Court File No. 07-CL-7120

DATE: October 12, 2007

TO: Service List

FROM: Ernst & Young Inc., Monitor of Hollinger Inc., Sugra Limited and 4322525 Canada Inc. (the "Applicants")

CC: Bill Aziz, Hollinger Inc.

RE: **Applicants' Information**

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## BACKGROUND

1. On August 1, 2007, 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 the Ontario Superior Court of Justice 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.

## PURPOSE

2. The purpose of this communication from the Monitor (the "Sixth Communication") is to provide a weekly information update to all stakeholders, including:

   (a) The Applicants' weekly variance report for the week ended October 5, attached as Schedule 1; and

   (b) The Applicants' weekly reporting of all outstanding legal accounts receivable and work in process for the week ended October 5, 2007, attached as Schedule 2.

## TERMS OF REFERENCE

3. Capitalized terms not defined in this Sixth Communication are as defined in the Initial Order. All references to dollars are in Canadian currency unless otherwise noted.

4. In preparing this Sixth Communication, the Monitor has relied upon unaudited financial information and records of the Applicants and certain of their affiliates and discussions

with management of the Applicants. The Monitor has not performed an audit or other verification of such information.

5. The Monitor does not assume any responsibility or liability for losses incurred by the reader or any other party as a result of the circulation, publication, reproduction or use of this Sixth Communication.

## INTER-COMPANY RECEIPTS

6. As previously reported, the Applicants indicated that 10 Toronto has committed to repay on an "as needed" basis up to \$7.5 million of inter-company amounts owed to Hollinger. The total inter-company repayments since filing from 10 Toronto up to October 5, 2007 total \$4.8 million. The projected inter-company repayments to February 1, 2008 combined with the actual inter-company repayments up to October 5, 2007 total approximately \$7.8 million. The Applicants have indicated that as a result of the October 1, 2007 Court Order approving the 10 Toronto pension settlement and the release of funds held in escrow, 10 Toronto is prepared to commit to repay an additional \$0.3 million of inter-company amounts owing on an "as needed" basis.

## DISCUSSIONS AMOUNG THE PARTIES

7. On September 26, 2007, the Applicants obtained an extension of the Stay Period until October 12, 2007. Counsel reported again to Justice Campbell at 9:30 a.m. on Wednesday, October 10, 2007 as to the continuing status of those discussions. As a result of the meeting the Stay Period has been extended to Wednesday, October 17, 2007 and counsel will be attending at 9:30 a.m. on October 15, 2007 before Justice Campbell to report on status and to address the argument of any remaining contentious issues.

**Hollinger Inc., 4322525 Canada Inc. and Sugra Limited (collectively the "Applicants")**
**Consolidated Weekly Cash Flow Variance Analysis compared to the September 15, 2007 Cash Flow Projection**

| *C$ 000s* | Projected Results for the Week Ended Friday 05-Oct | Actual Results for the Week Ended Friday 05-Oct | Variance | Notes |
|---|---|---|---|---|
| **Opening Cash, ex. Funds in Trust** | **3,856** | **5,923** | 2,067 | |
| **Receipts** | | | | |
| Dividends | - | - | - | |
| Interest income | 10 | - | (10) | |
| Other | - | 18 | 18 | |
| Intercompany Accounts Receivable (Payable) | - | (1,682) | (1,682) | 1 |
| **Total receipts** | **10** | **(1,664)** | **(1,674)** | |
| **Disbursements** | | | | |
| Payroll & Benefits | (4) | (40) | (36) | |
| Directors Fees and Insurance | - | - | - | |
| Legal Fees (including retainers) | (817) | (90) | 726 | 2 |
| Chapter 15 Legal Fees (US) | (19) | (5) | 14 | |
| CCAA Legal Fees (Canada) | (146) | (7) | 139 | 2 |
| CCAA Monitor Fees | (40) | (17) | 23 | |
| Contractor Fees | (127) | (122) | 5 | |
| Advisors | (76) | (22) | 53 | |
| Litigation Trust | (63) | - | 63 | |
| Monitor re Claims Process | (55) | - | 55 | |
| Monitor Counsel re Claims Process | (30) | - | 30 | |
| Interest on Senior Secured Notes | - | - | - | |
| Operating Costs related to building | (10) | (7) | 3 | |
| Taxes | - | - | - | |
| Other | (1) | (84) | (83) | 3 |
| **Total Disbursements** | **(1,386)** | **(394)** | **992** | |
| **Change in cash** | **(1,375)** | **(2,058)** | **(683)** | |
| **Closing cash, ex. Funds in Trusts** | **2,480** | **3,864** | **1,384** | |

1) The intercompany payable represents a repayment by Holcay of the total inter-company accounts payable due to Domgroup of $1.7 million from the sale proceeds held in trust, which is included in the Applicants' opening cash balance. The Company intends to make a $1.7 million payment from Domgroup to Hollinger to partially settle the inter-company accounts payable balance owing from Domgroup to Hollinger. The timing difference is expected to reverse by the end of October.

2) Actual disbursements for legal fees and CCAA legal costs were lower than projected as a result of the payments of the pre-filing legal costs which were projected to be paid in the current week that were actual paid by the Company last week.

3) Other disbursements include approximately $0.08 million relating to a foreign exchange adjustment on cash in the bank as a result of the appreciation of Canadian Dollar relative to the US dollar during the week.

**Summary of Legal Accruals**
**As At October 5, 2007**
**CDN $**

| | Pre Filing | Post Filing | Outstanding Invoices | Estimated WIP from August 1 to October 5, 2007 | Total Revised "Bubble" at October 5, 2007 | Total Revised "Bubble" as of October 5, 2007 **(excluding pre filing amounts)** | Total Revised "Bubble" as of September 28, 2007 **(excluding pre filing amounts)** | Increase in (Decrease) "Bubble" **(excluding pre filing amounts)** |
|---|---|---|---|---|---|---|---|---|
| **Legal Fees** | 56,270 | 117,532 | 173,802 | 52,403 | 226,205 | 169,935 | 198,612 | (28,676) |
| **CCAA Legal Fees** | - | 29,919 | 29,919 | 169,907 | 199,826 | 199,826 | 137,919 | 61,907 |
| **Ch 15 Legal Fees** | - | - | - | 61,978 | 61,978 | 61,978 | 57,794 | 4,184 |
| **Overall Total** | **56,270** | **147,451** | **203,721** | **284,288** | **488,010** | **431,740** | **394,325** | **37,415** |

**F/X** 1.00

*Note that the Applicants did make approximately $0.1 million of payments in respect of legal fees during the week ended October 5, 2007; therefore, the increase in the bubble represents the legal fees incurred during the week less payments, subject to additional information that may be received by the Applicants from their counsel.*

Reconciliation for the week ended October 5, 2007

| | |
|---|---|
| Reverse Opening Balance (as of September 28, 2007) including pre-filing amounts | (450,595) |
| Cash Distributions on account of legal fees for the week ended October 5, 2007 | 101,847 |
| Reduction (increase) in contingency | (3,401) |
| Add Closing Balance (as of October 5, 2007) including pre-filing amounts | 488,010 |
| Approximate Legal Fees incurred during the week ended October 5, 2007 | 135,860 |