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

SEVENTH REPORT OF THE MONITOR DATED APRIL 8, 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 of this Honourable Court 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 May 2, 2011 pursuant to further

Orders of this Honourable Court.

PURPOSE

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

   i) the status of the wind up of five of the Pension Plans (defined below);

   ii) the Applicant's motion for an Order directing and authorizing the Applicant to cease making any further special payments or contributions to the Pension Plans (defined below) with the exception of the Journal Plan (defined below), due as a result of the filing of wind up or other valuation reports;

   iii) actual receipts and disbursements of the Applicant from December 13, 2010 to March 27, 2011 as well as the Applicant's cash flow projection from March 28, 2011 to July 31, 2011;

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

   v) the motion by the Applicant to extend the Stay Period to July 31, 2011; and

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

TERMS OF REFERENCE

4. In preparing this Seventh 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 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 Seventh Report. Some of the information referred to in this Seventh 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 Seventh 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 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 WIND UP OF THE PENSION PLANS

9. Further to the Order of this Honourable Court on October 14, 2010 (the "**October 14 Order**"), HCPH in consultation with Representative Counsel and the Monitor commenced the process to wind up five of the Pension Plans as of December 31, 2010 (the "**Wind Up Date**"). The Pension Plans being wound up (the "**Winding Up Plans**")

include one British Columbia registered Pension Plan (the "**B.C. Registered Pension Plan**") and four Ontario registered Pension Plans (the "**Ontario Registered Pension Plans**"). The Journal Publishing Company Limited Pension Plan (the "**Journal Plan**") was not part of the initial wind up process.

10. As described in the Sixth Report of the Monitor dated December 31, 2010 (the "**Sixth Report**"), on December 21, 2010, HCPH, with the assistance of the Monitor, sent notices to Plan Members whose addresses are known to HCPH, advising of the wind up of the Winding Up Plans (the "**Wind Up Notices**") as required under the Pension Benefits Act (Ontario) and the Pension Benefits Standards Act (British Columbia).

11. On February 11, 2011, HCPH, with the assistance of the Monitor, published a notice of the wind up of the Winding Up Plans in the national edition of the Globe and Mail in order to advise Plan Members whose addresses were not known to HCPH.

12. As set out in the affidavit of Dennis Byrd dated April 4, 2011 (the "**Byrd Affidavit**"), HCPH has instructed its actuaries for the Pension Plans, Mercer (Canada) Limited ("**Mercer**"), to prepare wind up reports for each of the Winding Up Plans. Pursuant to an extension granted by the British Columbia Superintendent of pensions, the wind up report for the B.C. Registered Pension Plan is due April 30, 2011. The wind up reports for the Ontario Registered Pension Plans are due by June 30, 2011.

CESSATION OF SPECIAL PAYMENTS AND CONTRIBUTIONS

13. HCPH has been making current service payments and special payments as authorized by this Honourable Court in these CCAA proceedings and as required by applicable pension law with respect to the Winding Up Plans. The current service payments prior to the wind up were for a small group of active Plan Members and Plan Members on long term disability. As discussed in the Byrd Affidavit, as of the Wind Up Date, all current service accruals for the Winding Up Plans had ceased and no further current service contributions are due by HCPH. Special payments were in respect of certain Winding Up Plans that had an actuarially determined unfunded liability or solvency deficiency in the last filed valuation report. To date, HCPH has been making special payments to the

Winding Up Plans as required by applicable pension law.

Ontario Registered Pension Plans

14. Based on the last filed actuarial reports, only one of the Ontario Registered Pension Plans, specifically the Hollinger Canadian Publishing Holdings Co. Pension Plan for the Employees of Newspapers Formerly Owned by Thomson Newspapers (the "**Thomson Plan**") requires special payments to be made at this time. The special payments required for the Thomson Plan, based on the last filed actuarial valuation report, were \$3,850 for the month of January, 2011 and \$2,373 payable each month thereafter until the wind up report is filed by HCPH with the pension regulator. The monthly special payments for the months of January and February 2011 were made by HCPH.

B.C. Registered Pension Plan

15. Since the Wind Up Date, no special payments were made by HCPH with respect to the B.C. Registered Pension Plan. The Monitor is advised by HCPH that any payments required by HCPH with respect to any solvency deficiency of the B.C. Registered Pension Plan will be determined in accordance with Mercer's wind up report filed with the British Columbia Superintendent of Pensions.

Journal Plan

16. Based on HCPH's records, the Journal Plan is a Pension Plan that currently has no assets with two Plan Members. The monthly pension payments with respect to the Journal Plan have been funded by HCPH during these CCAA proceedings in accordance with the Initial Order. If HCPH stopped these pension payments, it would have a severe adverse effect on the two Plan Members. It is anticipated that these pension payments will continue until further notice.

