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

FIFTEENTH REPORT OF THE MONITOR DATED DECEMBER 10, 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 OPEB Plans (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 through further orders of this Court and was extended to the end of the CCAA proceedings pursuant to the Order of this Court dated July 31, 2012.

PURPOSE

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

   i. the status of the wind up of the Pension Plans (defined below) and an update with respect to significantly increased funding deficits identified in certain of the Pension Plans in comparison to the Wind Up Reports (as defined below) prepared by HCPH's actuary Mercer (Canada) Ltd. ("**Mercer**") with respect to those Pension Plans, which increased funding deficits were only recently discovered once HCPH received quotes from a number of insurance companies to purchase annuities required in order to effect the wind up of the Pension Plans;

   ii. an update with respect to HCPH's current cash position;

   iii. the Applicant's motion for an order for the directions of the Court with respect to:

      a. authorizing and directing HCPH to suspend the wind up and purchase of annuities in respect of the a) HCPH Retirement Plan; b) HCPH Pension Plan for Employees of Newspapers Formerly Owned by Thomson Newspapers; c) Sterling Newspapers Company Pension Plan for Employees of the Newspapers Formerly Owned by Thompson Newspapers; d) HCPH Plan for Employees of Newspapers Formerly Owned by Sterling Newspapers; and e) Journal Publishing Company Limited Pension Plan (collectively, the "**Named Pension Plans**"), until further order of this Court;

      b. authorizing and directing HCPH to complete the wind up of the Windsor Star Pension Plan (the "**Windsor Star Plan**") and purchase annuities and make commuted value transfers related to the Windsor Star Plan (subject to there being sufficient assets in the plan in order to complete the wind-up), as this pension plan, based on the annuity quotes received to date, is expected to remain in a surplus position;

c. confirming the continued existence and priority status of the Administration Charge (as defined in the Initial Order) and the CRO Charge (as defined in the Initial Order); and

d. approving the Fourteenth Report of the Monitor dated November 14, 2012 (the "**Fourteenth Report**") and this Fifteenth Report and the conduct and activities of the Monitor as set forth herein, as well as the activities of the Chief Restructuring Officer (the "**CRO**") as described in the affidavit of Dennis Byrd sworn December 7, 2012 (the "**Byrd Affidavit**").

TERMS OF REFERENCE

4. In preparing this Fifteenth 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 its actuaries, and has had discussions with the CRO. 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 Fifteenth Report. Some of the information referred to in this Fifteenth 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 Fifteenth Report are defined in the Initial Order, previous reports of the Monitor and the CCAA Plan (defined below).

BACKGROUND

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 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 "**OPEB Plans**") 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 (the "**CCAA Plan**") in consultation with the Monitor and Representative Counsel for the Plan Members and other creditors. The CCAA Plan was approved by HCPH's creditors at the creditors' meetings held on July 20, 2012 and sanctioned by the Court on July 31, 2012. On October 17, 2012, the Monitor filed a certificate confirming that it has been advised by HCPH that all conditions precedent to

the CCAA Plan have been satisfied or waived, as applicable in accordance with the CCAA Plan. Accordingly, the CCAA Plan has been implemented.

THE STATUS OF THE WIND UP OF THE PENSION PLANS

10. As described in the Twelfth Report of the Monitor dated June 7, 2012 (the "**Twelfth Report**"), 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 (the "**General Claims**").

11. The CCAA Plan proposed two classes of affected creditors (the "**Affected Creditors**"): i) a class that addresses claims related to the Pension Plans (the "**Pension Plan Claims Class**"), and (ii) a class that addresses the OPEB Claims and General Claims (the "**Non-Pension Affected Claims Class**").

