Court File No. 07-CL-7120

**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 PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO HOLLINGER INC., 4322525 CANADA INC. AND SUGRA LIMITED**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

# THIRTY- FIRST REPORT OF THE MONITOR

**August 21, 2017**

1. On August 1, 2007, Hollinger Inc. ("**Hollinger**") and certain of its subsidiaries (collectively, the "**Applicants**") filed for and obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "***CCAA***") pursuant to the Order of this Court dated August 1, 2007 (the "**Initial Order**"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed as the monitor of the Applicants (the "**Monitor**") in these *CCAA* proceedings.

2. On June 30, 2015, the Court issued an Order extending the *CCAA* stay of proceedings until August 31, 2017 (the "**Stay Period**").

## PURPOSE

3. The purpose of this Thirty-First Report of the Monitor (the "**Thirty-First Report**") is to provide this Court with information concerning the following:

    (a) the Applicants' actual receipts and disbursements from June 20, 2015 through August 18, 2017 (the "**Reporting Period**");

(b) the Applicants' cash flow forecast for the period up to December 31, 2017 (the "**Cash Flow Forecast**");

(c) the Applicants' motion to obtain an order authorizing and directing a distribution to Catalyst Capital Fund I ( "**Catalyst**") to satisfy all of Catalyst's claims against the Applicants as well as Domgroup Ltd. and 10 Toronto Street Inc. (the "**Non-Applicants**");

(d) the Applicant's motion to authorize an order to release all remaining reserves pursuant to an Order of Distribution Motion and Stay Extension dated December 19, 2014 (the "**Distribution Order**");

(e) the Applicants' motion to extend the stay of proceedings to December 29, 2017; and

(f) the Monitor's observations and commentary related to these items.

**TERMS OF REFERENCE AND DISCLAIMER**

4. In preparing this Thirty-First Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, and discussions with management of the Applicants ("**Management**") (collectively, the "**Information**").

5. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

6. Future oriented financial information referred to in this Thirty-First 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, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

7. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian dollars.

8. Copies of this Thirty-First Report and other court material filed in connection with these *CCAA* proceedings may be obtained from the Monitor's website established in connection with these proceedings (www.ey.com/ca/hollinger) (the "**Monitor's Website**").

9. Capitalized terms not defined in this Thirty-First Report are as defined in previous reports of the Monitor.

## ACTUAL RECEIPTS AND DISBURSEMENTS OF THE APPLICANTS

10. A summary of the Applicants' actual receipts and disbursements during the Reporting Period as compared to the cash flow forecast set out in Appendix "B" to the Thirtieth Report of the Monitor dated June 26, 2015 (the "**Thirtieth Report**") is attached at Appendix "**A**" to this Thirty-First Report.

11. The Applicants' actual cash receipts for the Reporting Period were approximately $3.9 million, including settlement proceeds of approximately $3.5 million received from Lord Conrad Black during the Reporting Period. The actual cash receipts were $0.2 million higher than forecasted amount as a result of HST refunds and interest earned on the estate account.

12. The Applicants' actual disbursements for the Reporting Period were approximately $0.72 million, including $107,390.06 related to the legal fee multiplier (the "**Fee Multiplier**") in respect of the fee deferral arrangements with Thornton Grout Finnigan LLP and Paliare Roland Rosenberg Rothstein LLP. Further details with respect to the Fee Multiplier are included in the Twenty-Seventh Report of the Monitor. The actual cash disbursements were $0.1 million higher than the forecasted disbursements as a result of higher than expected general corporate and litigation fees and two creditor distributions made during the Period.

13. Of the total cash balance of approximately $3.9 million, $0.15 million with respect to the Catalyst Reserve (defined hereinafter) will be released subject to the Court approval. Any residual funds may be distributed at a future date provided it is cost effective and practical to do so.

**REVISED CASH FLOW FORECAST**

14. Attached as Appendix "**B**" to this Thirty-First Report is the Applicants' Cash Flow Forecast. The Cash Flow Forecast has been prepared by the Applicants, using the probable and hypothetical assumptions set out in notes to the Cash Flow Forecast (the "**Assumptions**") and is prepared on a monthly basis given the limited cash flow activity of the Applicants. The month of August 2017 represents only the period from August 19 to August 31, 2017.

15. The Applicants' Cash Flow Forecast projects that the Applicants will have total disbursements of $0.2 million during the forecast period. The Applicants' project disbursements, excluding distributions to creditors, include the proposed payment to Catalyst.

16. The Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to it by the management of the Applicants. The Monitor's procedures with respect to the Assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Monitor also reviewed the support provided by the Applicants for the Assumptions and the preparation and presentation of the Cash Flow Forecast.

17. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

    (a) the Assumptions are not consistent with the purpose of the Cash Flow Forecast;

    (b) as at the date of this Thirty-First Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the content of the Assumptions; or

(c) the Cash Flow Forecast does not reflect the Assumptions made by the Applicants.

18. The Cash Flow Forecast has been prepared solely for the purpose described in the Assumptions to the Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

19. Since the Cash Flow Forecast is based on the Assumptions regarding future events, actual results will vary from the information presented even if the Assumptions occur, and the variations may be material. Accordingly, the Monitor gives no assurance as to whether the Cash Flow Forecast will be achieved.

**MOTION IN RESPECT OF THE CATALYST CLAIMS AND THE RELEASE OF RESERVES**

20. Pursuant to the Multi-Party Settlement Agreement ("**MPSA"**) Order dated May 21, 2008, the Applicants have determined to settle and adjudicate all claims filed against the estate of the Applicants and the claims filed against the Non-Applicants.

21. With the assistance of the Justice John D. Ground, who was appointed as litigation trustee under the MPSA, the Applicants have monetized certain of the litigation assets and resolved certain claims.

22. Pursuant to the Distribution Order, the Court approved a scheme of distribution to the creditors of the Applicants and the Non-Applicants and certain reserves in respect of matters remaining unsettled at that time.

<u>Catalyst Reserve</u>

23. As reported in the previous reports of the Monitor, Catalyst filed a superpriority claim of approximately $2 million against the Hollinger estate which was denied by an Order of the Court on June 24, 2014. The Court of Appeal for Ontario declined to hear an appeal from this Order. The Applicants reserved $150,000 in respect of remaining unsecured claims asserted by Catalyst. The validity of the claims had not yet been determined and therefore a reserve was set up for this amount (the "**Catalyst Reserve**").

24. On or about July 8, 2015, the Monitor was informed that the Applicants and Catalyst agreed to settle their claims against each other, whereby Hollinger would pay Catalyst $25,000. As part of the settlement, the Applicants expected to receive a draft settlement agreement from Catalyst for finalizing and document the settlement agreement.

25. The Monitor understands that despite multiple attempts by the Applicants' counsel to obtain a response, Catalyst has failed to provide a draft settlement agreement.

26. The Applicants delivered a letter dated August 2, 2017, informing Catalyst that the Applicants would seek the Court's assistance in finalizing the settlement if a draft agreement was not delivered by Catalyst on or before August 11, 2017. The Applicants' counsel advised that it has not receive a draft agreement as of the date of this Thirty-First Report. Therefore, the Applicants are seeking the Court's authorization and direction to make a distribution to Catalyst and the release of the remaining Catalyst Reserve.

Argus Reserve

27. Argus Corporation Limited and a number of related companies filed claims against the Applicants and a number of Non-Applicants in respect of their costs of ongoing litigation commenced against Argus by Hollinger. The Applicants withheld $300,000 (the "**Argus Reserve**"). The Monitor understands the claims asserted against the Argus Reserve were settled and that the Argus Reserve is no longer required.

## EXTENSION OF THE STAY OF PROCEEDINGS

28. Absent a further extension, the current Stay Proceedings will expire on August 31, 2017.

29. The remaining items to finalize the administration of the Applicants' estates include:

a) resolving the Catalyst Claim in accordance with this Court's direction;

b) releasing the Catalyst Reserve and the Argus Reserve;

c) finalizing tax returns and seeking clearance certificates;

d) preparing for the conclusion of the Chapter 15 proceeding initially commenced in the State of Delaware;

e) making a final distribution; and

f) finalizing the estate of the Applicants and discharge of the Monitor.

30. The Applicants are seeking an extension of the stay of proceedings until December 29, 2017 to complete this limited number of tasks. During this time the Applicants, under the direction of the CRO, will continue their plans to wind up the non-Applicants, make a final distribution, and seek the finalization of the estate and discharge of the Monitor.

**CONCLUSIONS AND RECOMMENDATIONS**

31. Given the continuous efforts by the Applicants' counsel to finalize a settlement agreement with Catalyst, the Monitor supports the Applicants' relief seeking the court's direction to distribute funds to Catalyst and release the Catalyst Reserve.

32. The Monitor is of the view that the Applicants have acted, and continue to act, in good faith and with due diligence.

33. In light of the foregoing observations and in order to facilitate the completion of the administration of the estate, the Monitor recommends that the Stay Period be extended to December 29, 2017.

