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- SECOND REPORT OF THE MONITOR

December 20, 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 August 22, 2017, the Court issued an Order extending the *CCAA* stay of proceedings until December 31, 2017 (the "**Stay Period**").

PURPOSE

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

   (a) the Applicants' actual receipts and disbursements from August 19, 2017 through November 30, 2017 (the "**Reporting Period**");

   (b) the Applicants' cash flow forecast for the period up to March 31, 2018 (the "**Cash Flow Forecast**");

(c) a summary of the proposed final distribution from the Applicants' estates and the ultimate flow of funds;

(d) the Applicants' motion to extend the stay of proceedings to March 30, 2018; and

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

TERMS OF REFERENCE AND DISCLAIMER

4. In preparing this Thirty-Second 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-Second 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-Second 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-Second 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-Second Report.

11. As further set out in Appendix **"A"**, the Applicants' cash balance is approximately $3.86 million, which is $0.05 million higher than the forecasted balance disclosed in the Thirtieth Report. The favourable variance of approximately $0.05 million is mainly due to the timing differences in CCAA Monitor Fees.

CASH FLOW FORECAST

12. Attached as Appendix "**B**" to this Thirty-Second 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.

13. The Applicants' Cash Flow Forecast projects that the Applicants will have total disbursements of approximately $0.10 million which includes the payment to Catalyst outlined below, excluding the proposed distributions to their creditors.

14. 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.

15. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in any material respect, that:

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

(b) as at the date of this Thirty-Second 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.

16. 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.

17. 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.

THE PROPOSED DISTRIBUTION

18. As set out in the affidavit of William Aziz dated December 15, 2017 (the "**Aziz Affidavit**"), the Applicants are currently seeking to make their final distributions to their creditors.

19. The assets and liabilities of each Applicant as at November 30, 2017 are set out below:

	Applicants		
	Hollinger	**432**	**Sugra**
Cash on Hand as at November 30, 2017	3,856	-	-
Post-filing Payments	41	-	-
Costs to wind up the estate	40	-	-
Catalyst Settlement	25		
Assets to distribute	3,749		
Recoveries via distribution	-	1,224	-
Total available for creditors	3,749	1,224	-
Value of unsecured creditors	524,632	365,617	-
Recovery Rate	**0.71%**	**0.33%**	**0.00%**

20. The Monitor has been advised that the Applicants have been paying for post-filing services as they become due. As such, the only liabilities (i.e. of approximately $0.08 million) are the professional fees accrued but not paid ($0.04 million), plus costs necessary to wind-up the estates after a final distribution of funds to creditors ($0.04 million).

21. As described in previous reports of the Monitor, Catalyst Capital Fund I (**"Catalyst")** filed a super-priority claim of approximately $2 million against the Hollinger estate, the priority of which was denied by an Order of the Court on June 24, 2014 (the "**Catalyst Claim**"). The Court of Appeal for Ontario declined to hear an appeal from this Order. The Applicants reserved $0.15 million in respect of a remaining unsecured claim asserted by Catalyst (the "**Catalyst Reserve**"). The

Applicants and Catalyst agreed to settle the Catalyst Claim for a distribution of $0.025 million to Catalyst which was approved by the Court on August 22, 2017. The Monitor understands that the Applicants will make this payment to Catalyst on or about December 31, 2017.

Hollinger

22. As described above, Hollinger is expecting to incur total disbursements of $0.10 million, including the costs to wind up the estates of the Applicants and the Catalyst Settlement.

23. The Applicants are proposing to make a final distribution to their creditors of approximately $3.75 million from Hollinger, being the amount currently on-hand and available for distribution, net of certain payments to be made.

24. Unsecured liabilities of Hollinger are forecasted to be approximately $524.63 million. This includes those liabilities identified in Hollinger's Court-approved claims process and claims of noteholders. Pursuant to the Multi-Party Settlement Agreement dated May 14, 2008 (the "**MPSA**"), which was approved by this Court by Order dated May 26, 2008, the claims of the noteholders have continued to accrue interest post-filing and the recovery on such noteholder claims reflects such increases.