12. As described in the Twelfth Report and as reflected in the table below, based on preliminary estimates of surpluses and deficits with respect to the Pension Plans prepared by Mercer, as of the date of the Twelfth Report the total deficit for four Pension Plans that were in a deficit position was estimated to be approximately $916,000:

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)**
Ontario Registered Pension Plans		
HCPH Retirement Plan	526947	$ 5,450
Windsor Star Plan	208355	2,342
Sterling Thomson Plan	1024744	(52)
Hollinger Thomson Plan	1033786	(114)
		7,626
B.C Registered Pension Plan		
Sterling Newspapers Plan	PO85060	(508)
Journal Plan	No Registration #	(242)
Total Pension Plans		$ 6,876
Total Plans in Surplus (2 Plans)		$ 7,792
Total Plans in Deficit (4 Plans)		$ (916)

13. As noted in the table above, two of the Pension Plans were estimated by Mercer to be in a surplus position.

14. As described in the Twelfth Report, the above surplus and deficit amounts were based on preliminary estimates by Mercer as described in the valuation reports with respect to each of the Pension Plans prepared by the Mercer on a wind up valuation basis (the "**Wind Up Reports**") and were subject to change until the wind up process was completed.

15. As set out in the Twelfth Report, the OPEB Claims 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. As of the date of the Twelfth Report, the OPEB Claims totalled approximately $39.5 million.

16. As discussed in the Thirteenth Report of the Monitor dated July 25, 2012 (the

"**Thirteenth Report**"), on June 8, 2012, this Court issued an Order (the "**Creditors Meetings Order**") authorizing HCPH to call, hold and conduct meetings of the Non-Pension Affected Claims Class and the Pension Plan Claims Class to consider and vote on the CCAA Plan (the "**Creditors Meetings**"). The Creditors Meetings were held on July 20, 2012.

17. At the Creditors Meetings, the CCAA Plan was approved by both, the Non-Pension Affected Claims Class and the Pension Plan Claims Class, respectively.

18. As discussed earlier in this Fifteenth Report, on July 31, 2012, this Court issued an Order sanctioning the CCAA Plan (the "**Plan Sanction Order**") and pursuant to the Plan Sanction Order, on October 17, 2012, the Monitor filed a certificate confirming that it has been advised by HCPH that all conditions precedent to the CCAA Plan have been satisfied or waived, as applicable in accordance with the CCAA Plan and the CCAA Plan was therefore implemented.

19. Among other things, the Plan Sanction Order authorized and directed HCPH and the Monitor to take the steps set out in Schedule 'B' to the CCAA Plan to complete the wind up of the Pension Plans. A copy of the CCAA Plan along with Schedule 'B' was attached to the Twelfth Report. A copy of Schedule "B" is attached as Appendix "A" to this Fifteenth Report. Schedule 'B' sets out the detailed Pension Plan wind up steps including:

i. directing Mercer to prepare and distribute wind up statements to the respective Pension Plan members to obtain the election of such Pension Plan members with respect to their option to choose a lump sum amount or the purchase of a life annuity (the "**Option**");

ii. directing Mercer to prepare annuity purchase data based on Options received and HCPH's records with respect to Pension Plan members who currently receive monthly pensions; and

iii. requesting and accepting quotes from insurance companies for the purchase of annuities.

20. In accordance with the CCAA Plan and the directions of the Court, HCPH, with the assistance of the Monitor worked with Mercer to prepare the request for quotations ("**RFQ**") to be provided to insurance companies to obtain quotes for annuities. On November 9, 2012, the RFQ was sent by Mercer to six insurance companies. The RFQ required the insurance companies to submit preliminary quotes to Mercer by November 26, 2012 and final quotes to Mercer on November 29, 2012.

21. On November 26, 2012, Mercer received preliminary quotes from five of the six insurance companies who were invited to submit quotes. On November 28, 2012, Mercer provided a summary of the preliminary quotes received from the insurance companies to HCPH and the Monitor along with a calculation of the estimated the surplus/deficit in each of the Pension Plans based on the preliminary quotes received (the "**Preliminary Summary**"). Based on the most favourable of the annuity quotes received, the Preliminary Summary estimated that the five Named Pension Plans now had an aggregate deficit of approximately $14.3 million. Based on the same preliminary annuity quotes, the Windsor Star Plan appeared to be in a surplus position.

