determined by the Disbursing Agent in consultation with Representative Counsel. In this regard, the Disbursing Agent will only make Distributions from the Available Cash Pool if the amount available to be distributed makes such Distribution economically practical, as determined by the Disbursing Agent acting reasonably (having regard to, among any other considerations that the Disbursing Agent considers appropriate, the amount of liquid funds then available to be distributed, any reserves considered appropriate, the number of Persons to whom the Distribution is to be made and the time at which further funds are expected to become available for Distribution), which determination will be final and non-reviewable.

5.05 Disbursing Agent Shall Not Distribute Cash Below $10

No Distribution to an Affected Creditor will be made for an amount less than $10. HCPH's liability to any Affected Creditor for any Distribution in an amount less than $10 will be forever discharged and extinguished.

5.06 Remaining Assets

To the extent any proceeds are realized from the Remaining Assets (whether through sale or liquidation, release of any reserve funds, any funds arising from a non-Distribution in accordance with Section 5.05, reimbursement of any tax or other accounts, or otherwise), such funds will become part of the Available Cash Pool and distributed in accordance with Section 5.01 and the other provisions of the CCAA Plan. If the Monitor becomes aware of any Remaining Assets that have material value, the Monitor may (but will have no obligation to) assist HCPH in the realization of such Remaining Assets, including exercising any authority or power given to the Monitor pursuant to the Sanction Order or otherwise in respect thereof.

5.07 Delivery of Distributions

The Distributions to Affected Creditors in respect of Non-Pension Affected Claims pursuant to section 5.01 above shall be made by prepaid ordinary mail by the Disbursing Agent as follows:

(a) to the addresses set forth in the Proofs of Claim filed by such Affected Creditors in accordance with the Claim Procedures Orders or, in the case of Affected Creditors with OPEB Claims, the Personal Information Statements of such Affected Creditors (as defined in the Court's Order dated April 15, 2010);

(b) if applicable, to the addresses set forth in any written notices of address change delivered to the Monitor after the date on which any corresponding Proof of Claim was filed, provided such notice is received by the Monitor at least five (5) Business Days prior to the date on which such Distribution is made; or

(c) absent the availability of the foregoing, to the last known address of the Affected Creditor indicated in the Applicant's books and records.

5.08 Unclaimed Distributions

(1) If an address for any Affected Creditor entitled to a Distribution from the Available Cash Pool cannot be located on the applicable Distribution date, then an amount equal to such Affected Creditor's Distribution shall be set aside or otherwise reserved by the Disbursing Agent. If an address for such Affected Creditor is located within six (6) months after such Distribution date, the Distribution for such Affected Creditor shall be distributed to it by the Disbursing Agent. If the address for such Affected Creditor cannot be located within six (6) months after such Distribution date, the Distribution for such Affected Creditor shall be added back to the Available Cash Pool and such Affected Creditor shall be deemed to have released its right to such Distribution and have no further right to any replacement or other Distribution in respect thereof. Nothing contained in the CCAA Plan shall require the Disbursing Agent to take any steps to attempt to locate any Affected Creditor or any address for one, beyond the requirements of section 5.07 of the CCAA Plan.

(2) Any cheque in payment of a Distribution that has not been cashed within 6 months after the date of the applicable Distribution may thereafter be cancelled by the Disbursing Agent, with HCPH's liability to the payee of such cheque forever discharged and extinguished, and the

amount otherwise payable pursuant to such cheque will become available for distribution from the Available Cash Pool.

5.09 Income Tax Withholding Requirements

(a) In connection with the CCAA Plan, any Distribution made hereunder by the Disbursing Agent shall be made net of all applicable Taxes. Notwithstanding the foregoing and any other provision of the CCAA Plan, each Affected Creditor that is to receive a distribution pursuant to the CCAA Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Governmental Authority (including income, withholding and other Tax obligations on account of such distribution). The Disbursing Agent, as necessary, shall be authorized to take any and all actions as may be necessary or appropriate to comply with applicable withholding and reporting requirements. All amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Affected Creditor in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Authority.

(b) To the extent that the Disbursing Agent determines that Taxes are required to be withheld and remitted to the appropriate Governmental Authority in respect of any Non-Pension Affected Claim that is an OPEB Claim, such OPEB Claim shall be grossed up by 10% unless otherwise ordered by the Court.

ARTICLE VI
<u>DISPUTED CLAIMS</u>

6.01 No Distributions

A Creditor holding a Disputed Claim will not be entitled to receive a Distribution under the CCAA Plan in respect thereof unless and until such Disputed Claim becomes a Proven Claim that is entitled to a Distribution under this CCAA Plan.

6.02 Disputed Claim Reserve

The Disbursing Agent shall establish, from the funds in the Available Cash Pool prior to making any Distribution in accordance with Section 5.01(h) hereof, a Disputed Claim Reserve on account of all Disputed Claims (if any) existing as at each date for a Distribution, equal to the aggregate amount of the Distribution that all the holders of such Disputed Claims would have been entitled to receive from the Distribution Pool if all such Disputed Claims had been Proven Non-Pension Affected Claims in their entire amount on such Distribution date.

