COURT FILE NO.: 07-CL-7120
DATE: 20070802

SUPERIOR COURT OF JUSTICE - ONTARIO
(Commercial List)

RE: 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 INC., 4322525 CANADA INC. AND SUGRA LIMITED (Applicants)

BEFORE: Morawetz J.

COUNSEL: *Robert Thornton and D.J. Miller*, for Applicants Hollinger Inc. et al

Kevin Zych, for Sun-Times Media Group Inc.

Alex MacFarlane, for RSM Richter, Receiver of Ravelston Corporation Limited

Graham Smith, for Davidson Kempner Partners

Monique Jilesen, for Ernst & Young Inc., Proposed Monitor

HEARD: August 1, 2007

ENDORSEMENT

[1] On August 1, 2007, I granted CCAA protection to the Applicants with brief reasons to follow. These are those reasons.

[2] The Applicants, Hollinger Inc., 4322525 Canada Inc. ("432") and Sugra Limited (the "Applicants") moved on very short notice for CCAA protection. The application was precipitated by concerns that the Noteholders could be in a position to take steps to enforce the Security pledged in favour of the Noteholders pursuant to Indentures and Security issued by Hollinger Inc. in 2003 and 2004.

[3] The Applicants contend that if the Security was enforced, such enforcement could have a material adverse impact on the Applicants' principal asset, namely its controlling interest in Sun-Times Media Group, Inc., formerly Hollinger International Inc. ("STMG").

[4] The Applicants seek protection under the CCAA in order to:

(i) preserve the status quo, thereby preventing the Noteholders, and in particular Davidson Kempner Partners ("DK"), a holder of a significant percentage of the Notes, from taking steps that would significantly impair the Applicants' rights and interests;

(ii) allow a strategic process to be undertaken as it relates to each of STMG and the Applicants;

(iii) stay any action from being taken against the Applicants or their assets, including under the Security.

[5] The Applicants contend that a global settlement may still be reached with STMG and if such a settlement is reached, it will be brought before this Court for approval. They further contend that any action that seeks to undermine the Applicants' ability to maximize the value of their shareholdings in STMG, would have an irreparable and material adverse effect on the Applicants and their stakeholders.

[6] The record establishes that the Applicants qualify for protection under the CCAA. Hollinger Inc. is insolvent and the Notes are in default. Sugra is a wholly owned subsidiary of Hollinger and is a covenantor under the Indentures. 432 is a wholly owned subsidiary of Sugra and has guaranteed Hollinger's obligations under the Indentures and has granted security over certain of its assets, including its shares of STMG, in support of these obligations pursuant to the Security. The threshold requirements of section 3 of the CCAA have been met.

[7] The record also establishes that each of the Applicants is a Canadian company having a substantial connection to Ontario, and having its Centre of Main Interest ("COMI") in Ontario. As such, the jurisdiction of this Court to receive the CCAA application in accordance with the provisions of section 9 has been established.

[8] The Applicants seek an initial order under the provisions of section 11 of the CCAA. The required statement of projected cash flow and other financial documents required under subsection 11(2) have been filed.

[9] The request for a stay was not opposed by the other parties appearing in Court. That is not to say that these parties consented to the relief being sought by the Applicants. Rather, these parties specifically reserved their rights in all respects.

[10] The Applicants also brought to the Court's attention that, as the share certificates, representing the Class B shares of STMG owned by Hollinger and 432, are located in Delaware, they will be seeking recognition of these Ontario proceedings by a U.S. Court. The Applicants' COMI is Ontario and accordingly the Applicants indicated they intend to immediately commence auxiliary proceedings under Chapter 15 of the *U.S. Bankruptcy Code* pursuant to which they will seek to have the CCAA proceedings and this Court's order recognized and enforced in the United States as a foreign main proceeding under applicable law.

[11] The Applicants propose that Ernst & Young Inc. be appointed Monitor in this proceeding. Ernst & Young Inc. is the Inspector in the ongoing proceedings under the CBCA and to the extent that the appointment of Ernst & Young Inc. as Monitor creates any complication, this can be the subject of a comeback hearing.

[12] A stay shall be in effect until and including August 30, 2007.

[13] The order contains a comeback clause. Given the very short notice that was provided on the return of this application, the onus remains on the Applicant to establish that the relief being granted in this initial hearing is appropriate.

[14] The Court Order giving effect to the foregoing was signed August 1, 2007.

Morawetz J.

Released: August 2, 2007