22. On November 29, 2012, Mercer received final quotes from five insurance companies. Mercer provided HCPH and the Monitor with an updated summary of the final quotes received along with an updated summary of the estimated deficits in each of the Pension Plans based on the final quotes (the "**Final Summary**"). These quotes were valid until approximately 3.00 p.m. on November 29, 2012. Due to the sensitive information contained in the Final Summary, a copy of the Final Summary is not attached to this Fifteenth Report, however, a copy of the Final Summary was provided to Representative Counsel for the Pension members and the OPEB members for its review on a confidential basis. As set out in the table below, the deficit calculations (before wind-up expenses) based on the most advantageous quotes and as set out in the Final Summary total in aggregate to approximately $13 million, which are significantly higher than the estimated deficits calculated by Mercer and set out in the Wind Up Reports as at December 31, 2010, with the exception of the Windsor Star Plan, which, at the time of the Final Summary appeared to reflect a surplus position (assuming annuities could be purchased at the same prices for the Windsor Star plan on a stand-alone basis, which will need to be

verified with the insurance companies):

Comparison of Deficits in the Pension Plans ($000's)		**Wind Up Report December 31, 2010**	**Final Annuity Quotes November 29, 2012**	
Pension Plans	**Registration #**	**Surplus/(Deficit)**	**Surplus/(Deficit)** (excluding expenses)	**Difference**
Ontario Registered Pension Plans				
HCPH Retirement Plan	526947	$ 5,450	$ (11,319)	$ (16,769)
Windsor Star Plan	208355	2,342	2,243	(99)
Sterling Thomson Plan	1024744	(52)	(148)	(97)
Hollinger Thomson Plan	1033786	(114)	(272)	(158)
		7,626	(9,496)	(17,124)
B.C Registered Pension Plan				
Sterling Newspapers Plan	PO85060	(508)	(818)	(310)
Journal Plan	No Registration #	(242)	(273)	(31)
Total Pension Plans		$ 6,876	$ (10,587)	$ (17,465)
Total Plans in Surplus		$ 7,792	$ 2,243	$ (5,549)
Total Plans in Deficit		$ (916)	$ (12,830)	$ (11,914)

23. Mercer advised that there were various reasons for the significant variance in the deficit of the HCPH Retirement Plan and the other Pension Plans, but the main difference is due to changes in the market conditions between the wind-up date and the date of annuity quotations (which are two years later), the different assumptions used by actuaries and insurance companies, as explained further in this Fifteenth Report and a persistently low interest rate environment (which has decreased from the wind-up date to the annuity quote date) which has made such annuities increasingly expensive.

24. The CCAA Plan provides that each Pension Plan will be paid the total deficit amounts for such Pension Plan, if any, once determined, in full and final satisfaction of the respective Pension Plan Claims and the Pension Plan Claims will be paid prior to any distributions to the OPEB Claims.

25. As described below, as of November 23, 2012, HCPH held cash of approximately $11.9 million and accordingly, HCPH would not have been able to fund the deficits identified in the Preliminary Summary of approximately $14.3 million by the deadline of December 13, 2012, as required by the RFQ. Accordingly, after the receipt of the Preliminary

Summary, HCPH contacted Representative Counsel and advised it of the preliminary quotes received from the insurance companies and the estimated deficit of approximately $14.3 million

26. On November 29, 2012, the Final Summary which estimated a slightly smaller deficit of approximately $13 million was provided to Representative Counsel for its review and analysis. The revised deficit based on the Final Summary was still greater than HCPH's current cash position. Accordingly, it was recognized by HCPH, the Monitor and Representative Counsel that HCPH did not have the cash to fund the deficit in the Pension Plans and purchase the annuities.

27. Later, on November 29, 2012, Representative Counsel advised HCPH that it had discussed the Pension Plan deficits identified in the Final Summary with its client committee and Representative Counsel agreed that HCPH not continue with the purchase of the annuities set out in the Final Summary at that time and not until reasonable notice to Representative Counsel.

28. Accordingly, HCPH advised Mercer that it did not wish at this stage to select any of the annuities quotes received by Mercer on November 29, 2012 and described in the Final Summary, until such time as it seeks directions from the Court.