All of which is respectfully submitted this 21th day of August, 2017

**ERNST & YOUNG INC.**

In its capacity as Court-appointed
Monitor of Hollinger Inc. and certain of its affiliates

Per:

Brian Denega

Brian M. Denega
Senior Vice President

## Appendix "A"

## Actual receipts and disbursements

| | | | |
|---|---|---|---|
| **Hollinger Inc., 4322525 Canada Inc. and Sugra Limited (collectively, the " Applicants")** | | | |
| **Consolidated Cash Flow Variance Analysis compared to the Forecast in Thirtieth Report** | | | |
| ***For the Period from June 20, 2015 to August 18, 2017*** | | | |
| ***C $00s*** | | | |
| | **Actual** | **Forecast** | **Variance** |
| **Opening Cash** | **448** | **448** | **-** |
| Receipts | 3,793 | 3,576 | 217 |
| **Total Receipts** | 3,793 | 3,576 | 217 |
| | | | |
| General Corporate and Litigation Fees | (276) | (211) | (65) |
| CCAA Monitor Fees & Claim Officer Fees | (33) | (80) | 47 |
| Contractor Fees | (294) | (294) | 0 |
| Finance, Tax Administration and Financial Advisor Fees | (54) | (34) | (20) |
| Operating Costs related to Premises | - | 22 | (22) |
| Creditor Disbursements | (63) | - | (63) |
| **Total Disbursements** | (719) | (597) | (122) |
| | | | |
| **Net Cash Inflow/Outflow** | **3,074** | **2,979** | **95** |
| | | | |
| **Closing Cash Balances** | **3,522** | **3,427** | **95** |
| | | | |
| Release of Reserve | **300** | **-** | **300** |
| **Closing Cash Balance Adjusted by Reserve** | **3,822** | **3,427** | **395** |
| | | | |
| **Claim Reserves** | **150** | **450** | **(300)** |

## Appendix "B"

## Cash Flow Forecast

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Hollinger Inc., 4322525 Canada Inc. and Sugra Limited (collectively, the " Applicants")** | | | | | | | |
| **Consolidated Cash Flow Variance Analysis compared to the Forecast in Thirtieth Report** | | | | | | | |
| For the Period from August 19, 2017 to December 31, 2017 | | | | | | | |
| *C $00s* | | | | | | | |
| | **Aug-17** | **Sep-17** | **Oct-17** | **Nov-17** | **Dec-17** | **Total** | |
| **Opening Cash** | **3,972** | **3,916** | **3,880** | **3,844** | **3,808** | **3,972** | 1 |
| Receipts | - | - | - | - | - | - | |
| **Total Receipts** | - | - | - | - | - | - | |
| | | | | | | | |
| General Corporate and Litigation Fees | (5) | (5) | (5) | (5) | (5) | (25) | 2 |
| CCAA Monitor Fees & Claim Officer Fees | (40) | (20) | (20) | (20) | (20) | (120) | 3 |
| Contractor Fees | (11) | (11) | (11) | (11) | (11) | (55) | 4 |
| Creditor Disbursements | - | - | - | - | - | - | 5 |
| **Total Disbursements** | **(56)** | **(36)** | **(36)** | **(36)** | **(36)** | **(200)** | |
| | | | | | | | |
| **Net Cash Flow** | **(56)** | **(36)** | **(36)** | **(36)** | **(36)** | **(200)** | |
| | | | | | | | |
| **Closing Bank Balance** | **3,916** | **3,880** | **3,844** | **3,808** | **3,772** | **3,772** | |
| | | | | | | | |
| **Claim Reserves** | **450** | **450** | **450** | **450** | **450** | **450** | 6 |

### Notes and Assumptions for the period from August 19, 2017 to December 31, 2017

These cash flow projections include projections for Hollinger Inc, 4322525 Canada Inc. and Sugra Limited, (collectively the "Applicants").

These projections are based on information from the Applicants which has not been audited, reviewed or otherwise verified. This is not a projection as outlined in the *Chartered Professional Accountants Canada Handbook*. The actual timing and amount of the cash flows may fluctuate from the estimates shown herein and these fluctuations may be material.

1. The Opening Cash Balance is shown in thousands of Canadian dollars.
2. General corporate and litigation legal fees represent estimated fees on account of general corporate and litigation services.
3. CCAA Monitor & Counsel Fees reflect each of the estimated fees of the Monitor and its counsel associated with the CCAA process.
4. Contractor Fees represent fees payable to the Chief Restructuring Officer pursuant to the Multi-Party Settlement Agreement, as amended by Order of the Court.
5. Although not currently forecast, it is anticipated that interim distributions will be made as appropriate.
6. Amounts reserved for disputed claims will be released subject to the Court's approval.