Cessation of Payments

17. As discussed above, the wind up process has commenced for five of the Pension Plans. Wind up reports are expected to be filed in relation to the Winding Up Plans in the coming months and pursuant to applicable pension law, special payments or other

contributions may be required arising from the wind up or as a result of filing the wind up reports. HCPH is of the view that wind up deficiencies will be dealt with in the context of the proposed CCAA plan and that funding any special payments due or arising as a result of the wind up prior to determining how pension and other liabilities are dealt with in the context of a CCAA plan could result in unfairness amongst stakeholders. Accordingly, HCPH is seeking the approval of this Honourable Court to cease the payment of special payments or other contributions due to any of the Winding Up Plans, with the exception of the Journal Plan for the reason explained in paragraph 16 above, as a result of the filing of the wind up or other valuation reports from the date of the granting of the draft order attached to the Applicants' motion returnable April 11, 2011. The Monitor concurs with this view.

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 Sixth Report is attached as Appendix A to this Seventh Report.

19. The Applicant's actual consolidated net cash outflow for the period from December 13, 2010 to March 27, 2011 was $2.5 million. A detailed variance analysis is set out in Appendix A to this Seventh 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 March 28, 2011 to July 31, 2011 (the "**Projection Period**"), a copy of which is attached as Appendix B to this Seventh 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 $2.6 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 HCPH'S RESTRUCTURING ACTIVITIES

23. As discussed in previous reports of the Monitor, since the commencement of the CCAA proceedings, HCPH, with the assistance of the Monitor, among other things:

   i) conducted an extensive retiree audit survey process to update HCPH's records with respect to the OPEB and Pension Plans and provided the updated information to Mercer for its analysis;

   ii) conducted a claims process to identify creditor claims other than claims in respect of the OPEB and Pension Plans and continues to work towards resolving certain of the claims received in the claims process;

   iii) in consultation with Mercer and Representative Counsel continues to resolve specific issues related to individual retirees that have been identified;

   iv) sold HCPH's asset based commercial paper holdings;

   v) commenced the process to wind up five of the Pension Plans; and

   vi) in consultation with Representative Counsel is continuing to work towards determining an efficient process to develop long term alternatives with respect to the OPEBs.

24. Further, HCPH with the assistance of the Monitor and in consultation with Representative Counsel is working towards developing a CCAA plan to address its liabilities. The updated information obtained in the audit survey process authorized by this Honourable Court, and the analysis of that information by Mercer to value the various claims that will be dealt with in the CCAA plan, are essential in developing a CCAA plan.

STAY EXTENSION

25. The current Stay Period under the Initial Order expires on May 2, 2011. The Applicant is seeking an extension of the Stay Period to July 31, 2011 in order to permit HCPH the time to complete the wind up the Pension Plans, continue the process of analyzing long term alternatives with respect to addressing its liabilities and develop a CCAA plan.

26. 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 Honourable Court, and that the Applicant is acting in good faith and with due diligence.

RECOMMENDATIONS

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

    i) authorizing the Applicant to cease special payments and contributions to the Pension Plans with the exception of the Journal Plan, due as a result of the filing of wind up or other valuation reports and related relief;

    ii) extending the Stay Period to July 31, 2011; and

    iii) approving this Seventh 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 8th day of April, 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

APPENDIX A

Hollinger Canadian Publishing Holding Co
Cumulative Consolidated Receipts and Disbursements
For the Period December 13, 2010 to March 27, 2011
(In Thousands of Canadian Dollars)

	Actual	Projection	Variance	Note
OPENING BANK BALANCE (In $CDN)	**23,545**	**23,545**	**0**	
RECEIPTS				
MAV II ABCP Note Payments Received	-	-	-	
Interest Income	57	58	(1)	
Other	-	-	-	
Total Receipts	57	58	(1)	
DISBURSEMENTS				
Payroll	(90)	(85)	(5)	
Consultants	(186)	(225)	39	
Registered Pension Plan Contributions	(37)	(77)	40	
Unfunded Pension Plan Payments	(456)	(465)	10	
Post Employment and Post Retirement Benefits	(598)	(643)	45	
General & Administrative Costs	(56)	(57)	1	
Restructuring Costs	(1,144)	(808)	(336)	1
Total Disbursements	(2,567)	(2,361)	(206)	
NET CASH INFLOW/(OUTFLOW)	(2,510)	(2,303)	(207)	
CLOSING BANK BALANCE	**21,035**	**21,242**	**(207)**	
Indemnity Trust (Not available to HCPH)	(8,970)	(8,799)	(171)	2

Hollinger Canadian Publishing Holding Co. ("Applicant")
Combined Actual Receipts and Disbursements
For the Period December 13, 2010 to March 27, 2011
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 are converted to Canadian dollars at the exchange rate of US$1.00=CDN$1.027.