29. HCPH and Mercer conducted further discussions with the insurance company that had provided the lowest overall quote in the circumstances to discuss whether it would be possible to obtain better pricing and was advised by this insurance company that it had provided an aggressive quote based upon investment vehicles that it had available immediately and that it would not likely be able to improve on this pricing or even guarantee that such pricing would be available until the end of December 2012. Further, such insurance company advised that if the purchase of annuities took place early 2013, it could be more expensive for HCPH to buy similar annuities at that time. HCPH and Mercer are continuing to work with that insurance company to see if it is possible to obtain better pricing for the annuities, as discussed below.

Analysis of the Pension Plan deficits

30. HCPH and the Monitor sought guidance from Mercer to understand the reasons for the significant variance between the deficits identified in the Wind Up Reports prepared by Mercer and the deficits in the Final Summary set out in the table above. Mercer explained that a pension plan wind up report is based on an actuarial valuation of the pension plan which, in turn, is based on guidance from the Canadian Institute of Actuaries (the "**CIA**"). The CIA provides guidance to its members for the purposes of estimating the cost of buying non-indexed group annuities at a particular date. The pricing guidance provided by the CIA is usually expressed as a specified discount rate applicable on the purchase date in conjunction with certain mortality assumptions. In accordance with the guidance from CIA, the actuary estimates the cost of purchasing annuities for those pension plan members assumed to elect an immediate or deferred pension on the wind up of a pension plan using the discount rate specified in the CIA guidance for the applicable date.

31. Mercer advised that there are a number of factors an insurer uses to determine an annuity premium and usually consider the following factors in determining annuity prices:

i. the effective yield of the assets the insurance company would use to back the specific annuity contract, such as private placements, commercial mortgages, government and corporate bonds, etc.

ii. market conditions with respect to interest rates and economic forecasts;

iii. the insurer's internal risk tolerances and capital requirements;

iv. the internal demand for the particular group annuity; and

v. profit margins and expense provisions.

32. Mercer advised that the actual cost of purchasing an annuity could differ significantly from the estimated costs as of the wind up date for many reasons, including:

i. changes in market conditions between the wind up date and the date of the annuity purchase (including, for example, persistently low interest rates);

ii. differences in the characteristics of the covered group relative to the hypothetical blocks used by the CIA to develop its guidance, for example, differences in the average age, pension amounts, etc.; and

iii. an insurer's assessment that mortality of the group is expected to be better or worse than average.

33. HCPH has continued discussions with Mercer to discuss alternatives to reduce the cost of its annuity purchases including revising the method by which Pension Plan members are categorized into smaller sets for the benefit of the insurance companies (the "**Tranches**"). HCPH has been advised by one of the insurance companies that if the Tranches are based on similar age groups, it could reduce the cost of annuities (if all other factors including discount rates remain unchanged). Accordingly, HCPH is working with Mercer to rework the Tranches in this manner, following which illustrative quotes will be sought from the insurance companies previously contacted through the RFQ process described above. However, even if the illustrative quotes are an improvement over the final quotes received on November 29, 2012, it seems unlikely that the improvement will be so significant that it will be sufficient to address the funding and other issues that arise from the unexpected deficits.

Next Steps

34. HCPH needs time to complete its analysis with respect to the revised pension deficits identified in the Final Summary, to obtain annuity quotes based on revised Tranches and conduct discussions with Representative Counsel and the Monitor. Further, Representative Counsel advised that it needs time to analyse the pension deficits and work with the Pension Plan members and OPEB Plan members to consider their views with respect to the options available in light of pension plan deficits described above. In the meantime, Representative Counsel has requested that no annuities be purchased without further order of the Court.

35. Accordingly, HCPH is seeking an Order from this Court to authorize and direct HCPH to suspend the wind up and the purchase of annuities in respect of the Named Pension Plans.