6.03 Distributions from Disputed Claim Reserve

(1) If any portion of a Disputed Claim becomes a Proven Claim entitled to a Distribution under the CCAA Plan after a Disputed Claim Reserve has been established in respect thereof, such holder shall receive a Distribution from the Disputed Claim Reserve in an amount equal to the Distribution such holder would have received in respect of such Proven Claim.

(2) If a Disputed Claim is ultimately disallowed in whole or in part in accordance with the Claims Procedure Orders or other Order of the Court after a Disputed Claim Reserve has been established in respect thereof, any portion of the Disputed Claim Reserve in respect of the disallowed portion of such Disputed Claim will be released back to the Available Cash Pool and will distributed in accordance with Section 5.01.

ARTICLE VII
PENSION PLAN WIND-UPS

7.01 Pension Plan Wind-up Process

Without limitation to the terms of, and the authority given to HCPH pursuant to, the order of the Court dated October 14, 2010 or any other order of the Court or otherwise by law, HCPH may take the steps described in Schedule "B" hereto in connection with the Pension Plan Wind-ups and may cause any surplus in any Pension Plan to be distributed to or for the benefit of the applicable members and beneficiaries of such Pension Plan in the manner contemplated by such steps.

7.02 Monitor's Assistance

(1) In connection with the Pension Plan Wind-ups, HCPH may obtain the assistance of the Monitor and will, subject to approval of the Court, execute and deliver the Pension Plan Wind-up Direction to the Monitor on the Plan Implementation Date.

(2) Without limitation to the rights, powers, protections and benefits in favour of the Monitor and E&Y elsewhere in this CCAA Plan, the Monitor and E&Y will have the rights, powers, protections and benefits set out in the Pension Plan Wind-up Direction, including paragraph 3 thereof.

ARTICLE VIII
SANCTION ORDER

8.01 Application for Sanction Order

A motion shall be brought by HCPH seeking the Sanction Order that is to be heard by the Court following the approval of the CCAA Plan by the Affected Creditors Classes in accordance with the Creditors' Meeting Order and the CCAA.

8.02 Effect of Sanction Order

In addition to approving and sanctioning the CCAA Plan, and subject to the discretion of the Court, the Sanction Order shall, among other things and without limitation:

(a) declare that (i) the CCAA Plan has been approved by the requisite majorities of the Affected Creditors Classes in conformity with the CCAA; (ii) HCPH has complied with the provisions of the CCAA and the orders made in the Applicant's CCAA Proceeding in all respects; (iii) the Court is satisfied that HCPH has not done nor purported to do anything that is not authorized by the CCAA; and (iv) the CCAA Plan and the transactions contemplated thereby are fair and reasonable;

(b) direct and authorize the Applicant, the Monitor, and the Disbursing Agent to fulfill their respective obligations under the CCAA Plan, including to complete the transactions, payments and Distributions contemplated under the CCAA Plan free and clear of all Claims;

(c) provide the Monitor with such expanded powers, directions, protections and authorizations as may be necessary or desirable to enable the Monitor to carry out its duties or contemplated activities in respect of the Pension Plan Wind-ups and all other matters in connection with the implementation and future administration of the CCAA Plan, the CCAA Proceedings, realization on any Remaining Assets or the administration of HCPH;

(d) authorize and direct HCPH to execute and deliver the Pension Plan Wind-up Direction to the Monitor on the Plan Implementation Date;

(e) confirm the effect of the Claims Procedure Orders, including the effect of the Claims Bar Date, the Restructuring Claims Bar Date and the releases, injunctions and prohibitions provided thereunder;

(f) effective on the Plan Implementation Date, permanently stay all Affected Claims and declare that the compromises effected pursuant to the CCAA Plan are approved, binding and effective as herein set out upon all Creditors and other Persons affected by the CCAA Plan;

(g) effective on the Plan Implementation Date, declare that the compromises, releases and injunctions effected by the CCAA Plan, including the releases contemplated by Section 11.01, are approved, binding and effective as of the Plan Implementation Date upon all Affected Creditors and all other Persons affected by the CCAA Plan and shall inure to the benefit of the Applicant, the CRO, the Monitor, the Representative Counsel, and all Persons affected by the CCAA Plan;

(h) continue the stay of proceedings under the Initial Order until the CCAA Proceeding is terminated by order of the Court;

(i) subject to section 5.1(2) of the CCAA, effective on the Plan Implementation Date, stay any and all steps or proceedings, including administrative orders, declarations or assessments, commenced, taken or proceeded with against the Directors or that could have been commenced, taken or proceeded with against the Directors save for the stay of proceedings, and discharge the Directors from any liability arising as a result of their acting as a director and/or officer of the Applicant;

(j) effective on the Plan Implementation Date, permanently enjoin the commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgments, or other remedy or recovery with respect to any indebtedness, liability, obligation or cause of action released, discharged or terminated pursuant to the CCAA Plan; and

(k) confirm that the Monitor's and the Applicant's advisors, the CRO, and the Representative Counsel shall continue to have the benefit of the charges as provided in the Initial Order or other order of this Court, until such time as the CCAA Proceeding is terminated and all obligations secured thereby are paid in full.

