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

ELEVENTH REPORT OF THE MONITOR DATED MARCH 14, 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 March 30, 2012 pursuant to further Orders of this Court.

PURPOSE

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

   a. the Applicant's motion for an Order (the "**Standard Life Directions Order**") authorizing and approving the implementation of directions provided by HCPH to Standard Life Assurance Company ("**Standard Life**") pursuant to the Order of this Court dated November 28, 2011;

   b. actual receipts and disbursements of the Applicant from November 14, 2011 to February 26, 2012 as well as the Applicant's cash flow projection from February 27, 2012 to August 5, 2012;

   c. the status of the funds held in a trust pursuant to a trust indenture as described in the Kram Affidavit (defined below);

   d. the status of HCPH's restructuring activities and efforts towards formulating a plan to address its liabilities;

   e. the motion by the Applicant to extend the Stay Period to July 31, 2012; and

   f. the Applicant's motion to approve this Eleventh Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

4. In preparing this Eleventh 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 Eleventh Report. Some of the information

referred to in this Eleventh 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 Eleventh Report are defined in the Initial Order or previous reports of the Monitor.

BACKGROUND

7. HCPH is a wholly owned direct and indirect subsidiary of Sun-Times Media Group Inc. ("**STMG**"). Further to Chapter 11 proceedings, 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 and, for some period of time, it has had no ongoing business activity. The ongoing operation of HCPH consists primarily of the administration of two unfunded retirement plans and certain other post-employment benefits plans (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 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.

STANDARD LIFE DIRECTIONS

10. As described in the Tenth Report of the Monitor dated November 25, 2011 (the "**Tenth Report**"), HCPH is the policyholder of the Standard Life Group Annuity Policy Number 11686 (the "**Standard Life Policy**") originally issued by Standard Life to the Kitchener-Waterloo Record Limited (the "**Record**"), A number of members under one of HCPH's Pension Plans (the "**HCPH Plan**") are entitled to monthly pension payments under the Standard Life Policy. An agreement entered into between the Record and Standard Life (the "**Standard Life Agreement**") required Standard Life to pay monthly pension payments due to members of the HCPH Plan to the trustee of the HCPH Plan, which the HCPH Plan would pay to the member along with the pension amount due to the member from the HCPH Plan.

11. As further described in the Tenth Report, HCPH identified 16 annuitants of the Standard Life Policy who are not entitled to a pension under the HCPH Plan and in respect of whom the HCPH Plan has not received annuity payments from Standard Life. In addition, a further individual is identified who is not entitled to a pension under the HCPH Plan, but for whom HCPH has received monthly annuity payments from Standard Life since February 2008. HCPH was advised by Metroland Media Group Ltd. ("**Metroland**") that these 16 annuitants and the additional person for whom HCPH received pension payments in error are retirees of Metroland and such payments received in error by HCPH from Standard Life be paid to a pension plan of Metroland under which these individuals are entitled to benefits.

12. On November 28, 2011, HCPH obtained an Order from this Court terminating the Standard Life Agreement and authorizing HCPH to direct Standard Life to make payments: (i) in respect of entitlements of any annuitant who is an HCPH retiree under

the Standard Life Policy, directly to the annuitant commencing February 1, 2012; and (ii) in respect of entitlements of any annuitant who is an employee or retiree of Metroland (for non-HCPH retirees), to make payment to the applicable Metoland pension plan as directed by Metroland.

13. In addition, the Order of November 28, 2011 authorized HCPH to direct the trustee of the HCPH Plan to refund to Standard Life the monies received by the HCPH Plan in respect of the one annuitant under the Standard Life Policy in error.

14. Subsequent to the November 28, 2011 Order, HCPH became aware of certain other HCPH retirees entitled to pension payments under the Standard Life Policy who had been receiving benefits under the HCPH Plan but in relation to which HCPH had not received corresponding payments from Standard Life. HCPH and Standard Life have agreed that payment to those annuitants should be made by Standard Life directly effective April 1, 2012, and that Standard Life will make a payment to the trustee of the HCPH Plan in respect of the retroactive payments not previously made to HCPH in relation thereto.

15. As described in the affidavit of Dennis Byrd sworn March 7, 2012 (the "**Byrd Affidavit**"), pursuant to the November 28, 2011 Order, the Standard Life Agreement was terminated on January 31, 2012 and HCPH and Standard Life have been negotiating and communicating regarding a direction that would be provided by HCPH to Standard Life concerning the continued payments by Standard Life directly to annuitants and to the trustee of the HCPH Plan with respect to the retroactive payments described above. HCPH and Standard Life reached an agreement of the form and content of the directions, as set out in the Standard Life Directions Order attached to the Applicant's motion record returnable March 16, 2012 at Tab 1(B) (the "**Directions**"). The Directions provided include details of the quantum and nature of payments to annuitants and have been discussed and agreed to by the parties and subject to actuarial review.