WINDSOR STAR PLAN

36. As set out in the table above, the Windsor Star Plan appears to be in a surplus position based on the Final Summary, and the surplus position has not changed significantly from the Wind Up Report. Pursuant to the CCAA Plan, and provided that the Windsor Star Plan would have sufficient assets to purchase annuities upon refreshed quotes being obtained from the insurance companies, HCPH should have the ability to complete the wind up with Windsor Star Plan and purchase annuities for the members of the Windsor Star Plan.

37. Accordingly, HCPH is seeking an Order of this Court to authorize and direct HCPH to complete the wind up of the Windsor Star Pension Plan and purchase annuities related to the Windsor Star Plan provided that the Windsor Star Pension Plan has sufficient assets to fully fund such annuities.

UPDATE WITH RESPECT TO HCPH'S CURRENT CASH POSITION

38. As discussed in the Twelfth Report, HCPH's primary remaining asset is cash of approximately $11.9 million as of November 23, 2012. This amount is the primary source from which distributions will be made under the CCAA Plan. As described in the Twelfth Report, HCPH is anticipating a refund of certain input tax credits with respect to HST previously paid. Such amount is expected to be approximately $1.1 million and is expected to be received in late December 2012. In addition, as described in the Fourteenth Report, subject to certain conditions including the expiry of the appeal period relating to the approval order of the Superior Court of the State of Delaware, HCPH is entitled to receive $2.95 million pursuant to the settlement between HCPH, the Monitor, and certain other parties, with respect to certain funds that were held by HCPH in a trust. The Fourteenth Report provides details with respect to the trust and the amount to be received by HCPH. Such amount is expected to be received early in the new year.

39. In addition, there will be further costs relating to the ongoing administration of the CCAA proceedings and addressing the issues relating to the pension plans that will reduce the available cash described above.

PRIORITY OF THE ADMINISTRATION CHARGE AND THE CRO CHARGE

40. Pursuant to the Initial Order, HCPH continues to pay its administration costs including the costs of these CCAA proceedings, which costs are required to complete these CCAA proceedings. Accordingly, HCPH is seeking an Order from this Court confirming the continued existence and priority status of the Administration Charge (as defined in the Initial Order) and the CRO Charge (as defined in the Initial Order) and authorizing HCPH to continue to pay its professional costs in connection with these CCAA proceedings.

41. The CCAA Plan sets out a distribution scheme in respect of HCPH's available cash (as set out in section 5.01 of the CCAA Plan). It provides, among other things, for payment of the following amounts in the following sequence:

    i. Administration Costs up to the plan implementation date, in full;

    ii. payment of any deficits in the Pension Plans, in full;

    iii. Administrative Costs from and after the plan implementation date, in full; and

    iv. Distribution of the remaining cash (after the foregoing amounts and certain other claims are paid in full) on a pro rata basis in respect of OPEB Claims and other Non-Pension Affected Claims.

42. Because of the unexpected size of the deficits, it may not be possible for HCPH to pay in full all amounts required to be paid in full before a distribution in respect of Non-Pension Affected Claims, as contemplated by the CCAA Plan. As a result, HCPH requires confirmation that it can continue to pay Administrative Costs arising on and after the plan implementation date prior to the payment of any deficits in the Pension Plans. Otherwise, HCPH will have no means to take any further steps relating to the Pension Plans and CCAA proceedings.

RECOMMENDATIONS

43. The Monitor supports the motion for directions and other relief sought by the Applicant

and recommends that the Order be made, if this Court sees fit:

i. authorizing and directing HCPH to suspend the wind up and purchase of annuities in respect of the Named Pension Plans, until further order of this Court;

ii. authorizing and directing HCPH to complete the wind up of the Windsor Star Plan and purchase annuities and make commuted value transfers related to the Windsor Star Plan (subject to there being sufficient assets in the plan in order to complete the wind-up);

iii. confirming the continued existence and priority status of the Administration Charge (as defined in the Initial Order) and the CRO Charge (as defined in the Initial Order); and

iv. approving the Fourteenth Report of the Monitor and this Fifteenth Report and the conduct and activities of the Monitor as set forth herein, as well as the activities of the CRO as described in the Byrd Affidavit.

All of which is respectfully submitted this 10th day of December, 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

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.

<u>Steps</u>

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.