ARTICLE IX
CONDITIONS PRECEDENT

9.01 Conditions Precedent to Implementation of CCAA Plan

The implementation of the CCAA Plan is conditional upon the fulfillment, satisfaction or waiver (except for 9.01(a) or 9.01(b)) by HCPH of the following conditions on or before the Plan Implementation Date:

(a) the CCAA Plan being approved by the Affected Creditors in accordance with the Creditors' Meeting Order and the CCAA;

(b) the Sanction Order being issued by the Court in form and substance acceptable to the Applicant, the Monitor and Representative Counsel;

(c) all applicable appeal periods in respect of the Sanction Order having expired and any appeals therefrom having been finally disposed of by the applicable appellate tribunal; and

(d) all relevant Persons having executed, delivered and filed all documents and other instruments and HCPH having obtained all consents and approvals that, in the opinion of the Applicant, acting reasonably, are necessary to implement the provisions of the CCAA Plan.

9.02 Waiver

Any waiver of the conditions in Section 9.01 hereof capable of being waived shall be in writing by HCPH as applicable.

9.03 Monitor's Certificate

Upon being advised by HCPH that the conditions set out in Section 9.01 hereof have been satisfied or waived, the Monitor shall file with the Court a certificate that states that all conditions precedent set out in Section 9.01 of the CCAA Plan have been satisfied or waived.

ARTICLE X
EFFECT OF CCAA PLAN

10.01 Effect of CCAA Plan Generally

The CCAA Plan will become effective upon the filing by the Monitor of the certificate contemplated by Section 9.03. The CCAA Plan (including the releases and injunctions contained in the CCAA Plan), upon being sanctioned and approved by the Court pursuant to the Sanction Order, shall be binding as of the Plan Implementation Date on all Persons and shall constitute:

(a) a full, final and absolute settlement of all rights of the holders of all Affected Claims; and

(b) an absolute release and discharge of all indebtedness, liabilities and obligations of HCPH of or in respect of the Affected Claims.

10.02 Consents, Waivers and Agreements

On the Plan Implementation Date, each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of the CCAA Plan in its entirety. In particular, each Affected Creditor shall be deemed:

(a) to have executed and delivered to the Monitor and HCPH all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the CCAA Plan in its entirety; and

(b) to have waived any and all defaults then existing or previously committed by HCPH in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Affected Creditor and HCPH and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded.

ARTICLE XI
RELEASES AND INJUNCTIONS

11.01 Releases

For good and valuable consideration, including the compromises and distributions to be made pursuant to the CCAA Plan, every Person (including, for greater certainty, each and every member or beneficiary of each and every Pension Plan and OPEB Plan), regardless of whether or not such Person is an Affected Creditor, and save and except for Unaffected Creditors solely with respect to their Unaffected Claims, on the Person's own behalf and on behalf of the Person's respective affiliates, present and former officers, directors, employees, associated individuals, auditors, actuaries, beneficiaries, financial advisors, legal counsel, other professionals, sureties, insurers, indemnities, agents, dependents, heirs, representatives, and successors and assigns, as applicable: (a) hereby fully, finally, irrevocably and unconditionally releases and forever discharges the Applicant, the CRO, the Monitor, and the Representative Counsel, and all current, former, and any future administrators of the Pension Plans or members of any Pension Plan committee, together with each of their and their affiliates' respective current and former legal representatives, agents, directors, officers, predecessors, heirs, spouses, dependants, administrators, executors, subsidiaries, affiliates, related companies, member companies, partners, shareholders, employees, legal counsel, auditors, contractors, actuaries, consultants, financial or other professional advisors, and successors and assigns (collectively, the "**Released Parties**" and individually a "**Released Party**"), as applicable, of and from any and all past, present and future claims, rights, interests, actions, rights of indemnity, liabilities, demands, duties, injuries, damages, expenses, fees, costs, compensation, or causes of action, of whatever kind or nature, whether foreseen or unforeseen, known or unknown, asserted or unasserted, contingent or actual, liquidated or unliquidated, whether in tort, contract, or other basis in law, whether statutory, at common law, civil law, or in equity, based on, in connection with, arising out of, or in any way related to, in whole or in part, directly or indirectly, any act, inaction or omission existing or taking place on or prior to the Plan Implementation Date relating to or otherwise in connection with the Applicant, the Applicant's CCAA proceeding, any Pension Plan currently or formerly administered by the Applicant, or in respect of which the Released Parties had any role in their capacity as director, officer or agent of HCPH, or in their capacity as or on behalf of the administrator of or any other capacity in relation to any Pension Plan or OPEB Plan or any other employee benefit or retirement savings plan of HCPH, including without limitation any post-employment benefits or plans of HCPH (collectively, the "**Released Claims**"); and (b) hereby agrees not to make or continue, and is hereby prohibited from making or continuing any claims or proceedings whatsoever based on, in connection with, arising out of, or in any way related to, in whole or in part, directly or indirectly, the substance of the facts giving rise to any Released Claims (including any action, cross-claim, counter-claim, third party action or application) against any Person who claims or might reasonably be expected to claim in any manner or forum against one or more of the Released Parties, including by way of contribution or indemnity, in common law, civil law, or in equity, or under the provisions of any statute or regulation, or any other basis in law, and that in the event that any of the Released Parties are added to such claim or proceeding, it will immediately discontinue any such claim or proceeding. Notwithstanding the foregoing, nothing herein shall: (x) release or discharge a Released Party from its obligations, if any, under the CCAA Plan; (y) release or discharge any Unaffected Claim against HCPH ; or (z) release or discharge any claim referred to in sections 5.1(2) or 19(2) of the CCAA.