16. The Monitor understands that Metroland has not provided directions to Standard Life in terms of making payments to a Standard Life pension plan and the Directions provide that Standard Life shall make payment in respect of the entitlements of annuitants under the Standard Life policy who are the responsibility of Metroland as directed by

Metroland.

17. The Monitor has reviewed the Directions and has no objection to the implementation of such Directions.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS

18. A summary of the actual receipts and disbursements of the Applicant as compared to the projection set out in the Tenth Report is attached as Appendix 'A' to this Eleventh Report.

19. The Applicant's actual consolidated net cash outflow for the period from November 14, 2011 to February 26, 2012 was approximately $1.2 million. A detailed variance analysis is set out in Appendix 'A' to this Eleventh Report.

UPDATED CASH FLOW PROJECTION

20. HCPH, with the assistance of the Monitor, has prepared a cash flow projection (the "**Cash Flow Forecast**") for the period from February 27, 2012 to August 5, 2012 (the "**Projection Period**"), a copy of which is attached as Appendix 'B' to this Eleventh Report. The Cash Flow Forecast has been prepared by management of HCPH, using probable and hypothetical assumptions set out in notes 1 to 10 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the Projection Period in Canadian dollars.

21. The Applicant is projecting a net cash outflow of approximately $2 million during the Projection Period. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity to operate during the proposed Stay Period.

22. Based on the Monitor's review of the Cash Flow Forecast, the assumptions developed by management are suitably supported and provide a reasonable basis for the Cash Flow Forecast. Further, the Cash Flow Forecast reflects these assumptions and is consistent with the plans of HCPH.

STATUS OF FUNDS HELD IN THE TRUST

23. As described in the Kram Affidavit, pursuant to a shareholder resolution, HCPH created a trust in the amount of $10 million and entered into a corresponding trust indenture (the "**Trust**"). The trustee of the Trust was ARB Limited. ARB Limited has since been replaced by a new trustee, William G. Horton Professional Corporation (the "**Trustee**"). 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 Monitor understands that the assets within the Trust cannot be used by HCPH until the termination of the Trust. Upon the termination of the Trust, any remaining amounts are to be delivered to HCPH for its own use.

24. Previous Reports of the Monitor have provided updates of the amount held in the Trust. As of February 26, 2012, the Trust held an amount of approximately $6.9 million.

25. 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 includes, among other things, a release of the Beneficiaries of any liability in the Defamation Actions. The Settlement states that the Beneficiaries requested a payment to be made from the Trust to CNLC of the amount no longer required for their defence of the Defamation Actions.

26. The Settlement is subject to the approval of: (i) the Delaware Superior Court; (ii) the Liquidation Trustee for CNLC appointed by the Bankruptcy Court for the District of Delaware; and (iii) either the Trustee or, as the Trustee deems necessary, the Ontario Superior Court of Justice. The Trustee intends to make an application to the Ontario Superior Court of Justice for approval of its distribution plan.

27. HCPH is not a party to the Settlement. The Monitor, the CRO and Representative Counsel are reviewing the Settlement with respect to HCPH's interest in the funds in the Trust. Since the Monitor's counsel in these CCAA proceedings have indicated that it is

conflicted from dealing with issues related to the Trust, the Monitor has retained Lax O'Sullivan Scott Lisus LLP as independent counsel to represent it with respect to issues related to the Trust.

28. The Monitor understands that Representative Counsel will bring a motion to this Court with respect to the Settlement. The Monitor will report to this Court with respect to an update on issues related to the Settlement at that time.

STATUS OF HCPH'S RESTRUCTURING ACTIVITIES

29. As discussed in previous reports of the Monitor, HCPH with the assistance of the Monitor and in consultation with Representative Counsel is working towards developing a CCAA plan to address its liabilities. HCPH, with the assistance of the Monitor, among other things:

   a. continues to work towards completing the wind up of the Pension Plans. HCPH has received approvals of its wind up reports (or the distribution of basic benefits) from the pension regulators in Ontario and British Columbia;

   b. continues to work towards the determination of its liabilities pursuant to the termination of its OPEB Plans. HCPH has received a preliminary report from HCPH's actuary Mercer (Canada) Ltd. ("**Mercer**") with respect to potential claims of retirees and persons on long term disability under the OPEB Plans. HCPH, with the assistance of the Monitor and in consultation with Representative Counsel is reviewing the preliminary claims and will work with Mercer to finalize such claims in accordance with the Order of this Court of July 28, 2011;

   c. continues to work towards the determination of its liabilities pursuant to the termination of the Southam LTD OPEB Plan in accordance with the Order of this Court of November 28, 2011, and

   d. continues to work with Representative Counsel to determine tax issues and/or obtain certain advance tax rulings with respect to potential distributions to be made to certain members of the OPEB Plans.

