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

EIGHTEENTH REPORT OF THE MONITOR DATED JUNE 18, 2013

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. 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) ("**OPEB Plan Members**") 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) ("**Pension Plan Members**") 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 Eighteenth Report of the Monitor (the "**Eighteenth Report**") is to report to this Court with respect to:

   i. the status of the wind up of five of HCPH's six pension plans: 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 (the "**Sterling BC Plan**"); and e) Journal Publishing Company Limited Pension Plan, and (collectively, the "**Remaining Pension Plans**");

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

   iii. general next steps in HCPH's CCAA proceedings.

TERMS OF REFERENCE

4. In preparing this Eighteenth Report and making the comments herein, the Monitor has been provided with, and has relied upon certain unaudited financial information, the Applicant's books and records, financial information prepared by the Applicant, discussions with management of the Applicant including the CRO (the "**Management**") and information from other third-party sources including the Applicant's actuary. Except as described in this Eighteenth Report:

   i) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants ("**CICA Handbook**"), and

ii) some of the information referred to in this Eighteenth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the CICA Handbook, has not been performed.

5. Future oriented financial information referred to in this Eighteenth 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 will vary from the projections, even if the assumptions materialize, and the variations could be significant.

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

7. Capitalized terms not defined in this Eighteenth Report are defined in the Initial Order, previous reports of the Monitor and the CCAA Plan (defined below).

BACKGROUND

8. 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.

9. 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.

10. 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 become effective and binding on the Plan Members and other creditors affected by the CCAA Plan.

11. As discussed in detail in the Twelfth Report of the Monitor dated June 7, 2012 (the "**Twelfth Report**"), the current CCAA Plan provides that each Pension Plan will be paid the total wind up deficit amounts for such Pension Plan, once determined, in full and final satisfaction of the applicable Pension Plan Claims and that the deficit amounts will be paid prior to any distributions to HCPH's unsecured creditors of which the OPEB Plan Members, as holders of OPEB claims, are the predominant group.

12. As further described in the Twelfth Report, based on preliminary estimates of the wind up surpluses and deficits with respect to the Pension Plans prepared by HCPH's actuary Mercer (Canada) Ltd. ("**Mercer**"), the total preliminary wind up deficit for four Pension Plans that were in a deficit position at that time had been estimated to be approximately $916,000 and two Pension Plans including the HCPH Retirement Plan and the Windsor Star Pension Plan had been estimated to be in a surplus position on wind up.

13. As discussed in detail in the Fifteenth Report of the Monitor dated December 10, 2012 (the "**Fifteenth Report**"), Schedule 'B' to the CCAA Plan set out the detailed Pension Plan wind up steps including 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 transfer or the purchase of a life annuity (the "**Option**"); 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 requesting and accepting quotes from insurance companies for the purchase of annuities.

14. As further discussed in detail in the Fifteenth Report, as contemplated by the CCAA Plan, HCPH, with the assistance of its actuary Mercer requested quotes for the purchase of annuities from six insurance companies to purchase annuities for Pension Plan Members who were currently receiving monthly pensions and members who had opted for payment of a pension. In late November 2012, HCPH obtained quotes from five insurance companies for the purchase of annuities for its Pension Plans. Mercer provided HCPH and the Monitor with a summary of the estimated deficits in each of the Pension Plans based on the quotes received. Based on Mercer's analysis, it appeared that the deficit calculations (the difference between the assets of the Pension Plans (not including the Windsor Star Pension Plan) and the cost of the annuities and the payment of commuted value transfers, in aggregate and before wind-up expenses) based on the most advantageous quotes totalled approximately \$12.8 million in aggregate. This amount was significantly greater than the anticipated aggregate wind up deficit estimated in the wind up reports as at December 31, 2010, which had been estimated to be \$916,000 as described above.

15. At the time, HCPH only held cash of approximately \$11.9 million and accordingly, HCPH would not have been able to fund the deficits by the deadline of December 13, 2012 as required by the insurance companies. Further, Representative Counsel advised HCPH and the Monitor that it needed 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. For that reason, Representative Counsel requested that HCPH not proceed with the wind ups pending further direction of the Court. Accordingly, HCPH sought an Order for directions from this Court to authorize and direct HCPH to suspend the wind up and the purchase of annuities in respect of the Remaining Pension Plans (not including the Windsor Star Pension Plan which remained in a surplus position based on the quotes received on November 29, 2012), pending further Order of this Court. Such order was granted by this

Court on December 12, 2012.