11.02 Injunction

All Persons, along with their respective affiliates, present and former officers, directors, employees, associated individuals, auditors, financial advisors, legal counsel, other professionals, sureties, insurers, indemnities, agents, dependents, heirs, representatives and assigns, as applicable, are permanently and forever barred, estopped, stayed and enjoined, on and after the Plan Implementation Date, with respect to the Released Claims, from:

(a) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties;

(b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property;

(c) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative, regulatory or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim in any manner or forum, against one or more of the Released Parties;

(d) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind; or

(e) taking any actions to interfere with the implementation or consummation of the CCAA Plan.

This Section 11.02 does not apply to the enforcement of any obligation under the CCAA Plan.

ARTICLE XII
PLAN AMENDMENTS OR TERMINATION

12.01 Plan Amendment

(1) Prior to and during the Creditors' Meeting, the Applicant, in consultation with the Monitor and Representative Counsel, may at any time and from time to time amend, modify and/or supplement the CCAA Plan in accordance with the Creditors' Meeting Order.

(2) Following the Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), any amendment, modification or supplement to the CCAA Plan may be made by HCPH by written instrument with the consent of the Monitor and Representative Counsel or approved by the Court provided that it concerns a matter which, in the opinion of the Applicant, the Monitor and Representative Counsel, each acting reasonably, is of an administrative nature required to better give effect to the implementation of the CCAA Plan and to the Sanction Order and is not adverse or prejudicial to the financial or economic interests of the Affected Creditors. The Monitor shall post such amendment on the Website and HCPH shall file the amendment to the CCAA Plan with the Court, but no additional vote of the Affected Creditors will be necessary in order to give effect to such amendment to the CCAA Plan.

(3) Any amended, modified or supplementary plan or plans of compromise or arrangement filed with the Court and, if required by this Section 12.01, approved by the Court, shall, for all purposes, be and be deemed to be a part of, and be incorporated in the CCAA Plan.

12.02 Termination of the CCAA Plan prior to Implementation

(1) At any time prior to the Plan Implementation Date, HCPH may, subject to further order of the Court, determine not to proceed with the CCAA Plan notwithstanding any prior approvals given at the Creditors' Meeting or the obtaining of the Sanction Order.

(2) If the conditions precedent to implementation of the CCAA Plan are not satisfied or waived, if HCPH determines not to proceed with the CCAA Plan subject to further order of the Court or if the Sanction Order is not issued by the Court: (a) the CCAA Plan shall be null and void in all respects; (b) any document or agreement executed pursuant to the CCAA Plan shall be deemed null and void; and (c) nothing contained in the CCAA Plan, and no act taken in preparation of the consummation of the CCAA Plan, shall constitute or be deemed to constitute a waiver or release of any claims or any defences thereto by or against HCPH or any other Person.

ARTICLE XIII
GENERAL PROVISIONS

13.01 Severability of CCAA Plan Provisions

If, prior to the Plan Implementation Date, any term or provision of the CCAA Plan is held by the Court to be invalid, void or unenforceable, HCPH may apply to Court for an order: (a) severing such term or provision from the balance of the CCAA Plan and provide HCPH with the option to proceed with the implementation of the balance of the CCAA Plan as of and with effect from the Plan Implementation Date; or (b) altering or interpreting such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided HCPH proceeds with the implementation of the CCAA Plan, the remainder of the terms and provisions of the CCAA Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation. Notwithstanding the foregoing, no such severance, alteration or interpretation shall affect Unaffected Claims and the rights of Creditors with Unaffected Claims.

13.02 Advice and Directions

The Applicant, the Monitor, and the Representative Counsel shall each be entitled to apply to the Court from time to time for advice and directions concerning the implementation, operation, and administration of the CCAA Plan.

13.03 Paramountcy

From and after the Plan Implementation Date, any conflict between the CCAA Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, credit document, agreement for sale, by-laws of the Applicant, lease or other agreement, written or oral, and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and HCPH as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of the CCAA Plan and the Sanction Order, which shall take precedence and priority.

13.04 Deeming Provisions

In the CCAA Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

13.05 Notices

Any notice or communication to be delivered hereunder shall be in writing and shall reference the CCAA Plan and may, subject as hereinafter provided, be made or given by personal delivery, registered mail, email or by facsimile addressed to the respective parties as follows:

(a) if to the Applicant:

Hollinger Canadian Publishing Holdings Co.
300 North LaSalle St
Suite 4925
Chicago IL 60654
United States of America

Attention: Dennis Byrd, CRO
Facsimile: (312) 803-0579
E-mail: dbyrd@hcphbenefits.com

with a copy to the Monitor (at the address below) and to:

Bennett Jones LLP
3400 One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Attention: Raj S. Sahni
Facsimile: 416-863-1716
Email: sahnir@bennettjones.com

(b) if to the Monitor:

Ernst & Young Inc.
Court-appointed Monitor of HCPH
222 Bay Street
P.O. Box 251
Toronto, ON M5K 1J7