30. The determination of the HCPH's liabilities with respect to the Pension Plans, the Southam LTD Plan and the OPEB Plans are essential to the development of HCPH's CCAA Plan. HCPH has prepared a draft CCAA Plan and is reviewing this draft CCAA Plan with the Monitor and Representative Counsel.

STAY EXTENSION

31. The current Stay Period under the Initial Order expires on March 30, 2012. The Applicant is seeking an extension of the Stay Period to July 31, 2012 in order to permit HCPH the time to complete the wind up of the Pension Plans, complete the process for the determination of its OPEB and other liabilities and develop a CCAA plan.

32. Based on its observation of the Applicant's wind down process, it is the Monitor's view that the Applicant has acted in accordance with the Initial Order and other Orders of this Court, and that the Applicant is acting in good faith and with due diligence.

RECOMMENDATIONS

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

a. authorizing and approving the implementation of the Directions provided by HCPH to Standard Life pursuant to the Order of this Court dated November 28, 2011;

b. extending the Stay Period to July 31, 2012; and

c. approving this Eleventh Report and the conduct and activities of the Monitor as reported on herein and the conduct and activities of the CRO as described in the Byrd Affidavit.

All of which is respectfully submitted this 14th day of March, 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”

Hollinger Canadian Publishing Holding Co
Cumulative Consolidated Receipts and Disbursements
For the Period November 14, 2011 to February 26, 2012
(In Thousands of Canadian Dollars)

	Actual	Projection	Variance	Note
OPENING BANK BALANCE (In $CDN)	**16,248**	**16,248**	**-**	
RECEIPTS				
MAV II ABCP Note Payments Received	-	-	-	
Interest Income	43	43	(0)	
Other	-	-	-	
Total Receipts	43	43	(0)	
DISBURSEMENTS				
Payroll	(86)	(83)	(3)	
Consultants	(330)	(199)	(131)	1
Registered Pension Plan Contributions	(5)	(4)	(1)	
Unfunded Pension Plan Payments	-	-	-	
Post Employment and Post Retirement Benefits	(19)	(122)	103	2
General & Administrative Costs	(41)	(58)	17	
Restructuring Costs	(775)	(806)	32	3
Total Disbursements	(1,256)	(1,272)	16	
NET CASH INFLOW/(OUTFLOW)	(1,213)	(1,229)	15	
CLOSING BANK BALANCE	**15,035**	**15,020**	**15**	
Indemnity Trust	6,962	7,208	(246)	4

Hollinger Canadian Publishing Holding Co. ("Applicant")
Combined Actual Receipts and Disbursements
For the Period November 14, 2011 to February 26, 2012
Variance Analysis

The actual receipts and disbursements are denominated in Canadian dollars. U.S. dollars are converted to Canadian dollars at the month end exchange rate as published by the Bank of Canada. In the projection, U.S. dollars were converted to Canadian dollars at the exchange rate of US$1.00=CDN$0.9967.

1. **Consultants** – The unfavourable variance is primarily due to higher than expected fees related to actuarial work with respect to the Pension Plans and OPEB Plans.

2. **Post Employment and Post Retirement Benefits** – This favourable variance is primarily due to the termination of the OPEB Plans. The payments relate to reimbursements for certain benefit claims that arose prior to the termination of OPEB Plans on August 31, 2011

3. **Restructuring Costs** – The favourable variance is primarily due to a timing difference, which will likely reverse in the future.

4. **Indemnity Trust** – The variance is due to the withdrawal of professional fees from the indemnity trust for certain defamation actions not related to these CCAA proceedings. The indemnity trust (the "**Trust**") is further described in the affidavit of Thomas Kram dated December 8, 2009 (the "**Kram Affidavit**"). As described in the Kram Affidavit, this Trust is irrevocable and the assets within the Trust can not be used for the benefit of HCPH until the termination of the Trust.

APPENDIX "B"

Hollinger Canadian Publishing Holdings Co. ("Applicant") Cash Flow Projection
For The Period From February 27, 2012 to August 5, 2012
(In Thousands of Canadian Dollars)

		Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly	Monthly	Monthly	
Week Ending	Notes	4-Mar	11-Mar	18-Mar	25-Mar	1-Apr	8-Apr	15-Apr	22-Apr	29-Apr	6-May	13-May	20-May	27-May	3-Jun	June	July	Total
Opening Bank Balance	1	15,035	14,854	14,625	14,597	14,580	14,365	14,300	14,277	14,255	14,051	13,975	13,957	13,930	13,726	13,698	13,372	15,035
Receipts																		
Interest Income	2	5	-	6	-	5	-	6	-	5	-	6	-	5	-	11	17	67
Total Receipts		5	-	6	-	5	-	6	-	5	-	6	-	5	-	11	17	67
Disbursements																		
Payroll	3	(5)	(11)	(5)	-	(5)	(11)	-	(5)	-	(16)	-	(5)	-	(5)	(21)	(32)	(123)
Consultants	4	(2)	(82)	(7)	-	(22)	(38)	(7)	-	(22)	(38)	(7)	-	(22)	-	(67)	(111)	(424)
Registered Pension Plan Contributions	5	-	-	(1)	-	-	-	(1)	-	-	-	-	(1)	-	-	(1)	(1)	(7)
Unfunded Pension Plan Payments	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Post Employment and Post Retirement Benefits	7	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9)
General & Administrative Costs	8	(10)	(2)	(6)	(2)	(8)	(2)	(6)	(2)	(2)	(8)	(2)	(6)	(2)	(8)	(17)	(19)	(99)
Restructuring Costs	9	(159)	(135)	(15)	(15)	(185)	(15)	(15)	(15)	(185)	(15)	(15)	(15)	(185)	(15)	(230)	(245)	(1,459)
Total Disbursements		(186)	(229)	(34)	(17)	(220)	(65)	(29)	(22)	(209)	(76)	(24)	(27)	(209)	(28)	(337)	(409)	(2,122)
Net Weekly Cash Flows		(180)	(229)	(28)	(17)	(215)	(65)	(23)	(22)	(204)	(76)	(18)	(27)	(204)	(28)	(326)	(392)	(2,055)
Closing Bank Balance		14,854	14,625	14,597	14,580	14,365	14,300	14,277	14,255	14,051	13,975	13,957	13,930	13,726	13,698	13,372	12,980	12,980

Indemnity Trust	10	6,962

Note: This trust is irrevocable and the assets within the trust cannot be used for the benefit of HCPH until the termination of the trust.

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

Disclaimer:

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

Overview:

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

Assumptions:

1) **Opening Balance:**
This is the projected opening cash balance of the Applicant for the projection period and includes funds held in Canadian dollars and U.S. dollars that were converted into Canadian dollars at US$ 1.0028 = CDN$1 exchange rate.

2) **Interest Income:**
Interest income on available cash is earned at a projected rate of 1.05% and projected to be received bi-weekly.

3) **Payroll:**
Payroll represents projected salaries and benefit costs to two employees who are based in HCPH's Toronto office and the cost of a contract employee in Chicago.

4) **Consultants:**
Consultants represent projected fees of HCPH's Chief Restructuring Officer and costs to certain legal and other advisors assisting HCPH with non-restructuring issues.

5) **Registered Pension Plan Contributions:**
As discussed in the previous Monitor's reports, contributions to registered pension plans (except the Journal Publishing plan) ceased pursuant to the Order of April 20, 2011, and are no longer reflected in this Cash Flow Forecast. HCPH forecasts contributions to the Journal Publishing plan based on historical run rates.

6) **Unfunded Pension Plan Payments:**
HCPH has two unfunded pension plans that provide retirement and certain death benefits for certain former employees based on individual arrangements with each of the employees included in these plans. Further details of such plans are presented in the Kram Affidavit.

Pursuant to the Order dated July 28, 2011, HCPH terminated its OPEB plans, including the unfunded pension plans, and ceased contributions after the August 2011 payments were made. Accordingly, the Cash Flow Forecast does not reflect payments to the unfunded pension plans.

7) **Post Employment and Post Retirement Benefits:**
HCPH has several post employment and post retirement benefit programs for its former employees. Further details of such programs are presented in the Kram Affidavit.

Pursuant to the Order dated July 28, 2011 and the Order dated November 28, 2011, HCPH terminated its OPEB plans, and discontinued monthly premiums thereafter. The Cash Flow Forecast only reflects reimbursements for certain benefit claims that arose prior to the termination of such OPEB Plans.

8) **General and Administrative Costs:**
General and Administrative costs represent projected costs for rent for HCPH's Toronto and Chicago offices, utilities, office supplies and storage costs.

9) **Restructuring Costs:**
Restructuring costs include projected costs related to the fees of HCPH's counsel, the Monitor and its counsel and representative counsel for the post employment and post retirement plan members.

10) **Restricted Cash:**
The Indemnity Trust balance represents cash held in a trust indenture (the "**Trust**") for certain indemnities and trust payments. As described in the Kram Affidavit, this Trust is irrevocable and the assets within the Trust can not be used for the benefit of HCPH until the termination of the Trust. Upon the termination of the Trust, any residual amount returns to HCPH. The restricted cash is reduced on a monthly basis for withdrawals related to professional fees and for certain defamation actions not related to these CCAA proceedings as further described in the Kram Affidavit. The amount of the cash that will remain in the Trust at the end of the Cash Flow Forecast period can not be determined.