25. Creditors will be paid amounts due to them on a *pro rata* basis. Hollinger expects that the ultimate recovery to creditors will be approximately 0.71%.

432

26. As set out in the table above, 432 does not have any material assets and the only distributable assets will come from the proceeds from the distribution from Hollinger. Pursuant to the MPSA, only 50% of the claim made by 432 against Hollinger, subject to other priority payments, is to be taken into consideration for distribution purpose. The Monitor understands that all priority payments were made by the Applicants. As a result, 432 is expected to receive $1.22 million from Hollinger.

27. Expected unsecured liabilities of 432 are forecasted to be approximately $365.62 million. Creditors will be paid amounts due to them on a *pro rata* basis. 432 expects that the ultimate recovery to creditors will be approximately 0.33%.

Sugra

28. The Monitor understands that Sugra has neither material assets nor any proceeds from the proposed distribution from Hollinger.

EXTENSION OF THE STAY OF PROCEEDINGS

29. Absent a further extension, the current Stay Proceedings will expire on December 29, 2017.

30. The Applicants are seeking an extension of the stay of proceedings until March 30, 2018 to finalize the estates of the Applicants. During this time, it is anticipated that the Applicants, under the direction of the CRO, will make the final distribution, file assignments in bankruptcy in respect of each of the Applicants and seek the discharge of the Monitor.

CONCLUSIONS AND RECOMMENDATIONS

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

32. 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 March 30, 2018.

All of which is respectfully submitted this 20th day of December, 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 Thirty-First Report
For the Period from August 19, 2017 to November 30, 2017
C $0000s

	Actual	Forecast	Variance
Opening Cash	**3,972**	**3,972**	**-**
Receipts	8	-	8
Total Receipts	**8**	**-**	**8**
General Corporate and Litigation Fees	(52)	(20)	(32)
CCAA Monitor Fees	(31)	(100)	69
Contractor Fees	(41)	(44)	3
Creditor Disbursements		-	-
Total Disbursements	**(124)**	**(164)**	**40**
Net Cash Inflow/Outflow	**(116)**	**(164)**	**48**
Closing Cash Balances	**3,856**	**3,808**	**48**

Appendix "B"

Cash Flow Forecast

Hollinger Inc., 4322525 Canada Inc. and Sugra Limited (collectively, the "Applicants")
Monthly Cash Flow Forecast
For the Period from December 1, 2017 to March 31, 2018
C $0000s

	Notes	Dec-17	Jan-18	Feb-18	Mar-18	Total
Opening Cash	**2**	**3,856**	**3,789**	**3,774**	**3,759**	**3,856**
Receipts	**3**	-	-	-	-	-
Total Receipts		-	-	-	-	-
General Corporate and Litigation Fees	**4**	(31)	(10)	(10)	-	(51)
CCAA Monitor Fees	**5**	-	(5)	(5)	(10)	(20)
Contractor Fees	**6**	(11)	-	-	-	(11)
Creditor Disbursements	**7**	(25)	-	-	-	(25)
Total Disbursements		**(67)**	**(15)**	**(15)**	**(10)**	**(107)**
Net Cash Flow		(67)	(15)	(15)	(10)	(107)
Closing Bank Balance		**3,789**	**3,774**	**3,759**	**3,749**	**3,749**

Notes and Assumptions for the period from December 1, 2017 to March 30, 2018

1. 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.

2. The Opening Cash Balance is shown in thousands of Canadian dollars.

3. The Applicants do not expect any cash receipts during the forecast period.

4. General Corporate and Litigation Fees represent estimated fees on account of general corporate and litigation services.

5. CCAA Monitor Fees reflect each of the estimated fees of the Monitor and its counsel associated with the CCAA process.

6. Contractor Fees represent fees payable to the Chief Restructuring Officer pursuant to the Multi-Party Settlement Agreement, as amended by Order of the Court.

7. The Applicants expect to pay the Catalyst Settlement on or about December 31, 2017.