Attention: Alex Morrison and Simone Carvalho
Facsimile: 416-943-3300
Emails: alex.f.morrison@ca.ey.com
simone.carvalho@ca.ey.com

with a copy to:

McCarthy Tetrault LLP
Suite 5300 TD Bank Tower
Toronto Dominion Centre
66 Wellington Street West
Toronto, ON M5K 1E6

Attention: James D. Gage and Heather L. Meredith
Facsimile: 416-868-0673
Emails: jgage@mccarthy.ca
hmeredith@mccarthy.ca

(c) if to the Representative Counsel:

Koskie Minsky LLP
Suite 900, Box 52
20 Queen Street West
Toronto, ON M5H 3R3

Attention: Andrew J. Hatnay and Andrea McKinnon
Facsimile: 416-977-3316
Emails: ahatnay@kmlaw.ca
amckinnon@kmlaw.ca

or to such other address as any party may from time to time notify the others in accordance with this Section 13.05. All such notices and communications that are hand delivered shall be deemed to have been received on the date of delivery, provided same is a Business Day. Any such notices and communications that are faxed shall be deemed to be received on the date faxed if sent before 5:00 p.m. on a Business Day and otherwise shall be deemed to be received on the Business Day next following the day upon which such fax was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day after the date of mailing if mailed within Canada and on the ninth Business Day after the date of mailing if mailed outside of Canada. The unintentional failure by HCPH to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to the CCAA Plan.

13.06 Successors and Assigns

The rights, benefits and obligations of any Person named or referred to in the CCAA Plan shall be binding on, and shall inure to the benefit of, any heir, executor, trustee, administrator, successor or assign of such Person.

13.07 Further Assurances

Notwithstanding that the transactions and events set out in the CCAA Plan shall be deemed to occur without any additional act or formality other than as set out herein, each of the Persons affected hereby shall make, do and execute or cause to be made, done or executed all such further acts, deeds, agreements, transfers, assurances, instruments, documents or discharges as may be reasonably required by HCPH or the Monitor in order to implement and give effect to the CCAA Plan.

13.08 Governing Law

The CCAA Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. In the event of any dispute or issue in connection with, or related to, the interpretation, application or effect of the CCAA Plan, such dispute or issue shall be subject to the exclusive jurisdiction of the Court.

Dated at Toronto, Ontario this __ day of _____, 2012.

Schedule "A"

OPEB Plans

Hollinger Canadian Publishing Holdings Co.

List of OPEB Plans As ofAugust 31, 2011
(based on HCPH's records)

OPEB Plan	Plan Description
Southam Executive Retirement Agreement	Unfunded Plan
Divisional Allowances and Top-Up	Unfunded Plan
Canadian Multi Employer Retirement Fund for the Graphic Arts Media (not an HCPH sponsored plan)	Employer Contribution Only
CAW Union Pension Plan (not an HCPH sponsored plan)	Employer Contribution Only
Death Benefit	Life
SSQ Quebec Union Insurance Plan No. 48951	Premium based
Manulife Policy No. 36933	Life Insurance
Manulife Policy No. 36933	Accidental Death and Dismemberment
Manulife Policy No. 36933	Optional Dependent Life
Manulife Policy No. 36933	Waiver of Premium for Life and ADD
Manulife Policy No. 36934	Optional Life
Manulife Policy No. 36934	Dependent Life
Manulife Policy No. 36934	Spousal Life
Manulife Policy No. 36934	Waiver of Premium for Optional Life
Manulife Policy No. 36935	Optional Accidental Death and Dismemberment
Manulife Policy No. 36935	Waiver of Premium for Optional ADD
Manulife Policy No. 19239	Basic Life including waiver of premiums
Sunlife EDB Policy No. 87993	Basic Life including waiver of premiums
Sunlife EDB Policy No. 87993	Optional Dependent Life including waiver of premiums
Sunlife EDB Policy No. 87993	Employee Optional Life including waiver of premiums
Manulife Policy No. 38460	Basic Life including waiver of premiums
Manulife Policy No. 83173	ASO Dental
Manulife Policy No. 83172	ASO Health
Manulife Policy No. 83497	ASO Retiree Health - $10,000 lifetime max. for retiree and spouse only if applicable.
Manulife Policy No. 35768	Optional Long Term Disability
Manulife Policy No. 37623	Basic Long Term Disability
Manulife Policy No. 38462	Basic Long Term Disability
Manulife Policy No. 39786	Basic Long Term Disability
Manulife Policy No. 001882	Basic Long Term Disability
Manulife Policy No. 19240	Basic Long Term Disability
Manulife Policy No. 2472	Basic Long Term Disability
Manulife Policy No. 960940	Basic Long Term Disability
Manulife Policy No. 960940	Basic Employee Life
Manulife Policy No. 960940	Employee Optional Life
Great West Life Policy No. 28305	Basic Long Term Disability/Basic Life Insurance
Great West Life Policy No. 28305	Basic Life
Great West Life Policy No. 28305	Basic Life
Great West Life Policy No. 330034	Basic Long Term Disability
Great West Life Policy No. 321138	Basic Life including waiver of premiums
Sunlife Policy No. 14227	Basic Long Term Disability
Sunlife Policy No. 14225	Basic Life including waiver of premiums
Sunlife Policy No. 25288	Basic Long Term Disability
Sunlife Policy No. 24010	Basic Life & ADD including waiver of premiums
Sunlife Policy No. 321519	Basic Life including waiver of premiums
WSIB	No Premium
Pacific Blue Cross Policy No. E048387	Health
Pacific Blue Cross Policy No. E038834	Health
Pacific Blue Cross Policy No. E038753	Dental
Pacific Blue Cross Policy No. E038857	Health
Pacific Blue Cross Policy No. E038857	Dental
British Columbia Medical Services Plan	Reimbursement of premiums paid by member to BCMSP
Great West Life Policy 320116	Paid up life
Alberta Health Care	No premiums under the provincial health care plan
Southam LTD Plan	Long Term Disability

