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

EIGHTH REPORT OF THE MONITOR DATED JUNE 6, 2011

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 Honourable 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 proceeding. 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, 2011 pursuant to further Orders of this Honourable Court.

PURPOSE

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

   i) the status of the claims process (the "**Claims Process**") established pursuant to an Order made on April 15, 2010 by this Honourable Court (the "**Claims Procedure Order**"), as supplemented by paragraph 15 of an Order made on July 27, 2010 (the "**July 27 Order**");

   ii) the Applicant's motion for an Order (the "**Claims Disallowance Procedure Order**") to supplement the Claims Procedure Order, approve the procedure for the revision and disallowance of Claims (as defined below) pursuant to the Claims Procedure Order, and, if necessary, the determination of such claims by this Honourable Court; and

   iii) the Applicant's motion to approve this Eighth Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

4. In preparing this Eighth 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 Eighth Report. Some of the information referred to in this Eighth 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 Eighth 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.

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**").

STATUS OF THE CLAIMS PROCESS

9. On April 15, 2010, this Honourable Court granted the Claims Procedure Order to identify any creditor claims other than claims in respect of OPEB and Pension Plans and claims secured by charges in the Initial Order or any further charge ordered by this Honourable

Court.

10. As described in the Fourth Report of the Monitor dated October 13, 2010 (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.

11. Further, as required by the Claims Procedure Order, the Monitor posted a copy of the notice 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.

12. Pursuant to the Claims Procedure Order a creditor asserting a claim, including a Restructuring Claim (as defined in the Claims Procedure Order) arising prior to May 15, 2010 was required to do so by delivering a proof of claim to the Monitor by 5:00 p.m. on June 18, 2010 (the "**Claims Bar Date**"). Further the Claims Procedure Order set out that any person asserting a Restructuring Claim (as defined in the Claims Procedure Order) arising after May 15, 2010 is required to do so by the Restructuring Claims Bar Date established by the July 27 Order as 5:00 p.m. (Eastern Standard Time) on the 30th day following the date on which an applicable notice of the restructuring, termination, disclaimer, or repudiation of any contract is sent by HCPH to the applicable creditor.

PROCEDURE FOR THE REVISION AND DISALLOWANCE OF CLAIMS

13. As of June 3, 2011, the Monitor has received 12 claims totalling approximately \$66.5 million (the "**Claims**"), although approximately \$33.4 million of that may be duplicative as it relates to a contribution and indemnity claim by a claimant in respect of an approximately \$33.4 million claim by another claimant. In addition, as disclosed previously, 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 "**Settlement**"). Details of the

Settlement are described in the Sixth Report of the Monitor dated December 31, 2010 (the "**Sixth Report**").

14. Based on a preliminary review of the Claims by the Applicant and the Monitor, it appears that four Claims totalling approximately $48,000 relate to Claims from trade creditors, six Claims totalling approximately $38,000 relate to Claims from tax authorities and two Claims totalling approximately $66.4 million relate to the aforementioned litigation claim and related contribution and indemnity claim. Certain of the Claims from tax authorities appear to be placeholder Claims that could be amended.

15. The Company and Monitor have attempted to resolve the largest of the claims; however, have been unable to do so. In the view of the Company, supported by the Monitor, a further claims resolution procedure is required to resolve these and other claims.

16. The Claims Procedure Order sets out that if the Applicant or the Monitor disputes a Claim, then the Applicant or the Monitor may, among other things, apply to this Honourable Court for a procedure for the determination of such Claim. Accordingly, the Applicant has formulated a procedure with respect to the revision and disallowance of Claims. The following is a summary of the procedures outlined in the requested Claims Disallowance Procedure Order:

    i) If the Applicant or Monitor dispute a Claim, the Applicant or Monitor may send a notice of or revision or disallowance substantially in the form attached as Schedule 'A' to the Claims Disallowance Procedure Order (the "**Notice of Revision or Disallowance**") in the manner prescribed in the Claims Disallowance Order.

    ii) Any claimant who receives a Notice of Revision of Disallowance and who intends to dispute the Notice of Revision or Disallowance shall deliver a notice of dispute, substantially in the form attached as Schedule "B" to the Claims Disallowance Procedure Order (the "**Notice of Dispute**") to the Monitor in the manner prescribed in the Claims Disallowance Procedure Order, such that it is received by the Monitor by no later than 20 business days after the deemed receipt of the

Notice of Revision and Disallowance as further described in paragraph five of the Notice of Revision and Disallowance.

iii) On receipt of a Notice of Dispute, the Monitor, in consultation with the Applicant may either attempt to resolve the Claim in respect of which a Notice of Dispute was received (the "**Disputed Claim**") with the claimant or apply to this Honourable Court:

a. for a determination of the Disputed Claim based on the information available in the Claim, the Notice of Revision or Disallowance and the Notice of Dispute and any Report (including any further Report) of the Monitor; or

b. to seek further directions with respect to the Claim.

iv) The Claims Disallowance Procedure Order contemplates that an application to this Honourable Court for directions or any hearing for the determination of Disputed Claims, subject to a further order of this Honourable Court shall be completed by September 16, 2011 (the "**Claims Process Completion Date**"). The purpose of the Claims Process Completion Date is to try and complete the Claims Process in respect of non pension and OPEB claims in a reasonably expedited timeframe in order to allow the Applicant to proceed with a plan of arrangement for the benefit of its creditors, including more than 3,000 retirees and former employees, while allowing claimants sufficient time to dispute the Notice of Revision and Disallowance. Such determination of Claims is required to minimize the holdbacks that will be necessary in the context of the Applicant's CCAA plan and the completion of these CCAA proceedings.

17. The Monitor has reviewed the above procedure and believes that the process described above to determine the Claims is an appropriate and fair method for determining the Claims (other than Excluded Claims as defined in the Claims Procedure Order) as it appears to provide the claimants with sufficient time to dispute the Notice of Revision and Disallowance and determine the Claims in a timely manner.

RECOMMENDATIONS

18. The Monitor supports the relief sought by the Applicant and recommends that the following orders be made, if this Honourable Court sees fit:

    i) a Claims Disallowance Procedure Order to supplement the Claims Procedure Order and the July 27 Order, approve the procedure for the revision and disallowance of Claims pursuant to the Claims Procedure Order, and, if necessary, the determination of such claims by this Honourable Court; and

    ii) an order approving this Eighth Report and the conduct and activities of the Monitor as reported on herein.

All of which is respectfully submitted this 6th day of June, 2011.

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