1. **Restructuring Costs** – The unfavourable variance is primarily due to a timing difference and higher than anticipated restructuring costs. The portion of the variance related to timing will reverse in the future.

2. **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 cannot 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 March 28, 2011 to July 31, 2011
(In Thousands of Canadian Dollars)

		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Week Ending	**Notes**	**3-Apr**	**10-Apr**	**17-Apr**	**24-Apr**	**1-May**	**8-May**	**15-May**	**22-May**	**29-May**	**5-Jun**	**12-Jun**	**19-Jun**	**26-Jun**	**3-Jul**	**10-Jul**	**17-Jul**	**24-Jul**	**31-Jul**	**Total**
Opening Bank Balance	1	21,035	20,458	20,439	20,357	20,290	19,880	19,861	19,815	19,795	19,682	19,356	19,291	19,270	19,139	18,978	18,706	18,686	18,593	21,035
Receipts																				
Interest Income	2	8	-	8	-	8	-	8	-	7	-	7	-	7	-	7	-	7	-	65
Total Receipts		8	-	8	-	8	-	8	-	7	-	7	-	7	-	7	-	7	-	65
Disbursements																				
Payroll	3	(5)	-	(5)	(10)	(5)	-	(5)	-	(15)	-	(5)	-	(15)	-	(5)	-	(15)	-	(87)
Consultants	4	(43)	-	(7)	-	(43)	-	(7)	-	(7)	(36)	(7)	-	(7)	(36)	(7)	-	(7)	(36)	(245)
Registered Pension Plan Contributions	5	(8)	-	-	-	(18)	-	-	-	-	-	-	-	(18)	(5)	-	-	-	-	(49)
Unfunded Pension Plan Payments	6	(156)	-	-	-	(156)	-	-	-	-	(156)	-	-	-	(156)	-	-	-	-	(623)
Post Employment and Post Retirement Benefits	7	(157)	1	(61)	-	(44)	1	(24)	-	(44)	20	(43)	-	(44)	20	(80)	-	(24)	-	(479)
General & Administrative Costs	8	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)	(66)
Restructuring Costs	9	(213)	(15)	(15)	(51)	(149)	(15)	(15)	(15)	(51)	(149)	(15)	(15)	(51)	21	(185)	(15)	(51)	21	(978)
Total Disbursements		(585)	(19)	(90)	(67)	(417)	(19)	(53)	(20)	(120)	(326)	(72)	(20)	(138)	(161)	(279)	(20)	(100)	(20)	(2,528)
Net Weekly Cash Flows		(577)	(19)	(82)	(67)	(409)	(19)	(45)	(20)	(113)	(326)	(65)	(20)	(131)	(161)	(272)	(20)	(93)	(20)	(2,463)
Closing Bank Balance		20,458	20,439	20,357	20,290	19,880	19,861	19,815	19,795	19,682	19,356	19,291	19,270	19,139	18,978	18,706	18,686	18,593	18,573	18,573

Indemnity Trust (not available to HCPH)	10	8,970

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 have relied upon unaudited financial information and the Applicant have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the contributions to the registered pension plans, the unfunded pension plans and the post retirement and post employment benefit plans. 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 at the commencement of the CCAA proceedings and includes funds held in Canadian dollars and U.S. dollars that were converted into Canadian dollars at US$ 1 = CDN$ 0.9714 exchange rate.

2) **Interest Income:**
   Interest income on available cash is earned at a projected rate of 1% 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 Sun Times Media Productions employee in Chicago.

4) **Consultants:**
   Consultants represent projected fees of HCPH's Chief Restructuring Officer, and costs to certain legal and other advisors.

5) **Registered Pension Plan Contributions:**
HCPH has certain registered pension plans for its former employees. Further details of such plans are presented in the affidavit of Thomas L. Kram filed in connection with the application for an initial order pursuant to the Companies' Creditors Arrangement Act (the "**Kram Affidavit**"). Pursuant to the Court Order of January 6, 2011, the Cash Flow Forecast included only special contribution payments to the registered pension plans, however, contributions to the Journal Publishing plan are projected based on the historical run rate.

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. The projected payments included in this Cash Flow Forecast are based on historical run rates.

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. The projected payments included in this Cash Flow Forecast are based on historical run rates for each of the benefit plans.

8) **General and Administrative Costs:**
General and Administrative costs represent projected costs for rent for HCPH's Toronto office, 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) **Indemnity Trust (not available to HCPH):**
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 cannot 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 cannot be determined.