Schedule "B"

Pension Plan Wind-up Steps

DETAILED STEP PLAN FOR THE DISTRIBUTION OF ASSETS ON WIND-UP POST-APPROVAL OF RPP WIND-UP REPORTS

Except where otherwise indicated, any reference to an action to be taken by the Monitor shall be as agent of HCPH as administrator of the RPPs and only where HCPH is not otherwise capable of taking such action by virtue of having no CRO or other management (likely after the sanction order is issued). HCPH would remain a legal entity and the official sponsor and administrator of the RPPs throughout.

Steps

1. **Mercer to prepare, on direction of HCPH/Monitor as necessary, and HCPH/Monitor to distribute or to cause to be distributed individual wind-up statements.** Mercer prepares individual wind-up statements of entitlements and options for members/deferred members. HCPH/Monitor generally has 60 days (30 days in B.C.) following approval of the wind-up report to transmit them or have them transmitted to those individuals not already in receipt of a pension.

2. **Election of options by members.** Recipients of wind-up statements have 90 days in Ontario (60 days in B.C.) to elect option to transfer the commuted value to certain prescribed retirement savings vehicles or for the purchase of a life annuity.

3. **Processing of commuted value transfers.** Once member election forms are returned or deadline has passed, Mercer, on direction of HCPH/Monitor as necessary, will determine the amount required for commuted value transfers and which liabilities will need to be annuitized.

4. **Mercer, on direction of HCPH/Monitor as necessary, to prepare annuity purchase data.** Mercer requires approximately two weeks to prepare annuity quote packages for a number of life insurance companies based on the total annuity purchases required. HCPH/Monitor would then sign off on annuity purchase data (within 3 to 5 days). Request for annuity purchase then subject to insurers.

5. **HCPH/Monitor to determine all outstanding administration expenses payable from RPP funds.** HCPH/Monitor would put RPP fund trustees (RBC Dexia and CIBC Mellon) on notice to estimate all trustee/custodial fees up to final distribution date, as well as other fees.

6. **HCPH/Monitor decides on annuity quotes.** Once insurers bid, annuity quotes will only be valid and binding for five business days or less. Mercer will coordinate with

HCPH/Monitor to decide on which bid to accept. A settlement date for the purchase of the annuities ("**Settlement Date**") will be established. *Note*: Copies of the certified annuity quotes are also submitted to the Superintendent.

7. **HCPH/Monitor to liquidate RPP funds in preparation for pension payment for annuity purchases.** HCPH/Monitor will instruct the RPP fund trustees to convert bonds and other assets into cash in the period prior to the purchase of the annuities. RPP fund trustees may need several days of prior notice to liquidate assets. It is only once the RPP fund trustees has/have converted bonds and any other assets to cash that HCPH/Monitor will know exactly how much cash is available in the applicable RPP funds to buy the annuities.

8. **HCPH (or Monitor as agent of HCPH as sponsor of the RPPs) remits or causes to be remitted to RPP fund trustees funds equal to any deficiencies, including any annuity premium paid.** HCPH funds wind-up deficiencies, makes annuity premium payment, and files or causes to be filed with FSCO and FICOM certification that the obligations under the Ontario *Pension Benefits Act* and the British Columbia *Pension Benefits Standards Act* have been fully funded.

   Note: Prior to the Settlement Date, Mercer needs to file a certificate with FSCO (under Regulation 29(8)) and FICOM (under Section 6) to certify that no further contributions are required to fully fund any of the RPPs that had a deficit (as at the wind-up date).

9. **HCPH/Monitor to cause to be filed addendums to wind up reports prepared by Mercer with respect to surplus distribution proposal for any RPP in surplus.** Mercer will file addendums to the wind up reports for any RPPs in surplus setting out the proposed formula for allocation and method of distribution of surplus assets to members and other plan beneficiaries as at the wind-up date of December 31, 2010 for regulatory approval.

10. **HCPH/Monitor to distribute individual surplus statements to members and beneficiaries of RPPs in surplus.** Once final regulatory approval is received, HCPH/Monitor distributes individual statements of surplus entitlement (and options if applicable) to members and other plan beneficiaries as at the wind-up date of December 31, 2010 for RPPs in surplus.

11. **HCPH/Monitor to direct the payment of surplus assets to members, and other plan beneficiaries as at the wind-up date of December 31, 2010 for RPPs in surplus in accordance with the approved formula for allocation.** Surplus is then paid out to the members and other plan beneficiaries as at the wind-up date of December 31, 2010 in accordance with the filed wind up report (and members' elections, if applicable).