STATUS OF THE WIND UP OF THE REMAINING PENSION PLANS

Illustrative Annuity Quotes

16. As described in the Seventeenth Report of the Monitor dated May 3, 2013 (the "**Seventeenth Report**"), in order obtain an update with respect to the expected wind up funded status of the Remaining Pension Plans, HCPH in consultation with Representative Counsel and with the assistance of the Monitor requested Mercer to obtain illustrative annuity quotes with respect to the Remaining Pension Plans. On April 2, 2013 and April 3, 2013, Mercer sent a request to six insurance companies for illustrative quotes for the purchase of annuities with respect to the Remaining Pension Plans.

17. On April 12, 2013, Mercer received illustrative quotes from six insurance companies. On April 15, 2013, Mercer provided a summary of the illustrative quotes received to HCPH and the Monitor, along with an analysis of the estimated deficits in the Remaining Pension Plans. HCPH provided a copy of the illustrative quotes as well as Mercer's analysis to Representative Counsel. Based on Mercer's analysis, it appeared that the wind up deficit calculations (the difference between the assets of the Pension Plans and the cost of the annuities and commuted value transfers, in aggregate and before wind-up expenses) based on the most advantageous annuity quotes totalled to approximately $8.9 million in aggregate. This compared favourably to the $12.8 million deficit estimated in December 2012, based on the November 29, 2012 annuity quotes referred to earlier in this Eighteenth Report.

Meetings with Certain Insurance Companies

18. Given the outcome of the illustrative quotes described above and based on discussions between HCPH, the Monitor and Representative Counsel, it was determined that it would be helpful to meet with the insurance companies who provided the three lowest quotes in order to understand the basis of these quotes as well as to explain HCPH's situation to these insurance companies in order to ascertain if the quotes could be improved. Accordingly, further to the authorization of this Court of April 30, 2013, the CRO, along

with representatives of HCPH's counsel, the Monitor, Representative Counsel and its actuary and Mercer met with certain insurance companies on May 8, 2013.

19. After the discussions with the insurance companies described above, HCPH in consultation with the Monitor and Representative Counsel obtained an Order from this Court on May 13, 2013 (the "**May 13 Order**") which, among other things:

i. authorized and directed HCPH with the assistance of the Monitor, Mercer, Representative Counsel and its actuary, to obtain refreshed quotes for the purchase of annuities and engage in negotiations with one or more insurance companies to obtain the most advantageous final quote; and

ii. authorized and directed HCPH to complete the wind up of each of the Remaining Pension Plans in the event that the aggregate deficit calculations (the difference between the value of the assets of the Remaining Pension Plans and the value of all liabilities on wind up including the costs of the annuities, in aggregate and before wind up expenses) of the Remaining Pension Plans (the "**Aggregate Deficit Calculation**" or "**ADC**") was less than $7.5 million or such higher amount as agreed to by Representative Counsel, HCPH and the Monitor (the "**ADC Limit**").

Refreshed Annuity Quotes

20. Pursuant to the May 13, Order, Mercer sent a request on May 22, 2013 to the same six insurance companies as referred to paragraph 16 above for refreshed quotes for the purchase of annuities with respect to the Remaining Pension Plans.

21. On June 10, 2013, Mercer received refreshed quotes from four insurance companies. Two insurance companied had previously advised that they would not be providing refreshed quotes. On June 11, 2013, Mercer provided a summary of the refreshed quotes received to HCPH and the Monitor, along with an analysis of the estimated deficits in the Remaining Pension Plans. HCPH provided a copy of the refreshed quote, as well as Mercer's analysis, to Representative Counsel. Based on Mercer's analysis, it appeared that the Aggregate Deficit Calculation, based on the most advantageous annuity quote,

totalled approximately $8.7 million. This compared slightly favourably to the $8.9 million deficit based on the illustrative quotes obtained on April 12, 2013, referred to earlier in this Eighteenth Report

22. The table below sets out a comparison of wind up deficits in the Remaining Pension Plans based on the most advantageous single insurer annuity quotes received by HCPH on November 29, 2012, April 12, 2013, and June 10, 2013:

Comparison of Deficits in the Pension Plans ($000's)		Final Annuity Quotes November 29, 2012		Illustrative Annuity Quotes April 12, 2013		Annuity Quotes June 10, 2013	
Pension Plans	**Registration #**	**(Deficit)**		**(Deficit)**		**(Deficit)**	
		(excluding expenses)		**(excluding expenses)**		**(excluding expenses)**	
Ontario Registered Pension Plans							
HCPH Retirement Plan	526947	$	(11,319)	$	(7,572)	$	(7,454)
Sterling Thomson Plan	1024744		(148)		(138)		(135)
Hollinger Thomson Plan	1033786		(272)		(259)		(251)
			(11,739)		(7,969)		(7,840)
B.C Registered Pension Plan							
Sterling Newspapers Plan	PO85060		(818)		(642)		(660)
Journal Plan	0267351		(273)		(271)		(260)
Total Pension Plans		$	(12,830)	$	(8,882)	$	(8,760)

23. The analysis in the table above reflects that the ADC in the Remaining Pension Plans decreased by almost $4 million between November 29, 2012 and April 12, 2013, and decreased further (albeit only slightly) by approximately $122,000 from April 12, 3013 to June 10, 2013.

24. HCPH, with the assistance of Representative Counsel, Mercer and the Monitor arranged for a call with the insurer with the lowest quote, (the "**Selected Annuity Provider**") to discuss its quote. As a result of further discussions with the Selected Annuity Provider, an ADC acceptable to Representative Counsel was achieved. Representative Counsel advised that it approved HCPH accepting the revised quote from the Selected Annuity Provider. Accordingly, HCPH accepted the revised quote from the Selected Annuity Provider for the purchase of annuities.

25. Around the same time, HCPH worked with the trustees of the Remaining Pension Plans

to liquidate the investments related to the Remaining Pension Plans. Upon sale of the investments in the Remaining Pension Plans, Mercer, in its report dated June 18, 2013, calculated the ADC of $7,564,592, which is subject to final data adjustments as described below. HCPH continues to work with its actuary to notify the pension regulators of the deficit funding and the proposed payment to the Selected Annuity Provider for the purchase of annuities with respect to the Remaining Pension Plans, transfer the required funds to the Selected Annuity Provider and provide the Selected Annuity Provider with the information it requires to complete the annuity purchase.

26. In general terms, the next steps and tentative timing with respect to the wind up of the Remaining Pension Plans are as follows:

    i. On June 18, 2013, HCPH contributed $7,564,592 to the Remaining Pension Plans to fund the ADC;

    ii. On June 18, 2013, HCPH will pay the Selected Annuity Provider the premium amount for the purchase of the annuities;

    iii. On or before October 1, 2013, HCPH will enter into a written contract with the Selected Annuity Provider, which contract will among other things, specify a date by which data adjustments related to members of the Remaining Pension Plans will be finalized (the "**Data Finalization Date**");

    iv. On October 1, 2013 (September 30, 2013 for the Sterling BC Plan), the Selected Annuity Provider will make the first payment to the annuitants of the Remaining Pension Plans; and

    v. HCPH will work with Mercer to complete all data adjustments by the Data Finalization Date.

27. It is anticipated that the wind up of the Remaining Pension Plans will be completed prior to the end of the calendar year 2013.

UPDATE WITH RESPECT TO HCPH'S CURRENT CASH POSITION

28. HCPH's primary remaining asset is cash. Management has advised that HCPH had cash of approximately $15.8 million as of June 7, 2013, before accrued but unpaid costs and expenses. As described above, HCPH contributed $7,564,592 to fund the ADC. Accordingly, HCPH's remaining cash is approximately $8.2 million. Such cash, after the payment of costs relating to the ongoing administration of the CCAA proceedings and payment of costs to complete the wind up of the Remaining Pension Plans, is the primary source from which distributions will be made under the CCAA Plan.

GENERAL NEXT STEPS IN HCPH'S CCAA PROCEEDINGS

29. As described in detail in the Twelfth Report, HCPH's remaining funds will be distributed in accordance with the implemented CCAA Plan.

30. Accordingly, after the completion of the final adjustments with respect to the Remaining Pension Plans on the Data Finalization Date, HCPH's remaining funds, after the payment of costs related to the CCAA proceedings and the wind up of the Remaining Pension Plans will be distributed to HCPH's unsecured creditors of which the OPEB Plan Members, as holders of OPEB claims, are the predominant group. It is anticipated such distribution to the unsecured creditors will be early next calendar year.

All of which is respectfully submitted this 18th day of June, 2013.

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