12. **HCPH/Monitor to provide confirmation of final distribution of assets from plan to regulators.** HCPH/Monitor to notify FSCO, FICOM and the Canada Revenue Agency of the final distribution of assets from the RPPs.

Schedule "C"

[DRAFT]

Direction and Agreement
HCPH Co Pension Plan Wind-up

TO: Ernst & Young Inc.

Recitals

A. On December 10, 2009, Hollinger Canadian Publishing Holdings Co. ("HCPH") commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA Proceedings") pursuant to an order of the court of that date (the "Initial Order").

B. Pursuant to the Initial Order, Ernst & Young Inc. ("E&Y") was appointed as the monitor of HCPH in connection with the CCAA Proceedings (in such capacity, the "Monitor").

C. HCPH is the administrator (the "Administrator") of the six registered pension plans sponsored by it, as employer, set out in Schedule A (the "Pension Plans").

D. Pursuant to the order of the court in the CCAA Proceedings dated July 27, 2010, Koskie Minsky LLP was appointed as representative counsel ("Rep Counsel") to all members and beneficiaries of the Pension Plans for the purpose of the CCAA Proceedings, and ordered that such members and beneficiaries would be bound by the actions of Rep Counsel in the proceedings.

E. By order of the court in the CCAA Proceedings dated October 14, 2010 (the "Wind-up Order"), HCPH was authorized to wind-up the Pension Plans with an effective date of December 31, 2010 (the "Pension Plan Wind-ups") and to take all necessary actions in connection with the Pension Plan Wind-ups, including, without limitation, the preparation by HCPH's actuarial firm (currently, Mercer (Canada) Limited) (the "Actuarial Firm") of wind-up reports.

F. HCPH has commenced the process in respect of the Pension Plan Wind-ups.

G. Pursuant to the plan of arrangement dated • filed by HCPH in its CCAA Proceedings (as may be amended from time to time, the "CCAA Plan"), HCPH has committed to fund the resulting deficit, if any, of each Pension Plan in connection with the Pension Plan Wind-ups, in priority to distributions under the CCAA Plan to unsecured creditors.

H. HCPH has requested the assistance of the Monitor in connection with the completion of the Pension Plan Wind-ups, and the Monitor has agreed to provide that assistance, subject to the terms hereof.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, HCPH hereby irrevocably and unconditionally authorizes and directs the Monitor, and agrees in favour of E&Y and the Monitor, as follows:

Directions from HCPH

(1) HCPH, as Administrator, irrevocably and unconditionally authorizes and directs the Monitor to take the following actions and steps for and on behalf of HCPH, in HCPH's capacity as Administrator (the "HCPH Wind-up Steps") in connection with the Pension Plan Wind-ups:

(a) to direct the Actuarial Firm to prepare, and to distribute or cause to be distributed wind-up statements of entitlements and options to individual members of the Pension Plans to the extent they are entitled thereto, in accordance with and within the time period required by applicable legislation;

(b) to direct the Actuarial Firm to determine, after receipt of member elections and the applicable deadline has passed: (i) the amount required for commuted value transfers and (ii) which Pension Plan liabilities are to be annuitized;

(c) to direct the Actuarial Firm to prepare annuity quote packages and solicit bids from life insurance companies, based on the total annuity purchases required as determined by the Actuarial Firm in accordance with paragraph 1(b) above;

(d) to direct the Actuarial Firm, after receipt of the annuity quotes and the applicable deadline has passed: (i) to advise in the selection of the insurance company or insurance companies to provide the annuities, (ii) to establish a settlement date for the purchase of annuities, and (iii) to file certified copies of the annuity quotes with the relevant pension regulator as may be required by applicable legislation or by such pension regulator;

(e) to select the insurance company or insurance companies to provide the annuities;

(f) to direct the Actuarial Firm to: (i) prepare an addenda to the wind-up reports for the Pension Plans in surplus setting out a proposed allocation method for the distribution of surplus assets, and (ii) prepare and distribute statements of entitlements to surplus and options to individual members of the Pension Plans to the extent they are entitled thereto, in accordance with and within the time period required by applicable legislation;

(g) to direct the Pension Plan trustees (RBC Dexia and CIBC Mellon) to (i) estimate all trustee/custodial fees up to final distribution date and (ii) to sell or otherwise liquidate bonds and all other assets into cash in the period prior to the purchase of the annuities;

(h) to determine what fees, other than the trustee/custodial fees, are to be paid from the Pension Plan funds;

(i) to direct the Actuarial Firm to file with the relevant pension regulator as may be required by applicable legislation, after any Pension Plan wind-up deficiency has been fully funded, a certification that the obligations under a particular Pension Plan has been fully funded;

(j) to direct the Pension Plan trustees (i) to pay or release Pension Plan funds to the insurance company or insurance companies selected to provide the annuities, (ii) to transfer Pension Plan funds, as required, for commuted value transfers, and (iii) to make any other payment from the Pension Plan funds, including fees and surplus amounts, as may be required in connection with the Pension Plan Wind-ups;

(k) to file or cause to be filed with the Canada Revenue Agency and the relevant pension regulator as may be required by applicable legislation or by the Canada Revenue Agency or such pension regulator a notice of final distribution of assets from the Pension Plan funds;

(l) to do anything else that HCPH, as Administrator, may be required to do or that is otherwise necessary in connection with the Pension Plan Wind-ups.

(2) HCPH, as sponsor and employer, irrevocably and unconditionally authorizes and directs the Monitor to take the following actions and steps for and on behalf of HCPH in connection with the Pension Plan Wind-ups:

(a) facilitate the payment by HCPH, from one or more of HCPH's bank accounts, of any amounts necessary to fund any final deficiency or any other amount owing by HCPH to or in respect of any of the Pension Plans; and

(b) to do anything else that HCPH may be required to do or that is otherwise necessary in connection with the Pension Plan Wind-ups.

Agreements of HCPH

(3) HCPH acknowledges and agrees in favour of E&Y and the Monitor that:

(a) the Monitor, in performing HCPH Wind-up Steps, is solely doing so on behalf of HCPH and neither the Monitor nor E&Y has agreed to become, and neither is assuming any responsibility as, the Administrator of the Pension Plans;

(b) HCPH is and will at all times remain as the Administrator of each of the Pension Plans (unless and until replaced with a successor by the Superintendent of the Financial Services Commission of Ontario or the Superintendent of the Financial Institutions Commission of British Columbia, as the case may be (each, a "Superintendent"), pursuant to applicable legislation (a "Successor Administrator"));

(c) the Monitor is authorized to execute all directions, agreements and other documents of whatever nature in the name and on behalf of HCPH for any purpose in connection with the HPCH Wind-up Steps and the Pension Plan Wind-ups;

(d) neither E&Y nor the Monitor will have any liability for, and each is hereby released from, any claim in respect of any act or omission in respect of HCPH Wind-up Steps or the Pension Plan Wind-ups;

(e) the Monitor will be provided with and is entitled to have access to all of the books and records of HCPH and to all documents and other information required by it from time to time, whether in the possession of HCPH or a third party, in connection with the Pension Plans, HCPH Wind-up Steps and the Pension Plan Wind-ups;

(f) the Monitor at any time may refuse to perform any or all of HCPH Wind-up Steps and, without limitation to the foregoing, upon receipt by the Monitor of notice that a Successor Administrator has been appointed, the Monitor may immediately stop performing HCPH Wind-up Steps;

(g) the Monitor at any time may apply to court for directions with respect to HCPH Wind-up Steps or for any other relief;

(h) the Monitor may discuss from time to time all matters relating to the Pension Plan Wind-ups and the Pension Plans with the applicable Superintendent and Rep Counsel;

(i) the Monitor may at any time engage legal counsel, actuaries, accountants and other advisers to assist it in connection with HCPH Wind-up Steps;

(j) all fees and disbursements of the Monitor (including, without limitation, the fees and disbursements of legal counsel, actuaries, accountants and other advisers) will be paid by HCPH and will constitute Administration Claims for the purposes of the CCAA Plan; and

(k) HCPH hereby indemnifies and holds harmless E&Y (in its capacity as Monitor and in its personal capacity), its affiliates and its and their respective directors, officers, employees, advisors, agents and other representatives (each, an "Indemnified Person") from and against any and all losses, claims, damages and liabilities to which any such Indemnified Person may become subject arising out of or in connection with the Pension Plans, HCPH Wind-up Steps and the Pension Plan Wind-ups or any claim, litigation, investigation or proceeding relating to any of the foregoing (the "Indemnified Matters"), and to reimburse each Indemnified Person upon demand for any reasonable legal or other out-of-pocket expenses incurred in connection with Indemnified Matters or investigating or defending any of the foregoing. HCPH will not, without the prior written consent of E&Y and the relevant Indemnified Person, effect any settlement of any pending or threatened proceeding against an Indemnified Person in respect of which indemnity could have been sought hereunder by such Indemnified Person unless such settlement (i) includes an unconditional release of such Indemnified Person from all liability or claims that are the subject matter of such proceeding and (ii) does not include any statement as to any admission. All amounts that may be claimed by an Indemnified Person pursuant to this paragraph 3(k) will constitute Administration Claims for the purposes of the CCAA Plan.

(4) This direction and agreement is in addition to, and does not limit, the rights, powers, protections and benefits given to E&Y and the Monitor in the Initial Order, all other orders in the CCAA Proceedings and the CCAA Plan. If there is any right, power, protection or other benefit in favour of E&Y or the Monitor set out in the Initial Order, any

other order in the CCAA Proceedings or the CCAA Plan which is not set out or provided for in this direction and agreement, such additional right, power, protection or benefit shall remain available to E&Y or the Monitor, as the case may be.

(5) This direction and agreement contains and constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior negotiations, agreements and understandings, whether written or oral, of the parties hereto.

(6) This direction and agreement will be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein and HCPH irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

(7) Section headings in this direction and agreement are included herein for convenience of reference only and will not constitute a part of this direction and agreement for any other purpose or be given any substantive effect.

(8) This direction and agreement may be executed and delivered by facsimile, portable document format (".pdf") or other electronic means of transmission.

(9) This direction and agreement will be binding upon and inures to the benefit of and is enforceable by the respective successors and permitted assigns of the parties hereto.

DATED as of •, 2012.

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Per:

Name:
Title: